



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday 08 January 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Jan 07:
 - ISM non manufacturing index (Dec)
 - US/China trade talks (7-8 Jan)
- Jan 08: Trade balance (Nov)
- Jan 09: FOMC minutes (19 Dec meeting)
- Jan 10:
 - Initial jobless claims (05/01)
 - Fed Chair speaks to Economic Club of Washington D.C.
- Jan 11: CPI (Dec)
- Jan 08 - 11:
 - New home sales (Nov)
 - Factory orders (Nov)
 - Durable goods orders (Nov, final)

EUROZONE

- Jan 07: German industrial orders (Nov.)
- Jan 08: Consumer confidence (Dec)
- Jan 09: Unemployment rate (Nov)
- Jan 10: ECB Accounts (14 Dec meeting)

UK

Jan 09: Parliament starts debating on Brexit deal

GREECE

- Jan 09: Industrial production (Nov)
- Jan 10: Unemployment rate (Nov)
- Jan 11: CPI (Dec)

SEE

BULGARIA

- Jan 10:
 - Industrial production (Nov)
 - Retail sales (Nov)

ROMANIA

- Jan 08: KPR Meeting
- Jan 09:
 - Unemployment rate (Nov)
 - Trade balance (Nov)
- Jan 11: GDP (Q3 final)

SERBIA

- Jan 10: KPR Meeting
- Jan 11: CPI (Dec)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Wall Street rallied overnight on Friday's strong US employment report and dovish remarks by Fed Chairman Jerome Powell. European equity indices followed suit and opened higher on Tuesday with tech shares outperforming the market, as optimistic comments on China-US trade dispute lifted investors' risk appetite. US Commerce Secretary Wilbur Ross expressed his optimism citing that there is a "very good chance" that a "reasonable" agreement would be reached, but also highlighted that "the real issue is what are the enforcement mechanisms". Mirroring the positive tone in equity markets, Treasuries and Bunds declined with the 10yr Treasury yield rising to a week-high of 2.71% and the 10yr Bund yield increasing to almost a two-week high of 0.25% in early European trade. Looking at the day's calendar, the final December consumer confidence release for the Euro Area is expected to lure investors' attention, while the US NFIB small business optimism reading for December is also due later in the day. Last but not least, US-China trade talks should continue taking centre stage, while the World Bank is expected to publish its updated global growth forecasts.

GREECE: The Greek government is in the process of revising the minimum wage and press reports suggest that the competent committee has proposed to the Ministry of Labour an increase in the order of 5%-10%, however, this proposal is not binding and the final decision will be made in consultation with the PM and the cabinet. The government is also planning to abolish the sub-minimum wage for workers under 25 years of age.

SOUTH EASTERN EUROPE

CYPRUS: Total bank deposits decreased by €272.7mn in November, reaching €47.5bn.

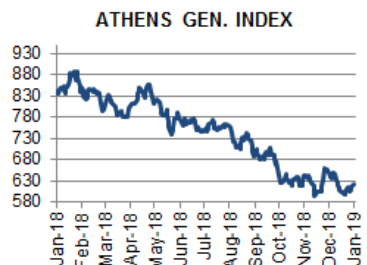
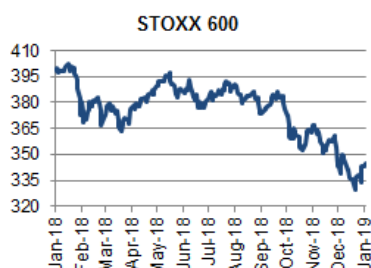
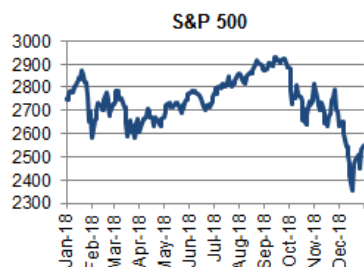
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Tuesday 08 January 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street rallied overnight on Friday's strong US employment report and dovish remarks by Fed Chairman Jerome Powell. European equity indices followed suit and opened higher on Tuesday with tech shares outperforming the market, as optimistic comments on China-US trade dispute lifted investors' risk appetite. US Commerce Secretary Wilbur Ross expressed his optimism citing that there is a "very good chance" that a "reasonable" agreement would be reached, but also highlighted that "the real issue is what are the enforcement mechanisms, what are the punishments if people don't do what they were supposed to do?". Meanwhile, Chinese Vice Premier Liu He eventually attended the US-China trade discussions yesterday and this was considered by the markets as a rather good sign, given that only mid-ranking executives were previously expected to be present. At the time of writing, most Asian markets are trading mixed as the US-China trade negotiations are still ongoing and investors are waiting for hints of progress in the US and China dispute. Mirroring the positive tone in equity markets, Treasuries and Bunds declined with the 10yr Treasury yield rising to a week-high of 2.71% and the 10yr Bund yield increasing to almost a two-week high of 0.25% in early European trade. As far as economic data releases are concerned, US ISM non-manufacturing for December surprised to the downside at 57.6 points from 60.7 in November (vs. 58.5 expected), with the associated report noting increasing worries about trade war. In Europe, German industrial production plunged -4.7%YoY in November from +1.6%YoY in October, its lowest level since December 2009, while the Euro area Sentix indicator softened to a four-year low of -1.5 in January from -0.3 in December. In other news, Fed member Raphael Bostic trimmed his fed funds rate outlook for 2019 to a single hike, although highlighting the possibility for more or fewer hikes depending on the trade policy as well as economic developments. Looking at the day's calendar, the final December consumer confidence release for the Euro Area is expected to lure investors' attention, while the US NFIB small business optimism reading for December is also due later in the day. Last but not least, US-China trade talks should continue taking centre stage, while the World Bank is expected to publish its updated global growth forecasts.

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GREECE

The Greek government is in the process of revising the minimum wage. According to Law 4172/2013 the procedure should start in February each year and be concluded in June of the same year, however, in consultation with European institutions the procedure has been advanced for 2019. Press reports suggest that the competent committee has proposed to the Ministry of Labour an increase in the order of 5%-10%. Nevertheless, this proposal is not binding and the final decision will be made in consultation with the PM and the cabinet. The government is also planning to abolish the sub-minimum wage for workers under 25 years of age. The matter is also expected to be discussed with the institutions during their next scheduled visit to Athens on 21 January. It is noted that according to the November 2018 enhanced surveillance report, the minimum wage in Greece stands at EUR683.76 per month, similar to that in other euro-area Member States.

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Tuesday 08 January 2019

Latest economic & market developments in the CESEE region

BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

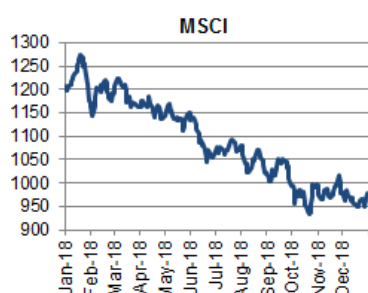
* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	Ba2	BBB-	BB+

CYPRUS

From a flow point of view, total deposits recorded a net decrease of €272.7mn in November, up from a net increase of €299.7mn in October on top of a net decrease of €230.4mn in September against a net decrease of 176.3mn in August on top of a substantial net increase of 796.4mn in July and a net substantial decrease of €745.2mn in June. The annual rate of expansion in deposits - which has been in positive territory since October 2015 with the exception of only one month in March 2018 - stood at 3.4% YoY in November down from 3.8% YoY in October - September and 3.9% YoY in August vs. 4.5% YoY in July up from 3.9% YoY in June, 3.1% YoY in December 2017, compared to 6.2% YoY in December 2016 and only 0.2% YoY in December 2015. Total deposits reached €47.5bn in November compared to €47.8bn in October up from €47.4bn in September against €51.1bn in August marginally up from €50.9bn in July compared to €50.2bn in June, compared to €49.0bn in December 2016 and €45.97bn in December 2015.

Total loans in October exhibited a small net increase of €40.2mn in November compared to a substantial net decrease of €976.5mn in October on top of a net decrease of €5.2mn in September, a net decrease of €187.2mn in August, and a net decrease of €74.7mn in July compared to a net increase of €305.2mn in June. The annual rate of loans contraction remained flat at -2.8% YoY in November vs. October, up from -0.6% YoY in September, -0.8% YoY in August, -0.6% YoY in July vs -1.1% YoY in June, compared to -1.7% YoY in December 2017 and -10.7% YoY in December 2016. The outstanding amount of loans reached €39.9bn in November, virtually unchanged from October, up from €39.6bn in September, €45.9bn in August compared to €46.2bn in July down from €46.7bn in June vs. €51.4bn in December 2017 and €55.3bn in December 2016.

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GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	2549.69	0.7%	1.7%	EUR/USD	1.1448	-0.2%	-0.2%	UST - 10yr	2.70	0	1	GOLD	1283	-0.5%	0.1%
Nikkei 225	20204.04	0.8%	0.9%	GBP/USD	1.2765	-0.1%	0.0%	Bund-10yr	0.24	2	-1	BRENT CRUDE	58	0.3%	6.9%
STOXX 600	345.01	0.6%	2.2%	USD/JPY	108.94	-0.2%	0.7%	JGB - 10yr	0.01	2	1	LMEX	2812	0.5%	0.4%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.44	0	0
1-week	2.57	0	1
1-month	2.74	0	1
3-month	3.05	0	2
6-month	3.20	0	2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.04	2	-2
5Y RSD	3.50	0	0
7Y RSD	4.15	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.82	1	-18

CDS

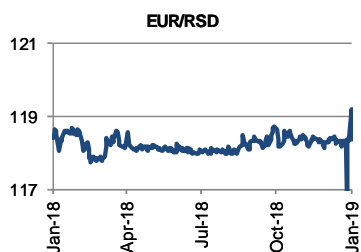
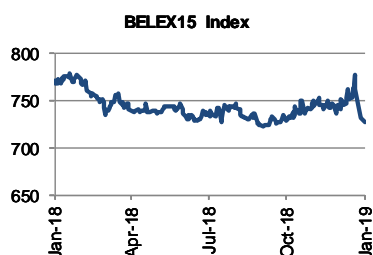
	Last	ΔDbps	ΔYTD bps
5-year	114	-2	-3
10-year	161	-2	-2

STOCKS

	Last	ΔD	ΔYTD
BELEX15	727.7	-0.57%	-4.47%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.92	0.16%	-0.57%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.29	0	120
1-month	2.64	0	77
3-month	2.94	0	89
6-month	3.28	0	101
12-month	3.46	0	114

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.02	0	-2
5Y RON	4.20	0	-15
10Y RON	4.56	0	-25

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.54	0	0
USD Jan-24	4.10	0	-13

CDS

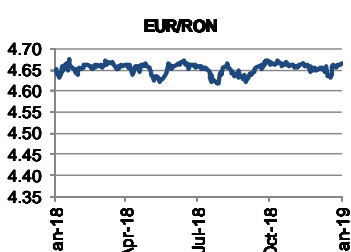
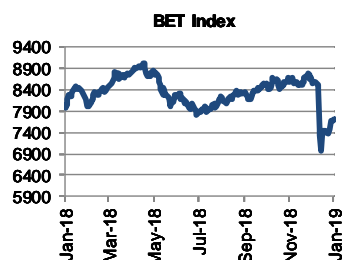
	Last	ΔDbps	ΔYTD bps
5-year	108	0	18
10-year	150	-1	17

STOCKS

	Last	ΔD	ΔYTD
BET	7692.7	0.13%	4.18%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6645	-0.04%	-0.22%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	8	3
3-month	-0.14	9	4
6-month	-0.02	10	3
12-month	0.36	14	4

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.13	-3	-8
5Y BGN	0.09	2	-2
10Y BGN	0.75	0	0

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	0	-1
EUR Sep-24	0.43	1	-6

CDS

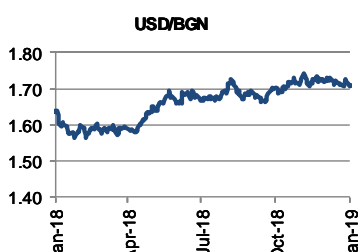
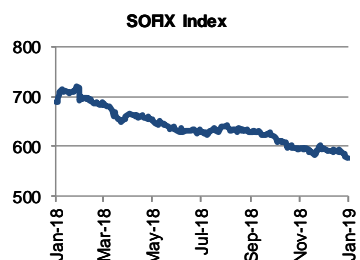
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	126	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	575.4	-0.31%	-3.21%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7085	-0.23%	-0.18%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 10:35 EEST

Tuesday 08 January 2019

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