

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: Mirroring the positive tone in Wall Street overnight, most global equity indices traded in the black on Wednesday on growing optimism for progress in the ongoing US-China trade negotiations after President Trump's comments that "talks with China are going very well". Positive risk sentiment led to a further decline in Treasuries, with the 10yr respective yield rising to a six-session high of 2.74%, well above its one-year low of 2.54% hit following the release of the weaker than expected US ISM manufacturing report on Thursday. In FX markets, commodity-related currencies such as the Australian and the Canadian dollar were boosted by a rise in oil prices, while the DXY dollar index was trading around 95.760 in early European trade, within distance from an 11-week low of 95.638 hit on Monday.

GREECE: The Greek Finance Minister Euclid Tsakalotos stated in an interview yesterday that the Greek government is in a waiting mode regarding the issuance of new government bonds until the conditions are right and reiterated that Greece is equipped with a significant cash buffer (EUR26.5 billion in September 2018 according to the Public Debt Management Agency). He also expressed optimism that the 2nd enhanced surveillance review will be positive and will allow for the return of the first installment of the SMP and ANFA profits of EUR600 million.

SOUTH EASTERN EUROPE

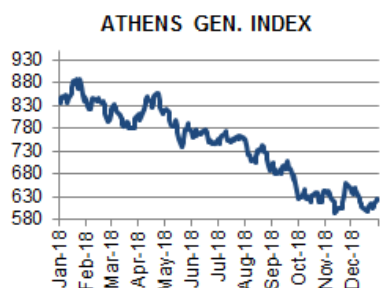
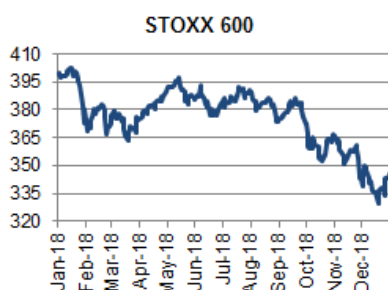
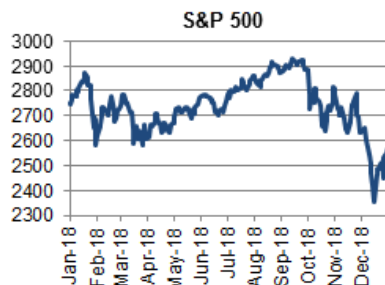
ROMANIA: The National Bank of Romania (NBR) maintained the key policy rate (KPR) unchanged at 2.5% and the minimum reserve requirements (MRR's) for both FX and RON denominated liabilities at 8% yesterday.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Mirroring the positive tone in Wall Street overnight, most global equity indices traded in the black on Wednesday on growing optimism for progress in the ongoing US-China trade negotiations after President Trump's comments that "talks with China are going very well". The CBOE Volatility Index declined to a month low of 20.09 in late Asian trade from an 11-month high of 36.20 hit two weeks ago, while Asian shares climbed to a 3 ½-week high. Risk-on sentiment was also helped by news that Beijing is planning to introduce policies in 2019 to support domestic spending on items such as autos and home appliances, while China's Finance Ministry is reportedly set to propose a small budget expansion to a fiscal deficit target of 2.8% of GDP in 2019 from a deficit target of 2.6% in 2018. Positive risk sentiment led to a further decline in Treasuries, with the 10yr respective yield rising to a six-session high of 2.74%, well above its one-year low of 2.54% hit following the release of the weaker than expected US ISM manufacturing report on Thursday. In FX markets, commodity-related currencies such as the Australian and the Canadian dollar were boosted by a rise in oil prices, while the DXY dollar index was trading around 95.760 in early European trade, within distance from an 11-week low of 95.638 hit on Monday. Meanwhile, the EUR/USD recovered part of yesterday's losses trading around 1.1465 at the time of writing, after a huge loss in the previous session on mounting concerns about a slowdown in the euro area following a steeper-than-expected decline in German industrial production. Looking at today's calendar, the release of the minutes of the December FOMC meeting will be closely watched, coupled with the Brexit debate that is set to resume in the British parliament. The British parliament vote on Prime Minister Theresa May's Brexit agreement appears now to be confirmed for January 15th.

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GREECE

The Greek Finance Minister Euclid Tsakalotos stated in an interview yesterday that the Greek government is in a waiting mode regarding the issuance of new government bonds until the conditions are right and reiterated that Greece is equipped with a significant cash buffer (EUR26.5 billion in September 2018 according to the Public Debt Management Agency). Part of the cash buffer may be used for the buy-out of IMF or ECB debt while the PDMA plans to issue between EUR5 billion to EUR7 billion of benchmark bonds in 2019. The FinMin also expressed optimism that the 2nd enhanced surveillance review, which is scheduled to be released towards the end of February, will be positive and will allow for the return of the first installment of the SMP and ANFA profits of EUR600 million.

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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

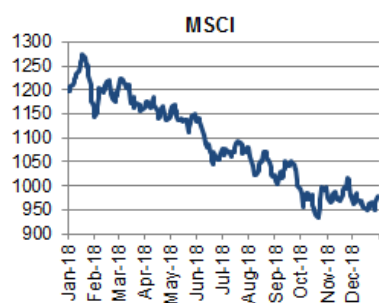
* on a cash basis

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+

ROMANIA

On January 8th, the NBR maintained the key policy rate (KPR) unchanged at 2.5% and the minimum reserve requirements MRR's for both FX and RON denominated liabilities at 8%. At the same time, the NBR also decided to preserve the deposit facility rate at 1.50% and the lending facility rate at 3.50% leaving the interest rate corridor unchanged at 2%. The decision was widely anticipated by market participants as it met the expectations of the vast majority of analysts in the relevant surveys.

In the official statement released thereafter, the Central Bank commented on the recent developments that headline inflation has returned within the inflation target variation band (2.5% +/-1%) driven primarily by a number of favorable supply side factors, namely the declining prices of fuels, fruits and vegetables in the last months. Having peaked at 5.4% YoY in May and June, inflation remained elevated in Q3 but resumed its declining trend in Q4. Headline inflation came down to 3.4% YoY in November vs. 4.3% YoY in October compared to 5.0% in August & September. However, the adjusted Core CPI (excluding administered and volatile prices, alcohol and tobacco) index also decreased over the same month further to 2.5% in November down from 2.8% in October and September and down from 3.1% YoY in April, which implies that demand-side pressures could subside further in the near-term, mirroring the impact of previous tightening and softer economic activity. On a seasonally and calendar adjusted basis, real GDP growth has only marginally slowed down to 4.1% YoY in Q3-2018 compared to 4.3% in Q1&Q2-2018, but landed visibly lower than 6.6% YoY in Q4-2017 and 8.4% YoY in Q3-2017. In that direction, the latest high frequency indicators releases for October compared to Q3 were mixed. Retail trade dynamics were positive, new manufacturing orders gained some momentum, while construction works and industrial production were weaker.

On the other hand, the main focus of the press-conference of the NBR Governor was on the recent government initiative to impose a new banking sector tax. According to an emergency ordinance issued in late December, banks will be required to pay a quarterly tax on their financial assets if the average between ROBOR 3M and ROBOR 6M exceeds the reference level of 2%, with tax rates ranging between 0.1% and 0.5%. At this moment, news are still fresh and details may have not been finalized, yet the announcement has raised more uncertainty about the near-term prospects of the banking sector and doubts about the effectiveness of NBR's monetary policy.

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Wednesday 09 January 2019

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	2574.41	1.0%	2.7%	EUR/USD	1.1468	0.2%	0.0%	UST - 10yr	2.72	-1	4	GOLD	1283	-0.2%	0.0%
Nikkei 225	20427.06	1.1%	2.1%	GBP/USD	1.2737	0.2%	-0.2%	Bund-10yr	0.30	7	6	BRENT CRUDE	59	1.2%	10.5%
STOXX 600	345.85	0.9%	2.4%	USD/JPY	108.89	-0.1%	0.7%	JGB - 10yr	0.03	2	3	LMEX	2802	-0.3%	0.0%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.43	-1	-1
1-week	2.57	0	1
1-month	2.74	0	1
3-month	3.04	-1	1
6-month	3.19	-1	1

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.03	-1	-3
5Y RSD	3.50	0	0
7Y RSD	4.15	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.81	0	-18

CDS

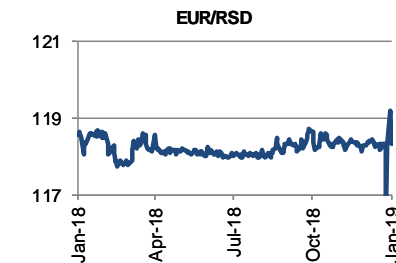
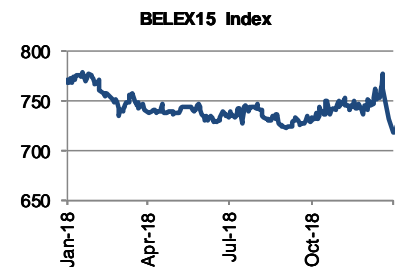
	Last	ΔDbps	ΔYTD bps
5-year	114	-1	-4
10-year	161	0	-2

STOCKS

	Last	ΔD	ΔYTD
BELEX15	718.2	-1.85%	-5.70%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.50	0.29%	-0.22%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.07	0	98
1-month	2.6	0	73
3-month	2.92	0	87
6-month	3.27	0	100
12-month	3.47	0	115

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.01	0	-3
5Y RON	4.21	0	-13
10Y RON	4.57	0	-25

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.54	0	0
USD Jan-24	4.08	-1	-15

CDS

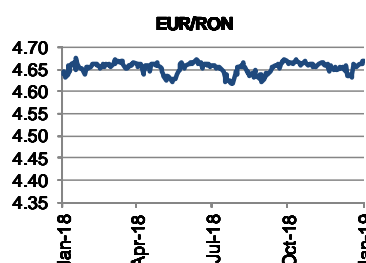
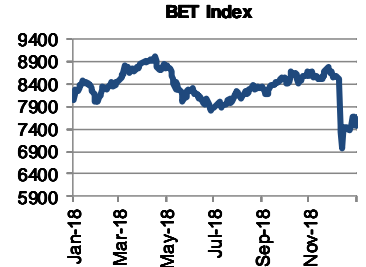
	Last	ΔDbps	ΔYTD bps
5-year	107	-1	17
10-year	148	-2	15

STOCKS

	Last	ΔD	ΔYTD
BET	7484.7	-2.58%	1.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6692	0.00%	-0.32%



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	-0.15	-1	-10
5Y BGN	0.08	0	-4
10Y BGN	0.73	0	-2

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.02	0	3
EUR Sep-24	0.41	0	-7

CDS

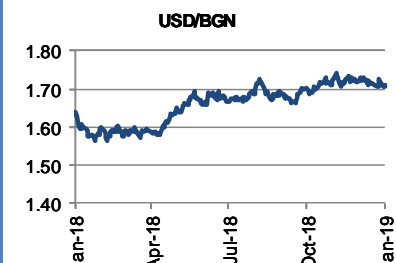
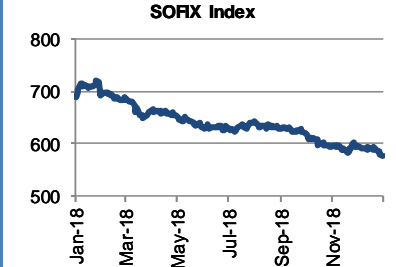
	Last	ΔDbps	ΔYTD bps
5-year	78	-2	-19
10-year	127	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	577.3	0.03%	-2.88%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7058	0.22%	-0.02%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 09:45 EEST

Wednesday 09 January 2019

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