

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: In FX markets, the DXY index extended recent losses with the EUR/USD hitting a near three-month peak of 1.1570 earlier today following the release of the minutes from the December FOMC policy meeting. The minutes revealed that many policymakers shared the view that the Committee could be patient about future US monetary policy tightening, echoing dovish rhetoric by a number of Fed officials in the period after the December policy meeting, including Chair Jerome Powell at the American Economic Association's annual meeting in Atlanta late last week. Meanwhile, US Treasuries were firmer supported by a well-received 10-yr bond auction and the dovish tone of the FOMC minutes. The release of the ECB accounts of the December meeting and Fed Chair Jerome Powell's speech at the Economic Club in Washington are today's main events.

GREECE: According to the Ministry of Finance, the stock of the general government arrears to the private sector, including tax arrears, at the end of November 2018 was €2.6 bn unchanged on a monthly basis from September 2018 onwards. The stock of general government arrears to the public sector excluding tax arrears at the end of November 2018 was €1.08 bn from €2.0 bn in the previous month. Tax arrears on the other hand, decreased by €0.11bn on a monthly basis. According to the Hellenic Statistical Authority (ELSTAT) the overall industrial production index (IPI) in November 2018 recorded an increase of 3.1%YoY against 2.0%YoY in November 2017 while the average overall IPI for the period January to November 2018 increased 0.9% compared to the corresponding period of 2017. The total value of imports-arrivals for the 10-month period January-November 2018 recorded an increase 10.7%YoY while the total value of exports-dispatches increased by 17.6%.

SOUTH EASTERN EUROPE

CESEE MACRO DEVELOPMENTS: Despite the downward trend of the Economic Sentiment Indicator (ESI) in the EA19 and the EU28 throughout 2018, economic confidence in the regional economies improved in December.

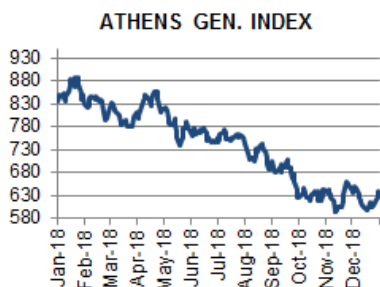
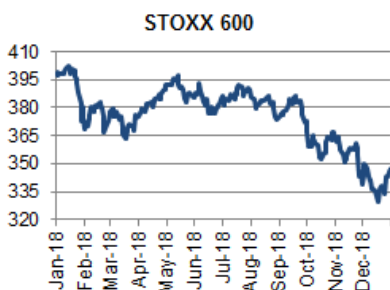
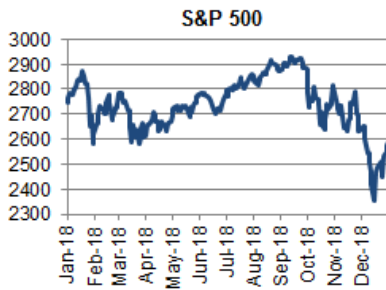
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Thursday 10 January 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of Asian bourses ended modestly higher today supported by market hopes for more economic stimulus in China. On the flipside, most of major European equity markets opened lower amid mounting concerns about the Eurozone's growth outlook. Meanwhile, worries prevail over whether a further escalation in the US/China trade war could be averted. A three-day long round of talks between the US and China at vice-ministerial level in Beijing was concluded yesterday following the agreement between US President Donald Trump and his Chinese counterpart Xi Jinping on the sidelines of the G20 meeting on 1 December for a 90-day ceasefire in the trade dispute. Turning to core government bonds, US Treasuries were firmer supported by a well-received 10-yr bond auction and the dovish tone of the minutes from the December FOMC meeting released late yesterday. The minutes revealed that many policymakers shared the view that the Committee could be patient about future US monetary policy tightening, echoing dovish rhetoric by a number of Fed officials in the period after the December policy meeting, including Chair Jerome Powell at the American Economic Association's annual meeting in Atlanta late last week. In more detail, the minutes revealed that, although policymakers continued to see economic activity as remaining solid, they were concerned that "downside risks may have increased of late" and that these conditions make the timing of future rate hikes "less clear than earlier". In addition to downside risks, "many" participants expressed the view that "muted inflation pressures" also suggest that the Committee could "afford to be patient about further policy tightening". Against this background, the 10-yr UST yield was some 1.3bps lower on the day hovering around 2.70% at the time of writing with the yield curve bull-steepening further. In FX markets, the DXY index extended recent losses with the EUR/USD hitting a near three-month peak of 1.1570 earlier today. The release of the ECB accounts of the December meeting and Fed Chair Jerome Powell's speech at the Economic Club in Washington are today's main events.

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GREECE

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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

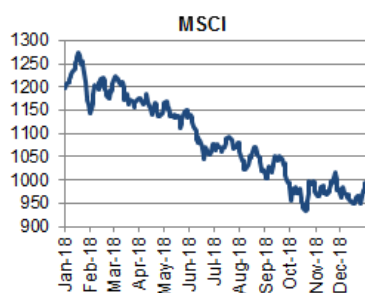
* on a cash basis

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+

CESEE MACRO DEVELOPMENTS

Despite the downward trend of the Economic Sentiment Indicator (ESI) in the EA19 and the EU28 throughout 2018 – by 2.2 and 2.0 points – the economic confidence in the regional economies improved in December.

Looking at the breakdown of the survey regarding regional economies, the outcome is uniform as the ESI increased in almost all countries in our scope. However, the drivers of the overall improvement in each country vary.

In Bulgaria, the ESI, after a subdued behavior in November (-1.1 points), came in enhanced in December (106.8 points) mainly on the back of improved sentiment in the industry and the retail trade segments.

In Romania, the economic sentiment index was up by 0.5 points and returned to the levels of past October, i.e. 102.3 points, with all subcategories registering higher readings, except industry sentiment, which depicted a slight fall of 0.2 points.

Moving on to Serbia, the ESI came in rather stable at 108.7 points in December compared to 108.8 in November and 109.5 in October.

Concluding, Cyprus recorded the more tangible improvement with ESI rising at 117.4 in December from 113.0 in November. The increase is attributed to significant improvement in all subcategories, apart from retail trade confidence, which retreated substantially by 3.7 points.

It is worth mentioning that the caliber of the improvement in Cyprus in December was enough for the index to approach the January and February levels of confidence, which were the highest for 2018, whereas in the other two countries, Bulgaria and Romania, despite the boost of confidence in December, the economic sentiment indicator is lower than in the beginning of 2018. In Serbia, as well, was standing at 110.8, almost 2 points higher than in December.

Looking at today's calendar, we anticipate the MPC meeting of the National Bank of Serbia (NBS) later in the day with the Key Policy Rate widely expected to be maintained at 3%, following the recoil in the headline inflation in November at 1.9% YoY from 2.2% YoY in October.

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Thursday 10 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	2584.96	0.4%	3.1%	EUR/USD	1.1542	0.0%	0.6%	UST - 10yr	2.69	-2	0	GOLD	1296	0.2%	1.0%
Nikkei 225	20163.80	-1.3%	0.7%	GBP/USD	1.2758	-0.2%	0.0%	Bund-10yr	0.27	-1	2	BRENT CRUDE	61	-1.1%	12.9%
STOXX 600	347.70	0.5%	3.0%	USD/JPY	107.91	0.2%	1.7%	JGB - 10yr	0.02	-1	2	LMEX	2813	0.4%	0.4%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.43	0	-1
1-week	2.58	1	2
1-month	2.74	0	1
3-month	3.05	1	2
6-month	3.20	1	2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.07	-2	1
5Y RSD	3.52	0	2
7Y RSD	4.16	-1	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.81	-1	-18

CDS

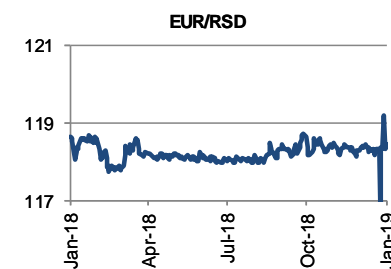
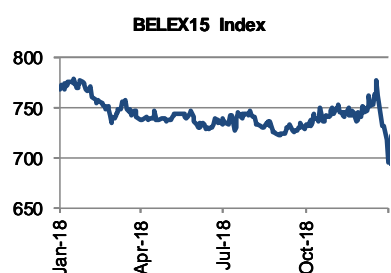
	Last	ΔDbps	ΔYTD bps
5-year	113	-1	-5
10-year	159	-1	-3

STOCKS

	Last	ΔD	ΔYTD
BELEX15	695.0	-3.24%	-8.76%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.39	0.80%	-0.13%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.86	0	77
1-month	2.54	0	67
3-month	2.9	0	85
6-month	3.23	0	96
12-month	3.45	0	113

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.98	0	-5
5Y RON	4.23	0	-11
10Y RON	4.58	0	-24

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.52	0	-1
USD Jan-24	4.08	0	-16

CDS

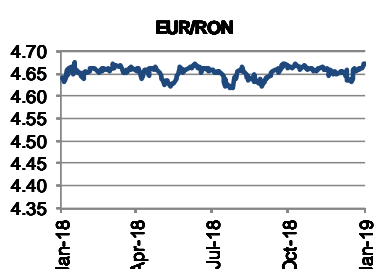
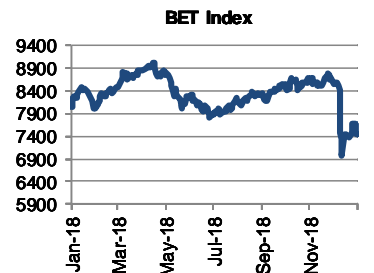
	Last	ΔDbps	ΔYTD bps
5-year	106	-1	16
10-year	147	-1	14

STOCKS

	Last	ΔD	ΔYTD
BET	7451.2	-0.45%	0.91%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6726	0.02%	-0.40%



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	-2	-7
5Y BGN	0.08	-1	-3
10Y BGN	0.74	0	-1

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	0	0
EUR Sep-24	0.41	0	-7

CDS

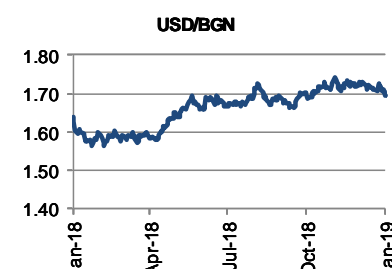
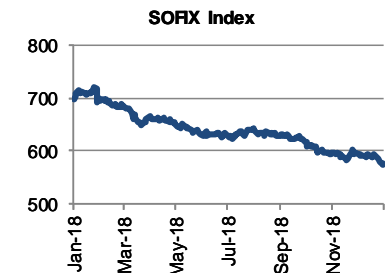
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-19
10-year	128	1	-14

STOCKS

	Last	ΔD	ΔYTD
SOFIX	572.1	-0.90%	-3.76%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6946	-0.02%	0.64%



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

Thursday 10 January 2019

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