

Friday 11 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:** Taking their lead from moderate gains in Wall Street overnight, major European bourses were slightly firmer in early trade today supported by fresh dovish comments by Fed Chair Jerome Powell. Shrugging off the modest improvement in risk appetite, US Treasuries were firmer in early European trade amid expectations for a moderate slowdown in global growth momentum this year. Meanwhile, the shutdown of the US federal government agencies has entered its third week with US President Donald Trump threatening to use emergency powers to bypass Congress for the financing of a wall along the US-Mexico border. Intensified uncertainty ahead of next week's Brexit vote in the UK Parliament had also had an impact. In FX markets, the DXY index gained some ground pushing the EUR/USD back to levels around 1.1520/25 in early European trade following a near three-month intraday peak of 1.1570 yesterday in spite of the tentative improvement in risk sentiment. Looking at the remainder of the day, main data releases include the US consumer price index for December while DBRS will review Italy's sovereign credit rating which is currently BBB (high) with stable outlook.

**GREECE:** According to the Hellenic Statistical Authority (ELSTAT), the seasonally adjusted unemployment rate in October 2018 was 18.6% unchanged compared to September 2018 but lower compared to October 2017 when it stood at 21.0%. The number of employed persons increased by 2.1%YoY while the number of unemployed decreased by 12.2%YoY.

### SOUTH EASTERN EUROPE

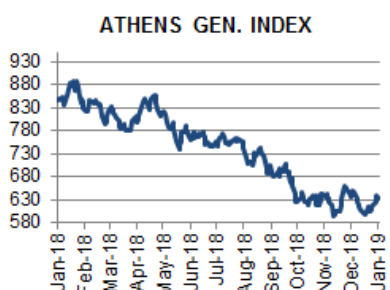
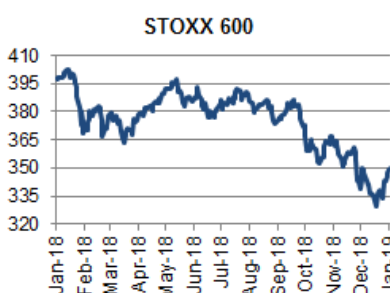
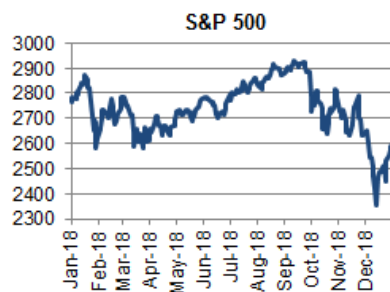
**SERBIA:** At yesterday's meeting, the National Bank of Serbia (NBS) kept the key policy rate (KPR) unchanged at 3.0%. The decision was fully anchored with market consensus as economic growth remains robust and inflation expectations for the next two years are tuned around 3%, which is the midpoint of the NBS target corridor.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from moderate gains in Wall Street overnight, major European bourses were slightly firmer in early trade today supported by fresh dovish comments by Fed Chair Jerome Powell. Speaking at the Economic Club in Washington yesterday, the Fed Chair reiterated that the Central Bank would be patient in upcoming policy decisions, supporting the prevailing market view that the Committee is likely to adopt a wait-and-see policy stance in the near term, awaiting signs of stabilization in the global economy before renewing its efforts for further monetary policy normalization. Market hopes for a US-China trade resolution later this year, also helped market sentiment towards risk assets. Following the conclusion of a three-day long round of talks between the US and China at vice-ministerial level in Beijing on Wednesday, newswires reported overnight that Chinese Vice Premier Liu He is scheduled to visit Washington D.C for trade talks on 30-31 January.

Shrugging off the modest improvement in risk appetite, US Treasuries were firmer in early European trade with the 10-yr yield standing close to 2.71% at the time of writing, some 3bps lower on the day with the 2/10-yr yield curve undertaking some bullish flattening. Global growth momentum is expected to moderate this year mainly led by tighter financial conditions, fading US fiscal stimulus and an ongoing slowdown in China with prevailing downside risks, mainly stemming from a further escalation in the US-China trade dispute and a no-deal Brexit outcome. Meanwhile, the shutdown of the US federal government agencies has entered its third week with US President Donald Trump threatening to use emergency powers to bypass Congress for the financing of a wall along the US-Mexico border, projected to cost \$5.7bn. Intensified uncertainty ahead of next week's Brexit vote in the UK Parliament had also had an impact. UK Premier Theresa May's Brexit deal is expected to be rejected and uncertainty is mounting over what comes next. Bunds also firmed favored by this week's string of disappointing Eurozone economic data including a sharp decline in German and French industrial production for the month of November.

In FX markets, the DXY index gained some ground pushing the EUR/USD back to levels around 1.1520/25 in early European trade following a near three-month intraday peak of 1.1570 yesterday in spite of the tentative improvement in risk sentiment. Looking at the remainder of the day, main data releases include the US consumer price index for December while DBRS will review Italy's sovereign credit rating which is currently BBB (high) with stable outlook.

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### GREECE

According to the Hellenic Statistical Authority (ELSTAT), the seasonally adjusted unemployment rate in October 2018 was 18.6% unchanged compared to September 2018 but lower compared to October 2017 when it stood at 21.0%. The number of employed persons increased by 2.1%YoY while the number of unemployed decreased by 12.2%YoY. On an annual basis, in October 2018 the unemployment rate decreased for all age groups, with the steepest drops being recorded in the age groups 55-64 (-19%), 34-55 (-14%) and 45-54 (-11%) while the highest unemployment rates are recorded in the age group 15-24 at 38.5% and 25-34 at 23.9%. As regards the unemployment rate per gender, on an annual basis it dropped -12% for men and -10% for women but remains higher for women at 23.1% compared to men at 15%.

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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   |

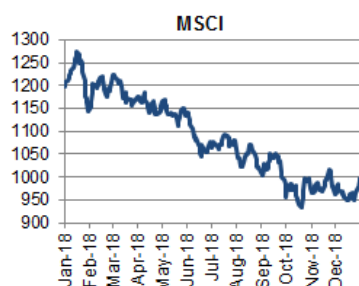
\* on a cash basis

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+   |

### SERBIA

At yesterday's meeting, the National Bank of Serbia (NBS) kept the key policy rate (KPR) unchanged at 3.0%. The decision was fully anchored with market consensus as economic growth remains robust and inflation expectations for the next two years are tuned around 3%, which is the midpoint of the NBS target corridor.

Inflationary pressures remain subdued, as has been the case for the last five years, despite robust economic growth. According to the preliminary estimate of the Serbian Statistical Office, GDP growth surprised positively by expanding by 4.4% in 2018.

Headline inflation came in at 1.9% YoY in November compared to 2.2% YoY in October, 2.6% YoY in August and 3% YoY in January which was the highest reading in 2018.

Looking ahead, the NBS is expected to maintain the key interest rate at the current level for most of 2019 and synchronize its policy stance with that of the ECB.

The NBS pointed out in its announcement the required cautiousness in conducting monetary policy in the medium term as future monetary policy decisions by the Fed and the ECB will in turn affect capital flows towards emerging markets, including Serbia. Nevertheless, the resilience of the Serbian economy has increased within the last few years on the back of improved macroeconomic indicators.

The resilience of the Serbian economy was recently praised in the IMF First Review under the Policy Coordination Instrument (PCI) which was approved in last July and is expected to be completed until 2021. According to the review which was released in late December, Serbia's strong economic performance continued supported by the recovery of private consumption, robust foreign direct investments (FDI) and increased exports. GDP growth is projected at 4.2% YoY in 2018 (partly reflecting a rebound from the effects of drought in 2017) and 3.5% YoY in 2019. Along with the PCI implementation which is broadly on track, the 2019 budget is targeted to post a deficit equal to 0.5% of GDP, following budget surpluses in FY2017 and Jan-Sep2018, safeguarding that way the major fiscal adjustment made in recent years and foreseeing a further decline in public debt, while at the same time accommodating higher investment spending and unwinding of crisis-era temporary measures.

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Friday 11 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       | 2596.64  | 0.5% | 3.6% | EUR/USD | 1.1527 | 0.2%  | 0.5%             | UST - 10yr | 2.71 | -3          | 2        | GOLD        | 1293 | 0.5%  | 0.8%  |
| Nikkei 225    | 20359.70 | 1.0% | 1.7% | GBP/USD | 1.2736 | -0.1% | -0.2%            | Bund-10yr  | 0.24 | -2          | -1       | BRENT CRUDE | 62   | 0.6%  | 15.3% |
| STOXX 600     | 349.55   | 0.2% | 3.5% | USD/JPY | 108.29 | 0.1%  | 1.3%             | JGB - 10yr | 0.02 | -1          | 1        | LME X       | 2810 | -0.1% | 0.3%  |

**SERBIA**

**Money Market**

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N     | 2.42 | -1    | -2       |
| 1-week  | 2.56 | -2    | 0        |
| 1-month | 2.72 | -2    | -1       |
| 3-month | 3.04 | -1    | 1        |
| 6-month | 3.19 | -1    | 1        |

**RS Local Bonds**

|        | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 3.08 | -1    | 2        |
| 5Y RSD | 3.53 | 0     | 2        |
| 7Y RSD | 4.17 | 0     | 1        |

**RS Eurobonds**

|            | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Feb-20 | 3.83 | 1     | -17      |

**CDS**

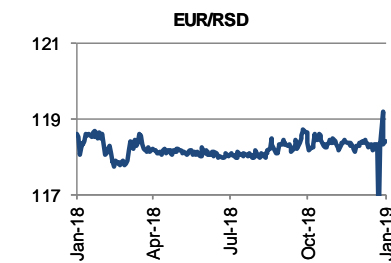
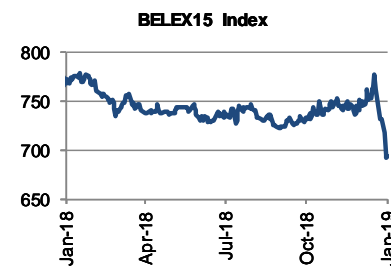
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 113  | 0     | -5       |
| 10-year | 159  | 0     | -3       |

**STOCKS**

|         | Last  | ΔD    | ΔYTD   |
|---------|-------|-------|--------|
| BELEX15 | 693.3 | 0.13% | -8.98% |

**FOREX**

|         | Last   | ΔD     | ΔYTD   |
|---------|--------|--------|--------|
| EUR/RSD | 118.53 | -0.37% | -0.25% |



**ROMANIA**

**Money Market**

| ROBOR    | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N      | 1.75 | -1    | 66       |
| 1-month  | 2.54 | 0     | 67       |
| 3-month  | 2.88 | 0     | 83       |
| 6-month  | 3.23 | 1     | 96       |
| 12-month | 3.43 | -1    | 111      |

**RO Local Bonds**

|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON  | 3.93 | 0     | -10      |
| 5Y RON  | 4.23 | 0     | -11      |
| 10Y RON | 4.59 | 0     | -22      |

**RO Eurobonds**

|            | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 1.52 | 0     | -2       |
| USD Jan-24 | 4.07 | -2    | -16      |

**CDS**

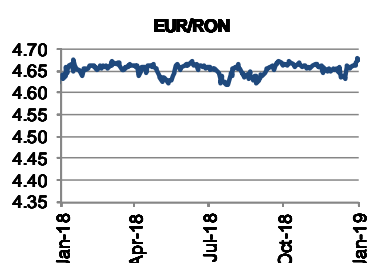
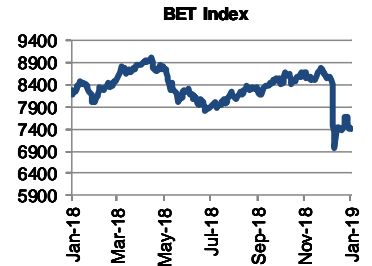
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 106  | 0     | 16       |
| 10-year | 147  | 0     | 13       |

**STOCKS**

|     | Last   | ΔD    | ΔYTD  |
|-----|--------|-------|-------|
| BET | 7393.5 | 0.04% | 0.13% |

**FOREX**

|         | Last   | ΔD    | ΔYTD   |
|---------|--------|-------|--------|
| EUR/RON | 4.6773 | 0.03% | -0.50% |



**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   | -0.16 | 0     | -10      |
| 5Y BGN   | 0.07  | 0     | -5       |
| 10Y BGN  | 0.70  | 0     | -5       |

**BG Eurobonds**

|            | Last  | ΔDbps | ΔYTD bps |
|------------|-------|-------|----------|
| EUR Mar-22 | -0.04 | 0     | 0        |
| EUR Sep-24 | 0.42  | 0     | -6       |

**CDS**

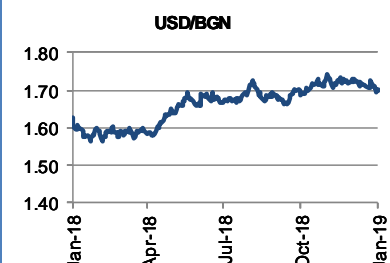
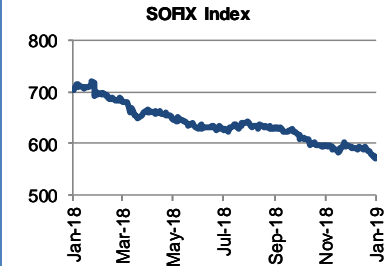
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 78   | 0     | -19      |
| 10-year | 128  | 0     | -13      |

**STOCKS**

|       | Last  | ΔD    | ΔYTD   |
|-------|-------|-------|--------|
| SOFIX | 572.6 | 0.25% | -3.68% |

**FOREX**

|         | Last   | ΔD    | ΔYTD  |
|---------|--------|-------|-------|
| USD/BGN | 1.6968 | 0.24% | 0.51% |



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:15 EEST

Friday 11 January 2019

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