



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday 05 February 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Feb 5:
ISM non-manufacturing index (Jan)
- Feb 6: Trade balance
- Feb 7: Initial jobless claims (Feb 2)

EUROZONE

- Feb 5: PMI-services (Jan. final)
- Feb: German industrial orders (Dec)
- Feb 8
 - German exports (Dec)
 - France's & Italy's industrial production (Dec)

UK

- Feb 5: PMI services (Jan)
- Feb 7: BoE rate decision

GREECE

- Feb 07:
 - Labour force survey (Dec)
 - Commercial transactions (Dec)
- Feb 08: Industrial production (Dec)

SEE

BULGARIA

- Feb 08:
 - Industrial production (Dec)
 - Retail sales (Dec)

CYPRUS

- Feb 08: CPI (Jan)

ROMANIA

- Feb 05: Retail sales (Dec)
- Feb 07: Key policy interest rate announcement

SERBIA

- Feb 07: Key policy interest rate announcement

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their lead from Wall Street's gains overnight, major European bourses opened higher in early trade today supported by major Central Banks' dovish shift on the back of weaker global growth momentum, rising political risks and subdued inflation pressures. A new round of firmer than expected US data late last week and signals of progress on US/China trade talks also helped. Dented by their safe-haven appeal, US Treasuries were weaker on the day, albeit modestly. In FX markets, the USD was slightly firmer, with the EUR/USD standing 0.8% weaker from last week's three-week highs.

GREECE: According to press reports, European Commissioner Pierre Moscovici cautioned that unless the 2nd EPPS review is positive, Greece will not receive the SMP/ANFA profits that amount to c. €750mn. On the privatisations front, the Hellenic Republic Asset Development Fund (HRADF) is reportedly proceeding to the tender for technical and legal advisors for the development of the marinas of Tourlos-Mykonos and Mandraki-Rodos.

SOUTH EASTER EUROPE

BULGARIA: According to the annual IMF mission's preliminary findings, Bulgaria is expected to grow by 3.3% in 2019.

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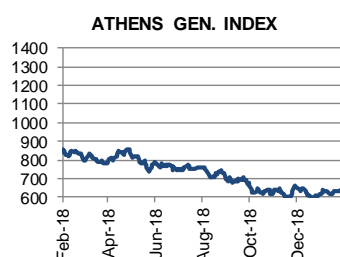
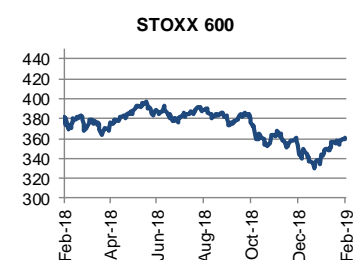
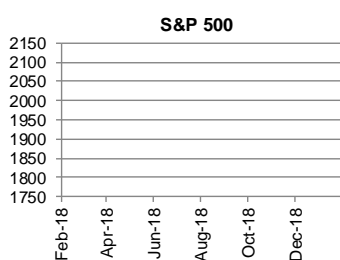
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Latest world economic & market developments

GLOBAL MARKETS

Taking their lead from Wall Street's gains overnight, major European bourses opened higher in early trade today supported by major Central Banks' dovish shift on the back of weaker global growth momentum, rising political risks and subdued inflation pressures. A new round of firmer-than-expected US data late last week and signals of progress on US/China trade talks, also helped. Following the conclusion of the latest round of US/China trade talks last week, US President Donald Trump commented that the teams have made "tremendous progress", while China's newswires described negotiations as "constructive" with "significant progress" being achieved. US and Chinese representatives agreed to continue negotiations later this month, with an aim to reaching a final deal in late February, ahead of the March 1 deadline when the trade dispute ceasefire period ends. If no agreement is reached by then, US tariffs on \$200bn worth of Chinese imports will increase to 25%, from 10% currently. The S&P closed at its highest level since early December overnight, with the CBOE Volatility Index ending at a four-month low of 15.7. Reflecting also improved risk sentiment, the FTSEurofirst 300 index extended recent gains in early trade today, hitting a fresh year-to-day intraday high and marking cumulative gains of c. 7% year-to-date. In Asia, the majority of equity markets were closed for the Lunar New Year. Dented by their safe-haven appeal, US Treasuries were weaker on the day, albeit modestly, as investors remain particularly concerned about the global growth outlook and the likelihood of a timely compromise on US/China trade talks. In FX markets, the USD was modestly firmer on the day marking a three-session intraday high of 95.973 earlier today, with the EUR/USD retreating to levels around 1.1420/25 in early European trade, 0.8% weaker from last week's three-week highs.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

According to press reports, European Commissioner Pierre Moscovici stated that Greece will need to make efforts in order to complete the remaining actions in the context of the Enhanced Post Programme Surveillance. He also cautioned that unless the 2nd EPPS review is positive, Greece will not receive the SMP/ANFA profits that amount to c. €750mn. On the privatisations front, the Hellenic Republic Asset Development Fund (HRADF) is reportedly proceeding to the tender for technical and legal advisors for the development of the marinas of Tourlos-Mykonos and Mandraki-Rodos. The first concerns the new port of Mykonos which hosts three distinct activities, passenger shipping, cruises and yachts while the second includes a land zone of approximately 12.7 acres and a docking capacity of approximately 175 yachts. The process for development of these two assets will be described in detailed in the updated HRADF Asset Development Fund, which has been submitted for approval to the Government Council for Economic Policy.

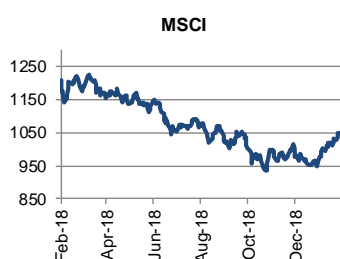
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Latest economic & market developments in the CESEE region

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



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+

BULGARIA

According to the annual IMF mission's preliminary findings, Bulgaria is expected to grow by 3.3% in 2019 – revised upwards from 3.1% in the WEO autumn forecast – marginally up from a projected 3.2% in 2018. Translating this positive momentum into faster per capita income convergence toward the advanced EU partners continues to be the key policy challenge. For that to be achieved, it would require continued and broad-based structural reforms. ERM2 & Banking Union application entry preparations are underway and include several commitments to strengthen banking supervision by closely cooperating with the ECB, to enhance the supervision of the non-banking financial sector, to address gaps in the insolvency framework, to strengthen the anti-money laundering framework and to improve the governance of state-owned enterprises. According to the IMF, the fiscal stance is prudent and more spending on human and physical capital is appropriate. The fiscal balance is projected to switch to a small deficit of 0.5% of GDP in 2019 reflecting a projected increase in EU funds absorption and spending in critical areas (education, health, and infrastructure).

In our view, solid growth momentum continues in 2019 – our forecast stands at 3.5% currently – on sound domestic demand dynamics. Private consumption will be in the driver's seat, receiving support from a tighter labor market, relatively low energy prices, catching up wages with EU average, a vibrant manufacturing sector despite the increasing world trade tensions and an increasing inbound tourism activity. Investment, especially public investment which has not been impressive in the last two years, will receive a boost from improved EU funds absorption. With the end of the 2014-2020 programming period approaching, the government will need to step up spending for a number of mature projects. Moreover, domestic credit conditions have turned more growth supportive. Deleveraging in the private sector has come to an end in late 2016. Appetite for credit will increase further on sentiment improvement and improved economic fundamentals matched by banking sector abundant liquidity.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2724.87	0.7%	8.7%
Nikkei 225	20844.45	-0.2%	4.1%
STOXX 600	360.12	0.1%	6.7%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1416	-0.2%	-0.5%
GBP/USD	1.3039	0.0%	2.2%
USD/JPY	109.92	0.0%	-0.2%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.73	0	4
Bund-10yr	0.18	0	-6
JGB - 10yr	-0.01	0	-1

Commodities

	Last	ΔD	ΔYTD
GOLD	Invalid Se	#VALUE!	#VALUE!
BRENT CRUDE	217	0.0%	-0.1%
LMEX	2971	1.0%	6.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	234	-2	-10
1-week	2.50	-2	-6
1-month	2.70	-1	-3
3-month	3.07	1	4
6-month	3.22	1	4

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	#N/A N/A		#VALUE!
5Y RSD	#N/A N/A		#VALUE!
7Y RSD	3.63	-1	26

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	#N/A N/A		#VALUE!
USD Nov-24	6.45	0	-14

CDS

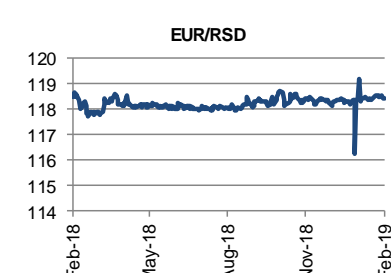
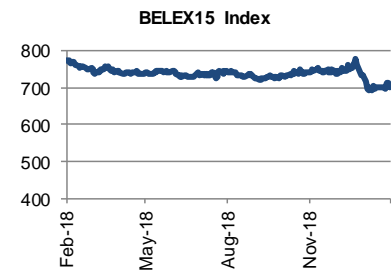
	Last	ΔDbps	ΔYTD bps
5-year	98	-1	-192
10-year	146	-2	-210

STOCKS

	Last	ΔD	ΔYTD
BELEX15	700.4	-2.01%	-8.05%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.33	0.12%	-0.08%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.52	0	-1
1-month	3.25	0	-15
3-month	3.07	0	-80
6-month	3.3	0	-90
12-month	3.49	0	-77

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	#N/A N/A		#VALUE!
5Y RON	2.82	0	11
10Y RON	4.57	1	91

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	0.06	#N/A N/A	23
USD Aug-23	3.93	1	-32

CDS

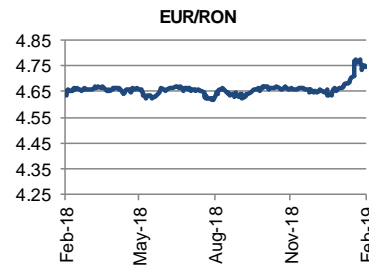
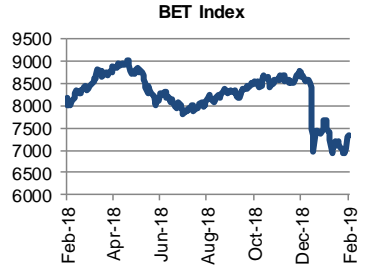
	Last	ΔDbps	ΔYTD bps
5-year	104	0	-39
10-year	148	0	-39

STOCKS

	Last	ΔD	ΔYTD
BET	7350.7	0.78%	-0.45%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.747	0.14%	-1.96%



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	#N/A N/A		#VALUE!
5Y BGN	#N/A N/A		#VALUE!
10Y BGN	0.04	0	-7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	#N/A N/A	#VALUE!	#VALUE!
EUR Sep-24	0.30	28	-18

CDS

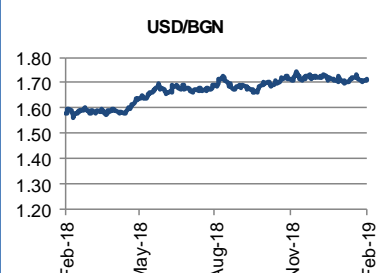
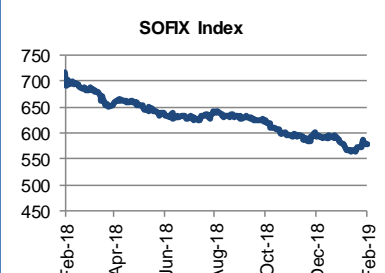
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-112
10-year	126	0	-115

STOCKS

	Last	ΔD	ΔYTD
SOFIX	578.4	0.00%	-2.70%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7134	-0.20%	-0.46%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:32 EEST

Tuesday 05 February 2019

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