

Monday 07 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: In early European trade today, core government bond yields were off last week's fresh lows in reaction to FOMC Chairman Jerome Powell's dovish remarks at the American Economic Association's annual meeting in Atlanta on Friday. The PBOC's recent decision for a 100bp cut in the reserve requirement ratio and the release of a strong US employment report on Friday, which showed a higher than expected increase of 312k in December non-farm payrolls and a rise in the annual growth rate of average hourly earnings to a near-decade high of 3.2%, also supported core government bond yields. Looking in the week ahead, key events include the release of the FOMC minutes from the 19 December meeting (Wednesday) and the ECB monetary policy account of the 14 December meeting (Thursday). A new round of talks between the US and China at vice-ministerial level will be held in Beijing (Monday & Tuesday) while the UK parliament returns from its Christmas recess today and on Wednesday lawmakers will start debating Theresa May's Brexit deal in view of the scheduled vote next week.

GREECE: On the privatisations front, an extension will reportedly be given for the submission of binding offers for the divestiture of the lignite-fired units of PPC, which expired today. A small extension was also granted for the provision of services of traffic, commercial, technical and environmental due diligence in relation to the sale of a 30 % stake in the AIA.

SOUTH EASTERN EUROPE

CESEE MARKET AND MACRO DEVELOPMENTS: Most emerging market assets retained a positive tone in early trade today after the MSCI Emerging Market index concluded at 964.9 on Friday, 1.6% higher compared to the previous session. Looking into this week's calendar, there are three central banks' monetary policy meetings in the region: Romania, Poland and Serbia where no key policy rate changes are anticipated.

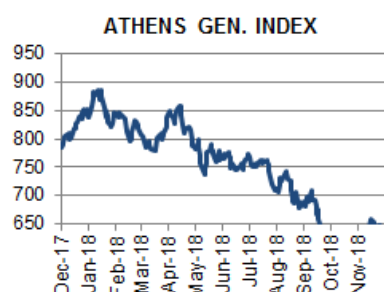
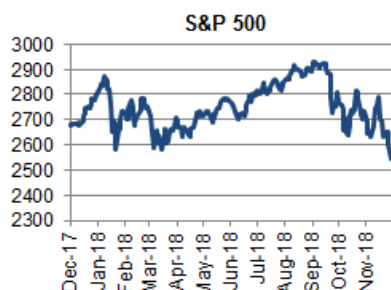
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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

During the Christmas holiday period large price swings in equity and fixed-income markets were evidenced. The main driver behind that development was investor concerns about a deceleration in global growth this year on the back of tighter financial conditions, an ongoing slowdown in China and an expected moderation in the US growth momentum as fiscal stimulus is anticipated to fade. The ongoing US/China trade dispute, Brexit uncertainty and the government shutdown in the US as of 22 December, added to market woes. Against this background, major equity markets reached a trough between Christmas and New Year's but have gained some ground since then. Meanwhile, core government bond yields recorded fresh lows last Thursday reacting to a sharp drop of 5.2 points in the US' December ISM manufacturing index, which came in at a two-year low of 54.1, adding to the view that the economy begins to lose momentum. On that day, the 10-yr US government bond yield fell close to 2.54%, the lowest in almost a year and its German counterpart dropped to 0.146%, the lowest since Donald Trump's victory in the November 2016 presidential election.

In early European trade today, core government bond yields were off last week's lows in reaction to FOMC Chairman Jerome Powell's dovish remarks. Speaking at the American Economic Association's annual meeting in Atlanta on Friday, the FOMC Chairman said that he is aware of the downside risks and the Fed is "listening" to market signals noting that the Committee would be patient and flexible in upcoming policy decisions. Core bond yields were also supported by last week's PBOC decision for a 100bp cut in the reserve requirement ratio and the release of a strong US employment report on Friday, which showed a higher than expected increase of 312k in December non-farm payrolls and a rise in the annual growth rate of average hourly earnings to a near-decade high of 3.2%. Looking in the week ahead, key events include the release of the FOMC minutes from the 19 December meeting (Wednesday) and the ECB monetary policy account of the 14 December meeting (Thursday). A new round of talks between the US and China at vice-ministerial level will be held in Beijing (Monday & Tuesday) while the UK parliament returns from its Christmas recess today and on Wednesday lawmakers will start debating Theresa May's Brexit deal in view of the scheduled vote next week.

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GREECE

On the privatisations front, an extension will reportedly be given for the submission of binding offers for the divestiture of the lignite-fired units of PPC, which expired today. Meanwhile, among the priorities of the government for the period ahead is the financial closing of the 20-year extension of the Athens International Airport (AIA) concession, subject to approval by the Greek Parliament, which according to market sources, is expected to take place in the first two months of 2019. At the same time, the deadline for the submission of offers for the provision of services of traffic, commercial, technical and environmental due diligence in relation to the sale of a 30 % stake in the AIA is extended until 11 January 2019 from 7 January initially. As regards the Hellinikon concession the casino tender has not been launched yet making it more likely for construction works to begin in Q2-2019 at the earliest.

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Latest economic & market developments in the CESEE region

CESEE MARKET AND MACRO DEVELOPMENTS

Most emerging market assets retained a positive tone in early trade today after the MSCI Emerging Market index concluded at 964.9 on Friday, 1.6% higher compared to the previous session. Weak global and local PMI data released last week pointed towards weakening export prospects, affecting negatively the local bond markets by pushing lower longer term rates and yields. FX markets appeared less affected with the EUR/CZK hitting a fresh 3-month low of 25.520 earlier today.

Looking into this week's calendar, there are three central banks' monetary policy meetings in the region. On Tuesday, the National Bank of Romania (NBR) convenes with investors expecting no change in the Key Policy Rate, currently standing at 2.5%, a decision backed by the recent disinflation trend. In detail, inflation came in at 3.0% YoY in December compared to 3.4% YoY in November and a 5.4% YoY peak in June.

On Wednesday the National Bank of Poland (NBP) will most probably keep rates unchanged at 1.5%, following inflation's downtrend from 1.3% YoY in November to 1.1% YoY in December, according to previous week's released flash estimate.

On the same pattern, no surprises are anticipated at the National Bank of Serbia (NBS) meeting on Friday with the Key Policy Rate expected to be maintained at 3%, following a drop in headline inflation in November at 1.9% YoY from 2.2% YoY in October.

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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

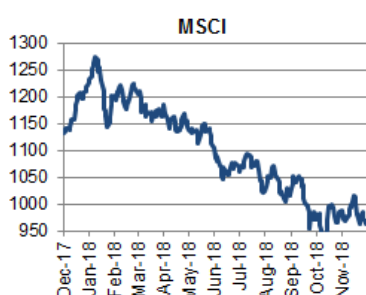
* on a cash basis

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+

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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	2467.42	-1.6%	-7.7%	EUR/USD	1.1423	-0.2%	-4.8%	UST - 10yr	2.79	-1	39	GOLD	1259	-0.1%	-3.4%
Nikkei 225	20166.19	-1.1%	-11.4%	GBP/USD	1.2663	0.0%	-6.3%	Bund-10yr	0.24	1	-19	BRENT CRUDE	54	0.3%	-18.5%
STOXX 600	334.72	-0.6%	-14.0%	USD/JPY	111.22	0.1%	1.3%	JGB - 10yr	0.05	2	0	LMEX	2838	-0.3%	-17.0%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.40	-1	-12
1-week	2.54	0	-7
1-month	2.71	0	-14
3-month	3.05	2	-7
6-month	3.18	2	-6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.07	0	-121
5Y RSD	3.50	2	-80
7Y RSD	4.17	0	-101

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.97	0	97

CDS

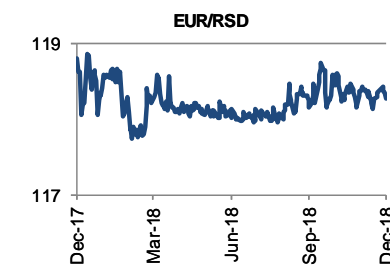
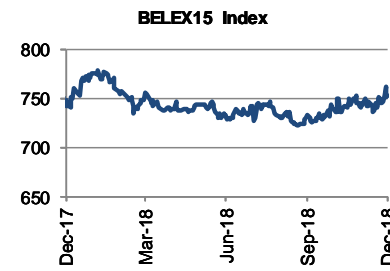
	Last	ΔDbps	ΔYTD bps
5-year	111	-1	-7
10-year	153	-1	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	753.3	0.31%	-0.85%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.25	0.04%	0.56%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.06	131	197
1-month	2.88	8	101
3-month	3.04	1	99
6-month	3.33	0	106
12-month	3.52	0	120

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.02	0	64
5Y RON	4.33	0	55
10Y RON	4.83	0	52

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	1	0
USD Jan-24	4.19	-3	120

CDS

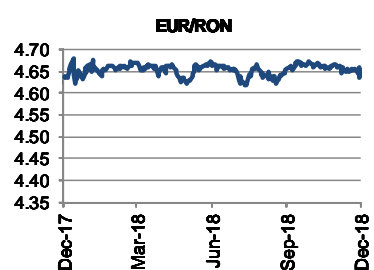
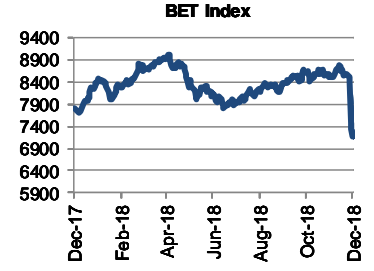
	Last	ΔDbps	ΔYTD bps
5-year	105	1	15
10-year	147	-1	14

STOCKS

	Last	ΔD	ΔYTD
BET	7171.2	-2.20%	-7.51%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6533	-0.38%	0.25%



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	-0.07	-1	0
5Y BGN	0.09	0	-5
10Y BGN	0.74	0	-22

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.02	-1	3
EUR Sep-24	0.50	1	-7

CDS

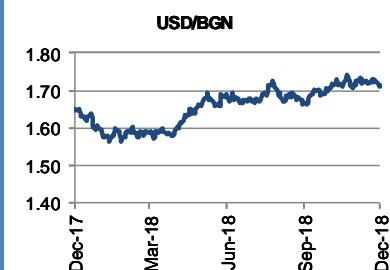
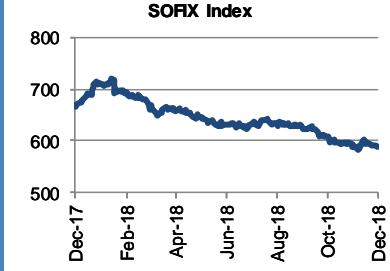
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	128	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	588.3	-0.08%	-13.16%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7124	-0.21%	-4.85%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:20 EEST

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