

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday 07 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 overnight, Asian equity indices traded mixed on Thursday while European bourses opened lower. Germany's December weak factory orders and industrial production data may have also had a negative impact on investors sentiment. On the trade war front, US Treasury Secretary Steven Mnuchin repeatedly expressed his willingness to reach a trade deal with China. In FX markets, the EUR/USD traded around a two-week low of 1.1343 in early European trade amid heightened concerns over the European growth outlook, while the GBP/USD hovered around two-week lows of 1.2897 in European trade at the time of writing, ahead of the BoE's monetary policy meeting later today, expected to keep interest rates unchanged and adopt a more dovish stance amid softer domestic economic data as well as weaker external demand.

GREECE: Banks reportedly reacted negatively to the government's proposed new household insolvency framework on the grounds that the eligibility criteria are too broad, risking creating a new wave of strategic defaulters and undermining banks' efforts to reduce NPLs. According to press, government and banks' officials are scheduled to meet next week in an attempt to find common ground. Meanwhile, the tender for the sale of the two lignite-fired units of PPC attracted only one binding offer yesterday by Mytilineos S.A. which, however, concerned only the unit of Meliti and not the one of Megalopoli.

SOUTH EASTERN EUROPE

SERBIA: The IMF praised Serbia's progress in macroeconomic stabilization in the first review of the Policy Coordination Instrument (PCI).

DISCLAIMER

This document has been issued by Eurobank Ergasias SA (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable, but has not been verified by Eurobank, and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice, or an offer to buy or sell, or a solicitation of an offer to buy or sell, or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (expressed or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Thursday 07 February 2019

Latest world economic & market developments

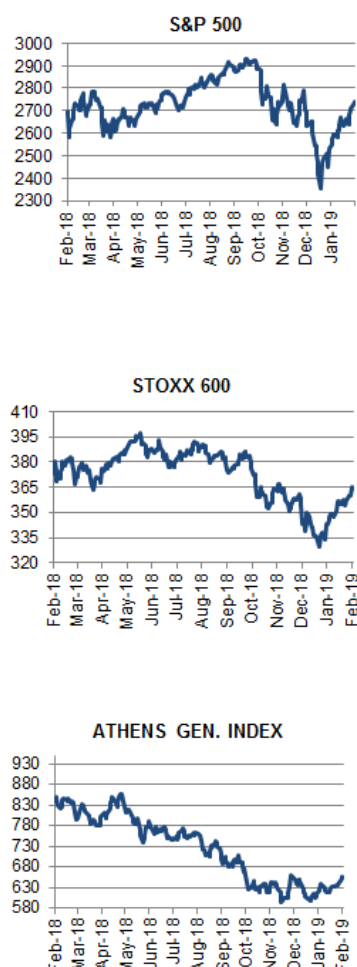
GLOBAL MARKETS

Taking their lead from Wall Street overnight, which closed modestly lower on weaker-than-expected earnings reports from Electronic Arts and Take Two, Asian equity indices traded mixed on Thursday while European bourses opened lower. Germany's December weak factory orders (-1.6%MoM following -1.0%MoM in November) and industrial production data (-0.4%MoM after -1.3%MoM in November) may have also had a negative impact on investors sentiment. On the trade war front, US Treasury Secretary Steven Mnuchin repeatedly expressed his willingness to reach a trade deal with China next week to avoid an increase in US tariffs on Chinese imported goods from 10.0% to 25.0% on 2 March, noting that they "are putting in an enormous amount of effort to try to hit this deadline and get a deal." In FX markets, the EUR/USD traded around a two-week low of 1.1343 in early European trade amid heightened concerns over the European growth outlook following disappointing German economic releases, while the DXY dollar index recovered almost all the losses rising for a five straight session around two-week highs of 96.560 after the Fed's shift to a more dovish stance. Elsewhere, the GBP/USD hovered around two-week lows of 1.2897 in European trade at the time of writing, ahead of the BoE's monetary policy meeting later today, expected to keep interest rates unchanged and adopt a more dovish stance amid softer domestic economic data as well as weaker external demand. In other news, Fed Chair Jerome Powell and the Fed's Vice Chairman for banking supervision Randal Quarles gave a positive assessment over the US economy yesterday amid low unemployment and inflation around the 2% target, adding that global risks weigh the most on the growth outlook and will have to be reassessed over a 6 month horizon. Last but not least, Former Fed Chair Yellen said in a CNBC interview that the next move could be a rate cut or a hike. She thinks that the Fed is around neutral, and that shouldn't necessitate a preemptive move.

okosma@eurobank.gr

GREECE

Banks reportedly reacted negatively to the government's proposed new household insolvency framework on the grounds that the eligibility criteria are too broad, risking creating a new wave of strategic defaulters and undermining banks' efforts to reduce NPLs. According to press, government and banks' officials are scheduled to meet next week in an attempt to find common ground. Meanwhile, the BoG Governor Yiannis Stournaras reportedly met yesterday with banks' officials to discuss the further relaxation of capital controls. The latest loosening took place in early October 2018 and allowed, among others, for unlimited cash withdrawals from credit institutions in Greece. The remaining restrictions concern primarily Pillar III of the 'Roadmap to removal of capital controls', i.e. the transfer of funds abroad. Meanwhile, the tender for the sale of the two lignite-fired units of PPC attracted only one binding offer yesterday by Mytilineos S.A. which, however, concerned only the unit of Meliti and not the one of Megalopoli. The PPC requested an improved offer, which the investor will likely bring forward today. According to press reports, there was also an offer for the Megalopoli unit, but that offer was based on different terms in the Sale Purchase Agreement than the ones outlined by the PPC. It is reminded that the divestiture of the lignite-fired units takes place in the context of the country's obligation that stems from Commission Decision C(2018) 2104 of 17 April 2018 to bring around 40% of PPC's lignite-fired generation capacity under the control of other market participants.

andimitriadou@eurobank.gr

Source: Reuters, Bloomberg, Eurobank Research

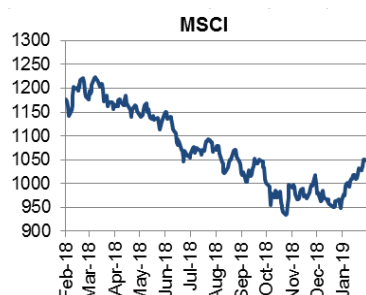
Thursday 07 February 2019

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+

SERBIA

The IMF published the findings of the mission which concluded the first review of the Policy Coordination Instrument (PCI), the new 30-month non-financial advisory program for Serbia. IMF praised Serbia's progress in macroeconomic stabilization, growth and job creation. Factoring in the flash estimate of Q4 (+3.5% YoY), real GDP growth is expected to have expanded by 4.4% in FY2018, the fastest rate in the last ten years. Headline inflation stood at 2% YoY in December at the lower end of the NBS target band (3+/-1.5%). Fiscal performance remains strong. The general government fiscal surplus came in at 0.6% of GDP in line with the PCI targets and public debt fell to about 54% of GDP in 2018.

Moreover, the IMF supported the government's plan to privatize Komercijalna Banka – the third largest bank in terms of assets in the domestic market – and loss making petrochemicals producer HIP Petrohemija. In that direction, the Ministry of Finance announced yesterday that a consortium led by Lazard and including KPMG Serbia and a local law firm will advise the government in finding a strategic partner for Komercijalna Banka. The privatization tender is expected to be called by the end of June, while an agreement with the strategic partner should be signed by the end of 2019. Moreover, IMF stressed the importance of advancing preparations to ensure the implementation of the new public sector wage system in 2020 and moving to a more flexible public sector employment framework and discussed options to strengthen fiscal rules, including the re-introduction of pension indexation in 2020. Finally, IMF also emphasized the importance of strengthening the governance of public and state-owned enterprises to improve efficiency and the quality of public services.

Looking ahead, the economy is expected to decelerate to 3.5% in 2019, mirroring the negative base effects from the extraordinary performance of the agriculture and energy sectors in the past year and external environment headwinds. Domestic demand is widely expected to remain the key driver of growth. Private consumption will most probably receive further support from the rise of disposable incomes as a result of the wage increases and pension hikes. The planned increase in public investment together with sustained FDI inflows' performance will maintain total investments relatively strong. Net exports will remain a drag.

igkionis@eurobank.gr

The GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2731.61	-0.2%	9.0%
Nikkei 225	20751.28	-0.6%	3.7%
STOXX 600	364.76	-0.2%	8.0%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1341	-0.2%	-1.1%
GBP/USD	1.2903	-0.2%	1.1%
USD/JPY	110.01	0.0%	-0.3%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.69	-1	1
Bund-10yr	0.16	-1	-9
JGB - 10yr	-0.01	1	-1

Commodities

	Last	ΔD	ΔYTD
GOLD	1306	-0.1%	1.8%
BRENT CRUDE	63	0.0%	16.5%
LMEX	2976	0.0%	6.2%

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	2.36	1	-8
1-week	2.53	2	-3
1-month	2.72	2	-1
3-month	3.07	1	4
6-month	3.21	1	3

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.12	-1	6
5Y RSD	3.77	0	27
7Y RSD	4.15	-1	-1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.62	4	-38

CDS

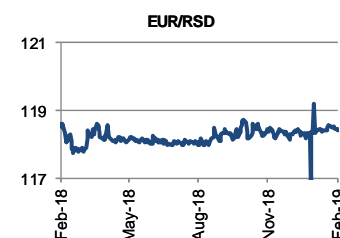
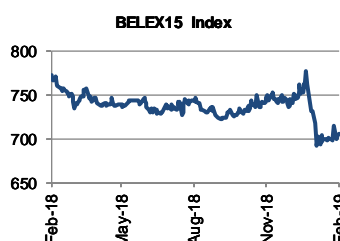
	Last	ΔDbps	ΔYTD bps
5-year	106	0	-12
10-year	156	1	-6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	706.4	0.31%	-7.26%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.37	0.08%	-0.11%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	3.56	1	247
1-month	3.27	0	140
3-month	3.1	-1	105
6-month	3.3	-1	103
12-month	3.51	1	119

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.07	0	4
5Y RON	4.45	0	11
10Y RON	4.79	0	-2

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	-	3
USD Jan-24	3.69	0	-54

CDS

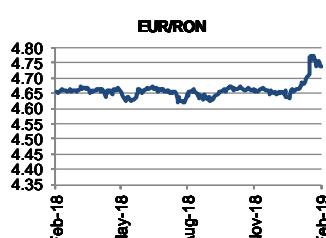
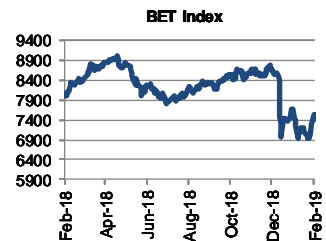
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	148	0	14

STOCKS

	Last	ΔD	ΔYTD
BET	7533.3	1.22%	2.03%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7382	0.02%	-1.77%



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
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	9	-8
5Y BGN	0.06	2	-5
10Y BGN	0.74	0	-1

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.09	5	-7
EUR Sep-24	0.28	-7	-20

CDS

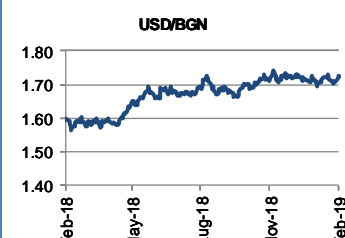
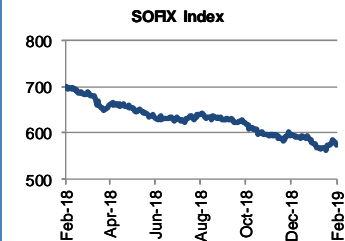
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	573.4	-0.15%	-3.54%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7245	-0.19%	-1.10%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 12:00 EEST

Paraskevi Petropoulou
Senior Economist, Eurobank
Ergasias
Thursday 27 February 2019
+30 210 3718991
ppetropoulou@eurobank.gr

Ioannis Gkionis
Senior Economist, Eurobank
Ergasias
+30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank
Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma
(Special Contributor)
Research Economist, Eurobank
Ergasias
+30 210 3371227
okosma@eurobank.gr

Stelios Gogos
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371226
sgogos@eurobank.gr

Theodoros Stamatou
(Special Contributor)
Senior Economist, Eurobank
Ergasias
+30 210 3371228
tstamatou@eurobank.gr

Maria Kasola
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371224
mkasola@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Marisa Yiannissis: Administrator
magiannisi@eurobank.gr, +210 3371242

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr, +30 210 33 71 225

Dr. Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Maria Kasola: Economic Analyst
mkasola@eurobank.gr, +30 210 3371224

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, +30 210 37 18 991

Dr. Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

More research available at <https://www.eurobank.gr/en/group/economic-research>

- **7 Ημέρες Οικονομία:** Weekly review of the Greek economy
- **Greece Macro Monitor - Focus Notes:** Periodic publication on the latest economic & market developments in Greece
- **Economy & Markets:** Analysis & research on the Greek and international economy
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Emerging Markets Special Focus Reports:** Periodic publication on specific EM economy and markets developments
- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Global Macro Themes & Market Implications for the EA Periphery and the CESEE:** Monthly review of the international economy and financial markets
- **Global Markets Special Focus Reports:** Periodic publication on specific global economy and markets developments

Subscribe electronically at <https://www.eurobank.gr/el/omilos/oikonomikes-analuseis>

Follow us on twitter: https://twitter.com/Eurobank_Group

