

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday 11 February 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- US-China trade talks set to continue early this week
- Feb 12
 - NFIB Small Business Optimism Index
 - Fed Chair Powell speaks
- Feb 13
 - CPI (Jan.)
 - Fed's Mester speaks
 - Fed's George speaks
- Feb 14:
 - Initial jobless claims (Feb. 9)
 - PPI (Jan.)
 - Retail sales (Dec.)
- Feb 15:
 - Empire State Index (Feb.)
 - IP (Jan.)
 - UM Consumer confidence (Feb)

EUROZONE

- Feb 13: IP (Dec.)
- Feb 14: German Q4 GDP

UK

- Feb 11:
 - IP (Dec.)
 - Q4 GDP (prel.)
- Feb 13: CPI (Jan.)
- Feb 14:
 - Brexit vote
 - Retail sales (Jan.)

GREECE

- Feb 12: Building activity (Nov.)
- Feb 14: CPI (Jan.)

SEE

BULGARIA

- Feb 12:
 - Trade balance (Dec.)
 - Q4 GDP (prel.)
- Feb 15:
 - CPI (Jan.)
 - Unemployment rate (Jan.)

CYPRUS

- Feb 14: Q4 GDP (prel.)

ROMANIA

- Feb 11: Trade balance (Dec.)
- Feb 13: CPI (Jan.)
- Feb 14: Q4 GDP (advance)

SERBIA

- Feb 14: Current account balance (Dec.)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: After a week-long break for the Lunar New Year holiday, Chinese shares made a strong start on Monday following better-than-expected retail sales. Meanwhile, European equity indices opened higher amid widespread optimism among investors over the next round of trade negotiations that started earlier today in Beijing. In FX markets, the EUR/USD traded around a three week low of 1.1304 in early European trade amid renewed weakness in the Italian debt market. The 10-yr BTP yield was standing close to 2.96% in European trade at the time of writing, not far from Friday's one-month high of 3.00%. Core European government bond yields plunged to their lowest levels in over two years, with the 10-yr Bund yield trading around 0.10% in early European trade, within distance from Friday's 0.08%, the lowest level of since October 2016.

GREECE: According to press reports, in the following days the Greek Ministry of Finance will submit to the European Commission its proposal for the NPEs reduction scheme on the basis of the respective Hellenic Financial Stability Fund proposal.

SOUTH EASTERN EUROPE

BULGARIA: In its Winter 2019 Economic Forecast released on Thursday, the European Commission revised its 2019 GDP growth forecasts for Bulgaria downwards by 0.1ppts. With respect to the regional assets, the blue chip index SOFIX concluded 1.5% lower on a weekly basis, closing at 575.17 points on Friday.

SERBIA: The National Bank of Serbia (NBS) Executive Board kept the key policy rate unchanged at 3.00% at its meeting held last Thursday. The decision was fully anchored with market consensus, as economic growth remains robust and inflation expectations for the next two years are tuned around 3.0%, which is the midpoint of the NBS target corridor. Regarding the local currency, the EUR/RSD remained bound last week within a trading range of 118.15 – 118.45.

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Latest world economic & market developments

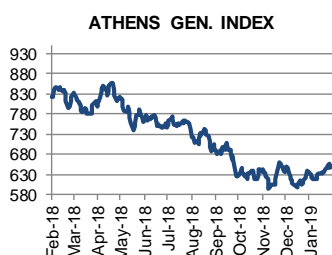
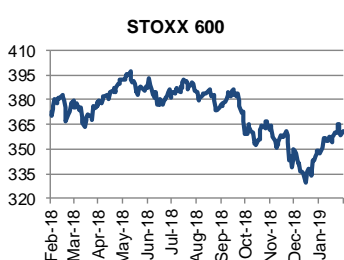
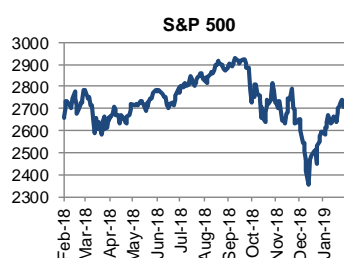
GLOBAL MARKETS

After a week-long break for the Lunar New Year holiday, Chinese shares made a strong start on Monday following better-than-expected retail sales during last week's holiday that were reported by the commerce ministry. Meanwhile, European equity indices opened higher amid widespread optimism among investors over the next round of trade negotiations that started earlier today in Beijing. US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin are expected to meet on Thursday and Friday, focusing on issues such as intellectual property rights. Adding to the above, White House officials have reportedly discussed the prospect of having a summit between US President Donald Trump and his Chinese counterpart Xi Jinping in mid-March. In FX markets, the EUR/USD traded around a three week low of 1.1304 in early European trade amid renewed weakness in the Italian debt market. The 10-yr BTP yield was standing close to 2.96% in European trade at the time of writing, not far from Friday's one-month high of 3.00%. Core European government bond yields plunged to their lowest levels in over two years, with the 10-yr Bund yield trading around 0.10% in early European trade, within distance from Friday's 0.08%, the lowest level of since October 2016. Looking at this week's calendar, investors focus should centre on the flash Q4 GDP release in Germany on Thursday in order to see whether Germany has entered a technical recession, following a negative print of -0.2%QoQ in Q3 (consensus is for a +0.1%QoQ reading). In the US, the January CPI report is due on Wednesday, the January PPI and December retail sales reports are expected on Thursday, while on Friday the January industrial production print will likely be closely watched.

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GREECE

The Eurogroup is expected to convene later today but Greece will not be among the issues on the agenda. The focus will be mainly on the European Commission Winter 2019 Economic Forecast released last week and the expected slowdown in the European economy this year. According to press reports, the Greek government and bank officials are scheduled to meet later today in an attempt to find common ground on the former's proposed new household insolvency framework. The value of the property to be protected and the eligibility criteria are among the main open items in the ongoing discussions. According to press reports, in the following days the Greek Ministry of Finance will submit to the European Commission its proposal for the NPEs reduction scheme on the basis of the respective Hellenic Financial Stability Fund proposal. According to the General Government data, the stock of the general government arrears to the private sector at the end of December 2018 was at €2.0 bn from €2.6 bn at the end of November 2018, registering a monthly decrease of ca -21.0%.

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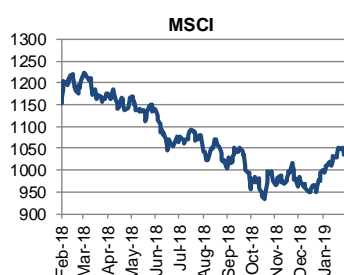
Source: Reuters, Bloomberg, Eurobank Research

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

In its Winter 2019 Economic Forecast released on Thursday, the European Commission revised its 2019 GDP growth forecast for Bulgaria downwards by 0.1ppts. More specifically, the EU Commission now sees GDP growth at 3.6% in 2019 down from 3.7% while the respective figure for 2020 was left unchanged at 3.6%. Inflation is forecasted to slow down from 2.6% in 2018 to 2.0% in 2019 and 1.8% in 2020.. Having expanded by a projected 3.2% in 2018, Bulgaria is expected to demonstrate another year of solid growth in 2019. The economy benefits from an improving labour market, strong real wage growth, accelerating credit activity, a more expansionary fiscal policy stance, increased tourism flows and improved EU-funds absorption. Translating this positive momentum into faster per capita income convergence toward the advanced EU partners continues to be the key policy challenge. ERM2 & Banking Union application entry preparations are underway and include several commitments to strengthen banking supervision by entering in close cooperation with the ECB, with the latter conducting a comprehensive assessment of six Bulgarian banks 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.

With respect to the regional assets, the blue chip index SOFIX concluded 1.5% lower on a weekly basis, closing at 575.17 points on Friday. Weekly turnover ended at EUR 0.9mn, mainly driven by high volumes on Wednesday. External government yields registered drops across the board within a range of 5-11 bps. Treasury yields traded sideways as well, with yields rising across the board between 2-5 bps.

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SERBIA

At its meeting on Thursday, the National Bank of Serbia (NBS) Executive Board kept the key policy rate unchanged at 3.00%, where it has been for the past eleven months. The decision was fully anchored with market consensus, as economic growth remains robust and inflation expectations for the next two years are tuned around 3.0%, 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, expanding by 4.4% in 2018. Headline inflation came in at 2.0% YoY in December compared to 1.9% YoY in November, and 3.0% 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 levels 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. The next rate meeting will be held on 7 March. Regarding the local currency market, the EUR/RSD has retreated from its January highs moving back to the one year old range (118.00 -118.50). In order to preserve stability, the NBS intervened by selling EUR 130mn in January, a volume enough to ease the pressure on the dinar and cap the rate at 118.50. At the time of writing, the rate is consolidating around 118.36 and further NBS support is expected once the rate approaches 118.00 which is considered a crucial level for the NBS to start EUR purchases.

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*We would like to thank Zoran Korac from Eurobank Beograd and Ruslan Raychev from Eurobank Bulgaria for their contribution in today's issue.

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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	2707.88	0.1%	8.0%	EUR/USD	1.1311	-0.1%	-1.4%	UST - 10yr	2.65	2	-3	GOLD	1309	-0.5%	2.0%
Nikkei 225	20333.17	-2.0%	1.6%	GBP/USD	1.2924	-0.1%	1.3%	Bund-10yr	0.11	2	-13	BRENT CRUDE	62	-0.2%	15.2%
STOXX 600	361.21	0.9%	7.0%	USD/JPY	110.28	-0.5%	-0.5%	JGB - 10yr	-0.03	0	-3	LMEX	2943	-0.8%	5.1%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.35	0	-9
1-week	2.48	0	-8
1-month	2.68	0	-5
3-month	3.03	0	0
6-month	3.17	0	-1

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.17	-1	10
5Y RSD	3.78	0	28
7Y RSD	3.97	-4	-19

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.69	1	-31

CDS

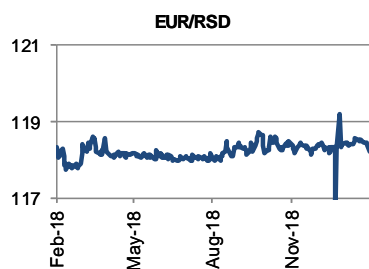
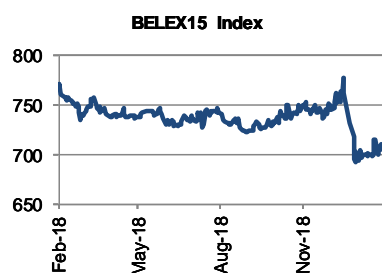
	Last	ΔDbps	ΔYTD bps
5-year	110	2	-7
10-year	159	1	-4

STOCKS

	Last	ΔD	ΔYTD
BELEX15	702.8	-1.07%	-7.73%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.23	0.11%	0.01%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.54	-1	245
1-month	3.25	-1	138
3-month	3.1	0	105
6-month	3.29	-1	102
12-month	3.5	-1	118

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.91	0	-12
5Y RON	4.21	0	-13
10Y RON	4.74	0	-7

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.54	-	0
USD Jan-24	3.71	1	-53

CDS

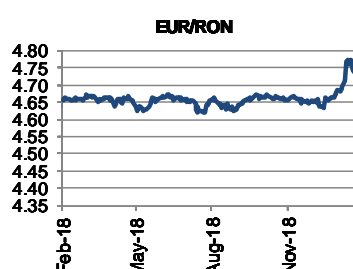
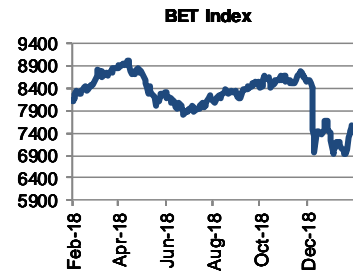
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	148	0	15

STOCKS

	Last	ΔD	ΔYTD
BET	7414.7	-1.88%	0.42%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7428	0.23%	-1.87%



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	-0.10	-1	-4
5Y BGN	0.07	0	-4
10Y BGN	0.70	0	-5

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.08	5	-4
EUR Sep-24	0.23	7	-25

CDS

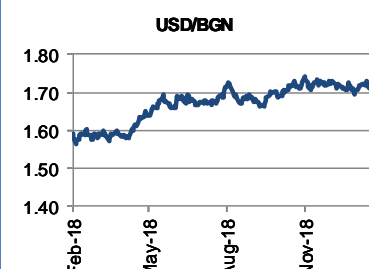
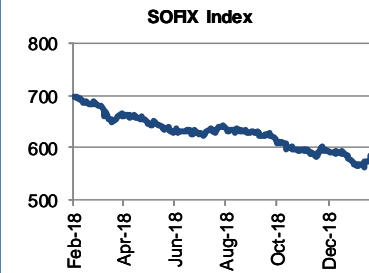
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	126	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	573.4	-0.32%	-3.55%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7292	-0.15%	-1.37%



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

Data updated as of 11:06 EEST

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