

DAILY OVERVIEW  
OF GLOBAL MARKETS & THE SEE REGION

Wednesday 13 February 2019

KEY UPCOMING DATA  
& EVENTS THIS WEEK

## US

- US-China trade talks set to continue early this week
- Feb 12: 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 &amp; MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Equity markets retained a positive tone earlier today on optimism that the US and China will strike a trade deal in the not too distant future. The tentative agreement between Republicans and Democrats on the US budget dispute late on Monday to avert another partial government shutdown at the end of this week, also favored market sentiment towards risk assets. In a risk-on environment, core government bonds were under pressure but losses were modest as market worries over a break up in the US-China trade talks without a deal and a likely no-deal Brexit scenario, continued to keep investors edgy. In FX markets, the USD's recent rally came to a pause.

**GREECE:** The bill for the exploitation of the 10 port authorities has been tabled to Parliament and is expected to be discussed and voted in the next couple of days. The bill foresees the sub-concession of the right to exploit specific or/and combined port operations and business units in order to attract investors with specialized experience and maximise the expected benefit. On the economic data front, according to the provisional data of the Hellenic Statistical Authority (ELSTAT), in the period January-November 2018 total building activity in Greece measured in the number of issued building permits, rose by 11.9%YoY.

## SOUTH EASTERN EUROPE

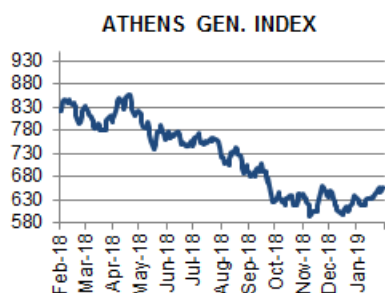
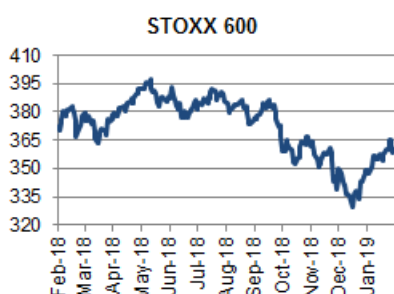
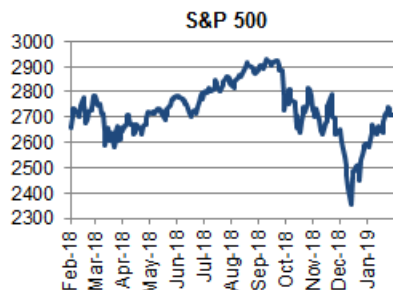
**CESEE MARKETS:** The majority of emerging markets assets moved broadly higher earlier on Wednesday amid prevailing optimism that the US and China could reach a trade deal in the not too distant future. The MSCI Emerging Markets Index ended 0.65% higher on Tuesday, approaching a recent 4 month high and snapping a 4-day losing streak. Elsewhere, in the CESEE region, bourses and currencies also firmed, with the Czech PX and Hungarian BUX indices leading the gains with an approximate 1.0% advance.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Equity markets retained a positive tone earlier today on optimism that the US and China will strike a trade deal in the not too distant future. US President Donald Trump expressed his willingness yesterday to extend the present March 1 deadline if a trade agreement with China appears close, easing fears for a US tariff rate increase on \$250bn worth of Chinese imports from 10% to 25% as of March 2, if a final US/China trade deal has not been sealed by then. The latest round of talks kicked off in Beijing on Monday with discussions focusing on US demands for major structural policy changes by China. The tentative agreement between Republicans and Democrats on the US budget dispute late on Monday to avert another partial government shutdown at the end of this week, also favored market sentiment towards risk assets. US equity markets ended 1.3% - 1.5% higher overnight with the CBOE Volatility Index, the so-called "fear gauge" for the stock market, closing at a four-month low of 15.43. Asian bourses followed suit and European equity markets opened higher, but lagged slightly behind Wall Street's performance with advances of less than 1.0% in today's early trade. In a risk-on environment, core government bonds were under pressure but losses were modest as market worries over a break up in the US-China trade talks without a deal and a likely no-deal Brexit scenario, continued to keep investors edgy.

Amid mounting worries over the Eurozone's growth outlook and protracted Brexit uncertainty, German Bunds continued to outperform US Treasuries with the respective 10-yr spread undertaking some further widening today and marking a fresh year-to-date high close to 256bps. Speaking to the UK parliament yesterday, PM Theresa May requested more time to complete Brexit negotiations with the EU and committed to submitting another amendable motion in a fortnight's time. In FX markets, the USD's recent rally came to a pause with the DXY index standing in early trade today 0.5% lower compared to yesterday's 97.128 two-month intraday peak. The USD's broad-based weakness helped the EUR/USD gain some ground standing close to 1.1330/35 in early European trade today after marking a three-month trough of 1.1257 on Tuesday. However, with hard data and sentiment indicators from the Eurozone leaving no hope for a rebound in economic activity any time soon, there is little to suggest that the pair is poised for any further significant gains short-term.

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### GREECE

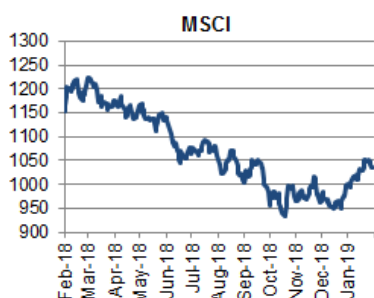
The bill for the exploitation of the 10 port authorities has been tabled to Parliament and is expected to be discussed and voted in the next couple of days. The bill foresees the sub-concession of the right to exploit specific or/and combined port operations and business units in order to attract investors with specialized experience and maximise the expected benefit. The first ports to be privatised are expected to be Kavala and Alexandroupolis followed by Corfu, Volos and Igoumenitsa. It is reminded that progress on this privatisation is among the commitments of the Greek government in the context of the 2<sup>nd</sup> EPPS review. On the economic data front, according to the provisional data of the Hellenic Statistical Authority (ELSTAT), in the period January-November 2018 total building activity in Greece measured in the number of issued building permits, rose by 11.9%YoY while private building activity in particular increased during the said period by 11.6%YoY.

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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

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+

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

The majority of emerging markets assets moved broadly higher earlier on Wednesday amid prevailing optimism that the US and China could reach a trade deal in the not too distant future. The MSCI Emerging Markets Index ended 0.65% higher on Tuesday compared to the prior session's settlement, approaching a recent 4 month high and snapping a 4-day losing streak.

Elsewhere, in the CESEE region, bourses and currencies also firmed, with the Czech PX and Hungarian BUX indices leading the gains with an approximate 1.0% advance.

In the local bond markets, the Serbian Ministry of Finance raised RSD12.10bn in 7-year bonds yesterday. The initial target of the auction was raising RSD125.50bn but the Ministry stated later that will aim to place up to RSD35bn. Investors' interest was considered weak as they placed bids totaling RSD13.80bn. The notes bearing a 4.50% annual coupon were sold at an average yield of 4.57%, which is the same yield achieved at January 30 auction of dinar bonds with the same maturity. The bonds sold yesterday mature on January 11, 2026. The next auction is scheduled for February 19 when the finance ministry intends to offer 2-year bonds for EUR50mn.

On the data front, earlier in the day, the Romanian Statistical Office released January's inflation print which came in at 3.30% YoY, unchanged compared to the previous month but higher by 0.10% compared to market expectations. Nevertheless, the reading remained within the NBR's target interval and stands well below the 2018 average, i.e. 3.50% YoY.

Today's calendar is rather empty but tomorrow a plethora of GDP flash estimates for Q4 2018 will be released, including those for Bulgaria, Cyprus and Romania.

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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	2744.73	1.3%	9.5%	EUR/USD	1.132	0.0%	-1.3%	UST - 10yr	2.69	0	0	GOLD	1312	0.1%	2.3%
Nikkei 225	21144.48	1.3%	5.6%	GBP/USD	1.29	0.1%	1.1%	Bund-10yr	0.13	0	-11	BRENT CRUDE	63	0.9%	17.1%
STOXX 600	363.74	0.3%	7.7%	USD/JPY	110.73	-0.2%	-0.9%	JGB - 10yr	-0.01	1	-1	LME X	2892	-0.9%	3.2%

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.35	-1	-9
1-week	2.48	0	-8
1-month	2.68	-1	-5
3-month	3.02	0	-1
6-month	3.16	-1	-2

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.14	-3	8
5Y RSD	3.78	0	27
7Y RSD	4.16	-1	0

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.73	0	-27

**CDS**

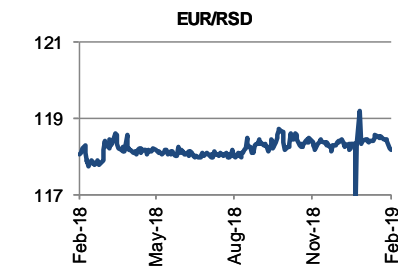
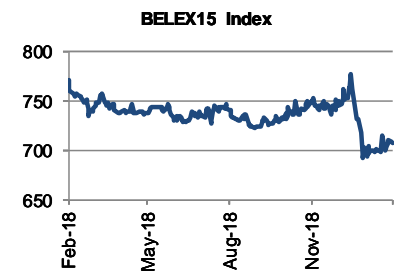
	Last	ΔDbps	ΔYTD bps
5-year	97	-4	-21
10-year	143	-4	-19

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	707.5	-0.26%	-7.11%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.16	0.05%	0.07%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.55	0	246
1-month	3.26	0	139
3-month	3.09	0	104
6-month	3.3	0	103
12-month	3.5	0	118

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.90	0	-14
5Y RON	4.25	0	-9
10Y RON	4.83	0	2

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	-	1
USD Jan-24	3.70	-1	-54

**CDS**

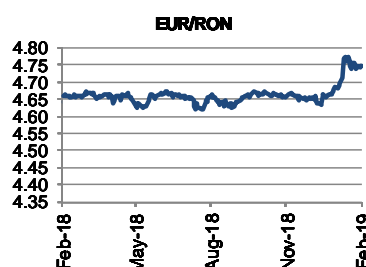
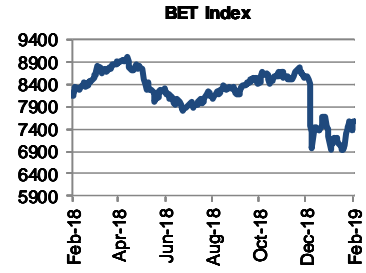
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	148	0	15

**STOCKS**

	Last	ΔD	ΔYTD
BET	7560.8	0.49%	2.40%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.7458	0.05%	-1.93%



**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	-0.18	0	-13
5Y BGN	0.06	0	-5
10Y BGN	0.73	0	-2

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	0	-2
EUR Sep-24	0.24	0	-25

**CDS**

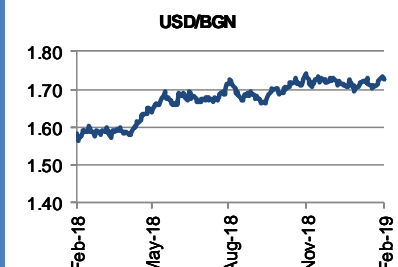
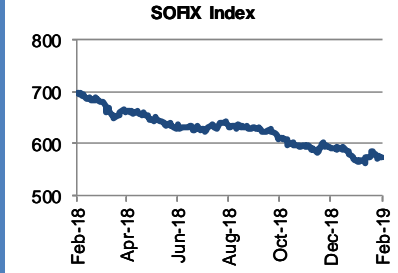
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	123	0	-19

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	573.3	0.00%	-3.56%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7277	-0.03%	-1.28%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:05 EEST

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