

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Jan 15:
 - Empire State manufacturing index (Jan)
 - PPI final demand (Dec)
- Jan 16:
 - Retail sales advance (Dec)
 - NAHB index
 - Fed's Beige Book
- Jan 17:
 - Housing Starts & building permigs (Dec)
 - Philly Fed business index (Jan)
 - Initial jobless claims (12/01)
- Jan 18:
 - Industrial production (Dec)
 - UM consumer sentiment (Jan, prel)
- Jan 15 - 18:
 - New home sales (Nov)
 - Factory orders (Nov, fin)
 - Durable goods orders (Nov, fin)
 - Trade balance (Nov)

EUROZONE

- Jan 14: Industrial production (Nov)
- Jan 17: CPI (Dec, fin)

UK

- Jan 15: Parliament vote on Brexit deal

GREECE

- Jan 18:
 - Current account balance (Nov)
 - Turnover in industry (Nov)

SEE

BULGARIA

- Jan 15:
 - CPI (Dec)
 - Unemployment rate (Dec)
- Jan 18: Current account (Nov)

CYPRUS

- Jan 17: CPI (Dec)

ROMANIA

- Jan 14:
 - CPI (Dec)
 - Current account (Nov)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: China's poor trade data added to market worries over a sharper than currently expected slowdown in global growth, pushing US Treasury yields lower today. In FX markets, the EUR/USD retreated further from Thursday's near three month intraday peak of 1.1570 weighed down by a recent string of weak data across the Eurozone. Meanwhile, the GBP was firmer against both the USD and the EUR on UK press reports conveying that the UK will seek an extension to Article 50 should Theresa May's Brexit deal get defeated in Parliament on Tuesday, 15 January when the vote is scheduled to be held. With around one third Conservative MPs opposing the deal and the DUP having made clear that it will reject it unless the Irish backstop is removed, the Brexit deal is expected to be rejected and uncertainty is mounting over what comes next. On the data front, today's key release is Eurozone industrial production for November, which is expected to have contracted by around 1.0%MoM following a round of disappointing national releases.

GREECE: With regard to the progress of the Enhanced Post Programme Surveillance (EPPS), according to press reports the European Commission has pointed out 46 pending actions that the Greek government needs to complete in view of the 2nd post-programme review. On the political front, Panos Kammenos, Head of the government coalition partner ANEL, withdrew the support of his party to the government leading the Prime Minister Alexis Tsipras to call a confidence vote. According to press reports, the government will likely receive the support of the required 151 MPs in the vote which is likely to be held on Wednesday evening.

SOUTH EASTERN EUROPE

BULGARIA: The blue chip index SOFIX extended its losses from the beginning of the year ending at 568.54 points on Friday, 1.95% lower amid weekly turnover of EUR 1.96mn.

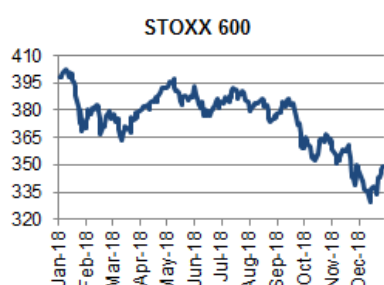
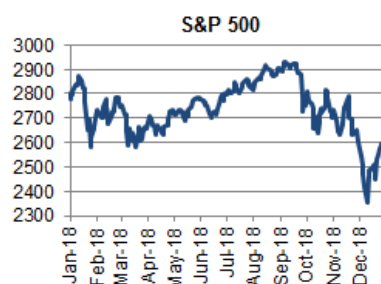
SERBIA: The EUR/RSD remained bound within a 118.25 – 118.45 trading range in the past week.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

China's exports unexpectedly contracted by 4.4%YoY in dollar terms in December weighed down by slowing global growth momentum. Meanwhile, imports declined by 7.6%YoY, the biggest drop since July 2016, adding to recent evidence of slowing domestic demand. China's poor trade data added to market worries over a sharper than currently expected slowdown in global growth, pushing US Treasury yields lower. The 10-yr yield was around 2.5bps lower on the day standing close to 2.67% in early European trade at the time of writing, approaching last week's multi-month trough near 2.54%. US data on Friday revealing contained inflation pressures, had also had an impact. The headline CPI index dropped 0.1%MoM in December, the first decline in the last nine months with the annual rate coming in at a 17-month low of 1.9% from November's 2.2% mainly due to lower gasoline prices. Excluding food and energy, core prices gained 0.2%MoM with the annual rate remaining unchanged at 2.2%YoY, supporting Fed policymakers' "patient" approach to further interest rate hikes. In FX markets, the EUR/USD retreated further from Thursday's near three month intraday peak of 1.1570 hovering around 1.1465/70 at the time of writing weighed down by a recent string of weak data across the Eurozone, including a hefty drop of 1.6%MoM in Italy's November industrial production, which fueled recession fears in the Eurozone's third biggest economy. Meanwhile, the GBP was firmer against both the USD and the EUR on UK press reports conveying that the UK will seek an extension to Article 50 should Theresa May's Brexit deal get defeated in Parliament on Tuesday, 15 January when the vote is scheduled to be held. With around one third Conservative MPs opposing the deal and the DUP having made clear that it will reject it unless the Irish backstop is removed, the Brexit deal is expected to be rejected and uncertainty is mounting over what comes next. On the data front, today's key release is Eurozone industrial production for November, which is expected to have contracted by around 1.0%MoM following a round of disappointing national releases.

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GREECE

With regard to the progress of the Enhanced Post Programme Surveillance (EPPS), according to press reports the European Commission has pointed out 46 pending actions that the Greek government needs to complete in view of the 2nd post-programme review. Among others, delays have been observed in the privatisation of Egnatia motorway, the clearance of state arrears and the selection procedure for the appointment of Administrative Secretaries. Other issues that raise concerns to the European Commission are reportedly the extension of the VAT discount for some islands that have been affected by the influx of refugees, the intention of the Greek government to make adjustments regarding the protection of primary residences of vulnerable households under the household insolvency framework (Law 3869/2010) and the recent court ruling related to previous labour and pension reforms. The next EPPS review is due on 27 February while the 11 March Eurogroup may decide on whether to approve the return of the SMP-ANFA income equivalent amounts. Meanwhile, investors that have expressed interest in the divestiture of the lignite-fired units of PPC, reportedly appear skeptical about the terms of the Share - Purchase Agreement leading PPC to request another extension to the deadline for the submission of binding offers, which as things stand, expires on 23 January 2019. Finally, on the political front, Panos Kammenos, Head of the government coalition partner ANEL, withdrew the support of his party to the government leading the Prime Minister Alexis Tsipras to call a confidence vote. According to press reports, the government will likely receive the support of the required 151 MPs in the vote which is likely to be held on Wednesday evening. 2

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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

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

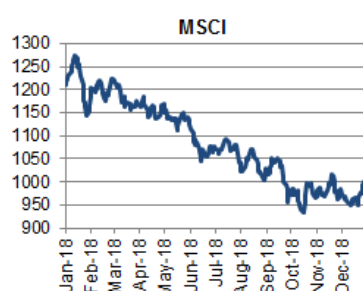
Source: Reuters, Bloomberg, Eurobank Research, National Authorities

BULGARIA

The blue chip index SOFIX extended its losses from the beginning of the year closing at 568.54 points on Friday, 1.95% lower amid weekly turnover of EUR 1.96mn. External government yields registered drops across the board within a range of 1-4 bps, while treasury yields remained largely unchanged.

SERBIA

For most of the previous week, the EUR/RSD remained bound within a 118.25-118.45 trading range with most trades being realised somewhere in-between that range. Buyers of EUR/RSD felt reluctant to try to push the exchange rate higher, under the threat of a new NBS intervention.

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

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+

Monday 14 January 2019

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	2596.26	0.0%	3.6%	EUR/USD	1.1476	0.1%	0.1%	UST - 10yr	2.67	-3	-2	GOLD	1293	0.4%	0.8%
Nikkei 225	20359.70	1.0%	1.7%	GBP/USD	1.2833	0.0%	0.6%	Bund-10yr	0.22	-2	-2	BRENT CRUDE	60	-1.0%	11.3%
STOXX 600	349.20	0.1%	3.4%	USD/JPY	108.12	0.3%	1.5%	JGB - 10yr	0.02	-1	1	LME X	2814	0.1%	0.5%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.42	0	-2
1-week	2.55	0	-1
1-month	2.71	0	-2
3-month	3.04	0	1
6-month	3.18	0	0

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.07	-1	1
5Y RSD	3.53	0	2
7Y RSD	4.16	0	1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.82	0	-18

CDS

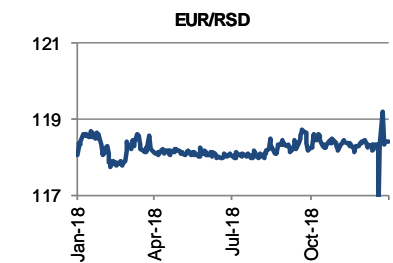
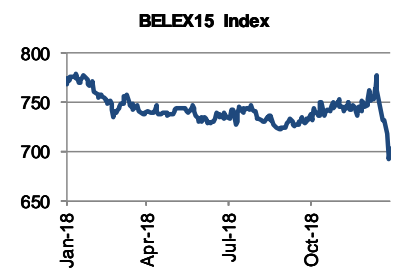
	Last	ΔDbps	ΔYTD bps
5-year	113	0	-5
10-year	159	0	-3

STOCKS

	Last	ΔD	ΔYTD
BELEX15	702.4	1.44%	-7.78%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.57	-0.20%	-0.28%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.75	0	66
1-month	2.54	0	67
3-month	2.88	0	83
6-month	3.23	0	96
12-month	3.43	0	111

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.93	0	-10
5Y RON	4.30	0	-4
10Y RON	4.67	0	-14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.52	0	-2
USD Jan-24	4.09	1	-15

CDS

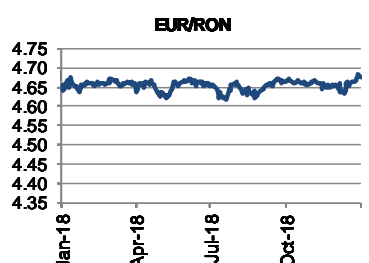
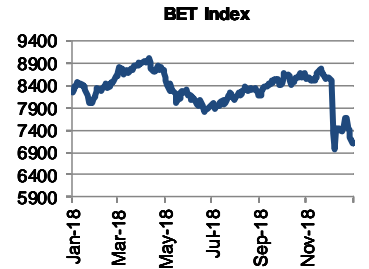
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	148	1	14

STOCKS

	Last	ΔD	ΔYTD
BET	7114.7	-1.74%	-3.64%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6737	0.23%	-0.42%



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	-0.16	-1	-11
5Y BGN	0.05	-3	-6
10Y BGN	0.70	0	-5

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.03	-2	2
EUR Sep-24	0.42	-1	-6

CDS

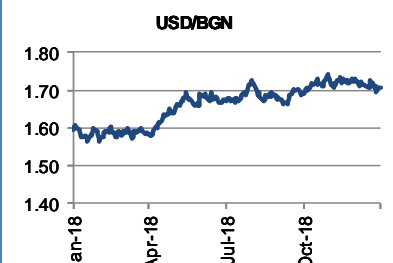
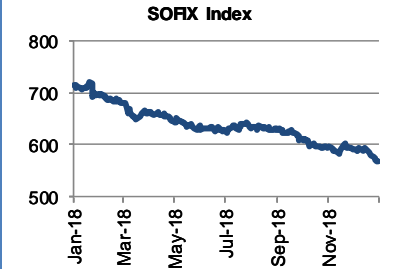
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-19
10-year	128	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	567.5	0.00%	-4.54%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7045	0.04%	0.06%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:15 EEST

Monday 14 January 2019

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