

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday 15 January 2019

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: The UK House of Commons is scheduled to vote later today on Theresa May's Brexit deal which includes the legally binding Withdrawal Agreement that lays out the terms of the UK's exit from the EU including the controversial Irish backstop, as well as the non-binding Political Declaration which provides the general framework of the future UK/EU relationship. With around one third of Conservative MPs having publicly expressed their opposition to the deal and all opposition parties having said that they will vote against, the Brexit deal in its current form is expected to be rejected and uncertainty will undoubtedly mount over what comes next. Voting is scheduled to begin around 19:00GMT. MPs will first vote on the proposed amendments and then on Theresa May's deal while press reports convey that 13 of those have already been submitted. If the UK Premier's deal is rejected, the UK government will have until Monday, 21 January to set out what it intends to do next. In FX markets, the GBP retained a firm tone ahead of the Brexit vote as investors appear to assign a lower probability to the risk of a no deal Brexit scenario. However, the final deadline to prevent such a scenario may not emerge before the 21-22 March European Council.

GREECE: According to the final State Budget Execution data for January – December 2018, the overall fiscal balance registered a deficit of €2.4bn, against a targeted deficit of €1.9bn in the 2019 Budget and a deficit of €4.3bn in the respective period of 2017. The State Budget Primary Balance recorded a surplus of €3.2bn, against a targeted primary surplus of €3.6bn. The primary balance under-performance was mainly driven by: a) the delay of the €1.2bn revenue from the concession agreement of the Athens International Airport, for the period 2026-2046, b) the extension of the payment period for the vehicles excise duty well into January 2019 and c) the lower than targeted Public Investment Budget revenue.

SOUTH EASTERN EUROPE

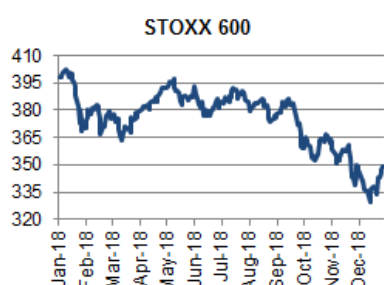
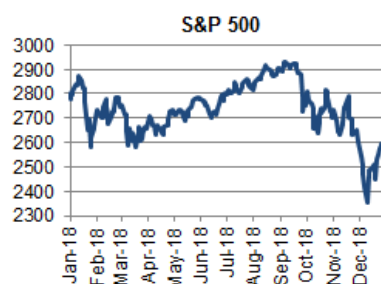
CESEE MARKET DEVELOPMENTS: The majority of emerging market indices traded mixed earlier on Tuesday. This week's calendar in the CESEE region is broadly filled with CPI data. Headline inflation is broadly expected to ease in Hungary and Poland, both to be announced later in the day, while in Romania, according to yesterday's statistical release, headline CPI in December eased by 0.1% MoM and came in at 3.3% YoY.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The UK House of Commons is scheduled to vote later today on Theresa May's Brexit deal which includes the legally binding Withdrawal Agreement that lays out the terms of the UK's exit from the EU including the controversial Irish backstop, as well as the non-binding Political Declaration which provides the general framework of the future UK/EU relationship. With around one third of Conservative MPs having publicly expressed their opposition to the deal and all opposition parties having said that they will vote against, the Brexit deal in its current form is expected to be rejected and uncertainty will undoubtedly mount over what comes next. Voting is scheduled to begin around 19:00GMT. MPs will first vote on the proposed amendments and then on Theresa May's deal while press reports convey that 13 of those have already been submitted. If the UK Premier's deal is rejected, the UK government will have until Monday, 21 January to set out what it intends to do next. In FX markets, the GBP retained a firm tone ahead of the Brexit vote as investors appear to assign a lower probability to the risk of a no deal Brexit scenario. However, the final deadline to prevent such a scenario may not emerge before the 21-22 March European Council. Meanwhile, the EUR weakened hovering around 1.1425/30 against the US, 0.4% lower on the day and more than 1% below last week's three-month peak on mounting worries over the Eurozone's growth outlook. Eurozone data yesterday revealed a bigger than expected 1.7% MoM drop in November industrial production, not boding well for Q4 GDP growth. Elsewhere, tracking Asian bourses higher in today's session, major European bourses opened in the red on market hopes for more stimulus from the Chinese government to support domestic economic growth. US President Donald Trump's comments that he does not intend to declare a national emergency amid a partial government shutdown and Fed Vice Chairman Richard Clarida's remarks in a television interview that he does see a recession on the horizon, also favored risk sentiment.

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GREECE

According to the final State Budget Execution data for January – December 2018, the overall fiscal balance registered a deficit of €2.4bn, against a targeted deficit of €1.9bn in the 2019 Budget and a deficit of €4.3bn in the respective period of 2017. The State Budget Primary Balance recorded a surplus of €3.2bn, against a targeted primary surplus of €3.6bn. The primary balance under-performance was mainly driven by: a) The delay of the €1.2bn revenue from the concession agreement of the Athens International Airport, for the period 2026-2046, which is now expected to close in January 2019 instead of December 2018 as was originally budgeted. This delay will be neutral in general government terms for the 2018 fiscal outcome. b) The extension of the payment period for the vehicles excise duty well into January 2019 instead of by end of December 2018 that was originally planned. c) The lower than targeted Public Investment Budget revenue. In more detail, ordinary net revenue for January – December 2018 amounted to ca €51.0bn, undershooting the respective 2019 Budget target by ca €0.4bn remaining though still above the respective figure of the same period last year by ca €2.0bn. Ordinary budget expenditure for January – December 2018 amounted to ca €49.8bn, below the respective 2019 Budget target by €0.6bn and slightly above the respective 2017 figure by ca €0.01bn. Primary spending was at €44.2bn below the respective 2019 Budget target by €0.6bn but above the respective 2017 figure by €0.3bn. In the PIB, total revenue for January-December 2018 amounted to ca €2.6bn, below the respective 2019 Budget target by €1.2bn but above the respective figure of the previous year by €0.2bn. PIB total expenditure amounted to ca €6.2bn, below the respective 2019 Budget target by ca €0.5bn and above the respective figure of the previous year by €0.3bn.

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Latest economic & market developments in the CESEE region

CESEE MARKET DEVELOPMENTS

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

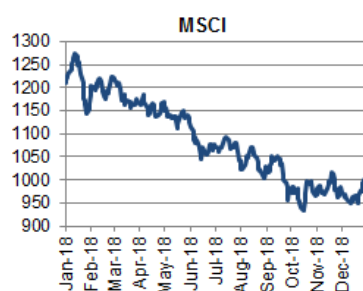
* on a cash basis

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+

The majority of emerging market indices traded mixed earlier on Tuesday. In yesterday's session, the EM MSCI Index concluded at 992.7, 0.8% lower compared to Friday's closing price, mainly driven by news that Chinese exports shrunk by a higher than expected 4.4% YoY in December. At the time of writing, the EM MSCI index has slightly recouped and is currently trading around its 100-day moving average.

This week's calendar in the CESEE region is broadly filled with CPI data announcements. Headline inflation is broadly expected to ease in Hungary and Poland, both scheduled to be released later in the day, while in Romania according to yesterday's statistical release CPI in December eased by 0.1% MoM and came in at 3.3% YoY, after 3.4% YoY in November, 4.25% YoY in October and 5% YoY in September. Additionally, Romania's disappointing data over the current account deficit widened in November by ca €480mn compared to the same month of the previous year weighted on local markets' sentiment with investors questioning the effectiveness of the tax to be imposed in 2019 on the banking and energy sectors.

That said, the Romanian stock index, BETI, traded in the red yesterday, ending at 6.962 which is close to a 20-day low, 4.34% lower compared to Friday's closing price after hitting a peak of 7.683 points earlier this month. In the rest region, no major market movements took place while most CEE FX markets remained relatively stable throughout the previous week. On the data front, later in the day we expect inflation and unemployment data for December from Bulgaria.

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Tuesday 15 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	2582.61	-0.5%	3.0%	EUR/USD	1.1433	-0.3%	-0.3%	UST - 10yr	2.68	-2	0	GOLD	1289	-0.2%	0.5%
Nikkei 225	20555.29	1.0%	2.7%	GBP/USD	1.2865	0.0%	0.8%	Bund-10yr	0.20	-3	-4	BRENT CRUDE	59	0.8%	10.5%
STOXX 600	348.54	0.3%	3.2%	USD/JPY	108.56	-0.4%	1.1%	JGB - 10yr	0.01	0	1	LMEX	2797	-0.6%	-0.1%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.41	-1	-3
1-week	2.55	0	-1
1-month	2.72	1	-1
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	4.17	0	1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.79	-1	-21

CDS

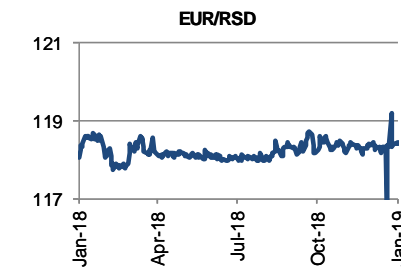
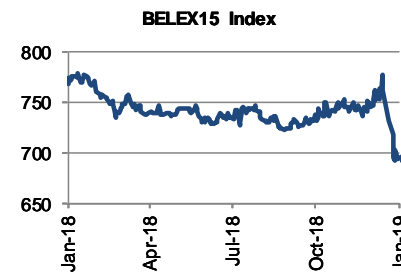
	Last	ΔDbps	ΔYTD bps
5-year	113	0	-5
10-year	159	0	-3

STOCKS

	Last	ΔD	ΔYTD
BELEX15	695.1	0.25%	-8.74%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.41	0.06%	-0.15%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.15	-45	106
1-month	2.68	-4	81
3-month	2.89	-3	84
6-month	3.23	0	96
12-month	3.43	-1	111

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.03	0	-1
5Y RON	4.43	0	9
10Y RON	4.89	0	8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.52	0	-2
USD Jan-24	4.10	1	-14

CDS

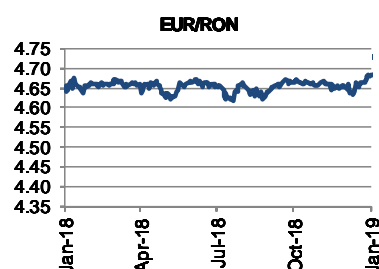
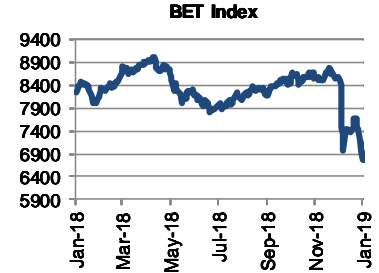
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	148	1	14

STOCKS

	Last	ΔD	ΔYTD
BET	6781.9	-2.20%	-8.15%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6842	-0.09%	-0.64%



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	-0.17	0	-12
5Y BGN	0.05	2	-6
10Y BGN	0.70	0	-5

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.03	0	2
EUR Sep-24	0.42	0	-7

CDS

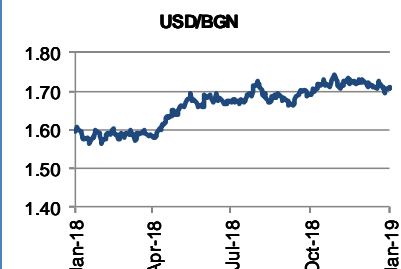
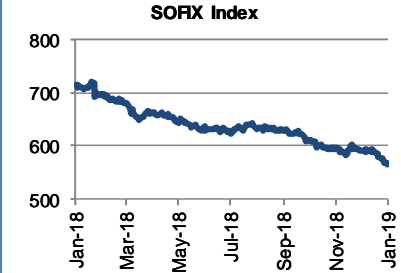
	Last	ΔDbps	ΔYTD bps
5-year	78	0	-19
10-year	128	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	566.2	-0.33%	-4.76%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7108	-0.33%	-0.31%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 1:15 EEST

Tuesday 15 January 2019

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