

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday 16 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: As expected, UK Prime Minister Theresa May's Brexit deal was rejected in the House of Commons yesterday evening. However, the negative votes were more than expected — the biggest government defeat since 1924 — with 432 lawmakers voting against versus 202 in favour. Immediately after, Labour Party leader Jeremy Corbyn submitted a motion of no-confidence in May's government. The vote will take place today at 20:00 CET and expectations are that the motion will fail. The Prime Minister reiterated her intention to "deliver" Brexit and vowed to make a statement to the Commons on how the government intends to proceed by the end of Monday after meeting the leaders of all parties to discuss the next steps of the Brexit negotiations. In FX markets, shrugging off eventually the defeat of the Brexit deal, the GBP was firmer against both the EUR and the USD today on optimism that a no-deal Brexit scenario will be avoided. On the flipside, the EUR remained under pressure pressured by weaker German GDP growth in 2018 and ECB President Mario Draghi's dovish comments yesterday.

GREECE: The Greek government is expected to win tonight the vote of confidence, while political interest now turns to the vote for the approval of the Prespes Agreement, which will likely take place early next week. Meanwhile, Euroworking Group President Hans Vijlbrief spoke in an interview (Insider.gr) about the possibility of the institutions not returning to Greece the SMP/ANFA income equivalent amounts, if Greece does not make satisfactory progress in its commitments under the Enhanced Post Programme Surveillance.

SOUTH EASTERN EUROPE

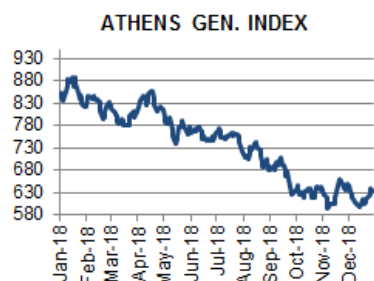
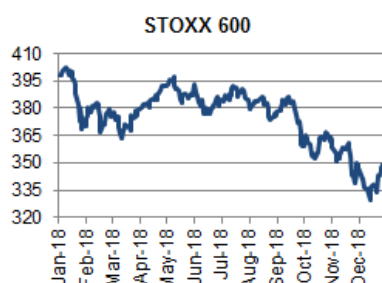
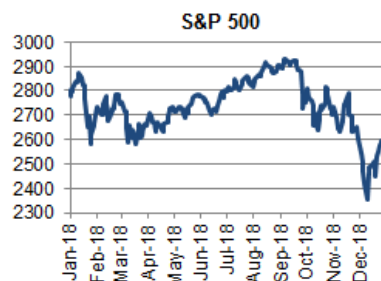
CESEE MARKET DEVELOPMENTS: Following Monday's losses on the back of soft Chinese export data released last Friday, Emerging market assets retained a firm tone in early trade on Wednesday for the second session in a row. The positive tone is mainly attributed to the Chinese authorities' signal over additional stimulus in order to bolster the world's second largest economy. The MSCI Emerging Markets index concluded yesterday's session on a positive footing, up by 1.2% compared to Monday's closing price. Today's calendar primarily focuses on the Central Bank of Turkey (CBRT) Monetary Policy Meeting where no changes are anticipated and the key policy rate (KPR) is expected to be kept stable at 24%.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

As expected, UK Prime Minister Theresa May's Brexit deal was rejected in the House of Commons yesterday evening. However, the negative votes were more than expected with 432 lawmakers voting against versus 202 in favour. Immediately after, Labour Party leader Jeremy Corbyn submitted a motion of no-confidence in May's government. The vote will take place today at 20:00 CET and expectations are that the motion will fail. All wings of the Conservative Party and coalition partner DUP from Northern Ireland have said that they will support the government. The Prime Minister reiterated her intention to "deliver" Brexit and vowed to make a statement to the Commons on how the government intends to proceed by the end of Monday after meeting the leaders of all parties to discuss the next steps of the Brexit negotiations. After the discussions, she is expected to return to Brussels to seek changes to the deal. However, at this stage, the EU is unlikely to offer any legally-binding assurances to support Theresa May's deal. The Prime Minister is expected to bring her Brexit plan back to the House of Commons by the end of this month. The likelihood of the UK asking for an extension of Article 50, has undoubtedly increased. Market optimism that a no-deal Brexit scenario can be avoided even though Theresa May's Brexit deal was rejected, favored Asian bourses earlier today while the majority of European equity markets opened modestly higher. Market hopes for more stimulus from China to support domestic economy and dovish comments from Kansas City Fed President Esther George (normally considered a hawk) that the Fed should continue "with caution" and that she would support a pause in the rate normalisation, also helped. In FX markets, shrugging off eventually the defeat of the Brexit deal, the GBP was firmer against both the EUR and the USD today on optimism that a no-deal Brexit scenario will be avoided. On the flipside, the EUR remained under pressure driven by weaker German GDP growth in 2018 and ECB President Mario Draghi's dovish comments yesterday. Speaking at the plenary debate of the European Parliament, the ECB President said that recent economic developments have been weaker than expected and uncertainties, notably related to global factors, remain prominent so that a significant amount of monetary policy stimulus is still needed.

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GREECE

The Greek government is expected to win tonight the vote of confidence, while political interest now turns to the vote for the approval of the Prespes Agreement, which will likely take place early next week. Meanwhile, Euroworking Group President Hans Vijlbrief spoke in an interview (Insider.gr) about the possibility of the institutions not returning to Greece the SMP/ANFA income equivalent amounts, if Greece does not make satisfactory progress in its commitments under the Enhanced Post Programme Surveillance, a development that would send a negative signal to the financial markets. Among the pending actions that constitute a priority, Mr. Vijlbrief mentioned the reduction of NPLs, the clearance of state arrears and the privatisations programme, particularly Egnatia motorway. On top of that, he added that there is concern about the increase of the minimum wage, the recent court rulings regarding pension and wage cuts that were implemented in previous years as well as the potential intention of the Greek government to cancel the pre-legislated reduction of the tax-free threshold, which is set to take effect on 1 January 2020. As regards the timetable ahead, the institutions may present an interim review on Greece to the 312 January Eurogroup Working Group with the findings of their next visit to Greece (which is scheduled on 21 January) while the 11 March Eurogroup will likely be presented the overall progress and decide upon the return of the 1st installment of the SMP/ANFA income equivalent amounts.

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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 |

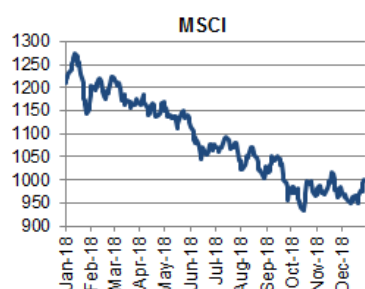
* on a cash basis

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+ |

Following Monday's losses on the back of soft Chinese export data released last Friday, Emerging market assets retained a firm tone in early trade on Wednesday for the second session in a row. The positive tone is mainly attributed to the Chinese authorities' signal over additional stimulus in order to bolster the world's second largest economy. That said, the MSCI Emerging Markets index concluded yesterday's session on a positive footing, up by 1.2% compared to Monday's closing price.

Yesterday's inflation data for December came in subdued in Hungary, Poland and Bulgaria as broadly expected. In Poland, headline CPI came in at 1.1% YoY in December compared to 1.3% in November, leading to a 1.6% YoY figure for 2018 vs 2% YoY in 2017. In Bulgaria, inflation came in at 2.7% YoY in December, which is the lowest figure since past May when headline inflation was standing at 2.6% YoY and then rallied up to 3.7% YoY until November. The common denominator for prices easing in the aforementioned countries is the sharp decline of international fuel prices in H22018.

In the regional news front, an IMF mission will visit Bulgaria by the end of January for the country's economic annual review under Article IV Consultation. Yesterday, Serbian Government sold RSD 18.3bn in 3-year bonds. Investors' interest was low as they placed bids for RSD 18.3bn against the offered RSD 100bn. The notes carrying a 3.75% annual coupon were sold at an average yield of 3.73%, lower than the yield of 3.80% achieved at the Feb 28, 2018 auction of bonds denominated in RSD with the same maturity. The notes sold yesterday will expire on Jan 17, 2022 and there is a next auction scheduled within the day, when the Ministry of Finance will offer 10-year bonds for EUR 50mn.

Today's calendar primarily focuses on the Central Bank of Turkey (CBRT) Monetary Policy Meeting where no changes are anticipated and the key policy rate (KPR) is expected to be kept stable at 24% mainly on the back of CPI stabilization outlook according to December data at ~ 20.30% YoY. Moreover, data referring to new car sales for Romania, Poland and Hungary are expected later in the day.

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Wednesday 16 January 2019

GLOBAL MARKETS

Stock markets

| | Last | ΔD | ΔYTD |
|------------|----------|-------|------|
| S&P 500 | 2610.30 | 1.1% | 4.1% |
| Nikkei 225 | 20442.75 | -0.5% | 2.1% |
| STOXX 600 | 350.54 | 0.5% | 3.8% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|------|-------|
| EUR/USD | 1.1408 | 0.0% | -0.5% |
| GBP/USD | 1.2878 | 0.1% | 0.9% |
| USD/JPY | 108.61 | 0.1% | 1.0% |

Government Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| UST - 10yr | 2.72 | 1 | 4 |
| Bund-10yr | 0.21 | 1 | -3 |
| JGB - 10yr | 0.01 | 0 | 1 |

SERBIA

Money Market

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| BELIBOR | | | |
| T/N | 2.43 | 2 | -1 |
| 1-week | 2.56 | 1 | 0 |
| 1-month | 2.71 | -1 | -2 |
| 3-month | 3.04 | 0 | 1 |
| 6-month | 3.19 | 1 | 1 |

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 | 3.80 | -1 | -20 |

CDS

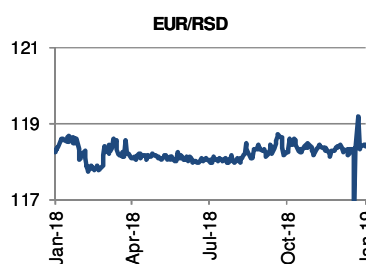
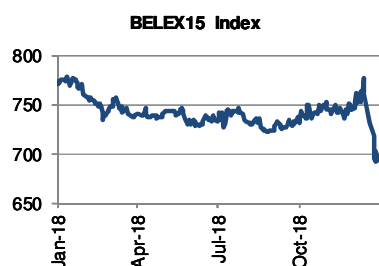
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 113 | -1 | -5 |
| 10-year | 159 | -1 | -3 |

STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|-------|--------|
| BELEX15 | 697.7 | 0.62% | -8.40% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| EUR/RSD | 118.41 | 0.02% | -0.15% |



ROMANIA

Money Market

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

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 4.03 | 0 | -1 |
| 5Y RON | 4.43 | 0 | 9 |
| 10Y RON | 4.90 | 0 | 9 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 1.52 | 0 | -2 |
| USD Jan-24 | 4.10 | 0 | -13 |

CDS

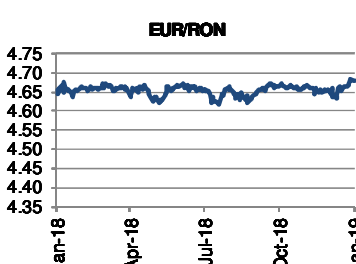
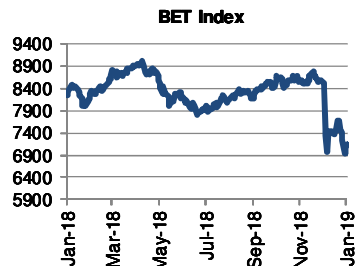
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 106 | 0 | 16 |
| 10-year | 148 | 0 | 15 |

STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|-------|--------|
| BET | 7124.6 | 0.91% | -3.51% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| EUR/RON | 4.6813 | 0.00% | -0.58% |



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 | -0.18 | 0 | -12 |
| 5Y BGN | 0.05 | 0 | -6 |
| 10Y BGN | 0.69 | 0 | -6 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|-------|-------|----------|
| EUR Mar-22 | -0.03 | 0 | 1 |
| EUR Sep-24 | 0.42 | 0 | -7 |

CDS

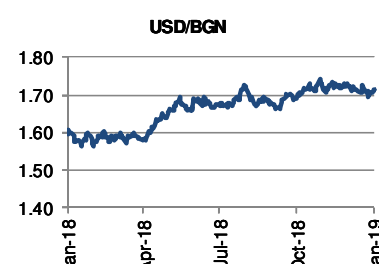
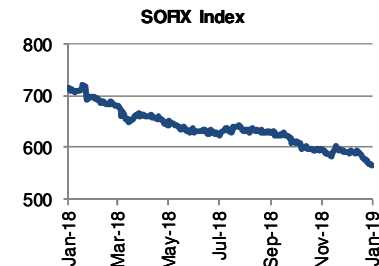
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 78 | 0 | -19 |
| 10-year | 128 | 0 | -13 |

STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|-------|--------|
| SOFIX | 565.6 | 0.00% | -4.86% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|--------|
| USD/BGN | 1.7144 | -0.05% | -0.52% |



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

Data updated as of 10:15 EEST

Wednesday 16 January 2019

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