

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: Rising hopes of a resolution to the US/China trade dispute and a string of firmer than expected US data, boosted risk appetite. Dented by their safe-haven appeal, core government bonds were weaker while optimism that a no-deal Brexit scenario will be avoided, has also had an impact. In FX markets, the DXY index was poised to mark its biggest weekly rise since mid-December on rising market uncertainty over whether other major CBs could follow the Fed and start raising interest rates this year. Looking at today's calendar, Fitch is expected to review France's sovereign credit rating while on the data front, IP data and the UM survey from the US are due for release.

GREECE: According to press reports, the Public Debt Management Agency is planning to tap the financial markets anew in the next couple of weeks, potentially with the issuance of a 5-year GGB to raise funds in the order of EUR2-2.5 billion. Meanwhile, S&P is scheduled to release its Greek sovereign rating today. Its current rating is 'B+', four notches below investment grade.

SOUTH EASTERN EUROPE

CYPRUS: The positive momentum in the tourism sector continued into the last month of 2018.

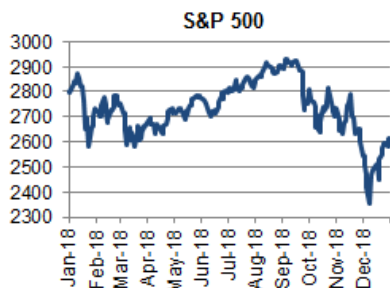
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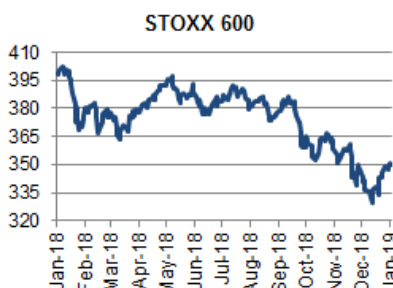
Friday 18 January 2019

Latest world economic & market developments

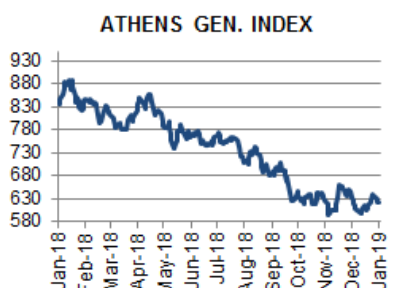
GLOBAL MARKETS



All three major US stock indexes ended higher overnight on press reports suggesting US Treasury Secretary Steven Mnuchin is considering offering a tariff rollback to China in the next round of trade talks, scheduled for January 30-31. Although Trade Representative Robert Lighthizer reportedly opposed such a proposal, Asian bourses followed suit and rose across the board today while major European equity markets opened on a firmer note. A string of firmer than expected US data yesterday, also had a positive impact. Initial jobless claims unexpectedly rose to a seasonally adjusted 213k for the week ended January 12, the NAHB index rose 2 points to 58.0 in January supported by the recent decline in mortgage rates and the headline for the Philly Fed manufacturing survey increased to 17.0 from 9.1 in December providing some respite from the recent deterioration in many business surveys.



Dented by improved risk appetite, US Treasuries were weaker on the day failing to capitalize on the partial US government shutdown which has dragged into its 4th week, the longest on record. The US 10-yr yield was hovering around yesterday's 3-week intraday peak of 2.76% in early European trade, some 22bps above a near one-year low recorded earlier this month. Taking their lead from higher UK Gilts on hopes that a no-deal Brexit scenario will be avoided, German Bunds underperformed with the 10-yr yield rising to a one-month peak close to 0.28%, up 3.5bps on the day and 6bps this week, its first weekly rise since early November. In FX markets, the DXY index was poised to end this week 0.4% higher, its biggest weekly rise since mid-December on rising market uncertainty over whether other major CBs could follow the Fed and start raising interest rates this year. The EUR/USD was standing around 1.1400, having fully reserved recent gains after marking a three-month high of 1.1570 just one week amid increasing worries over the Eurozone's growth outlook. Meanwhile, the GBP retained a firm tone on hopes that UK political parties will manage to reach a consensus on changes to the UK Prime Minister Theresa May's Brexit deal and a no-deal Brexit will be avoided. Looking at today's calendar, Fitch is expected to review France's sovereign credit rating (currently at AA with stable outlook) while on the data front, IP data and the UM survey from the US are due for release.



Source: Reuters, Bloomberg, Eurobank Research

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GREECE

According to press reports, the Public Debt Management Agency is planning to tap the financial markets anew in the next couple of weeks, potentially with the issuance of a 5-year GGB to raise funds in the order of EUR2-2.5 billion. It is reminded that the last GGB issuance had taken place in February 2018 (7-year bond of EUR3 billion). The 10-year GGB yield currently stands at 4.189%, lowest since early December 2019 and the 5-year GGB yield at 3.088%, a 5-month low. Meanwhile, S&P is scheduled to release its Greek sovereign rating today. Its current rating is 'B+', four notches below investment grade.

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Friday 18 January 2019

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

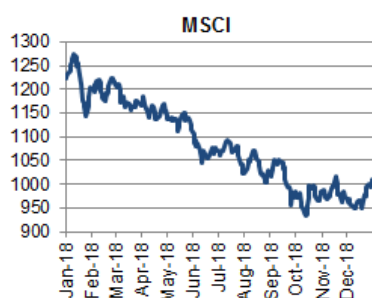
* on a cash basis

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



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+

CYPRUS

The positive momentum in the tourism sector continued into the last month of 2018. Tourist arrivals expanded by 7.7% YoY in December 2018 reaching 106.6 thousand, up from 98.9 thousand in the same month a year earlier. The month of December was the forty-second consecutive month with a positive rate of increase on an annual basis. This sets a new record as it was the highest volume of tourist arrivals ever recorded in Cyprus during December.

Overall, the number of tourist arrivals increased by 7.8% YoY in FY-2018 (3,938,625 vs. 3,652,073 in the same period last year). Tourist arrivals from Eastern Europe countries such as Poland (+58.0% YoY) and Ukraine (+44.5% YoY) and Nordic countries such as Finland (+26.5% YoY) and Sweden (+12.5% YoY) recorded a hefty increase. Tourist arrivals from some traditional markets such as Germany (+0.2% YoY), Greece (+9.8% YoY), Israel (-11.2% YoY), and UK (+5.9% YoY) had a mediocre performance in 2018. In addition, tourist arrivals from niche markets such as Russia (-5.0% YoY) were weak while tourist arrivals from Switzerland, a new niche tourist market for Cyprus have been growing fast in 2018 (+29.0% YoY).

Accordingly, tourism revenues also expanded by +2.7% YoY in January-October 2018 to €2,562.3mn, up from €2,493.8mn compared to the same period last year. However, the corresponding statistics for expenditure per person are on a declining trend. The expenditure per person for 10M-2018 reached €697,54 compared to €731,63 in the corresponding period of the previous year, recording a decrease of 4.7%. In fact, the expenditure per person/per day for the period of January – October 2018 compared to the period of January – August 2017 also recorded a decrease of 1.5% (from €75,82 to €75,53). Overall, the tourism industry has been among the key sectors behind the GDP growth rebound of the Cypriot economy in 2016-2018. Looking ahead, tourism, a key driving force behind the acceleration in services exports in the past years, is expected to soften. Tourism will be increasingly confronted with increasing competition from the re-opening of neighbor markets, where safety concerns are abating, and the lower purchasing power of their traditional tourists markets (predominantly British and Russian) as a result of their currency depreciations.

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Friday 18 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	2616.10	0.2%	4.4%	EUR/USD	1.1396	0.0%	-0.6%	UST - 10yr	2.71	-1	3	GOLD	1294	0.0%	0.9%
Nikkei 225	20402.27	-0.2%	1.9%	GBP/USD	1.2877	0.0%	0.9%	Bund-10yr	0.22	0	-2	BRENT CRUDE	61	-0.4%	13.6%
STOXX 600	350.15	-0.1%	3.7%	USD/JPY	108.84	0.2%	0.8%	JGB - 10yr	0.01	0	0	LME X	2831	0.7%	1.1%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.40	-3	-4
1-week	2.54	-2	-2
1-month	2.71	0	-2
3-month	3.05	1	2
6-month	3.20	1	2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.06	-2	-1
5Y RSD	3.52	0	2
7Y RSD	4.15	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.75	-6	-25

CDS

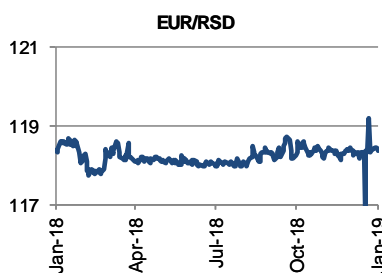
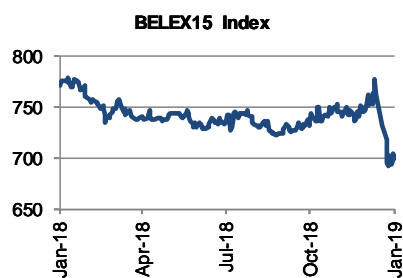
	Last	ΔDbps	ΔYTD bps
5-year	112	-1	-6
10-year	158	0	-4

STOCKS

	Last	ΔD	ΔYTD
BELEX15	699.6	-0.67%	-8.16%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.38	0.02%	-0.12%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.74	-9	65
1-month	2.78	10	91
3-month	2.9	3	85
6-month	3.2	0	93
12-month	3.44	2	112

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.09	0	5
5Y RON	4.55	0	21
10Y RON	4.99	0	18

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.51	-	-4
USD Jan-24	4.12	-1	-11

CDS

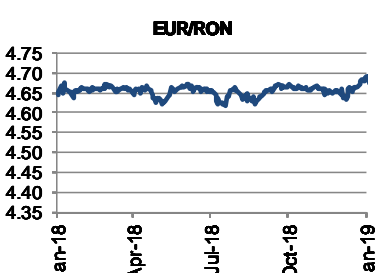
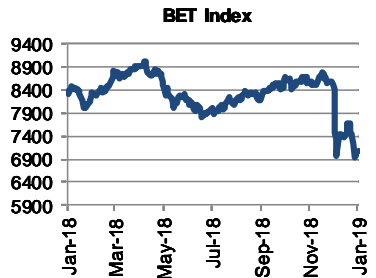
	Last	ΔDbps	ΔYTD bps
5-year	106	0	16
10-year	148	-1	14

STOCKS

	Last	ΔD	ΔYTD
BET	7081.8	0.07%	-4.09%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6899	-0.04%	-0.76%



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	0.06	0	-6
10Y BGN	0.70	0	-5

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.04	0	-2
EUR Sep-24	0.38	16	-10

CDS

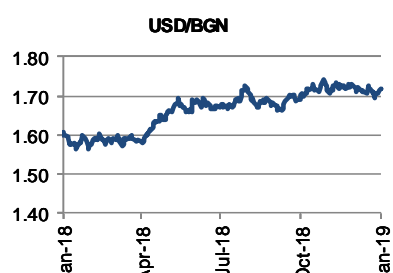
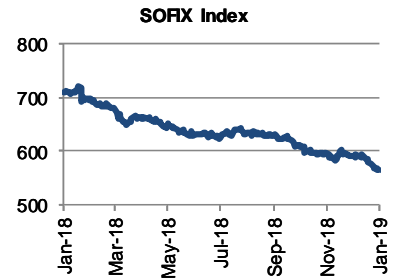
	Last	ΔDbps	ΔYTD bps
5-year	79	1	-17
10-year	127	-2	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	563.5	0.01%	-5.20%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7164	0.04%	-0.64%



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

Data updated as of 10:45 EEST

Friday 18 January 2019

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