

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday 18 February 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Feb 19:
NHAB Housing Market Index
- Feb 20
 - MBA
Mortgage Applications
 - FOMC Meeting Minutes
- Feb 21:
 - Initial jobless claims
(Feb. 16)
 - Durable Goods Orders
(Dec. Prel)
 - Markit Manufacturing,
Services and Composite
PMI (Feb., prel)
 - Leading Indicator (Jan.)
 - Existing Home Sales (Jan.)

EUROZONE

- Feb 19:
ZEW Survey Expectations
(Feb.)
- Feb 20: Consumer Confidence
(Feb.)
- Feb 21: Markit Manufacturing,
Services and Composite PMI
(Feb., prel)
- Feb 22:
 - CPI (Jan.)
 - CPI Core (Jan.)

GREECE

- Feb 19:
Turnover index in industry
(Dec.)
- Feb 20:
Current Account (Dec.)

SEE

BULGARIA

- Feb 19: Current Account (Dec.)

CYPRUS

- Feb 22: CPI Harmonised (Jan.)

SERBIA

- Feb 22: CPI (Jan.)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Global equity indices made a strong start on the first day of this business week amid positive rhetoric on the US-China trade negotiations. In FX markets, helped by the increased risk-on mode amid trade negotiations optimism, the EUR/USD gained some ground on Monday trading around 1.1300 in European trade at the time of writing, not too far from Friday's three month low of 1.1234 on expectations that the ECB will likely keep its monetary policy accommodative on a weaker euro area growth outlook, muted inflationary pressures and heightened political uncertainty. Elsewhere, the GBP/USD was a tad firmer at 1.2910 in European trade at the time of writing ahead of Brexit negotiations between British Prime Minister Theresa May and European Commission President Jean-Claude Juncker this week.

GREECE: According to press, the possibility of a 10-year Greek bond issue in March is currently being examined. The finalisation of the new household insolvency framework, a positive 2nd EPPS review and the approval of at least one of the two proposed – one by the HFSF and one by the BoG – schemes for the reduction of NPLs will have a positive impact on the timing of the bond issuance. In other news, according to InSETE Intelligence, the 2019 schedule for airport slots concerning inbound tourism foresees a decrease of c. 7% compared to 2018, pointing to a potential easing in international tourism arrivals and receipts in the current year.

SOUTH EASTERN EUROPE

CESEE MARKETS: The majority of emerging markets assets moved broadly higher earlier on Monday amid signs of progress in trade talks between the US and China. Elsewhere, in the CESEE region the picture is mixed with most regional bourses posting minor losses at the time of writing while the local FX markets are slightly firming against the Euro, except from the Turkish Lira, which is modestly weakening. On the data front, plethora of GDP figures for Q4 2018 was released in the second half of the previous week. According to the published data, economic growth in the region mostly slowed in Q4-2018, presumably on the back of subdued export demand from the Eurozone. Economic growth in the CESEE region, an important hub that supplies manufacturers in the Eurozone, has passed its peak as the global downturn seems to be affecting export oriented economies.

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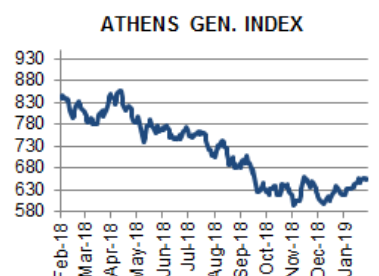
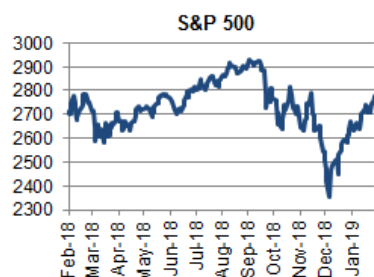
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Latest world economic & market developments

GLOBAL MARKETS

Global equity indices made a strong start on the first day of this business week amid positive rhetoric on the US-China trade negotiations following US President Donald Trump's comments last week that he may extend the present March 1 deadline for a trade deal. In the meantime, the US Department of Commerce submitted yesterday its findings on whether or not there is a national security issue regarding the imposition of auto tariffs, with the President Donald Trump now having up to 90 days to decide on whether or not to impose 20.0% tariffs on EU cars imported into the US. In FX markets, helped by the increased risk-on mode amid trade negotiations optimism, the EUR/USD gained some ground on Monday trading around 1.1300 in European trade at the time of writing, not too far from Friday's three month low of 1.1234 on expectations that the ECB will likely keep its monetary policy accommodative on a weaker euro area growth outlook, muted inflationary pressures and heightened political uncertainty. To this end, ECB Executive Board Member Benoit Coeure noted on Friday that a new round of TLTROs is possible as the euro area's recent economic slowdown has been "clearly strong and broader" than earlier expected by the ECB. The next ECB meeting will be held on March 7 and the Governing Council is widely expected to revise its growth and inflation projections downwards with the euro area economy suffering its sharpest deceleration in half a decade. Elsewhere, the GBP/USD was a tad firmer at 1.2910 in European trade at the time of writing ahead of Brexit negotiations between British Prime Minister Theresa May and European Commission President Jean-Claude Juncker in the following days. Looking at this week's calendar, flash February PMIs in Europe and the US are expected to take centre stage, with investors' focus on Germany following the weaker-than-expected Q4 2018 print at 0.02% (vs. +0.2% expected) last week. Meanwhile, the FOMC minutes from the January 29-30 meeting are expected on Wednesday, while the ECB's January policy meeting minutes are also due on Thursday.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

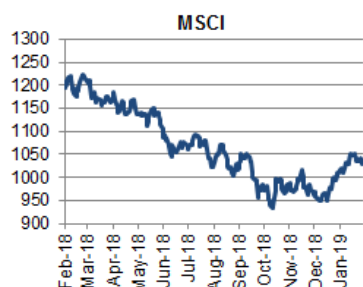
According to press, the possibility of a 10-year Greek bond issue in March is currently being examined. The finalisation of the new household insolvency framework, a positive 2nd EPPS review and the approval of at least one of the two proposed – one by the HFSF and one by the BoG – schemes for the reduction of NPLs will have a positive impact on the timing of the bond issuance. In other news, according to InSETE Intelligence, the 2019 schedule for airport slots concerning inbound tourism foresees a decrease of c. 7% compared to 2018, pointing to a potential easing in international tourism arrivals and receipts in the current year. Taking into consideration continuous increases in the past years, the present reduction could be regarded as a correction -according to InSETE- and could be attributed to the slowdown in the Euro area economy, insecurity surrounding Brexit – the UK is Greece's second most important tourism market– and the dynamic recovery of Turkey as a competitive tourism destination.

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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 Monday amid signs of progress in trade talks between the US and China. Elsewhere, in the CESEE region the picture is mixed with most regional bourses posting minor losses at the time of writing while the local FX markets are slightly firming against the Euro, except from the Turkish Lira, which is modestly weakening. The Turkish Lira is sliding both against the USD and the Euro since past Wednesday amid the weak industrial production data release and the review by S&P on Friday that maintained the sovereign rating unchanged at B+, which is four notches below investment grade, and pointed out that "the Turkish economy is about to contract by 0.5% YoY this year with major uncertainties surrounding this forecast". Concluding the markets review, the main Bulgarian equity index SOFIX continued to exhibit an absence of direction, ending slightly higher at 577.24 points, or 0.36% for the week. The trading volume also continued to be lower than average ending at EUR1.2M. Turning to the bond market, both local and sovereign yields remained largely unchanged staying within a 1-3 bps change. On the data front, plethora of GDP figures for Q4 2018 was released in the second half of the previous week. According to the published data, economic growth in the region mostly slowed in Q4-2018, presumably on the back of subdued export demand from the Eurozone. Economic growth in the CESEE region, an important hub that supplies manufacturers in the Eurozone, has passed its peak as the global downturn seems to be affecting export oriented economies. In Poland, GDP growth slowed to 4.9% YoY in Q4 from 5.1% in Q3. This was the first quarter, since Q2 2017, that economic growth fell below 5.0%. Still, GDP growth remains robust and came in above market consensus which was at 4.8% for Q4 2018. Despite the fact that the aforementioned release was a flash estimate and further national accounts breakdown will follow on February 28th, it is evident that the slowdown in Q4 stems from weaker private consumption and investments as well as net exports. In Romania, GDP increased by 4.1% YoY and 0.7% QoQ in Q4 vs 4.2% YoY and 1.7% QoQ in Q3. The full GDP growth rate adds up to 4.1% YoY, which is by 0.4% lower compared to the official estimate. The optimism in the official estimates continues in 2019 as well as in the 2019 budget, the Romanian Ministry of Finance assumes GDP growth rate ca 5.5% while the European Commission earlier in February projected an annual GDP growth rate of 3.8% YoY in 2019, the same as in the Autumn forecasts. We anticipate GDP growth moderation to continue as the economic uncertainty stemming from new fiscal measures (bank and energy taxes) will weigh on consumption, which was the key growth driver in 2018. In Bulgaria, GDP growth for Q4 2018 remained stable compared to Q3 and came in at 0.7% QoQ and 3.1% YoY broadly driven by final consumption and to a lesser extent by investments. The European Commission, in its Winter Economic Forecast, trimmed its estimate for 2018 economic growth to 3.2% vs 3.5% in the Autumn estimates while for 2019 GDP growth is seen at 3.6% YoY vs 3.7% in the previous forecasts. The official estimate of the Bulgarian Government back in Autumn was 3.6% YoY for 2018 and 3.7% YoY for 2019. Finally, Hungary seems to be the positive exception in the region for the time being as GDP growth in Q4 2018 came in at 5% YoY compared to 4.9% YoY in the previous quarter. GDP growth stood at 4.8% YoY for FY 2018, surprising positively the government that expected GDP to expand in 2018 by 4.3% YoY and the National Bank that forecasted GDP growth for the same period at 4.7% earlier in December.

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

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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	2775.60	1.1%	10.7%	EUR/USD	1.1302	0.1%	-1.5%	UST - 10yr	2.66	0	-2	GOLD	1322	0.0%	3.1%
Nikkei 225	21281.85	1.8%	6.3%	GBP/USD	1.2903	0.1%	1.1%	Bund-10yr	0.10	0	-14	BRENT CRUDE	67	0.6%	23.9%
STOXX 600	368.94	1.4%	9.3%	USD/JPY	110.57	-0.1%	-0.8%	JGB - 10yr	-0.02	0	-2	LMEX	2925	1.1%	4.4%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.32	0	-12
1-week	2.47	0	-9
1-month	2.66	0	-7
3-month	2.99	0	-4
6-month	3.13	0	-5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.15	-1	9
5Y RSD	3.78	0	27
7Y RSD	4.16	0	1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.74	0	-26

CDS

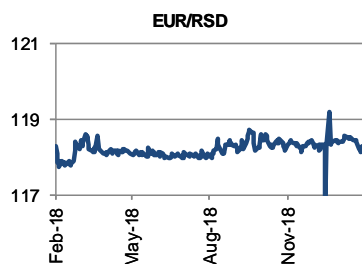
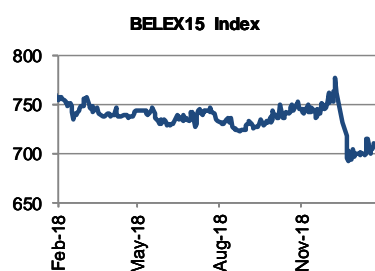
	Last	ΔDbps	ΔYTD bps
5-year	99	-8	-19
10-year	145	-10	-17

STOCKS

	Last	ΔD	ΔYTD
BELEX15	697.8	-0.63%	-8.39%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.08	0.14%	0.13%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.66	0	257
1-month	3.3	0	143
3-month	3.17	0	112
6-month	3.35	0	108
12-month	3.52	0	120

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.79	0	-25
5Y RON	4.28	0	-6
10Y RON	4.81	0	-1

RO Eurobonds

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

CDS

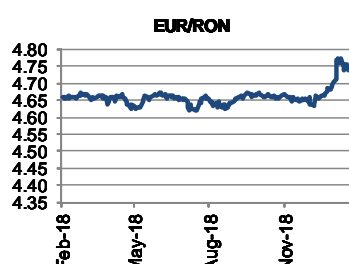
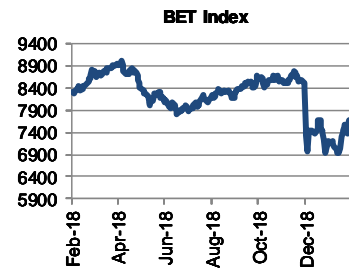
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	148	0	15

STOCKS

	Last	ΔD	ΔYTD
BET	7657.1	0.20%	3.70%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7396	0.03%	-1.80%



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	-0.19	-1	-13
5Y BGN	0.05	0	-6
10Y BGN	0.72	0	-3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.08	0	-4
EUR Sep-24	0.25	0	-23

CDS

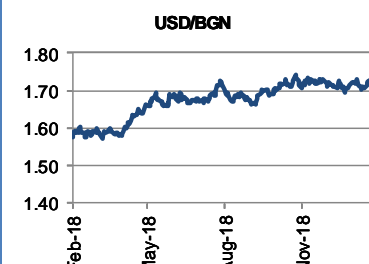
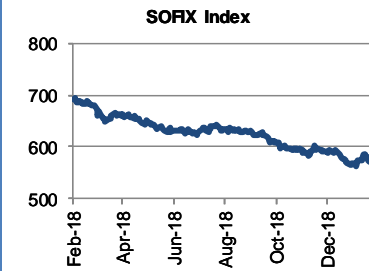
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	121	0	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	577.2	-0.64%	-2.90%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7305	-0.01%	-1.44%



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

Data updated as of 9:30 EEST

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