

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday 21 January 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Jan 22: Existing home sales (Dec)
- Jan 23:
- Jan 24:
 - Initial jobless claims (19/1)
 - Markit Composite PMI (Jan, prel)
- Jan 25:
 - Durable goods orders (Dec, prel)
 - New home sales (Dec)
- Jan 22 – Feb 02:
 - New home sales (Nov)
 - Construction spending (Nov)
 - Factory orders (Nov)
 - Durable goods orders (Nov, fin)
 - Trade balance (Nov)

EUROZONE

- Jan 22: ZEW survey (Jan)
- Jan 23: European Commission Consumer confidence (Jan)
- Jan 24:
 - Markit Composite PMI (Jan, prel)
 - ECB policy meeting
- Jan 25: German Ifo business climate (Jan)

UK

- Jan : Premier Theresa May to present to the House of Commons her new Brexit plan

GREECE

- Jan 21: Current account balance (Nov)
- Jan 21-22: Credit expansion (November)

SEE

ROMANIA

- Jan 25: Money supply (Dec)

SERBIA

- Jan 25: Real gross wages (Dec)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: European equity markets opened lower today and German government bonds were slightly firmer on a daily basis on the back of lingering Brexit uncertainty. UK Prime Minister Theresa May is anticipated to present her new Brexit plan to the House of Commons later today setting out how her government intends to proceed (expected around 16:30 CET). UK lawmakers will debate and vote on the government's new Brexit plan on 29 January. In FX markets, the DXY index retained a firm tone with the EUR/USD standing not far from Friday's two week intraday low of 1.1350. On the data front, focus this week is on Eurozone PMIs for January, due for release on Thursday. The ECB Governing Council meeting also convenes on Thursday and although it is widely expected to stay put on its monetary policy, President Mario Draghi is anticipated to adopt a more dovish tone on growth in view of the recent poor economic data. US markets are closed today due to the Martin Luther King Day holiday.

GREECE: The institutions' mission heads are expected in Athens today for the 2nd EPPS review. Among the issues to be discussed are: the replacement of the existing household insolvency legal framework, the revision of the minimum statutory wage and the abolishment of the sub-minimum wage, the clearance of state arrears and the progress in the privatisations programme. S&P affirmed Greece's 'B+/B' foreign and local currency long- and short-term sovereign credit ratings, with positive credit outlook, projecting GDP growth of 2.4% on average for the period 2019-2022 driven by strong domestic demand and solid export performance.

CESEE MARKETS

The majority of emerging markets moved broadly higher earlier on Monday amid hopes for a resolution in the U.S-China trade dispute. Investors' sentiment was not affected by the Chinese data released yesterday on GDP growth for Q4 2018. Growth rate came in 6.4% YoY, it is the lowest quarterly rate since Q1 2009 and it was broadly synchronized with market expectations. Referring to the CESEE economies, the Romanian leu was under pressure for most of the previous week on the back of controversial fiscal measures, i.e. bank and energy taxes, with the EURRON rate standing at the time of writing at an all-time low of 4.70. Furthermore, Serbian Ministry of Finance stepped into two bond auctions the previous week with the yield in both auctions standing lower compared to that in the previous auctions held in past February and March for equivalent bonds. This week's calendar is rather empty with Polish unemployment data for December being released on Thursday. The week will be closing on Friday with announcements regarding money supply data in Romania and real gross wages in Serbia, both for December.

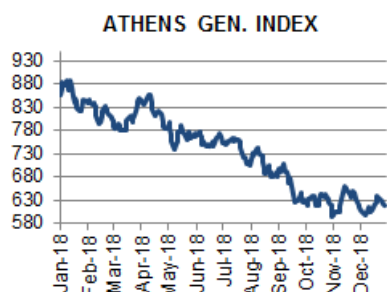
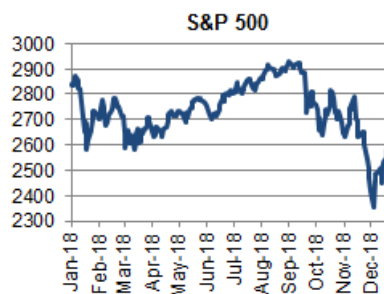
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Monday 21 January 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Following Wall Street's positive sentiment on Friday, Asian equity markets ended higher earlier today supported by expectations for a possible trade deal between the US and China. On the flipside, European equity markets opened lower amid lingering Brexit uncertainty. UK Prime Minister Theresa May is anticipated to present her new Brexit plan to the House of Commons later today setting out how her government intends to proceed (expected around 16:30 CET). UK lawmakers will debate and vote on the government's new Brexit plan on 29 January. Over the same day, they will also have the opportunity to present and vote on a wide range of alternatives to the UK Premier's plan, an option that could give them the power to have a say in the final deal and prevent a 'no deal' Brexit scenario. Meanwhile, German government bonds were slightly firmer on a daily basis with the 10-yr yield standing close to 0.25% in early European trade, c. 1bp lower compared to Friday's settlement but some 2.2bps higher on a weekly basis and up c. 11bps from a one-year trough marked at the beginning of this year (US markets are closed today due to the Martin Luther King Day holiday). Turning to EMU-periphery sovereign bond markets, yield premium vs. their German peers remained close to last week's lows favored by higher German bond yields. On a weekly basis, Italy has been a star performer with the 10-yr yield spread against its German counterpart narrowing by some 13bps and tightening to below 250bps for the first time since late September last year as record demand for last week's new 10-yr syndicated bond sale continued to favor market sentiment towards Italian sovereign paper. In FX markets, the DXY index retained a firm tone with the EUR/USD standing in European trade not far from Friday's two week intraday low of 1.1350. On the data front, focus this week is on Eurozone PMIs for January - due for release on Thursday - which are likely to recover some ground helped by the unwinding of temporary adverse factors. The ECB Governing Council meeting also convenes on Thursday and although it is widely expected to stay put on its monetary policy after deciding just a month earlier to cease net purchases under the APP, President Mario Draghi is anticipated to adopt a more dovish tone on growth in view of the recent poor economic data.

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GREECE

The institutions' mission heads are expected in Athens today for the 2nd EPPS review. Among the issues to be discussed are: the replacement of the existing household insolvency legal framework – Law 3869/2010 has been extended up to end-February 2019 – and particularly the protection of the debtors' first residence, the revision of the minimum statutory wage and the abolishment of the sub-minimum wage, the clearance of state arrears and the progress in the privatisations programme. As regards the latter, the Minister of Energy has reportedly recently stated that the bill for the dichotomy of DEPA – a prerequisite for the said privatisation – will be submitted to Parliament in coming weeks. The Greek government aims at a positive review, which will allow for the 11 March Eurogroup to approve the return of the SMP/ANFA profits (EUR750mn) and send a positive signal to the financial markets. Meanwhile, S&P affirmed Greece's 'B+/B' foreign and local currency long- and short-term sovereign credit ratings, with positive credit outlook, projecting GDP growth of 2.4% on average for the period 2019-2022 driven by strong domestic demand and solid export performance

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Monday 21 January 2019

Latest economic & market developments in the CESEE region

CESEE MARKETS

The majority of emerging markets moved broadly higher earlier on Monday amid hopes for a resolution in the U.S-China trade dispute. Investors' sentiment was not affected by the Chinese data released yesterday, recording Q4 2018 GDP growth 6.4% YoY, the lowest quarterly rate since Q1 2009 and broadly synchronized with market expectations. At the time of writing MSCI Emerging Markets Index is trading at 1,015, which is almost a 7- weeks high after bottoming out in late December at 940.

Referring to the CESEE economies, the Romanian leu was under pressure for most of the previous week on the back of controversial fiscal measures, i.e. bank and energy taxes, with the EURRON rate standing currently at an all-time low of 4.70. The aforementioned taxes have not left the local bond market unaffected with Romanian government bond yields being pushed higher in light of the burden that local financial institutions will have to carry for any assets held on their balance sheets. Furthermore, Serbian Ministry of Finance stepped into two bond auctions the previous week. According to the Public Debt Administration, on last Tuesday bonds were sold for RSD18.3bln at an average yield of 3.73%, bearing a 3.75% annual coupon and expiring on 17/01/2022. The next day, an additional auction took place where bonds were sold for EUR69.7mn at an average yield of 3.50%, bearing a 3.25% annual coupon and maturing on 18/01/2029. Notably, the yields in both aforementioned auctions were lower compared to those in the previous auctions held in past February and March for equivalent bonds.

This week's calendar is rather empty with Polish unemployment data for December expected on Thursday. The week will be closing on Friday with announcements regarding money supply data in Romania and real gross wages in Serbia, both for December. Amid lack of regional macroeconomic data, we consider this week's market movers to be the ongoing discussions on Brexit along with ECB's meeting on Thursday.

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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

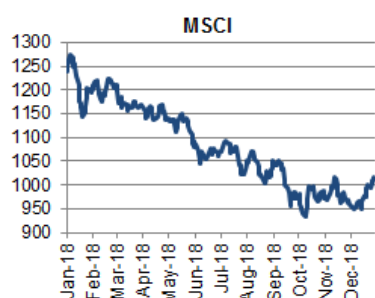
* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

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+

Monday 21 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	2670.71	1.3%	6.5%	EUR/USD	1.1377	0.1%	-0.8%	UST - 10yr	2.78	0	10	GOLD	1282	0.0%	-0.1%
Nikkei 225	20719.33	0.3%	3.5%	GBP/USD	1.2853	-0.1%	0.7%	Bund-10yr	0.26	-1	1	BRENT CRUDE	62	-0.4%	16.1%
STOXX 600	356.06	-0.3%	5.5%	USD/JPY	109.63	0.1%	0.1%	JGB - 10yr	0.01	-1	1	LMEX	2873	1.1%	2.6%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.41	0	-3
1-week	2.54	0	-2
1-month	2.71	0	-2
3-month	3.06	0	3
6-month	3.21	0	3

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.09	-1	3
5Y RSD	3.56	0	6
7Y RSD	4.15	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.76	0	-24

CDS

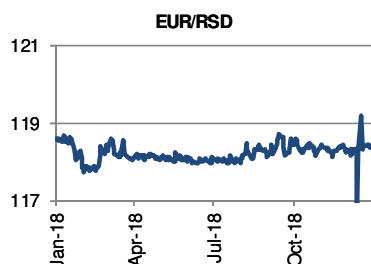
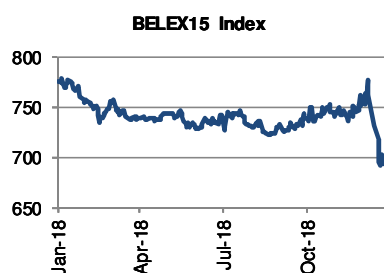
	Last	ΔDbps	ΔYTD bps
5-year	109	-2	-9
10-year	156	-2	-6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	699.1	0.22%	-8.22%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.39	0.04%	-0.13%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.74	0	65
1-month	2.82	0	95
3-month	2.93	0	88
6-month	3.22	0	95
12-month	3.45	0	113

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.09	0	6
5Y RON	4.55	0	21
10Y RON	5.04	0	23

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.52	-	-2
USD Jan-24	4.14	-4	-7

CDS

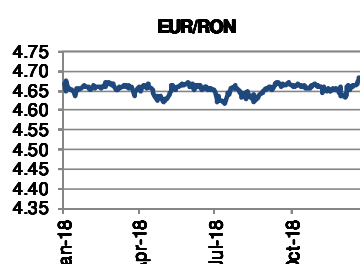
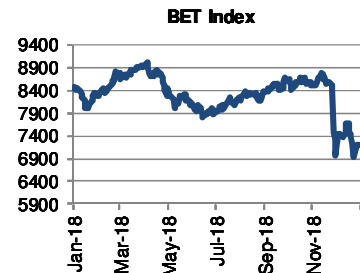
	Last	ΔDbps	ΔYTD bps
5-year	106	1	16
10-year	148	1	14

STOCKS

	Last	ΔD	ΔYTD
BET	7190.6	-0.15%	-2.62%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7045	0.00%	-1.07%



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	0.04	-2	-7
10Y BGN	0.70	0	-5

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.04	-2	1
EUR Sep-24	0.41	-3	-7

CDS

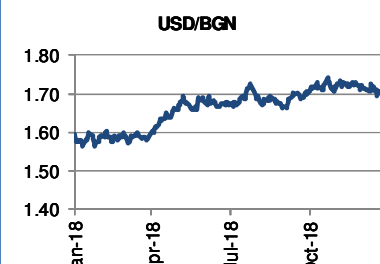
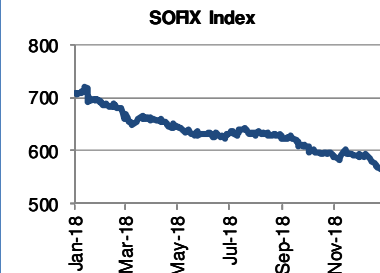
	Last	ΔDbps	ΔYTD bps
5-year	79	1	-17
10-year	127	1	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	567.1	0.00%	-4.61%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7192	0.12%	-0.80%



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

Data updated as of 10:15 EEST

Monday 21 January 2019

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