



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday 22 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: Market sentiment towards risk assets worsened amid mounting concerns about a weakening global expansion. Following the release of data from China earlier this week which showed an annual GDP growth rate of 6.6% in 2018, the slowest pace in nearly 30 years, the IMF lowered its GDP global growth forecast for both 2019 and 2020 to 3.5% and 3.6%, respectively, in its updated January 2019 World Economic Outlook. Lingering US/China trade tensions and the ongoing uncertainty surrounding Brexit are not helping risk sentiment either. UK Prime Minister Theresa May presented her new Brexit plan to the House of Commons yesterday. However, those who expected the UK Premier to put forward new options that could be potentially acceptable to a wider parliamentary majority were disappointed. Against this background, European equity markets opened lower today, core government bonds were firmer and, in FX markets, the DXY index extended recent gains hitting a fresh three-week intraday high of 96.472 earlier today.

GREECE: Deliberations on the 2nd EPPS review began yesterday in Athens between Greek government officials and the institutions' heads. Among the sticky issues in this round of talks is the replacement of the existing household insolvency legal framework with the Greek government reportedly opting to make the parameters of the framework – maximum value of the first residence that will be protected, the pre-conditions for protection and the size of the haircut – broader and the institutions and banks moving towards the opposite direction. Meanwhile, in the latest European Commission Fiscal Sustainability Report 2018, the fiscal sustainability analysis for Greece states among others that in the short-term fiscal risks appear limited due to the particular structure of the Greek debt and the sizeable primary surpluses. Yet the medium- and long-term traditional fiscal sustainability indicators point to remaining challenges.

SOUTH EASTERN EUROPE

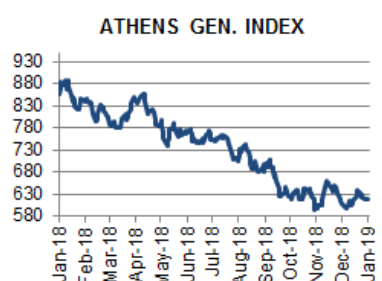
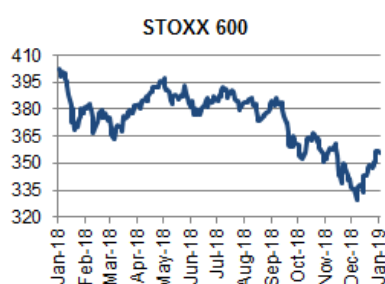
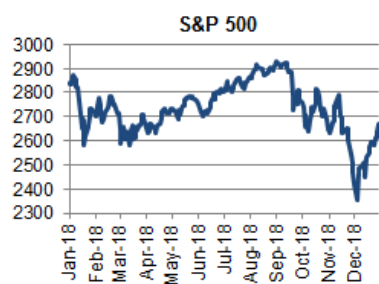
CYPRUS: The House Price Index (HPI) expanded by +0.2% QoQ/+1.7% YoY in Q3-2018 up from +0.6% QoQ/+1.2% YoY in Q2-2018.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market sentiment towards risk assets worsened amid mounting concerns about a weakening global expansion. Following the release of data from China earlier this week which showed an annual GDP growth rate of 6.6% in 2018, the slowest pace in nearly 30 years, the IMF lowered its GDP global growth forecast for both 2019 and 2020 in its updated January 2019 World Economic Outlook. Citing carry over from softer momentum in H2 2018, weakening financial market sentiment and the risk of a deeper than previously expected contraction in Turkey, the IMF revised its global growth estimate to 3.5% in 2019 and 3.6% in 2020, 0.2ppts and 0.1ppts below last October's projection, from 3.7% estimated in 2018. The IMF also warned that risks to the global growth outlook seem skewed to the downside including a further escalation in trade tensions, a no-deal Brexit scenario and a deeper than currently expected slowdown in China. Lingering US/China trade tensions and the ongoing uncertainty surrounding Brexit are not helping risk sentiment either. UK Prime Minister Theresa May presented her new Brexit plan to the House of Commons yesterday, outlining what she intends to do next after her initial plan was rejected by Parliament early last week. However, those who expected the UK Premier to put forward new options that could be potentially acceptable to a wider parliamentary majority were disappointed. Theresa May committed to continue holding discussions with MPs over their concerns on the Withdrawal Agreement and take those concerns back to the EU. She refused to rule out no-deal and she opposed to a second referendum and a general election "at this time". The next key date is 29 January when MPs will vote on the UK Premier's plan and will also be able to vote on their amendments to the plan. Against this background, European equity markets opened lower, following Asian bourses' poor performance earlier today. Core government bonds were firmer and, in FX markets, the DXY index extended recent gains hitting a fresh three-week intraday high of 96.472 earlier today.

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GREECE

Deliberations on the 2nd EPPS review began yesterday in Athens between Greek government officials and the institutions' heads. Among the sticky issues in this round of talks is the replacement of the existing household insolvency legal framework with the Greek government reportedly opting to make the parameters of the framework – maximum value of the first residence that will be protected, the pre-conditions for protection and the size of the haircut – broader and the institutions and banks moving towards the opposite direction. Other issues at the centre of this review are the revision of the minimum wage, with the institutions cautioning that high unemployment and low productivity do not allow for generous increases, the clearance of state arrears, the recent court rulings regarding past pension and wage cuts and NPLs reduction. Meanwhile, in the latest European Commission Fiscal Sustainability Report 2018, the fiscal sustainability analysis for Greece states among others that in the short-term fiscal risks appear limited due to the particular structure of the Greek debt and the sizeable primary surpluses. Yet the medium- and long-term traditional fiscal sustainability indicators point to remaining challenges. On the privatisations front, the management authority of open and public areas and facilities in Hellinikon began its operation last week. Finally, according to the Bank of Greece, in the period January-November 2018, the current account showed a deficit of EUR3.8 billion, up by EUR2.1 billion YoY. The widening of the current account is attributable to the deterioration in the balance of goods and the primary income account, which however was partly offset by an improvement mainly in the services balance, as well as in the secondary income account.

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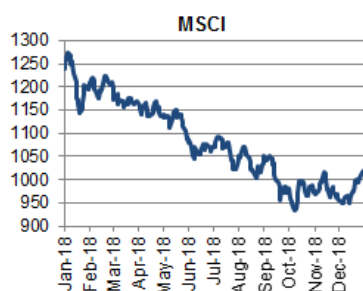
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Latest economic & market developments in the CESEE region

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



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

Property prices stayed on an increasing path in the third quarter of 2018. The House Price Index (HPI), a quarterly index calculated and published by CYSTAT measuring the change in the average prices of residential dwellings on a transactions basis, is in positive territory since Q4-2016. The HPI expanded on an annual basis by +0.2% QoQ/+1.7% YoY in Q3-2018, up from +0.6% QoQ/+1.2% YoY in Q2-2018, down from -1.8% QoQ/+3.7% YoY in Q1-2018 compared to +2.7% QoQ/+2.4% YoY in Q4-2017 vs. -0.3% QoQ/+0.6% YoY in Q3-2017. The Cypriot reading – although lagging behind that of EA-19 (+1.6% QoQ/+4.3% YoY) in this quarter – still bodes well with the ongoing rebound in the property market.

Having expanded with double digits throughout 2017, construction output still increased by 24.3% YoY in Q3-2018 up from 13.3% YoY in Q2-2018, compared to 17.5% YoY in Q3-2017 driven by construction building. On average, construction output was running at 27.6% YoY in FY2017, up from 20.7% YoY in FY2016 vs. only 0.2% YoY in FY2015. The latest building permits release predisposes for a continuation in the construction output rebound. According to CYSTAT, the total value of building permits issued in gM-2018 rose by 45.8% YoY to €1,552.1mn while the total area of building permits increased by 32.2% YoY.

The construction rebound has been one of the main drivers behind Cyprus's impressive turnaround. GDP growth came at 3.9% in gM-2018 surpassing the most optimistic forecasts, compared to 4.2% in 2017, 4.8% YoY in 2016 and only 2.0% YoY in 2015. The stream of construction projects (already under construction, those who have received permits and the pending applications) point to a construction boom. The program citizenship by investment (an investment of €2mn in real estate enables the beneficial owner to acquire the Cypriot passport and can be reduced down after 3 years to just €500,000) has helped to attract foreign funded investment in the real estate sector in the form of high-rise residential towers, which are located in Limassol & Paphos. The latter has raised concerns that the output rebound is poised to fade away once these projects are completed. From that point of view, the IMF mission in its latest article IV assessment released on the occasion of the conclusion of its visit in late September – early October of 2018, which was endorsed by the Board in late November, urged Cypriot authorities to restart macro-critical and productivity enhancing structural reforms to help sustain medium-term GDP growth close to potential – estimated at 2.5% avoiding an excessive concentration of economic activity in construction.

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Tuesday 22 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	1.1362	0.0%	-0.9%	UST - 10yr	2.75	-3	7	GOLD	1284	0.7%	0.2%
Nikkei 225	20622.91	-0.5%	3.0%	GBP/USD	1.2887	0.0%	1.0%	Bund-10yr	0.25	0	1	BRENT CRUDE	62	-1.0%	15.4%
STOXX 600	356.08	-0.1%	5.5%	USD/JPY	109.46	0.2%	0.2%	JGB - 10yr	0.00	-1	0	LMEX	2850	-0.8%	1.7%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.42	1	-2
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	2
5Y RSD	3.56	0	6
7Y RSD	4.15	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.77	#N/A N/A	-23

CDS

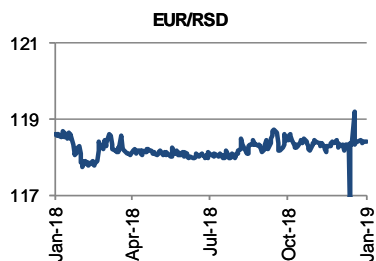
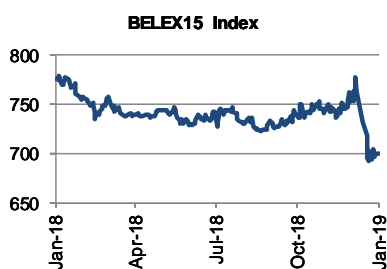
	Last	ΔDbps	ΔYTD bps
5-year	108	-1	-10
10-year	155	-1	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	700.5	0.08%	-8.04%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.36	0.01%	-0.10%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.75	-2	66
1-month	2.96	6	109
3-month	2.97	0	92
6-month	3.28	0	101
12-month	3.49	0	117

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.16	0	13
5Y RON	4.63	0	29
10Y RON	5.08	0	27

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	-	-1
USD Jan-24	4.15	-2	-8

CDS

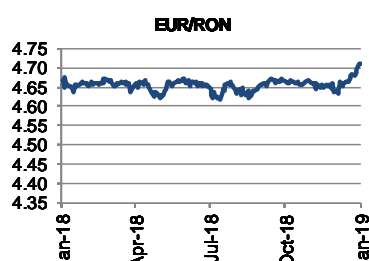
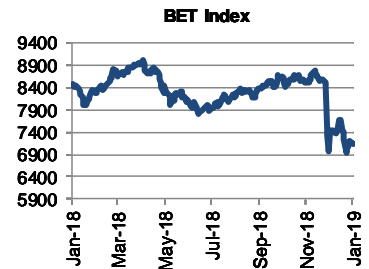
	Last	ΔDbps	ΔYTD bps
5-year	106	-1	16
10-year	147	-1	13

STOCKS

	Last	ΔD	ΔYTD
BET	7142.0	-0.24%	-3.27%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7119	-0.01%	-1.23%



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	0.07	2	-5
10Y BGN	0.70	0	-6

BG Eurobonds

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

CDS

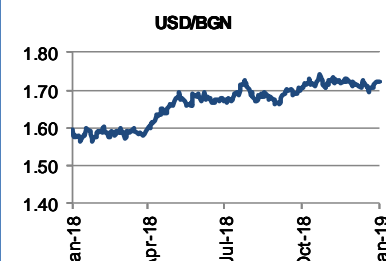
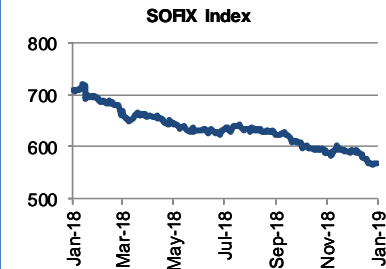
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	568.1	0.10%	-4.44%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7212	-0.02%	-0.91%



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

Data updated as of 10:25 EEST

Tuesday 22 January 2019

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