

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday 25 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:** As expected, the ECB kept its key interest rates unchanged and confirmed its guidance on interest rates and reinvestments at yesterday's monetary policy meeting. However, in the post-meeting press conference, President Mario Draghi adopted a more dovish tone than in December, acknowledging that risks surrounding the euro area growth outlook have moved to the downside. Fueling concerns about the Eurozone's growth outlook, January PMIs released yesterday a few hours ahead of the ECB meeting, disappointed. Against this background, core Eurozone government bonds were well supported, while the EUR came under further pressure. Meanwhile, the GBP gained sharply on today's UK reports suggesting that the DUP has privately decided to support Theresa May's Brexit plan next week.

**GREECE:** The visit of the institutions to Greece in the context of the 2<sup>nd</sup> EPPS review concludes today and the review is expected to be released on 27 February. According to press, a number of pending actions remain open with the stickiest one probably being the replacement of the current household insolvency framework, which has been extended until end-February. On 21 January the Government Council for Economic Policy (KYSOIP) approved the EUR1.115 bn concession agreement for the Athens International Airport (AIA), which will now have to be signed by the Minister of Finance and then ratified by the Hellenic Parliament.

### SOUTH EASTER EUROPE

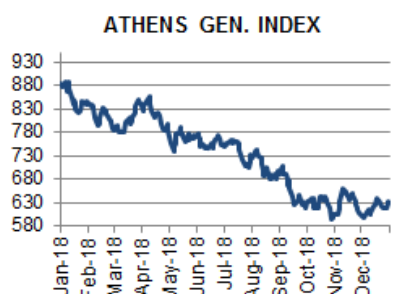
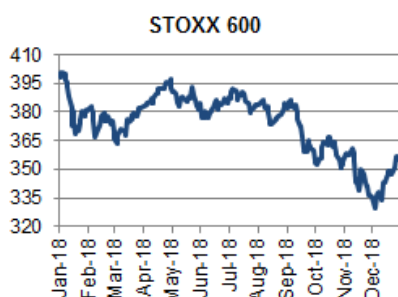
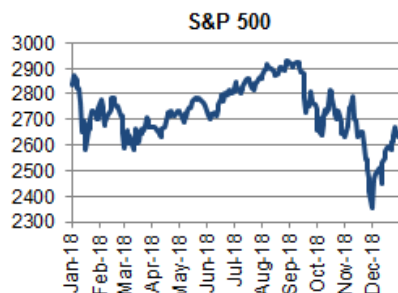
**CESEE MARKETS:** Emerging markets traded mixed in early Friday European trade amid US Commerce Secretary's comment that the US is still "miles and miles" away from a trade deal with China and ECB President's warning of downside risks to the Eurozone's growth outlook. Bourses in the CESEE region traded mixed, lacking a clear signal from the US- Chinese dialogue regarding the existing trade tensions.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

As expected, the ECB kept its key interest rates unchanged and confirmed its guidance on interest rates and reinvestments at yesterday's monetary policy meeting, while the accompanying statement was little changed compared to December's. However, in the post-meeting press conference President Mario Draghi adopted a more dovish tone than in December, acknowledging that risks surrounding the euro area growth outlook have moved to the downside. He noted that data have continued to surprise to the downside mainly on the back of two factors: slower external demand and some "country and sector-specific factors". He expressed confidence that the latter will progressively fade, but sounded more cautious on the prospects of the former mainly due to persistent uncertainty related to trade protectionism and Brexit. The ECB President revealed that the Governing Council unanimously admitted that risks have moved to the downside, but divisions prevailed on the likely persistence of the growth headwinds. Surprisingly, while the ECB President said that "several" members raised the issue of TLTROs, he did not provide any explicit hints about further liquidity support for banks. Fueling concerns about the Eurozone's growth outlook, January PMIs released yesterday a few hours ahead of the ECB meeting, disappointed. The Composite PMI dropped for the fifth month in a row coming in at a 5 ½ year low of 50.7 from 51.1 in the prior month, with both manufacturing and services PMI moving lower at 50.5 and 50.8, respectively, not far from the 50-threshold. Against this background, core Eurozone government bonds were well supported, with the 10-yr German yield poised for a weekly drop of more than 7bps. In FX markets, the EUR came under further pressure, standing against the USD not far from yesterday's post-ECB two month low of 1.1286. Meanwhile, the GBP gained sharply surging to an 11-week high close to 1.3140 against the USD earlier today, while the EUR/GBP plunged close to 0.8600 for the first time since May 2017 on today's UK reports suggesting that the DUP has privately decided to support Theresa May's Brexit plan next week. On 29 January, UK PMs will vote on the UK Premier's plan and will also be able to vote on amendments to the plan.

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### GREECE

The visit of the institutions to Greece in the context of the 2<sup>nd</sup> EPPS review concludes today and the review is expected to be released on 27 February. According to press, a number of pending actions remain open with the stickiest one probably being the replacement of the current household insolvency framework, which has been extended until end-February. In the next couple of days the Greek government is expected to communicate to the institutions its proposal addressing also concerns such as how the revised framework will protect against strategic defaulters. On the privatisations front, on 21 January the Government Council for Economic Policy (KYSOIP) approved the concession agreement for the Athens International Airport (AIA), which will now have to be signed by the Minister of Finance and then ratified by the Hellenic Parliament. The financial closing of the EUR1.115 bn agreement is expected to take place immediately after and will open the way for the sale of a 30% stake in AIA which could reportedly yield another EUR600-700mn to the Hellenic Republic Asset Development Fund. Meanwhile, the institutions staff met yesterday with the Minister of Infrastructure, Transport and Networks Christos Spirtzis to discuss progress on the seriously delayed privatisation of Egnatia motorway where among the pending actions is the operation of toll stations as well as maintenance works.

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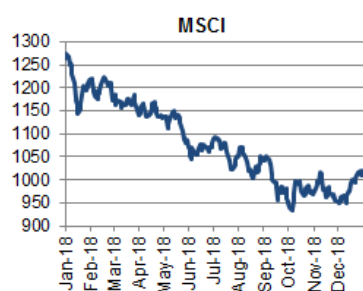
Friday 25 January 2019

## 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



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+

### CESEE MARKETS

Emerging markets traded mixed in early Friday European trade amid US Commerce Secretary's comment that the US is still "miles and miles" away from a trade deal with China and ECB President Mario Draghi's warning of downside risks to the Eurozone's growth outlook.

Apparently, the dovish tone that ruled yesterday's ECB President press conference favored emerging market stocks and bonds with the MSCI Emerging Markets Index, at the time of writing, continuing to hike for a third day in a row standing at 1028, after having concluded yesterday's session ca. +0.08% higher.

Elsewhere, bourses in the CESEE region traded mixed, lacking a clear signal from the US-Chinese dialogue regarding the existing trade tensions. While Czech and Hungarian stock markets concluded yesterday's session in the black with minor gains, Polish WIG index traded in the red, down by 0.33%, presumably affected by allegations that the Central Bank Governor is involved into a banking corruption scandal that surfaced in late December. However, Polish zloty and bonds are standing firmly, appearing little affected.

On the data front, today's calendar appears rather poor with real wages increase in December for Serbia expected later today.

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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	2642.33	0.1%	5.4%	EUR/USD	1.1318	0.1%	-1.3%	UST - 10yr	2.72	1	4	GOLD	1285	0.3%	0.2%
Nikkei 225	20773.56	1.0%	3.8%	GBP/USD	1.3088	0.2%	2.6%	Bund-10yr	0.18	0	-6	BRENT CRUDE	62	0.7%	14.4%
STOXX 600	358.30	0.7%	6.1%	USD/JPY	109.74	-0.1%	0.0%	JGB - 10yr	0.00	-1	-1	LMEX	2860	-0.2%	2.1%

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.45	2	1
1-week	2.61	0	5
1-month	2.75	-1	2
3-month	3.08	-1	5
6-month	3.23	0	5

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.06	-1	0
5Y RSD	3.55	0	5
7Y RSD	4.12	0	-4

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.68	-1	-32

**CDS**

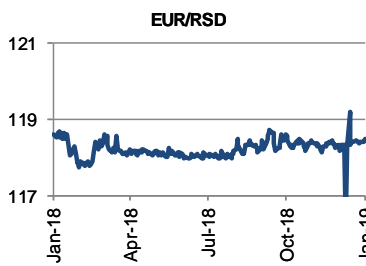
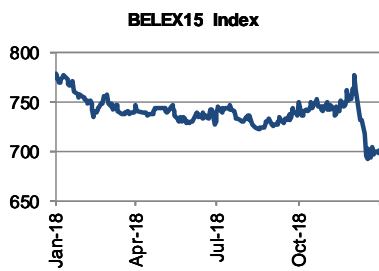
	Last	ΔDbps	ΔYTD bps
5-year	107	-2	-11
10-year	155	-1	-7

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	701.4	0.34%	-7.91%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.45	0.03%	-0.18%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.83	#VALUE!	74
1-month	3.07	#VALUE!	120
3-month	3.03	#VALUE!	98
6-month	3.31	#VALUE!	104
12-month	3.5	#VALUE!	118

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	4.18	0	15
5Y RON	4.60	0	26
10Y RON	5.05	0	24

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	-	4
USD Jan-24	4.12	0	-12

**CDS**

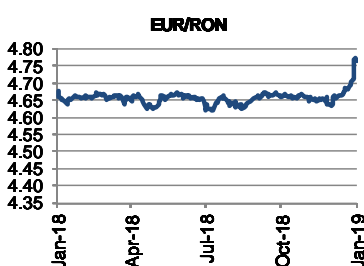
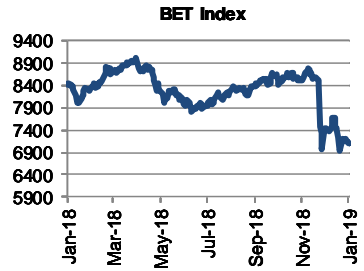
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	146	-1	12

**STOCKS**

	Last	ΔD	ΔYTD
BET	7117.5	-0.34%	-3.61%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.7669	0.12%	-2.37%



**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	-0.15	0	-10
5Y BGN	0.06	0	-6
10Y BGN	0.71	0	-4

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.04	2	0
EUR Sep-24	0.36	6	-12

**CDS**

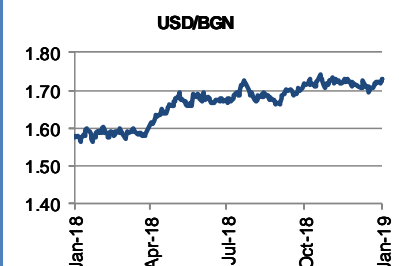
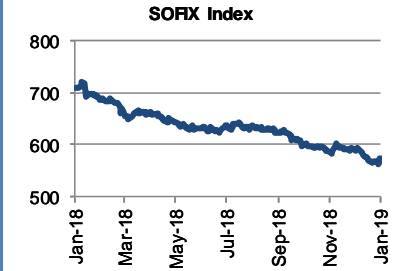
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	0	-15

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	573.6	0.00%	-3.51%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7278	0.11%	-1.29%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:15 EEST

Friday 25 January 2019

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