

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday 28 January 2019

## KEY UPCOMING DATA & EVENTS THIS WEEK

### US

- Jan 29:  
Conference Board consumer confidence (Dec)
- Jan 30:
  - ADP employment change (Jan)
  - GDP (Q4, advanced)
  - Fed interest rate decision
- Jan 31:
  - Personal income & personal spending (Dec)
  - Initial jobless claims (26/01)
  - Chicago purchasing managers index (Jan)
- Feb 01:
  - Non farm payrolls (Jan)
  - ISM manufacturing (Jan)
  - Construction spending (Dec)
  - University of Michigan Sentiment (Jan, final)

### EUROZONE

- Jan 28: M3 money supply (Dec)
- Jan 30: Consumer confidence (Jan, final)
- Jan 31:
  - Unemployment rate (Dec)
  - GDP (Q4, advanced)

### UK

- Jan 29: MPs vote on Brexit plan

### GREECE

- Jan 30: PPI (Dec)
- Jan 31: Retail sales (Nov)
- Feb 01: PMI manufacturing (Jan)

### SEE

#### BULGARIA

- Jan 31:
  - Budget balance (Dec)
  - Central Bank policy meeting

#### ROMANIA

- Jan 31: Unemployment rate (Dec)
- Feb 02: International reserves (Jan)

#### SERBIA

- Jan 31:
  - GDP (Q4, prel)
  - Retail sales (Dec)
  - Trade balance (Dec)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** European bourses opened lower today as data from the Eurozone continue to disappoint, fueling market concerns about the economy's growth prospects. On the flipside, US equity markets gained on Friday capitalizing on the US President Donald Trump's announcement that he signed a short-term funding deal for the reopening of the federal government for three weeks without the money for the funding of the wall along the US-Mexican border that he has been demanding. In FX markets, the USD was weaker across the board as investors turn their attention to this week's two-day FOMC monetary policy meeting with both the official statement and Chairman Jerome Powell's press conference expected to emphasize the Committee's flexibility and patience with regard to further rate hikes. Meanwhile, the GBP retained a firm tone amid optimism that a no deal Brexit could be avoided. MPs in the UK Parliament will vote on Tuesday on Prime Minister Theresa May's new Brexit Plan and on amendments that could potentially give the power to the House of Commons to take control of the Brexit debate and avoid a no-deal Brexit at the end of March.

**GREECE:** On Friday the IMF published the staff concluding statement of the first post-programme monitoring mission. The IMF projects GDP growth at 2.4%YoY in 2019 driven mainly by exports – primarily tourism – and consumption. Investment growth is expected to remain tepid due to high base effects and a still-weak investor sentiment. In the medium-term, economic growth is expected to reach just above 1% annually. The IMF recommends the continuation of reforms to mitigate internal and external risks, a growth-friendly rebalancing of the fiscal policy mix to boost growth prospects and the intensification of efforts to reduce NPLs and improve financial sector stability.

### SOUTH EASTERN EUROPE

**BULGARIA:** Credit activity expanded by 7.7% YoY in December – at the highest rate since June 2009 – up from 7.2% YoY in November.

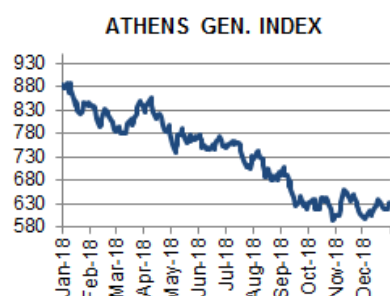
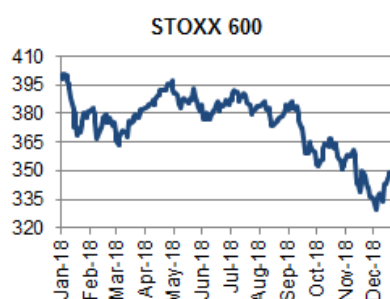
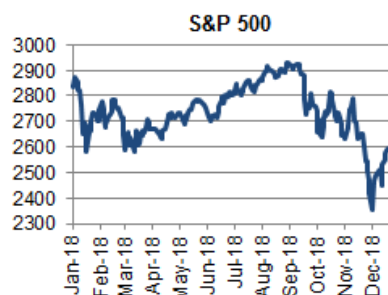
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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

European bourses opened lower today as data from the Eurozone continue to disappoint, fueling market concerns about the economy's growth prospects. Germany's Ifo Business climate index fell to a lower-than-expected 99.1 in January, the lowest level since February 2018, with the press release underlining that the climate has deteriorated in "all of the key business sectors apart from the chemicals industry". On the flipside, US equity markets gained on Friday capitalizing on the US President Donald Trump's announcement that he signed a short-term funding deal for the reopening of the federal government for three weeks, without the money for the funding of the wall along the US-Mexican border that he has been demanding. In FX markets, the USD was weaker across the board as investors turn their attention to this week's two-day FOMC monetary policy meeting that concludes on Wednesday. No policy changes are expected while the main message from both the official statement and Chairman Jerome Powell's press conference should be the Committee's flexibility and patience with regard to further rate hikes. A day earlier, MPs in the UK Parliament will vote on Prime Minister Theresa May's new Brexit Plan that outlines the government's next steps in the Brexit debate. MPs will also be able to vote on amendments that could potentially give the power to the House of Commons to take control of the Brexit debate and avoid a no-deal Brexit at the end of March. Focus this week is also on the new round of talks between US trade representatives and Chinese Vice Premier Liu He on 30-31 January. On the data front, this week's main data releases include Eurozone Q4 GDP figures (Thursday) and inflation data (Friday,) while in the US, we expect Q4 GDP data (Wednesday) and the ISM manufacturing index & non-farm payrolls, both on Friday.

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### GREECE

On Friday the IMF published the staff concluding statement of the first post-programme monitoring mission. The IMF projects GDP growth of 2.4%YoY in 2019 driven mainly by exports – primarily tourism – and consumption. Investment growth is expected to remain tepid due to high base effects and a still-weak investor sentiment. In the medium-term, economic growth is expected to reach just above 1% annually. The public debt repayment capacity is expected to remain robust due to moderate gross financing needs and a substantial cash buffer. Nevertheless, should downside risks materialize, a strong policy response would be required for the sovereign's repayment capacity to be maintained. Internal downside risks that stem primarily from the crisis comprise high public debt, impaired private balance sheets and a weak payment culture, while other internal risks include reform fatigue and fiscal risks from ongoing court cases. External downside risks include a potential deterioration in trading partners' growth, a tightening of global financial conditions and a slowdown in global trade. To mitigate these risks Greece should keep up the reform momentum in the labour and product markets, as well as in public financial management and the IAPR. Additionally, a growth-friendly rebalancing of the fiscal policy mix entailing cuts to wage and profit tax rates, which would be funded by the planned broadening of the personal income tax base in 2020, would boost growth prospects. Finally, according to the IMF, efforts towards the reduction of NPLs should be intensified through the revision of the household insolvency framework, and the facilitation of electronic auctions and out-of-court workouts. As regards the use of public funds to support market-based efforts to reduce NPLs, the Fund gathers that the cost-effectiveness of such a strategy should be assessed in a comprehensive manner including its impact on bank and sovereign balance sheets.

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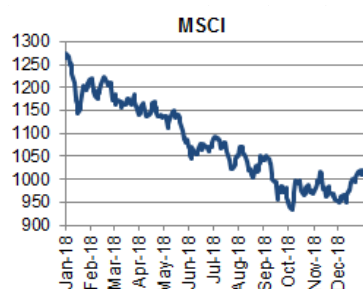
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## Latest economic & market developments in the CESEE region

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+

### BULGARIA

Credit activity expanded by 7.7% YoY in December – at the highest rate since June 2009 – up from 7.2% YoY in November. The December reading is favorably compared to 4.7% in 2017 vs. only 1.5% YoY in 2016, up from -1.2% YoY in 2015. Credit to households expanded in double digits for the first time since 2008-2009. It rallied by 11.2% YoY in December marginally up from 10.0% YoY in November, compared to 6.0% YoY in 2017 vs. only 2.0% YoY in 2016, up from -1.3% YoY in 2015. Credit to the non-financial corporations has also been growing by 8.4% YoY in December up from 8.2% YoY in November compared to 4.7% YoY in 2017, up from 2.0% YoY in 2016 down from -1.7% YoY in 2015. The system's total private sector loans-to-deposits ratio and the liquidity coverage ratio stood at 73.9% in December and 282.3% in November respectively. This, along with the high Tier 1 capital ratio (19.0 % in September 2018), illustrates the still strong funding capacity and strong capital position of the banking system. The rebound of credit activity is among those key drivers behind GDP growth acceleration in 2017-2018 and is expected to extend into 2019 as well.

On the other hand, among the top priority issues in the banking sector this year is going to be the ECB comprehensive assessment. In mid-November, the ECB announced that it will conduct a comprehensive assessment of six Bulgarian banks in 2019. The exercise comprises of an asset quality review and a stress test for UniCredit Bulbank AD, DSK Bank EAD, United Bulgarian Bank AD, First Investment Bank AD, Central Cooperative Bank AD, and Investbank AD. The exercise aggregate and bank-by-bank results are expected to be published in July 2019. The exercise follows the Bulgaria's official request to establish close co-operation with the ECB on July 2018 as part of its endorsed strategy to simultaneously join the ERM2 mechanism and the Banking Union.

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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	2664.76	0.8%	6.3%	EUR/USD	1.1399	-0.1%	-0.6%	UST - 10yr	2.74	-1	6	GOLD	1301	-0.2%	1.4%
Nikkei 225	20649.00	-0.6%	3.2%	GBP/USD	1.3165	-0.3%	3.2%	Bund-10yr	0.20	0	-5	BRENT CRUDE	61	-1.7%	12.7%
STOXX 600	356.66	-0.3%	5.6%	USD/JPY	109.38	0.2%	0.3%	JGB - 10yr	0.00	1	0	LMEX	2910	1.8%	3.9%

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.47	2	3
1-week	2.63	2	7
1-month	2.78	3	5
3-month	3.10	2	7
6-month	3.24	1	6

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.06	-1	-1
5Y RSD	3.56	0	5
7Y RSD	4.12	5	-4

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.67	0	-33

## CDS

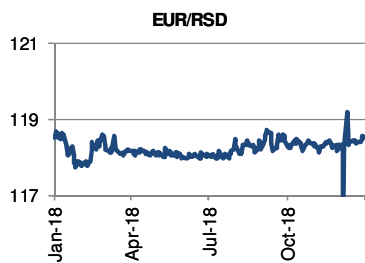
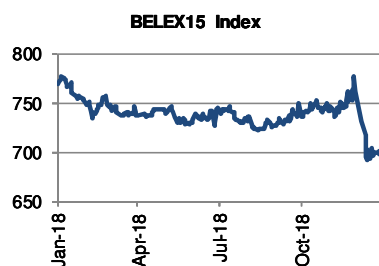
	Last	ΔDbps	ΔYTD bps
5-year	106	-1	-12
10-year	153	-2	-9

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	699.7	-0.24%	-8.14%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.41	0.90%	-0.14%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.55	0	246
1-month	3.29	0	142
3-month	3.11	0	106
6-month	3.34	0	107
12-month	3.51	0	119

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.28	0	25
5Y RON	4.75	0	41
10Y RON	5.12	0	30

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	-	1
USD Jan-24	4.12	0	-12

## CDS

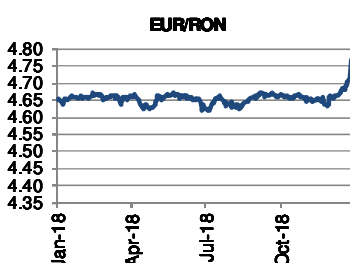
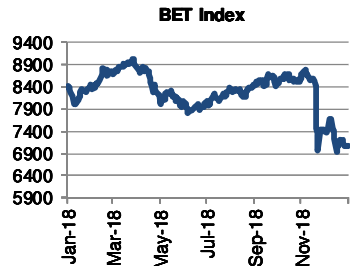
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	146	0	12

## STOCKS

	Last	ΔD	ΔYTD
BET	7078.2	0.35%	-4.14%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7603	0.03%	-2.23%



## 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	-0.19	-1	-14
5Y BGN	0.03	-3	-9
10Y BGN	0.69	0	-6

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	0	-3
EUR Sep-24	0.38	0	-10

## CDS

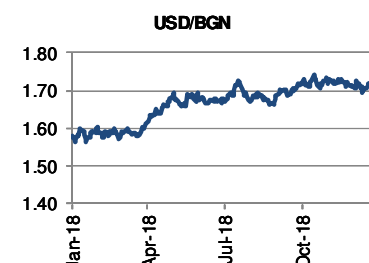
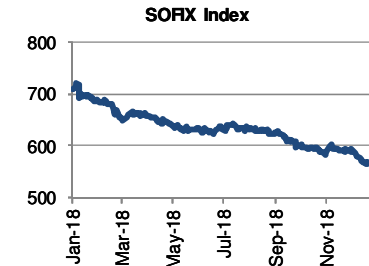
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	0	-15

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	573.1	-0.05%	-3.60%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7159	-0.08%	-0.61%



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

Data updated as of 10:15 EEST

Monday 28 January 2019

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