

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: War trade woes intensified on news that the US Justice Department levelled criminal charges against China's telecommunications giant Huawei Technologies. Against this background, the majority of European bourses opened marginally in the red while core government bonds were little changed ahead of today's key vote in the UK Parliament. UK lawmakers will debate and vote later today on UK Premier Theresa May's new Brexit plan while they will also be able to vote on amendments to the government's motion. In FX markets, the USD remained under pressure for the third session in a row helping the EUR/USD gain some ground. Meanwhile, the GBP moved lower ahead of today's key vote as appetite for some profit taking has probably emerged following year-to-date hefty gains.

GREECE: The Greek government decided the increase of the minimum wage from €586 to €650 and the abolishment of the sub-minimum wage – granted to those up to 25 years old – which stood at €510, implying an increase of 10.9% to the minimum wage and 27.5% for those that received the sub-minimum wage. Greece will tap credit markets through a €2bn 5-year bond issue with books opening today and the government opting for a yield near 3.5%. According to the Bank of Greece, in December 2018 the annual growth rate of credit to the private sector stood at -1.1% from -1.4% in the previous month while private sector deposits increased by €3.15bn, compared with a decrease of €79mn in November 2018.

SOUTH EASTER EUROPE

CESEE MARKETS: Emerging market assets traded mixed earlier on Tuesday with investors waiting for US/China trade talks evolution following yesterday's US charges against Huawei with fraud for violating Iran sanctions and stealing trade secrets. On the data front, we expect later on the week GDP data for FY2018 in Serbia and Poland. Expected GDP growth figures are around 4.2% YoY in Serbia and 5.1% YoY in Poland.

BULGARIA: In Bulgaria, the blue chip SOFIX index gained some ground last week closing at 573.33 points, which translates into a weekly gain of 1.11%.

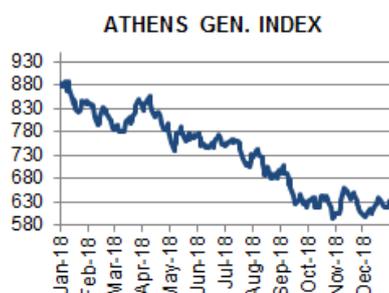
SERBIA: The EUR/RSD remained bound within a 118.25 – 118.55 trading range.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

War trade woes intensified on news that the US Justice Department levelled criminal charges against China's telecommunications giant Huawei Technologies, accusing it of bank and wire fraud to evade Iran sanctions and conspiring to steal trade secrets from T-Mobile US Inc. Meanwhile, China formally triggered on Monday the legal process for the WTO to hear its challenge to the US tariffs that have been imposed on Chinese goods and berated the US for blocking the appointment of judges on the WTO's Appellate Body, which could adjudicate its complaint. Against this background, the majority of European bourses opened marginally in the red today, as the aforementioned developments threaten to undermine the prospect of a US/China trade deal ahead of a new round of trade negotiations between Chinese Vice Premier Liu He and US officials in Washington, scheduled for 30-31 January. Turning to fixed-income markets, core government bonds stayed within recent ranges ahead of today's critical vote in the UK Parliament. UK lawmakers will debate and vote later today on UK Premier Theresa May's new Brexit plan while they will also be able to vote on amendments to the government's motion. According to press reports, 14 amendments have been proposed. The Speaker will decide this morning which of them will be discussed and put to a vote. In FX markets, the USD remained under pressure for the third session in a row helping the EUR/USD gain some ground and hit a near two-week intraday high of 1.1450 earlier today, 1.5% higher from multi-week lows recorded late last week. Meanwhile, the GBP moved lower ahead of today's key vote as appetite for some profit taking has probably emerged following year-to-date gains of around 4.0% against the USD and c. 3.0% against the EUR, outperforming the rest of its G10 currency peers, on market optimism that a no deal Brexit in late March could be avoided.

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GREECE

The Greek government decided the increase of the minimum wage from €586 to €650 and the abolishment of the sub-minimum wage – granted to those up to 25 years old – which stood at €510, implying an increase of 10.9% to the minimum wage and 27.5% for those that received the sub-minimum wage. The increase, which is slightly beyond the range proposed to the Ministry of Labour by the competent committee of experts, will apply as of 1st February 2019 and will affect a number of other labour related costs such as social security contributions and benefits, raising concerns on behalf of a number of employers' associations regarding the impact that this change will have on competitiveness and employment. In other news, Greece will tap credit markets through a €2bn 5-year bond issue with books opening today and the government opting for a yield near 3.5%. Meanwhile, according to the Bank of Greece, in December 2018 the annual growth rate of credit to the private sector stood at -1.1% from -1.4% in the previous month with a monthly net flow of credit at €889mn against €106mn in the previous month. Private sector deposits increased by €3.15bn, compared with a decrease of €79mn in November 2018 while the annual growth rate stood at 6.3% from 5.9% in the previous month.

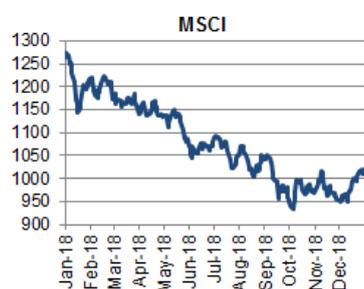
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Latest economic & market developments in the CESEE region

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+

CESEE MARKETS

Emerging market assets traded mixed earlier on Tuesday with investors waiting for US/China trade talks evolution following yesterday's US charges against Huawei with fraud for violating Iran sanctions and stealing trade secrets. The MSCI Emerging Markets Stock Index traded in the red, concluding down by 0.4% compared to Monday's closing session mainly driven by yesterday's slippages in the Chinese equity market and in particular the Shanghai Composite Index. On the contrary, most emerging market currencies held their ground against the dollar with the MSCI Emerging Markets Currency index extending its gains for fourth day in a row amid Chinese yuan intraday six month peak against the dollar.

Elsewhere, in the CESEE region, Hungarian forint slightly appreciated against the Euro in anticipation of today's Hungarian Central Bank (MNB) policy meeting. While no change of policy interest rate is broadly expected, markets will be looking for any details regarding the normalization of its monetary policy, as recently expressed by the MNB.

On the data front, we expect later on the week GDP data for FY2018 in Serbia and Poland. Expected GDP growth figures are around 4.2% YoY in Serbia and 5.1% YoY in Poland.

BULGARIA

In Bulgaria, the blue chip SOFIX index gained some ground last week ending at 573.33 points, which translates into a weekly gain of 1.11%. The weekly turnover closed at EUR 3.2mn, mainly attributable to the high volumes of the previous Monday. External government yields dropped across the board within a range of 5-9 bps, while treasury yields remained largely unchanged.

SERBIA

In Serbia, the EUR/RSD remained bound within a tight weekly range of 118.25-118.55 in the previous week. The bias to the upside is still very much alive but the pace of advance is slow due to the Central Bank interventions. The NBS sold €70mn last week allowing RSD to depreciate just a bit, closing the previous week 0.08% lower compared to the opening level on Monday. On the fiscal front, the public debt was equivalent to 56.2% of the projected GDP in 2018, declining by an additional 5 bps compared to the month before. In addition, the budget surplus continues to climb (against an annual projection of deficit in 2018) touching RSD67.4bn for the period January-November.

* We would like to thank Ruslan Raychev from Eurobank Bulgaria and Zoran Korac from Eurobank Beograd for their invaluable contribution in today's issue

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Tuesday 29 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	2643.85	-0.8%	5.5%	EUR/USD	1.1446	0.1%	-0.2%	UST - 10yr	2.74	-1	5	GOLD	1308	0.4%	2.0%
Nikkei 225	20664.64	0.1%	3.2%	GBP/USD	1.3158	0.0%	3.1%	Bund-10yr	0.21	1	-3	BRENT CRUDE	60	-0.2%	11.2%
STOXX 600	354.52	0.0%	5.0%	USD/JPY	109.28	0.0%	0.4%	JGB - 10yr	0.01	1	1	LMEX	2874	-1.2%	2.6%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.46	-1	2
1-week	2.61	-2	5
1-month	2.77	-1	4
3-month	3.10	0	7
6-month	3.26	2	8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.06	0	-1
5Y RSD	3.66	0	16
7Y RSD	4.16	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.68	0	-32

CDS

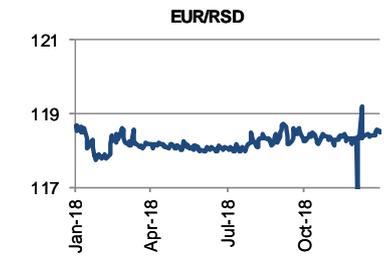
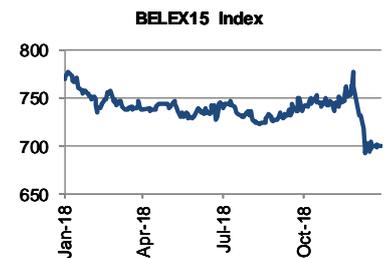
	Last	ΔDbps	ΔYTD bps
5-year	107	1	-11
10-year	154	1	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	699.2	-0.07%	-8.20%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.52	0.02%	-0.24%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.53	0	244
1-month	3.28	0	141
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	4.30	0	27
5Y RON	4.75	0	41
10Y RON	5.10	0	29

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.60	-	6
USD Jan-24	4.12	1	-12

CDS

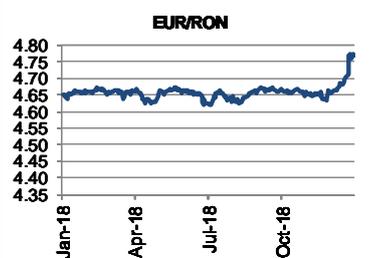
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	145	-1	12

STOCKS

	Last	ΔD	ΔYTD
BET	6948.9	-0.82%	-5.89%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7665	0.18%	-2.36%



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	-0.16	0	-11
5Y BGN	0.05	0	-6
10Y BGN	0.71	0	-4

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.04	0	0
EUR Sep-24	0.35	-2	-13

CDS

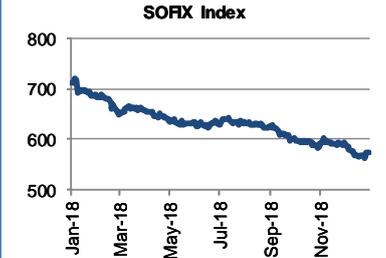
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	573.0	-0.09%	-3.61%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7086	0.17%	-0.18%



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

Tuesday 29 January 2019

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