

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Thursday 31 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: In line with market expectations, the Fed kept the rate for the fed funds target rate unchanged at 2.25-2.50% at this week's two-day policy meeting which concluded yesterday. However, the tone of the FOMC policy statement and the press conference following the conclusion of the meeting was more dovish than expected, supporting the prevailing market view that the current tightening cycle has probably come to an end. In reaction to the Fed's surprisingly more dovish than expected tone, equity markets gained, US Treasury yields moved sharply lower and the DXY index extended recent losses. With the Fed meeting out of the way, focus shifts to newswires for insights on US/China trade talks that end today.

GREECE: The Euroworking Group that convenes today will look into the progress that has been made by the Greek government on agreed reforms in view of the ongoing 2nd EPPS review, which is scheduled to be published on 27 February. According to the EC latest business and consumer survey data, economic sentiment in January 2019 contracted for a second month in a row coming in at 99.6, a deterioration attributed solely to a contraction of confidence in the services sector (-13 units) as it improved in all other sectors.

SOUTH EASTER EUROPE

CESEE MARKETS: The majority of emerging market assets moved broadly higher earlier on Thursday in reaction to yesterday's more dovish than expected Fed tone. Emerging markets investors risk on sentiment was further bolstered by upbeat PMI data released earlier in European trade, but the manufacturing index albeit enhanced still remained below the 50 threshold signifying contraction. In the CESEE region, the Turkish Lira strengthened against both the USD and the EUR on the back of the Turkish Central Bank statement over further inflation reduction by the end of 2019.

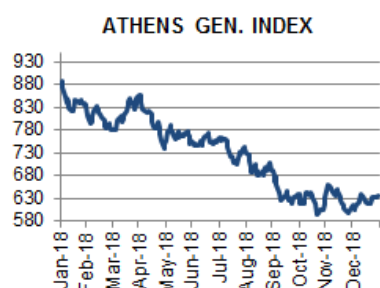
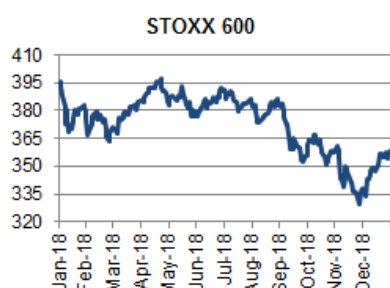
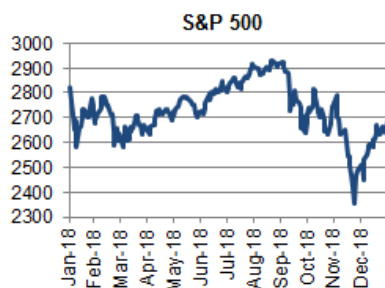
DISCLAIMER

This document has been issued by Eurobank Ergasias SA (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable, but has not been verified by Eurobank, and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice, or an offer to buy or sell, or a solicitation of an offer to buy or sell, or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (expressed or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Thursday 31 January 2019

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, the Fed kept the rate for the federal funds target rate unchanged at 2.25-2.50% at this week's two-day policy meeting which concluded yesterday. However, the tone of the FOMC policy statement and the press conference following the conclusion of the meeting was more dovish than expected, supporting the prevailing market view that the current tightening cycle has probably come to an end. The policy statement eliminated the forward guidance of "some further gradual" rate hikes and included, instead, a new language that the Fed would be "patient" as regards future adjustments to the target range for the federal funds rate. Economic activity was characterized as growing at a "solid rate" versus a "strong rate" in December while "market-based measures of inflation compensation" were judged as having moved lower in recent months. In a separate statement, the Fed revised its guidance on balance sheet normalization, pledging that it "is prepared to adjust any of the details for completing balance sheet normalization in light of economic and financial developments". In a similar tone, in the press conference following the conclusion of the meeting, Fed Chair Jerome Powell noted that, although he thought the economic outlook was "positive", slowing global growth, political uncertainty, ongoing US/China trade tensions and tighter financial conditions are reasons to be cautious on further rate hikes in the near term. He also argued that, amid muted inflation pressures, the case for higher interest rates "has weakened somewhat" in recent months.

Reacting to the Fed's surprisingly more dovish than expected tone, equity markets gained with the S&P closing around 1.6% higher overnight and the FTSEurofirst 300 following suite in early trade today posting gains to the tune of 0.5% at the time of writing. US Treasury yields moved sharply lower with the entire curve bull-steeping. Short-dated notes outperformed with the 2/10-yr yield spread standing in early European trade more than 3bps narrower compared to Tuesday's close, as the likelihood of the Fed moving rates into restrictive territory has probably diminished. In FX markets, the DXY index extended recent losses retreating further today to a three-week low of 95.162. With the Fed meeting out of the way, focus shifts to newswires for insights on US/China trade talks that end today.

ppetropoulou@eurobank.gr

GREECE

The Euroworking Group that convenes today will look into the progress that has been made by the Greek government on agreed reforms in view of the ongoing 2nd EPPS review, which is scheduled to be published on 27 February. Discussions will reportedly focus on commitments that exhibit delays such as the clearance of state arrears, the revision of the household insolvency framework, the privatisation of Egnatia motorway and the appointment of Secretaries General in the public sector. Looking forward, based on the findings of the 2nd EPPS review, the 11 March Eurogroup will decide on the return of the SMP/ANFA income equivalent amounts to Greece. On the economic data front, according to the EC latest business and consumer survey data, economic sentiment in January 2019 contracted for a second month in a row coming in at 99.6 against 100.9 in December 2018 and 101.1 in November 2018. This deterioration is attributed solely to a contraction of confidence in the services sector (-13 units) while confidence improved in industry (+0.4), retail trade (+4.6), construction (+1.8) and among consumers (+2.7).

andimitriadou@eurobank.gr

Thursday 31 January 2019

Latest economic & market developments in the CESEE region

CESEE MARKETS

The majority of emerging market assets moved broadly higher earlier on Thursday in reaction to yesterday's more dovish than expected Fed tone. The MSCI Emerging Markets Currency Index continued to rise for a seventh day in a row while the respective Equities Index concluded yesterday's session higher by 0.7%, at 1.036,6 which is a four month high. Emerging markets investors risk on sentiment was further bolstered by upbeat PMI data released earlier in European trade, but the manufacturing index albeit enhanced still remained below the 50 threshold signifying contraction. Elsewhere, in the CESEE region, the Turkish Central Bank, in the inflation report released yesterday, stated that CPI inflation is expected to fall to 14.6% YoY at the end of 2019 with a 70% probability of being in the 11.9-17.3% range and that further tightening monetary measures may be adopted if necessary. That said, the Turkish Lira appreciated against both the USD and the EUR by ca 0.1%. In the regional bond markets, the Serbian finance ministry raised yesterday RSD 6.1bn in 7-year bonds at the relaunching of the 9 January 2019 issue. The notes, carrying a 4.5% annual coupon and maturing on 11 January 2026, were sold at an average yield of 4.57%, which is the same yield achieved at the 9 January 2019 auction. The next auction is scheduled for Feb 5 when the Ministry of Finance will offer 5-year bonds for RSD 10bn.

Concluding, at an annual meeting between the government and business representatives that took place yesterday, the Bulgarian Finance Minister Mr. Vladislav Goranov confirmed the government's intention to apply for ERM-II in July 2019. Inter alia, he stated that the conversion of the Bulgarian lev to the EUR upon Eurozone entry will be at the current currency board FX rate set at BGN 1.95583 per EUR 1.

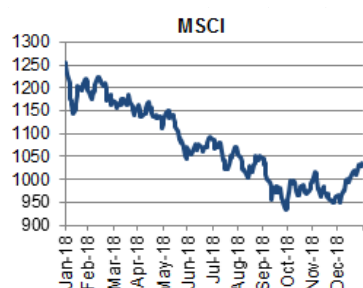
On the data front, today's calendar appears light with markets focusing on Serbian GDP Q4 2018 and Polish GDP FY2018 in Poland data.

mkasola@eurobank.gr

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+

Thursday 31 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	2681.05	1.6%	6.9%	EUR/USD	1.1504	0.2%	0.3%	UST - 10yr	2.67	-1	-2	GOLD	1321	0.1%	3.0%
Nikkei 225	20773.49	1.1%	3.8%	GBP/USD	1.3137	0.2%	3.0%	Bund-10yr	0.17	-2	-8	BRENT CRUDE	62	0.7%	15.4%
STOXX 600	358.51	0.4%	6.2%	USD/JPY	108.74	0.3%	0.9%	JGB - 10yr	0.00	0	0	LMEX	2932	1.2%	4.7%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.44	-1	0
1-week	2.60	2	4
1-month	2.78	2	5
3-month	3.09	2	6
6-month	3.23	1	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.03	-2	-3
5Y RSD	3.65	0	14
7Y RSD	4.16	-1	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.65	-1	-34

CDS

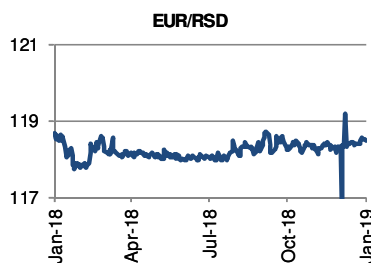
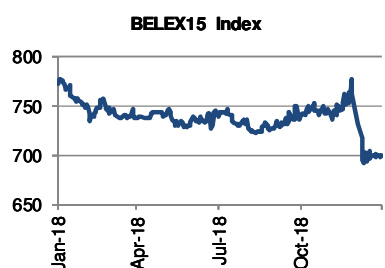
	Last	ΔDbps	ΔYTD bps
5-year	105	-2	-13
10-year	152	-2	-10

STOCKS

	Last	ΔD	ΔYTD
BELEX15	699.9	0.16%	-8.12%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.48	0.01%	-0.21%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.1	0	201
1-month	3.2	0	133
3-month	3.06	0	101
6-month	3.29	0	102
12-month	3.48	0	116

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.18	0	15
5Y RON	4.62	0	28
10Y RON	4.89	0	8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.60	-	6
USD Jan-24	4.08	0	-16

CDS

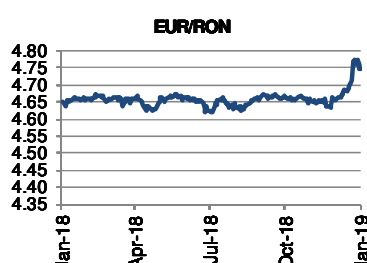
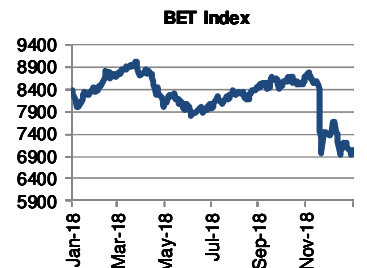
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	145	0	12

STOCKS

	Last	ΔD	ΔYTD
BET	7043.6	1.36%	-4.61%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.746	0.04%	-1.94%



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	-0.20	-2	-14
5Y BGN	0.04	-1	-7
10Y BGN	0.67	0	-8

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	0	0
EUR Sep-24	0.34	0	-14

CDS

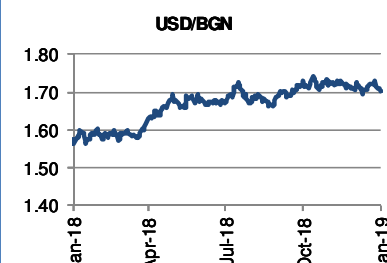
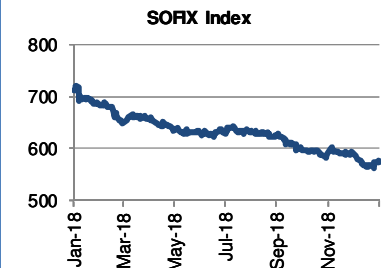
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	575.3	0.28%	-3.23%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7013	0.14%	0.25%



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

Data updated as of 08:50 EEST

Thursday 31 January 2019

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank
Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Ioannis Gkionis
Senior Economist, Eurobank
Ergasias
+30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank
Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma
(Special Contributor)
Research Economist, Eurobank
Ergasias
+30 210 3371227
okosma@eurobank.gr

Stelios Gogos
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371226
sgogos@eurobank.gr

Theodoros Stamatou
(Special Contributor)
Senior Economist, Eurobank
Ergasias
+30 210 3371228
tstamatou@eurobank.gr

Maria Kasola
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371224
mkasola@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Marisa Yiannissis: Administrator
magiannisi@eurobank.gr, +210 3371242

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr, +30 210 33 71 225

Dr. Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Maria Kasola: Economic Analyst
mkasola@eurobank.gr, +30 210 3371224

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, +30 210 37 18 991

Dr. Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

More research available at <https://www.eurobank.gr/en/group/economic-research>

- **7 Ημέρες Οικονομία:** Weekly review of the Greek economy
- **Greece Macro Monitor - Focus Notes:** Periodic publication on the latest economic & market developments in Greece
- **Economy & Markets:** Analysis & research on the Greek and international economy
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Emerging Markets Special Focus Reports:** Periodic publication on specific EM economy and markets developments
- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Global Macro Themes & Market Implications for the EA Periphery and the CESEE:** Monthly review of the international economy and financial markets
- **Global Markets Special Focus Reports:** Periodic publication on specific global economy and markets developments

Subscribe electronically at <https://www.eurobank.gr/el/omilos/oikonomikes-analuseis>

Follow us on twitter: https://twitter.com/Eurobank_Group

