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https://www.eurobank.gr/en/group/economic-research

Research@eurobank.gr

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Global Macro Themes & Market Implications for the EA Periphery and the CESEE

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Contributing Authors:

Olga Kosma, Research Economist

Paraskevi Petropoulou, Senior Economist

Ioannis Gkionis, Senior Economist

Maria Kasola, Economic Analyst

I. Snapshot

Overview

Macro Picture

- **USA:** Economic growth is set to slow, maintaining however an above-trend pace
- **EA:** Risks to the outlook skewed to the downside amid weaker external demand and local politics
- **UK:** Brexit-related uncertainty weighs on economic growth
- **EM:** Downward revisions in international organizations' GDP growth forecasts for 2019
- **CESEE:** The Region's resilience challenged by external and internal risks in 2019

Policy Outlook

- **USA:** No hike expected in Q1, data-dependent Fed to assess whether the macro data flow could justify an interest rate hike in Q2
- **EA:** No interest rate hike expected in 2019, but an extension of outstanding TLTRO liquidity is possible
- **UK**: With inflation above target and significant fiscal impulse planned for 2019, the BoE will likely resume its rate tightening cycle later this year assuming that the UK stays firmly on a soft Brexit course
- **CESEE:** Monetary policies remain broadly accommodative

Summary

The outlook for the global economy has worsened, on the back of slower growth momentum in Europe and Asia (particularly China), elevated trade tensions between the US and China and ongoing Brexit-related uncertainty. Global real GDP growth for 2019 has been revised lower at 3.5%, from 3.7% previously

Markets

- **FX:** Worries over a global growth slowdown still create jitters with EZ numbers deteriorating, doubts over the US economy mounting and safe haven currencies being the clear winners
- **Government bonds:** The Fed capitulated on its hawkish tone and saw US treasuries pare back some of December's losses as eyes turn to weak EZ data and chatter over the ECB's ability to normalize rates
- **EM:** Decent inflows and strong market performance with a potential change in Fed rates stance. Primary market in very good shape
- **Credit:** Traded strong in good volumes and despite the active primary market. ECB and Fed dovish wording also helped credit move tighter

Key Downside Risks

- **Renewed escalation in US/China trade dispute:** If no US/China trade agreement is reached by 1 March 2019, an increase in the US 10% tariff rate on $200bn worth of Chinese imports to 25% will come into force only a few months later than originally planned, causing a renewed escalation in trade tensions and augmenting downside risks to the global economy
- **No-deal Brexit uncertainty**: Brexit uncertainty to remain high as it will likely take time for a compromise that would command a majority in the House of Commons and, at the same time, respect the EU's red lines
- **EM sensitivity:** Headwinds from increased protectionism, tightening of global financial conditions and a new episode of capital outflows
- **China:** The risk of a deeper Chinese economy slowdown weighs disproportionally on the rest of EMs

Macro Views

Eurobank

Latest Macroeconomic Developments & Outlook

World Economic Outlook		The outlook for the global economy has worsened, on the back of softer growth momentum in Europe and Asia, ongoing Brexit-related uncertainty and elevated trade tensions between the US and China. Global real GDP growth has been revised downwards from 3.7% in 2018 to 3.5% in 2019 (vs. 3.7% previously), with risks tilted to the downside. Idiosyncratic factors have weighed on certain countries' economic activity, while weakening financial market confidence, trade policy uncertainty, Brexit woes and worries over the Chinese economic outlook could further disrupt global economic activity through contagion effects.
Developed Economies	**US**	Latest economic data releases point to a deceleration in real GDP growth over the next several quarters, as the impulse from the fiscal stimulus and high public spending gradually fades. The US economy is expected to continue growing at an above-trend pace around 2.5-3.0%QoQ saar in the following quarters, with the long-term sustainable growth rate estimated around 2.0%. The recent partial federal government shutdown, the longest in history, is expected to deduct about 0.2-0.3% from Q1 GDP. Overall, real GDP growth is projected to decelerate to 2.5% in 2019 from an estimated 2.9% in 2018, with trade war frictions constituting the main headwind to the outlook.
	Euro Area	Real GDP growth is projected to decelerate to an average of 1.6% in 2019, following an estimated above potential growth rate of 1.9% in 2018. Still accommodative monetary conditions, coupled with a mildly expansionary fiscal policy in 2019, as well as strong employment creation and low interest rates, should lead to solid domestic demand, offsetting headwinds coming from weaker external demand on slower global growth and heightened political uncertainty in Europe.
	Periphery	Spain is expected to have recorded one of the highest Q4 GDP growth rates among the euro area periphery economies partly due to the fact that it appears to have been less affected by special 'country and sector-specific factors' (i.e. Germany's automotive industry following the introduction of the new exhaust emission standards). On the flip side, Italy has probably been the weakest among both the euro area periphery countries and the larger euro area countries. High-frequency indicators suggest that Italy entered a technical recession in Q4 while expectations for a further increase in political uncertainty, do not bode well for its 2019 growth outlook.
Emerging Economies	**BRICS**	In Brazil, following the 1.3% YoY GDP reading in Q3, GDP growth is expected at the same rate in FY2018, broadly driven by household spending and investment. In Russia, despite Q3 2018 upwards revised data showing that GDP grew by 1.5% YoY, the pace is still slower than the Q2 growth rate of 1.9% YoY on the back of deteriorating consumption dynamics and softer agricultural production. Moving on to India, the economy expanded by 7.1% YoY in Q3 and is expected to continue growing on a similar pace in 2019. Finally, China slowed down to 6.6% in 2018 from 6.8% in 2017. Whether the slowdown will continue in the short term depends on the progress in trade negotiations between China and the United States as well as the effectiveness of the counter cyclical measures the Chinese government has recently adopted primarily on the fiscal and to a lesser extent on the monetary front.
	CESEE	The CESEE region will continue expanding in 2019 at a more moderate -yet still healthy pace- than in previous years in response to rising external and internal headwinds. With the inevitable global growth slowdown ante-portas, there are three key mitigating factors against the slowdown: EU funds absorption, growth supportive credit conditions and the degree of geographical and product differentiation of each country's exports portfolio

Global Macro Themes & Implications

Theme	Implications
Major central banks seem to be adopting a more cautious monetary policy stance	Delivering a widely expected hike of the target range for the federal funds rate to 2.25–2.50% at its December 18-19 meeting, the Fed revealed that many officials shifted to a more dovish policy stance compared to September, sharing the view that the Committee could be patient about future US monetary policy tightening. The dovish nature of the December meeting was followed by similar rhetoric by a number of policymakers, including Chair Jerome Powell at the American Economic Association's annual meeting in Atlanta at the beginning of January. In more detail, the December FOMC minutes revealed that, although policymakers continued to see economic activity as remaining strong with the bulk of the incoming data pointing to solid economic momentum, they were concerned that "downside risks may have increased of late", notably a deteriorating global growth outlook and growing concerns over trade frictions between the US and China that led to an increase in financial market volatility and a tightening in financial conditions. The above mentioned conditions make the timing of future interest rate hikes "less clear than earlier", while according to many participants, muted inflationary pressures also suggest that the Committee could afford to remain patient about further monetary policy tightening signaling a more gradual pace of rate hikes in 2019 and 2020. According to its latest assessment of projected monetary policy published in December, the FOMC's median rate projections were lowered by 25bps for 2019, 2020 and 2021, expecting two further interest rate hikes by end-2019, one next year and no rate hike in 2021, with the fed funds target rate peaking around the estimated longer-run natural rate (~3.1%). With the markets having already priced out any increases in the fed funds rate this year, we expect a data-dependent Fed to adopt a wait-and-see mode and pause its hiking cycle at least in Q1 2019, assessing whether the macroeconomic data flow towards Q2 allow the central bank to embark on an interest rate hike at its June meeting and move closer to its central estimates of neutral. Faced with a string of weaker-than-expected growth data, the ECB also shifted its rhetoric in a more dovish direction at its latest monetary policy meeting on 24 January. The ECB's assessment of risks surrounding the Eurozone economic outlook has unanimously changed from "broadly balanced" "to the downside" mainly on the back of two factors: slower external demand and some "country and sector-specific factors", although divisions prevailed in the assessment of how persistent the economic weakness would be. The Governing Council expressed confidence that country and sector-specific factors (including the recent problems in the German auto sector) will gradually diminish, but sounded more cautious on the prospects of slower external demand because of persistence of uncertainties related to Brexit and the threat of trade protectionism. On the liquidity operation front, although ECB President Mario Draghi did not provide any explicit hints about further liquidity support for banks, he did admit that "several speakers" mentioned the need for a TLTRO following the December minutes which stated that "..looking ahead, the suggestion was made to revisit the contribution of targeted longer-term refinancing operations to the monetary policy stance". We expect downward revisions to the ECB's macroeconomic forecasts at the March meeting on the back of the latest disappointing activity data and downside growth risks, while there is a strong case for an extension of outstanding TLTRO liquidity so as to prevent an increase in the banks' borrowing costs as TLTRO mature at a time of rising macroeconomic risks.

Global Macro Themes & Implications

Theme	Implications
US/China bilateral trade negotiations are progressing rather positively but underlying differences far from resolved	Trade policy remains a key risk and source of uncertainty for the 2019 global growth outlook. A meeting between US President Donald Trump and his Chinse counterpart Xi Jinping on the sidelines of the G20 meeting on 1 December led to an agreement which foresaw that the US would not raise the 10% tariff rate to 25% on $200bn worth of Chinese imports on 1 January 2019, as initially planned. In return, China would purchase a "very substantial" amount of US goods, including farm, energy and industrial goods, in order to reduce the still rising US-China goods trade deficit. The two leaders also agreed to intensify trade discussions aiming to reach a final agreement by 1 March. So far, US/China trade negotiations are progressing rather positively, assuaging market concerns about higher tariffs and intensification of the trade disruptions in the near-term. But deeper underlying trade tensions between the world's two biggest economies continue. Besides an agreement for increased purchases of US goods, China also announced in mid-December its plan to remove a retaliatory 25% tariff on US auto imports. However, China has not yet met broader US demands that contradict with key elements of its growth model, including, among others, to safeguard US companies' intellectual property and to cease providing state subsidies. Market focus is on a new round of talks between Chinese Vice Premier Liu He and his U.S. counterparts, U.S. Trade Representative Robert Lighthizer and U.S. Treasury Secretary Steven Mnuchin in Washington on 30-31 January. If no agreement is reached by the end of the 90-days period, an increase in the 10% tariff rate to 25% will come into force only a few months later than originally planned. A renewed escalation in US/China trade tensions would undoubtedly impact business confidence and could disrupt supply chains, spreading the negative impact beyond the parties directly involved.
Global economic activity has slowed down, with risks titled to the downside	The outlook for the global economy has worsened, on the back of slower growth momentum in Europe and Asia (particularly China), ongoing Brexit-related uncertainty and elevated trade tensions between the US and China. Market consensus points to a global real GDP growth rate of 3.5% in 2019 from 3.7% in 2018, revised downwards from 3.7% previously, with risks tilted to the downside. Idiosyncratic factors (new fuel emission standards in Germany that weighed on the German manufacturing sector, French services sector weakness amid "yellow vest" protests) have weighed on Euro area economic activity, with slowing net exports adding to the above-mentioned headwinds. In the US, real GDP growth is set to decelerate modestly over the next several quarters, as the impulse from the fiscal stimulus and the high public spending gradually fades, while the recent partial federal government shutdown will likely constitute a drag on Q1 GDP growth of about 0.2-0.3%. Adding to the above, weakening financial markets confidence, trade policy uncertainty, Brexit woes as well as worries over the Chinese economic outlook could further disrupt global economic activity through contagion effects.

Global Macro Themes & Implications

Theme	Implications
No end to Brexit deadlock yet	After the House of Commons voted down the EU Withdrawal Agreement by a huge margin of 230 votes in mid-January – the biggest defeat suffered any government since 1924 – UK Prime Minister Theresa May presented a new Brexit plan, outlining what she intends to do next (i.e. to seek concessions from the EU on the Irish border backstop). UK lawmakers will debate and vote on the new plan on 29 January while they will also be able to vote on amendments to the government's motion. According to press reports, there are two amendments that have a good chance of success (the Speaker will decide which amendments are put to a vote): the first one, brought forward by Conservative MP Andrew Murrison, requires the government to set a time limit to the Irish backstop while the second one, tabled by Labour MP Yvette Cooper and Conservative MP Nick Boles, foresees that the government asks for an extension of Article 50 until December 2019 unless UK Premier Theresa May's Brexit deal is ratified by the House of Commons by 26 February. With respect to the former, even if it gains parliamentary approval, it is unlikely that the EU will consent to it taking into account that it has repeatedly rejected a time limit so far. As regards the latter, if passed, it could be a game changer in Brexit negotiations, allowing the House of Commons to take control of the Brexit process and avoid a no-deal Brexit at the end of March. Indeed, with the March 29th deadline looming and the Brexit process at a deadlock, an extension of Article 50 appears inevitable. However, as things stand, it will likely take time for a compromise that would command a majority in the House of Commons. That is mainly because the formation of a parliamentary consensus, risks increasing divisions within Theresa May's Conservative Party as some of the party's read lines on Brexit may have to be broken. However, with European Parliament elections looming, a 9-month extension, even if requested by the UK government, does not automatically mean that it will be granted (an extension requires the unanimous approval of the EU-27 Member States). Under such a scenario, the risk of a no deal Brexit outcome will likely rise again.

Macro Themes & Implications in CESEE

Theme	Implications
Second estimates of Q3-2018 real GDP growth estimates suggest that the economies of our focus have most probably already seen the peak of the economic cycle	The second estimates for Q3 GDP readings plus the latest high-frequency readings in Q4 in the economies of our focus in the broader South Eastern Europe region (Bulgaria, Cyprus, Romania, Serbia) have not fundamentally changed our views. These readings are in line with our earlier stipulated views that these economies have most probably already reached their cyclical peak. Economic activity received support primarily from domestic demand. Overall, net exports were a negative contributor, more than in the previous quarters, driven by higher imports that mirror strong domestic demand but also lower exports in response to the deteriorating external environment.
Economic Outlook 2019: The CESEE region's resilience challenged by external and internal risks	The CESEE region will continue expanding in 2019 at a more moderate -yet still healthy pace- than in previous years in response to rising external and internal headwinds. A less favorable growth outlook for the EA-19, the main trade and capital flows generator for the broader region, the threat of protectionism which has a negative impact on business sentiment and subsequently investment decisions, mounting political tensions globally (US-Russia, Brexit, the rise of populism, Middle East) and the risk of higher commodity and global energy prices on top of the cyclical slowdown weigh on the growth prospects of the CESEE region.
Economic Outlook 2019: Three key factors to watch in each country against the inevitable slowdown	With the inevitable global growth slowdown ante-portas, there are three key mitigating factors that may differentiate the prospects of the broader CESEE region against the EM universe. Firstly, EU funds absorption could make the difference in 2019. With the end of the programming period 2014-2020 approaching, governments will need to step up spending for a number of mature projects. Secondly, the domestic credit conditions have turned more growth supportive in most economies of the region in recent years. Banks are less reluctant to channel credit helped by the favorable liquidity conditions and the still relatively low credit penetration rates. Thirdly, the degree of differentiation of each country's exports portfolio from a product and geographical destination perspective. Conventional wisdom suggests that intensifying trade protectionism would have a more detrimental impact on CEE-4 economies which specialize on automotive industry, than in the rest of the CESEE economies.
Regional Central Banks maintain their cautiously accommodative stance encouraged by the benign inflation outlook	The rising trend of core and headline inflation metrics was disrupted in Q4-2018 mirroring the declining world energy prices. The latter together with the slowing domestic demand dynamics has allowed regional Central Banks to maintain their cautiously accommodative stance. From that point of view, the Central Bank of Serbia (NBS) cut interest rates further to 3.0% in mid-April2018 and stayed put since then. Even though the Central Bank of Romania (NBR) delivered 3 hikes of 25bps each in Jan-May bringing the KPR at 2.5% it adopted a wait and see stance in the following months. In an unprecedented move, the Central Bank of Turkey (CBRT) hiked interest rates by 625bps from 17.75% to 24.00% in mid-September2018 but left interest rates unchanged in the next three meetings encouraged by the lira rebound.

CESEE Markets Developments & Outlook

Country	CESEE Markets Developments & Outlook
Bulgaria	Bulgarian Eurobonds continued to remain well supported as has been the case since 2018. The corresponding yield curve experienced considerable movements in December, with the 2024 government bond yield dropping by 13 bps, while longer maturities saw drops of 7 bps. The Bulgarian Ministry of Finance continued its recent policy and did not hold any auctions in December, which marks an entire year where no bond issuances have taken place. The Ministry has indicated that the policy will remain the same for the foreseeable future in 2019. Local bond yields registered modest increases in the shorter and mid end of the curve, while tenors between 7-10 years saw respective modest drops in yields.
Serbia	Substantial headwinds may result in deficiency heading into 2019 compared to 2018. First, GDP will likely decelerate in 2019, as the robust growth in 2018 is attributed to temporary and presumably non recurring factors. That said, agriculture output stood above average contributing almost 25% to annual growth rate. Secondly, Serbia will be affected by the slowdown in the EU, which is Serbia's main trading partner, absorbing ca 70% of exporting goods. Furthermore, FDIs in 2019 will hardly outgrow 2018 outperforming figure, i.e. EUR2.6bndown in, according to the preliminary data. On the same pattern, the slowdown in the EU will possibly result in less foreign investments in Serbia. Finally, in Q1-2019 we anticipate private consumption to peak, broadly fueled by the wages increases, put in effect at the end of 2018. With the public budget target set at 0.5% of GDP deficit, the fiscal space to be created appears insufficient for further stimulus through additional wage increases. On the other hand, inflation will probably remain in the targeted corridor 3% ±1.5%, set by the National Bank of Serbia (NBS). Despite expected at lower levels in 2019, GDP growth will still remain on strong footing. Driven by modest inflationary expectations, NBS most probably will retain its accommodative policy stance for the most part of 2019 leaving KPR unchanged, at least for the first six months. However, the aforementioned stance is highly dependent on how situation in EU will unfold with projections over the first interest rate hike in the Euro area gradually fading away for 2019. A mid 2019 hike is out of every projection at the time of writing although it appeared highly probable a few months ago. Concluding, we do not anticipate volatility related with the EUR/RSD exchange rate. NBS will use all its instruments (mainly interventions) to achieve FX rate stability. A current account deficit equivalent to 5.7% of projected for 2018 GDP implies gradual depreciation of the RSD but still solid FDI inflows and NBS's substantial foreign currency reserves could most probably restrict depreciation to the certain level.

Markets View

Asset Class	Outlook
Foreign Exchange	**EUR/USD:** The longest US government shutdown, Chinese and Eurozone data continued weakness, US/China trade negotiations stalemate and Brexit inconclusiveness have led to a volatile but range-bound EUR/USD. The year started with bullish EUR/USD but has since moved to neutral with the market still short. Relative monetary policy expectations are also helping to support the dollar as renewed gloominess on global growth and trade policy seems to be setting in. **USD/JPY:** JPY has outperformed, to start the year on a strong foot as USD faltered and safe haven flows provided support. USD/JPY is now behaving like a traditional risk on/off pair, which signals that Japanese investors are becoming more sensitive to market volatility. The cross-border M&A flows, which have also undermined JPY, appear to be turning. For Yen appreciation, the emphasis will be on the structural rather than the cyclical. **GBP/USD:** Cable's recent rally took the pair back to November levels. Dividend and nominal sovereign yield differentials project levels north of 1.40 as the fair price, but politics still dominate sentiment. Talks that the DUP may back PM May's deal - provided that a time limit is put on the Irish backstop - also contribute to GBP longs. Should Article 50 be prolonged, providing more time for negotiations, or the deal passes on January 29th, GBP/USD could rally to 1.36/1.37.
Government Bonds	**EU:** Draghi acknowledged the deterioration of economic data by shifting the balance of risk on growth to "negative". He clearly pointed to the March meeting as the time for decisions. The curve has bull flattened with robust activity and 30y outperforming on short, covering flows and growing chatter that European rates are going to follow Japan's example amidst doubts that the ECB will manage to normalise policy in the near future. **US:** The Fed capitulated as the markets expected. The Dec FOMC minutes indicated a willingness to be patient with future rate hikes. 10-year Treasury drifted towards 2.80% from a low of 2.54% as the market dropped some of the unreasonable risk-off sentiment. Payer skew and volatility has cheapened with markets now pricing one rate hike in 2019 and a 17% probability of a rate cut in 2020.
EM hard currency debt	The year started with a firm tone. South Africa saw better buying across the curve with Asian RM buying duration. In MENA IG flows were 2-way with small local selling and international buying with demand in belly and long end. Mid-month, Turkey saw locals and US RM buying, before moving wider on Erdogan/Bolton comments regarding the US involvement in Syria. Moreover, they issued a $2bn 10yr at 7.68%. Russia kept trading tighter throughout the month. Saudi Arabia issued $4bn 10yr at T+175bps and $3.5bn 31yr at T+230bps with final combined books >27bn, skewed to the 10yr. The new bonds were active and closed the month significantly tighter, despite the original worries about participation on the back of the Khashoggi scandal. Overall, EM markets had a strong performance helped by the potential pause of rate hikes by the Fed and rumors about progress on US-China trade deal. The elephant in the room remains China economic slowdown. We favor a constructive stance in the next couple of months, staying with short duration positioning.
Corporate credit	Both USD and EUR credit spreads retraced much of their December 2018 weakness, amid very active primary markets and the potential of a new TLTRO. The dovish tone used by central banks globally helped markets stabilize and overcome all the negative year-end sentiment. Low positioning and wider spreads at the start of the year boosted buying interest and fueled the rally in spreads. On the primary market, volumes were good and at historical average, especially in non-financials, while financials primary remained subdued both in the EUR and USD space. HY primary is so far below its historic norms, and expected to be below 2018 levels going forward. Key driving factors for credit are similar to the above mentioned ones (FED stance, primary issuance, path of economic data). We are tactically constructive at current spread levels and focus on specific deleveraging stories. Primary issuance in many cases is a good chance to buy secondary market paper upon repricing.

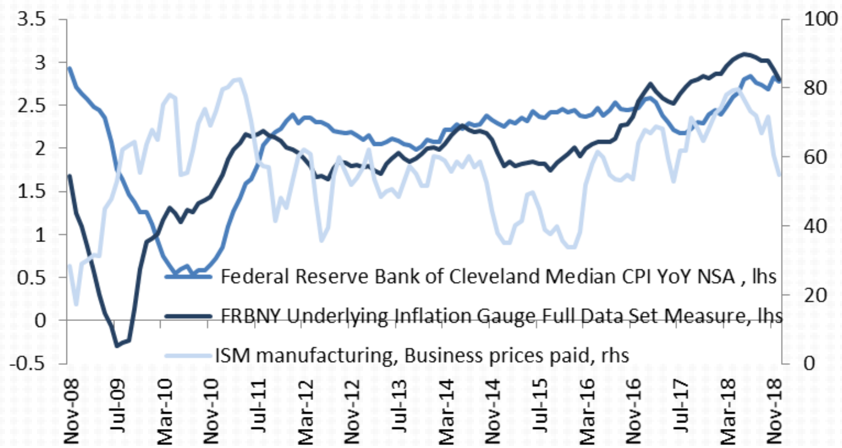
II. Advanced Economies

- USA
- Euro Area
  - Germany
  - France
  - Periphery (Italy, Spain, Cyprus)
- UK

USA: Economic growth is set to slow, maintaining however an above-trend pace

Weaker global demand weighs on production and exports

Muted inflation pressures give room to the Fed to remain patient



Source: US Census Bureau, Institute for Supply Management, Bloomberg, Eurobank Research

Latest Economic Developments

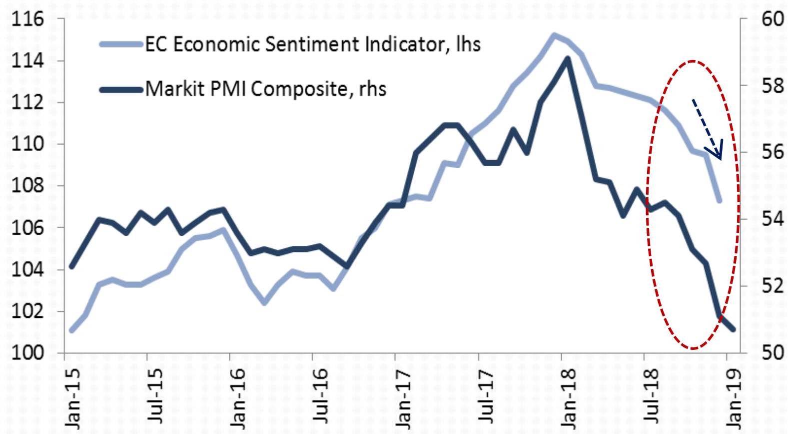
Latest economic data releases point to a deceleration in real GDP growth over the next several quarters, as the impulse from the fiscal stimulus and the high public spending level gradually fades. President Trump's tax plan has not translated into a sustained investment spending increase, with Nov data for new durable goods pointing to further softness in the capital goods categories. Nevertheless, Dec IP growth came in stronger-than-expected at 0.3%MoM after a downwards revised +0.4%MoM in Nov, in contrast to recent signs of slowdown in leading manufacturing indicators. The US economy is expected to continue growing at an above-trend pace around 2.5-3.0%QoQ saar in the following quarters, with the long-term sustainable growth rate estimated around 2.0%. The ISM non-manufacturing index is consistent to a 3.2% real GDP growth, while Atlanta Fed projects 2.8% for Q4. The recent partial federal government shutdown is expected to deduct about 0.2-0.3% from Q1 GDP. Overall, real GDP growth is projected to decelerate to 2.5% in 2019 from an estimated 2.9% in 2018, with trade war frictions constituting the main headwind to the outlook.

Central Bank Watch

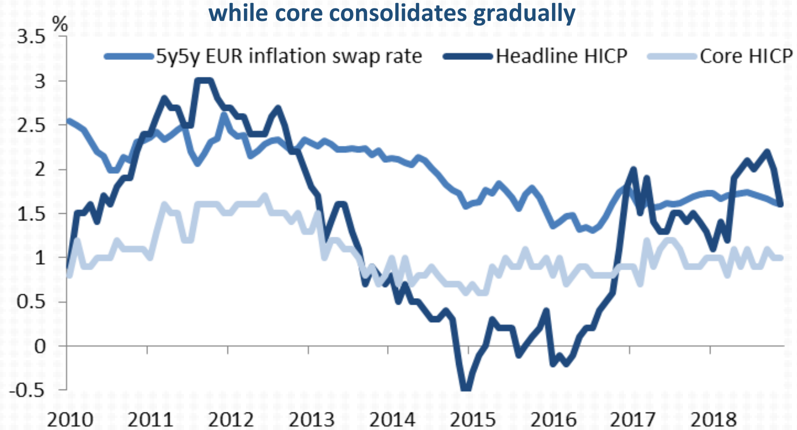
Fed officials have shifted to a more dovish policy stance, supporting the view that the Committee is likely to adopt a wait-and-see policy stance in the near term, awaiting signs of stabilization in the global economy before renewing its efforts for further monetary policy normalization. Downside risks have recently increased on the back of the deteriorating global growth outlook and growing concerns over US/China trade frictions, making the timing of future interest rate hikes "less clear than earlier". In addition to increased downside risks, a number of Fed officials participants have expressed the view that "muted inflation pressures" also give room to the Committee "to be patient" about further policy tightening. With the markets having already priced out any increases in the fed funds rate this year, we expect a data-dependent Fed to pause its hiking cycle at least in Q1 2019, assessing whether the macroeconomic data flow towards Q2 could justify an interest rate hike to 2.50-2.75% at its June meeting.

Euro area: Risks to the outlook skewed to the downside amid weaker external demand and local politics

Leading indicators continue trending downwards



Lower oil prices weigh on headline inflation, while core consolidates gradually



Source: ECB, EC, Eurostat, Bloomberg, Eurobank Research

Latest Economic Developments

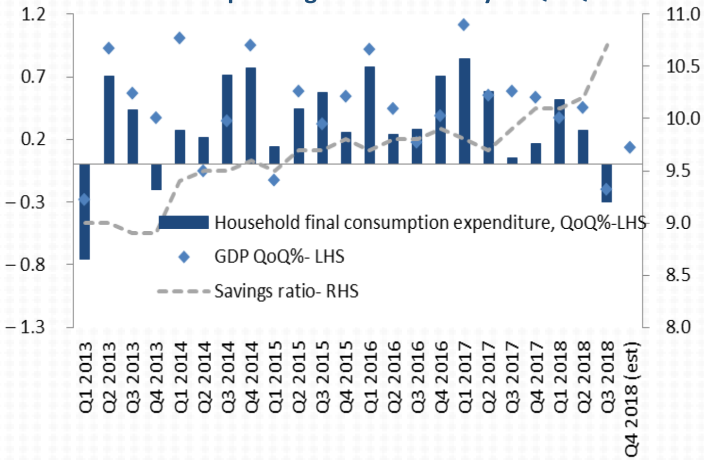
Real GDP growth seems to have decelerated in Q4, with a broad-based contraction in IP in November (-1.7%MoM) and a downward revision in the prior month's reading (by 0.1pp to +0.1%MoM). Meanwhile, PMI Composite dropped for the fifth consecutive month in Jan coming in at a 5½-year low of 50.7 points from 51.1 in Dec, with both the manufacturing and the services sector moving lower at 50.5 and 50.8, respectively, not far from the 50-threshold between economic contraction and expansion. Overall, real GDP growth is projected to decelerate to an average of 1.6% in 2019, following an estimated above potential growth rate of 1.9% in 2018. Still accommodative monetary conditions, coupled with a mildly expansionary fiscal policy in 2019, as well as strong employment creation and low interest rates, should lead to solid domestic demand, offsetting headwinds coming from weaker external demand on slower global growth and heightened political uncertainty in Europe.

Central Bank Watch

Faced with a string of softer growth data, the ECB shifted its rhetoric towards a more dovish direction at its latest meeting on 24 Jan. The ECB's assessment of risks surrounding the growth outlook has unanimously changed from "broadly balanced" "to the downside" mainly on the back of slower external demand and some "country- and sector-specific factors". The GC expressed confidence that country- and sector-specific factors will gradually fade, but sounded more cautious on the prospects of slower external demand because of persisting uncertainties related to Brexit and trade protectionism. On the liquidity operation front, although ECB President Mario Draghi did not provide any explicit hints about further liquidity support for banks, he did admit that "several speakers" mentioned the need for a TLTRO. We expect downward revisions to the ECB's forecasts at the March meeting on the back of the latest disappointing activity data and downside growth risks, while there is a strong case for an extension of outstanding TLTRO liquidity so as to prevent an increase in the banks' borrowing costs as TLTRO mature at a time of rising macroeconomic risks.

Germany: Technical recession narrowly avoided at year-end 2018

Household spending slowed steadily in Q1-Q3 2018



Export outlook has deteriorated

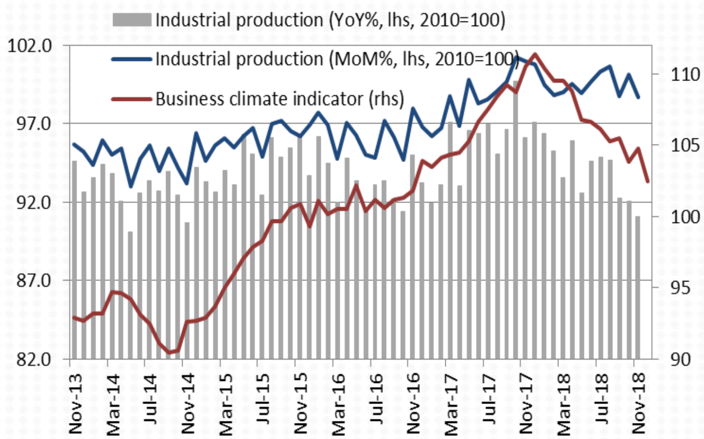
Source: Federal Statistical Office (Destatis), Bloomberg, Eurobank Research

Latest Economic Developments

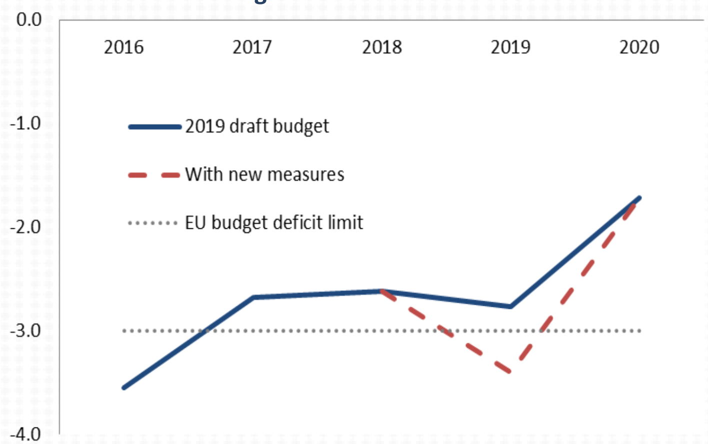
According to the preliminary estimate of the Federal Statistics Office, GDP grew by 1.5% in 2018, the weakest performance in the last five years, from 2.5% in 2017. Assuming no revisions in the first three quarters, the Statistics Office projects a “small plus” GDP growth rate in Q4, estimated to be just above zero, following a 0.2%QoQ contraction in Q3. Should this be the case —Q4 GDP first headline estimate is due for release on 14 February & GDP decomposition on 22 February— the economy would have narrowly avoided a technical recession at year-end 2018. The slowdown in 2018 was partially driven by faltering export growth on subdued demand from key trading partners and production bottlenecks in the automotive sector (in H2 2018) following the introduction of the new exhaust emission standards. The Statistics Office confirmed that net exports subtracted 0.2pp from GDP last year. However, the main driver behind the loss of momentum in 2018 was household spending which slowed steadily in Q1-Q3 in spite of the booming labor market and high wage growth. A reason behind this development was probably increasing pessimism about the prospects of the global economy, which explains the increase in the savings ratio to a 10-yr high of 10.7% in Q3. Looking ahead, we see no reason for private consumption to weaken materially further on the back of lower oil prices, a more expansionary fiscal policy planned for 2019 (i.e. lower social security contributions, increased child benefits, higher statutory minimum wage) and an ongoing improvement in the residential property market. On the other hand, growth prospects for the key trade partners of the export-dependent Germany look poor in 2019, while concerns linger about a further escalation in the US/China trade dispute and the likely imposition of US tariffs on EU car exports, pointing to a more clouded investment outlook and a continuing drag on domestic activity from net exports. For 2019, we lower our GDP growth forecast to 1.3% from 1.7% previously, with risks to the growth outlook mainly stemming from the external side.

France: Yellow Vests movement takes a toll on domestic activity

Yellow Vests moment add to industrial production's headwinds



Budget deficit ratio expected to rise again above the 3% EU budget deficit limit in 2019



Source: INSEE, AMECO, Eurobank Research

Latest Economic Developments

Complaining against squeezed real disposable income because of the government's fiscal policies, the Yellow Vests movement has been protesting by mid-November, obstructing traffic through road blocks and disrupting supply chains. Reflecting the social movement's dent in economic activity, among others, industrial production marked in November the highest annual decline since mid-2014, while the INSEE business climate indicator dropped in December for the third consecutive month coming in at the lowest level in around two years. According to the Bank of France, protests are estimated to lead to a Q3 GDP reduction of around 0.2pp to 0.2%QoQ. Should this be the case, annual average growth for 2018 is expected to come in at 1.5%, lower than our 1.7% earlier projection (Q4 GDP data due for release on 30 January). Aiming to quell the social unrest, President Macron announced in mid-December a series of measures of c. €10bn (~0.6% of GDP) to boost purchasing power. Barring any counter-financing, the measures are projected to push the 2019 budget deficit above the 3.0% of GDP threshold to around 3.2% (vs. 2.8% initially). However, given that the 2019 fiscal slippage is expected to be mainly due to one-off factors* with the European Commission projecting a decline in the 2020 budget deficit back below 2.0%, the triggering of the Excessive Deficit Procedure is unlikely. For 2019, GDP growth is likely to decelerate modestly to 1.4%, as the external environment becomes less supporting and the impact of the Yellow Vests movement will likely last longer.

Despite social unrest, Emmanuel Macron remains committed to his reform agenda

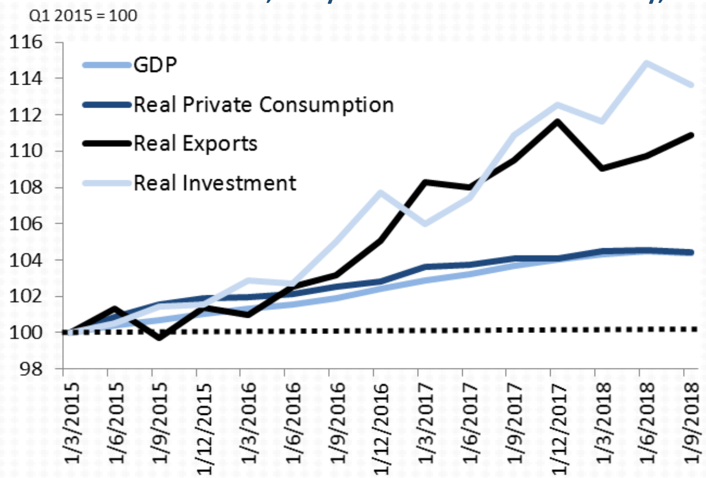
Despite social unrest, President Emmanuel Macron has made clear that he remains firmly committed to his growth-enhancing reform agenda** and to not roll back previous structural reforms. However, some delay in the implementation of his reforms seems unavoidable, given the President's new approach to governance (involving a dialogue with French citizens at a local level on the government's economic and social priorities).

*most notably, the transformation of the CICE tax credit into reduced employers' social contribution cuts worth around 1pp of GDP

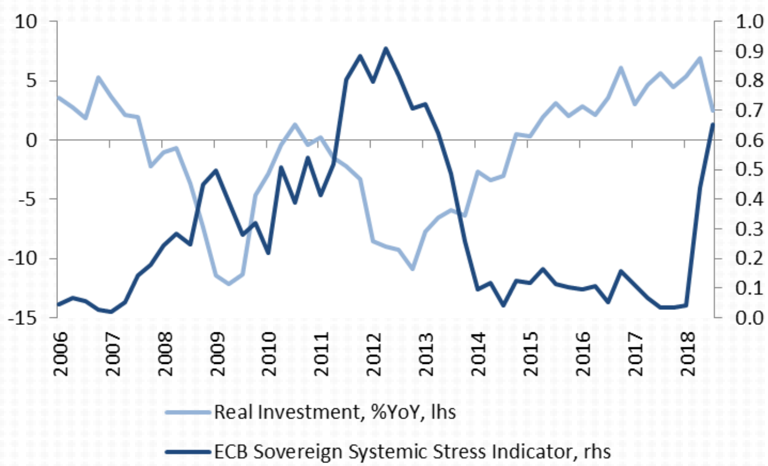
** 2019 reform agenda focuses in the areas of pension, unemployment benefits & public administration.

Italy has probably entered a technical recession in Q4, while political uncertainty adds to the cyclical headwinds

Real investment, a key driver of the Italian recovery,…



…is now hit by an increase in sovereign systemic stress



Source: ECB, Bloomberg, Eurostat, Eurobank Research

Latest Economic Developments

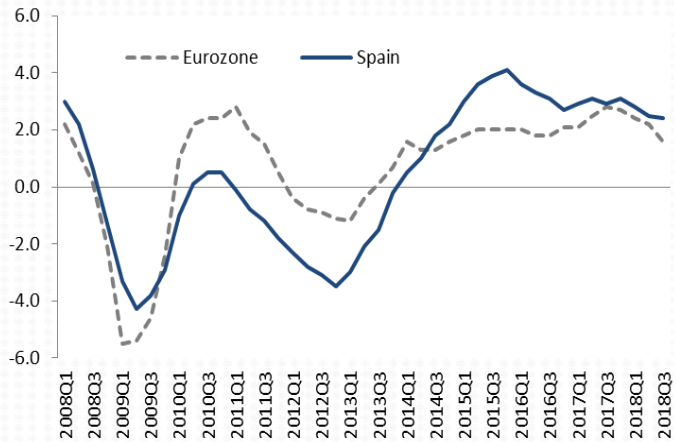
High-frequency indicators, including IP decline by 1.6%MoM in November -which was the second negative print over the last quarter of 2018- suggest that Italy has probably entered a technical recession in Q4. The deterioration in Italian growth momentum is not attributed to one-off factors related to the new car regulation and subdued foreign demand growth, but also to idiosyncratic factors such as weak dynamics of investment. Forward-looking indicators point to weak business confidence and heightened political stress that would probably constitute a further drag on economic activity. Overall, we have revised downwards our GDP growth forecast from an estimated 0.9% in 2018 to 0.7% in 2019 (vs. 1.0% previously) on the back of disappointing dataflow for the Italian economy and expectations for increased political uncertainty this year, with risks skewed to the downside.

Italian politics update

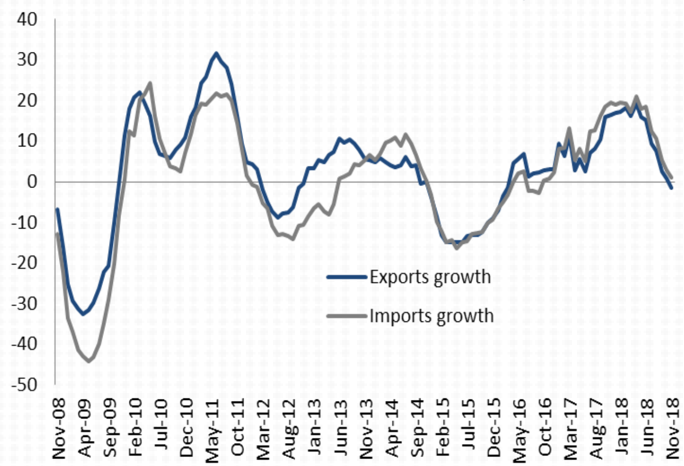
The Italian Government and the EC reached an agreement on 19 Dec and the EDP was avoided. The 2019 deficit target has been reduced from 2.4% to 2.04% of GDP, with the total amount of savings with respect to the original plan (€8-10bn) stemming from less resources for the basic income and early retirement, introduction of a web tax, reduction in certain tax expenditures and an increase in privatizations from €18bn to €20bn. Real GDP growth projection for 2019 has been revised downwards to 1.0% from 1.5% previously, with the 2019 structural deficit projection remaining stable at the 2018 level (-0.9% of GDP), in contrast to the previous plan that incorporated a deterioration of more than 1pp of GDP. If the deficit is not proceeding in line with expectations by July 2019, then the resources dedicated to the basic income and early retirement should be diminished by €2bn. In addition, the Italian government should find additional resources of more than 1.0% of GDP for the 2020 budget in H2 2019, otherwise a VAT hike will be enacted on 1/1/2020. All in all, a deteriorating growth outlook, the challenges within the 2020 budget ahead of the EU elections and tensions within the government could bring Italy back in the spotlight.

Spain: Growth is slowing gradually; tensions over budget raise the risk of snap elections this year

Spain's GDP growth is gradually slowing, continuing though to outperform most of its regional peers



2018 GDP growth slows down partially due to negative contribution from net exports



Source: Eurostat, INSEE, Eurobank Research

Latest Economic Developments

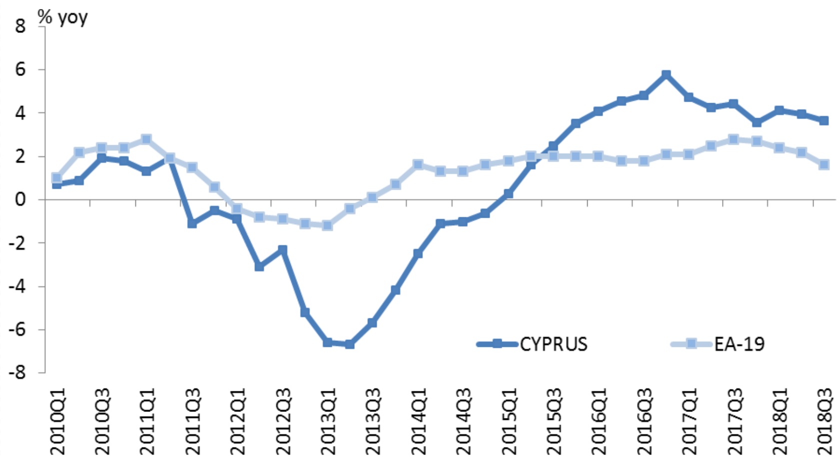
Macro data and sentiment indicators pertaining to Q4 2018 suggest that, although the economy maintained a positive momentum, the pace of growth continued slowing gradually. Retail sales rebounded strongly in October – November, rising by 1.4%YoY and 2.1%YoY, respectively, the Markit composite PMI improved to an average 53.7 points in Q4 from 52.7 in Q3, while tourist arrivals rose by 4.5%YoY in the period October-November. However, among others, a sharp contraction of 2.6%YoY in November's industrial production, the highest in 5½ years, and downbeat consumer sentiment throughout Q4, call for caution. After growing by 0.6%QoQ in Q3, GDP is projected to slow to around 0.4%QoQ, with the average 2018 rate expected to decelerate to 2.5% from 3.0% in 2017 mainly pressured by net exports. Looking ahead, GDP growth is likely to slow to 2.3% this year, as net trade is projected to remain a drag on growth and private consumption growth is anticipated to lose some momentum on the back of slower employment growth and higher inflation. On the fiscal front, Spain's 2019 draft budget envisions a reduction in the fiscal deficit to 1.8% of GDP from an estimated 2.7% for 2018. However, it is far from certain that the PSOE's minority government will be able to pass the budget through parliament. But even if it succeeds, the deficit is likely to be above target —albeit still below the 3.0% EU ceiling— as it is questionable whether the introduction of new taxes could offset spending plans already approved (e.g. rise in the minimum wage, inflation-related pension increase).

Tensions over budget my force PM to call early elections by early H2 2019

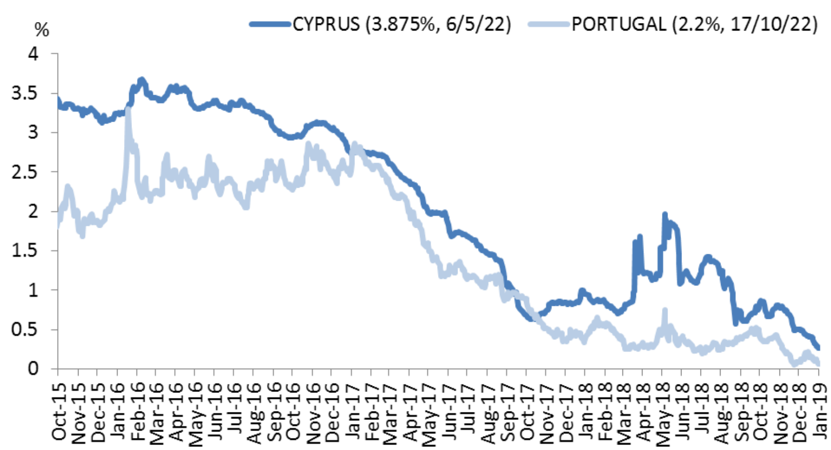
The PSOE minority government's struggle to secure the necessary parliamentary support for the 2019 budget has increased the probability of snap elections by early H2 2019. The Congress of Deputies is scheduled to vote on 13 February on whether the draft budget will be debated in the chamber. The Catalan separatist parties have made clear that their support is conditional on self-determination of the region and concessions over the secessionist politicians that are currently in preventive detention.

Cyprus: The NPEs carve out of CCB weighs on the banking sector & public sector balance sheets

Cyprus turn-around growth story has been impressive so far



Cypriot medium term bond yields have improved in recent months after CCB's market exit



Source: Eurobank Research, National Authorities, Bloomberg

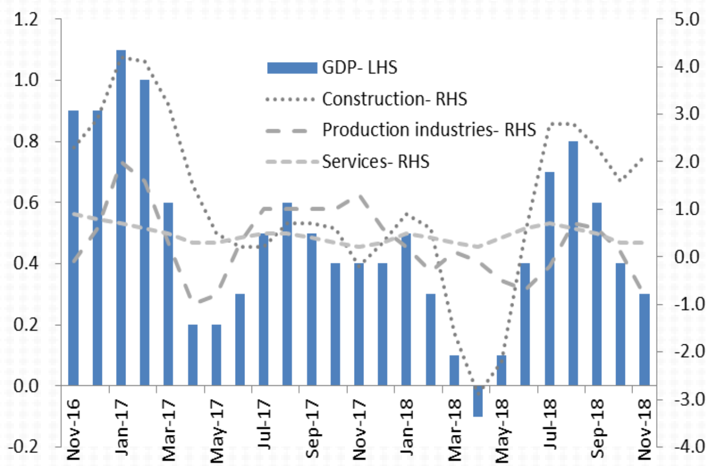
Latest Political & Economic Developments

Non-performing exposures (NPEs) decreased by €5.6bn in Sept 2018-reflecting the carve out of the CCB bad loans- after registering minor decreases in August and July compared to €3.3bn in June, bringing the stock down by 59.7% over the period from Dec 2014 to Sep 2018. Loan exposures (performing plus non-performing) decreased by €6.6bn from €41.3bn in June 2018 to €34.6bn in Sep 2018, which is a slightly larger drop than the decrease in their non-performing component alone. Despite the deleveraging, the ratio of NPEs declined to 31.8% in Sept 2018 down from 40.3% in June 2018, compared to 43.7% in Dec 2017, 47.2% in Dec 2016, 45.8% in Dec 2015 and 47.8% in Dec 2014. Recall that according to the EBA conservative definition, a restructured NPE is still classified as an NPE for a probation period of at least 12 months, even if it is properly serviced and does not incur new arrears. As a result, a large fraction of the restructured loans are still classified as NPEs (€4.8bn out of €7.3bn in Aug 2018)

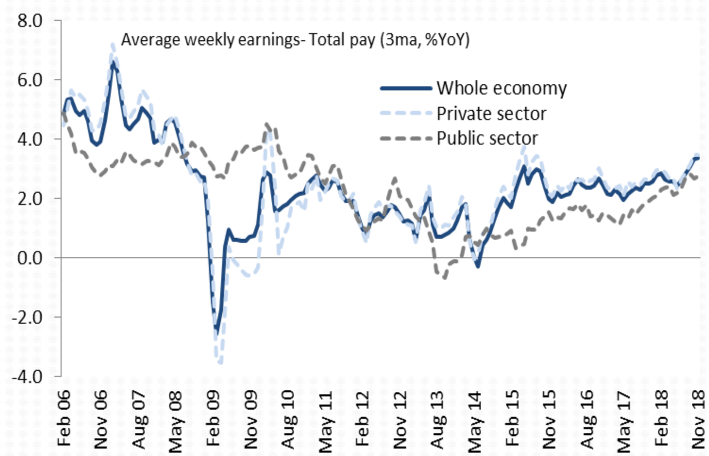
Further progress on the NPEs issue hinges on two more game-changing factors: 1) the implementation of the reformed insolvency and foreclosures frameworks, and 2) the government-subsidized ESTIA plan introduced to help vulnerable groups of distressed borrowers. ESTIA's endorsement was subject to a heated debate among political parties in the parliament, in which the ruling party (DISI) doesn't hold majority. Ultimately, the parliament endorsed the plan under the condition that the release of the funds be approved by the committee on budgetary and financial affairs on an annual basis. Finally, the Statistical Service published the quarterly general government accounts of Q3-2018, which reflected the fiscal cost of the carve-out and the sale of CCB's performing assets to Hellenic Bank. The general government recorded a deficit of €723.1mn in 9M-2018 compared to a surplus of €366.7mn in 9M-2017. The general government debt to GDP ratio increased to 110.7% of GDP in Q3-2018, registering the highest increase in EU-28 (9.7ppts compared to Q3-2017), up from 104% in Q2-2018.

UK: Prolonged Brexit uncertainty weighs on the economy

Q3 GDP acceleration expected to prove temporary



Wage growth continues to firm



Source: ONS, Eurobank Research

Latest Economic Developments

Rolling three-month GDP growth, the economy continued its slowdown expanding by 0.3% in September to November compared to 0.4% in June to August, after hitting a 0.8% peak for this year in July to September, supported by the warmer than usual weather in the summer months. Among the three main sectors, services and construction contributed positively to headline GDP growth while widespread contraction in production industries resulted in negative contribution to GDP across the sector. Adding to recent evidence suggesting that the economy appears to have lost momentum in Q4 weighed down by Brexit-related uncertainty and the ongoing slowdown in global growth, retail sales fell by a higher than expected 0.9%MoM in December (3.0%YoY) following a gain of 1.3%MoM (3.4%YoY) in the prior month, as consumers probably shifted their Christmas spending to November to coincide with Black Friday promotions. Furthermore, the Gfk consumer confidence index has been steadily declining over the last five months coming in at a 5½ year low of -14 in December while key activity indicators in the housing markets continued to slip over the same month. In contrast, the labor market remains robust with the employment rate reaching a record high of 75.8% and average weekly earnings, including bonuses, rising to a 10-yr high of 3.4%YoY in the three months to November. For FY 2018, UK GDP is expected to grow by 1.3% while the 2019-2020 growth outlook depends on the progress in Brexit negotiations. Assuming an orderly exit from the EU later this year, GDP growth is likely to accelerate in 2019 and 2020 to 1.4% and 1.6%, respectively.

Brexit Update

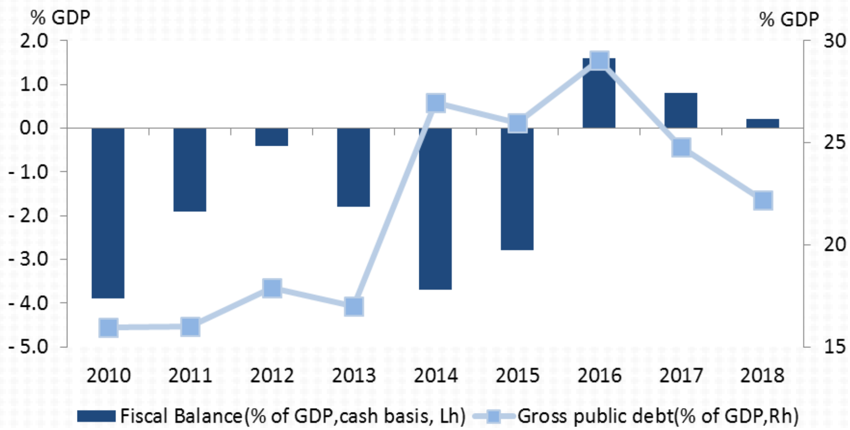
After the House of Commons voted down the EU Withdrawal Agreement by a huge margin of 230 votes in mid-January, UK Prime Minister Theresa May presented a new Brexit plan outlining what she intends to do next. MPs will debate and vote on the new plan on 29 January while they will also be able to vote on amendments to the government's motion, an option that gives them the power to have a say in the final deal and prevent a ‘no deal’ Brexit.

III. Selected CESEE economies

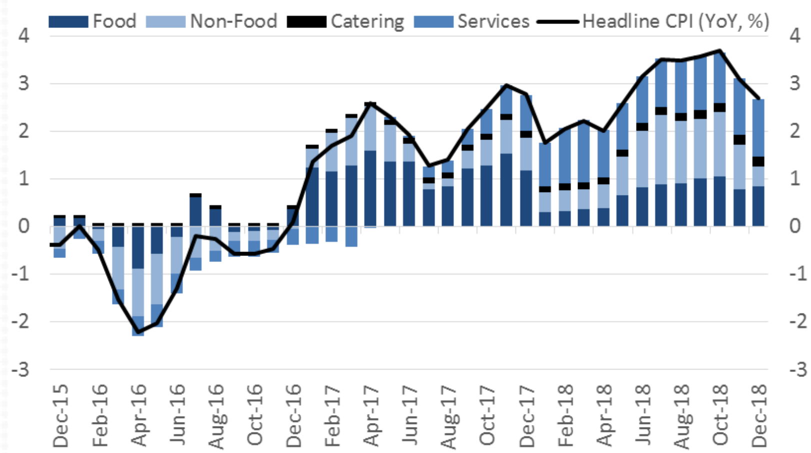
- Bulgaria
- Serbia
- Turkey

Bulgaria: Expansionary fiscal policy in Q4-2018

Bulgaria's fiscal position is sound



Headline inflation retreated from its recent highs in Q4-2018



Source: Eurobank Research, National Authorities

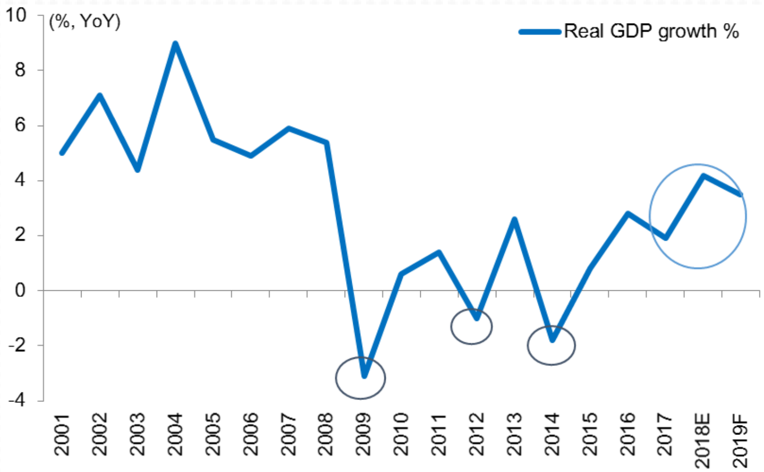
Latest Political & Economic Developments

The budget recorded a small surplus of 0.2% of GDP in 2018 for a third year in a row, down from a revised forecast of 0.5% and an initial target of -1%. Total revenues expanded by 12.3% YoY outperforming the annual target (by 3.7%) while total expenditures moved up by 14.3% YoY in line with the annual target. The consolidated budget surplus had reached 2.7% of GDP in Jan-Nov2018.However, the cabinet decision to accelerate infrastructure spending and to distribute additional funding in local governments led to the budget recording a €2.7bn deficit (up by 77.4% YoY) in December making fiscal policy more expansionary in Q4.

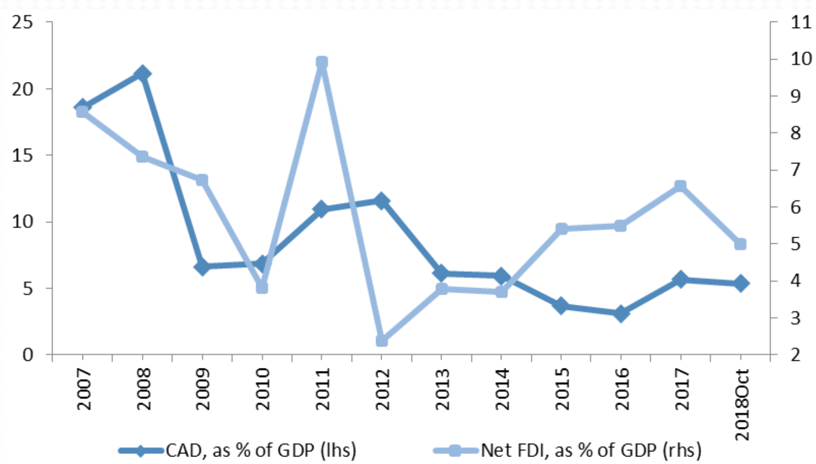
The budget of 2019 is built upon the macroeconomic assumptions of a 3.7% real GDP growth, a 3.0% average HICP inflation, an 4.8% unemployment rate, a fiscal deficit target of 0.5% of GDP on a cash basis or 0.2% in ESA2010 terms. Revenues are forecasted to expand by 11.9% YoY- significantly above nominal GDP growth-in order to reach 37.7% of projected GDP. Excluding energy fees currently collected by the state-owned electricity company and the emissions quota payments which are going to be re-classified to the budget revenues, the latter are forecasted to increase by 7.4% YoY. The rise of social security contributions (10.2% YoY) mirroring the rise in the minimum wage and the increase in the insurance income thresholds , changes in the car emissions' taxation system, an increase in the excise taxes on e-cigarettes and the abolishment of tax relief on multiple housing properties will add to the revenues side. Expenditures are forecasted to increase by 15.1% YoY to reach 38.2% of projected GDP in 2019 up from 36.6% in 2018. The budget incorporates the ruling coalition's electoral program for generous public sector wage (10% for all employees, 20% for teachers), pension hikes (5.7% on average as of July 1st) to ensure higher funding in the healthcare (+11.6%), defense & security (+10.8%) plus social policy sectors (+12.9%). As a result, the public sector wage bill and the pension expenditures plus other social transfers are forecasted to reach 8.1% and 14.8% of GDP respectively.

Serbia: GDP Growth for 2018 expected above 4% YoY

GDP growth in 2018 is expected at highest pace in a decade



The CAD is fully covered by net FDI inflows



Source: Eurobank Research, National Authorities, Bloomberg

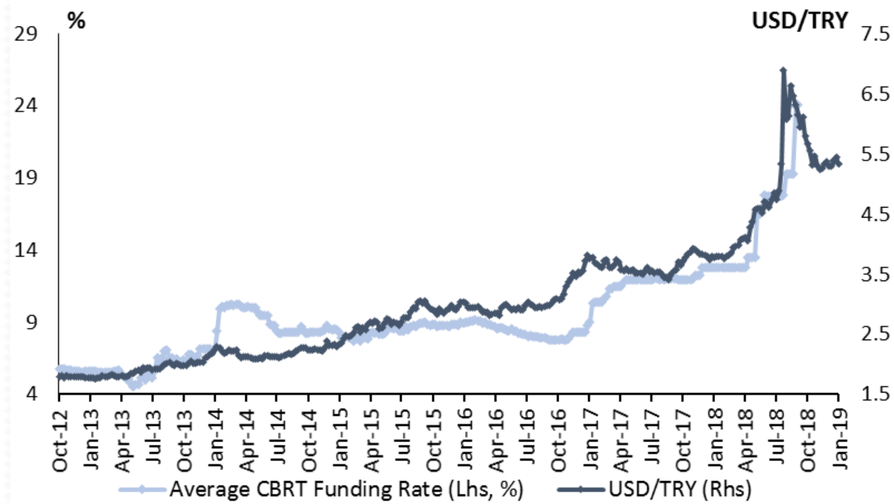
Latest Political & Economic Developments

After a modest slowdown in GDP growth for Q3 2018 (3.8% YoY vs 4.8%% YoY in the previous quarter), according to our estimates, FY2018 GDP growth is expected to reach 4.2% YoY, which is the highest pace in the last ten years. Economic expansion is broadly based on private consumption (70% of GDP) and investments (20% of GDP) while the current account deficit is well covered by tantamount foreign direct investments, both expected at ca 6% of GDP for 2018. Despite robust growth, inflation remained subdued almost throughout 2018 and averaged around 2% in 2018 compared to 3.2% in 2017. The National Bank of Serbia (NBS) forecasts inflation to remain stable within the target tolerance band (3.0±1.5%) throughout 2019 with any fluctuations reflecting the steady rise in aggregate demand. As a result, in the latest monetary policy meeting that took place earlier in January, key policy interest rate (KPR) remained unchanged standing since last April at 3%, when a 25bps cut was decided. Looking forward, NBS is expected to keep the KPR unchanged for most of 2019.

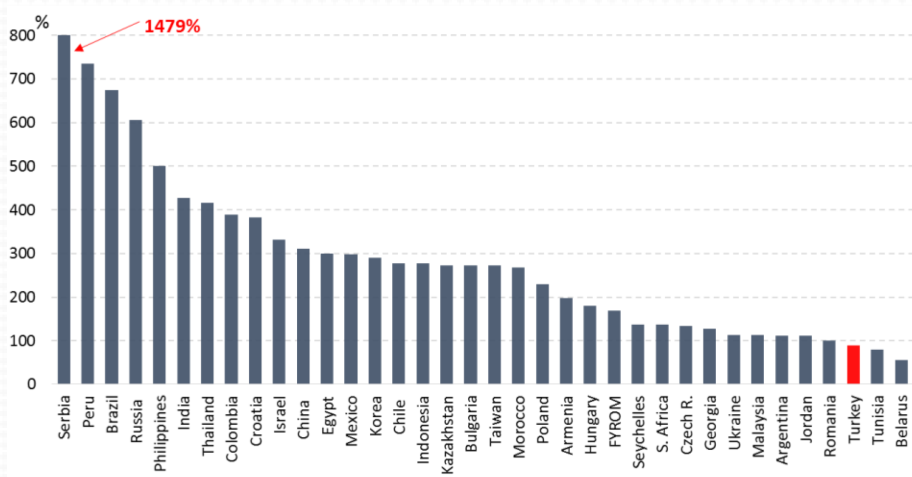
In this broadly positive regard, around mid-December, S&P Ratings Agency affirmed its BB credit rating for Serbia and upgraded the outlook to positive from stable. The decision was based on the grounds of solid economic outlook, fiscal prudence and effective monetary policy. The outlook upgrade coincided with the IMF's first review of the Policy Coordination Instrument (PCI) for which Serbia applied. The application was approved in mid-July 2018 and is expected to be completed in July 2021. According to the review, fiscal performance remains sound, modernization of the tax administration has accelerated, and public debt has fallen sharply. Indeed, Serbia's public debt stood at €24.11bn in November, down by €181mn compared to the previous month. Thus, the debt-to-GDP ratio was equivalent to 56.2% of the projected 2018 GDP in November, down from 56.7% in October and 61.6% at the end of 2017.

Turkey: Central Bank remains put on rates in mid-January 2019

Turkish Lira has rebounded from recent lows in Q4-2018



FX Reserves (%) of External Debt Repayments in 2018



Source: Eurobank Research, National Authorities, Bloomberg

Latest Political & Economic Developments

In line with the Reuters-Bloomberg surveys, the Central Bank of Turkey (CBRT) left unchanged the key policy rate (KPR) -the 1-week repo as of late May-at 24.00%. The CBRT grounded its decision on the prevailing price stability risks despite the improvement in the inflation. Headline inflation has retreated from its historic highs in recent months ending at 20.3% YoY in December down from 21.6% YoY in November and 25.2% YoY in October. The most important driver behind this improvement was the sharp decline in the international energy prices in Q4-2018 and subsequently in the transportation prices (-2.6% MoM/+16.0% YoY in December). In addition, the domestic currency has stabilized reversing some of its heavy losses in the 2H-2018.

Despite the recent improvement, the economic environment remains recessionary and the inflation outlook challenging. Real GDP growth expanded by 2.3% YoY in Q3-2018 down from a revised 5.3% YoY in Q2-2018 and 7.2% YoY in Q1-2018, registering its slowest pace of annual expansion since Q3-2016. On a seasonally and calendar adjusted basis, real GDP growth contracted by -1.1% QoQ in Q3-2018, most likely entering a technical recession as of Q4-2018, compared to 0.8% QoQ in Q2-2018 and 1.6% QoQ in Q1-2018. Having tightened by a cumulative 1025bps in 2018 factoring in the 75bps hike delivered in last April, CBRT is widely expected to remain on hold until at least the end of 1H-2018. In its forward guidance, the CBRT has maintained its tightening bias underlining its intention to tighten further if needed on the back of inflationary pressures. Among other factors, market attention has turned to the downside risks from the regional elections in late March. Investors are concerned about the probability of the government resorting to more fiscal expansionary and populist measures or of the Central Bank being subject to political pressures to lower interest rates in the pre-election period, a move widely perceived as premature. Inflation will most probably remain in double digit levels around 20% until 1H-2019 amid past lira weakness, second round effects and elevated expectations.

IV. Eurobank Forecasts

Eurobank Macro Forecasts

	Real GDP (YoY%)			CPI (YoY%, avg)			Unemployment rate (% of total labor force)			Current Account (% of GDP)			General Budget Balance (% of GDP)		
	2018e	2019f	2020f	2018e	2019f	2020f	2018e	2019f	2020f	2018e	2019f	2020f	2018e	2019f	2020f
World	3.7	3.5	3.5	3.3	3.1	3.2									
Advanced Economies															
USA	2.9	2.5	1.9	2.4	2.0	2.2	3.9	3.6	3.5	-2.4	-2.6	-2.6	-3.8	-5.0	-5.0
Eurozone	1.9	1.6	1.5	1.7	1.5	1.4	8.2	8.0	7.8	3.0	2.9	2.8	-0.8	-0.9	-1.0
Germany	1.5	1.3	1.4	1.8	1.7	1.7	3.4	3.2	3.2	7.8	7.6	7.5	1.7	0.9	0.9
France	1.5	1.4	1.4	2.1	1.4	1.6	9.0	8.8	8.7	-0.6	-0.3	-0.2	-2.5	-3.2	-2.0
Periphery															
Cyprus	3.9	3.6	2.6	0.8	1.0	1.6	8.8	8.0	8.3	-4.0	-7.1	-7.0	2.8	3.0	2.9
Greece	1.8	1.9	2.0	0.8	1.0	1.5	19.5	18.0	16.6	-2.8	-2.5	-2.2	0.6	0.6	0.6
Italy	0.9	0.7	0.8	1.3	1.1	1.2	10.6	10.4	10.2	2.6	2.5	2.2	-2.0	-2.6	-2.6
Portugal	2.2	1.7	1.4	1.2	1.0	0.8	7.1	6.5	6.5	0.0	0.0	0.0	-0.7	-0.6	-0.6
Spain	2.5	2.3	2.1	1.8	1.5	1.6	15.3	13.9	12.8	1.5	1.3	1.2	-2.7	-2.2	-1.8
UK	1.3	1.4	1.6	2.5	2.1	2.1	4.1	4.2	4.0	-3.5	-3.3	-3.0	-1.4	-1.4	-1.7
Japan	0.7	0.9	0.7	1.0	0.7	1.2	2.4	2.4	2.3	3.6	3.4	3.4	-3.1	-3.0	-2.8
Emerging Economies															
BRICs															
Brazil	1.3	2.5	2.5	3.7	3.9	4.0	12.2	11.3	10.6	-0.8	-1.4	-1.8	-7.1	-6.5	-5.9
China	6.6	6.2	6.0	2.1	2.2	2.2	3.8	4.2	4.2	0.3	-0.1	-0.1	-3.7	-4.5	-4.0
India	6.7	7.2	7.3	4,0	3.6	4.3		*NA*		-2.99	-2.5	-2.4	-3.6	-3.5	-3.5
Russia	1.7	1.4	1.7	2.9	4.9	4.0	4.8	4.8	4.8	6.3	4.6	3.6	2.4	1.9	1.1
CESEE															
Bulgaria	3.3	3.5	2.8	2.6	2.7	2.1	5.5	5.3	5.7	4.5	1.0	1.0	-0.2	-0.5	0,0
Romania	3.8	3.4	3.2	4.7	3.5	3,0	4.2	4.0	4.4	-4,0	-4.2	-4.5	-3.3	-3.4	-4.7
Serbia	4.2	3.5	4.0	2.1	3.0	3,0	11.8	11.0	10.5	-5.3	-5.1	-4.8	0.5	-0.5	-0.5
Turkey	3.5	-1.5	3.0	16.3	15.5	12.0	10.9	13.0	12.5	-3.5	-1.5	-3.0	-2.1	-2.3	-2.9

Source: EU Commission, IMF, OECD, Bloomberg, Eurobank Research

Eurobank Fixed Income Forecasts

	2019				
	Current (as of 25 Jan.)	March	June	September	December
USA					
Fed Funds Rate	2.25-2.50%	2.25-2.50%	2.50-2.75%	2.50-2.75%	2.50-2.75%
1 m Libor	2.50%	2.56%	2.55%	2.59%	2.63%
3m Libor	2.75%	2.69%	2.73%	2.75%	2.75%
2yr Notes	2.61%	2.58%	2.56%	2.55%	2.56%
10 yr Bonds	2.76%	2.76%	2.78%	2.78%	2.80%
Eurozone					
Refi Rate	0.00%	0.00%	0.00%	0.00%	0.00%
3m Euribor	-0.31%	-0.30%	-0.28%	-0.26%	-0.24%
2yr Bunds	-0.57%	-0.55%	-0.53%	-0.51%	-0.50%
10yr Bunds	0.22%	0.21%	0.26%	0.30%	0.35%
UK					
Repo Rate	0.75%	0.75%	0.75%	0.75%	1.00%
3m	0.92%	0.93%	0.98%	1.03%	1.08%
10-yr Gilt	1.32%	1.32%	1.36%	1.40%	1.45%
Switzerland					
3m Libor Target	-0.75%	-0.75%	-0.75%	-0.75%	-0.75%
10-yr Bond	-0.23%	-0.21%	-0.19%	-0.14%	-0.09%

Source: Bloomberg (market implied forecasts)

Eurobank Research Team

Economic Analysis & Financial Markets Research

Dr. Tassos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, + 30 214 40 59 706

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 37 18 793

Marisa Yiannissis: Administrator
magiannisi@eurobank.gr, + 30 214 40 59 711

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr + 30 214 40 59 707

Dr. Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr + 30 210 37 18 733

Maria Kasola: Economic Analyst
mkasola@eurobank.gr + 30 210 37 18 708

Olga Kosma: Research Economist
okosma@eurobank.gr + 30 210 37 18 728

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

Dr. Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, + 30 214 40 59 708

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, + 30 214 40 59 712

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

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