

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Nov 26:
 - Chicago Fed national activity index (Oct)
 - Dallas Fed manufacturing activity Index (Nov)
- Nov 27: CB consumer confidence (Nov)
- Nov 28
 - GDP (Q3, 2nd estimate)
 - New home sales (Oct)
 - FOMC Chair Jerome Powell speaks
- Nov 29
 - Initial jobless claims (24/11)
 - Personal income & spending (Oct)
 - Pending home sales (Oct)
- Nov 30
 - Chicago PMI (Oct)

EUROZONE

- Nov 26: German Ifo business climate (Nov.)
- Nov 28: M3 money supply (Oct)
- Nov 29
 - Economic sentiment indicator (Nov)
 - German CPI (Nov., prel.)
- Nov 30:
 - Unemployment rate (Oct)
 - CPI (Nov., prel.)

GREECE

- Nov 29
 - Economic Sentiment (Nov)
- Nov 30
 - PPI (Oct)
 - Retail Sales (Sep)

SEE

BULGARIA

- Nov 28: Gross External Debt (Sep)
- Nov 30:
 - Budget Balance (Oct)
 - KPR Meeting

ROMANIA

- Nov 26: M3 Money Supply (Oct)

SERBIA

- Nov 30:
 - GDP (Q3, Final)
 - Trade Balance (Oct)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Trade woes linger ahead of the meeting between US President Donald Trump and his Chinese counterpart Xi Jinping on 1 December, on the sidelines of the G20 summit in Argentina. Adding to the above, a media report conveyed that the US President could impose a 25% customs duty on car imports from all countries except Canada and Mexico as early as next week after the G20 meeting. Against this background, core government bonds retained a firm tone and the USD gained. Focus today is on Fed Chair Jerome Powell's speech following recent rumors that the Fed may be considering a pause in its hiking strategy as early as next spring.

GREECE: According to the final State Budget Execution data for January – October 2018 the overall fiscal balance registered a surplus of €1.6bn, against a targeted deficit of €0.1bn in the 2019 Budget and a surplus of €1.4bn in the respective period of 2017. The State Budget Primary Balance recorded a surplus of €6.4bn, against a targeted primary surplus of €4.8bn in the 2019 Budget.

SOUTH EASTERN EUROPE

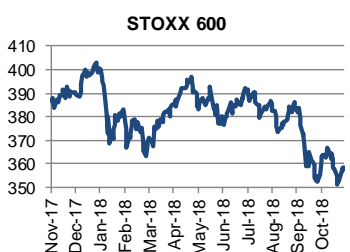
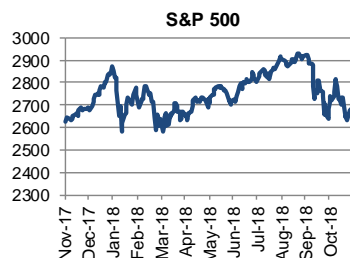
CESEE MACRO DEVELOPMENTS: According to the IMF Regional Economic Outlook for Europe published recently, the pace of economic expansion has slowed in many European economies. For the next two years, GDP growth in Europe is expected to moderate from 2.8% YoY in 2017 to 2.3% YoY in 2018 and 1.9% YoY in 2019 with divergent paths among the advanced and the emerging region. In advanced Europe, real GDP growth is expected at 2.0% YoY in 2018, 1.9% YoY in 2019 and 1.7% YoY in 2020 while for the emerging CESEE region real GDP growth is expected at 2.9% YoY in 2018, 2.0% YoY in 2019 and 2.4% YoY in 2020.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from Asian bourses' modest gains today, European bourses were standing in positive territory in early trade following comments by White House Economic Adviser Larry Kudlow which supported optimism for a trade deal between US President Donald Trump and his Chinese counterpart Xi Jinping at their meeting on 1 December. However, investors retain an overall cautious tone after the US President warned earlier this week that he will likely move ahead with raising tariff rates to 25%, from 10% currently, on \$200bn worth of Chinese imports in January 2019 and imposing a tariff rate of either 10% or 25% on the remaining imports worth \$267bn, unless a trade agreement is reached. Adding to the above, a media report conveyed that the US President could impose a 25% customs duty on car imports from all countries except Canada and Mexico as early as next week after the G20 meeting. Favored by lingering uncertainty related to trade policies, core government bonds remained well supported, with the 10-yr UST yield trading in a tight range, not far from last week's one-month intraday low of 3.02%. Turning to EMU periphery sovereign bonds, Italian paper came under some pressure probably due to investors' appetite for profit taking after recent gains. The 10-yr BTP-German Bund yield spread was some 4bps wider compared to Monday's close, but still below the recent closing peak of 320bps (19 Nov.).

In FX markets, the USD was firmer favored by market uncertainty ahead of Saturday's meeting between the US President and his Chinese counterpart. The DXY index was 0.1% higher on the day standing close to 97.507 at the time of writing, approaching a near 1 ½ year high of 97.693 recorded a fortnight ago. The EUR/USD extended recent losses marking an intraday low of 1.1267 earlier today, the lowest in around two weeks, amid increased worries over the Eurozone's growth outlook in the wake of the media report suggesting the likely introduction of US tariffs on imported cars. Elsewhere, the GBP came under some further pressure against both the USD and the EUR. Uncertainty over whether the Brexit Withdrawal Agreement and the political declaration will be approved by the UK parliament lingers, while comments by the US President that the Brexit deal may make US-UK trade more difficult also weighed on the GBP. Focus today is on Fed Chair Jerome Powell's speech following recent rumors that the Fed may be considering a pause in its hiking strategy as early as next spring, on the back of increased uncertainty over the global growth outlook and lingering trade frictions.

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GREECE

According to the final State Budget Execution data for January – October 2018 the overall fiscal balance registered a surplus of €1.6bn, against a targeted deficit of €0.1bn in the 2019 Budget and a surplus of €1.4bn in the respective period of 2017. The State Budget Primary Balance recorded a surplus of €6.4bn, against a targeted primary surplus of €4.8bn in the 2019 Budget. Ordinary Budget net revenue over-performed the official target by €0.7bn mainly as direct and indirect tax revenue were slightly above their respective 2019 Budget targets (by €0.04 bn and €0.02bn respectively). Tax refunds were in line with their 2019 Budget target. Ordinary Budget expenditures were lower by €0.3bn compared to their 2019 Budget target. Public Investment Budget revenues were in line with their 2019 Budget target while Public Investment Budget expenditures were lower by €1.3bn compared to their respective 2019 Budget target. Note that according to the 2019 Budget submitted to the Greek Parliament at the end of the previous week, the 2018 Public Investment Budget expenditure is expected at €6.8bn registering an improvement of 11.9% on an annual basis but lower by -7.3% compared to the respective Medium Term Fiscal Strategy 2019-2022 target.

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Latest economic & market developments in the CESEE region

CESEE MACRO DEVELOPMENTS

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

CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

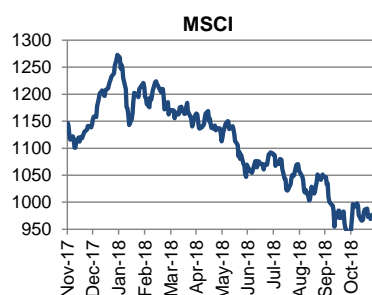
* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

ROMANIA: Indicator:	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	Ba2	BBB-	BB+

According to the IMF Regional Economic Outlook for Europe published recently, the pace of economic expansion has slowed in many European economies, among which Romania, Turkey and the United Kingdom, despite the supportive macroeconomic policies. In the euro area, GDP growth cooled further to 0.2% QoQ in Q3 compared to 0.4% QoQ in both previous quarters mainly due to weaker external demand for goods. In most CESEE countries, growth remained robust thanks to a higher absorption of EU funds and strong private consumption growth on the back of increasingly tight labor markets. However, with the economic sentiment indicator in emerging Europe coming in September down to pre-2017 levels, most forward looking indicators in the respective area suggest moderation of growth. Apparently, there are several headwinds at play such as the slowdown of exports in intermediate and capital goods in the euro area, accounting approximately two thirds of goods exports from the euro area to the rest of the world, and higher energy prices that have dampened real incomes in most of Europe. In the newer EU member states, the impact of energy prices has been offset by the increased absorption of EU funds and strong wage growth. The common denominator in terms of headwinds for both advanced and emerging Europe is the labor market tightness that resulted into positive wage growth. Financial conditions remain accommodative in advanced Europe and have tightened only moderately in most of CESEE region due to higher US interest rates and the appreciation of the US dollar which led to an outflow of funds and an increase in outstanding debt denominated in US dollars.

For the next two years, real GDP growth in Europe is expected to moderate from 2.8% YoY in 2017 to 2.3% YoY in 2018 and 1.9% YoY in 2019 with divergent paths among the advanced and the emerging region. In advanced Europe, real GDP growth is expected at 2.0% YoY in 2018, 1.9% YoY in 2019 and 1.7% YoY in 2020 while for the emerging CESEE region real GDP growth is expected at 2.9%, 2.0% and 2.4% respectively. Coming to policies prioritization, the IMF states that those should be tailored to the maturing cyclical positions of each economy. Specifically, with regards to monetary policy, in emerging European countries, central banks should adopt a gradual path to normalization in a well communicated manner to ensure smooth adjustment, while in countries where underlying inflation pressures remain subdued (mostly advanced Europe), monetary policy should remain supportive to ensure durable increases in inflation toward targets.

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Wednesday 28 November 2018

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	2682.17	0.3%	0.3%	EUR/USD	1.1285	0.0%	-6.0%	UST - 10yr	3.06	0	65	GOLD	1213	-0.1%	-6.9%
Nikkei 225	22177.02	1.0%	-2.6%	GBP/USD	1.2763	0.1%	-5.6%	Bund-10yr	0.34	-1	-9	BRENT CRUDE	61	0.9%	-9.2%
STOXX 600	358.21	0.2%	-8.0%	USD/JPY	113.79	0.0%	-1.0%	JGB - 10yr	0.10	1	5	LME X	2855	-1.3%	-16.5%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.48	0	-4
1-week	2.57	0	-4
1-month	2.70	0	-15
3-month	3.02	-4	-10
6-month	3.14	-2	-10

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.07	0	-120
5Y RSD	3.64	0	-65
7Y RSD	4.16	0	-101

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.20	0	120

CDS

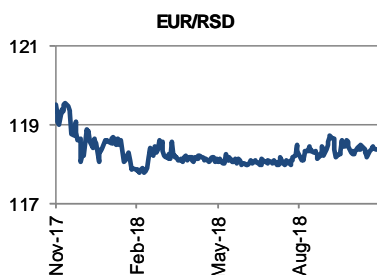
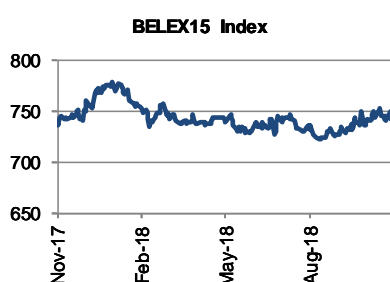
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	153	0	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	742.8	0.04%	-2.23%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.37	0.10%	0.46%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.55	-10	146
1-month	3.01	-4	114
3-month	3.13	-3	108
6-month	3.38	-3	111
12-month	3.56	-1	124

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.01	0	63
5Y RON	4.40	0	62
10Y RON	4.96	0	65

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	0.15	#N/A	N/A
USD Jan-24	4.51	2	151

CDS

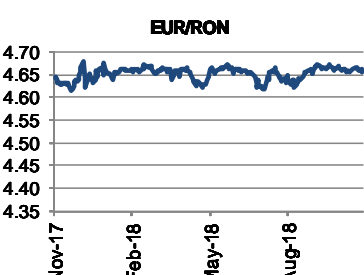
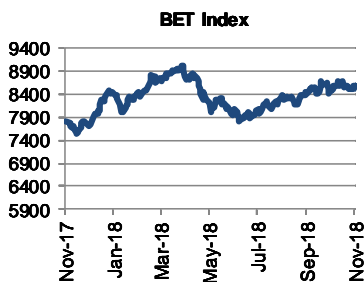
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	148	0	15

STOCKS

	Last	ΔD	ΔYTD
BET	8586.5	0.15%	10.74%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6584	-0.04%	0.14%



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	-0.06	0	1
5Y BGN	0.08	0	-7
10Y BGN	0.75	0	-22

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.03	0	11
EUR Sep-24	0.59	0	1

CDS

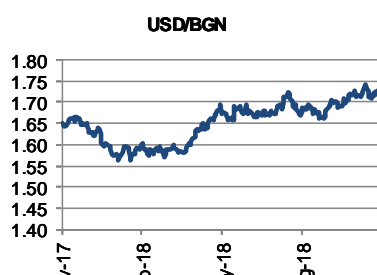
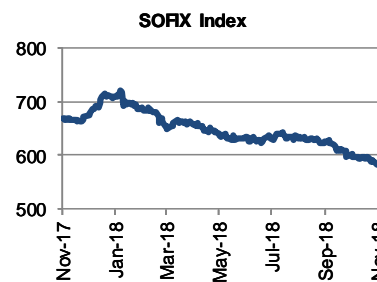
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	125	0	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	582.9	-0.06%	-13.96%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7334	-0.06%	-6.00%



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

Data updated as of 11:36 EEST

Wednesday 28 November 2018

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