



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday 04 February 2019

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Feb 5:
ISM non-manufacturing index (Jan)
- Feb 6: Trade balance
- Feb 7: Initial jobless claims (Feb 2)

EUROZONE

- Feb 5: PMI-services (Jan. final)
- Feb: German industrial orders (Dec)
- Feb 8
 - German exports (Dec)
 - France's & Italy's industrial production (Dec)

UK

- Feb 5: PMI services (Jan)
- Feb 7: BoE rate decision

GREECE

- Feb 07:
 - Labour force survey (Dec)
 - Commercial transactions (Dec)
- Feb 08:
Industrial production (Dec)

SEE

BULGARIA

- Feb 08:
 - Industrial production (Dec)
 - Retail sales (Dec)

CYPRUS

- Feb 08: CPI (Jan)

ROMANIA

- Feb 05:
Retail sales (Dec)
- Feb 07:
Key policy interest rate announcement

SERBIA

- Feb 07: Key policy interest rate announcement

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US Treasuries were weaker in early European trade on Monday pressured by increased optimism for a resolution in the US/China trade dispute as well as a string of better-than-expected US data releases on Friday. Bunds followed suit while, with respect to the EMU sovereign periphery bond markets, the biggest movers were BTPs amid increased worries over Italy's growth outlook. In FX markets, the DXY index was a tad firmer on the day remaining though well below year-to-date highs as the Fed's surprisingly more dovish-than-expected tone at last week's policy meeting continued to have an impact.

GREECE: The s.a. IHS Markit Greece Manufacturing PMI registered 53.7 in January, slightly down from 53.8 in December, but broadly in line with the levels seen since the middle of 2018 and indicating a solid improvement in the health of the Greek manufacturing sector. On the privatisations front, the bill for the dichotomy of DEPA is expected to be submitted to Parliament in the coming days whereas as regards the sale of the PPC lignite fired units, according to press reports it is likely that none of the investors that had expressed interest during the first phase of the tender will submit a binding offer.

SOUTH EASTER EUROPE

CESEE MARKETS: Central European currencies eased on Friday, shrugging off mixed manufacturing data. On the data front, this week's regional calendar mainly consists of central bank meetings. Following ECB's and Fed's more dovish tones in their announcements after the respective meetings in the past two weeks, we do not anticipate changes in Polish, Romanian and Serbian key policy interest rates (KPRs) currently standing at 1.5%, 1.75% and 3.0% respectively.

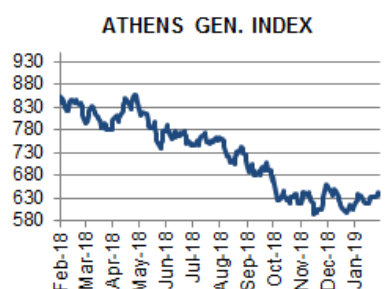
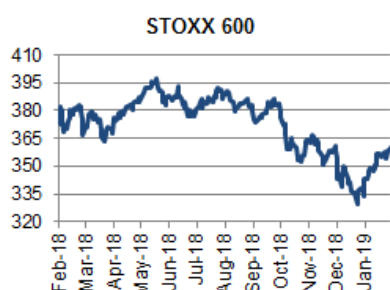
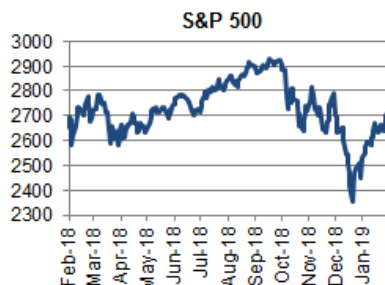
SERBIA: The EUR/RSD remained bound within a trading range of 118.30/50-118.40/60.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasuries were weaker in early European trade on Monday pressured by increased optimism for a resolution in the US/China trade dispute, as well as a string of better-than-expected US data releases on Friday. Non-farm payrolls rose by 304k in January, well above expectations for a 165k increase, showing no major impact from the record long 35-day partial government shutdown that ended on January 25, as the furloughed federal workers affected by the shutdown were counted as employees. However, an impact of the shutdown was seen on the unemployment rate, which rose to 4.0% from 3.9% in the prior month, as this metric is based on a different survey where the furloughed federal employees were counted as being on a temporary layoff. In addition, the ISM manufacturing activity index rebounded to 56.6 in January, far exceeding market expectations for an improvement at 54.2 from 54.3 in December, pointing to underlying strength in the world's biggest economy. The US 10-yr yield was some 2bps higher on the day hovering around 2.70% at the time of writing, but still well below last week's peak close to 2.77%. Bunds followed suit with the 10-yr Bund yield standing at 0.17% in early European trade after marking a one-week low slightly below 0.15% on Friday. Turning to the EMU sovereign periphery bond markets, the biggest movers were BTPs amid increased worries over Italy's growth outlook. According to the more recent data releases, Italy's GDP contracted in Q4 for the second consecutive quarter over the previous quarter, suggesting that the economy has entered a technical recession while January's PMI manufacturing dropped to 47.8 in January, below the 50.0 no-change threshold for the fourth month running with the output and new orders components contracting for the sixth straight month. The 10-yr BTP yield jumped to a two-week high of 2.79% earlier today, with the spread against its German counterpart widening to 261bps, some 15.5bps wider on a weekly basis. In FX markets, the DXY index was a tad firmer on the day, remaining though well below the 96.676 year-to-date peak (Jan. 24) as the Fed's surprisingly more dovish than expected tone at last week's policy meeting continued to have an impact. Looking at this week's calendar, the most closely watched data include services PMI from the Eurozone and ISM non-manufacturing from the US (both on Tuesday) ahead of Germany's industrial production (Thursday).

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GREECE

The s.a. IHS Markit Greece Manufacturing PMI registered 53.7 in January, slightly down from 53.8 in December, but broadly in line with the levels seen since the middle of 2018 and indicating a solid improvement in the health of the Greek manufacturing sector. The Markit report notes among others that the latest reading constitutes the joint-fastest increase in production since March 2018, the joint-strongest rate of job creation in the history of the series and an acceleration to a 12-month high of the new export order upturn. Meanwhile, on the privatisations front, the bill for the dichotomy of DEPA is expected to be submitted to Parliament in the coming days. The bill foresees the break-up of DEPA into DEPA commercial, of which a stake of 50% plus one share will be sold and DEPA infrastructure, of which a stake of 14% will be sold. As regards the sale of the PPC lignite fired units, according to press reports it is likely that none of the investors that had expressed interest during the first phase of the tender will submit a binding offer on the grounds that the units offered are loss-making. Such a development could increase pressure towards the PPC to proceed to the sale of hydro-electric units as well.

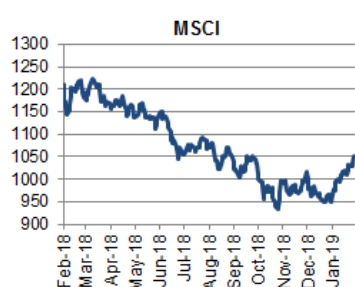
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Latest economic & market developments in the CESEE region

BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



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

CESEE MARKETS

Central European currencies eased on Friday, shrugging off mixed manufacturing data. The Polish Zloty appreciated slightly towards the Euro despite the PMI data released last week, which may have stood above expectations but came in below the 50 units threshold. On the contrary, Hungarian PMI data coming in at 54 spilled over optimism that economic growth may stand at ca.4%, which however was not enough to prevent the Hungarian Forint from depreciating, albeit modestly, against the Euro on Friday.

On the data front, this week's regional calendar mainly consists of central bank meetings. Following ECB's and Fed's more dovish tones in their announcements after the respective meetings in the past two weeks, we do not anticipate changes in Polish, Romanian and Serbian key policy interest rates (KPRs) currently standing at 1.5%, 1.75% and 3.0% respectively. The wait and see stance of the three central banks is broadly backed by accommodative inflationary pressures. The Polish meeting is scheduled for Wednesday whereas Romanian and Serbian meetings are scheduled for Thursday, along with that of the Czech National Bank. Unlike the other three central banks, the Czech National Bank is likely to cite another interest rate hike which, however, will not be realized until new hard and soft data come into light so as for policy makers to assess the status and the dynamics of the real economy following the soft PMI data released in the previous week which were below market expectations and below the 50 units threshold, implying contraction. Finally, tomorrow, retail sales data are anticipated in many CESEE counties, including Bulgaria and Romania.

SERBIA

The EUR/RSD was held steady throughout the previous week, remaining bound within a tight range of 118.30/50-118.40/60 against a backdrop of very low trading volumes. The National Bank of Serbia (NBS) intervened by selling EUR15mn directly in the FX market. That said, NBS has sold so far this year EUR130mn in order to halt depreciation of the local currency.

*We would like to thank Djordje Lucic for his contribution in today's issue

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Monday 04 February 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	2706.53	0.1%	8.0%	EUR/USD	1.1452	-0.1%	-0.1%	UST - 10yr	2.70	2	2	GOLD	1314	-0.3%	2.4%
Nikkei 225	20883.77	0.5%	4.3%	GBP/USD	1.3092	0.1%	2.6%	Bund-10yr	0.18	1	-6	BRENT CRUDE	63	0.7%	17.5%
STOXX 600	359.71	0.3%	6.5%	USD/JPY	109.86	-0.3%	-0.1%	JGB - 10yr	-0.01	0	-1	LME X	2941	-0.2%	5.0%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.36	0	-8
1-week	2.52	0	-4
1-month	2.71	0	-2
3-month	3.06	0	3
6-month	3.21	0	3

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.11	-3	5
5Y RSD	3.77	0	27
7Y RSD	4.16	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.57	3	-43

CDS

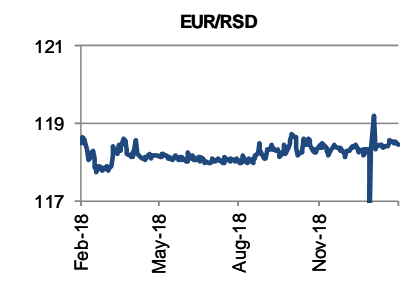
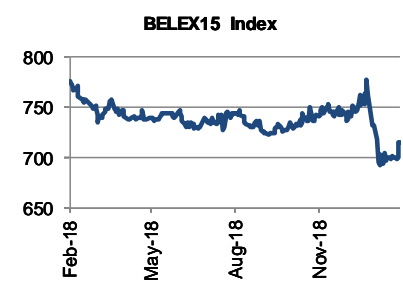
	Last	ΔDbps	ΔYTD bps
5-year	99	-2	-19
10-year	148	-2	-14

STOCKS

	Last	ΔD	ΔYTD
BELEX15	714.8	0.02%	-6.16%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.44	0.11%	-0.17%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.48	0	239
1-month	3.22	0	135
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	4.03	0	0
5Y RON	4.41	0	7
10Y RON	4.77	0	-4

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.60	-	6
USD Jan-24	3.92	1	-31

CDS

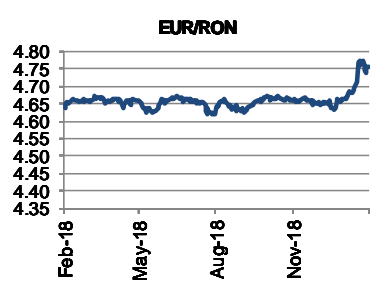
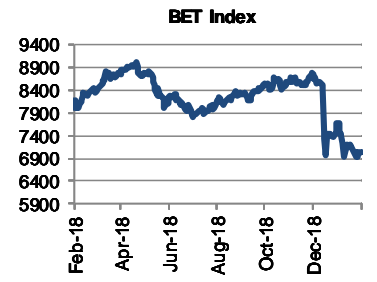
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	148	0	15

STOCKS

	Last	ΔD	ΔYTD
BET	7031.5	0.02%	-4.77%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7564	-0.05%	-2.15%



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

	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.21	-1	-15
5Y BGN	0.04	0	-8
10Y BGN	0.69	0	-6

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.06	1	-1
EUR Sep-24	0.27	8	-21

CDS

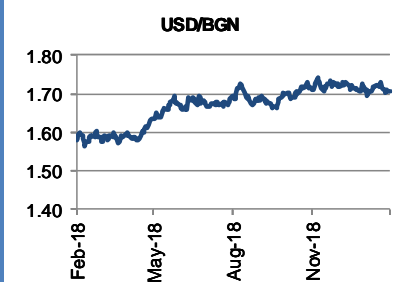
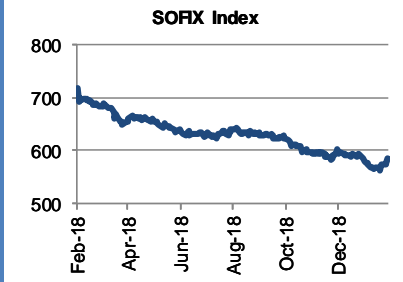
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	584.0	-0.30%	-1.76%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7077	-0.02%	-0.13%



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

Data updated as of 09:50 EEST

Monday 04 February 2019

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