

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Nov 19: NAHB housing market index (Nov)
- Nov 20:
 - Housing starts (Oct)
 - Building permits (Oct)
- Nov 21
 - Durable goods orders (Oct, Prel)
 - Jobless claims (17/11)
 - Leading index (Oct)
 - Existing home sales (Oct)
 - U. Michigan sentiment (Nov, Final)
 - Markit manufacturing & services PMI (Nov, Prel)
- Nov 22: Holiday (Thanksgiving)

EUROZONE

- Nov 19: Euro area current account (Sep)
- Nov 22
 - Consumer confidence (Nov, Adv)
 - EU Commission publishes final opinion on Italy's budget
- Nov 23:
 - Markit manufacturing & services PMI (Nov, Prel)

GREECE

- Nov 20: Current Account Balance (Sep)

SEE

BULGARIA

- Nov 19: Current Account Balance (Sep)

SERBIA

- Nov 20: GDP (Q3, Final)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Ahead of this Sunday's extraordinary meeting of EU leaders to endorse the Brexit Withdrawal Agreement, the UK and the European Commission agreed yesterday on a draft political declaration on the future UK/EU relationship. In a knee-jerk reaction, the GBP gained some ground against both the EUR and the USD but gains were relatively limited amid concerns that, although the Withdrawal Agreement and the political declaration will likely be endorsed by the EU Council on Sunday, it is questionable whether the UK Parliament will give its consent. Meanwhile, the EUR moved lower against the USD amid mounting concerns about the Eurozone's growth outlook. The composite PMI dropped to a lower than expected 52.4 in November from 53.1 in October, raising concerns about the likelihood of a growth rebound in Q4 following Q3's sluggish pace.

GREECE: The EFSF approved yesterday the implementation of a set of medium-term debt relief measures for Greece, which are estimated to lead to a cumulative reduction of Greece's debt-to-GDP ratio of around 30 pps until 2060. The Bank of Greece publicised yesterday its proposal for a systemic solution to NPEs through a centralised management scheme. The scheme foresees the transfer of a significant part of NPEs along with a part of the deferred tax credits (DTC) which are booked on bank balance sheets, to a Special Purpose Vehicle (SPV).

SOUTH EASTERN EUROPE

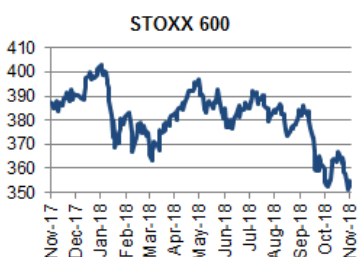
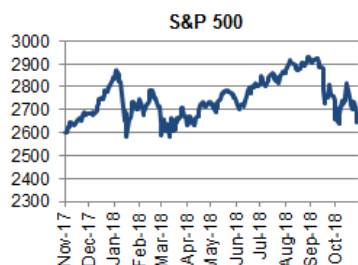
ROMANIA: In its European Autumn Semester report, the EU Commission urged Romania once again to contain its fiscal deficit.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Ahead of this Sunday's extraordinary meeting of EU leaders to endorse the Brexit Withdrawal Agreement, the UK and the European Commission agreed yesterday on a draft political declaration on the future UK/EU relationship. It envisions "an ambitious, wide-ranging and balanced economic partnership" including "comprehensive arrangements that will create a free free-trade area in goods, combining deep regulatory and customs cooperation", that falls short of Theresa May's plan for "frictionless trade". In another attempt to allay the concerns of the hard Brexiteers, the political declaration also states a "determination" to replace the Irish border backstop with "facilitative arrangements and technologies" as a means for ensuring the absence of a hard border between Northern Ireland and the Republic of Ireland. In a knee-jerk reaction to the UK/EU agreement, the GBP gained some ground against both the EUR and the USD but gains were relatively limited failing to break technically important levels (i.e. above 1.30 and below 0.88 respectively) amid concerns that, although the Withdrawal Agreement and the political declaration will likely be endorsed by the EU Council on Sunday in spite of some objections by some member states (notably Spain on Gibraltar and France on fishing quotas), it is questionable whether the UK Parliament will give its consent. Meanwhile, the EUR moved lower against the USD marking a session low of 1.1365 earlier today, 0.4% lower on the day, amid mounting concerns about the Eurozone's growth outlook. Following the release of the minutes of the ECB's 25 October meeting yesterday which revealed that some Governing Council members expressed concerns that growth risk have tilted to the downside, data earlier today showed a drop in the composite PMI to a lower than expected 52.4 in November from 53.1 in October, raising concerns about the likelihood of a growth rebound in Q4 following Q3's sluggish pace.

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GREECE

The EFSF approved yesterday the implementation of a set of medium-term debt relief measures for Greece, which are estimated to lead to a cumulative reduction of Greece's debt-to-GDP ratio of around 30 pps until 2060. The Bank of Greece publicised yesterday its proposal for a systemic solution to NPEs through a centralised management scheme. The scheme foresees the transfer of a significant part of NPEs along with a part of the deferred tax credits (DTC) which are booked on bank balance sheets, to a Special Purpose Vehicle (SPV). Loans will be transferred at net book value while the amount of the deferred tax asset to be transferred will match additional loss, so that the valuations of these loans will approach market prices. Transferred DTC will transform into an irrevocable claim of the SPV on the Greek State with a predetermined repayment schedule (according to the maturity of the transaction). To finance the transfer, the SPV will proceed with a securitisation issue, comprising (indicatively) three classes of notes (senior, mezzanine and subordinated junior/equity). The lower class of notes will be subscribed by banks (each participating by no more than 20%) and the Greek State. It is anticipated that private investors will absorb part of the upper class of securities and a large portion of the intermediate part. The ability to absorb additional losses arising from the participation of Greek State (through the transformation of deferred tax credits into an irrevocable claim of the SPV) significantly enhances the probability of repayment of the senior bond classes. At the same time, by participating in the lower class of notes the Greek State and banks will be entitled to claim any excess value. The scheme will be managed exclusively by private investors (servicing companies for loans and credits).

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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

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

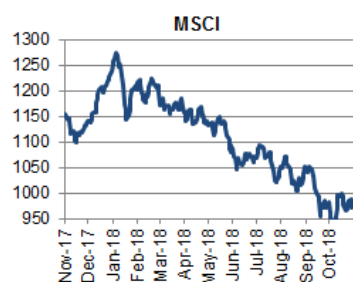
ROMANIA: Indicator:	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA

In its assessment of the draft budgetary plan as part of the European Autumn Semester report, the European Commission established that Romania has taken no effective action to correct the significant deviation from the adjustment path towards its medium-term budgetary objective (MTO) in response to the Council recommendation in last June. The Council issued a recommendation of an annual structural adjustment of 0.8% of GDP in both 2018 and 2019 to Romania under the Significant Deviation Procedure (SDP). For that purpose the European Commission recommends to the Council to adopt a revised recommendation to Romania to correct its significant deviation from the adjustment path towards the medium-term budgetary objective. In light of developments following the lack of effective action by Romania to correct its significant deviation, the Commission now proposes a revised recommendation of an annual structural adjustment of at least 1% of GDP in 2019. The fiscal deficit has increased in Romania from -0.5% in 2015 to -2.9% in 2016 and is forecasted to reach -3.3% in 2018, -3.4% in 2019 and -4.7% in 2020, which is the highest deficit in the EU-28.

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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+

Friday 23 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	2649.93	0.3%	-0.9%	EUR/USD	1.1369	-0.3%	-5.3%	UST - 10yr	3.07	1	66	GOLD	1222	-0.4%	-6.2%
Nikkei 225	21646.55	0.6%	-4.9%	GBP/USD	1.2837	-0.3%	-5.1%	Bund-10yr	0.36	-1	-6	BRENT CRUDE	62	-1.1%	-7.4%
STOXX 600	353.42	0.2%	-9.2%	USD/JPY	112.9	0.0%	-0.2%	JGB - 10yr	0.10	0	5	LMEX	2926	0.1%	-14.4%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.47	1	-5
1-week	2.56	1	-5
1-month	2.70	1	-15
3-month	3.06	2	-6
6-month	3.17	2	-7

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.07	0	-121
5Y RSD	3.65	0	-64
7Y RSD	4.17	0	-101

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.18	#N/A N/A	118

CDS

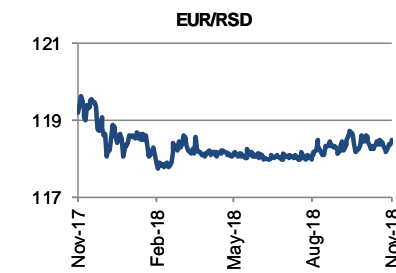
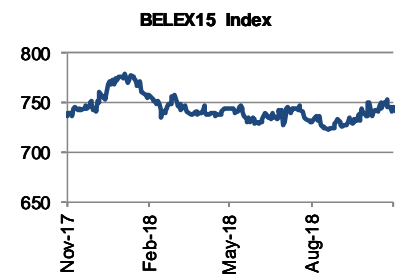
	Last	ΔDbps	ΔYTD bps
5-year	113	-1	-5
10-year	153	-1	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	745.0	0.52%	-1.95%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.23	0.21%	0.58%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.9	0	81
1-month	3.19	0	132
3-month	3.24	0	119
6-month	3.45	0	118
12-month	3.58	0	126

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.06	0	68
5Y RON	4.46	0	68
10Y RON	5.00	0	68

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	-1	-1
USD Jan-24	4.44	0	144

CDS

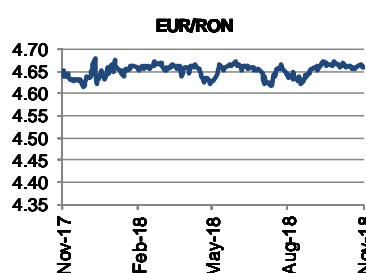
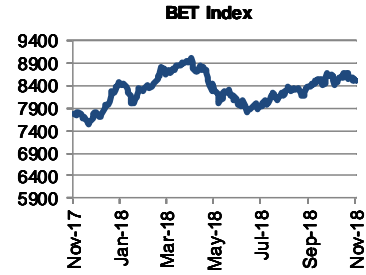
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	149	0	16

STOCKS

	Last	ΔD	ΔYTD
BET	8510.0	-0.06%	9.75%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6583	0.00%	0.14%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.30	0	-5
3-month	-0.23	0	-5
6-month	-0.12	0	-7
12-month	0.22	1	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.05	1	1
5Y BGN	0.10	2	-5
10Y BGN	0.77	0	-20

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.06	5	11
EUR Sep-24	0.63	2	6

CDS

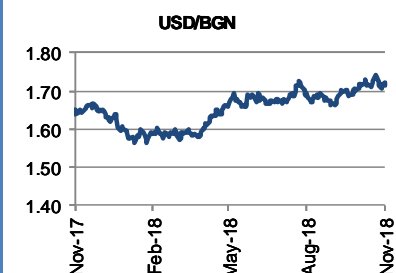
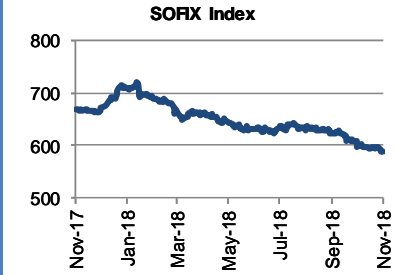
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	587.9	0.00%	-13.22%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7205	-0.30%	-5.30%



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

Data updated as of 10:36 EEST

Friday 23 November 2018

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