

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Jan 29:
Conference Board consumer confidence (Dec)
- Jan 30:
 - ADP employment change (Jan)
 - GDP (Q4, advanced)
 - Fed interest rate decision
- Jan 31:
 - Personal income & personal spending (Dec)
 - Initial jobless claims (26/01)
 - Chicago purchasing managers index (Jan)
- Feb 01:
 - Non farm payrolls (Jan)
 - ISM manufacturing (Jan)
 - Construction spending (Dec)
 - University of Michigan Sentiment (Jan, final)

EUROZONE

- Jan 28: M3 money supply (Dec)
- Jan 30: Consumer confidence (Jan, final)
- Jan 31:
 - Unemployment rate (Dec)
 - GDP (Q4, advanced)

UK

- Jan 29: MPs vote on Brexit plan

GREECE

- Jan 30: PPI (Dec)
- Jan 31: Retail sales (Nov)
- Feb 01: PMI manufacturing (Jan)

SEE

BULGARIA

- Jan 31:
 - Budget balance (Dec)
 - Central Bank policy meeting

ROMANIA

- Jan 31:
Unemployment rate (Dec)
- Feb 02:
International reserves (Jan)

SERBIA

- Jan 31:
GDP (Q4, prel)
Retail sales (Dec)
Trade balance (Dec)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: European bourses were mixed in early trade on Friday while Asian equity ended almost flat this morning as renewed concerns about China's growth prospects offset positive signs from US/China trade talks. According to US President Donald Trump, this week's negotiations made "substantial progress" and he intends to meet with Chinese President Xi Jinping soon to try to seal a comprehensive trade deal. The two sides reportedly agreed to continue talks in mid-February. In FX markets, the EUR/USD continued to struggle with the 1.1400-1.1500 recent range while core government bonds retained a firm tone as the Fed's surprisingly more dovish than expected tone at this week's meeting continued to have an impact. On the data front, today's main releases include the US manufacturing index and the US employment report which is expected to be affected by the five-week partial government shutdown that ended on January 25.

GREECE: According to press reports, in the Euroworking Group meeting that convened yesterday there was dissatisfaction with the progress made by the Greek government towards the implementation of the structural reforms in view of the still ongoing 2nd EPPS Review.

SOUTH EASTER EUROPE

CESEE MARKETS: The majority of emerging markets moved broadly higher earlier on Friday following yesterday's positive news from the US- Chinese trade talks. The MSCI Emerging Markets Equity Index concluded the day 1.3% higher apparently not much affected by China's soft manufacturing PMI released earlier in European trade. Elsewhere, in the CESEE region, the Economic Sentiment Index (ESI) deteriorated in January, in line with the declining trend of the respective index in the EA19 and the EU28. Looking at the breakdown of the survey regarding regional economies, the downbeat is uniform as the ESI decreased in almost all countries of our focus apart from Romania where the ESI slightly improved. In Serbia, according to a flash estimate released yesterday by the National Statistical Office, GDP growth came in at 3.5% YoY in Q4 compared to 3.8% YoY in Q3.

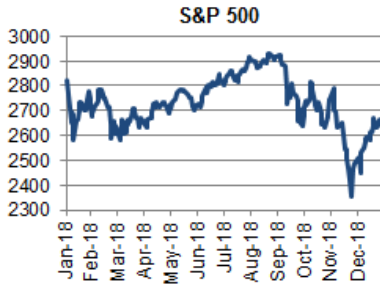
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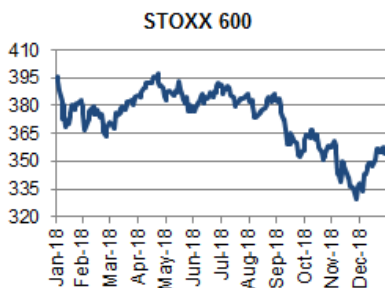
Friday 01 February 2019

Latest world economic & market developments

GLOBAL MARKETS

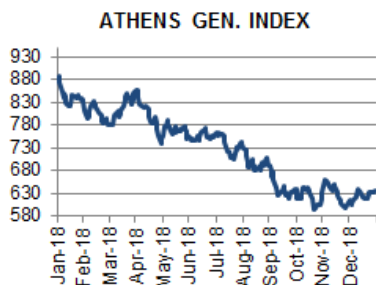


European bourses were mixed in early trade on Friday while Asian equity ended almost flat this morning, as renewed concerns about China's growth prospects offset positive signs from US/China trade talks. According to data released earlier today, the Caixin manufacturing PMI fell to 48.3 in January, the lowest level in around three years, from 49.7 in December, remaining for the second month in a row below the 50.0 boom-or-bust level which separates expansion from contraction. On the trade talks, according to US President Donald Trump, this week's negotiations made "substantial progress" and he intends to meet with Chinese President Xi Jinping soon to try to seal a comprehensive trade deal. The two sides reportedly agreed to continue talks in mid-February.



In FX markets, the EUR/USD continued to struggle with the 1.1400-1.1500 recent range. In a surprisingly more dovish than expected tone, the Fed removed its tightening bias at this week's monetary policy meeting and reiterated that it would be patient as regards further rate hikes. Meanwhile, Bundesbank President Jens Weidmann presented yesterday an usually gloomy outlook for the German economy saying that, contrary to earlier expectations, slowing growth momentum is likely to extend into the current year. The above followed recent comments by German Economy Minister Peter Altmaier that, after expanding 1.5% in 2018, Germany is now projected to grow by 1.0% this year, the weakest pace since 2013 and lower compared to 1.8% earlier expected as the external backdrop remains challenging. Turning to fixed income markets, US Treasuries were well supported in early trade, retaining post-Fed hefty gains, with the 2-yr yield standing close to 2.46% at the time of writing, below the upper boundary of the fed funds target range. German Bunds have followed suit with the 10-yr Bund hovering around 0.160% in early European trade, close to this year's intraday low of 0.146% (Jan. 3). On the data front, today's main releases include the US manufacturing index and the US employment report, which is expected to be affected by the five-week partial government shutdown that ended on January 25.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

According to press reports, in the Euroworking Group (EWG) meeting that convened yesterday there was dissatisfaction with the progress made by the Greek government towards the implementation of the structural reforms in view of the still ongoing 2nd EPPS Review. Most of the 16 specific reform commitments for end-2018 annexed to the Eurogroup statement of June 2018 are still pending while the deadline for their completion (February 15) is drawing closer. At the same time, the Household Insolvency law (Katseli law) is still pending mainly as a result of the disagreement between Greece and the institutions on the protection of the first residence and the same is also true for the implementation of the Non-Performing Loans resolution strategy. The increase in the minimum wage above the percentage recommended by the institutions (at most 5% instead of 11%) was another point of concern in the EWG meeting. On the data front, according to ELSTAT, the overall turnover index in retail trade in November 2018 increased by 4.0% on an annual basis and by 1.5% on a monthly basis. The overall volume index in retail trade in November 2018 increased by 3.2% on an annual basis and 3.9% on a monthly basis.

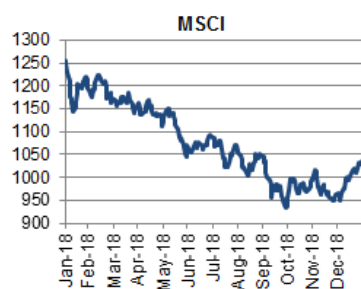
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Latest economic & market developments in the CESEE region

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

The majority of emerging markets moved broadly higher earlier on Friday following yesterday's positive news from the US- Chinese trade talks. Statements from US President Donald Trump, US Trade Representative Robert Lightizer and Chinese Vice Premier Liu He reflected a favorable tone signaling intention for negotiations to continue. That said, the MSCI Emerging Markets Equity Index concluded the day 1.3% higher compared to the previous closing price, apparently not much affected by China's soft manufacturing PMI which dropped at three years lows.

Elsewhere, in the CESEE region, the Economic Sentiment Index (ESI) deteriorated in January, in line with the declining trend of the respective index in the EA19 and the EU28. Both the EA19 and the EU28 ESI decreased markedly in January coming in at 106.2 and 106.1 respectively in January from 107.4 and 107.5 in December. Looking at the breakdown of the survey regarding regional economies, the downbeat is uniform as the ESI decreased in almost all countries of our focus apart from Romania where the ESI slightly improved to 101.5 from 101.3 in December. In Bulgaria, a drop of 0.6 (105.4 from 106) was recorded attributed almost equally to all subcategories of industry, services, consumer, retail trade and construction. The sentiment is gloomier as we move to Cyprus and Serbia where the ESI slid to 111.4 from 104.1 in Cyprus and 104.5 from 107.7 in Serbia.

Referring to Serbia, according to a flash estimate released yesterday by the National Statistical Office, GDP growth came in at 3.5% YoY in Q4, compared to 3.8% YoY in Q3, 4.9% YoY in Q2 and 4.8% YoY in Q1, confirming Ministry's of Finance earlier estimate for annual GDP growth for FY2018 above 4% YoY but, below 4.1% market consensus for Q4 growth. More detailed data with growth components breakdown is expected to be released by the end of the current month.

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Friday 01 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	2704.10	0.9%	7.9%	EUR/USD	1.1465	0.1%	0.0%	UST - 10yr	2.63	0	-5	GOLD	Invalid Sel	#VALUE!	
Nikkei 225	20788.39	0.1%	3.9%	GBP/USD	1.3064	-0.3%	2.4%	Bund-10yr	0.16	1	-8	BRENT CRUDE	217	0.0%	-0.1%
STOXX 600	359.25	0.2%	6.4%	USD/JPY	108.9	0.0%	0.7%	JGB - 10yr	-0.01	-2	-2	LMEX	2948	0.6%	5.2%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.42	-2	-2
1-week	2.58	-2	2
1-month	2.77	-1	4
3-month	3.09	0	6
6-month	3.23	0	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.03	-1	-3
5Y RSD	3.66	0	15
7Y RSD	4.16	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.56	-1	-43

CDS

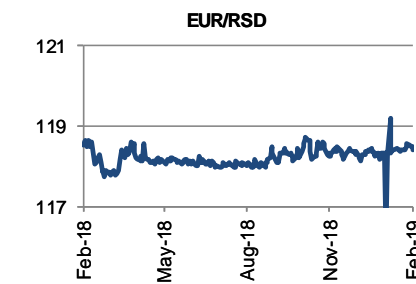
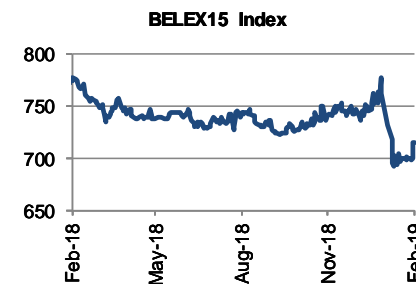
	Last	ΔDbps	ΔYTD bps
5-year	105	-2	-13
10-year	152	-2	-10

STOCKS

	Last	ΔD	ΔYTD
BELEX15	714.6	0.00%	-6.18%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.53	-0.04%	-0.25%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.48	35	239
1-month	3.22	6	135
3-month	3.06	0	101
6-month	3.29	0	102
12-month	3.48	1	116

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.10	0	7
5Y RON	4.54	0	20
10Y RON	4.84	0	3

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.59	-	5
USD Jan-24	3.95	-2	-28

CDS

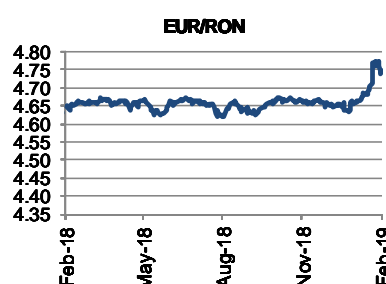
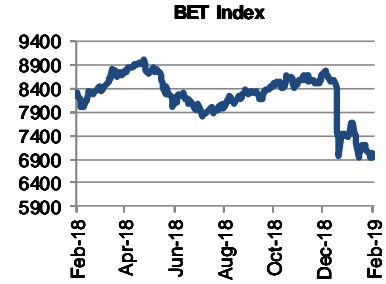
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	145	0	12

STOCKS

	Last	ΔD	ΔYTD
BET	7008.6	0.83%	-5.08%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.7462	-0.21%	-1.94%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	8	3
3-month	-0.14	9	4
6-month	-0.02	10	3
12-month	0.36	14	4

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.20	0	-15
5Y BGN	0.04	0	-7
10Y BGN	0.66	0	-9

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	0	-1
EUR Sep-24	0.31	0	-17

CDS

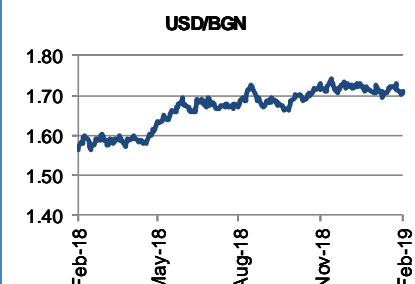
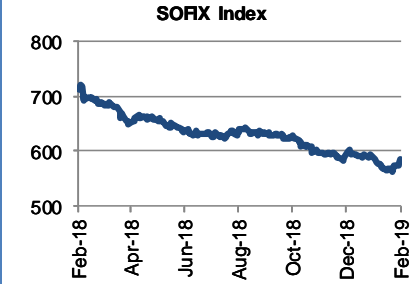
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	584.7	-0.18%	-1.64%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7057	0.16%	-0.01%



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

Data updated as of 11:50 EEST

Friday 01 February 2019

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