

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday 08 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: The majority of global equity markets traded in the red on Friday amid increasing worries that a trade deal between the US and China won't be reached before the March deadline. The European Commission's updated forecasts (2019 Winter Economic Forecasts), which revealed a sharper than previously expected slowdown for the Euro area economy, have also had a negative impact. Core government bonds capitalized on investors' risk-off sentiment, with the 10-yr Treasury yield extending its overnight decline falling to a one-week low of 2.64% in European trade at the time of writing. In Italy, following the downward revision of the EC's forecast for 2019 real GDP growth to 0.2% from 1.2% in November, government bonds extended recent declines with the 10-yr BTP yield rising to a one-month high of 2.97% yesterday. In FX markets, the EUR/USD was on track for its fifth consecutive session of losses trading around two-week lows of 1.1319 amid gloomier growth prospects for the euro area economy. In the UK, the GBP/USD traded round a three-week low of 1.2854 yesterday, following the Bank of England's downward revision of 2019 GDP growth to 1.2%, from 1.7% as recently as November, while holding rates steady in a 9-0 vote.

GREECE: The European Commission revised downwards its 2019 GDP growth forecast to 2.2% (2019 Winter Economic Forecast) from 2.3% (2018 Autumn Economic Forecast) and kept its 2020 GDP growth forecast unchanged at 2.3%. Growth forecasts are contingent on Greece staying on the path of reforms. The main driver of growth in 2019 is expected to be private consumption, while export growth is likely to moderate as the tourism sector may face slowing demand growth and renewed competition from Turkey. Goods exports are set to remain on an increasing trajectory – albeit at a weaker pace – in spite of EU slowdown.

SOUTH EASTERN EUROPE

ROMANIA: NBR maintained the key policy rate (KPR) unchanged at 2.5% and MRRs for FX and RON denominated liabilities at 8% respectively yesterday.

DISCLAIMER

This document has been issued by Eurobank Ergasias SA (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable, but has not been verified by Eurobank, and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice, or an offer to buy or sell, or a solicitation of an offer to buy or sell, or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (expressed or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

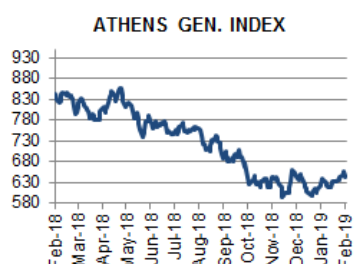
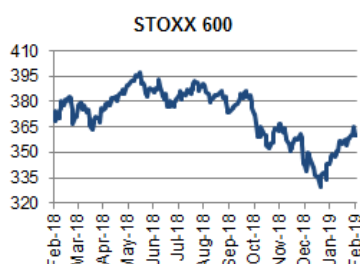
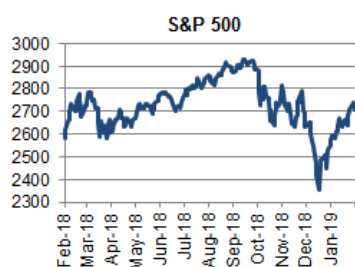
Friday 08 February 2019

Latest world economic & market developments

GLOBAL MARKETS

The majority of global equity markets traded in the red on Friday amid increasing worries that a trade deal between the US and China won't be reached before the March deadline. White House advisor Larry Kudlow highlighted that there is a "pretty sizeable distance" regarding the US-China trade negotiations, while US President Donald Trump and China's President Xi Jinping are reportedly not likely to meet before March 1st raising the possibility for the US to raise tariffs from 10.0% to 25.0% on \$200bn-worth of imported goods from China, as initially planned. The EC's downwards revised forecasts also had a negative impact. Real GDP is now expected to decelerate to 1.3% in 2019 (vs 1.9% in November) from 1.9% in 2018 amid global trade tensions and China's economic slowdown, before rebounding in 2020 to 1.6% (vs 1.7% in November). Core government bonds capitalized on investors' risk-off sentiment, with the 10-yr Treasury yield extending its overnight decline falling to a one-week low of 2.64% in European trade at the time of writing. The 10-yr Bund yield followed suit, declining to its lowest level since November 2016 of 0.10% earlier today. On the contrary, in Italy, following the downward revision of the EC's forecast for 2019 real GDP growth to 0.2% from 1.2% in November, government bonds extended recent declines with the 10-yr BTP yield rising to a one-month high of 2.97% yesterday and the spread with the 10-yr Bund yield reaching 283bps, 40bps wider from end of January lows. GGBs holding at the moment. In FX markets, the EUR/USD was on track for its fifth consecutive session of losses trading around two-week lows of 1.1319 amid gloomier growth prospects for the euro area economy. Elsewhere, the AUD/USD fell 0.3% to a one-month low of \$0.7061 in Asian trade on Friday, having marked weekly gains roughly 2.5%, following Reserve Bank of Australia's downward revisions for its real GDP growth forecasts after the central bank's shift from its tightening bias earlier this week. In the UK, the GBP/USD traded round a three-week low of 1.2854 yesterday, before retreating modestly to 1.2934 in European trade on Friday, following the Bank of England's downward revision of 2019 GDP growth to 1.2%, from 1.7% as recently as November, while holding rates steady in a 9-0 vote. Their central scenario of a smooth Brexit transition has them thinking about the need for some tightening down the line. However, their base case was once again tested, after May returned from Brussels today devoid of any further progress on the Irish backstop.

okosma@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Research

GREECE

The European Commission revised downwards its 2019 GDP growth forecast to 2.2% (2019 Winter Economic Forecast) from 2.3% (2018 Autumn Economic Forecast) and kept its 2020 GDP growth forecast unchanged at 2.3%. Growth forecasts are contingent on Greece staying on the path of reforms. The main driver of growth in 2019 is expected to be private consumption, while export growth is likely to moderate as the tourism sector may face slowing demand growth and renewed competition from Turkey. Goods exports are set to remain on an increasing trajectory – albeit at a weaker pace – in spite of EU slowdown. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), the seasonally adjusted unemployment rate for November 2018 was 18.5%, compared to 21.1% in November 2017 and 18.7% in October 2018. The number of employed persons amounted to 3,866k having increased by 3.7%YoY and 0.8%MoM. The number of unemployed persons stood at 875k having decreased by 12.1%YoY and 0.7%MoM. As regards commercial transactions, for the 12-month period from January to December 2018, the total value of imports-arrivals stood at €55,130 million, up by 9.5%YoY, while the total value of exports-dispatches was €33,418 million recording an increase of 15.7%YoY. As a result, for the said period, the trade balance deficit amounted to €21,712 million up by 1.1%YoY. The corresponding change excluding oil products recorded a drop of 5.6%YoY, while excluding oil products and ships it rose by 5.1%YoY.

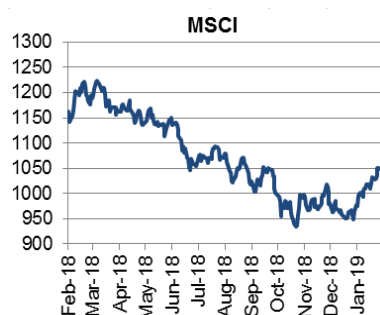
andimitriadou@eurobank.gr

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+

ROMANIA

On February 7th, the NBR maintained the key policy rate (KPR) unchanged at 2.5% and MRRs for FX and RON denominated liabilities at 8% respectively. At the same time, the NBR also decided to preserve the deposit facility rate at 1.50% and the lending facility rate at 3.50% leaving the interest rate corridor unchanged at 2%. The decision was widely anticipated by market participants as it met the expectations of the vast majority of analysts in the relevant surveys.

In the press release thereafter, the Central Bank commented on the recent inflation developments. Headline inflation in December has returned deeper within the inflation target variation band (2.5% +/-1%) driven by the decline in fuels prices, which was partially offset by the rise in prices for fruits and vegetables and tobacco products. Having peaked at 5.4% YoY in May and June, inflation remained elevated in Q3 but resumed its declining trend in Q4. Headline inflation declined further to 3.3% in December from 3.4% YoY in November vs. 4.3% YoY in October compared to 5.0% in August & September. However, the adjusted Core CPI (excluding administered and volatile prices, alcohol and tobacco) index also decreased over the same month slightly to 2.4% YoY in December from 2.5% YoY in November compared to 2.8% YoY in October and September down from 3.1% YoY in April, which implies that demand-side pressures could subside further in the near-term mirroring the impact of previous tightening and softer economic activity.

On a seasonally and calendar adjusted basis, real GDP growth has expanded by 4.2% YoY in Q3-2018 – helped by the extraordinary performance of agriculture – compared to 4.3% in Q1&Q2-2018, but landed visibly lower than 6.6% YoY in Q4-2017 and 8.4% YoY in Q3-2017. In that direction, the latest high frequency indicators releases for October-November compared to Q3 were mixed. Retail trade dynamics were positive but still lower than those in 1H-2018, construction works were in red and industrial production was weaker. Meanwhile, the NBR Board approved the new inflation report to be released in the following days. The new inflation report envisages inflation to continue declining further in the next three quarters to levels slightly below the previously envisaged path before picking up and climbing up to the upper bound of the target band and remain there until the end of the forecast horizon.

On the other hand, the main focus of the markets has been on the recently imposed banking sector tax linked to the money market rate ROBOR. According to an emergency ordinance issued in late December, banks will be required to pay a quarterly tax on their financial assets if the average between ROBOR 3M and ROBOR 6M exceeds the reference level of 2%, with tax rates ranging between 0.1% and 0.5%. At this moment, news are still fresh and details may have not been finalized. There are disagreements even within the government coalition parties on the implementation of this tax. In any case, the announcement has raised more uncertainty about the near-term prospects of the banking sector and doubts for the effectiveness of NBR's monetary policy. The imposition of the money market tax has complicated further the mission of the Central Bank to serve goals which are contradicting at first sight, namely to safeguard the stability of the banking system but at the same time hike interest rates to address higher inflationary pressures. Finally, we anticipate NBR to stay put on rates for most of the year. The resumption of the tightening cycle could be delayed by a number of both internal (fiscal outlook, benign inflationary pressures) and external factors or uncertainties (ECB stance given the downside risks to EA-19 growth outlook) which have come in play.

Friday 08 February 2019

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tr> <td>S&P 500</td> <td>2706.05</td> <td>-0.9%</td> <td>7.9%</td> </tr> <tr> <td>Nikkei 225</td> <td>20333.17</td> <td>-2.0%</td> <td>1.6%</td> </tr> <tr> <td>STOXX 600</td> <td>359.95</td> <td>0.0%</td> <td>6.6%</td> </tr> </table>		Last	ΔD	ΔYTD	S&P 500	2706.05	-0.9%	7.9%	Nikkei 225	20333.17	-2.0%	1.6%	STOXX 600	359.95	0.0%	6.6%	<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tr> <td>EUR/USD</td> <td>1.1327</td> <td>-0.1%</td> <td>-1.2%</td> </tr> <tr> <td>GBP/USD</td> <td>1.2933</td> <td>-0.2%</td> <td>1.4%</td> </tr> <tr> <td>USD/JPY</td> <td>109.83</td> <td>0.0%</td> <td>-0.1%</td> </tr> </table>		Last	ΔD	ΔYTD	EUR/USD	1.1327	-0.1%	-1.2%	GBP/USD	1.2933	-0.2%	1.4%	USD/JPY	109.83	0.0%	-0.1%	<table border="1"> <thead> <tr> <th>(yields)</th> <th>Last</th> <th>ΔDbps</th> <th>ΔYTD bps</th> </tr> </thead> <tr> <td>UST - 10yr</td> <td>2.64</td> <td>-1</td> <td>-4</td> </tr> <tr> <td>Bund-10yr</td> <td>0.11</td> <td>-1</td> <td>-14</td> </tr> <tr> <td>JGB - 10yr</td> <td>-0.03</td> <td>-2</td> <td>-3</td> </tr> </table>	(yields)	Last	ΔDbps	ΔYTD bps	UST - 10yr	2.64	-1	-4	Bund-10yr	0.11	-1	-14	JGB - 10yr	-0.03	-2	-3	<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tr> <td>GOLD</td> <td>1309</td> <td>-0.1%</td> <td>2.1%</td> </tr> <tr> <td>BRENT CRUDE</td> <td>62</td> <td>0.2%</td> <td>14.8%</td> </tr> <tr> <td>LMEX</td> <td>2965</td> <td>-0.4%</td> <td>5.9%</td> </tr> </table>		Last	ΔD	ΔYTD	GOLD	1309	-0.1%	2.1%	BRENT CRUDE	62	0.2%	14.8%	LMEX	2965	-0.4%	5.9%
	Last	ΔD	ΔYTD																																																																
S&P 500	2706.05	-0.9%	7.9%																																																																
Nikkei 225	20333.17	-2.0%	1.6%																																																																
STOXX 600	359.95	0.0%	6.6%																																																																
	Last	ΔD	ΔYTD																																																																
EUR/USD	1.1327	-0.1%	-1.2%																																																																
GBP/USD	1.2933	-0.2%	1.4%																																																																
USD/JPY	109.83	0.0%	-0.1%																																																																
(yields)	Last	ΔDbps	ΔYTD bps																																																																
UST - 10yr	2.64	-1	-4																																																																
Bund-10yr	0.11	-1	-14																																																																
JGB - 10yr	-0.03	-2	-3																																																																
	Last	ΔD	ΔYTD																																																																
GOLD	1309	-0.1%	2.1%																																																																
BRENT CRUDE	62	0.2%	14.8%																																																																
LMEX	2965	-0.4%	5.9%																																																																

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.35	-1	-9
1-week	2.50	-3	-6
1-month	2.71	-1	-2
3-month	3.06	-1	3
6-month	3.20	-1	2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.17	0	11
5Y RSD	3.78	0	27
7Y RSD	4.00	0	-16

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.66	1	-34

CDS

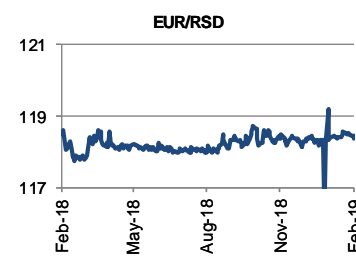
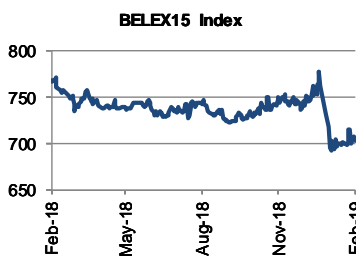
	Last	ΔDbps	ΔYTD bps
5-year	108	3	-10
10-year	157	1	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	702.8	-0.59%	-7.73%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.34	0.04%	-0.09%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.55	-1	246
1-month	3.26	-1	139
3-month	3.1	0	105
6-month	3.3	0	103
12-month	3.51	0	119

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.04	0	1
5Y RON	4.41	0	7
10Y RON	4.81	0	0

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	-	3
USD Jan-24	3.69	0	-54

CDS

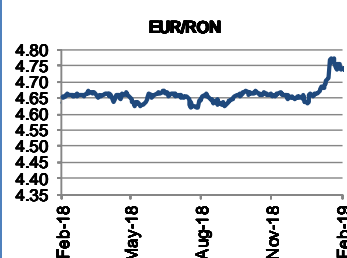
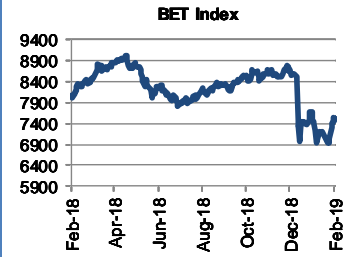
	Last	ΔDbps	ΔYTD bps
5-year	104	0	14
10-year	148	0	14

STOCKS

	Last	ΔD	ΔYTD
BET	7505.3	-0.38%	1.65%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.744	0.01%	-1.90%



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	-0.13	0	-8
5Y BGN	0.06	0	-6
10Y BGN	0.68	0	-7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.10	2	-8
EUR Sep-24	0.25	13	-23

CDS

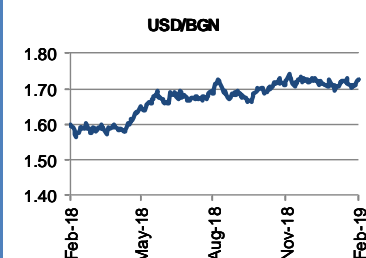
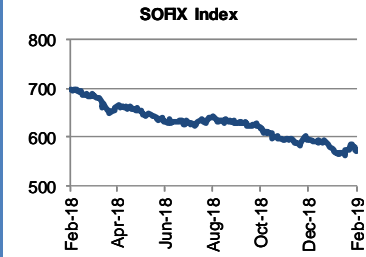
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	573.6	0.45%	-3.52%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7269	-0.13%	-1.24%



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

Data updated as of 12:00 EEST

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank
Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Ioannis Gkionis
Senior Economist, Eurobank
Ergasias
+30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank
Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma
(Special Contributor)
Research Economist, Eurobank
Ergasias
+30 210 3371227
okosma@eurobank.gr

Stelios Gogos
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371226
sgogos@eurobank.gr

Theodoros Stamatou
(Special Contributor)
Senior Economist, Eurobank
Ergasias
+30 210 3371228
tstamatou@eurobank.gr

Maria Kasola
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371224
mkasola@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Marisa Yiannisis: Administrator
magiannisi@eurobank.gr, +210 3371242

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr, +30 210 33 71 225

Dr. Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Maria Kasola: Economic Analyst
mkasola@eurobank.gr, +30 210 3371224

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

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

Dr. Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207

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

Eurobank Economic Analysis and Financial Markets Research

More research available at <https://www.eurobank.gr/en/group/economic-research>

- **7 Ημέρες Οικονομία:** Weekly review of the Greek economy
- **Greece Macro Monitor - Focus Notes:** Periodic publication on the latest economic & market developments in Greece
- **Economy & Markets:** Analysis & research on the Greek and international economy
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Emerging Markets Special Focus Reports:** Periodic publication on specific EM economy and markets developments
- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Global Macro Themes & Market Implications for the EA Periphery and the CESEE:** Monthly review of the international economy and financial markets
- **Global Markets Special Focus Reports:** Periodic publication on specific global economy and markets developments

Subscribe electronically at <https://www.eurobank.gr/el/omilos/oikonomikes-analuseis>

Follow us on twitter: https://twitter.com/Eurobank_Group

