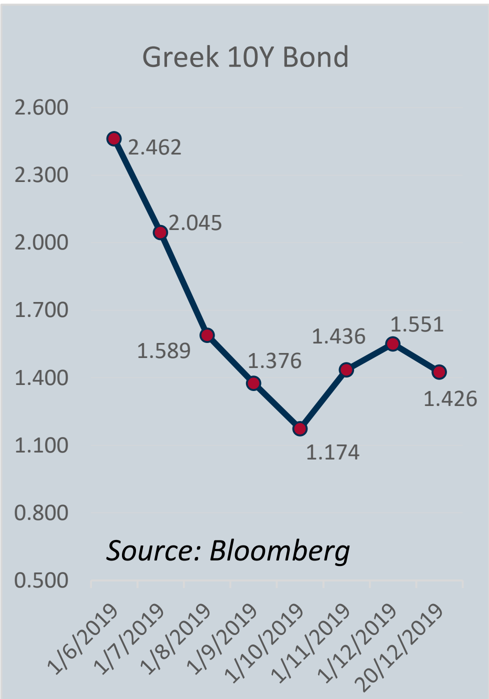
Greek Market

Temporal momentum proved insufficient for establishing above 900 pts

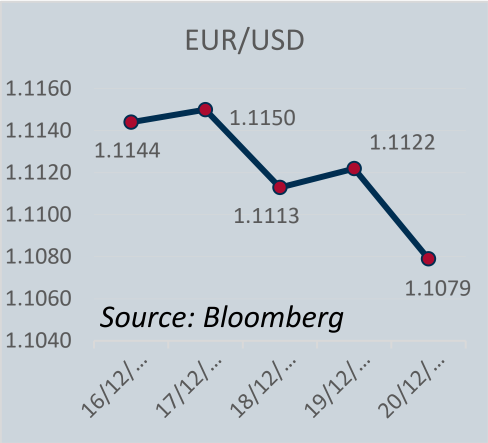
During the second-to-last full week of the year Athens Stock Exchange General Index failed to remain above 900 points, succumbing to strong sell positions. ASE GI closed at 892.06 points, yielding +0.11% in a weekly basis, while Large Cap (FTSE 25) and Bank Index (FTSEB) dropped by 0.33% and 2.47% respectively. As a year for the record books ends, ASE GI still hasn't managed to surpass 900 points for a longer period, as short investors rush to capitalize on the gains of the Index, which reached 6-years high this Thursday at 906.14 points. To be more specific, this week was characterized by volatility in the Greek Market, starting nevertheless very promising. Tuesday was marked positively as the ATHEX GI was pushing to the 900-point limit closing at 894.45 representing a 1.56% upside at the end of the session. It was observed that non-bank securities captured the investors' interest combined with the blue chips effect, which again drove yields upwards excluding the banking sector stocks. Despite the nervousness in the European Markets due to the British elections that keep investors cautious, the Athens Stock Exchange resets the 900 points goal on Wednesday, and finally managed to reach it momentarily. Even though the upward momentum was extended, it did not last until the end of the week. The index closed at 892.06, compared to last week's 891.08 points, posting a 1.06% decline since early December and a gain of 45.45% since the beginning of the year.



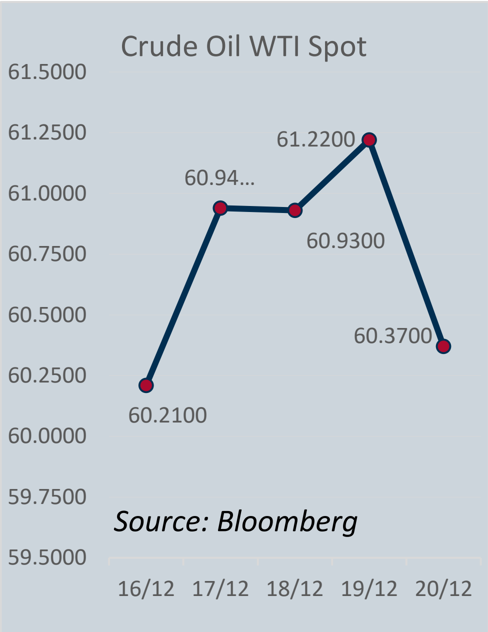
Domestic News

Less barriers and load displacement keep creditors & investors' attention

In the beginning of the week, the Greek state released the figures concerning the primary budget surplus exceeding 3.5% as percentage of GDP, between Jan-Nov '19, mandated by the creditors. The same day, the government officially announced its will to sell 49% of the Hellenic Electricity Distribution Network Operator (HEDNO). This plan aims to sanctify the Public Power Corp., which is the main electricity utility in the country. In Wednesday, Reuters reported that Greece considers another early repayment of the IMF loan in order to reduce the debt servicing costs and convince both the investors and the creditors about the 'blooming' prospect of the Greek economy. In the banking news, Greece awaits from the ECB to halt bond restrictions. The constraint of having as much as € 8 bn of Greek bonds, which was imposed on the 4 systemic banks in 2015 is likely to be eliminated by the ECB until February. Investors instantly welcomed the news from the late-Tuesday meeting between Greek Prime Minister and ECB's President, front-running the higher demand for the Greek 10Y and 5Y by driving down



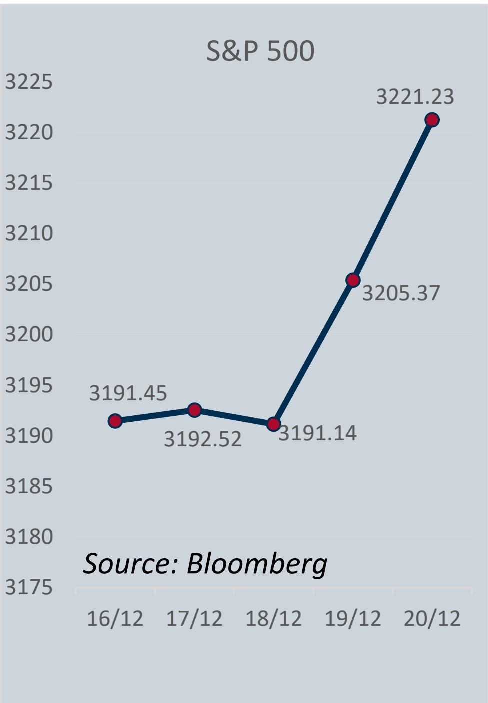
their yields from 1.402% to 1.261% and from 0.544% to 0.387% accordingly. Bank of Greece released at the end of this week the interim report about monetary policy, providing important conclusions about the banking system. NPLs at the end of September were € 71.2 bn (42.1% of total loans), c € 36 bn less than March's '16 apex. The two main issues that the BoG pointed out are the need for more "Hercules"-like projects as well as reducing the phenomenon of having borrowers that underperform even after adjustments on their loan's terms.



Global Markets

Optimism around trade versus skepticism around Brexit's unfolding

US Indices reached new historical highs for the fourth week in a row, not only by the optimism created by the first phase deal in the trade war, but also by the positive macroeconomic data (S&P500 +1,65%, DOW30 +1,14% and NASDAQ100 +2,18%). FedEx Corporation revised downward its estimates of total use and saw it stock dipped 10.59%, after the company's earnings and sales fell in the last quarter. Tesla closed the week at a record high of $ 406.59 (+ 13.17%) continuing a rally that began in October when the Silicon Valley automaker surprised investors, showing quarterly profits after consecutive losses. Europe moved at the same pace (DAX30 +0.27%, CAC40 +1.73% and FTSE100 +3.11%) and European Stocks rose to all-time high (STOXX50: 3,776.56) since the 2008 financial disaster. GBP/USD fell from 1.35 after Johnson's election to 1.297 with a change of -2.46% amidst fears of Brexit without a trade agreement after the transition period. Precious metals followed mixed paths with Gold +0.14%, Silver +1.56% and Platinum -2.90%. The good news in trade war, the new US trade agreement with Canada and Mexico (USMCA) and the increase in US oil drilling led the crude oil to a third consecutive positive week ending at $ 60.37 a barrel.



International News

Uncertainty on various fields is pushed under the carpet as the year ends

Investors remain optimistic as few details about the Phase-1 deal came out, hoping the "no news good news" proverb to be correct. EU stocks were boosted, apart from the interim trade deal, by the UK elections' result, however no-deal concerns haven't ceased to exist. EU manufacturing PMI fell to 45.9 from 46.9 in November, as the French strikes continue to affect central Europe, sliding further below the 50 level that separates expansion from contraction. Bank of England kept its repo rate unchanged, outlining that it could move either way depending on people's and markets' reaction. Additionally, in other British news data show that employment in the UK is in the lowest point since 1975, while UK's inflation remained steady at 1.5% (three-years low) in November. As far as the rest of Europe's monetary policy, analysts are afraid of a possible housing bubble, as interest rates make the purchase of houses extremely easy. Moving across the Atlantic, earlier on Wednesday the House of Representatives plenary session was held to make a historic decision to bring US President Donald Trump to

Authors:

Frangelis Modestos
Head of Financial Markets Dept

Mertiri Angela
Financial Markets Analyst

Skevas Vasilis
Financial Markets Analyst

Tzouanas Filippos
Financial Markets Analyst

trial, accusing him for abusing power and obstructing the functioning of Congress. The US economy grew in the July-Sept quarter with its GDP rising +2.1%. Boeing, the largest manufacturing exporter in the US, decided to suspend the manufacturing of 737 Max type planes. This production suspension marked a setback for the US economy, as Boeing directly and indirectly affects a vast chain of suppliers and workers. Sweden decided to be the first European country that exits the negative-rates environment as Riksbank (Sweden's CB) raised its repo rate to 0.00%. Japan approved a record c ¥ 103 tn (c € 1.04 tn) budget spending plan, driven by record outlays for welfare, military and complimentary spending to boost economy. The budget is characterized by the necessary fiscal stimulus to support the drained monetary measures along with growth expectations supported by Tokyo Olympics and better trade situation.

What to look for this week

In Monday afternoon US new home sales will be released, providing further data on one of the most sensitive sectors to interest rates. UK legislators will work on the documents needed before Jan 31st to ratify Brexit deal and enter a period of working on a trade deal between EU and UK before the new year ends. Emerging markets' struggle is exemplified by Lebanon and Argentina. Both face default concerns and while the first may escape if it manages to rest political turmoil by forming a government, the second faces tough talks with IMF as inflation rises above 50%.