

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Oct 01:
  - Manufacturing PMI (Sep)
  - Total vehicles sales (Sep)
- Oct 03:
  - Mortgage applications (29/9)
  - ADP Employment change (Sep)
  - Services PMI (Sep F)
- Oct 04:
  - Initial jobless claims (29/09)
  - Factory orders (Aug)
- Oct 05:
  - Trade balance (Aug)
  - Non farm payrolls (Sep)

#### EUROZONE

- Oct 01:
  - Manufacturing PMI (Sep, final)
  - Unemployment rate (Aug)
- Oct 3
  - Services PMI (Sep, final)
  - Retail sales (Aug)

#### GREECE

- Oct 01:
  - Manufacturing PMI (Sep)

#### SEE

##### CYPRUS

- Oct 04: CPI (Sep)

##### ROMANIA

- Oct 01:
  - Unemployment rate (Aug)
  - International reserves (Sep)
- Oct 02:
  - PPI (Aug)
- Oct 03:
  - Retail Sales (Aug)
  - Key policy interest rate announcement

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Market concerns about Italy's public finances stability prevail. Against this background, investors continued to demand a higher credit risk premium on Italian government bonds while the EUR/USD was hovering in early European trade within distance from Friday's two-week intraday low of 1.1566. Elsewhere, the CAD was among the main outperformers in FX markets on news that Canada was to join the US and Mexico to form a revised NAFTA deal. Looking at this week's calendar, focus is on Friday's US non-farm payrolls report for September.

**GREECE:** The draft 2019 State Budget is expected to be tabled to the Hellenic Parliament today. According to press reports, it may entail two scenarios, one with the legislated pension cuts, which are due in January 2019, and one without them. According to the Hellenic Statistical Authority, in July 2018 the seasonally adjusted overall volume index in retail trade increased 1.4% compared to the previous month.

### SOUTH EASTERN EUROPE

**BULGARIA:** The short trading week went largely with no change for the blue chip SOFIX index, ending at 625.65 points or 0.35% higher for the week.

**SERBIA:** The EUR/RDS remained bound within a 118.25 – 118.55 trading range past week.

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## Latest world economic & market developments

### GLOBAL MARKETS

Market concerns about Italy's public finances stability prevail. The Italian government announced late last Thursday that the new budget deficit target for 2019 has been set at 2.4% of GDP, higher than Finance Minister Giovanni Tria had recommended and above the market estimate of what would likely be consistent with EU fiscal rules. The 2019 draft budget has to be submitted by 15 October to the European Commission, which has the option to request a new budget. If the Commission continues to be dissatisfied, Italy might be subject to the opening of the Significant Deviation Procedure or/and Excessive Deficit Procedure. The government also announced a 2.4% of GDP deficit target for 2020 and 2021, abandoning the objective of reaching a balanced budget by 2020, as was agreed in the context of the May Stability Programme. Major rating agencies may also downgrade Italy's sovereign credit rating. Two rating agencies have a negative outlook and Moody's has placed Italy's rating under review for a possible downgrade.



Source: Reuters, Bloomberg, Eurobank Research

Against this background, Italian assets remained under pressure in early trade on Monday. 10-yr sovereign bond yields were standing slightly above 3.22% at the time of writing, close to Friday's intraday high of 3.26%, the highest since early June. With 10-yr Bund yields hovering around 0.48% in early European trade, not far from a multi-session low close to 0.47% hit on Friday following an unexpected drop in euro area core inflation for September, the 10-yr BTP/Bund yield spread was standing close to 275bps, approaching end-August peak. In FX markets, the EUR/USD was hovering within distance from Friday's two-week intraday low of 1.1566, having dropped more than 2% from a 3 1/2 month peak marked mid last week. Elsewhere, the CAD was among the main outperformers with the USD/CAD falling to 1.2814, the lowest since late May on news that Canada was to join the US and Mexico to form a revised NAFTA deal. Looking at this week's calendar, focus is on Friday's US non-farm payrolls report for September while FOMC Chairman Jerome Powell will speak on Tuesday and Wednesday.

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### GREECE

The draft 2019 State Budget is expected to be tabled to the Hellenic Parliament today. According to press reports, it may entail two scenarios, one with the legislated pension cuts, which are due in January 2019, and one without them. The draft budget will then have to be submitted to the European Commission by 15 October. According to the Hellenic Statistical Authority, in July 2018 the seasonally adjusted overall volume index in retail trade increased 1.4% compared to the previous month. Increases recorded in all individual retail trade sectors and store categories, with the exception of department stores and furniture/electrical/household equipment stores. For the 12-month period Aug 2017 – Jul 2018 the overall volume index in retail trade increased 0.8% compared to the 12-month period Aug 2016 – Jul 2017.

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Monday 01 October 2018

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

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.7	1.9	3.5
CPI (pa, yoy %)	1.1	3.2	3.0
Budget Balance/GDP	-1.3	0.5	-0.6
Current Account/GDP	-3.1	-5.7	-4.7
EUR/RSD (eop)	123.40	118.2	116.5
	2017	current	2018
Policy Rate (eop)	3.50	3.00	3.00

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

## Latest economic & market developments in the CESEE region

### BULGARIA\*

The short trading week went largely with no change for the blue chip SOFIX index, ending at 625.65 points or 0.35% higher for the week. Turnover also reflected the shorter trading week, ending at EUR 0.8M. External bond yields stayed largely unchanged across all maturities, the largest being the 2024 paper which saw its yield rise by 3bps. Furthermore, local bonds also did not register any significant changes, with yield fluctuations between 1-2 bps.

### SERBIA\*

The EUR/RSD remained bound within a 118.25 – 118.55 trading range past week after hitting a peak at the level of 118.35/55. As demand for the hard currency finally starts to dilute, dinar gained back an additional 10 paras, closing Friday's trading at around 118.25/45. Looking ahead, the EUR/RSD is expected to continue trading sideways, still remaining bound within its five-month range of 118.00-118.50.

Average net wages and salaries in July in Serbia were 7.9% higher in nominal terms and 5.4% in real terms compared to the relevant month in 2017, announced the Statistical Office of the Republic of Serbia last Tuesday. Average gross salaries and wages calculated for July 2018 amounted to RSD 68,029 or €575, which, compared to last year, indicates 7.4% growth in nominal terms and 4.9% increase in real terms. The cumulative growth of net salaries and wages in the period January-July 2018 compared to the same period last year increased by 6.2% in nominal terms and by 4.3% in real terms.

\* We would like to thank Ruslan Raychev from Eurobank Bulgaria and Zoran Korac from Eurobank Beograd for their invaluable contribution in today's issue.

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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+

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## 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	2913.98	0.0%	9.0%	EUR/USD	1.1587	-0.1%	-3.5%	UST - 10yr	3.07	1	67	GOLD	1187	-0.4%	-8.9%
Nikkei 225	24245.76	0.5%	6.5%	GBP/USD	1.3044	0.1%	-3.5%	Bund-10yr	0.48	1	6	BRENT CRUDE	83	0.1%	23.9%
STOXX 600	383.86	0.2%	-1.4%	USD/JPY	114	-0.3%	-1.1%	JGB - 10yr	0.14	1	9	LMEX	2995	1.5%	-12.4%

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.39	0	-22
1-month	2.62	0	-23
3-month	2.92	0	-20
6-month	3.09	0	-15

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.21	0	-107
5Y RSD	3.65	0	-64
7Y RSD	4.15	0	-102

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.79	0	80

## CDS

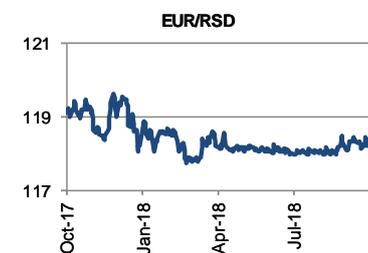
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	159	0	-3

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	727.1	-0.05%	-4.31%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.29	0.04%	0.52%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.7	0	161
1-month	3.09	0	122
3-month	3.17	0	112
6-month	3.39	0	112
12-month	3.53	0	121

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.99	0	61
5Y RON	4.33	0	55
10Y RON	4.98	0	67

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	0	-3
USD Jan-24	4.15	0	115

## CDS

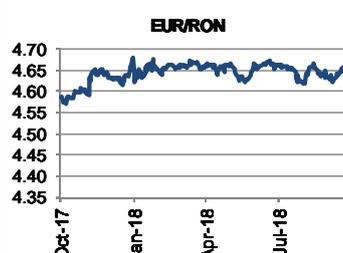
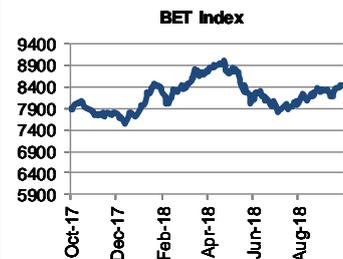
	Last	ΔDbps	ΔYTD bps
5-year	98	0	8
10-year	140	-2	6

## STOCKS

	Last	ΔD	ΔYTD
BET	8426.4	0.16%	8.68%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6579	-0.09%	0.15%



## 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	-0.04	0	2
5Y BGN	0.07	-2	-7
10Y BGN	0.79	0	-18

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.03	0	5
EUR Sep-24	0.46	0	-12

## CDS

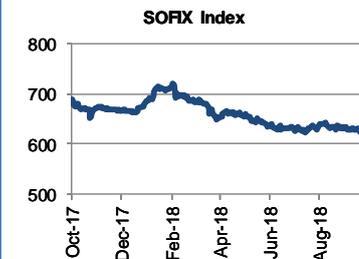
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	125	-1	-17

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	624.6	0.03%	-7.81%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6881	-0.15%	-3.48%



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

Data updated as of 10:49 EEST

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