

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Oct 29: Personal income & spending (Sep)
- Oct 30: CB consumer confidence (Oct)
- Oct 31:
  - ADP employment (Oct)
- Nov 01:
  - Initial jobless claim (27/10)
  - PMI manufacturing (Oct, final)
  - Construction spending (Sep)
  - ISM manufacturing (Oct)
- Nov 02:
  - Trade balance (Sep)
  - Non farm payrolls (Oct)
  - Factory orders (Sep)
  - Durable goods orders (Sep)

#### EUROZONE

- Oct 30:
  - GDP (Q3, prel)
  - Consumer confidence (Oct, final)
  - Unemployment rate (Sep)
- Oct 31: CPI (Oct, prel)
- Nov 02: PMI manufacturing (Oct, final)

#### GREECE

- Oct 31: Turnover Index in Retail Trade (Aug)
- Nov 1: PMI manufacturing (Oct)

#### SEE

##### BULGARIA

- Oct 30: PPI (Sep)
- Oct 31:
  - Budget balance (Sep)
  - KPR

##### CYPRUS

- Nov 01: CPI (Oct)

##### ROMANIA

- Oct 31: Unemployment rate (Sep)
- Nov 01: International reserves (Oct)
- Nov 02: PPI (Sep)

##### SERBIA

- Oct 31:
  - Industrial output (Sep)
  - GDP (Q3, Prel)
  - Trade balance (Sep)
  - Retail sales (Sep)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Global equity markets were firmer in early trade on Friday supported by hopes that the US and China are close to reaching an agreement on their trade dispute. An FT report, which suggested that there might be some progress on the Brexit deal, also favored risk sentiment. In reaction to equity markets' positive performance, core government bond yields moved higher with both 10-yr UST and German Bund yields rising to their highest in over a week. In FX markets, the GBP firmed poised for its second best week of 2018 amid increased optimism for a withdrawal deal. Focus today is on US non-farm payrolls data for October.

**GREECE:** At a press briefing yesterday, IMF Communications Director Gerry Rice mentioned that the pension reform was agreed a while ago and that "it is important that Greece moves in a convincing way, using all the tools at its disposal, toward more growth friendly socially inclusive policies" adding that the pre-legislated package for 2019 and 2020 is moving to this direction. According to the Greek Tourism Confederation (SETE), international arrivals in Greece's main airports rose by 12.8% in the period January – September 2018 with the Athens airport recorded an increase of 19.2% while road arrivals fell by 3.1%.

### SOUTH EASTERN EUROPE

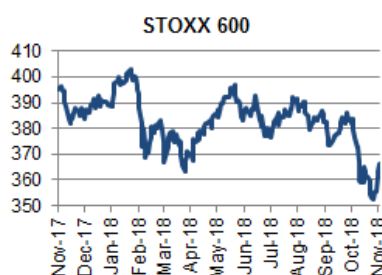
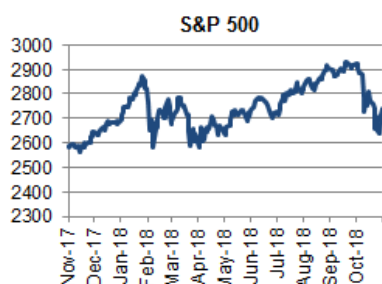
**CESEE MACRO DEVELOPMENTS:** The European Bank for Reconstruction and Development (EBRD) has revised downwards its GDP growth forecast for the South Eastern Europe to 3.5% YoY for 2018 and 3.2% YoY for 2019 vs previous estimations in past May of 3.6% YoY and 3.5% YoY respectively. On the contrary, its forecast for the Central European and the Baltic states is revised upwards to 4.3% YoY for 2018 and 3.5% YoY in 2019 vs the May estimation of 3.8% YoY 3.3% YoY respectively.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets were firmer in early trade on Friday supported by hopes that the US and China are close to reaching an agreement on their trade dispute. According to press reports, both US President Donald Trump and Chinese President Xi Jinping expressed optimism about resolving their trade dispute ahead of a planned meeting on the sidelines of the G-20 Summit in Argentina later this month. As per the same reports, the US President has already asked key US officials to begin dragging potential deal terms. An FT report, which suggested that there might be some progress on the Brexit deal, also favored risk sentiment. According to the said report, the EU is ready to offer the UK a "bare-bones" UK-wide customs union with the EU, in order to resolve the Irish border backstop issue.

In reaction to equity markets' positive performance, core government bond yields moved higher with both 10-yr UST and German Bund yields rising to their highest in over a week, up by more than 3bps each on the day. In FX markets, the GBP firmed poised for its second best week of 2018 amid increased optimism for a withdrawal deal. The BoE's message at this week's MPC monetary policy meeting that it remains committed to "gradual" and "limited" rate tightening ahead assuming further progress in UK-EU Brexit discussions, also helped. The GBP/USD rose to 1.3039 earlier today, the highest since October 22. Meanwhile, the EUR/GBP was little changed on the day hovering around yesterday's two-week intraday low of 0.8756. Elsewhere, the USD remained under some pressure for the second session in a row pressured by yesterday's US data for October showing a bigger than expected drop in the ISM manufacturing index to 57.7 and a drop in the new orders component to the lowest level since August 2017. The DXY index was 0.1% weaker on the day marking an intraday low of 96.066 earlier today, the lowest level since October 24. Focus today is on US non-farm payrolls data for October. Expectations are for a rebound of 190k following a rise of 134k in the prior month.

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### GREECE

At a press briefing yesterday, IMF Communications Director Gerry Rice mentioned that the pension reform was agreed a while ago and that "it is important that Greece moves in a convincing way, using all the tools at its disposal, toward more growth friendly socially inclusive policies". He added that the pre-legislated package for 2019 and 2020 is moving to this direction "by freeing up fiscal space for non-retiree social spending which remains low and helping to reduce the tax burden". As regards the potential buyback of IMF's loan by Greece, Mr. Rice opined that due to the agreement with the European partners for additional debt relief and the substantial cash buffer, Greece has now the benefit of time regarding such decisions. In other news, according to the Greek Tourism Confederation (SETE), international arrivals in Greece's main airports rose by 12.8% in the period January – September 2018 with the Athens airport recorded an increase of 19.2% while the other main airports excl. Athens recording an increase of 10.8%. On the other hand, for the said period, road arrivals fell by 3.1% due mainly to a drop in arrivals from FYROM (-24.0%) and Turkey (-4.1%) while road arrivals from Albania and Bulgaria rose by 15.1% and 11.6% respectively.

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Friday 02 November 2018

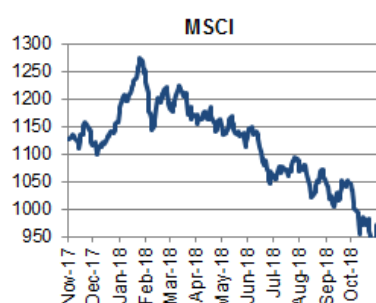
BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

\* 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

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+

## Latest economic & market developments in the CESEE region

### CESEE MARKET DEVELOPMENTS

In the Regional Economic Prospects Autumn report published yesterday, EBRD identified three major trends that had a negative impact on the external economic environment for the regions under its microscope: tightening in financing conditions for emerging markets, escalating trade conflicts and higher oil prices for a second year in a row. Moreover, EBRD pointed out that further escalation of trade conflicts is a major risk to the outlook. Other risks include disruption to cross-border supply chains in the case of a no-deal Brexit, high levels of corporate indebtedness and geopolitical instability.

Coming to the CESEE region, EBRD differentiated the growth patterns between the Central European, the Baltic States and the South Eastern Europe (SEE) in the sense that in the first region growth is projected to normalise in 2019 from visible overheating while in the latter the - comparatively to Central Europe - more moderate growth momentum is expected to subside. Looking at the forecasts, it has revised upwards its growth forecast for the Central European and the Baltic states to 4.3% YoY (vs May estimation of 3.8% YoY) for 2018 and 3.5% YoY (vs May estimation of 3.3% YoY) for 2019 with Poland as the key driving country, which after expanding its GDP by 4.8% YoY for 2017 and 5.1% YoY for H1-2018, is expected to end the current year with an annual growth rate of 4.7% and 3.6% YoY for 2019. Referring to the SEE region, which has been showing robust growth so far in 2018, EBRD forecasts GDP growth at 3.5% YoY for 2018 and 3.2% YoY for 2019 vs its previous estimations in May 2018 of 3.6% YoY and 3.5% YoY respectively.

From a country specific view, we outline Serbia's solid GDP growth expectations at 4.2% YoY for 2018 on the back of robust private consumption and investment, a view verified by both the IMF and the World Bank (the latter, though, on more conservative grounds, i.e. growth for 2018 seen at 3.5% YoY). Growth for 2019 is expected to come in at 3.5% YoY, backed by the reforms agreed under the PCI regime with IMF, which will be concluded in 2021.

Following a growth rate of 7.3% YoY in 2017, one of the highest rates in the EU, the Romanian economy is slowing down in 2018 with GDP growing by 4% YoY in H1 - 2018, which is expected to increase to 4.2% for year end. For 2019, a modest rate of 3% YoY is projected, broadly based on substantial investments on the main highways infrastructure. The high level of public debt and the limited fiscal space are recognized as the main risks. Bulgaria has been growing robustly at 3.8% YoY in 2017 and 3.4% YoY in H1-2018, mainly supported by private consumption and substantial investments due to high EU funds absorption. In 2019 GDP growth is expected at an annual rate of 3.4% with the key risks to the outlook being a prolonged weakness in major trade partners such as Turkey and a possible exacerbation of current labor shortages.

Concluding, Turkey, after growing by 7.4% YoY in 2017 and 6.2% YoY in H1 - 2018, is currently experiencing a sharp slowdown, which is expected to bring annual GDP growth to 3.6% in 2018 and 1% in 2019. The key risk to the outlook is uncertainty regarding the banking sector but other risks exist as well such as the direction of economic policy and the further depreciation of the lira.

Friday 02 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	2740.37	1.1%	2.5%	EUR/USD	1.1427	0.2%	-4.8%	UST - 10yr	3.16	3	76	GOLD	1234	0.0%	-5.3%
Nikkei 225	22243.66	2.6%	-2.3%	GBP/USD	1.3024	0.1%	-3.7%	Bund-10yr	0.43	3	0	BRENT CRUDE	73	-0.2%	8.8%
STOXX 600	366.38	0.9%	-5.9%	USD/JPY	112.85	-0.1%	-0.1%	JGB - 10yr	0.13	1	8	LME X	2896	1.4%	-15.3%

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.38	0	-14
1-week	2.49	1	-12
1-month	2.66	1	-19
3-month	2.99	2	-13
6-month	3.14	0	-10

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.19	1	-109
5Y RSD	3.65	0	-65
7Y RSD	4.15	0	-102

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.09	0	109

#### CDS

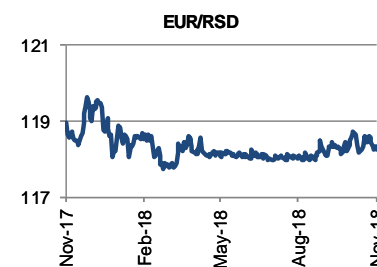
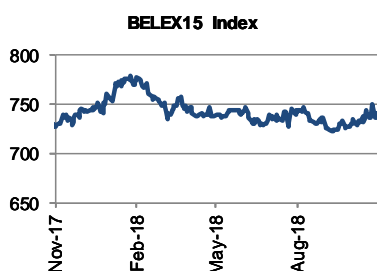
	Last	ΔDbps	ΔYTD bps
5-year	112	-1	-6
10-year	153	0	-9

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	740.2	-0.02%	-2.57%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.42	0.75%	0.41%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.75	0	166
1-month	3.24	1	137
3-month	3.29	-2	124
6-month	3.5	1	123
12-month	3.64	0	132

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.42	0	104
5Y RON	4.62	0	84
10Y RON	5.09	0	77

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.54	1	-1
USD Jan-24	4.40	-1	140

#### CDS

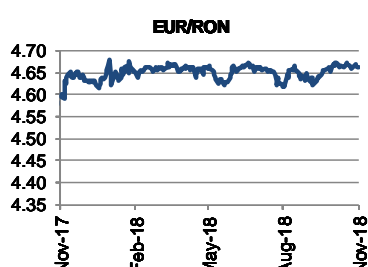
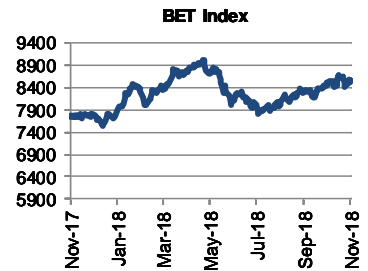
	Last	ΔDbps	ΔYTD bps
5-year	103	2	13
10-year	145	1	11

#### STOCKS

	Last	ΔD	ΔYTD
BET	8538.7	-0.25%	10.12%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6629	0.02%	0.04%



### 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	-0.03	1	3
5Y BGN	0.12	1	-3
10Y BGN	0.80	0	-17

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.06	2	11
EUR Sep-24	0.60	-4	3

#### CDS

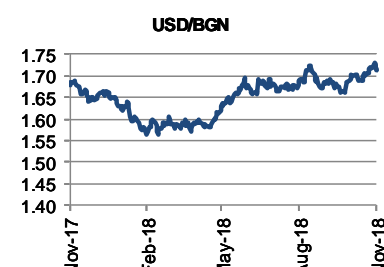
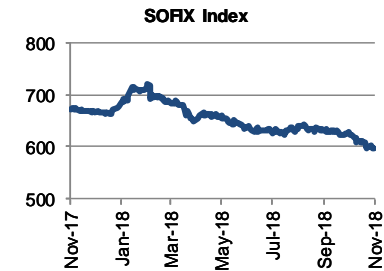
	Last	ΔDbps	ΔYTD bps
5-year	81	0	-16
10-year	123	0	-18

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	596.3	-0.04%	-11.97%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7117	0.15%	-4.81%



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

Data updated as of 10:35 EEST

Friday 02 November 2018

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