

Monday 03 September 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Sep 4:
 - ISM manufacturing (Aug)
 - Auto sales (Aug)
- Sep 5: Trade balance (Jul)
- Sep 6:
 - Initial jobless claims (01/09)
 - ADP employment change (Aug)
 - Factory orders (Jul)
 - ISM non-manufacturing (Aug)
- Sep 7: Non-farm payrolls (Aug)

EUROZONE

- Sep 3: PMI manufacturing (Aug, final)
- Sep 5:
 - PMI services (Aug, final)
 - Retail Sales (Jul)
- Sep 7:
 - German industrial production (Jul)
 - GDP (Q2, final)

GREECE

- Sep 3:
 - PMI manufacturing (Aug)
 - GDP (Q2, provisional)
- Sep 3: Unemployment rate (Jun)

SEE

BULGARIA

- Sep 7: GDP (Q2 Final)

CYPRUS

- Sep 6: CPI (Aug)

ROMANIA

- Sep 4:
 - Retail sales (Jul)
 - PPI (Jul)
- Sep 07:
 - Net wages (July)
 - GDP (Q2)

SERBIA

- Sep 6: 1 week repo announcement
- Sep 7: PPI (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Fitch affirmed Italy's long-term credit rating at 'BBB' late on Friday, just two notches about non-investment grade, but revised the outlook to 'negative' from 'stable'. The rating agency cited concerns about the "untested nature" of the new coalition government and expectations for "a degree of fiscal loosening that would leave Italy's very high level of public debt more exposed to potential shocks". In FX markets, the USD and the CHF remain the main beneficiaries of increased risk aversion on the back of prevailing EM-related concerns and rising worries over escalating trade disputes among the US and other major economies, especially China. Trade talks between the US and Canada will resume on Wednesday after contentious talks to revamp NAFTA ended on Friday without a deal. In addition, US President Donald Trump is reportedly ready to impose tariffs on an additional \$200bn of imports from China on Thursday, 6 September. Turning to this week's economic data, a busy US diary is highlighted by ISM manufacturing (Tuesday) and non-farm payrolls (Friday), both for August. US markets are closed today for Labor Day.

GREECE: The Greek Prime Minister Alexis Tsipras is expected to present at the inauguration of the International Thessaloniki Fair on Saturday his government's intentions as regards the use of the funds from the expected over-performance of the primary surpluses in 2018 and 2019 estimated at EUR600million and EUR1billion respectively. On the economic data front, Q2-2018 GDP provisional estimation is expected later today. According to the Hellenic Statistical Authority provisional data, the available seasonally adjusted data indicate that Q2-2018 GDP in volume terms increased by 0.2%QoQ and 1.8%YoY (in Q1-2018 GDP had increased 0.9%QoQ and 2.5%YoY).

SOUTH EASTERN EUROPE

BULGARIA: The main Bulgarian equity SOFIX index ended 0.79% lower at 631.83 points over the past week. Accordingly, local and external government bond yields showed limited fluctuation.

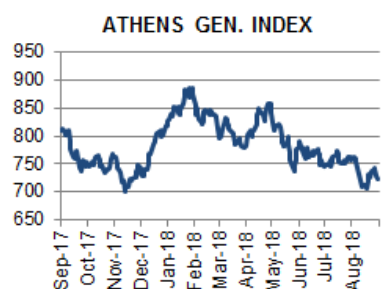
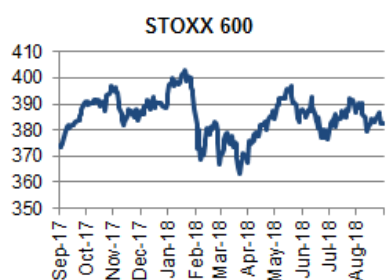
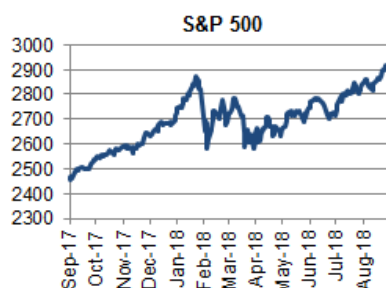
SERBIA: The EURRSD remained bound within a 118.05/25 - 118.35/55 trading range in the past week.

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.

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Fitch affirmed Italy's long-term credit rating at 'BBB' late on Friday, just two notches about non-investment grade, but revised the outlook to 'negative' from 'stable'. The rating agency cited concerns about the "untested nature" of the new coalition government and expectations for "a degree of fiscal loosening that would leave Italy's very high level of public debt more exposed to potential shocks". With the outlook revision by Fitch presumably largely priced-in, Italy's sovereign paper was firmer in European trade on Monday with the 10-yr BTP yield standing close to 3.19% at the of writing, more than 5bps lower from Friday's close which was the highest since early June. With the Fitch decision out of the way, focus now shifts to the updated Italian Stability Programme, expected to be published by 27 September, ahead of the 2019 Italian Budget law which has to be submitted to the European Commission by 15 October. In terms of Friday's data, both headline and core inflation in the euro area unexpectedly fell in August to 1.0%YoY and 2.0%YoY, respectively, confounding expectations for an unchanged reading at the prior month's level of 1.1%YoY and 2.1%YoY. In FX markets, the USD and the CHF remain the main beneficiaries of increased risk aversion on the back of prevailing EM related concerns and rising worries over escalating trade tensions among the US and other major economies, especially China. Trade talks between the US and Canada will resume on Wednesday after contentious talks to revamp NAFTA ended on Friday without a deal. In addition, US President Donald Trump is reportedly ready to impose tariffs on an additional \$200bn of imports from China on Thursday, 6 September shortly after the expiration of the public hearing period for the second round of US tariffs. US markets are closed today for Labor Day.

ppetropoulou@eurobank.gr

GREECE

The Greek Prime Minister Alexis Tsipras is expected to present at the inauguration of the International Thessaloniki Fair on Saturday his government's intentions as regards the use of the funds from the expected over-performance of the primary surpluses in 2018 and 2019. According to press reports, the government intends to distribute the 2018 over-performance of EUR600million as a social dividend to lower income groups. As regards the 2019 over-performance, projected to reach EUR1billion, the government would reportedly like to use it as follows: 1) a cut in the property tax (ENFIA) up to 30%, which will cost c. EUR250million, 2) a cut in VAT in food services from 24% to 13%, which will cost c. EUR350million, and 3) a cut in the social security contributions of freelancers from 20% to 13.5%, which is expected to cost EUR150million. According to the Hellenic Statistical Authority provisional data, the available seasonally adjusted data indicate that Q2-2018 GDP in volume terms increased by 0.2%QoQ and 1.8%YoY (in Q1-2018 GDP had increased 0.9%QoQ and 2.5%YoY). With regard to GDP components, on a quarterly basis: 1) total final consumption expenditure increased by 0.5% 2) gross fixed capital formation (GFCF) recorded a null change 0.0% 3) exports of goods and services increased by 3.9% with exports of goods having increased by 1.6% and exports of services by 6.5%, and 4) imports of goods and services increased by 4.8% with imports of goods having increased by 4.6% and imports of services by 5.2%. On an annual basis: 1) total final consumption expenditure recorded an increase of 0.8%, 2) gross fixed capital formation (GFCF) decreased by 5.4%, 3) exports of goods and services increased by 9.4% with exports of goods having increased by 7.2%, and exports of services by 12.2%, and 4) imports of goods and services increased by 4.3% with imports of goods having increased by 1.7%, and imports of services by 16.2%.

andimitriadou@eurobank.gr

Monday 03 September 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*

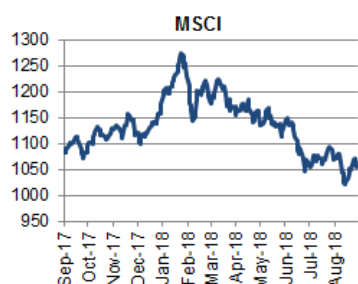
The blue chip SOFIX performed with little change over the week, ending -0.71% lower at 631.83 points. The weekly turnover came up to be a little over the last 3 month average – €1.6mn. External government bonds remained largely unchanged, with yields moving between narrow ranges of 1-3 bps. Local bond yields also had little to show for with medium to long term tenors dropping across the board between 4-7 bps.

SERBIA*

The EURRSD bullish bounce has failed to develop around 118.35/55 earlier this week, forming a topping formation and retreating to a safer zone just above 118.0. This move to a 5-month high of 118.35/55 was on the back of domestic corporate demand, mostly from state-owned gas and oil companies. On a daily chart, EUR/RSD lost a tiny bit of ground in rather quiet Friday's trading, closing the day at 118.10/30, 5 paras lower compared with the prior session's settlement.

On the news front, President Aleksandar Vucic said on Wednesday that public debt now stands at 49% of GDP expressing hope that it will drop to 40% of GDP. He also pointed out that Serbia has recorded a budget surplus for the third year in a row and has seen more foreign direct investment than any other Western Balkan country. Furthermore, according to the Statistics Office data published on Friday, GDP recorded a 4.8% year-on-year rise in Q2, compared with 4.6% in Q1. On a quarterly basis, GDP rose by 0.8%.

* We would like to thank Ruslan Raychev from Eurobank Bulgaria and Djordje Lucic from Eurobank AD Beograd for their invaluable contribution in today's issue.


igkionis@eurobank.gr

Credit Ratings

L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB
CYPRUS	Ba3	BB+

Monday 03 September 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	2901.52	0.0%	8.5%	EUR/USD	1.1609	0.1%	-3.3%	UST - 10yr	2.86	0	46	GOLD	1203	0.2%	-7.7%
Nikkei 225	22707.38	-0.7%	-0.3%	GBP/USD	1.2889	-0.6%	-4.7%	Bund-10yr	0.33	0	-10	BRENT CRUDE	78	0.6%	16.8%
STOXX 600	382.47	0.1%	-1.7%	USD/JPY	111.01	0.0%	1.5%	JGB - 10yr	0.12	1	7	LME X	2928	-1.2%	-14.3%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.31	0	-21
1-week	2.43	0	-18
1-month	2.62	0	-23
3-month	2.90	0	-22
6-month	3.07	0	-17

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.45	6	-82
5Y RSD	3.86	3	-38
7Y RSD	4.35	0	-83

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.78	0	79

CDS

	Last	ΔDbps	ΔYTD bps
5-year	109	-4	-9
10-year	154	3	-8

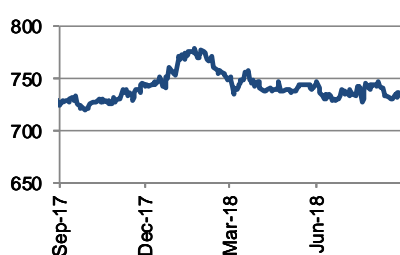
STOCKS

	Last	ΔD	ΔYTD
BELEX15	734.3	-0.36%	-3.36%

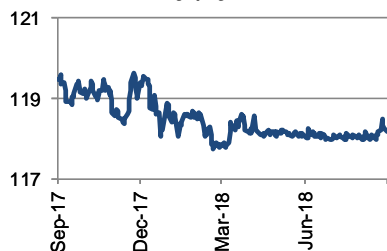
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.16	-0.01%	0.63%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.72	1	163
1-month	3.15	-1	128
3-month	3.22	0	117
6-month	3.41	0	114
12-month	3.54	1	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.94	0	56
5Y RON	4.34	0	56
10Y RON	4.80	0	48

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	1	2
USD Jan-24	4.10	0	110

CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	-1	5
10-year	137	-2	3

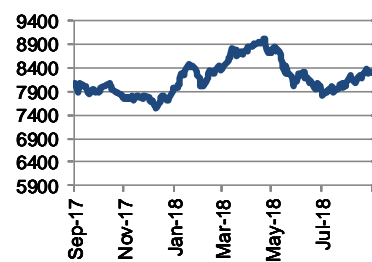
STOCKS

	Last	ΔD	ΔYTD
BET	8305.3	0.37%	7.11%

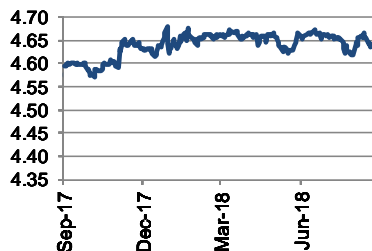
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6395	-0.10%	0.55%

BET Index



EUR/RON



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	-0.11	-2	-5
5Y BGN	0.04	-1	-10
10Y BGN	0.83	0	-14

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	0	3
EUR Sep-24	0.38	0	-19

CDS

	Last	ΔDbps	ΔYTD bps
5-year	79	1	-18
10-year	121	-2	-21

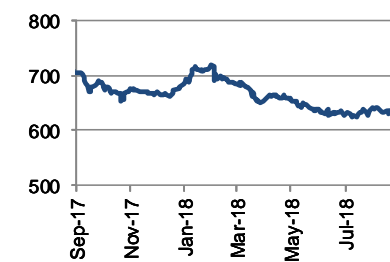
STOCKS

	Last	ΔD	ΔYTD
SOFIX	632.4	0.10%	-6.64%

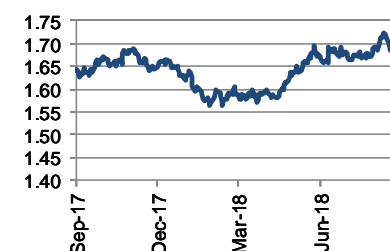
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.685	0.04%	-3.30%

SOFIX Index



USD/BGN



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

Data updated as of 11:45 EEST

Monday 03 September 2018

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
tstamatiou@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 Yiannissis: 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

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
tstamatiou@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

