

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 4: PPI (Jul)
- 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 (June)

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 w Repo Announcement
- Sep 7: PPI (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Supporting optimism over the US growth outlook, the ISM manufacturing index rose in August to a 14-year high of 61.3, mainly supported by higher production and new domestic orders. In reaction, the US 10-yr yield rose to a three-week high of 2.91% before easing modestly in early European trade on Wednesday while Bunds also came under some pressure, albeit less than US Treasuries. Meanwhile, EMU periphery sovereign bonds continued to enjoy a strong performance amid receding market concerns that Italy's 2019 Budget may breach the EU's deficit limit given that part of the government's electoral promises could be implemented as early as next year. In FX markets, the DXY was 0.2% weaker on the day remaining though within distance from yesterday's two-week high favored by its perceived safe-haven appeal.

GREECE: According to ECB Executive Board Member Benoit Coeuré, among the priorities of the Greek government should now be to tackle the NPLs problem and improve the judicial system. A European official reportedly noted that the European Commission forecasts a primary surplus of c. 3.8% of GDP for 2019 – against the 3.5% of GDP programme target – translating into c. EUR550million of fiscal space the use of which will be discussed with the institutions.

SOUTH EASTERN EUROPE

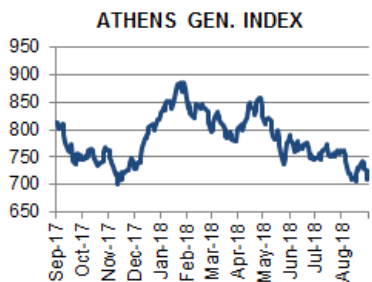
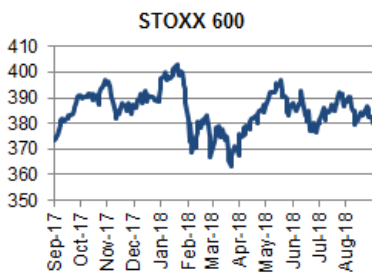
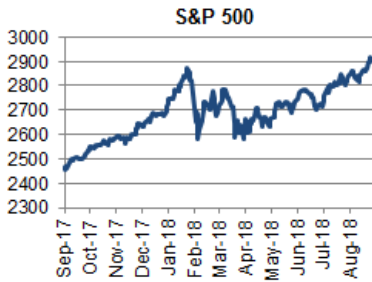
BULGARIA: According to the budget execution data of the Ministry of Finance the consolidated government surplus increased by 14.7% YoY to BGN2.5bn in Jan-Aug2018.

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Latest world economic & market developments

GLOBAL MARKETS



Supporting optimism over the US growth outlook, the ISM manufacturing index rose in August to a higher than expected 61.3, the highest since May 2004, from July's 58.1 mainly supported by higher production and new domestic orders. Firmer than expected US data weighed on US Treasuries with the 10-yr yield rising to a three-week high of 2.91% before easing to levels around 2.89% at the time of writing. The 2/10-yr yield curve undertook some modest steepening with the respective spread standing close to 24.5bps in early European trade, continuing the move that started in late August. Bunds also came under some pressure, albeit less than US Treasuries with the 10-yr yield rising close to 0.36%, 2.5bps higher so far this week. Meanwhile, EMU periphery sovereign bonds continued to enjoy a strong performance amid receding market concerns that Italy's 2019 Budget, due for submission to the European Commission by 15 October, may breach the EU's deficit limit given that part of the government's electoral promises could be implemented as early as next year. Italy has outperformed over the last couple of sessions with the 10-yr yield declining by 16.5bps cumulatively to a one-week low close to 3.0% earlier today on reports conveying that Italian Economy Minister Giovanni Tira is putting pressure on the coalition partners to keep next year's budget deficit below 2% of GDP. The government resumes preparatory work for the 2019 budget process later today, scheduled to hold its first meeting after the summer break. Negotiations between the US and Canada will also resume today after contentious talks ended last Friday without a deal to revamp NAFTA. In FX markets, the DXY was 0.2% weaker on the day remaining though within distance from yesterday's two-week high favored by its perceived safe-haven appeal. Today's daily economic calendar is light with the service PMI survey for August from the euro area and the UK dominating the agenda.

ppetropoulou@eurobank.gr

GREECE

ECB Executive Board Member Benoit Coeuré reportedly stated that the responsibility to win back market confidence now lies within the Greek government and this is not expected to be easier than winning the trust of the institutions. To this effect, tackling the NPLs problem and improving the judicial system should be among the priorities of the Greek government in the period ahead. As regards the possibility of withholding the pension cuts that are to take effect as of 1 January 2019, Mr. Coeuré reportedly stated that what matters most is the attainment of the 2019 primary surplus target and a growth-enhancing State Budget. Meanwhile, a European official reportedly noted that the European Commission forecasts a primary surplus of c. 3.8% of GDP for 2019 – against the 3.5% of GDP programme target – translating into c. EUR550million of fiscal space the use of which will be discussed with the institutions. However, no decisions are likely to be made before the finalisation of the 2019 State Budget in November.

andimitriadou@eurobank.gr

Source: Reuters, Bloomberg, Eurobank Research

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

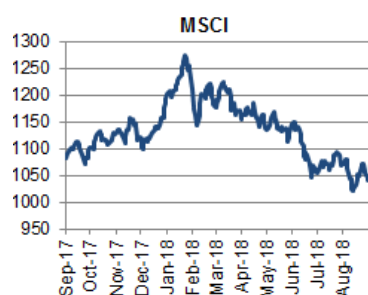
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Credit Ratings

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

Latest economic & market developments in the CESEE region

BULGARIA

According to the budget execution data of the Ministry of Finance the consolidated government surplus increased by 14.7% YoY to BGN2.5bn in Jan-Aug2018, improving further for a second consecutive month, compared to BGN2.2bn in the same period a year ago. As a percentage of projected GDP, the consolidated government surplus stood at 2.3% compared to a -1.0% deficit target in FY2018. Thus, fiscal policy is set to remain expansionary in the rest of the year. Total revenues expanded by 10.8% YoY reaching 68% of the annual target driven by tax and non-tax revenues while grants were relatively flat on an annual basis. Total expenditures expanded by 11.5%, reaching 60% of the annual target boosted by higher public wages following the teaching personnel hikes and the pension increases awarded last year. From a macro fundamentals point of view, the economy is in the best position in the post Lehman period. The country's fiscal and external position has been on an improving trend. Bulgaria has been running either a balanced or a surplus in current account since 2013. More importantly, from a fiscal point of view, Bulgaria appears sound and fulfills the relevant Maastricht criteria for Euro area entry. The country was running a fiscal surplus for a second consecutive year in 2017. The general government surplus (in ESA2010 terms) stood at 0.9% of GDP in 2017 vs. 0.2% in 2016. The public debt as a percentage of GDP stood at 25.4% (in ESA2010 terms)- well below the 60% threshold-and was the third lowest in EU-28.

igkionis@eurobank.gr

Wednesday 05 September

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	2896.72	-0.2%	8.3%	EUR/USD	1.1572	-0.1%	-3.6%	UST - 10yr	2.89	-1	49	GOLD	1192	0.1%	-8.5%
Nikkei 225	22580.83	-0.5%	-0.8%	GBP/USD	1.2843	-0.1%	-5.0%	Bund-10yr	0.35	-1	-8	BRENT CRUDE	78	-0.7%	16.0%
STOXX 600	379.83	-0.7%	-2.4%	USD/JPY	111.49	0.0%	1.1%	JGB - 10yr	0.12	-1	7	LMEX	2855	-2.1%	-16.5%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.39	1	-22
1-month	2.60	0	-25
3-month	2.89	0	-23
6-month	3.07	1	-17

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.40	-1	-87
5Y RSD	3.82	0	-42
7Y RSD	4.35	0	-83

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.79	0	80

CDS

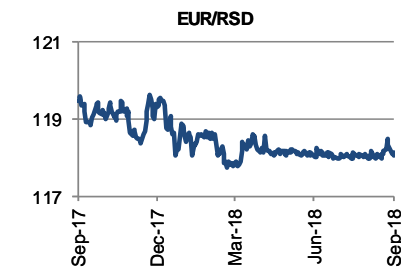
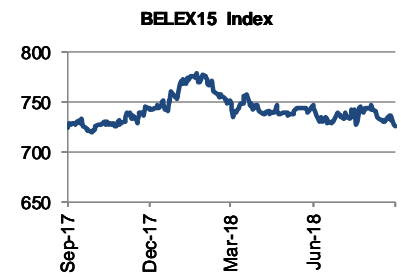
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-8
10-year	154	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	725.7	-0.29%	-4.48%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.10	0.02%	0.69%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.67	0	158
1-month	3.13	0	126
3-month	3.21	0	116
6-month	3.4	0	113
12-month	3.54	0	122

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.97	0	59
5Y RON	4.36	0	58
10Y RON	4.81	0	50

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	0	3
USD Jan-24	4.11	-2	111

CDS

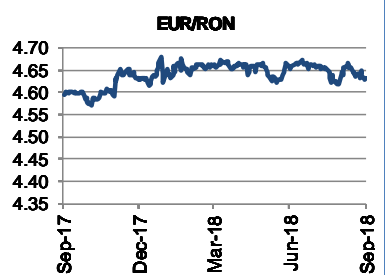
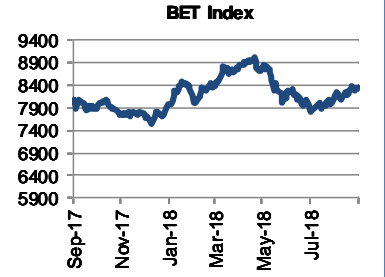
	Last	ΔDbps	ΔYTD bps
5-year	96	1	6
10-year	138	1	5

STOCKS

	Last	ΔD	ΔYTD
BET	8346.1	0.44%	7.64%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6314	0.00%	0.72%



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	-0.07	-1	0
5Y BGN	0.08	-1	-6
10Y BGN	0.84	0	-12

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.03	-8	5
EUR Sep-24	0.41	-16	-17

CDS

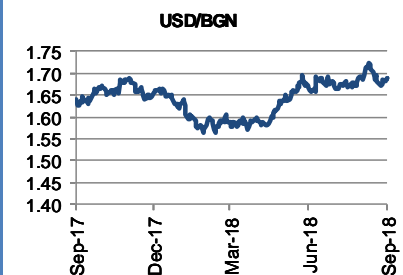
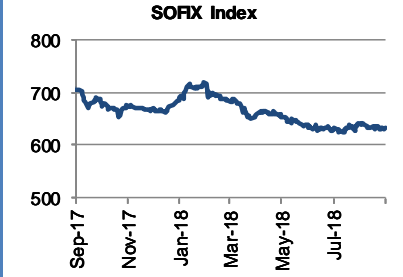
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	121	0	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	632.8	0.43%	-6.60%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6902	-0.08%	-3.60%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 9:48 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

(Special Contributor)**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

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