

### 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 focus today is on the US non-farm payrolls report for September, and mostly, on average hourly earnings which are expected to rise by 0.2% mom pushing the annual growth rate to 2.8% from 2.9% in the prior month. Awaiting the key US report, US Treasury bond yields were lower today after US-China trade tensions flared up again following comments by US Vice President Mike Pence accusing China of trying to interfere in the midterm US elections next month to undermine support for President Donald Trump. Turning to Italy, the government published late yesterday the Update to the Economic and Financial Document 2018 while the budget deficit target set at 2.4%-of-GDP in 2019, 2.1% in 2020 and 1.8% in 2021. In FX markets, the GBP was firmer on the view that domestic political risks have receded following the conclusion of the Conservative Party Conference.

**GREECE:** According to the European Commissioner for Economic and Financial Affairs Pierre Moscovici the European Commission's evaluation of the Greek draft budgetary plan will be announced in November in the context of the first quarterly review under the Enhanced Post Programme Surveillance.

### SOUTH EASTERN EUROPE

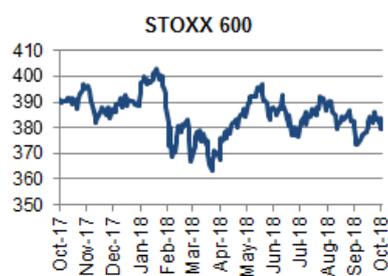
**ROMANIA:** The NBR maintained the key policy rate (KPR) unchanged at 2.5% and Minimum Reserve Requirements (MRRs) for FX and RON denominated liabilities both at 8%.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US economic data continued to surprise positively adding to the view that the Fed might pursue a more aggressive than currently expected rate tightening path. Coming on the heels of hawkish comments by FOMC Chairman Jerome Powell at the National Associate for Business Economics and a higher than expected increase in the September ISM non-manufacturing activity index to a 21-year high earlier this week, data released yesterday showed that weekly jobless claims dropped close to the lowest level since late 1969 and factory orders rose by 2.3% mom in August, the largest increase since September 2017. Focus today is on the US non-farm payrolls report for September, and mostly, on average hourly earnings which are expected to rise by 0.2% mom pushing the annual growth rate to 2.8% from 2.9% in the prior month. Market consensus is for a 185k increase in non-farm payrolls after rising by 201k in August and the unemployment rate is expected to fall from 3.9% to 3.8%, an 18-year low first hit in May. Awaiting the key US report, US Treasury bond yields were lower today after US-China trade tensions flared up again following comments by US Vice President Mike Pence accusing China of trying to interfere in the midterm US elections next month to undermine support for President Donald Trump. After hitting a seven-year high slightly above 3.23% early on Thursday, 10-yr UST yields moved slightly lower hovering around 3.21% in early European trade at the time of writing, albeit still some 15bps higher on a weekly basis. Turning to Italy, the government published late yesterday the Update to the Economic and Financial Document 2018. Real GDP growth forecast was set at 1.5% in 2019, 1.6% in 2020 and 1.4% in 2021 while the budget deficit target was set at 2.4%-of-GDP in 2019, 2.1% in 2020 and 1.8% in 2021. In FX markets, the EUR/USD was 0.4% higher compared to yesterday's fresh six-week intraday low while the GBP was firmer on the view that domestic political risks have receded following the conclusion of the Conservative Party Conference.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### GREECE

Replying to a question of a Member of European Parliament regarding the Greek Budget, the European Commissioner for Economic and Financial Affairs Pierre Moscovici reportedly stated that the pre-legislation of certain fiscal measures that are to take effect in 2019 and 2020 was a pre-condition for the successful completion of the 2<sup>nd</sup> ESM programme review in 2016. Based on European institutions current economic projections, the said measures could be implemented in a fiscally neutral manner. He added, that the draft budgetary plan that Greece will submit to the European Commissioner under the European semester procedure, should encompass the latest fiscal projections for 2019 and a detailed analysis of the distributive and social impact of these measures. The European Commission's evaluation of the draft budgetary plan will be announced in November in the context of the first quarterly review under the Enhanced Post Programme Surveillance.

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

Friday 05 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

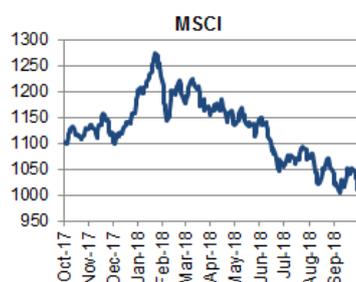
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

\* 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

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

### ROMANIA

On October 3rd, the NBR maintained the key policy rate (KPR) unchanged at 2.5% and MRRs for FX and RON denominated liabilities both at 8%. At the same time, the NBR also decided to preserve the deposit facility rate at 1.50% and the lending facility rate at 3.50% leaving the interest rate corridor unchanged at 2%. The decision was widely anticipated by market participants as it met the expectations of the vast majority of analysts in the Bloomberg survey. In the press release, the NBR underlined that inflation has been evolving in line with previous estimates in Q3 and is on course to reach 3.5% (the upper bound of the NBR's target interval 2.5+/-1%) by year-end. Having peaked at 5.4% YoY in May and June, inflation has been trending lower at 4.6% YoY in July and increased temporarily to 5.1% YoY in August. However, the adjusted Core2 CPI (excluding administered and volatile prices, alcohol and tobacco) also decreased to 2.8% YoY in August down from 2.9% YoY in July and down from 3.1% YoY in April, which implies that demand side pressures could subside further in the near-term mirroring the impact of previous tightening and softer economic activity.

The NBR cited food and energy prices, labor market conditions and the fiscal stance as the main domestic uncertainties to inflation outlook. On the external front, NBR cited trade wars, Euro area inflation, the ECB and regional central banks' monetary policy stance as the important risks. Finally, the NBR Governor indicated that although conditions favored lowering RON reserve requirements, that didn't materialize because the NBR is not convinced that the liquidity shortage is not temporary and it could entail depreciation risks for the domestic currency. The NBR has hiked three times - each time by 25bps- so far this year and until very recently we were still looking for one more by the end of the year - a view we have changed given that RON remains relatively stable vs other EM currencies and there are no unpleasant surprises from another supply side shock. Having said that, we do anticipate the NBR to resume its tightening cycle in 2019 given the upside risks from energy prices and further major Central Banks's monetary policy normalization.

[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

Friday 05 October 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	2901.61	-0.8%	8.5%	EUR/USD	1.1512	0.0%	-4.1%	UST - 10yr	3.21	2	80	GOLD	1199	-0.1%	-8.0%
Nikkei 225	23783.72	-0.8%	4.5%	GBP/USD	1.305	0.2%	-3.5%	Bund-10yr	0.56	3	13	BRENT CRUDE	85	0.5%	27.1%
STOXX 600	379.30	-0.1%	-2.5%	USD/JPY	113.82	0.1%	-1.0%	JGB - 10yr	0.16	0	11	LME X	3041	-0.4%	-11.1%

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	1	-23
1-week	2.40	1	-21
1-month	2.62	1	-23
3-month	2.93	1	-19
6-month	3.10	1	-14

#### 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	3.87	1	87

#### CDS

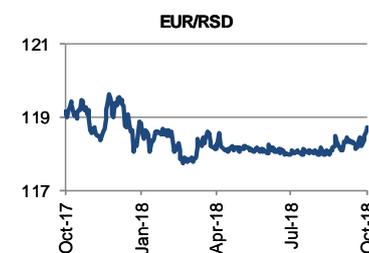
	Last	ΔDbps	ΔYTD bps
5-year	111	-1	-7
10-year	157	1	-5

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	734.3	0.66%	-3.36%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.71	0.02%	0.17%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.61	0	152
1-month	3.07	0	120
3-month	3.13	0	108
6-month	3.39	0	112
12-month	3.52	0	120

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.96	0	57
5Y RON	4.37	0	59
10Y RON	4.99	0	68

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	-	-4
USD Jan-24	4.26	2	126

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	100	-1	10
10-year	143	0	9

#### STOCKS

	Last	ΔD	ΔYTD
BET	8531.2	0.23%	10.03%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6717	0.00%	-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	0.09	0	-5
10Y BGN	0.78	0	-18

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.04	0	4
EUR Sep-24	0.45	-1	-12

#### CDS

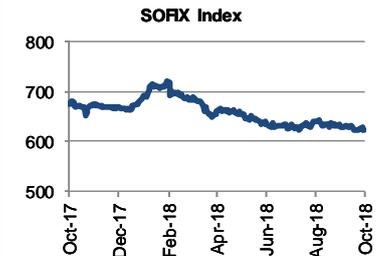
	Last	ΔDbps	ΔYTD bps
5-year	79	-2	-18
10-year	125	1	-16

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	622.5	0.00%	-8.11%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6991	-0.07%	-4.10%



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

Data updated as of 10:32 EEST

Friday 05 October 2018

## Contributors

**Paraskevi Petropoulou**  
Senior Economist, Eurobank  
Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Ioannis Gkionis**  
Senior Economist, Eurobank  
Ergasias  
+30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou**  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma**  
(Special Contributor)  
Research Economist, Eurobank  
Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Stelios Gogos**  
(Special Contributor)  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3371226  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr)

**Theodoros Stamatou**  
(Special Contributor)  
Senior Economist, Eurobank  
Ergasias  
+30 210 3371228  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr)

**Maria Kasola**  
(Special Contributor)  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3371224  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Tasos Anastasatos: Group Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Marisa Yiannissi: Administrator**  
[magiannisi@eurobank.gr](mailto:magiannisi@eurobank.gr), +210 3371242

**Ioannis Gkionis: Senior Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 33 71 225

**Dr. Stylianos Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 33 71 226

**Maria Kasola: Economic Analyst**  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr), +30 210 3371224

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 33 71 227

**Paraskevi Petropoulou: Senior Economist**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Dr. Theodoros Stamatou: Senior Economist**  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), +30 210 3371228

**Elia Tsiampaou: Economic Analyst**  
[etsiampaou@eurobank.gr](mailto: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](mailto:Research@eurobank.gr)

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