

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Nov 05: ISM Non-manufacturing index (Oct)
- Nov 07: Midterm elections
- Nov 08:
 - Initial jobless claims (Nov 3)
 - FOMC policy meeting
- Nov 09:
 - PPI, final demand (Oct)
 - University of Michigan Consumer Sentiment (Nov, prel)

EUROZONE

- Nov 06:
 - Markit Services & Composite PMI (Oct, final)
 - PPI (Sep) (Oct, Final)
 - German industrial orders (Sep)
- Nov 07:
 - Retail sales (Sep)
 - German industrial production (Sep)
- Nov 08: EC Autumn forecast update

GREECE

- Nov 08: Unemployment rate (Aug)
- Nov 09:
 - Industrial output (Sep)
 - CPI (Oct)

SEE

BULGARIA

- Nov 08:
 - Industrial production (Sep)
 - Retail sales (Oct)

CYPRUS

- Nov 05: CPI (Oct)

ROMANIA

- Nov 05: Retail sales (Sep)
- Nov 06: KPR
- Nov 09: Trade balance (Sep)

SERBIA

- Nov 07: PPI (Oct)
- Nov 08: KPR

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US non-farm payrolls for the month of October surprised on the upside adding to the view for further gradual Fed rate hikes in the period ahead. In FX markets, the GBP extended its recent gains against both the USD and the EUR amid increased optimism for a withdrawal deal. Meanwhile, market sentiment towards risk assets remains cautious on market uncertainty over whether US President Donald Trump and Chinese President Xi Jinping, scheduled to meet on 1 December, will manage to resolve their trade dispute. Focus this week is on Tuesday's US midterm elections and the FOMC monetary policy meeting on Thursday.

GREECE: The Eurogroup that convenes today is scheduled to take stock of the Euro area countries' 2019 draft budgetary plans, yet decisions on Greece's 2019 draft budgetary plan will reportedly be made at an extraordinary Eurogroup on 19 November. A potential approach to the legislated pension cuts would be to suspend the measure for as long as the agreed primary surplus targets are being met and activate it in the opposite case. On the economic data front, this week's calendar includes the August unemployment rate on Thursday, the October CPI and the September industrial output, both on Friday.

SOUTH EASTERN EUROPE

BULGARIA: The selloff of Bulgarian equities continued the previous week with the main index sliding -0.48% to 596.8 points amid weak turnover of EUR 1.2mn.

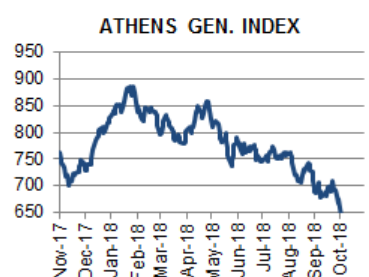
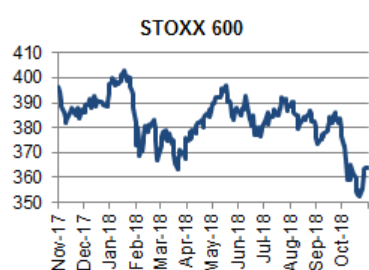
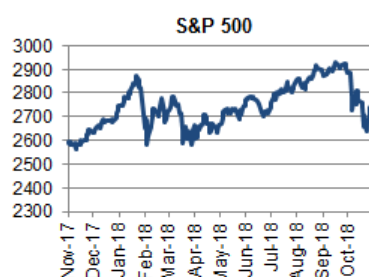
SERBIA: The EUR/RSD remained bound within a 118.15 – 118.50 trading range in the past week.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US non-farm payrolls for the month of October surprised on the upside adding to the view for further gradual Fed rate hikes in the period ahead. The headline rose by a higher than expected 250k following a downwards revised rise of 118k in the prior month while the unemployment rate remained stable at a 49-year low of 3.7%. Average hourly earnings rose by 0.2%MoM with the annual rate increasing to 3.1%, passing 3.0% for the first time since April 2009. On the back of the positive US labor market report, the 10-yr UST yield rose to 3.22% on Friday, just below this year's peak of 3.26% before retreating to levels slightly below 3.20% in early European trade today ahead of this week's US midterm elections. Taking its lead from US Treasuries, the 10-yr Bund yield was hovering around 0.42% at the time of writing, not far from Friday's multi-session peak of 0.44% in spite of last week's poor Eurozone Q3 GDP data.

In FX markets, the GBP extended its recent gains against both the USD and the EUR amid increased optimism for a withdrawal deal. An FT report late last week conveyed that the UK and the EU are close to an agreement on the Irish border issue based on the EU dropping the Northern Ireland specific customs backstop from the withdrawal agreement in return for a legally binding UK-wide customs backstop indefinitely, until a future free trade relationship could be agreed. The GBP/USD recorded a two-week high of 1.3062 earlier today while the EUR/GBP was 0.2% weaker on the day marking an intraday low of 0.8729, the lowest since October 11. Meanwhile, market sentiment towards risk assets remains cautious on market uncertainty over whether US President Donald Trump and Chinese President Xi Jinping, scheduled to meet on 1 December, will manage to resolve their trade dispute. Focus this week is on Tuesday's US midterm elections and the FOMC monetary policy meeting on Thursday. According to recent opinion polls, the Republican Party is likely to maintain and even increase its 51-49 majority in the Senate while the Democratic Party will probably regain control of the House of Representatives. Meanwhile, the FOMC is expected to stay put on interest rates with investors assigning almost fully a 25bps rate hike at the meeting on 19 December.

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GREECE

The Eurogroup that convenes today is scheduled to take stock of the Euro area countries' 2019 draft budgetary plans, yet decisions on Greece's 2019 draft budgetary plan will reportedly be made at an extraordinary Eurogroup on 19 November. A potential approach to the legislated pension cuts would be to suspend the measure for as long as the agreed primary surplus targets are being met and activate it in the opposite case. Meanwhile, according to press reports, if the pension cuts are to be suspended European partners object to the implementation of other expansionary measures as announced by the Greek PM Alexis Tsipras in September on the grounds that this would cause a fiscal gap of more than EUR300 million in the 2019 budget. These measures include the reduction of: a) the property tax (ENFIA) for low-income households, b) the social security contributions of high-income freelancers, c) the corporate income tax rate from 29% to 25% and d) the extraordinary solidarity contribution as of 2020. On the economic data front, this week's calendar includes the August unemployment rate on Thursday, the October CPI and the September industrial output, both on Friday.

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Latest economic & market developments in the CESEE region

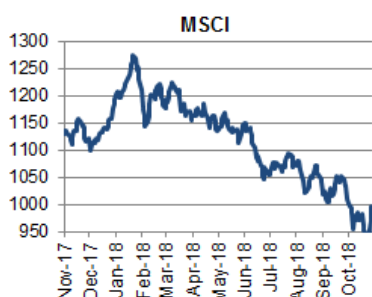
BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* 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+

BULGARIA*

The selloff of Bulgarian equities continued the previous week with the main index sliding -0.48% to 596.8 points amid weak turnover of EUR 1.2mn. External government yields continued their uneventful streak with yet another week of null yield changes. Local papers also remained largely unchanged with the exception of medium term yields, which rose by 4 bps.

SERBIA*

The dinar concluded the previous week on a strong note, gradually appreciating and approaching the critical level of 118.00 which has been almost impenetrable so far this year. Anticipated intervention by the National Bank (NBS) is considered as the only leverage that could support the dinar in holding such a rate against the euro.

* 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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Monday 05 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	2723.06	-0.6%	1.8%	EUR/USD	1.1384	0.0%	-5.2%	UST - 10yr	3.20	-2	79	GOLD	1233	0.0%	-5.4%
Nikkei 225	21898.99	-1.5%	-3.8%	GBP/USD	1.299	0.1%	-3.9%	Bund-10yr	0.42	-1	-1	BRENT CRUDE	73	-0.2%	8.7%
STOXX 600	364.08	0.0%	-6.4%	USD/JPY	113.19	0.0%	-0.4%	JGB - 10yr	0.13	0	8	LMEX	2952	1.9%	-13.7%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.39	1	-13
1-week	2.49	0	-12
1-month	2.66	0	-19
3-month	2.98	-1	-14
6-month	3.15	1	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.18	-1	-110
5Y RSD	3.65	0	-65
7Y RSD	4.15	0	-102

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.09	-1	110

CDS

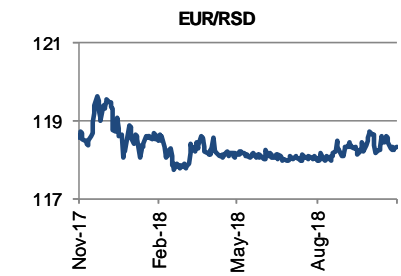
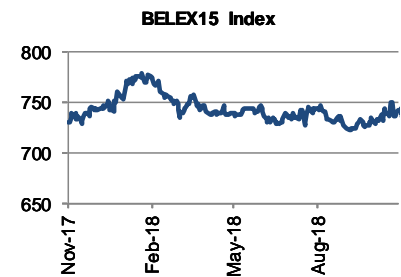
	Last	ΔDbps	ΔYTD bps
5-year	110	-3	-8
10-year	150	-3	-12

STOCKS

	Last	ΔD	ΔYTD
BELEX15	742.7	0.31%	-2.25%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.34	0.00%	0.48%



ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.29	0	91
5Y RON	4.57	0	79
10Y RON	5.07	0	76

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	0	0
USD Jan-24	4.42	0	142

CDS

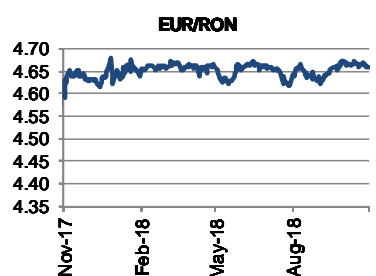
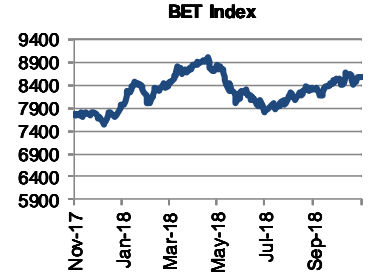
	Last	ΔDbps	ΔYTD bps
5-year	105	3	15
10-year	148	3	14

STOCKS

	Last	ΔD	ΔYTD
BET	8575.9	0.15%	10.60%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6598	-0.01%	0.11%



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	3
5Y BGN	0.11	0	-3
10Y BGN	0.79	0	-17

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.08	-4	12
EUR Sep-24	0.59	3	2

CDS

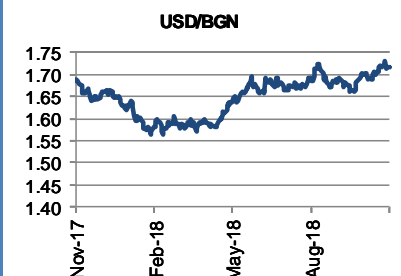
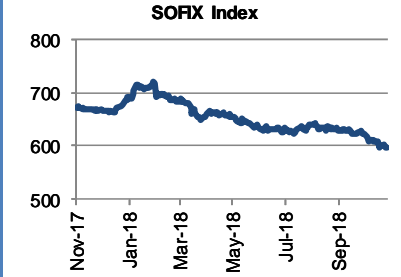
	Last	ΔDbps	ΔYTD bps
5-year	80	-1	-17
10-year	123	0	-18

STOCKS

	Last	ΔD	ΔYTD
SOFIX	596.8	0.04%	-11.90%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7181	-0.03%	-5.16%



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

Data updated as of 10:05 EEST

Monday 05 November 2018

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