

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: In currency markets, the GBP gained some ground across the board on newswires suggesting that the UK and Germany agreed to drop key Brexit demands, potentially easing the path for a Brexit deal. Meanwhile, investors retain a cautious stance towards risk assets on the back of lingering EM related woes and ongoing concerns about escalating trade disputes between the US and major economies. US President Donald Trump is reportedly ready to impose tariffs on an additional \$200bn of imports from China shortly after the period for written comments on the proposed levy ends late today. Turning to today's economic data, focus is on the US' ADP employment report and the non-manufacturing ISM index, both for August.

GREECE: In an article published ahead of the 83rd Thessaloniki International Fair, the Greek PM Alexis Tsipras speaks of the fiscal stability that has been achieved in the past few years and the progress in the economy and declared the end of recession policies and austerity. He also underlined the significance of a new growth model for Greece, which will be based on the country's comparative advantages, openness, innovation and ingenuity. The 10-year GGB yield which has been on a rising streak since 28 August closing at 4.573% yesterday – a 2 ½ month high - is receding to 4.546% at the time of writing.

SOUTH EASTERN EUROPE

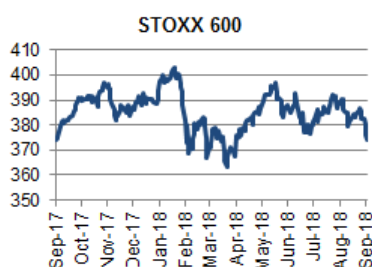
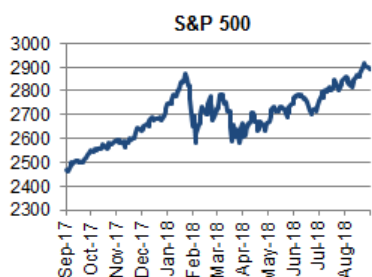
SERBIA: According to the revised estimate, real GDP expanded by 4.8% YoY in Q2-2018 bringing the 1H performance close to 4.9% YoY.

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Latest world economic & market developments

GLOBAL MARKETS



In currency markets, the GBP gained some ground across the board on newswires suggesting that the UK and Germany agreed to drop key Brexit demands, potentially easing the path for a Brexit deal. The GBP/USD was trading around 1.2900 in early European trade today after hitting a session high of 1.2982 in the prior session, around 1% higher from a near two-week trough marked earlier this week. Somewhat easing Brexit jitters pushed the EUR/USD higher hovering around a multi-session peak of 1.1659 today after falling to 1.1527 just two sessions ago, the lowest since 24 August. Yesterday's positive euro area data may have also had favored the EUR. The HIS Makrit's eurozone Composite final PMI edged up to 54.5 in August from July's 54.3, up slightly from an earlier flash estimate of 54.4 pointing to a 0.4%QoQ GDP growth expansion in the third quarter, the same quarterly growth rate recorded in the second quarter. German data released earlier today, which showed that new orders unexpectedly declined by 0.9%mom in July following a strong increase of 3.9%mom in the prior month, failed to exert a lasting negative impact. Meanwhile, the majority of global equity markets remained under some pressure amid lingering EM related woes and ongoing concerns about escalating trade disputes between the US and major economies. US President Donald Trump is reportedly ready to impose tariffs on an additional \$200bn of imports from China shortly after the period for written comments on the proposed levy ends late today. Speaking to reporters at the White House yesterday, the US President stated that trade discussions with China will continue but a deal seems to be some way off, saying explicitly that "we're not prepared to make the deal that they would like to make". USTs and German Bunds remained under some selling pressure in early European trade while EMU periphery sovereign bonds were consolidating recent gains. Italy has been a star performer with the 10-yr yield having declined by 29.5bps thus far this week on market optimism that the new government's 2019 deficit target will not violate EU rules. Turning to today's economic data, focus is on the US' ADP employment report and the non-manufacturing ISM index, both for August.

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GREECE

In an article published ahead of the 83rd Thessaloniki International Fair, the Greek PM Alexis Tsipras spoke of the fiscal stability that has been achieved in the past few years and the progress in the economy and declared the end of recession policies and austerity. He also underlined the significance of a new growth model for Greece, which will be based on the country's comparative advantages, openness, innovation and ingenuity. Special mention was made to the younger generation, who the PM sees taking centre stage in the period ahead. Meanwhile, the 10-year GGB yield which has been on a rising streak since 28 August closing at 4.573% yesterday – a 2 ½ month high – is receding to 4.546% at the time of writing.

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Source: Reuters, Bloomberg, Eurobank Research

Thursday 06 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

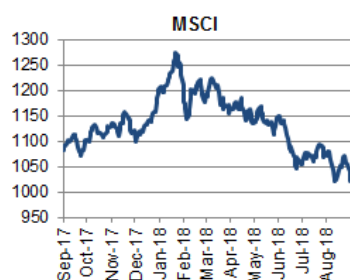
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

SERBIA

According to the revised estimate, GDP expanded by 0.8% QoQ/+4.8% YoY in Q2-2018, above the initial flash estimate of 4.4% YoY, bringing the first six months performance close to +4.9% YoY. The stronger than expected growth reading compares to +4.9% YoY in Q1-2018 (revised upwards from 4.6%), which is the fastest pace in a decade, and +2.4% YoY in Q4-2017. After bottoming out in Q3-2014, economic activity gradually started to accelerate, with domestic GDP exhibiting thirteen consecutive quarters of positive growth between Q2-2015 and Q2-2018. Private consumption (+3.1% YoY in Q2 unchanged compared to Q1) and investments (+12.1% YoY in Q2 vs. 15.1% in Q1) have been the main drivers in Q2. Strong imports growth (+9.2% YoY) —mirroring strengthening domestic demand and the increased import content of exports— outweighed exports (+7.1% YoY) turning net exports' contribution negative to the expansion of the economic activity.

The stronger than expected real GDP performance had led Prime Minister Brnabic to voice her expectation that public wages and pensions will be hiked sooner than anticipated. According to the initial plan, that was under the approval of the IMF, pensions and public wages were scheduled to be hiked as of November and January next year, respectively. The issue will be discussed at the next IMF mission visit in the country in late September. Recall that the IMF approved a new 30-month non-financial advisory programme in the form of "Policy Coordination Instrument" (PCI) for Serbia. The new program suggests continuation of structural and institutional reforms and provides a valuable policy anchor going forward.

After several years of straggling with recession and stagnation, the Serbian economy has embarked on a virtuous cycle. Having expanded by 1.9% in 2017, real GDP is now expected to expand by 4% YoY in 2018, outperforming our initial 3.5% forecast. Among the main drivers behind this improving performance is increased inward foreign direct investment (FDI). Net FDI inflows—the latest NBS forecast stands at €2.6bn in 2018— have been incentivised by the ongoing improvements in the domestic business environment and macroeconomic fundamentals as well as generous subsidies scheme offered to foreign investors.

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GLOBAL MARKETS

Stock markets			FOREX			Government Bonds			Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD	
S&P 500	2888.60	-0.3%	8.0%	EUR/USD	1.1633	0.0%	-3.1%	UST - 10yr	2.90	0	50	
Nikkei 225	22487.94	-0.4%	-1.2%	GBP/USD	1.2913	0.1%	-4.5%	Bund-10yr	0.38	0	-4	
STOXX 600	374.43	-0.3%	-3.8%	USD/JPY	111.38	0.1%	1.2%	JGB - 10yr	0.11	0	6	
									GOLD	1198	0.1%	-8.1%
									BRENT CRUDE	77	-0.1%	15.4%
									LME	2868	0.5%	-16.1%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.39	0	-22
1-month	2.59	-1	-26
3-month	2.91	2	-21
6-month	3.05	-2	-19

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.32	-5	-95
5Y RSD	3.82	0	-42
7Y RSD	4.34	#N/A N/A	-83

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.79	-1	79

CDS

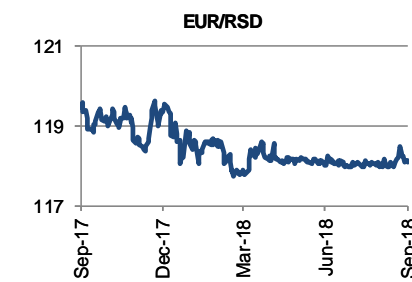
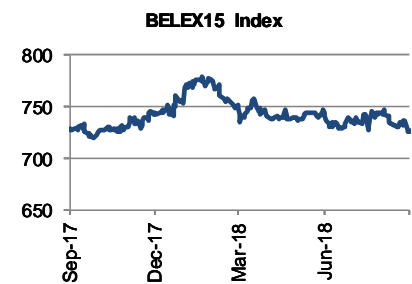
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-8
10-year	154	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	725.8	0.01%	-4.47%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.16	-0.02%	0.63%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.63	0	154
1-month	3.12	0	125
3-month	3.18	0	113
6-month	3.38	0	111
12-month	3.52	0	120

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.98	0	60
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	4.15	0	115

CDS

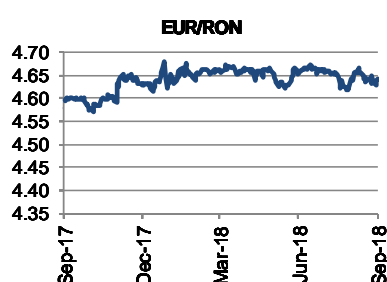
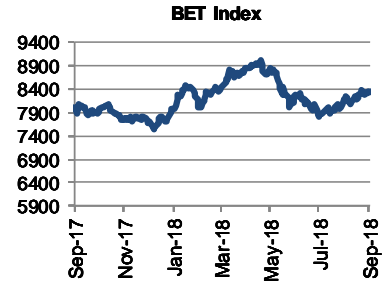
	Last	ΔDbps	ΔYTD bps
5-year	96	1	6
10-year	139	1	6

STOCKS

	Last	ΔD	ΔYTD
BET	8331.1	0.21%	7.45%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6407	-0.06%	0.52%



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	-1
5Y BGN	0.08	0	-6
10Y BGN	0.83	0	-14

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.06	0	2
EUR Sep-24	0.38	0	-20

CDS

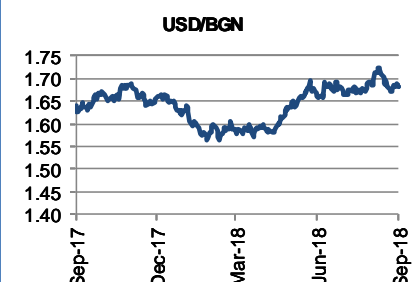
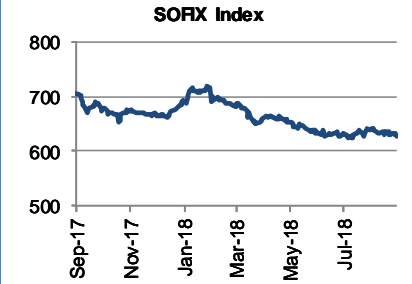
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	121	0	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	628.1	-0.74%	-7.28%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6815	0.02%	-3.10%



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

Data updated as of 10:33 EEST

Thursday 06 September 2018

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