

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: US Treasuries opened higher in early trade on Friday supported by mounting trade war fears on reports conveying that Japan may be the next target of US President Donald Trump in trade war. Meanwhile, the US administration is highly likely to announce tariffs on an additional \$200bn of imports from China at any time after the period for written comments on the proposed levy ended yesterday. In a similar note, German Bunds retained a positive tone in early trade today and EMU periphery sovereign bonds extended recent gains favored by market optimism that Italy's 2019 deficit target will probably not violate EU rules. In FX markets, the JPY was among the main outperformers as increased risk aversion favored its safe-haven appeal. Focus today is on US non-farm payrolls for August.

GREECE: According to the Bank of Greece Report on Operational Targets for Non-Performing Exposures released yesterday, in Q2 2018, Greek banks managed to meet the targets for the reduction in the stock of NPEs on a system level did not meet the target for the stock of NPLs, which amount to €61.0 billion or €0.3 billion higher than the targeted amount, despite the fact that banks managed to reduce NPLs by 4.7% or €3.0 billion compared to March 2018. Meanwhile, according to the Hellenic Statistical Authority (ELSTAT) the s.a. unemployment rate in June was 19.1% compared to 21.3% in June 2017 and the downwards revised 19.3% in May 2018.

SOUTH EASTERN EUROPE

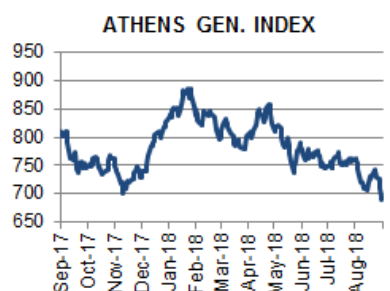
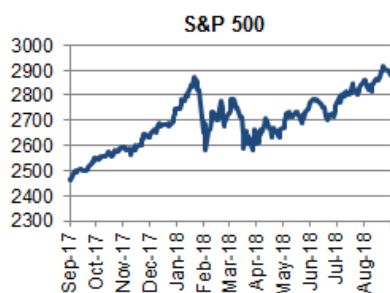
SERBIA: At its regular MPC meeting yesterday, the NBS left interest rates unchanged at 3%.

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Latest world economic & market developments

GLOBAL MARKETS



US Treasuries opened higher in early trade on Friday supported by mounting trade war fears on reports conveying that Japan may be the next target of US President Donald Trump in trade war. Meanwhile, the US administration is highly likely to announce tariffs on an additional \$200bn of imports from China at any time after the period for written comments on the proposed levy ended yesterday. Deteriorating risk sentiment overshadowed fully yesterday's positive US data. Initial jobless claims for the week ended 1 September fell by 10k to a 49-year low of 203k and the ISM non-manufacturing activity index came in at a higher than expected 58.5 in August from 55.7 in the prior month. Private payrolls rose by 163k in August, less than 190k expected but the general trend seems to be a continued improvement in labor market conditions. In a similar note, German Bunds retained a positive tone in early trade today with the 10-yr yield hovering around 0.36% at the time of writing, within distance from yesterday's two-session closing low of 0.35% and below an intraday multi-session peak of 0.40% marked earlier this week. Meanwhile, EMU periphery sovereign bonds extended recent gains favored by market optimism that Italy's 2019 deficit target will probably not violate EU rules. Not surprisingly, Italy's government bonds have outperformed their peers over the last few sessions with the 10-yr yield having declined by some 35bps thus far this week, the biggest weekly decline since September 2012 with the spread against its German counterpart trading close to 253bps at the time of writing after marking a one-month low of 244bps late yesterday. In FX markets, the JPY was among the main outperformers as increased risk aversion favored its safe-haven appeal. Elsewhere, the EUR/USD continued to consolidate at around 1.1600 with the USD failing to capitalize on yesterday's positive US data. Focus today is on US non-farm payrolls for August. Market consensus is for a 160k rise following a 157k gain in the prior month and a further decline in the unemployment rate to 3.8% from 3.9%.

ppetropoulou@eurobank.gr

GREECE

According to the Bank of Greece Report on Operational Targets for Non-Performing Exposures released yesterday, in Q2 2018, Greek banks managed to meet the targets for the reduction in the stock of NPEs on a system level. More specifically, with end-June 2018 data, the stock of NPEs stands at €88.65 billion or €1.6 billion lower than the targeted amount. The better than expected performance is mainly due to lower than expected net flows of NPEs, higher write-offs and improved collections, while sales and liquidations are starting to meet the banks' targets for the first time. In contrast, banks did not meet the target for the stock of NPLs, which amount to €61.0 billion or €0.3 billion higher than the targeted amount, despite the fact that banks managed to reduce NPLs by 4.7% or €3.0 billion compared to March 2018. The actual NPE ratio stands at 47.6%, higher than the foreseen level of 46.9%, mainly due to the lower than expected volume of total loans, and the NPL ratio at 32.8%, also higher than the foreseen level of 31.5%. Meanwhile, according to the Hellenic Statistical Authority (ELSTAT) the s.a. unemployment rate in June was 19.1% compared to 21.3% in June 2017 and the downwards revised 19.3% in May 2018. The number of employed persons increased by 2.2% YoY and 0.5% MoM while the number of unemployed persons dropped 11.0% YoY and 1.4% MoM.

Source: Reuters, Bloomberg, Eurobank Research

andimitriadou@eurobank.gr

Friday 07 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

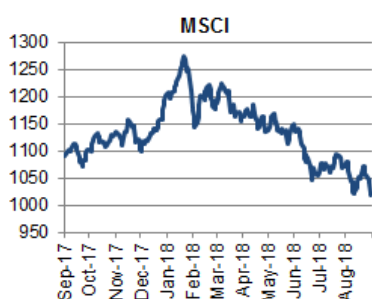
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

SERBIA

At its regular MPC meeting yesterday, the NBS left interest rates unchanged at 3% for a fifth consecutive month. The decision was widely anticipated by market participants as it met the expectations of the vast majority of analysts in the Bloomberg survey (23 out of 24 participants). In the statement released thereafter, the NBS grounded its decision on the expected inflation movements and the underlying factors behind it as well as the impact of previous monetary easing. Having reached a multi month low in last April at 1.1% YoY, headline inflation has been climbing up throughout Q2. As of July, headline inflation reached 2.4% YoY within the target band (3% +/-1.5%) and is expected to remain within it the next two years. According to the latest inflation forecast in August, inflation should stay below 3.0%-mid point by the end of 2018 while gradually approaching the midpoint in the first months of 2019 as a result of the low-base effect early this year. In addition, short-term and mid-term inflation expectations of the financial and corporate sectors are well-contained around the 3.0% mid-point target.

Stronger than expected economic growth in the first half of the year was another key driver for this decision. 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. Having expanded by 1.9% in 2017, real GDP is now expected to expand by 4% YoY driven by improving private consumption and investments, outperforming our initial 3.5% forecast, in 2018.

Overall, the NBS has delivered a cumulative 100bps rate cut since September 2017 bringing the key policy rate at 3%, which is the lowest level since the adoption of the inflation targeting regime. Given the uncertainties in the world environment, stemming from trade and geopolitical tensions, the commodities and financial markets volatility and major Central Banks policy normalization negative impact on EMs, the NBS is very likely to stay put on rates until the end of the year. To that end, the NBS noted that global oil prices remain volatile, although judging by oil futures they are expected to stabilize by the end of 2018 and decline slightly by the end of 2019, adding that inflation is expected to rise slightly because of higher oil prices.

igkionis@eurobank.gr

Friday 07 September 2018

GLOBAL MARKETS

Stock markets			FOREX			Government Bonds			Commodities						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	2878.05	-0.4%	7.6%	EUR/USD	1.1643	0.2%	-3.0%	UST - 10yr	2.88	1	48	GOLD	1199	-0.1%	-8.0%
Nikkei 225	22307.06	-0.8%	-2.0%	GBP/USD	1.2941	0.1%	-4.3%	Bund-10yr	0.36	1	-7	BRENT CRUDE	77	0.1%	14.5%
STOXX 600	373.48	0.0%	-4.0%	USD/JPY	110.65	0.1%	1.8%	JGB - 10yr	0.11	0	7	LMEX	2871	0.1%	-16.0%

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	2.29	0	-23
1-week	2.39	0	-22
1-month	2.60	1	-25
3-month	2.89	-2	-23
6-month	3.07	2	-17

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.45	11	-82
5Y RSD	3.86	#N/A	N/A
7Y RSD	4.38	0	-80

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.77	0	78

CDS

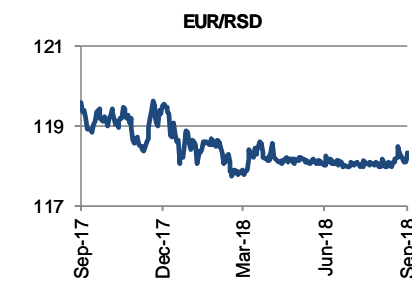
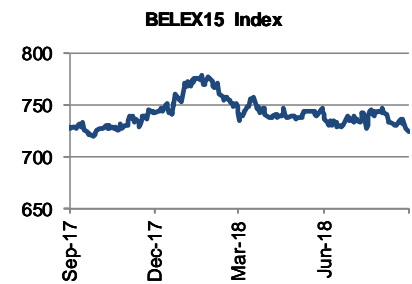
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-8
10-year	154	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	724.7	-0.15%	-4.62%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.44	-0.16%	0.40%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	2.47	0	138
1-month	3.09	0	122
3-month	3.15	0	110
6-month	3.38	0	111
12-month	3.51	0	119

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

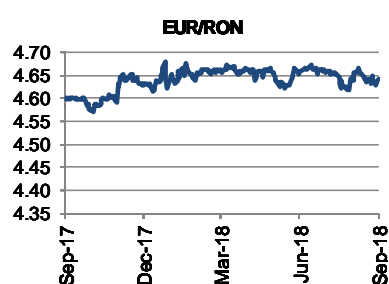
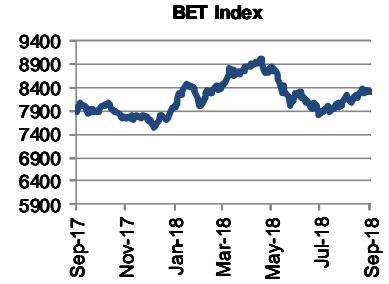
	Last	ΔDbps	ΔYTD bps
5-year	97	0	7
10-year	140	1	6

STOCKS

	Last	ΔD	ΔYTD
BET	8322.9	0.02%	7.34%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6417	-0.05%	0.50%



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
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

	Last	ΔDbps	ΔYTD bps
(yields)			
3Y BGN	-0.07	0	-1
5Y BGN	0.06	-2	-8
10Y BGN	0.83	0	-13

BG Eurobonds

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

CDS

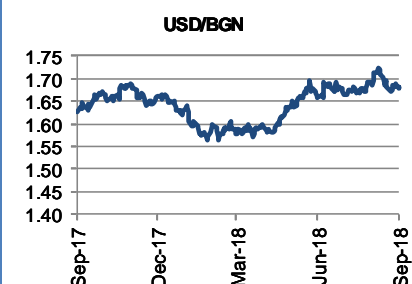
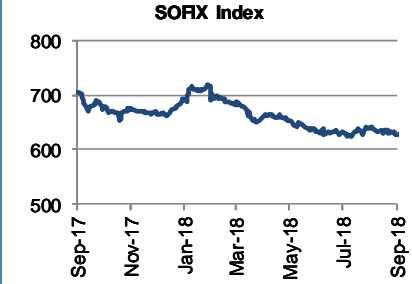
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	121	0	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	628.1	0.00%	-7.28%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.68	0.17%	-3.01%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:30 EEST

Friday 07 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

(Special**Theodoros Stamatou (Special Contributor)**

Senior Economist, Eurobank Ergasias
+ 30 210 3371228
tstamatou@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
tstamatou@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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