

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: Taking their lead from hefty gains in Wall Street indices overnight on market relief that US midterm elections did not deliver any political surprises, the majority of European equity markets were firmer in early trade today. Meanwhile, US Treasuries remained under pressure on the view that, against a divided Congress, the US President may find it difficult to introduce new fiscal plans that could yield an even bigger budget deficit. In FX markets, the USD bounced from post-midterm election lows while the GBP retained a positive tone against its major currency peers on increased optimism over a withdrawal agreement. Looking at the remainder of the day, the European Commission will publish its Autumn macroeconomic forecasts and the FOMC is widely expected to keep the target rate unchanged at today's policy meeting.

GREECE: According to the Hellenic Parliamentary Budget Office, for the period January – September 2018, the State Budget presents a primary surplus of EUR2,535 million, reduced by EUR311 million on an annual basis. According to the commercial transactions data released yesterday by the Hellenic Statistical Authority (ELSTAT), for January – September 2018 the deficit of the trade balance amounted to EUR16,386 million, recording an increase of 1.4%YoY.

SOUTH EASTERN EUROPE

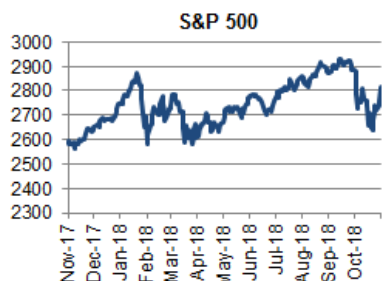
CYPRUS: The stock of NPEs decreased by only €24mn in July with the NPEs of CCB carve out yet to be reflected in the official data, bringing the NPEs ratio marginally up to 40.4%.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from gains of more than 2% in Wall Street indices overnight on market relief that US midterm elections did not deliver any political surprises, the majority of European equity markets were firmer in early trade today. Divided control of the Congress following yesterday's US midterm elections is unlikely to have material implications for the US economy as no changes are expected on US economic policy in either direction until the 2020 presidential elections. Turning to core government bonds, US Treasuries remained under pressure with the 10-yr yield hovering around 3.22% at the time of writing, little changed on the day and not too far from yesterday's peak of 3.25%, its highest level since October 9 on the view that the US President may find it difficult to introduce new fiscal plans that could yield an even bigger budget deficit. Meanwhile, the 2-yr yield was trading close to 2.96%, within distance from yesterday's fresh decade high of 2.97% on the back of market expectations for further Fed rate tightening ahead. Short-dated US notes have underperformed so far this week with the 2/10-yr yield spread narrowing to a five-week low yesterday and the respective curve undertaking some bearish flattening. The FOMC convenes today holding its seventh regular monetary policy meeting this year. The target rate is widely expected to be left unchanged but the tone of the accompanying statement is anticipated to point to further rate hikes ahead with Federal funds futures currently assigning a probability of around 80% of a 25bps rate hike at the 18/19 December policy meeting (today's meeting will not be followed by a press conference). In FX markets, the USD bounced with the DXY index rising slightly above 96.00 earlier today, 0.1% firmer on the day pulling away from a 2½ week post-midterm elections low. Elsewhere, the GBP retained a positive tone against its major currency peers today, especially against the EUR, with the EUR/GBP marking a session low slightly below 0.8700 earlier today, its lowest level since early June, on increased optimism over a withdrawal agreement. Today the European Commission will publish its Autumn macroeconomic forecasts that will incorporate projections for 2020 for the first time (11:00GMT).

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GREECE

According to the Hellenic Parliamentary Budget Office, for the period January – September 2018, the State Budget presents a primary surplus of EUR2,535 million, reduced by EUR311 million on an annual basis. On the revenue side of the State Budget, tax revenues increased by EUR516 million YoY and Public Investment Programme (PIP) revenues by EUR298 million YoY. This is offset by reduced privatization revenues in the order of EUR1,037 million on an annual basis. On the expenditure side of the State Budget, there is an increase of EUR582 million YoY, due to the EUR1,040 million increase in primary expenditure, EUR353 million in interest expenses, and EUR105 million in PIP spending. According to the commercial transactions data released yesterday by the Hellenic Statistical Authority (ELSTAT), for January – September 2018 the total value of imports-arrivals amounted to EUR41,045 million recording an increase of 10.1% compared to the corresponding period of 2017, while the total value of exports-dispatches reached EUR24,659 million, up by 16.9% compared to the corresponding period of 2017. Consequently, for the said period the deficit of the trade balance amounted to EUR16,386 million, recording an increase of 1.4%YoY.

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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

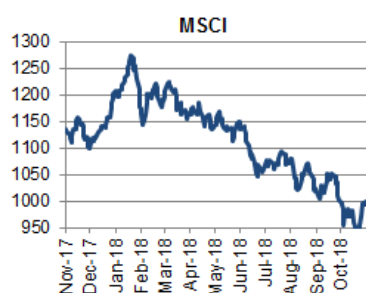
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* 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+

CYPRUS

According to data released by the Central Bank of Cyprus, the stock of non-performing exposures (NPEs) decreased by only €24mn in July compared to €3.3bn in June, bringing the stock of NPEs down by 39.2% over the period from December 2014 to July 2018. Deleveraging of the banking sector continues. Total loan exposures (performing plus non-performing) decreased by €126mn from €41,281mn in June 2018 to €41,155mn in July 2018, which is a slightly larger drop than the decrease in their non-performing component alone. Despite the deleveraging, the ratio of NPEs (non-performing to total exposures) went marginally up from 40.3% in June 2018 to 40.4% in July 2018, compared to 43.7% in December 2017, 47.2% in December 2016, 45.8% in December 2015 and 47.8% in December 2014. Recall that according to the EBA conservative definition, a restructured NPE is still classified as an NPE for a probation period of at least 12 months, even if it is properly serviced without incurring new arrears. As a result, a large fraction of the restructured loans are still classified as NPEs (€6.4bn out of €9.3bn in July 2018). Overall, the carve out of the CCB NPEs is yet to be reflected in the official data. The resolution of the case of CCB is a game changer in the battle to address the thorny issue of NPEs. The sizeable amount of NPEs removed from the banking sector (approximately €6bn) will allow for an important – but one-off – decline in the NPEs ratio further down to 30%.

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Thursday 08 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	2813.89	2.1%	5.2%	EUR/USD	1.144	0.1%	-4.7%	UST - 10yr	3.22	-1	82	GOLD	1223	-0.3%	-6.1%
Nikkei 225	22486.92	1.8%	-1.2%	GBP/USD	1.3138	0.1%	-2.8%	Bund-10yr	0.46	2	4	BRENT CRUDE	72	0.3%	8.1%
STOXX 600	367.81	0.4%	-5.5%	USD/JPY	113.68	-0.1%	-0.9%	JGB - 10yr	0.12	0	7	LME X	2906	0.2%	-15.0%

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.44	1	-8
1-week	2.57	1	-4
1-month	2.69	1	-16
3-month	2.98	1	-14
6-month	3.13	0	-11

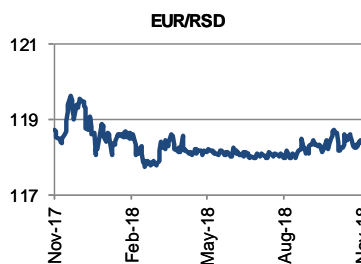
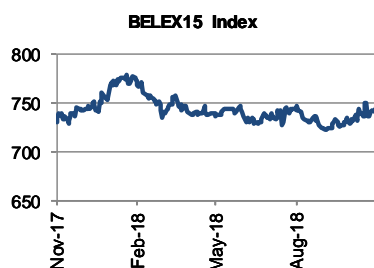
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	3.13	-3	-115
5Y RSD	3.63	0	-67
7Y RSD	4.15	-1	-103

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.10	0	111

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	112	0	-5
10-year	155	-2	-7

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	747.2	0.71%	-1.66%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	118.38	-0.02%	0.45%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.64	0	155
1-month	3.14	0	127
3-month	3.2	0	115
6-month	3.47	0	120
12-month	3.6	0	128

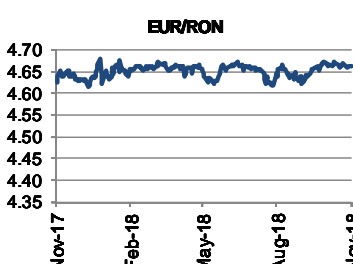
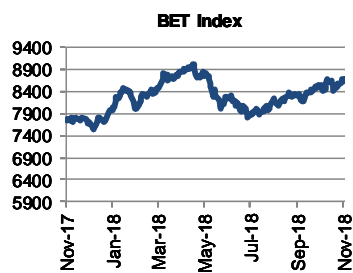
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	4.11	0	73
5Y RON	4.43	0	65
10Y RON	4.94	0	63

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	0	0
USD Jan-24	4.38	-1	138

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	102	0	12
10-year	145	0	12

STOCKS			
	Last	ΔD	ΔYTD
BET	8672.9	0.01%	11.85%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.6635	-0.05%	0.03%



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

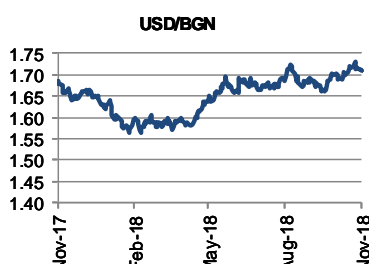
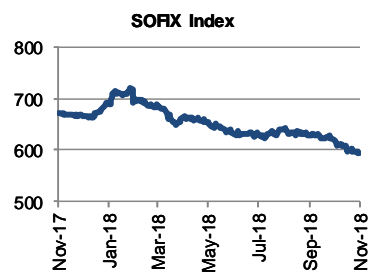
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.04	-1	2
5Y BGN	0.11	-1	-4
10Y BGN	0.80	0	-17

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.06	0	10
EUR Sep-24	0.60	0	3

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	126	0	-16

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	592.6	0.00%	-12.52%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.7097	0.12%	-4.70%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:07 EEST

Thursday 08 November 2018

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