

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Oct 10:
 - PPI (Sep)
- Oct 11:
 - CPI (Sep)
 - Initial jobless claims (06/10)
- Oct 12:
 - Consumer sentiment (UoM, Oct P)

EUROZONE

- Oct 08:
 - Sentix investor confidence (Oct)
- Oct 11:
 - ECB releases account of 13 Sep. monetary policy meeting
- Oct 12:
 - Industrial production (Aug)

GREECE

- Oct 10:
 - Industrial production (Aug)
 - CPI (Sep)
- Oct 11:
 - Unemployment rate (July)

SEE

BULGARIA

- Oct 09:
 - Retail sales (Aug)
 - Industrial production (Aug)
- Oct 10: Trade balance (Aug)

ROMANIA

- Oct 10:
 - Trade balance (Aug)
 - CPI (Sep)
 - GDP (Q2 F)
- Oct 12:
 - Industrial output (Aug)

SERBIA

- Oct 08: KPR
- Oct 12: CPI (Sep)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In an update to its World Economic Outlook, the IMF revised downwards its global economic growth forecast for 2018 and 2019 on the back of rising trade tensions and a weaker outlook for some key emerging and developing economies. Meanwhile, signs of deteriorating diplomatic relations between the US and China are mounting. Against this background, the JPY retained a firm tone across the board. Elsewhere, USTs resumed trading today after yesterday's holiday in the US with yields remaining in an upward trend.

GREECE: In its World Economic Outlook (WEO) October 2018, the IMF kept constant its GDP growth projection for Greece at 2.0% for 2018 and revised it upwards to 2.4% for 2019 (from 1.8% in April 2018). According to the Hellenic Statistical Authority (ELSTAT) commercial transactions report, for the 8-month period from January to August 2018, the total value of exports-dispatches recorded an increase of 17.6% while imports-arrivals rose by 9.0% compared to the corresponding period of 2017.

SOUTH EASTERN EUROPE

CYPRUS: The House Price Index (HPI) expanded by +0.6% QoQ/+1.2% YoY in Q2-2018 down from -1.8% QoQ/+3.7% YoY in Q1-2018.

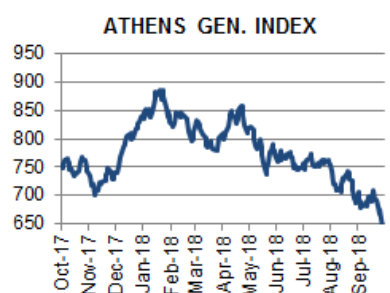
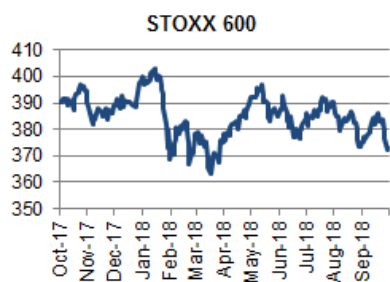
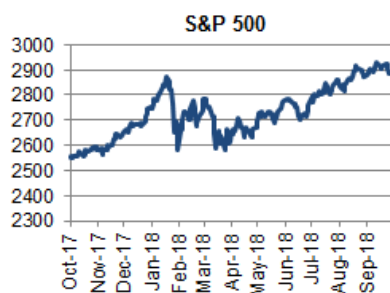
SERBIA: The NBS kept key policy rate (KPR) on hold, at 3.0%.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In an update to its World Economic Outlook, the IMF revised downwards its global economic growth forecast for 2018 and 2019 on the back of rising trade tensions and a weaker outlook for some key emerging and developing economies. According to the new forecasts, global expansion is expected at 3.7% this year and next, 0.2 percentage points lower for both years than forecast in April. The forecast for US growth was confirmed at 2.9% for 2018 but was revised lower by 0.2pp to 2.5% for 2019 due to tariffs imposed by the US administration and retaliation from trading partners. The IMF also lowered its growth forecast for China for 2019 by 0.2pp to 6.2% while growth forecast for 2018 was left unchanged at 6.5%. The euro area is seen expanding 2.0% this year, down from the previous estimate of 2.2%, while growth for next year was confirmed at 1.9%. Meanwhile, signs of deteriorating diplomatic relations between the US and China are mounting with a senior US Treasury official quoted as saying that the US administration remains concerned about China's recent currency depreciation while it is unclear whether the Treasury Secretary will meet with any Chinese official at the IMF/World Bank meeting this week.

Against this background, the JPY retained a firm tone with the USD/JPY hovering around yesterday's 112.80 multi-session intraday low after hitting an 11-month peak of 114.54 earlier this month. Favored by market worries over a possible rise in tensions between the Italian government and the European Commission over the Italian budget targets, the JPY's gains were more pronounced against the EUR with the EUR/JPY standing close to 130.00 earlier today, close to yesterday's 3½ week low of 112.50. Elsewhere, Italy's 10-yr government bond yields were trading close to 3.56% at the time of writing after rising to a fresh 4½-year high of 3.63% on Monday, albeit still 43bps higher so far this month, with the spread against its German counterpart rising again above 300bps. Elsewhere, USTs resumed trading today after yesterday's holiday in the US with yields remaining in an upward trend. 10-yr yields marked a fresh 7-year high of 3.26% with the spread against its German counterpart widening to a new year-to-date peak of 267bps.

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GREECE

In its World Economic Outlook (WEO) October 2018, the IMF kept constant its GDP growth projection for Greece at 2.0% for 2018 and revised it upwards to 2.4% for 2019 (from 1.8% in April 2018). The annual percentage change in consumer prices is projected at 0.7% in 2018 (unchanged from WEO April 2018) and 1.2% in 2019 (from 1.1% in WEO April 2018) while the balance of the current account is projected at -0.8% of GDP in 2018 (unchanged from WEO April 2018) and -0.4% of GDP in 2019 (from -0.6% of GDP in WEO 2018). On the economic data front, according to the Hellenic Statistical Authority (ELSTAT) commercial transactions report, for the 8-month period from January to August 2018, the total value of exports-dispatches recorded an increase of 17.6% compared to the corresponding period of 2017. The said change excluding oil products amounted to 12.9%YoY while excluding oils products and ships the value of exports-dispatches rose by 12.6%YoY. For the period January – August 2018, imports-arrivals rose by 9.0%YoY, imports-arrivals excluding oil products increased by 3.5% while imports-arrivals excluding oil products and ships increased by 9.2%.

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Tuesday 09 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

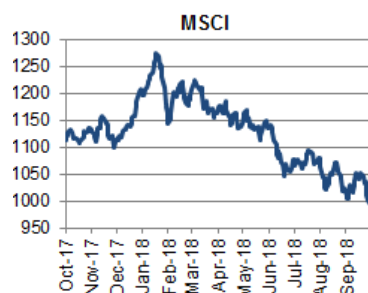
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* 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

CYPRUS

Property prices continued rising on an annual basis in the second quarter of 2018. The House Price Index (HPI), a quarterly index calculated and published by CYSTAT measuring the change in the average prices of residential dwellings on a transactions basis, is in positive territory since Q4-2016. The HPI expanded on an annual basis by +0.6% QoQ/+1.2% YoY in Q2-2018 down from -1.8% QoQ/+3.7% YoY in Q1-2018 compared to +2.7% QoQ/+2.4% YoY in Q4-2017 vs +3.1% QoQ/+3.6% YoY in Q2-2017. The Cypriot reading -albeit lagging behind that of EA-19 (+4.3% YoY) in this quarter- still bodes well with the ongoing rebound in the property market.

Having expanded with double digits throughout 2017, construction output increased further by 5.1% YoY in Q1-2018. The outstanding performance in Q1-2017 (+45.5% YoY) had a negative base effect on the first quarter's reading. On average, construction output was running at 21.9% YoY in FY2017, up from 9.0% YoY in FY2016 vs only 0.2% YoY in FY2015. The latest building permits release predisposes for a continuation in the construction output rebound. According to CYSTAT, the total value of building permits issued in 1H-2018 rose by 20% YoY to €788.8mn while the total area of building permits increased by 26% YoY.

The construction rebound has been one of the main drivers behind Cyprus' impressive turn-around. GDP growth came in at 4.0% in 1H-2018 – which is still close to the post-Lehman period high – surpassing the most optimistic forecasts, compared to 4.2% in 2017, 4.8% YoY in 2016 and only 2.0% YoY in 2015. The stream of construction projects (incl. those already under construction, those who have received permits and the pending applications) point to a looming construction boom. The program citizenship by investment (an investment of €2mn in real estate enables the beneficial owner to acquire the Cypriot passport and can be reduced down after 3 years to just €500,000) has helped to attract foreign funded investment in the real estate sector in the form of high-rise residential towers, which are located in Limassol & Paphos.

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SERBIA

At its meeting yesterday, the NBS decided to maintain the KPR at 3.0%. Even though the decision was broadly anticipated by the market - evidenced by the unanimous response by twenty five participants in the Bloomberg Survey - the EUR/RSD receded at 118.40 ca 10:00 GMT yesterday but has partially recouped thereafter, standing at the time of writing at 118.66.

According to the NBS, the main motivations behind the decision were the well anchored inflation expectations along with the required caution when conducting monetary policy due to the challenging external environment. The inflation expectations for both 2019 and 2020 are anchored within the target band (+3%, ± 1.5%) (2.6% YoY in August). The next policy meeting is scheduled for November 8 but no changes are anticipated then either as the monetary stance is expected to remain cautious throughout the year, roughly synchronized with the ECB's declared monetary policy towards a gradual normalization process.

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Tuesday 09 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	2884.43	0.0%	7.9%	EUR/USD	1.1471	-0.2%	-4.4%	UST - 10yr	3.25	2	84	GOLD	1189	0.1%	-8.7%
Nikkei 225	23469.39	-1.3%	3.1%	GBP/USD	1.3078	-0.1%	-3.3%	Bund-10yr	0.56	3	13	BRENT CRUDE	84	0.7%	26.3%
STOXX 600	372.91	0.2%	-4.2%	USD/JPY	113.35	-0.1%	-0.6%	JGB - 10yr	0.16	1	11	LMEX	2975	-0.8%	-13.0%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	1	-23
1-week	2.40	1	-21
1-month	2.63	1	-22
3-month	2.94	1	-18
6-month	3.10	1	-14

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	3.87	0	88

CDS

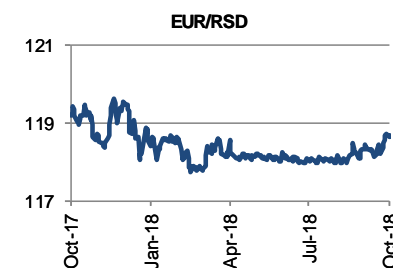
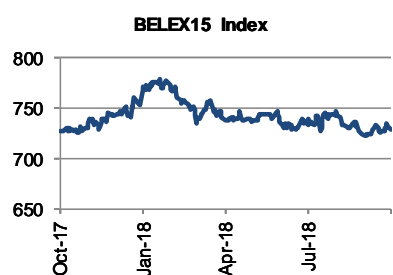
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	158	0	-4

STOCKS

	Last	ΔD	ΔYTD
BELEX15	727.9	-0.52%	-4.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.41	0.24%	0.42%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.58	0	149
1-month	3.07	0	120
3-month	3.13	0	108
6-month	3.39	0	112
12-month	3.51	0	119

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.15	0	77
5Y RON	4.74	0	96
10Y RON	5.12	0	81

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	0	-4
USD Jan-24	4.31	4	131

CDS

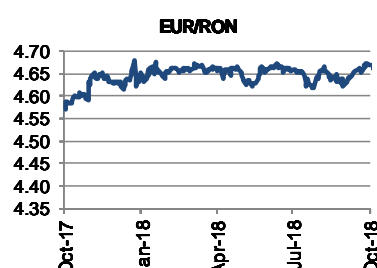
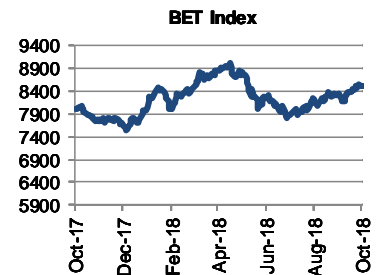
	Last	ΔDbps	ΔYTD bps
5-year	101	0	11
10-year	144	0	11

STOCKS

	Last	ΔD	ΔYTD
BET	8520.7	0.00%	9.89%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6687	0.00%	-0.08%



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	-0.05	0	1
5Y BGN	0.08	0	-7
10Y BGN	0.80	0	-17

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.04	-1	4
EUR Sep-24	0.45	-1	-13

CDS

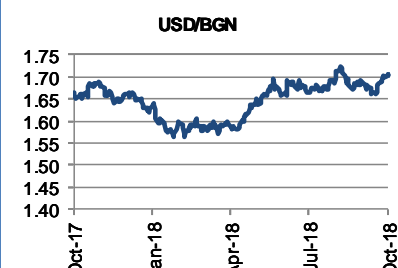
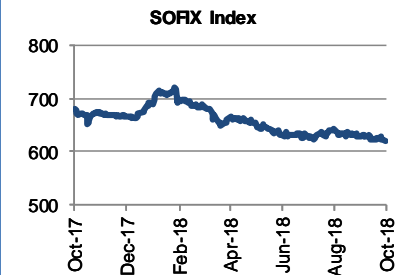
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	125	0	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	618.6	0.00%	-8.69%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7049	-0.17%	-4.43%



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

Data updated as of 10:25 EEST

Tuesday 09 October 2018

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