

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: The Fed maintained the target range for the federal funds rate at 2.00% to 2.25% at yesterday's monetary policy meeting, as was widely expected, and reiterated that "further gradual increases" will be consistent with its policy objectives. In FX markets, supported by expectations for higher Fed interest rates ahead, the USD was firmer across the board. Elsewhere, US Treasury yields were lower today amid concerns over a more pronounced than currently expected slowdown in China. Most euro area debt yields were also lower partially driven by updated economic forecasts from the EU Commission. In its Autumn 2018 Economic Forecast, the European Commission revised lower its euro area GDP growth projection for both 2018 and 2019 to 2.1% and 1.9% respectively from 2.3% and 2.0% previously, noting that this baseline scenario is subject to "a growing number of interconnected downside risks".

GREECE: According to the European Commission's 2018 Autumn Forecast, Greece's real GDP growth rate for 2018, 2019 and 2020 is expected at 2.0% under the assumption of a no-policy regime change for 2019 and 2020, i.e. under the assumption that the pension cuts and fiscal measures agreed for 2019 and 2020 in the context of the Third Economic Adjustment Programme will be implemented.

SOUTH EASTERN EUROPE

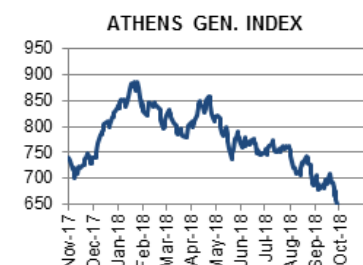
CESEE MARKET AND MACRO DEVELOPMENTS: Emerging market assets traded mixed in morning trade on Friday in the wake of the anticipated Fed's announcement for stable interest rates and the European Commission's latest economic forecasts according to which euro area GDP growth rate forecasts for both 2018 and 2019 were revised lower. In other news, the National Bank of Serbia (NBS) kept the key policy rate (KPR) unchanged at 3%, a broadly anticipated decision.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The Fed maintained the target range for the federal funds rate at 2.00% to 2.25% at yesterday's monetary policy meeting, as was widely expected, and reiterated that "further gradual increases" will be consistent with its policy objectives. The accompanying statement overall reflected little change in the Fed's outlook for the US economy reading that economic activity has been rising at a strong rate, inflation remained near its 2% target and risks to the economic outlook were still assessed to be "roughly balanced". With the Fed expected to further raise interest rates in the period ahead, the 2-yr yield hit a fresh decade high close to 2.98% late yesterday before retreating to levels near 2.95% in European trade today, 2bps lower compared to Thursday's close, amid concerns over a more pronounced than currently expected slowdown in China following weaker than expected October inflation data earlier today. Long-dated US paper outperformed with the 10-yr yield falling by 2.6bps on the day close to 3.21%. Along these lines, Germany's 10-yr Bund yield fell from a more than two-week high close to 0.47% yesterday to levels near 0.42% earlier today. With the exception of Italy amid prevailing fiscal jitters, most euro area debt yields were also lower today by up to 3bps on the day partially driven by updated economic forecasts from the EU Commission. In its Autumn 2018 Economic Forecast released yesterday, the EU Commission revised lower its euro area GDP growth projection for both 2018 and 2019 to 2.1% and 1.9% respectively from 2.3% and 2.0% previously, noting that this baseline scenario is subject to "a growing number of interconnected downside risks". In FX markets, supported by expectations for higher Fed interest rates ahead, the USD was firmer across the board with the EUR/USD trading close to 1.1330/36 at the time of writing, not far from a 15-month low of 1.1312 marked in late October.

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GREECE

According to the European Commission's 2018 Autumn Forecast, Greece's real growth rate for 2018, 2019 and 2020 is expected at 2.0% under the assumption of a no-policy regime change for 2019 and 2020, i.e. under the assumption that the pension cuts and fiscal measures agreed for 2019 and 2020 in the context of the Third Economic Adjustment Programme will be implemented. The 2019 real growth rate forecast was revised downwards compared to the respective 2018 Spring Forecast (2019 real growth rate at 2.3%). Among the GDP components, investment is expected to fall by 2.1% in 2018 (compared to an increase of 10.3% in the 2018 Spring Forecast) and to rise by 14.9% and 9.6% in 2019 and 2020 respectively. Again, under a no-policy-change assumption, Greece is set to over-achieve the primary surplus target of 3.5% of GDP (in ESM programme terms) agreed for both 2019 and 2020 in the June 2018 Eurogroup. The overall fiscal surplus is expected at 0.6% of GDP in 2018, 2019 and 2020. Gross public debt is expected to fall from 182.5% of GDP in 2018, to 174.9% in 2019 and 167.4% in 2020. Under a policy regime change, the real growth rate is expected to increase and could reach 2.3% in 2019 and 2020. The discussion over the extent of the policy regime change – if any – is already under way. According to the European Commission, the finalization of the discussion, will prompt the adjustment of the forecasts for 2019 and 2020. So, the above forecasts are only interim. The final ones are expected in the following weeks. Unemployment will continue its declining path, to 19.6% in 2018 (from 20.1% in the 2018 Spring Forecast), to 18.2% in 2019 and 16.9% in 2020. The inflation rate is projected to reach 0.8% in 2018, 1.2% in 2019 and 1.0% in 2020.

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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

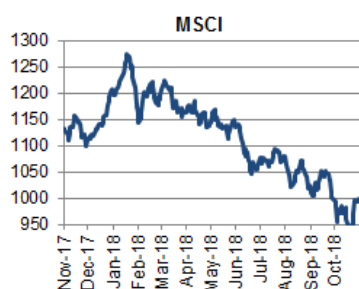
* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS

Emerging market assets traded mixed in morning trade on Friday in the wake of the anticipated Fed's announcement for stable interest rates and the European Commission's latest economic forecasts according to which euro area GDP growth rate forecasts for both 2018 and 2019 were revised lower. European and Asian stock markets closed on the red yesterday setting today's tone in Polish, Hungarian and Serbian bourses which, at the time of writing, are weaker by ca -1%. Currently, MSCI EM is trading 0.13% higher compared to yesterday's close (+5.66%) while most regional currencies (Hungarian Forint, Polish Zloty and Serbian Dinar) posted slight gains against the Euro in yesterday's session.

In other news, the National Bank of Serbia (NBS) kept the key policy rate (KPR) unchanged at 3%. The decision was broadly anticipated given the continuing positive growth momentum (flash estimate at 3.7% YoY in Q3-2018 vs 4.8% YoY and 4.6% YoY for Q2 and Q1 2018 respectively), inflation expectations of NBS anchored around the 3% midpoint of the tolerance band over the next two years and subdued appreciation pressures towards the dinar as indicated by the minor FX interventions by the NBS during the past two months. Looking ahead, the NBS is expected to maintain the KPR unchanged throughout the remainder of the year and for most of 2019, adopting a more hawkish stance, on the assumption that the ECB will raise interest rates after summer 2019.

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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+

Friday 09 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	2806.83	-0.3%	5.0%	EUR/USD	1.134	-0.2%	-5.5%	UST - 10yr	3.21	-2	81	GOLD	1220	-0.4%	-6.4%
Nikkei 225	22250.25	-1.1%	-2.3%	GBP/USD	1.3018	-0.3%	-3.7%	Bund-10yr	0.44	-2	1	BRENT CRUDE	71	-0.1%	5.5%
STOXX 600	367.08	0.2%	-5.7%	USD/JPY	113.84	0.2%	-1.0%	JGB - 10yr	0.12	0	8	LMEX	2924	0.6%	-14.5%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.45	1	-7
1-week	2.57	0	-4
1-month	2.70	1	-15
3-month	2.99	1	-13
6-month	3.15	2	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.06	-1	-122
5Y RSD	3.58	0	-71
7Y RSD	4.16	0	-102

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.10	0	111

CDS

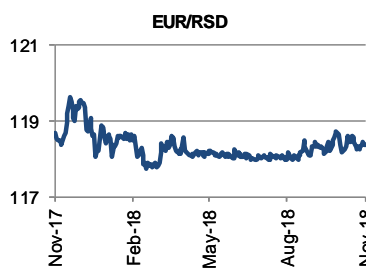
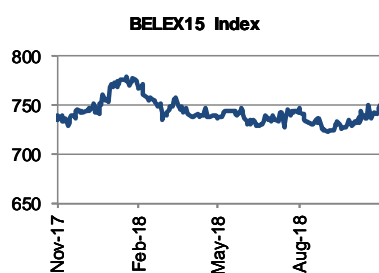
	Last	ΔDbps	ΔYTD bps
5-year	112	0	-5
10-year	155	0	-7

STOCKS

	Last	ΔD	ΔYTD
BELEX15	749.4	0.30%	-1.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.36	-0.54%	0.46%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.64	0	155
1-month	3.14	0	127
3-month	3.21	0	116
6-month	3.47	0	120
12-month	3.59	0	127

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.10	0	72
5Y RON	4.44	0	66
10Y RON	4.93	0	62

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	0	0
USD Jan-24	4.39	0	139

CDS

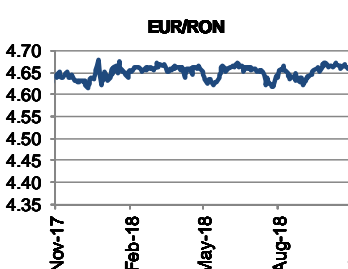
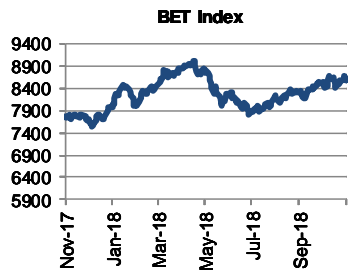
	Last	ΔDbps	ΔYTD bps
5-year	102	0	12
10-year	146	0	12

STOCKS

	Last	ΔD	ΔYTD
BET	8571.5	-1.16%	10.55%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6605	-0.10%	0.09%



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	-1	2
5Y BGN	0.10	0	-4
10Y BGN	0.79	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.06	0	11
EUR Sep-24	0.59	0	2

CDS

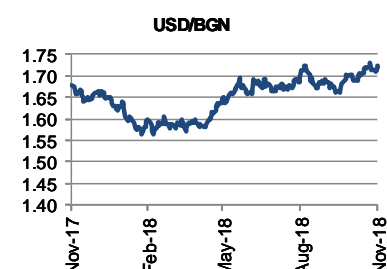
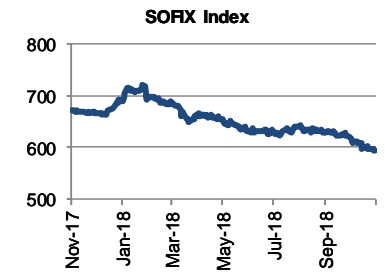
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-17
10-year	126	1	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	595.0	0.40%	-12.17%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7247	-0.20%	-5.53%



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

Data updated as of 9:37 EEST

Friday 09 November 2018

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