

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Sep 12:
 - PPI, final demand (Aug)
 - Fed Beige Book
- Sep 13:
 - CPI (Aug)
 - Initial jobless claim (Sep 8)
- Sep 14:
 - Industrial production (Aug)
 - Retail sales (Aug)
 - UM consumer confidence (Aug, final)

EUROZONE

- Sep 11: German ZEW business expectations (Sep)
- Sep 12: Industrial production (Jul)
- Sep 13: ECB monetary policy meeting
- Sep 14: Trade balance (July)

GREECE

- Sep 10
 - CPI (Aug)
 - Industrial output (Jul)
- Sep 13: Unemployment rate (Q2)

SEE

BULGARIA

- Sep 10:
 - Industrial production (Jul)
 - Retail sales (Jul)
- Sep 12: Trade balance (Jul)
- Sep 13: CPI (Aug)
- Sep 14: Unemployment rate (Aug)

CYPRUS

- Sep 10: GDP (Q2, final)

ROMANIA

- Sep 10: Trade balance (Jul)
- Sep 11:
 - Industrial output (Jul)
 - Industrial sales (Jul)
 - CPI (Aug)
- Sep 13: Current account (July)

SERBIA

- Sep 12: CPI (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Talking to reporters on Friday, US President Donald Trump threatened to impose tariffs on an additional \$267bn worth of goods imports from China on top of \$200bn he is already considering. The US President said that he will decide on the \$200bn of imports "very soon depending on what happens" in the negotiations with China. Core government bond yields and the USD were higher today on Friday's solid US non-farm payrolls data. The headline rose by a higher than expected 201k in August and average hourly earnings rose by 0.4% mom taking the annual rate two tenths higher to 2.9%, the highest since June 2009.

GREECE: At the inauguration of the Thessaloniki International Fair, Greek PM Alexis Tsipras said that the primary surplus targets set in the context of the ESM programme that concluded in August will be respected. At the same time his government will use the fiscal space that is projected to be created in the next couple of years to relieve the burden borne by the public during the past years. Meanwhile, the technical staff of the institutions are expected in Athens today in order to work primarily on the 2019 State Budget and the progress that has been achieved in the agreed reforms.

SOUTH EASTERN EUROPE

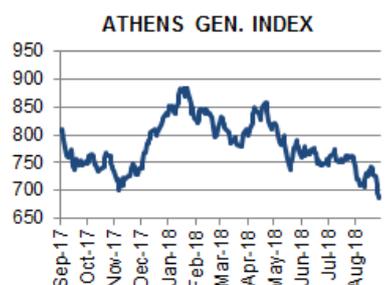
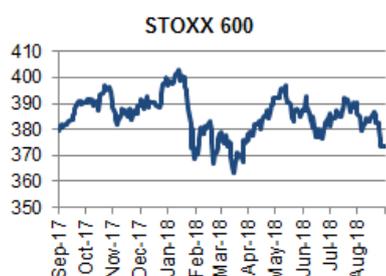
SERBIA: The EUR/RSD remained bound within a 118.00/20 – 118.23/43 trading range in the past week.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Tracking Asian bourses lower, major European equity markets were weaker in early trade on Monday amid mounting worries over a further escalation in the US/China trade row. Talking to reporters on Friday, US President Donald Trump threatened to impose tariffs on an additional \$267bn worth of goods imports from China on top of \$200bn he is already considering. The US President said that he will decide on the \$200bn of imports "very soon depending on what happens" in the negotiations with China. Signs of faster than expected US wage growth, which added to the view for further interest rate increases by the Fed, were also behind today's increased risk aversion. US data released on Friday showed that non-farm payrolls rose by a higher than expected 201k in August and average hourly earnings rose by 0.4% mom taking the annual rate two tenths higher to 2.9%, the highest since June 2009. US non-farm payrolls data pushed core government bond yields higher. The 10-yr UST yield was hovering around 2.94% at the time of writing, within distance from Friday's one-month intraday peak of 2.95% while the 2-yr US yield marked a fresh ten-year peak of 2.71%. German Bunds followed suit with the 10-yr Bund yield rising to a one-week high of 0.41% earlier today. Meanwhile, EMU periphery sovereign bond markets extended recent gains managing to withstand the pressure towards higher yields after comments by Italian finance minister Giovanni Tria over the weekend increased optimism that Italy's 2019 deficit target will probably not violate EU rules. In FX markets, the US retained a firm tone against most of its major currency peers on the back of the solid US non-farm payrolls report and increased risk aversion. Today's data calendar is light with the most important economic releases coming on Thursday with the US CPI data for August. In terms of CBs, the ECB and the BoE convene on Thursday and both are expected to stay put on interest rates.

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GREECE

At the inauguration of the Thessaloniki International Fair, Greek PM Alexis Tsipras said that the primary surplus targets set in the context of the ESM programme that concluded in August will be respected. At the same time his government will use the fiscal space that is projected to be created in the next couple of years to relieve the burden borne by the public during the past years. More specifically, Mr. Tsipras reportedly intends to use the 2018 fiscal space to redeem debts to uniformed officials, judges and university professors as well as to distribute a social dividend to poor households. As of 2019, the over-performance of the fiscal target will be used to gradually reduce the property tax for low-income households, the social security contributions of high-income freelancers who are considered to have been burdened excessively in the past few years, the corporate income tax rate from 29% to 25% and the extraordinary solidarity contribution as of 2020. As regards the legislated pension cuts that are to take effect as of January 2019, Mr. Tsipras pointed out that they are not necessary for fiscal reasons, adding though that decisions on this matter will be made in agreement with the European partners. With regard to the next general elections, the Greek PM reiterated his intention to hold them in October 2019, at the end of the government's term, without however, ruling out the possibility of an earlier election. Meanwhile, the technical staff of the institutions are expected in Athens today. This mission will reportedly focus on the 2019 State Budget and the progress that has been achieved in the agreed reforms.

Monday 10 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: Indicators	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*

The EUR/RSD continued to trade sideways during the past week, still remaining bound within its five-month range of 117.90/10-118.35/55. EUR/RSD holds its ground amid light trade volumes and unchanged interest rates by the National Bank of Serbia in the latest Monetary Policy Committee last Thursday, a decision in line with market expectations. On a daily basis, the EUR gained a bit of ground against the Serbian currency, ending on Friday's trading at 118.23/43, 10 paras higher compared with the prior session's settlement.

*We would like to thank Djordje Lucic from Eurobank AD Beograd for his invaluable contribution in today's issue

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Monday 10 September 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	2871.68	-0.2%	7.4%	EUR/USD	1.1544	-0.1%	-3.8%	UST - 10yr	2.94	0	53	GOLD	1193	-0.3%	-8.5%
Nikkei 225	22373.09	0.3%	-1.7%	GBP/USD	1.291	-0.1%	-4.5%	Bund-10yr	0.39	0	-4	BRENT CRUDE	78	0.9%	15.9%
STOXX 600	373.77	0.0%	-4.0%	USD/JPY	110.99	0.0%	1.5%	JGB - 10yr	0.12	1	7	LMEX	2883	0.4%	-15.7%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.38	0	-23
1-month	2.59	0	-26
3-month	2.89	0	-23
6-month	3.06	0	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.40	-1	-87
5Y RSD	3.86	4	-38
7Y RSD	4.38	0	-80

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.79	1	79

CDS

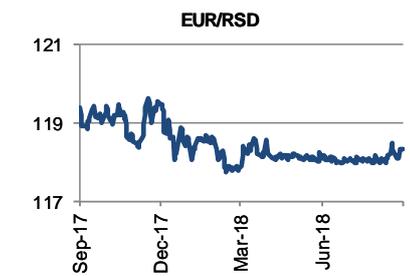
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-8
10-year	155	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	724.7	0.00%	-4.62%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.40	-0.71%	0.43%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.12	0	103
1-month	3.06	0	119
3-month	3.12	0	107
6-month	3.37	0	110
12-month	3.5	0	118

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.98	0	60
5Y RON	4.35	0	57
10Y RON	4.79	0	48

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	-1	2
USD Jan-24	4.18	0	118

CDS

	Last	ΔDbps	ΔYTD bps
5-year	96	0	6
10-year	139	0	6

STOCKS

	Last	ΔD	ΔYTD
BET	8311.0	0.08%	7.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6358	-0.27%	0.63%



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	0.05	-4	-10
10Y BGN	0.84	0	-13

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.06	0	1
EUR Sep-24	0.38	0	-20

CDS

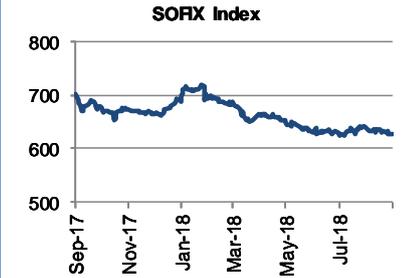
	Last	ΔDbps	ΔYTD bps
5-year	79	1	-17
10-year	120	0	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	627.0	0.00%	-7.45%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6942	-0.08%	-3.82%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:27 EEST

Monday 10 September 2018

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