



# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday 10 October 2018

## 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:** Italian government bonds remained under pressure early yesterday but market sentiment improved somewhat around lunchtime following Economy Minister Giovanni Tria's pledge that he will do whatever is necessary to restore calm if market turbulence turns into a financial crisis. However, a number of risks lie ahead. In FX markets, the GBP was firmer across the board on press reports conveying that the EU and the UK have narrowed their differences on the Irish backstop and an agreement on the terms of the UK divorce could be reached by Monday, in time for the next EU Summit scheduled for 17-18 October.

**GREECE:** According to the Bank of Greece (BoG) the ELA ceiling for Greek banks was set at EUR5.0 billion up to and including 7 November 2018, reduced by EUR0.2 billion. According to BoG Governor Yannis Stournaras, the ongoing improvement of the liquidity situation of Greek banks reflects the improved condition of the Greek financial system while the recent stock market developments in respect of the banking sector are not related to the soundness of Greek banks and are due to purely exogenous factors. In its Fiscal Monitor October 2018 report, the IMF has revised its projections for the general government primary balance for Greece at 3.5% of GDP from 2018 to 2022 and 3.0% of GDP in 2023. General government gross debt as a percentage of GDP is projected at 188.1% in 2018, gradually decreasing to reach 151.1% in 2023.

### SOUTH EASTERN EUROPE

**CYPRUS:** The deleveraging of the domestic private sector continued in Q1-2018.

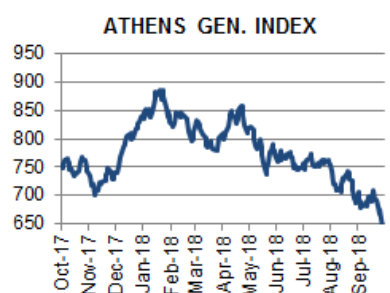
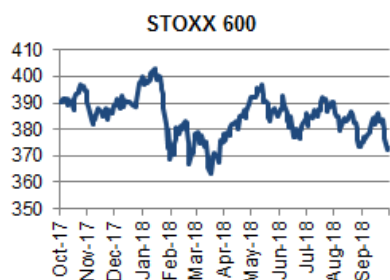
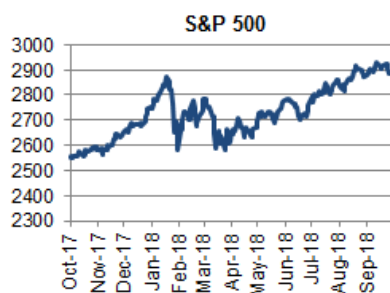
**BULGARIA:** The IMF revised its GDP growth forecast for 2018 to 3.6% vs 3.8% in April.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Italian government bonds remained under pressure early yesterday but market sentiment improved somewhat around lunchtime following Economy Minister Giovanni Tria's pledge that he will do whatever is necessary to restore calm if market turbulence turns into a financial crisis. Short-dated paper outperformed with the 2-yr yield standing close to 1.77% at the time of writing, c. 20bps lower from Tuesday's 4½ month intraday high while the 10-yr paper was yielding levels around 3.58%, some 13bps lower from yesterday's fresh 7½ year intraday peak. However, a number of risks lie ahead. Italy's 2019 Budget Law has to be submitted to the European Commission by around mid-October, which has then two weeks to send it back asking for amendments, if it sees a "serious risk of non-compliance" with EU rules. Around a week later, the Budget Law will be sent to the Italian parliament for approval by year-end. Parliamentary discussion on the Budget Law will coincide with major rating agencies' revisions. Moody's has already placed Italy under review for a possible downgrade (likely to be announced at the end of October) while S&P's review is scheduled for 26 October. Elsewhere, UST bond yields also fell from Tuesday's fresh highs, partly due to comments by US President Donald Trump that the Fed is going too fast in raising interest rates. 10-yr yields fell to 3.21% earlier today after marking a new 7½ year peak of 3.26% on Tuesday ahead of today's auction of \$36bn in 3-yr and \$23bn in 10-yr notes.

In FX markets, the USD's rally came to a pause with the DXY index standing 0.5% weaker compared to yesterday's 7-week high helping the EUR/USD to gain some ground hovering around 1.1480/85 at the time of writing after marking a multi-week low of 1.1430 in the prior session. Meanwhile, the GBP was firmer across the board hitting a fresh 3½ month high against the EUR and a two-week peak versus the USD on press reports conveying that the EU and the UK have narrowed their differences on the Irish backstop and an agreement on the terms of the UK divorce could be reached by Monday, in time for the next EU Summit scheduled for 17-18 October.

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### GREECE

According to the Bank of Greece (BoG) the ELA ceiling for Greek banks was set at EUR5.0 billion up to and including 7 November 2018, reduced by EUR0.2 billion. On this occasion, the Governor of the BoG Yannis Stournaras stated: "The ongoing improvement of the liquidity situation of Greek banks reflects the improved condition of the Greek financial system. The recent stock market developments in respect of the banking sector are not related to the soundness of Greek banks and are due to purely exogenous factors, such as rises in interest rates internationally and in Greece's neighbouring countries in particular". Meanwhile, in its Fiscal Monitor October 2018 report, the IMF has revised its projections for the general government primary balance for Greece at 3.5% of GDP from 2018 to 2022 and 3.0% of GDP in 2023. The April 2018 general government primary balance projections were 2.0% of GDP in 2018 and 1.5% of GDP from 2019 to 2022. General government gross debt as a percentage of GDP is projected at 188.1% in 2018, gradually decreasing to reach 155.1% in 2022 and 151.1% in 2023, against the April 2018 projections of 181.5% in 2018, gradually decreasing to 162.8% in 2022.

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Wednesday 10 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

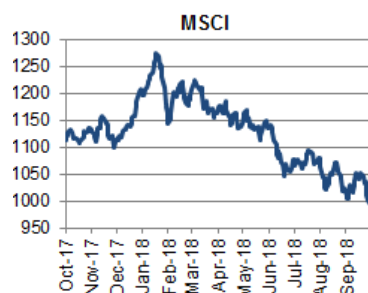
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

\* 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

According to the Household and Non-Financial Corporations (NFC) indebtedness report released yesterday by the Central Bank, the total private sector debt declined to 226.6% of GDP in March 2018 down from 240.3% of GDP in December 2017. Household and NFC debt ratios declined gradually to 104.7% and 121.9% of GDP, respectively, at the end of March 2018 compared with 109.4% and 130.4% of GDP, respectively, at the end of December 2017. The stock of bank loans to the domestic private non-financial sector, decreased to 187.1% of GDP at end-March 2018 compared with 201.6% at end-December 2017. The net financial asset position (net worth) of households, decreased slightly to 108.7% of GDP in Q1-2018 compared to 109.8% in the previous quarter. The net financial liabilities of NFCs, remained high at 107.5% of GDP at end-March 2018, having decreased from 114.4% in the previous quarter.

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### BULGARIA

In the October World Economic Outlook, the IMF revised its 2018 GDP growth forecast for Bulgaria to 3.6% vs 3.8% in April. The forecast for 2019 GDP growth remained unchanged at 3.1%. The IMF's revision is followed by that of the Ministry of Finance, released last Friday, according to which GDP growth for 2018 is projected at 3.6% vs 3.9% in May and a realisation of 3.4% in H1 2018. The downward revision comes as a result of the weaker than expected export performance, which reflects, inter alia, the deteriorating economic activity in one of the major trade partners of Bulgaria, Turkey.

In other news, the Statistical Office released yesterday data on retail sales as well as the industry production index for August. Retail sales confirmed the positive effect of domestic demand in GDP growth as they expanded in August by 0.5% MoM and 5.1% YoY compared to 0.2% MoM and 4.9% YoY in July. Accordingly, industrial production expanded by 0.8% MoM and 2.3% YoY. Manufacturing was up by 1.6% MoM and 5.0% YOY, inhibiting mining industry contraction by 2.1% MoM and 17.4% YoY.

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Wednesday 10 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	2880.34	-0.1%	7.7%	EUR/USD	1.1492	0.0%	-4.3%	UST - 10yr	3.22	1	81	GOLD	1189	-0.1%	-8.8%
Nikkei 225	23506.04	0.2%	3.3%	GBP/USD	1.3163	0.1%	-2.6%	Bund-10yr	0.55	0	12	BRENT CRUDE	85	-0.4%	26.7%
STOXX 600	371.85	-0.3%	-4.5%	USD/JPY	113.08	-0.1%	-0.3%	JGB - 10yr	0.15	-1	11	LME X	3012	1.2%	-11.9%

**SERBIA**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	-1	-24
1-week	2.39	-1	-22
1-month	2.60	-3	-25
3-month	2.90	-4	-22
6-month	3.07	-3	-17

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.34	-1	-94
5Y RSD	3.67	0	-57
7Y RSD	4.19	0	-98

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.90	1	91

**CDS**

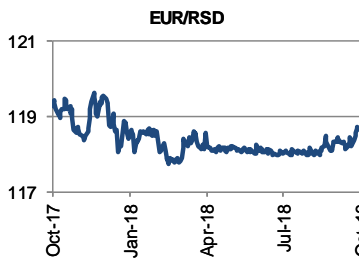
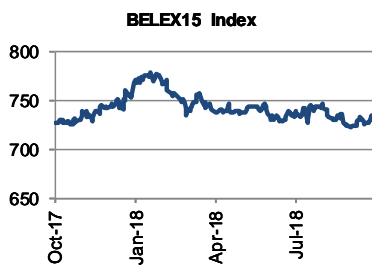
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	157	-1	-5

**STOCKS**

BELEX15	Last	ΔD	ΔYTD
BELEX15	730.7	0.00%	-3.82%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.57	0.10%	0.29%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.72	0	163
1-month	3.08	0	121
3-month	3.13	0	108
6-month	3.4	0	113
12-month	3.53	0	121

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	4.15	0	76
5Y RON	4.72	0	94
10Y RON	5.10	0	79

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	#N/A	N/A
USD Jan-24	4.34	1	134

**CDS**

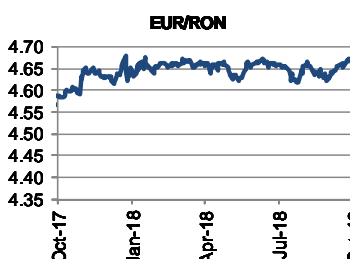
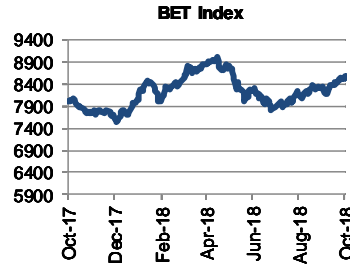
	Last	ΔDbps	ΔYTD bps
5-year	101	0	11
10-year	143	-1	10

**STOCKS**

BET	Last	ΔD	ΔYTD
BET	8563.9	0.22%	10.45%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.663	-0.03%	0.04%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	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**

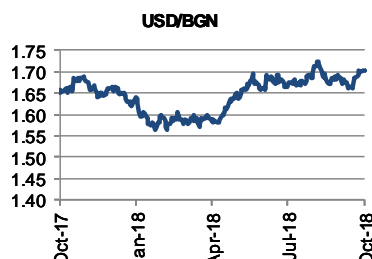
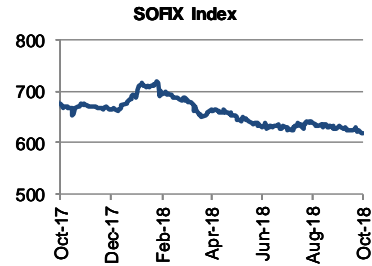
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	125	0	-16

**STOCKS**

SOFIX	Last	ΔD	ΔYTD
SOFIX	617.8	0.11%	-8.80%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7018	0.02%	-4.25%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:50 EEST

Wednesday 10 October 2018

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