

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: In FX markets, the GBP was firmer across the board on market optimism that a “soft” Brexit deal might be within reach. EU chief Brexit negotiator Michel Barnier was quoted as saying that it is “realistic” that the two sides could seal a deal on an orderly UK exit from the EU by the beginning of November. Market hopes of a “soft” Brexit deal in the coming weeks and optimism over Italy’s finances pushed the EUR/USD close to 1.1650 earlier today. Elsewhere, the majority of European equity markets were trading in positive territory in early trade while German Bunds weakened.

GREECE: Speaking to an Austrian newspaper, ESM Managing Director Klaus Regling stated that Greece must continue the reforms and that the debt relief measures may be withheld should the adjustment programmes not continue as agreed. He nevertheless expressed optimism based on recent discussions with the Greek PM adding that Greece’s public debt may seem excessively high but Greece can live with it given the very long-term loan maturities and the significantly low interest rates. According to the Hellenic Statistical Authority (ELSTAT), the Consumer Price Index (CPI) in August 2018 compared with August 2017, increased by 1.0% against an annual rate of change of 0.9% that was recorded in August 2017. In July 2018 the seasonally adjusted Overall Industrial Production Index (IPI) rose by 0.7%MoM, against -0.9%MoM in June 2018.

SOUTH EASTERN EUROPE

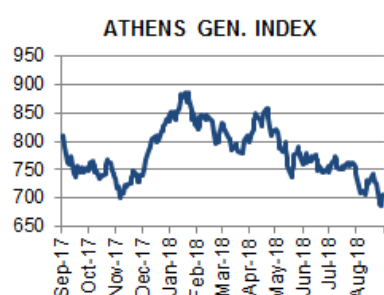
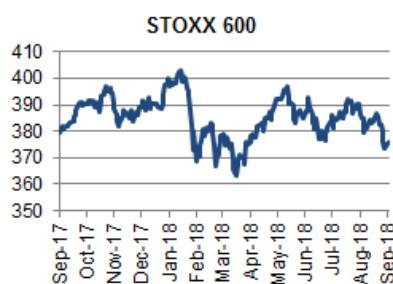
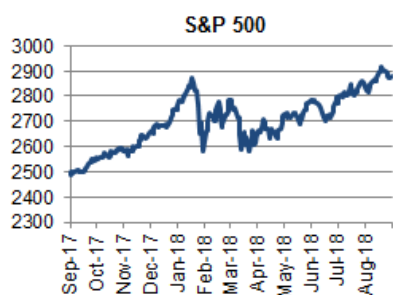
CYPRUS: The second and latest estimate of CYPSTAT about the seasonally adjusted Q2 GDP reading confirmed the flash estimate of 0.8% QoQ/3.9% YoY.

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Latest world economic & market developments

GLOBAL MARKETS



In FX markets, the GBP was firmer across the board on market optimism that a "soft" Brexit deal might be within reach. EU chief Brexit negotiator Michel Barnier was quoted as saying that it is "realistic" that the two sides could seal a deal on an orderly UK exit from the EU by the beginning of November. The above remarks followed his comments a couple of weeks earlier that a withdrawal agreement is around 80% completed and the remaining 20% includes two contentious issues, the Northern Irish border and the EU/UK long-term economic relationship. The GBP/USD revisited levels above 1.3000 hitting a five-week high of 1.3086 earlier today while the EUR/GBP fell to 0.8889, the lowest since early August. Meanwhile, the Italian budget negotiations are supposedly progressing smoothly after comments by Italian finance minister Giovanni Tria over the weekend supported optimism that Italy's 2019 deficit target will probably not violate EU rules. Market hopes of a "soft" Brexit deal in the coming weeks and optimism over Italy's finances pushed the EUR/USD close to 1.1650 earlier today, 0.4% higher on a daily basis. News that US and EU trade officials met in Brussels and that the two sides could likely reach a deal in November for a reduction in non-tariffs barriers to trade, also favored market sentiment towards the EUR/USD. Elsewhere, the majority of European equity markets were trading in positive territory in early trade while improved risk appetite dented the safe-haven appeal of German Bunds. Long-dated German paper underperformed with the 10-yr Bund yield hitting a five-week peak of 0.423% earlier today and the 2-yr note was yielding levels around -0.54% at the time of writing, the highest since mid-May. Meanwhile, EMU periphery sovereign bond markets extended recent gains. Italian sovereign paper remained a star performer with the 10-yr yield trading close to 2.71% in early European trade, the lowest since late July and some 52bps lower compared to the late August peak. Looking at today's data calendar, the main highlights include UK employment data and Germany's ZEW business expectations index for September.

ppetropoulou@eurobank.gr

GREECE

Speaking to an Austrian newspaper, ESM Managing Director Klaus Regling stated that Greece must continue the reforms and that the debt relief measures may be withheld should the adjustment programmes not continue as agreed. He nevertheless expressed optimism based on recent discussions with the Greek PM adding that Greece's public debt may seem excessively high but Greece can live with it given the very long-term loan maturities and the significantly low interest rates. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), the Consumer Price Index (CPI) in August 2018 compared with August 2017, increased by 1.0% - marking the 5th consecutive annual increase - against an annual rate of change of 0.9% that was recorded in August 2017. Core CPI remained unchanged on an annual basis. The average CPI for the 12 - month period from September 2017 to August 2018, compared with the corresponding index for the period September 2016 to August 2017 increased by 0.5%. The annual rate of change of the average CPI between the 12 - month period September 2016 to August 2017 in comparison to the period September 2015 to August 2016 was 0.6%. Meanwhile, in July 2018 the seasonally adjusted Overall Industrial Production Index (IPI) rose by 0.7%MoM, against -0.9%MoM in June 2018 while the Overall IPI rose 1.9%YoY compared to 3.1%YoY that it had increased in July 2017.

Source: Reuters, Bloomberg, Eurobank Research

Tuesday 11 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

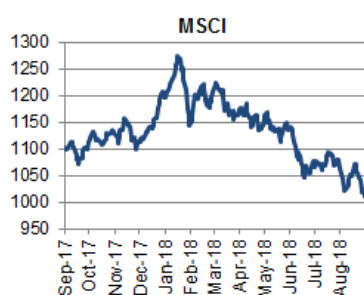
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: 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

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

CYPRUS

The second and latest estimate of CYPSTAT about the seasonally adjusted Q2 GDP reading confirmed the flash estimate of 0.8% QoQ/3.9% YoY. This strong reading compares to 1.0% QoQ/4.1% YoY in Q1-2018, 1.0% QoQ/3.6% YoY in Q4-2017 vs. 1.0% QoQ/4.4% YoY in Q2-2017. Real GDP growth marked the 13th consecutive positive reading on both a quarterly and an annual basis after a previous three-year recession. The GDP growth rate of Q2 is among the highest in the EA-19 and the EU-28, both on a quarterly and an annual basis and, for a tenth consecutive quarter in a row, above that of the EA-19. This output performance is still very close to the highest during the post-Lehman period, surpassing analysts' expectations and international organizations' full year initial or revised forecasts. It signals the economy has embarked on a faster growth path than previously envisaged. Most forecasters believe the Cypriot economy is at its cyclical peak to be followed by a slightly lower GDP growth in 2018, yet we think risks to the upside are also present thanks to an investment boom- which is primarily real-estate related- and a flourishing tourism industry. Thus we believe that Cyprus is very likely to repeat past year's outstanding growth performance in 2018. Real GDP growth expanded by 3.9% YoY in 2017- a new post-Lehman high in 2017- up from 3.4% YoY 2016, compared to 2.0% YoY in 2015, and a cumulative drop of 10.1% over 2012-2014.

igkionis@eurobank.gr

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GLOBAL MARKETS

Stock markets				FOREX			Government Bonds				Commodities				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	2877.13	0.2%	7.6%	EUR/USD	1.1638	0.4%	-3.1%	UST - 10yr	2.95	1	54	GOLD	1197	0.1%	-8.1%
Nikkei 225	22664.69	1.3%	-0.4%	GBP/USD	1.3071	0.3%	-3.3%	Bund-10yr	0.41	1	-1	BRENT CRUDE	78	0.7%	16.5%
STOXX 600	375.82	0.1%	-3.4%	USD/JPY	111.52	-0.3%	1.0%	JGB - 10yr	0.11	-1	6	LME X	2878	-0.2%	-15.8%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.39	1	-22
1-month	2.60	1	-25
3-month	2.89	0	-23
6-month	3.07	1	-17

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.42	#N/A	N/A
5Y RSD	3.83	0	-41
7Y RSD	4.38	0	-80

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.77	-2	77

CDS

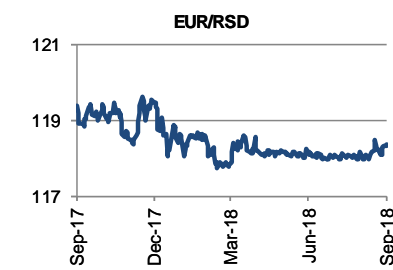
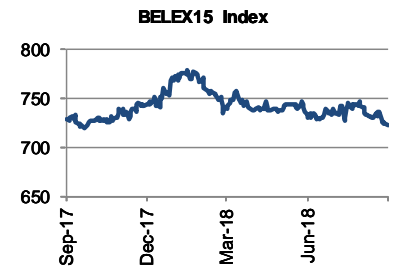
	Last	ΔDbps	ΔYTD bps
5-year	107	-2	-10
10-year	155	0	-7

STOCKS

	Last	ΔD	ΔYTD
BELEX15	722.4	-0.32%	-4.92%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.46	-0.11%	0.38%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.44	0	135
1-month	3.05	0	118
3-month	3.11	0	106
6-month	3.37	0	110
12-month	3.5	0	118

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.97	0	59
5Y RON	4.33	0	55
10Y RON	4.79	0	47

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.59	0	4
USD Jan-24	4.21	1	121

CDS

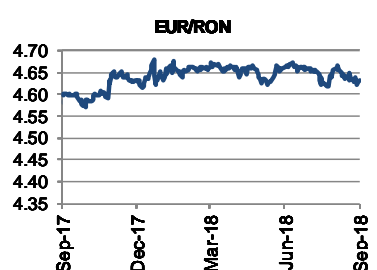
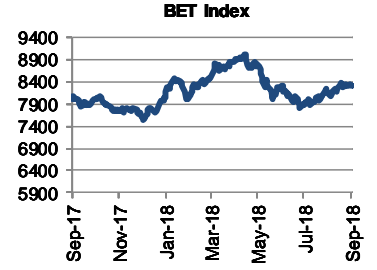
	Last	ΔDbps	ΔYTD bps
5-year	96	0	6
10-year	139	0	6

STOCKS

	Last	ΔD	ΔYTD
BET	8322.6	-0.11%	7.34%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6305	-0.06%	0.74%



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	-0.06	1	0
5Y BGN	0.09	1	-6
10Y BGN	0.84	0	-13

BG Eurobonds

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

CDS

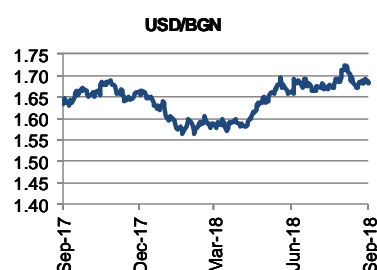
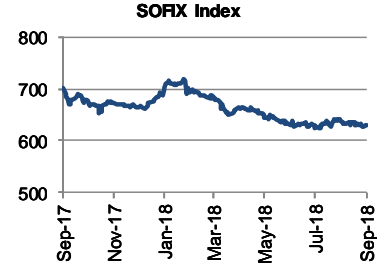
	Last	ΔDbps	ΔYTD bps
5-year	82	3	-15
10-year	123	3	-18

STOCKS

	Last	ΔD	ΔYTD
SOFIX	629.4	0.09%	-7.10%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6806	0.37%	-3.05%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:40 EEST

Tuesday 11 September 2018

Contributors

Paraskevi PetropoulouSenior Economist, Eurobank
Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr**Ioannis Gkionis**Senior Economist, Eurobank
Ergasias

+30 210 3337305

igkionis@eurobank.gr**Anna Dimitriadou**

Economic Analyst, Eurobank Ergasias

+30 210 3718793

andimitriadou@eurobank.gr**Olga Kosma (Special Contributor)**Research Economist, Eurobank
Ergasias

+30 210 3371227

okosma@eurobank.gr**Stelios Gogos (Special Contributor)**Economic Analyst, Eurobank
Ergasias

+30 210 3371226

sgogos@eurobank.gr**Theodoros Stamatou (Special Contributor)**

Senior Economist, Eurobank Ergasias

+ 30 210 3371228

tstamatou@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

Dr. Tasos Anastasatos: Group Chief Economist
tanastasatos@eurobank.gr, + 30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 3718 793

Marisa Yiannissis: Administrator
magiannisi@eurobank.gr +210 3371242

Ioannis Gkionis: Senior Economist
igkionis@eurobank.gr + 30 210 33 71 225

Dr. Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr + 30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr + 30 210 33 71 227

Paraskevi Petropoulou: Senior Economist
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Dr. Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, + 30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

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