

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: Focus today is on global equity markets' performance after Wall Street's sharp losses overnight fueled by a sharp drop in technology stocks, led to a generalised risk-off sentiment. Favoured by equity markets' sell-off, core government bond markets gained with yields down across the curve. In FX markets, the USD was weaker across the board weighed down by US stock market's lacklustre performance overnight. In the meantime, the CHF and the JPY were among the main outperformers. Data-wise, US CPI inflation data for September lure market attention amid expectations for higher Fed interest rates ahead as inflation pressures generally seem to be rising and the US economy continues growing steadily.

GREECE: According to press reports, 10,410 auctions have been carried out through the e-auctions platform from November 2017 – when the platform was launched – until today. The procedure is gradually gaining pace with a view to reaching 40,000 e-auctions annually but investors' interest has so far been low. According to the Hellenic Statistical Authority (ELSTAT), in September 2018 CPI inflation stood at 1.1%YoY while the average CPI inflation for the 12-month period Oct 2017 - Sep 2018 increased by 0.6%YoY. In August 2018 the overall industrial production index rose by 1.4%YoY while the average overall industrial production index for the period Jan-Aug 2018 recorded an increase of 0.8% compared to the corresponding period of 2017.

SOUTH EASTERN EUROPE

BULGARIA: The trade deficit widened by 6% MoM and 8% YoY in August 2018.

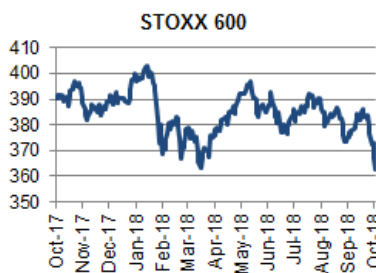
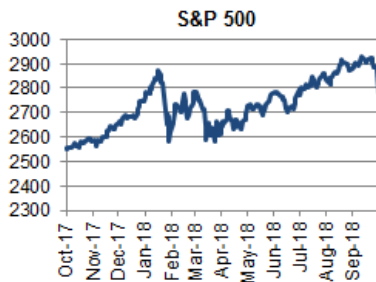
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Thursday 11 October 2018

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Focus today is on global equity markets' performance after Wall Street's sharp losses overnight fueled by a sharp drop in technology stocks, led to a generalised risk-off sentiment. S&P 500 closed 3.3% lower, the sharpest one-day fall since February, almost halving the year-to-date gain, following comments by IMF Managing Director Christine Lagarde that stock market valuations have been "extremely high". Market uncertainty as the US earnings season is about to get into full swing with key earnings results from the banking sector on Friday and further claims by US security officials that China exerts unprecedented effort to influence US public opinion ahead of the November congressional elections, might also have had some effect on Wall Street's lacklustre performance. Nasdaq was down over 4% and Dow Jones ended more than 2% lower with the VIX vol index reaching its highest level since early April. The sell-off made US President Donald Trump sharpen his recent criticism on the Fed's monetary policy stance saying that the Central Bank has gone "crazy" with respect to rate hikes. Asian bourses followed suit with Japan's Nikkei ending today about 4% lower while FTSE EuroFirst 300 was around 1.7% lower in early trade at the time of writing approaching end-March lows.

Favoured by global equity markets' sell-off, core government bond markets gained with yields down across the curve. The 10-yr UST yield was more than 5bps lower on the day standing close to 3.17% at the time of writing after falling to a multi-session trough of 3.14% earlier today. In FX markets, the USD was weaker across the board weighed down by US stock market's sharp losses overnight. The EUR/USD rebounded standing close to 1.1550, 0.2% firmer on the day after marking a one-week peak of 1.1570 earlier today. In the meantime, the CHF and the JPY were among the main outperformers. Data-wise, US CPI inflation data for September lure market attention today amid expectations for higher Fed interest rates ahead as inflation pressures generally seem to be rising and the US economy continues growing steadily.

ppetropoulou@eurobank.gr

GREECE

According to press reports, 10,410 auctions have been carried out through the e-auctions platform from November 2017 – when the platform was launched – until today. The procedure is gradually gaining pace with a view to reaching 40,000 e-auctions annually. Nevertheless, investors' interest has so far been low, with more than half of the materialised e-auctions ending incomplete while a large batch of the properties that are sold are reportedly bought by banks. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), in September 2018 CPI inflation stood at 1.1%YoY against 1.0%YoY in September 2017. The average CPI inflation for the 12-month period Oct 2017 - Sep 2018 increased by 0.6%YoY while for the 12-month period Oct 2016 – Sep 2017 it had increased 0.8%YoY. Meanwhile, in August 2018 the overall industrial production index rose by 1.4%YoY while the average overall industrial production index for the period Jan-Aug 2018 recorded an increase of 0.8% compared to the corresponding period of 2017.

andimitriadou@eurobank.gr

Thursday 11 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

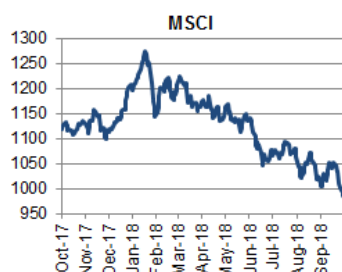
Latest economic & market developments in the CESEE region

BULGARIA

According to the data released from the Statistical Office, the trade deficit in August 2018 widened by 6% MoM and 8% YoY. In January - August 2018 the value of goods exported shrunk by -1.5% YoY while the value of goods imported increased by +7.2% YoY, thus resulting in a trade deficit of BGN 5.9bn, wider by 125.9% YoY.

The trade deficit dynamics were driven by the widening trade deficit with third (non EU) countries, which accounts for 75% of the cumulative deficit for the first eight months of 2018. In fact, the trade deficit with EU-28 contracted by ca 20% YoY in January – August 2018 offsetting only partially the widening of the trade deficit with third countries, which quadrupled mainly on the back of declining exports (-23% YoY). Breaking down the figures of exports, the key component for exports' downsizing is the decreased activity by -26% YoY towards neighboring Turkey. Turkey is the major non-EU country trade partner of Bulgaria, contributing 23% to the total exports.

The weakening exports of Bulgaria to Turkey can be attributed to the latter's stressed economic situation. Given the still strong trade ties between the two countries, the GDP growth projection for 2018 was revised downwards to 3.6% by both the IMF and the Ministry of Finance compared to 3.8% and 3.9% previously.

mkasola@eurobank.gr
**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+

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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	2785.68	-3.3%	4.2%	EUR/USD	1.155	0.3%	-3.8%	UST - 10yr	3.17	1	76	GOLD	1197	0.2%	-8.1%
Nikkei 225	22590.86	-3.9%	-0.8%	GBP/USD	1.3197	0.0%	-2.4%	Bund-10yr	0.52	-4	9	BRENT CRUDE	82	-1.0%	23.0%
STOXX 600	362.58	-1.2%	-6.8%	USD/JPY	112.31	0.0%	0.3%	JGB - 10yr	0.15	-1	10	LME X	2981	-1.0%	-12.8%

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	1	-23
1-week	2.40	1	-21
1-month	2.61	1	-24
3-month	2.91	1	-21
6-month	3.08	1	-16

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.19	-1	-109
5Y RSD	3.65	0	-65
7Y RSD	4.16	0	-102

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.90	0	91

CDS

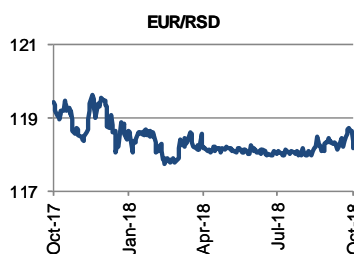
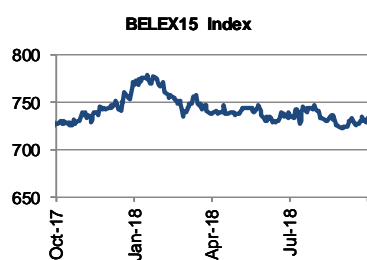
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	158	0	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.5	0.24%	-3.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.52	-0.01%	0.32%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.76	0	167
1-month	3.09	0	122
3-month	3.17	0	112
6-month	3.43	0	116
12-month	3.55	0	123

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.15	0	77
5Y RON	4.72	0	94
10Y RON	5.09	0	78

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	0	-1
USD Jan-24	4.33	1	134

CDS

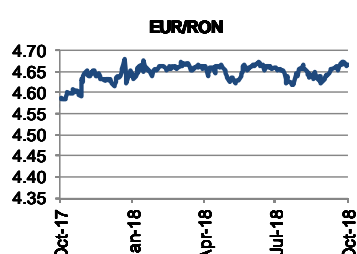
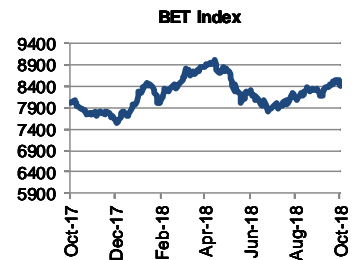
	Last	ΔDbps	ΔYTD bps
5-year	101	0	11
10-year	143	-1	9

STOCKS

	Last	ΔD	ΔYTD
BET	8400.4	-1.03%	8.34%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6675	-0.02%	-0.06%



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	-1	-7
10Y BGN	0.80	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	-2	3
EUR Sep-24	0.45	-2	-13

CDS

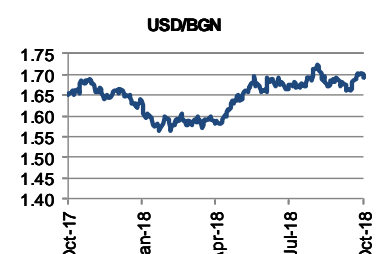
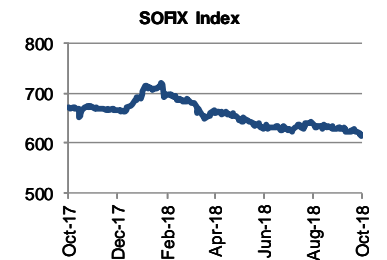
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	125	0	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	614.6	-0.46%	-9.28%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6934	0.27%	-3.78%



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

Data updated as of 10:40 EEST

Thursday 11 October 2018

Contributors

Paraskevi Petropoulou
Senior 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

Maria Kasola
(Special Contributor)
Economic Analyst, Eurobank
Ergasias
+30 210 3371224
mkasola@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 Yiannisis: 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

Maria Kasola: Economic Analyst
mkasola@eurobank.gr, +30 210 3371224

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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