

### 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:** Asian equity markets ended lower today amid concerns about an escalation in trade tensions between the world's two biggest economies. Meanwhile, equity markets in Europe were modestly firmer in early trade amid market optimism over a "soft" Brexit deal and hopes that Italy's updated Stability Programme (to be published by 27 September) will show a deficit-to-GDP ratio that will not deviate much from the target envisioned in the Stability Programme submitted to the European Commission last May. In fixed income, UST and Bund yields were trading close to yesterday's fresh highs presumably due to supply jitters. In FX markets, the GBP gave back some of yesterday's gains and the EUR/USD continued to hover around the 1.1600. Today's calendar is quite thin. We expect August industrial production from the euro area and the Fed's Beige Book.

**GREECE:** The Heads of the institutions are scheduled to meet the Greek Finance Minister Euclid Tsakalotos and Alternate Finance Minister George Chouliarakis today in Athens in the context of their first mission to Greece under the Enhanced Post Programme Surveillance. ESM Managing Director Klaus Regling opined against any backtracking from agreed reforms on behalf of Greece, including social security ones, arguing that the funds and debt relief measures that have been or will be granted to Greece were based on those reforms among others. The break-up of DEPA into two entities, DEPA networks and international projects and DEPA wholesale and retail, is reportedly moving on so that the State can proceed to selling a majority stake of 50% plus 1 share of the latter.

### SOUTH EASTERN EUROPE

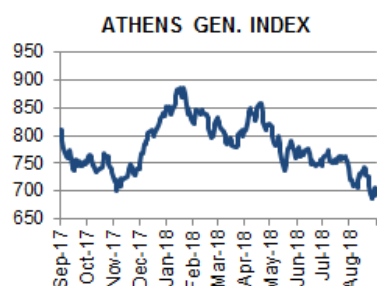
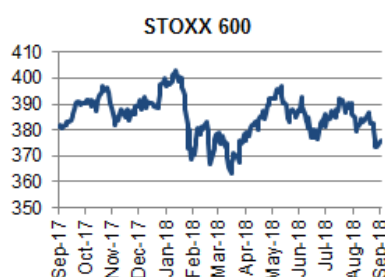
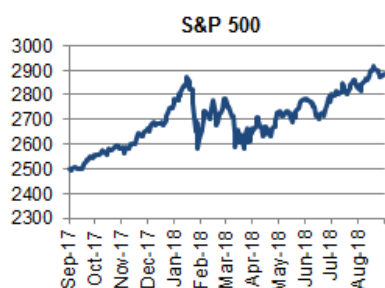
**ROMANIA:** Headline Inflation climbed again above 5% on an annual basis in August following a temporary decline in July.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Asian equity markets ended lower today amid concerns about an escalation in trade tensions between the world's two biggest economies. A few days after the US President said that he is "ready" to impose tariffs on an additional \$267bn worth of goods imports from China, the latter announced that it will seek permission from the World Trade Organization (WTO) to impose \$7bn a year in sanctions on the US in retaliation to the latter's non-compliance with a WTO ruling in a dispute over US dumping duties. China won the said WTO ruling in the dispute in 2016 and the deadline for the US to comply with the ruling expired on 22 August. According to the WTO's meeting agenda, China will seek authorization at a special meeting of the WTO's Dispute Settlement Body on 21 September. Meanwhile, equity markets in Europe were modestly firmer in early trade amid market optimism over a "soft" Brexit deal and hopes that Italy's updated Stability Programme (to be published by 27 September) will show a deficit-to-GDP ratio that will not deviate much from the target envisioned in the Stability Programme submitted to the European Commission last May by the previous government. News that trade discussions between the US and the EU resumed this week and a deal for a reduction in non-tariffs barriers to trade is likely to be reached in November, also had a positive impact. Trade talks between the US and Canada over a new NAFTA deal seem also to progress positively. According to press reports, Canada appears ready to make a concession to the US offering limited access to the Canadian dairy market, an issue that represents one of the three contentious points in the ongoing trade negotiations. In fixed income, UST and Bund yields were trading close to yesterday's fresh highs presumably due to supply jitters. In FX markets, the GBP gave back some of yesterday's gains and the EUR/USD continued to hover around the 1.1600 level. Today's calendar is quite thin. We expect August industrial production from the euro area and the Fed's Beige Book.

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### GREECE

The Heads of the institutions (Declan Costello-EC, Francesco Drudi-ECB, Nicola Giamarioli-ESM and Peter Dolman-IMF) are scheduled to meet the Greek Finance Minister Euclid Tsakalotos and Alternate Finance Minister George Chouliarakis today in Athens in the context of their first mission to Greece under the Enhanced Post Programme Surveillance (EPPS). According to press reports, yesterday they met with representatives of the main opposition parties (New Democracy, Movement of Change and Potami) and reportedly discussed the pension cuts that are to take effect as of January 2019. Meanwhile, in an interview to a Greek newspaper yesterday, ESM Managing Director Klaus Regling opined against any backtracking from agreed reforms on behalf of Greece, including social security ones, arguing that the funds and debt relief measures that have been or will be granted to Greece were based on those reforms among others. Commenting on the Greek PM's recent speech at the Thessaloniki International Fair, he argued that the available budget space should be used to boost growth momentum, as will the announced reduction in corporate income tax. In other news, the break-up of DEPA into two entities, DEPA networks and international projects and DEPA wholesale and retail, is reportedly moving on so that the State can proceed to selling a majority stake of 50% plus 1 share of the latter. According to the June Eurogroup agreement, the tendering process for the commercial activities will be launched in November 2018, whereas the financial closing is expected by the end of 2019

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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	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	Ba3	BB+	BB+

## Latest economic & market developments in the CESEE region

### ROMANIA

Consumer prices climbed again to 0.3% MoM/5.1% YoY in August up from 4.6% YoY in July compared to 4.3% YoY in January. The reading came out higher than market expectations for 4.8% YoY. The monthly jump was mainly driven by higher non-food prices (+0.7% MoM/+6.8% YoY) reflecting the new regulated price increase for energy tariffs – the energy regulator announced a gas price hike effective in summer months – plus base effects from the phasing out of last year's VAT rate cut, thus making a 3.2ppts contribution to headline inflation. On top, food prices continued rising on an annual basis (-0.2% MoM/+4.2% YoY in August) reflecting the upward trend of volatile fruits and vegetables. Finally, services expanded by +0.1% MoM/+2.96% YoY driven by higher utility and transportation prices. The reading on an annual basis is the highest in the last 5 years, so that headline inflation has penetrated the upper bound of the NBR's target interval (2.5+1%). On the positive side, the adjusted Core CPI (excluding administered and volatile prices, alcohol and tobacco) remained muted at 2.8% YoY in August after a multi-month peak of 3% YoY in last March, which implies that demand side pressures could subside further in the near-term. To that end, the NBR governor had suggested in last month's press conference that during the summer months inflationary pressures are very low on a monthly basis, which could help the inflation rate and interest rates to converge at a relatively low level. The NBR has hiked three times – each time by 25bps so far this year bringing the KPR at 2.5% and we are still looking for one more by the end of the year – a view we hold since last April – provided that there is no other unexpected supply side shock given that upside risks to inflation outlook do exist both from the expansionary domestic fiscal policy and major Central Banks' monetary policy normalization.

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**GLOBAL MARKETS**

Stock markets			FOREX			Government Bonds			Commodities						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD				
S&P 500	2887.89	0.4%	8.0%	EUR/USD	1.1599	-0.1%	-3.4%	UST - 10yr	2.97	-1	56	GOLD	1196	-0.2%	-8.2%
Nikkei 225	22604.61	-0.3%	-0.7%	GBP/USD	1.3032	0.0%	-3.6%	Bund-10yr	0.42	-1	0	BRENT CRUDE	79	0.1%	18.4%
STOXX 600	376.13	0.2%	-3.4%	USD/JPY	111.49	0.1%	1.1%	JGB - 10yr	0.11	0	7	LME X	2833	-1.5%	-17.1%

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	-1	-24
1-week	2.39	0	-22
1-month	2.59	-1	-26
3-month	2.89	0	-23
6-month	3.06	-1	-18

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.50	0	-77
5Y RSD	3.86	0	-38
7Y RSD	4.38	0	-79

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.77	-1	78

**CDS**

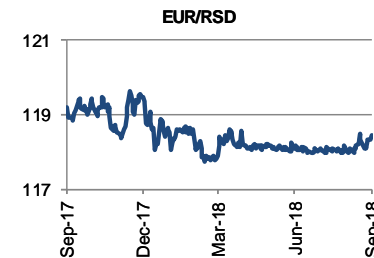
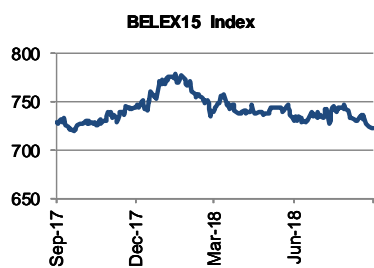
	Last	ΔDbps	ΔYTD bps
5-year	110	2	-8
10-year	156	1	-7

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	722.4	0.00%	-4.92%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.43	0.03%	0.41%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.4	0	131
1-month	3.05	0	118
3-month	3.1	0	105
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	4.34	0	56
10Y RON	4.80	0	49

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.59	0	4
USD Jan-24	4.24	0	124

**CDS**

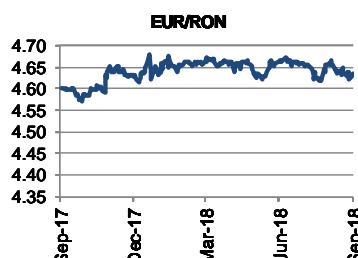
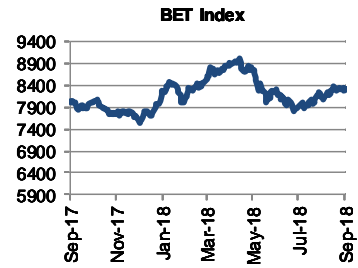
	Last	ΔDbps	ΔYTD bps
5-year	95	-1	5
10-year	138	-1	5

**STOCKS**

	Last	ΔD	ΔYTD
BET	8294.4	0.15%	6.97%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.6345	-0.06%	0.65%



**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	0
5Y BGN	0.10	0	-4
10Y BGN	0.84	0	-12

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	-1	1
EUR Sep-24	0.37	-1	-20

**CDS**

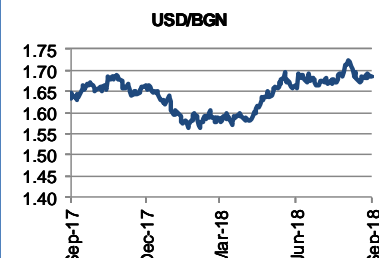
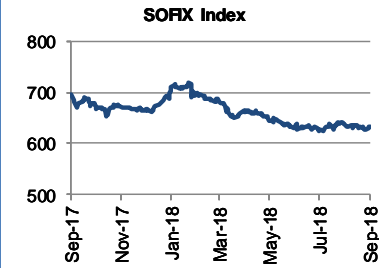
	Last	ΔDbps	ΔYTD bps
5-year	79	-3	-17
10-year	121	-2	-20

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	631.4	-0.10%	-6.80%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.6862	-0.05%	-3.37%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:47 EEST

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