

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: Investors across all regions showed increased appetite for risk in early trade on Thursday amid hopes that a trade deal could be sealed between the world's two biggest economies before US midterm elections in early November. In other news, Brexit-supporting lawmakers in the UK Prime Minister Theresa May's conservative party publicly pledged support for her to stay in power in spite of their disagreement with her post-Brexit proposals. Easing fears over the sustainability of the UK government at a time that Brexit talks are entering a crucial stage, helped the GBP to gain some ground across the board. Looking at the remainder of the day, the ECB is widely expected to stay put on policy action and confirm its guidance with regard to QE, interest rates and reinvestment policy. The BoE MPC meeting is also expected to result in no policy changes following a 25bps rate hike last month. On the data front, focus is on the US CPI release for August.

GREECE: In an interview to Greek media, European Commission President Jean-Claude Juncker referred to the pension cuts as of January 2019, saying that the agreed measures must be implemented. Meanwhile, the issues on the agenda of the institutions during their visit in Athens include the reforms in the labour market, the progress in the financial sector and the status of other reforms. At the end of their visit they will publish a statement while the European institutions will reportedly release their first EPPS review – out of four annually – in November.

SOUTH EASTERN EUROPE

SERBIA: Headline inflation climbed to 2.6% YoY in August 2018 compared to 2.4% YoY in July.

CESEE markets: The Central Bank of Turkey is widely expected to tighten by at least 400bps in today's MPC.

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Latest world economic & market developments

GLOBAL MARKETS

Investors across all regions showed increased appetite for risk in early trade on Thursday amid hopes that a trade deal could be sealed between the world's two biggest economies before US midterm elections in early November. The White House's top economic adviser made known that the Trump administration invited Chinese officials to restart trade talks without however announcing the timing and the location of the proposed meeting. Meanwhile, over 60 US business groups including some of the nation's largest companies are escalating their fight against the US administration's tariffs, launching a coalition called 'Americans for Free Trade' to put political pressure on the Trump administration to seek alternatives to tariffs. In other news, Brexit-supporting lawmakers in the UK Prime Minister Theresa May's conservative party publicly pledged support for her to stay in power in spite of their disagreement with her post-Brexit proposals. The above announcement followed BBC news suggesting that a group of around 50 eurosceptic conservative lawmakers—more than 48 required under the party rules for triggering a leadership challenge—met on Tuesday to discuss how and when they could force Theresa May out of her job. Easing fears over the sustainability of the UK government at a time when Brexit talks are entering a crucial stage, helped the GBP to gain some ground across the board.

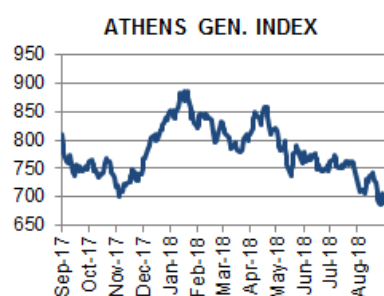
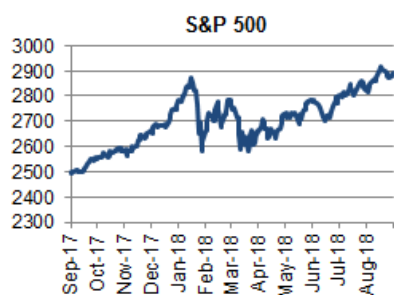
Looking at the remainder of the day, the ECB is widely expected to stay put on policy action and confirm its guidance with regard to QE, interest rates and reinvestment policy. In the post-meeting press conference President Mario Draghi is anticipated to reiterate the Governing Council's confidence over the sustainability of the euro area's economic recovery and the slow improvement in underlying price pressure while the updated macroeconomic forecasts are unlikely to show significant changes. The BoE MPC meeting is also expected to result in no policy changes following a 25bps rate hike last month. On the data front, focus is on the US CPI release for August after yesterday's US data showed that the Producer Price Index for final demand unexpectedly dropped by 0.1% mom over the same month, the first monthly decline since February 2017.

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GREECE

In an interview to Greek media, European Commission President Jean-Claude Juncker referred to the pension cuts as of January 2019, saying that the agreed measures must be implemented. The issue was also discussed yesterday between the Greek Finance Minister Euclid Tsakalotos and the institutions' heads (Declan Costello-EC, Francesco Drudi-ECB, Nicola Giamarioli-ESM and Peter Dolman-IMF) in Athens. Other issues in the institutions' agenda are the reforms in the labour market, the progress in the financial sector particularly with respect to the reduction of NPLs and the status of other reforms. At the end of this visit the institutions will publish a statement. The European institutions will reportedly release their first EPPS review – out of four annually – in November while the IMF will be issuing two reviews per year. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT) the Turnover Index in Accommodation and Food Service Activities Sector in Q2 2018 increased 11.5% compared to the corresponding quarter of 2017, while in Q2 2017 it had increased by 7.3% compared to the corresponding quarter of 2016

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Source: Reuters, Bloomberg, Eurobank Research

Thursday 13 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

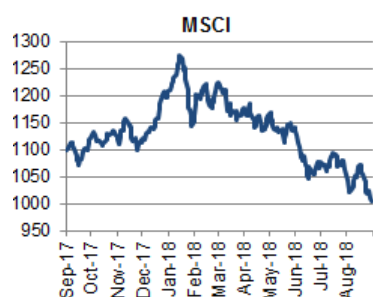
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Latest economic & market developments in the CESEE region

SERBIA

According to the latest data release, headline inflation came at 0.3% MoM/2.6% YoY in August compared to 0.3% MoM/2.4% YoY in July while the year-to-date reading stood at 2.2% YoY. The breakdown of data reveals that the increase is mainly driven by higher prices of fuels for transportation (+0.40% MoM, +5.40% YoY) on the back of higher crude oil prices (ca 16% higher YTD). The categories of food and non-alcoholic beverages (+0.20% MoM) along with that of utilities (+0.60% MoM) group – which both account for ca 45% of weights on the headline index – increased by 2.60% YoY each.

After undershooting in March and April, mainly due to low food prices and base effects from 2017, headline inflation returned within the targeted corridor (3%+/-1.5%). According to the latest NBS projection in August, it is expected to remain stable and within the target band, i.e. at 2% for 2018. The core inflation (CPI excluding food and energy prices) remains relatively unchanged the recent months and benign as well at 0.8%, indicating low inflationary pressures.

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CESEE MARKETS

On the CESEE markets front, the Central Bank of Turkey policy meeting (11:00 GMT) takes center stage today. According to the Reuters survey of economists, the median expectation is for a 425bp rate rise, but predictions ranged from 225 bps to a much larger 725bps hike. Factoring in the 75bps rate hike delivered in April, the cumulative tightening rendered has reached 500bps year to date so that the KPR – the 1-week repo as of late May- currently stands at 17.75%. This would mark the first monetary policy meeting after the announcement of unfavorable macroeconomic data on Q2 growth and August inflation. Markets will be looking for the decision to confirm whether monetary policy will be tightened enough to regain some of its lost credibility in a challenging economic environment. Headline inflation accelerated to 15.4% YoY in June up from 12.2% YoY in May, coming in significantly above market expectations. The Turkish lira has been trading at 6.3748/USD- 0.8% lower vs. yesterday's trade-in anticipation of the decision at the time of the writing, having lost 68% of its value year-to-date against USD, confirming that it stands among the worst performing EM currencies this year.

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Thursday 13 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	2888.92	0.0%	8.1%	EUR/USD	1.162	-0.1%	-3.2%	UST - 10yr	2.97	1	56	GOLD	1204	-0.2%	-7.6%
Nikkei 225	22821.32	1.0%	0.2%	GBP/USD	1.3039	-0.1%	-3.6%	Bund-10yr	0.41	0	-1	BRENT CRUDE	79	-0.6%	18.6%
STOXX 600	377.04	0.0%	-3.1%	USD/JPY	111.5	-0.2%	1.1%	JGB - 10yr	0.11	0	7	LME X	2890	2.0%	-15.5%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	1	-23
1-week	2.39	0	-22
1-month	2.62	3	-23
3-month	2.92	3	-20
6-month	3.08	2	-16

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.48	#N/A N/A	-77
5Y RSD	3.86	0	-38
7Y RSD	4.38	-1	-80

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.77	-1	77

CDS

	Last	ΔDbps	ΔYTD bps
5-year	109	-1	-9
10-year	155	-1	-7

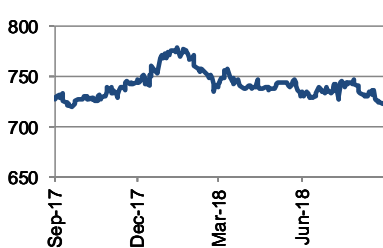
STOCKS

	Last	ΔD	ΔYTD
BELEX15	723.5	0.15%	-4.77%

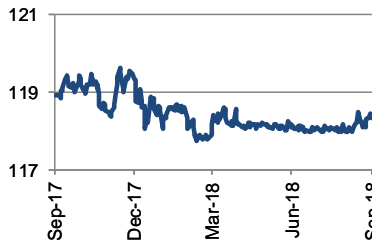
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.37	0.32%	0.46%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.4	0	131
1-month	3.04	0	117
3-month	3.1	0	105
6-month	3.37	0	110
12-month	3.51	0	119

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.98	0	60
5Y RON	4.34	0	56
10Y RON	4.79	0	47

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.59	0	4
USD Jan-24	4.23	0	123

CDS

	Last	ΔDbps	ΔYTD bps
5-year	94	-1	4
10-year	137	-1	4

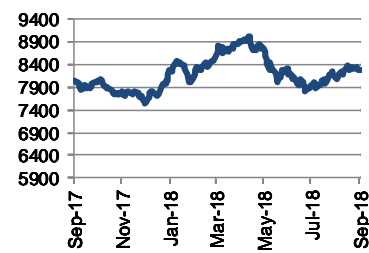
STOCKS

	Last	ΔD	ΔYTD
BET	8268.3	0.08%	6.64%

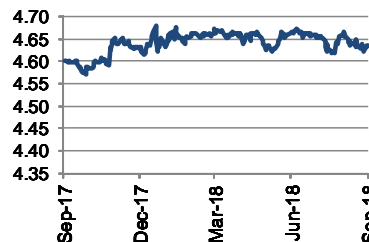
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.636	0.00%	0.62%

BET Index



EUR/RON



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	-0.08	#N/A N/A	0
5Y BGN	0.14	#N/A N/A	0
10Y BGN	0.84	0	-12

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	-2	1
EUR Sep-24	0.37	-2	-21

CDS

	Last	ΔDbps	ΔYTD bps
5-year	79	-1	-18
10-year	121	0	-21

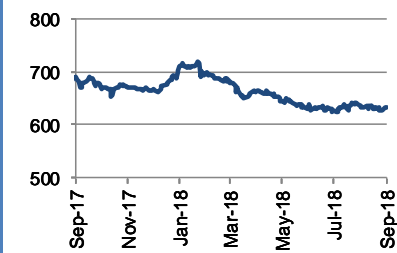
STOCKS

	Last	ΔD	ΔYTD
SOFIX	631.4	0.00%	-6.79%

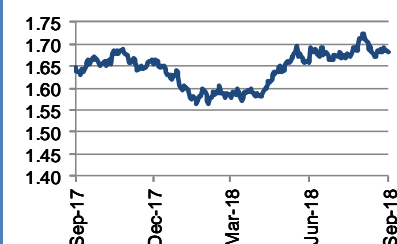
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6831	-0.04%	-3.19%

SOFIX Index



USD/BGN



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

Data updated as of 10:25 EEST

Thursday 13 September 2018

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