

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Oct 15:
 - Empire state index (Sep)
 - Retail sales (Sep)
- Oct 16:
 - Industrial production (Sep)
 - NAHB index (Oct)
- Oct 17:
 - Housing starts & building permits (Sep)
 - Fed minutes (25/26 Sep meeting)
- Oct 18: Philly Fed (Oct)
 - Initial jobless claims (06/10)
 - Leading Index (Sep)
- Oct 19: Existing Home Sales (Sep)

EUROZONE

- Oct 16: Germany's ZEW (Oct)
- Oct 17: CPI (Sep F)

GREECE

- Oct 17: Annual National Accounts (2017, provisional)
- Oct 19: Turnover index in Industry (Aug)

SEE

BULGARIA

- Oct 15:
 - CPI (Sep)
 - Unemployment rate (Sep)
- Oct 19:
 - Current Account Balance (Aug)

CYPRUS

- Oct 17: CPI (Sep)

ROMANIA

- Oct 15:
 - Current Account Balance (Aug)

SERBIA

- Oct 19:
 - Current Account Balance (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The Christian Social Union (CSU), the sister party of Chancellor Angela Merkel's Christian Democratic Union (CDU) in Bavaria, suffered big losses in the elections of that state on Sunday 14 October. CSU defeat does not bode well with the CDU's performance in the Hessian state election on 28 October and, according to some reports, a poor result could potentially lead Angela Merkel to reconsider staying in office as CDU leader and as Chancellor ahead of the DCU party convention on 6-9 December. Turning to Italy, the government is expected to approve the 2019 draft budgetary plan later today before it is submitted to the European Commission. In FX markets, the GBP lost ground on news that Brexit talks between the UK and the EU ended in a stalemate over the weekend as the two sides failed to bridge their differences on the main sticking points: the Irish border "backstop".

GREECE: The Greek government is planning to submit today to the European Commission (EC) the 2019 draft budget, which will reportedly feature two scenarios, one with the legislated pension cuts and one without. The EC will reportedly publish the assessment of Greece's draft budget for 2019 in November together with its first report under the Enhanced Post Programme Surveillance. The releases that stand out in this week's calendar are the 2017 Annual National Accounts (provisional data) on 17 Oct and the turnover index in industry for August 2018 on 19 Oct.

SOUTH EASTERN EUROPE

BULGARIA: The blue chip SOFIX followed the global market sell-off, closing at 610.16 points on Friday, down by -2.13% on a weekly basis amid above average volume of EUR 2.2mn.

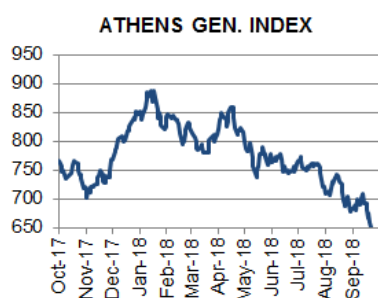
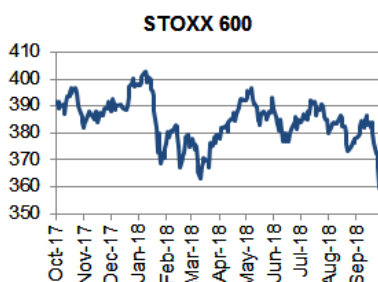
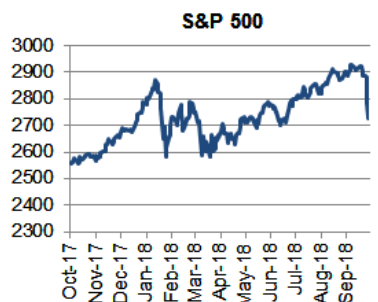
SERBIA: The EUR/RSD remained bound within a 118.15-118.80 trading range in the past week with market closing at 118.20/40.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The Christian Social Union (CSU), the sister party of Chancellor Angela Merkel's Christian Democratic Union (CDU) in Bavaria, suffered big losses in the elections of that state on Sunday 14 October. Based on preliminary official results, the CSU remains the strongest party with 37.4% of the vote, but around 10 points lower compared to the previous election, losing the absolute majority in the State Parliament, which it enjoyed for most of the last five decades. The Greens came in second with 17.5% and the anti-immigration AfD came fourth with around 11% and is on track to enter the state parliament for the first time, behind a group of independent candidates known as the Free Voters, which scored 11.6%. Angela Merkel's coalition partner, the Social Democrats, trailed in fifth with 9.7% while the Liberals (FDP) narrowly cleared the 5% threshold to enter the parliament. The CSU's poor performance is likely to trigger a reshuffle of Angela Merkel's cabinet as Horst Seehofer might be forced to resign from both his positions, as party leader and as the Federal Minister of the Interior. CSU defeat does not bode well with the CDU's performance in the Hessian state election on 28 October and, according to some reports, a poor result could potentially lead Angela Merkel to reconsider staying in office as CDU leader and as Chancellor ahead of the DCU party convention on 6-9 December. Turning to Italy, the government is expected to approve the 2019 draft budgetary plan later today before it is submitted to the European Commission, which has already warned over significant deviation from the Stability and Growth Pact rules. Market concerns about a possible rise in tensions between the Italian government and the European Commission continued to weigh on the EUR, which was hovering around 1.1570/75 against the USD in early European trade, down from a two-week intraday peak of 1.1610 hit in the prior session. The GBP also lost ground against the USD testing levels close to 1.3120/25 earlier today after marking a three-week peak of 1.3258 on Friday on news that Brexit talks between the UK and the EU ended in a stalemate over the weekend as the two sides failed to bridge their differences on the main sticking point: the Irish border "backstop". This impasse came ahead of this week's EU Council meeting, which starts on Wednesday evening raising anew market fears over a cliff-edge Brexit scenario.

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GREECE

The Greek government is planning to submit today to the European Commission (EC) the 2019 draft budget, which will reportedly feature two scenarios, one with the legislated pension cuts and one without. The EC will reportedly publish the assessment of Greece's draft budget for 2019 in November together with its first report under the Enhanced Post Programme Surveillance. According to press reports, the issue will also be discussed during the next visit of the institutions to Greece on 25 October as well as at the next Euroworking Group meeting, which will then submit its recommendation to the 5 November Eurogroup. Meanwhile, the pension cuts were also discussed on the sidelines of the IMF/World Bank Annual Meetings between the Greek FinMin Euclid Tsakalotos and IMF senior officials (Managing Director Christine Lagarde and European Department Director Poul Thomsen) with the latter reportedly referring the matter to the Eurogroup as the competent body to decide on this matter. In other news, the releases that stand out in this week's calendar are the 2017 Annual National Accounts (provisional data) on 17 Oct and the turnover index in industry for August 2018 on 19 Oct.

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Monday 15 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

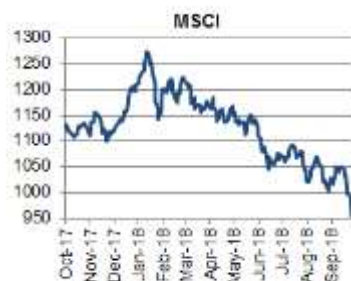
Latest economic & market developments in the CESEE region

BULGARIA*

The blue chip SOFIX followed the global market sell-off, closing at 610.16 points on Friday, down by -2.13% on a weekly basis amid above average volume of EUR 2.2mn. External government bond yields remained flat over the week, with no notable changes across all maturities. Local papers also did not show any significant changes with short- to mid-term yields dropping between 1-3 bps.

SERBIA*

The EUR/RSD remained bound within a 118.15-118.80 trading range past week with market closing at 118.20/40. The dinar averted its losing streak from last week and returned into its 5-month old range. The pair peaked at 118.65/85 last Friday but lack of demand diluted bullish sentiment. Most of oil importers buy gradually in hard currency, which is the main culprit for dinar weakening. On the other hand, a pause in buying at hard currency from oil companies has created a niche for another wave of dinar strengthening. In our opinion, this pull-back should be considered temporary as we expect the EUR to be well supported by seasonal demand from all categories of importers as we get closer to the end of the year.



*We would like to thank Ruslan Raychev from Eurobank Bulgaria and Zoran Korac from Eurobank Beograd for their invaluable contribution in today's issue.

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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+

Monday 15 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	2767.13	1.4%	3.5%	EUR/USD	1.1566	0.1%	-3.7%	UST - 10yr	3.16	0	76	GOLD	1227	0.8%	-5.8%
Nikkei 225	22271.30	-1.9%	-2.2%	GBP/USD	1.3125	-0.2%	-2.9%	Bund-10yr	0.50	0	7	BRENT CRUDE	81	0.5%	20.9%
STOXX 600	357.55	-0.4%	-8.1%	USD/JPY	111.82	0.3%	0.8%	JGB - 10yr	0.15	-1	10	LME X	3006	0.9%	-12.1%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	0	-23
1-week	2.40	0	-21
1-month	2.62	0	-23
3-month	2.94	0	-18
6-month	3.10	0	-14

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.31	13	-95
5Y RSD	3.65	0	-59
7Y RSD	4.15	0	-102

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.93	1	93

CDS

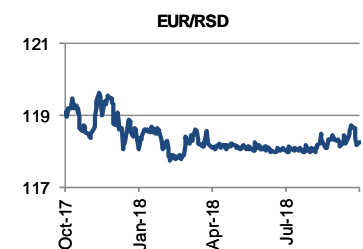
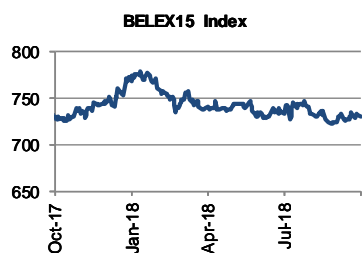
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-6
10-year	159	0	-3

STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.8	-0.21%	-3.82%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.34	-0.04%	0.48%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.75	0	166
1-month	3.11	0	124
3-month	3.17	0	112
6-month	3.44	0	117
12-month	3.56	0	124

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.17	0	79
5Y RON	4.73	0	95
10Y RON	5.10	0	79

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	0	-1
USD Jan-24	4.36	1	136

CDS

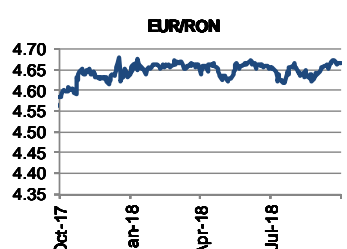
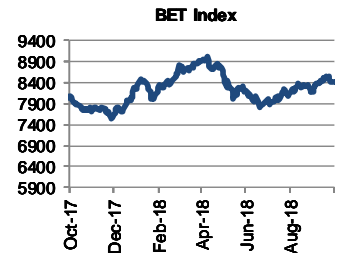
	Last	ΔDbps	ΔYTD bps
5-year	101	0	11
10-year	143	0	10

STOCKS

	Last	ΔD	ΔYTD
BET	8397.1	0.04%	8.30%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6647	0.00%	0.00%



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	0.07	0	-8
10Y BGN	0.78	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	33	3
EUR Sep-24	0.45	88	-13

CDS

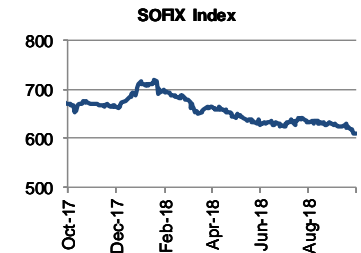
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	126	1	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	609.3	-0.18%	-10.06%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6911	0.05%	-3.65%



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

Monday 15 October 2018

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