

Monday 17 September 2018

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

- Sep 17:
  - Empire State Manufacturing Index (Sep)
- Sep 18: NAHB Housing Market Index (Sep)
- Sep 19:
  - Housing starts (Aug)
  - Housing permits (Aug)
- Sep 20:
  - Initial jobless claims (15 Sep)
  - Philadelphia Fed index (Sep)
  - Existing home sales (Aug)

#### EUROZONE

- Sep 17:
  - CPI (Aug, F)
- Sep 20: Consumer confidence (Sep A)
- Sep 21:
  - Markit Manufacturing PMI (Sep)
  - Markit Services PMI (Sep)

#### GREECE

- Sep 20: Current account balance (Jul)

#### SEE

##### BULGARIA

- Sep 17: Unemployment rate (Aug)
- Sep 19: Current Account Balance (Jul)

##### CYPRUS

- Sep 17: CPI (Aug)

##### SERBIA

- Sep 17: Current Account Balance (Jul)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** US/China trade conflict is likely to escalate further after the Wall Street Journal reported on Friday that the Trump administration is considering a new round of tariffs on Chinese goods that could be announced as early as today and could impact another \$200bn worth of exports to the US. Focus this week is on the informal EU Summit (Wednesday-Thursday) where the EU leaders are expected to discuss the UK government's Chequers plan with an aim to reaching a withdrawal agreement with the UK by the end of this year. On the data front, this week's calendar is rather empty until Friday when we expect EU preliminary PMI surveys for September.

**GREECE:** According to the staff statement following the first post-programme mission of the institutions to Greece, discussions focused among others on the fiscal situation and outlook, which will feed into Greece's Draft Budgetary Plan for 2019 to be submitted to the European Commission by 15 October, as well as the implementation of NPLs resolution strategy. The ELA ceiling for Greek banks was set at EUR5.2 billion up to and including 9 October 2018, reduced by EUR3.2 billion due to the improved liquidity situation of Greek banks.

### SOUTH EASTERN EUROPE

**SERBIA:** The central government budget surplus stood at RSD 49.1bn in 7M-2018, higher by 10.7% YoY. The EUR/RSD remained bound within a 118.10 - 118.60 trading range in the past week.

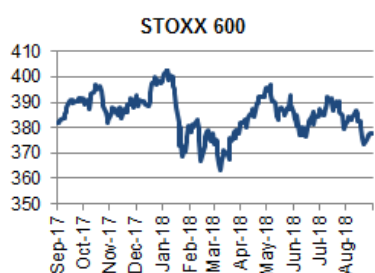
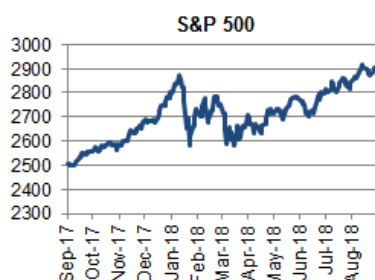
**BULGARIA:** The main equity index SOFIX, after three losing sessions in a row, managed to close the week at 629.37 posting 0.38% gains.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US/China trade conflict is likely to escalate further after the Wall Street Journal reported on Friday that the Trump administration is considering a new round of tariffs on Chinese goods that could be announced as early as today and could impact another \$200bn worth of exports to the US. Citing unnamed Chinese officials, the said report also suggested that, if the US administration goes ahead with the additional tariffs, China may decline to participate in the new round of trade talks the US proposed last week. Amid renewed tariff threats, USTs gained some ground in early trade today with 10-yr yields retreating close to 2.99% at the time of writing after hitting a six-week high slightly above 3.00% on Friday in reaction to Chicago Fed President Charles Evans's hawkish comments. Along the same lines, 10-yr Bund yields were hovering around 0.45% at the time of writing after marking an intraday peak of 0.46% in the prior session, the highest since early August, following ECB President Mario Draghi's less dovish than expected tone at last week's monetary policy meeting as well as the recent positive developments in Brexit talks.

In FX markets, the EUR/USD pulled back to levels around 1.1615/1.1640 in early trade today after failing to break above the key area of 1.1700/1.1750 on Friday. Meanwhile, the GBP retained most of last week's hefty gains against the USD hovering around 1.3080/1.3090 at the time of writing. Focus is on this week's informal EU Summit (Wednesday-Thursday) where the EU leaders are expected to discuss the UK government's Chequers plan with an aim to reaching a withdrawal agreement with the UK by the end of this year so as to allow some time until March 2019 for the ratification of the deal. Japanese markets are closed today for a national holiday. The BoJ convenes on Tuesday-Wednesday and on Thursday the ruling Liberal Democratic Party holds a leadership vote. On the data front, this week's calendar is rather empty until Friday when we expect EU preliminary PMI surveys for September.

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### GREECE

According to the staff statement following the first post-programme mission of the institutions to Greece, discussions were held on the situation and key challenges facing the Greek economy as well as the state of play and next steps in the implementation of key reforms launched under the programme. Discussions also focused on the fiscal situation and outlook, which will feed into Greece's Draft Budgetary Plan for 2019 to be submitted to the European Commission by 15 October, as well as the implementation of NPLs resolution strategy. The mission also met representatives of political parties, banks and social partners in order to inform them of the modalities of the Enhanced Post Programme Surveillance and exchange views on key policy issues. In other news, according to the Bank of Greece, the ELA ceiling for Greek banks was set at EUR5.2 billion up to and including 9 October 2018, reduced by EUR3.2 billion due to the improved liquidity situation of Greek banks.

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

## Latest economic & market developments in the CESEE region

### SERBIA\*

According to Ministry of Finance data, the central government budget in the first seven months of the year posted a RSD 49.1bn surplus, 10.7% YoY compared to the same period last year, and equivalent to 1% of projected GDP. The total revenues (+12.8% YoY) were driven by improved tax collection performance on the back of the positive momentum of the economic cycle (+4.9% GDP YoY for H1). More specifically, tax revenues increased by 12.9% YoY with key contributors the VAT and excise tax collection (+13.8% YoY and 12.6% respectively). Total expenses grew by 13.1% YoY underpinned by wages and pensions (+13.9% YoY and +14.5% respectively) and to a lesser extent by increased interest payments (+10.5%). Despite stronger spending, up to now fiscal performance had no surprises and is expected to attain the revised budget target of a 0.6% of GDP surplus for 2018 vs an initial target for a 0.7% of GDP deficit. It is worthwhile mentioning that 2018 will be the second year in a row that Serbia will register a fiscal surplus, with primary balance having turned positive since 2015.

Looking forward, from 2019 onwards, the government will aim at targeting a deficit of about 0.5% of GDP in order to finance substantial infrastructure projects, wages and pensions increases, all necessary measures for public and private investments and consumption stimulation in an effort towards sustainable growth.

The Eur/Rsd remained range-bound within 118.10 - 118.60 with lots of back and forth movements last week. Increased demand from oil importers and moderate Government Bonds (RSMFRSD\)\ sell-off were the main culprits for that spike at 118.50/70. Central bank turned the tide and brot stabilization to the market again with the intervention on Tuesday in the amount of EUR15million.

In August 2018, retail prices of goods and services in Serbia rose by 0.3% on a monthly basis, while compared to the same month last year they increased by 2.6%. Forthcoming increases of pension and salaries in public sectors (pensions in October and salaries in December) will bring CPI closer to 3%, the National Bank of Serbia targeted median.

### BULGARIA\*

The main equity index SOFIX registered three consecutive losing sessions from Wednesday to Friday yet was still able to finish the week on a positive note, gaining 0.38% at 629.37. The weekly volume was above the 3 month moving average at € 3.1mn, showing that market participants are shaking off the vacation mood from August. External bond yields gained across the board within a range of 1-7 bps. Local bonds mirrored the external bond yield changes and rose, with 8 and 9 year tenors exhibiting the biggest changes with 5.5 and 6 bps respectively.

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

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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	2904.98	0.0%	8.7%	EUR/USD	1.1633	0.1%	-3.1%	UST - 10yr	2.98	-1	58	GOLD	1196	0.2%	-8.2%
Nikkei 225	23094.67	1.2%	1.4%	GBP/USD	1.3082	0.1%	-3.2%	Bund-10yr	0.45	-1	2	BRENT CRUDE	78	0.4%	17.2%
STOXX 600	377.73	0.0%	-2.9%	USD/JPY	111.92	0.1%	0.7%	JGB - 10yr	0.12	1	7	LME X	2880	-0.8%	-15.8%

## SERBIA

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

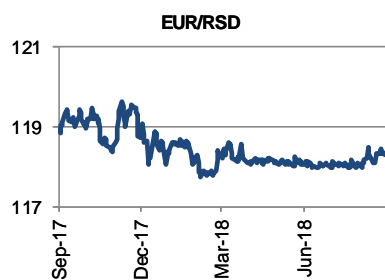
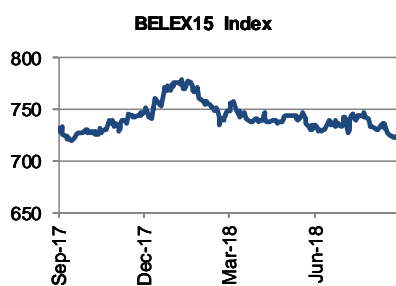
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	3.50	#N/A N/A	-77
5Y RSD	3.86	#N/A N/A	-38
7Y RSD	4.38	0	-79

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.77	0	78

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-9
10-year	154	0	-8

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	723.6	0.02%	-4.77%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	118.32	0.04%	0.50%



## ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.29	0	120
1-month	3	0	113
3-month	3.09	0	104
6-month	3.36	0	109
12-month	3.5	0	118

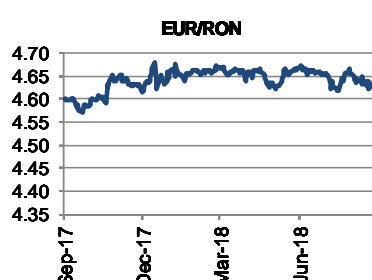
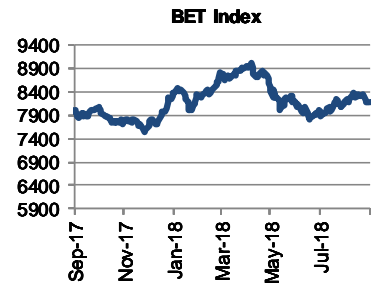
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	3.97	0	59
5Y RON	4.33	0	55
10Y RON	4.77	0	46

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	3
USD Jan-24	4.16	-3	116

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	90	-1	0
10-year	134	-1	0

STOCKS			
	Last	ΔD	ΔYTD
BET	8172.6	0.12%	5.40%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.6433	-0.07%	0.46%



## 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

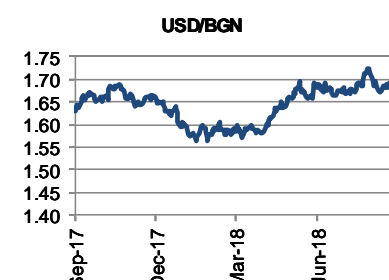
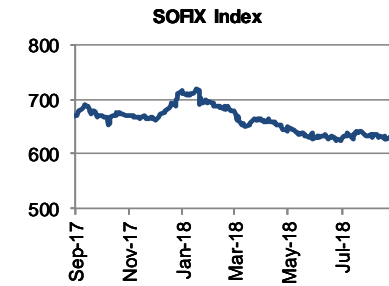
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.06	-1	1
5Y BGN	0.10	0	-4
10Y BGN	0.85	0	-12

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	0	0
EUR Sep-24	0.37	0	-21

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

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	629.3	-0.01%	-7.11%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.6814	0.01%	-3.09%



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

Data updated as of 10:48 EEST

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