

### 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:** Global equity markets were firmer early on Wednesday following hefty gains in Wall Street overnight in the wake of encouraging US corporate earnings results. Positive US data showing that industrial production rose in September for the fourth straight month and job openings hit a fresh record high in August, also had a positive impact. In FX markets, the USD was firmer across the board while the GBP gave back part of yesterday's gains recorded in the wake of a higher than expected increase in UK regular wage growth. Market focus is on the EU Council meeting, which commences later today where the probability of a withdrawal agreement is low following news that Brexit talks on the Irish border backstop ended in a stalemate over the weekend.

**GREECE:** Deliberations regarding the 2019 draft budget submitted to the European Commission on Monday by the Greek government are expected to continue at Euroworking Group level later this week and at the Eurogroup on 5 November. The budget will most likely be finalised at the 3 December Eurogroup. In 2018 Greece ranked 57<sup>th</sup> out of 140 countries, falling 4 places from 2017 in the World Economic Forum Global Competitive Index.

### SOUTH EASTERN EUROPE

**CYPRUS:** The stock of NPEs decreased by €3.3bn in June driven by NPE sales & the Bank of Cyprus securitization transaction with Apollo, bringing the NPEs ratio down to 40.3%.

#### DISCLAIMER

This document has been issued by Eurobank Ergasias SA (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable, but has not been verified by Eurobank, and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice, or an offer to buy or sell, or a solicitation of an offer to buy or sell, or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (expressed or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

## Latest world economic & market developments

### GLOBAL MARKETS

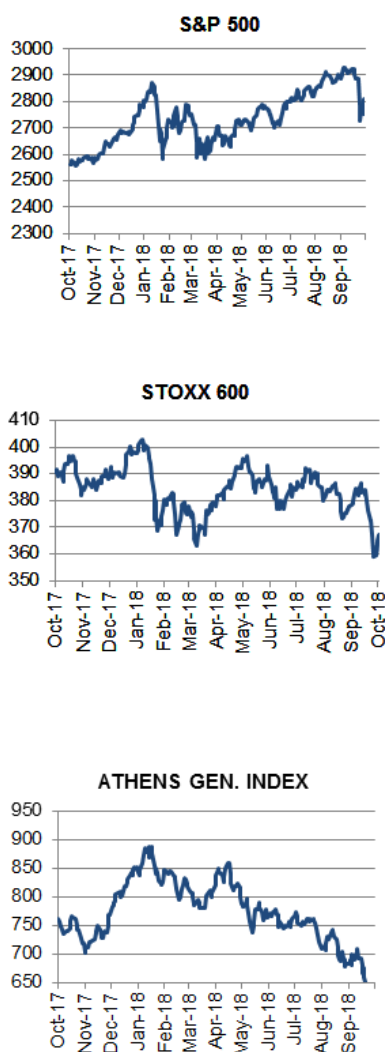
Global equity markets were firmer early on Wednesday following hefty gains in Wall Street overnight in the wake of encouraging US corporate earnings results. Positive US data showing that industrial production rose in September for the fourth straight month and job openings hit a fresh record high in August, also had a positive impact. Meanwhile, US Treasuries were little changed ahead of the minutes from the September FOMC meeting later today, which are expected to support the view for further rate tightening ahead. In FX markets, the USD was firmer with the EUR/USD retreating close to 1.1550 earlier today following a short-lived spike to a two-week high of 1.1620 on Tuesday. Germany's ZEW economic sentiment index dropped to a lower than expected -24.7 in October from -10.6 in the prior month reflecting concerns about an escalating US/China trade dispute and worries over a crash-out Brexit scenario. Meanwhile, the GBP gave back part of yesterday's gains recorded in the wake of UK data showing a higher than expected rise in regular wage growth from 2.9% to 3.1% in the three months to August, the highest since early 2009. The GBP/USD was 0.2% weaker on the day, albeit still 0.7% higher from Monday's multi-session intraday low with investors eagerly awaiting the EU Council meeting, which commences later today. Following news that Brexit talks on the Irish border backstop ended in a stalemate over the weekend, the probability of a withdrawal agreement at this week's meeting is low. If no agreement is sealed or an extraordinary meeting in mid-November is finally not called, the UK and the EU will still have a chance to come to an accord at the next EU Council meeting in mid-December. Meanwhile, Italy's government bond yields were lower across the board following the government's approval of the 2019 draft budget earlier this week and comments by Economy Minister Giovanni Tria, which boosted market hopes that he will remain in the government. Yet, with credit rating reviews and Q3 GDP data due at the end of this month, it is questionable whether today's improved tone in Italian sovereign bonds will prove long-lasting. Turning to commodity markets, oil prices were higher today with Brent crude rising 0.3% on the day at a multi-session high of \$81.79/br on a drop in US inventories and renewed diplomatic tensions between the US and Saudi Arabia over the controversy surrounding the disappearance of the Washington Post journalist.

[pptropoulou@eurobank.gr](mailto:pptropoulou@eurobank.gr)

### GREECE

Deliberations regarding the 2019 draft budget submitted to the European Commission on Monday by the Greek government are expected to continue at Euroworking Group level later this week and at the Eurogroup on 5 November. According to press reports, the EC has expressed concerns regarding certain discretionary measures that the Greek government would be willing to implement in the alternative scenario (the one without the legislated pension cuts) of the budgetary draft. In any case, the budget will most likely be finalised at the 3 December Eurogroup and then voted by the Greek parliament before the end of the year. In other news, in 2018 Greece ranked 57<sup>th</sup> out of 140 countries, falling 4 places from 2017 in the World Economic Forum Global Competitive Index. As regards the individual pillars of the overall index, Greece's ranking is as follows from best to worst: health 21<sup>st</sup>, infrastructure 38<sup>th</sup>, skills 39<sup>th</sup>, innovation capability 44<sup>th</sup>, ICT adoption 57<sup>th</sup>, market size 58<sup>th</sup>, product market 63<sup>rd</sup>, business dynamism 72<sup>nd</sup>, macro-economic stability 83<sup>rd</sup>, institutions 87<sup>th</sup>, labour market 107<sup>th</sup> and financial system 114<sup>th</sup>.

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)



Source: Reuters, Bloomberg, Eurobank Research

Wednesday 17 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

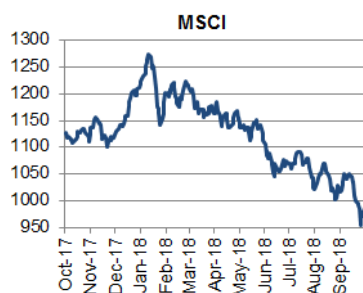
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

\* 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

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+

## Latest economic & market developments in the CESEE region

### CYPRUS

According to data released by the Central Bank of Cyprus, the stock of non-performing exposures (NPEs) decreased by €3.3bn in June relative to May, bringing the stock of NPEs down by 16.5% over the period from March 2018 to June 2018. Inter alia, the cumulative drop over the period from December 2014 to June 2018 has reached 39.1%. The decline in NPEs stems from three main factors: (i) the sale of NPE loans (ii) the reclassification of NPE loans as debt instruments held for sale (iii) the migration of successful restructurings to performing loans after the completion of the observance period, and (iii) write-offs and settlements through immovable property exchange. More specifically, the official statistics reflected primarily the impact of two major transactions in the month of June. The first refers to the sale of €365mn in NPEs loans by Alpha Bank Cyprus and the securitization transaction of Bank of Cyprus with Apollo, which accounts for the sizeable amount of €2.8bn.

Deleveraging of the banking sector continues. Total loan exposures (performing plus non-performing) decreased by €5,051mn from €46,332mn in March 2018 to €41,281mn in June 2018, which is a slightly larger drop than the one in their non-performing component alone. Despite the deleveraging, the ratio of NPEs (non-performing to total exposures) declined, from 43.0% in March 2018 to 40.3% in June 2018, compared to 43.7% in December 2017, 47.2% in December 2016, 45.8% in December 2015 and 47.8% in December 2014. Recall that according to the EBA conservative definition, a restructured NPE is still classified as an NPE for a probation period of at least 12 months, even if it is properly serviced without incurring new arrears. As a result, a large fraction of the restructured loans are still classified as NPEs (€6.4bn out of €9.4bn in May 2018). At the end of Q2-2018, out of the 14,402 accumulated applications for restructuring, agreements with the borrowers had been concluded in 3,175 cases (22.1%), 10,364 cases (72%) had been carried forward to be examined in the next quarter while 863 cases (6%) had been rejected either by the bank or the borrower.

The resolution of the case of the Co-operative Bank is a game changer in the battle to address the thorny issue of NPEs. The sizeable amount of NPEs removed from the banking sector (approximately €6bn) will allow for an important - albeit one-off - decline in the NPEs ratio further down to 30%. Further progress on the NPEs issue hinges upon two more game-changing factors: 1) the implementation of the reformed insolvency and foreclosures frameworks and 2) the government subsidized ESTIA plan. The adoption of the new insolvency and foreclosures laws by the parliament without any amendments has created optimism that the new framework will empower banks to pursue strategic defaulters more efficiently than previously. The government has drafted and made public the so-called ESTIA plan, which incentivizes both parties' creditors (the banks) and debtors (borrowers) to come into an agreement on restructuring first residence mortgage loans in the red. The announced criteria of eligibility for the ESTIA have been heavily criticized as overly generous and moral hazard inducing.

[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

Wednesday 17 October 2018

## GLOBAL MARKETS

## Stock markets

	Last	ΔD	ΔYTD
S&P 500	2809.92	2.1%	5.1%
Nikkei 225	22841.12	1.3%	0.3%
STOXX 600	366.92	0.5%	-5.7%

## FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1558	-0.1%	-3.7%
GBP/USD	1.3166	-0.1%	-2.6%
USD/JPY	112.26	0.0%	0.4%

## Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	3.16	-1	75
Bund-10yr	0.47	-2	5
JGB - 10yr	0.15	0	10

## SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	1	-23
1-week	2.41	2	-20
1-month	2.62	1	-23
3-month	2.94	1	-18
6-month	3.10	1	-14

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.29	7	-98
5Y RSD	3.68	0	-56
7Y RSD	4.16	0	-102

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.95	-1	95

## CDS

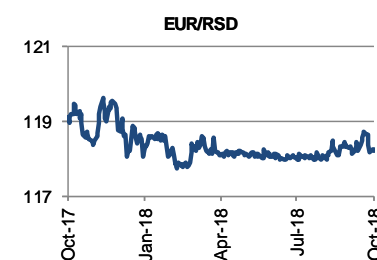
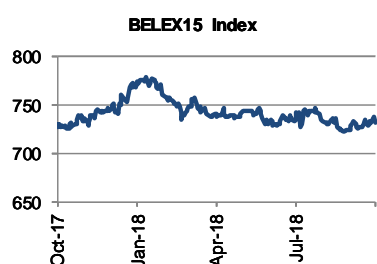
	Last	ΔDbps	ΔYTD bps
5-year	111	-1	-6
10-year	159	-1	-3

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	139.43	-0.99%	-3.77%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.22	0.05%	0.59%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.59	0	150
1-month	3.1	0	123
3-month	3.17	0	112
6-month	3.41	0	114
12-month	3.55	0	123

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.20	0	81
5Y RON	4.74	0	96
10Y RON	5.12	0	81

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	0	-1
USD Jan-24	4.34	0	134

## CDS

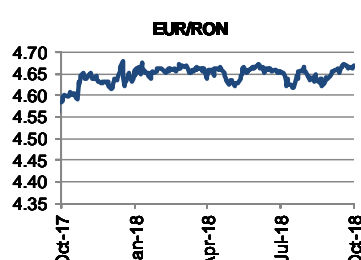
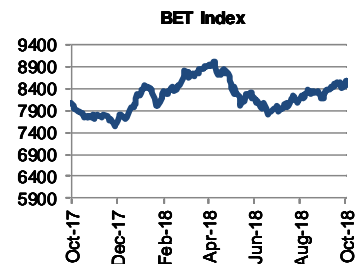
	Last	ΔDbps	ΔYTD bps
5-year	101	0	11
10-year	143	0	10

## STOCKS

	Last	ΔD	ΔYTD
BET	8560.1	0.00%	10.40%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6685	-0.04%	-0.08%



## 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	0	-7
10Y BGN	0.79	0	-18

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	-1	3
EUR Sep-24	0.44	-1	-13

## CDS

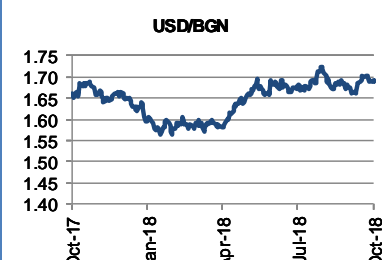
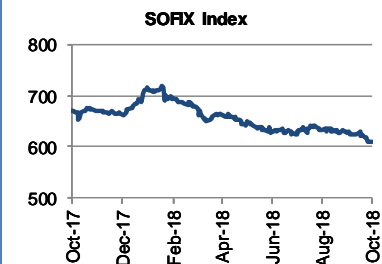
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	125	0	-16

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	609.7	0.03%	-10.00%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6924	-0.16%	-3.72%



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

Data updated as of 10:20 EEST

Wednesday 17 October 2018

## Contributors

**Paraskevi Petropoulou**  
Senior Economist, Eurobank  
Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Ioannis Gkionis**  
Senior Economist, Eurobank  
Ergasias  
+30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou**  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma**  
(Special Contributor)  
Research Economist, Eurobank  
Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Stelios Gogos**  
(Special Contributor)  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3371226  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr)

**Theodoros Stamatou**  
(Special Contributor)  
Senior Economist, Eurobank  
Ergasias  
+30 210 3371228  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr)

**Maria Kasola**  
(Special Contributor)  
Economic Analyst, Eurobank  
Ergasias  
+30 210 3371224  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Tasos Anastasatos: Group Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Marisa Yiannissi: Administrator**  
[magiannisi@eurobank.gr](mailto:magiannisi@eurobank.gr), +210 3371242

**Ioannis Gkionis: Senior Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 33 71 225

**Dr. Stylianos Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 33 71 226

**Maria Kasola: Economic Analyst**  
[mkasola@eurobank.gr](mailto:mkasola@eurobank.gr), +30 210 3371224

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 33 71 227

**Paraskevi Petropoulou: Senior Economist**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Dr. Theodoros Stamatou: Senior Economist**  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), +30 210 3371228

**Elia Tsiampaou: Economic Analyst**  
[etsiampaou@eurobank.gr](mailto: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](mailto:Research@eurobank.gr)

## Eurobank Economic Analysis and Financial Markets Research

More research available at <https://www.eurobank.gr/en/group/economic-research>

- **7 Ημέρες Οικονομία:** Weekly review of the Greek economy
- **Greece Macro Monitor - Focus Notes:** Periodic publication on the latest economic & market developments in Greece
- **Economy & Markets:** Analysis & research on the Greek and international economy
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Emerging Markets Special Focus Reports:** Periodic publication on specific EM economy and markets developments
- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Global Macro Themes & Market Implications for the EA Periphery and the CESEE:** Monthly review of the international economy and financial markets
- **Global Markets Special Focus Reports:** Periodic publication on specific global economy and markets developments

Subscribe electronically at <https://www.eurobank.gr/el/omilos/oikonomikes-analuseis>

Follow us on twitter: [https://twitter.com/Eurobank\\_Group](https://twitter.com/Eurobank_Group)

