

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 19: Current Account Balance (Jul)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Trade tensions between the US and China intensified following US President Donald Trump's announcement late yesterday after market close on the imposition of a 10% tariff on an additional \$200bn of imports from China. The tariff will take effect on 24 September and will increase to 25% in 2019 if the two countries fail to reach a trade agreement. On its part, China warned in early August that it was prepared to impose retaliatory tariffs on \$60bn worth of US imports if a new round of US tariffs would come into effect. Market reaction was rather muted to the new round of US tariffs. Today's calendar is rather empty leaving the focus for investors on any developments in the US-China trade dispute.

GREECE: According to the Greek Ministry of Finance's preliminary State Budget execution data for January- August 2018, the primary surplus was at €3.14 billion, €2.2 billion or 242.3% higher compared to the respective Medium Term Fiscal Strategy 2019-2021 forecast.

SOUTH EASTERN EUROPE

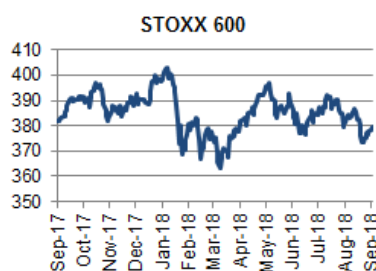
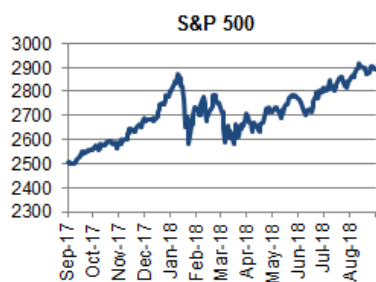
CYPRUS: On Friday evening, S&P was the first rating agency to upgrade the long-term sovereign rating of Cyprus by one notch from BB+ to BBB- with a stable outlook in the post-MoU era.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Trade tensions between the US and China intensified following US President Donald Trump's announcement late yesterday after market close on the imposition of a 10% tariff on an additional \$200bn of imports from China. The tariff will take effect on 24 September and will increase to 25% in 2019 if the two countries fail to reach a trade agreement. On its part, China warned in early August that it was prepared to impose retaliatory tariffs on \$60bn worth of US imports if a new round of US tariffs would come into effect. The US President also said last week that he is considering tariffs on an additional \$267bn of imports from China which, if implemented, would mean that the US will have imposed tariffs on virtually all imports from China (\$505bn in 2017). Market reaction was rather muted to the new round of US tariffs with the majority of Asian bourses reversing early losses and closing in positive territory for the day. Along these lines, European equity markets opened modestly higher. However, although the global economic expansion has so far proven resilient to increasing trade tensions between the world's two biggest economies, increased protectionism presents a key risk to the outlook. Core government bonds' reaction was also contained, with the 10-yr UST yield falling slightly below 3.00% in early European trade, c. 2bps lower from a four-month peak marked in the prior session but still some 20bps higher from a 1½ month low hit less than a month ago. In FX markets, the USD moved lower for the second session in a row amid concerns about the potential impact of the tariffs on the US economy. The USD/CHF dropped to a six-month low close to 0.9600 earlier today and the EUR/USD hit a peak of 1.1717 before retreating to levels close to 1.1680/85 at the time of writing, not much changed on the day and still within the 1.1500-1.1700 recent range. Today's calendar is rather empty leaving the focus for investors on any developments in the US-China trade dispute.

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GREECE

According to the Greek Ministry of Finance's preliminary State Budget execution data for January- August 2018, the primary surplus was at €3.14 billion, significantly higher by €2.2 billion or 242.3% than the respective Medium Term Fiscal Strategy 2019-2021 (MTFS2019-21) forecast. The overall fiscal budget balance for the aforementioned period recorded a deficit of ca €1.24 billion, improved by ca €2.15 billion or 63.4% compared to the respective MTFS2019-21 target. The aforementioned improvement was mainly due to an improvement on state budget net revenue as a result of an increase in revenue before tax refunds (€0.71 billion or 2.2%) and a significant short-fall in ordinary budget expenditure as a result of a decrease in primary and public investment budget expenditure (€0.38 billion or -1.4 and €0.92 billion or -38.5% respectively).

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Tuesday 18 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

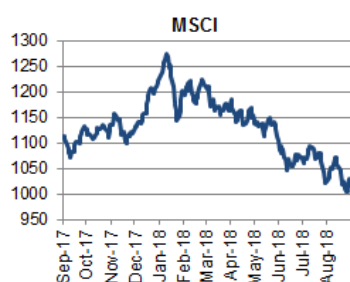
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

| 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 | Ba2 | BBB- | BB+ |

Latest economic & market developments in the CESEE region

CYPRUS

On Friday evening, S&P was the first rating agency to upgrade the long-term sovereign rating of Cyprus by one notch from BB+ to BBB- with a stable outlook in the post-MoU era. According to S&P, the decision reflects three main drivers. Firstly, it is based on the assumption that the Cypriot economy will continue to grow at a solid pace- on average by 3.25% -throughout the forecast horizon until 2021 supporting a reduction in the debt burden. S&P praises the recent government measures for financial support and legislative changes to reduce the volume of NPEs which have improved the banking system's health and are likely to facilitate further recovery efforts. Finally, S&P assessed that any additional financial state support to the banking sector will only moderately affect the sovereign balance sheet.

Overall, S&P is the last rating agency to upgrade the long-term sovereign rating of Cyprus during 2018 so far. More importantly, it is the first one to award investment grade status in the post-MoU era. This is so because S&P was also the first one to downgrade Cyprus in early 2012 to junk status. Cyprus regained its investment grade status 2.5 years after the exit from the economic adjustment program in late March 2016. All major rating agencies upgraded their long-term sovereign rating of Cyprus in 2017-2018, awarding at least one notch in their respective rankings. So far this year, FITCH, DBRS, Moody's and now S&P awarded a one notch upgrade. The distance from government bond investment grade status for the rest of the main rating agencies is: one notch for Fitch (currently at BB+, last upgrade in late April), two notches for DBRS (currently at BB, last upgrade in late May) and for Moody's (currently at Ba2, last upgrade in July).

In all past editions we have extensively discussed the progress of the Cypriot economy in the last three years. Based on our fact findings on the ground and our analysis, we always advocated that Cyprus is a solid turn-around economic story. After a three year recession in 2012-2014 and a cumulative drop of 10.5% of GDP, the economy grew by 2% YoY in 2015, jumped to 4.8% YoY (recently revised from 3.4% YoY previously) in 2016 and further expanded by 4.2% YoY (recently revised from 3.9% YoY previously) in 2017. Although the national accounts revision is essential and indicates that economy has passed its cyclical peak, we believe that Cyprus is very likely to repeat past year's outstanding growth performance in 2018 thanks to an investment boom- which is primarily real-estate related- and a flourishing tourism industry.

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Tuesday 18 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 | 2888.80 | -0.6% | 8.0% | EUR/USD | 1.168 | 0.0% | -2.7% | UST - 10yr | 2.99 | 1 | 59 | GOLD | 1197 | -0.4% | -8.1% |
| Nikkei 225 | 23420.54 | 1.4% | 2.9% | GBP/USD | 1.3136 | -0.2% | -2.8% | Bund-10yr | 0.45 | -1 | 2 | BRENT CRUDE | 78 | -0.5% | 16.1% |
| STOXX 600 | 379.38 | 0.3% | -2.5% | USD/JPY | 111.96 | -0.1% | 0.7% | JGB - 10yr | 0.12 | 0 | 7 | LME X | 2863 | -0.6% | -16.3% |

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | 2.28 | -1 | -24 |
| 1-week | 2.38 | -1 | -23 |
| 1-month | 2.61 | -1 | -24 |
| 3-month | 2.91 | -1 | -21 |
| 6-month | 3.07 | -1 | -17 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 3.50 | -1 | -78 |
| 5Y RSD | 3.82 | -5 | -42 |
| 7Y RSD | 4.38 | 0 | -79 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Feb-20 | 3.78 | 0 | 78 |

CDS

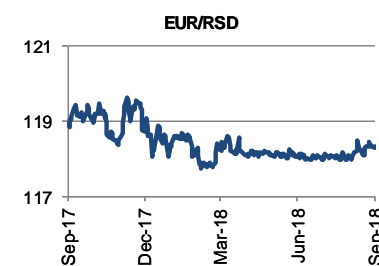
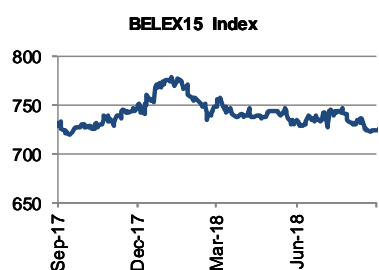
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 109 | 0 | -9 |
| 10-year | 154 | -1 | -8 |

STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|--------|--------|
| BELEX15 | 723.6 | -0.12% | -4.77% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| EUR/RSD | 118.31 | 0.08% | 0.51% |



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 2.14 | 0 | 105 |
| 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 | 4.32 | 0 | 54 |
| 10Y RON | 4.78 | 0 | 46 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 1.56 | #N/A | N/A |
| USD Jan-24 | 4.17 | 0 | 117 |

CDS

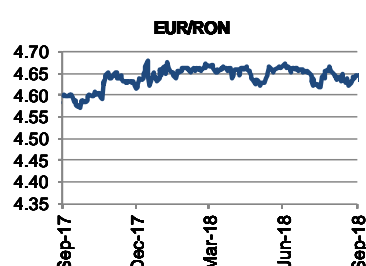
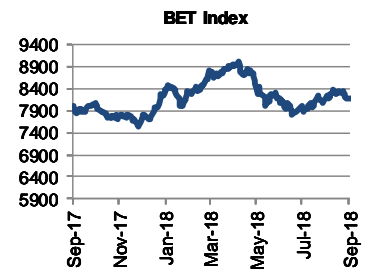
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 97 | 6 | 7 |
| 10-year | 139 | 5 | 6 |

STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|-------|-------|
| BET | 8177.5 | 0.08% | 5.47% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|-------|
| EUR/RON | 4.6456 | -0.02% | 0.41% |



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 | -1 | 1 |
| 5Y BGN | 0.12 | 0 | -3 |
| 10Y BGN | 0.84 | 0 | -13 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|-------|-------|----------|
| EUR Mar-22 | -0.07 | 14 | 0 |
| EUR Sep-24 | 0.37 | 51 | -21 |

CDS

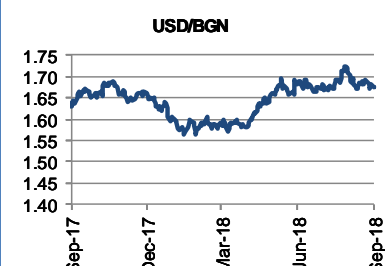
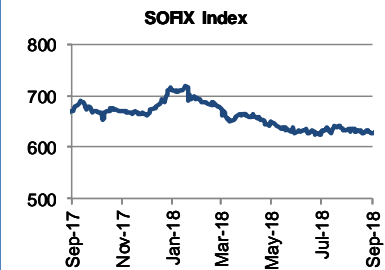
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 79 | 0 | -18 |
| 10-year | 121 | 0 | -21 |

STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|--------|--------|
| SOFIX | 627.4 | -0.07% | -7.39% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|--------|
| USD/BGN | 1.6746 | -0.04% | -2.70% |



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

Data updated as of 10:56 EEST

Tuesday, 15 October 2018

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