

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: In retaliation to the US administration's announcement late on Monday of a 10% tariff on an additional \$200bn of imports from China, the latter announced yesterday the imposition of duties on \$60bn worth of US goods. However, the further escalation in the US/China trade dispute left markets relatively unscratched. Risk assets remained well bid today and core government bond yields continued to move higher. Yield premiums of EMU periphery sovereign bonds vs. their German peers narrowed further with Italy continuing to outperform its regional peers. EU leaders meet today for an informal two-day summit in the Austrian city of Salzburg where the UK government's Chequers plan for the future UK/EU relationship will be included on the agenda. UK inflation data and US housing surveys, both for August, are today's highlights in the economic diary.

GREECE: The timetable for the period ahead foresees the submission of the draft 2019 State Budget to the Hellenic Parliament on 1 October and to the European Commission by 15 October. The final 2019 State Budget is to be voted by 21 November while on 2 December the Eurogroup will likely decide on whether the voted pension cuts will take effect as of January 2019 or not. In other news, according to press reports, two significant privatisation projects, DEPA and Egnatia motorway, may experience delays.

SOUTH EASTERN EUROPE

CYPRUS: Cyprus tapped international financial markets with a new 10Y-Eurobond yesterday for the third time since its exit from its Economic Adjustment Programme in late March 2016.

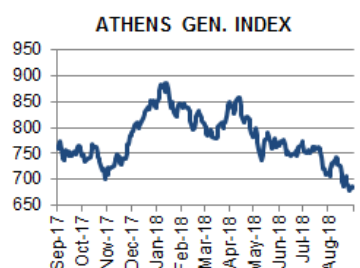
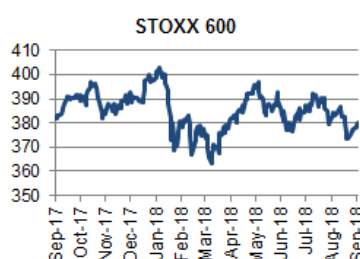
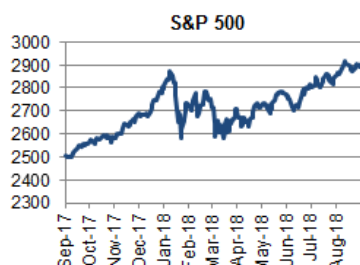
SERBIA: The FX reserves stood at €11.326mn in August 2018.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In retaliation to the US administration's announcement late on Monday of a 10% tariff on an additional \$200bn of imports from China, the latter announced yesterday the imposition of duties on \$60bn worth of US goods. However, the further escalation in the US/China trade dispute left markets relatively unscratched. This is probably because the 10% tariff placed by the US was lower than the 25% one President Donald Trump had initially threatened to impose and, along these lines, China's retaliation includes tariffs of 5% and 10%, lower than the 5%, 10%, 20% and 25% initially proposed. Risk assets remained well bid today and core government bond yields continued to move higher. 10-yr UST yields were hovering around 3.05% in early trade, close to yesterday's four-month high of 3.06% after breaking above the 3.00% level for the first time since mid-May. German sovereign paper followed suit with 10-yr Bunds rising to a seven-week high of 0.49% today, some 17bps higher from early September low, ahead of a €3bn auction of long-dated German debt later in the day. Yield premiums of EMU periphery sovereign bonds vs. their German peers narrowed further. Italy continued to outperform on the view that its government will respect EU rules on fiscal discipline and will set the 2019 headline budget deficit close to 2.0% of GDP. The 10-yr BTP/German Bund yield spread narrowed to a multi-week low close to 228bps, shrugging off rumours that Deputy Prime Ministers Luigi Di Maio and Matteo Salvini insist on a budget deficit close to 2.5% of GDP to accommodate some of their main electoral promises and put pressure on Economy Minister Giovanni Tria to resign. In FX markets, the EUR/USD continued to consolidate close to the upper bound of the 1.1500-1.1700 recent range while the GBP retained a firm tone on market optimism that a Brexit deal will be sealed at an emergency EU Council meeting in mid-November. EU leaders meet today for an informal two-day summit in the Austrian city of Salzburg where the UK government's Chequers plan for the future UK/EU relationship will be included on the agenda. However, because the meeting is informal, a breakthrough in negotiations is unlikely. UK inflation data and US housing surveys, both for August, are today's highlights the economic diary.

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GREECE

The timetable for the period ahead foresees the submission of the draft 2019 State Budget to the Hellenic Parliament on 1 October and to the European Commission by 15 October. The final 2019 State Budget is to be voted by 21 November while on 2 December the Eurogroup will likely decide on whether the voted pension cuts will take effect as of January 2019 or not. In other news, according to press reports, two significant privatisation projects, DEPA and Egnatia motorway, may experience delays. As regards DEPA, the Hellenic Competition Commission reportedly needs more time to review the acquisition of Shell's share in EPA Attica by DEPA. This may delay the break-up of the latter into DEPA Network and DEPA Commercial and the subsequent sale of TAIPED's majority stake in DEPA Commercial. As regards Egnatia motorway, DG MOVE has reportedly not cleared the proposed toll pricing policy which means that a new Ministerial Decision with a different pricing policy must be cleared. According to the June 2018 Eurogroup agreement, this procedure must be complete by 1/1/2019. Additionally, DG MOVE has requested that all the tunnels of the motorway be certified by the competent independent authority, a project that may entail a significant cost, which could affect potential investors' interest.

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Wednesday 19 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

Cyprus tapped international markets with a new 10Y-Eurobond yesterday for the third time after exiting from the Economic Adjustment Programme in March 2016. In the latest tender, the Public Debt Management Office (PDMO) sold an offered amount of €1.5bn instead of €1bn initially planned of 10-year government bonds. JP Morgan, Morgan Stanley and SG CIB were appointed by the Cypriot government as joint lead managers. The issue was heavily over-subscribed with total bids amounting to €5.5bn. Following the competitive bids, the average accepted price was at 99.686 and the corresponding yield at 2.40%. The latter yield compares with an initial guidance of 2.6%. The issue matures on June 27, 2028 and bears a 2.375% fixed annual coupon. The issuance follows last week's upgrade by S&P. S&P is the last rating agency to upgrade the long-term sovereign rating of Cyprus so far in 2018. More importantly, it is the first one to award it investment grade status in the post-MoU era. Cyprus regained its investment grade status 2.5 years after the exit from the Economic Adjustment Programme in late March 2016.

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SERBIA

According to the latest NBS data release, total FX reserves stood at €11.326mn in August (-0.6% MoM, +9.25% YoY), covering 194% of money supply and sufficient to cover six months' worth of total goods and services imports (€11.997m for H12018). Net FX reserves, (i.e. FX Reserves less banks' FX balances on account of required reserves and other requirements) stood at €9.463m (-0.8% MoM). According to the NBS, the observed contraction in gross FX reserves reflects the government's effort to reduce the FX portion of sovereign debt with a view to mitigating country's FX risk exposure.

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Wednesday 19 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	2904.31	0.5%	8.6%	EUR/USD	1.1694	0.2%	-2.6%	UST - 10yr	3.05	-1	64	GOLD	1204	0.5%	-7.6%
Nikkei 225	23672.52	1.1%	4.0%	GBP/USD	1.3158	0.1%	-2.7%	Bund-10yr	0.49	1	6	BRENT CRUDE	79	0.2%	18.5%
STOXX 600	379.85	0.3%	-2.4%	USD/JPY	112.29	0.1%	0.4%	JGB - 10yr	0.12	0	7	LMEX	2904	1.4%	-15.1%

SERBIA

Money Market

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

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.38	-11	-89
5Y RSD	3.77	-5	-47
7Y RSD	4.26	#N/A	N/A

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.81	1	82

CDS

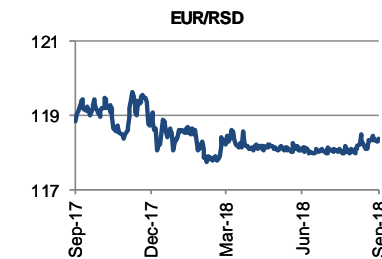
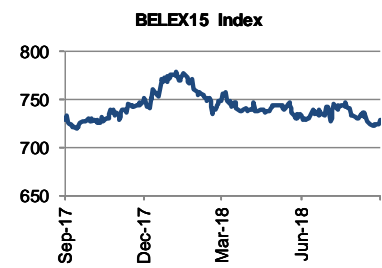
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-9
10-year	154	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	729.3	0.67%	-4.01%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.39	-0.09%	0.44%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.87	0	78
1-month	3.01	0	114
3-month	3.09	0	104
6-month	3.35	0	108
12-month	3.5	0	118

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.97	0	58
5Y RON	4.31	0	53
10Y RON	4.97	0	66

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	0	-4
USD Jan-24	4.20	-1	120

CDS

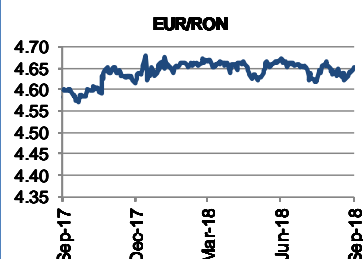
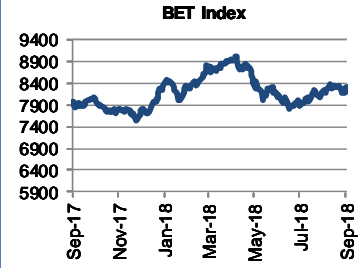
	Last	ΔDbps	ΔYTD bps
5-year	96	-1	6
10-year	139	0	6

STOCKS

	Last	ΔD	ΔYTD
BET	8293.3	0.08%	6.96%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6512	-0.08%	0.29%



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	-0.04	0	2
5Y BGN	0.13	0	-1
10Y BGN	0.86	0	-11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.08	17	0
EUR Sep-24	0.37	55	-21

CDS

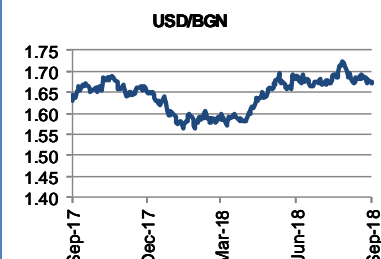
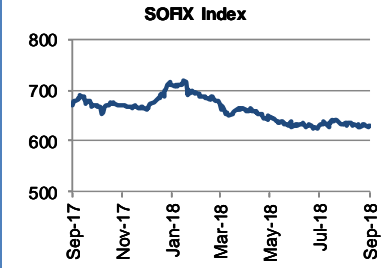
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	121	0	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	630.3	0.06%	-6.97%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6727	0.21%	-2.59%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:33 EEST

Wednesday 19 September 2018

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