

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: Risk-on mode continued to prevail in early trade on Thursday on market perception that the direct impact of the US/China trade dispute on the global economy will likely be manageable. Taking their cue from Asian bourses earlier today, European bourses opened in positive territory although the sell-off in core government bonds lost some momentum. In FX markets, the GBP lost some ground today on renewed uncertainty over whether a withdrawal agreement can be reached by year-end so as to allow time for ratification by March 2019 when the UK exits the EU. Market focus remains on the informal meeting of the heads of State as the UK Prime Minister is expected to give a press conference in the afternoon.

GREECE: During his visit in Berlin, the Greek FinMin reportedly discussed with his German counterpart Olaf Scholz the potential annulment of the upcoming pension cuts on the grounds that the primary surplus target for 2019 is secured. According to press reports, an initial discussion of the matter at Eurogroup level may take place at its meeting on 1 October. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT) in July 2018 the Turnover Index in Industry increased 17.5%YoY recording the 7th annual increase in a row.

SOUTH EASTERN EUROPE

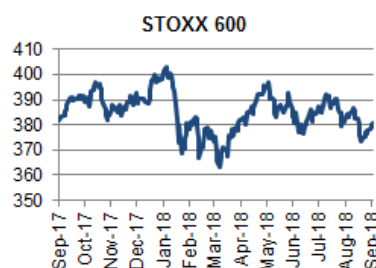
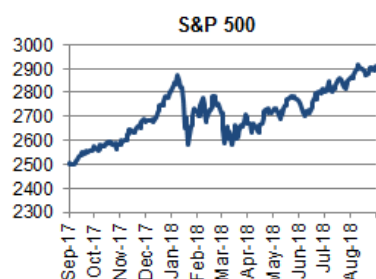
SERBIA: According to the latest NBS data, the current account deficit widened to €161mn in July 2018 vs €122mn in June 2018, up by (8.36% MoM).

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Latest world economic & market developments

GLOBAL MARKETS



Risk-on mode continued to prevail in early trade on Thursday on market perception that the direct impact of the US/China trade dispute on the global economy will likely be manageable. The majority of market participants seem to share the view that US lower taxes and other fiscal policy measures will probably outweigh any negative effect while China will likely attempt to cushion the impact via monetary and fiscal easing. At the same time, trade discussions between the US and other trade partners (such as the EU and Canada) are reportedly progressing. Taking their cue from Asian bourses earlier today, European bourses opened in positive territory although the sell-off in core government bonds lost some momentum. 10-yr UST yields were c. 1.9bps lower from Wednesday's 3.08% four-month closing high while 10-yr Bund yields were standing close to 0.48% at the time of writing after briefly rising to a three-month high slightly above 0.50% yesterday for the first time since late May. On the flipside side, 10-yr UK Gilt yields were hovering close to 1.62% in early European trade, the highest since mid-February following an unexpected increase in UK CPI to a six-month high of 2.7%YoY in August, largely due to seasonal and volatile factors.

In FX markets, the GBP lost some ground on renewed uncertainty over whether a withdrawal agreement can be reached by year-end so as to allow time for ratification by March 2019 when the UK exits the EU. The leaders of Lithuanian and Slovakia were quoted saying on the sidelines of the two-day informal meeting of EU leaders in the Austrian city of Salzburg that there has been no progress on Brexit and the contentious issue of the Irish border. Adding to Brexit jitters, UK Prime Minister Theresa May suggested that she would not accept the improved offer from the EU Brexit negotiator on the Irish border "backstop" (not yet published) arguing that it would damage the integrity of the UK. The GBP/USD was trading close to 1.3175/78 against the USD at the time of writing after hitting a 1½ month high of 1.3213 yesterday remaining though 2% firmer from early September low. Market focus remains on the informal meeting of the heads of State as the UK Prime Minister is expected to give a press conference in the afternoon.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

During his visit in Berlin, the Greek FinMin reportedly discussed with his German counterpart Olaf Scholz the potential annulment of the upcoming pension cuts on the grounds that the primary surplus target for 2019 is secured. Furthermore, the Greek government argues, contrary to the IMF, that the said measure is not of structural nature and is not necessary for the sustainability of the social security system. According to press reports, an initial discussion of the matter at Eurogroup level may take place at its meeting on 1 October. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT) in July 2018 the Turnover Index in Industry increased 17.5%YoY recording the 7th annual increase in a row. In July 2017 it had increased by 9.2%YoY. The 12-month average increase for the period July 2018 – August 2017 was 8.5%YoY while the corresponding increase for the 12-month period July 2017-August 2016 was 12.6%YoY. As regards the sub-indices, in July 2018 the Turnover Index in Manufacturing increased by 18.0% while the Turnover Index in mining and quarrying decreased by 6.8%YoY.

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Thursday 20 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

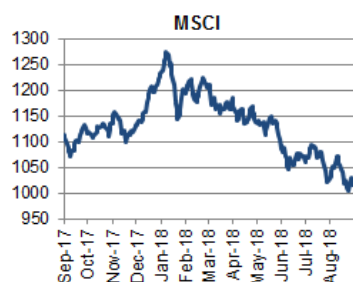
ROMANIA: Indicator:	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* 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

SERBIA

According to the NBS data, the current account deficit widened to €161mn in July 2018 vs €122mn in June 2018 (+8.36% MoM), compared to a recent surplus of €61mn in past May. Compared to the first seven months of 2017, the current account deficit for January - July 2018 remained almost unchanged (-€1.175mn for 2018 vs -€1.177mn for 2017, i.e. -0.2% YoY).

The current account dynamics were once again driven by the widening trade of goods deficit (+28.3% YoY). In detail, the exports growth (8.6% YoY) was not enough to compensate for the increase in imports (12.6% YoY) of which more than 80% consist of capital and intermediate goods due to ongoing rebound of the domestic economy.

In terms of financing, capital flows contracted by 11.3% YoY. This is mainly attributed to the reduction of other investments by €822mn, while net foreign direct investments (FDIs) remained solid at €1.418mn (+0.3% YoY or 5.7% of GDP), more than sufficient to cover the current account deficit (120.7% of the CAD) in the corresponding period.

According to an IMF working paper released less than a month ago, Serbia alone attracted more than half of total foreign direct investment flows (FDI) in the past decade in the Western Balkans.

Over the last five years, FDI inflows have reached ca €10bn in 2013-2017. As a percentage of GDP they have increased from 3.8% in 2013 to 6.6% in 2017, while they have also been well diversified both by industry and country of origin.

According to the latest Q1-2018 official data, FDI is channeled primarily to the manufacturing industry (37% of FDI inflows), followed by the financial sector (23%), real estate and constructions (17%) and trade (16%), with the aforementioned distribution being more or less constant since 2013. From a regional perspective, more than 75% of FDI inflow comes from EU-28 countries. Finally, considerable FDI is being directed to export oriented sectors in the past few years (66.6% of total FDI inflow for Q12018) which may result in the current account deficit contraction in the medium-term.

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Thursday 20 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	2907.95	0.1%	8.8%	EUR/USD	1.17	0.2%	-2.5%	UST - 10yr	3.06	0	66	GOLD	1204	0.0%	-7.6%
Nikkei 225	23674.93	0.0%	4.0%	GBP/USD	1.3178	0.3%	-2.5%	Bund-10yr	0.49	0	6	BRENT CRUDE	80	0.3%	19.1%
STOXX 600	380.52	0.1%	-2.2%	USD/JPY	112.25	0.0%	0.4%	JGB - 10yr	0.12	0	7	LME X	2917	0.4%	-14.7%

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	3.36	-3	-92
5Y RSD	3.77	0	-47
7Y RSD	4.26	-1	-92

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.82	-1	83

CDS

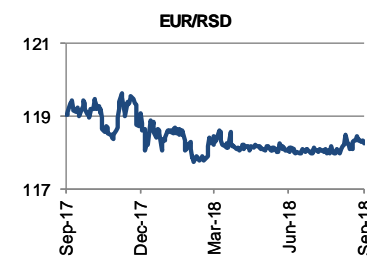
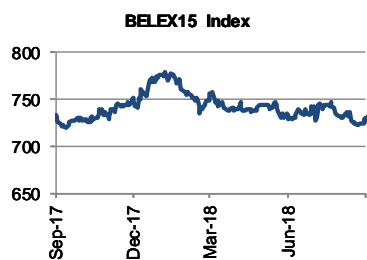
	Last	ΔDbps	ΔYTD bps
5-year	107	-2	-11
10-year	153	-2	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.3	0.13%	-3.89%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.28	0.02%	0.53%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.74	0	65
1-month	3.02	0	115
3-month	3.1	0	105
6-month	3.36	0	109
12-month	3.51	0	119

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.96	0	58
5Y RON	4.28	0	50
10Y RON	4.97	0	65

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	#N/A	N/A
USD Jan-24	4.21	-1	121

CDS

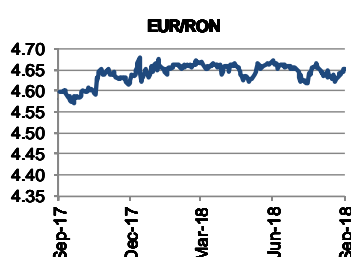
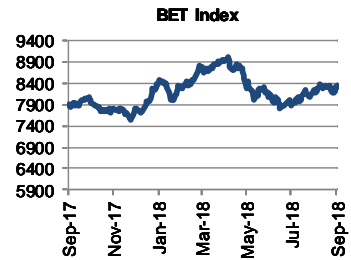
	Last	ΔDbps	ΔYTD bps
5-year	96	0	6
10-year	139	0	6

STOCKS

	Last	ΔD	ΔYTD
BET	8339.2	0.54%	7.55%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6511	-0.01%	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	-0.03	0	3
5Y BGN	0.12	-1	-3
10Y BGN	0.85	0	-12

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.01	-23	6
EUR Sep-24	0.47	-59	-11

CDS

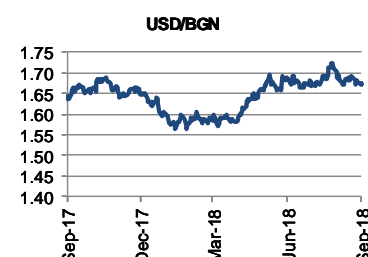
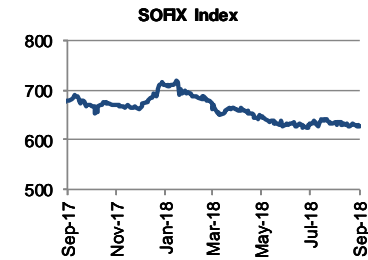
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	121	0	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	627.8	0.03%	-7.33%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6718	0.23%	-2.54%



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

Data updated as of 10:38 EEST

Thursday 20 September 2018

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