

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday 24 September 2018

## KEY UPCOMING DATA & EVENTS THIS WEEK US

- Sep 25:
  - CB consumer confidence (Sep)
- Sep 26:
  - New home sales (Aug)
  - FOMC interest rate decision
- Sep 27:
  - Q2 GDP (3<sup>rd</sup> estimate)
  - Durable goods orders (Aug)
  - Initial jobless claims (Sep 22)
  - Pending home sales (Aug)
- Sep 28:
  - Personal income & personal spending (Aug)
  - Chicago PMI (Sep)
  - UM consumer confidence (Sep)

## EUROZONE

- Sep 24: IFO business climate (Sep)
- Sep 27:
  - M3 money supply (Aug)
  - Economic sentiment (Sep)
  - Business confidence (Sep)
- Sep 28:
  - CPI (Sep, prel.)

## GREECE

- Sep 28
  - Retail sales (Jul)
  - PPI (Aug)

## SEE

### BULGARIA

- Sep 26:
  - Gross External Debt (Jul)
- Sep 28:
  - PPI (Aug)
  - Budget balance (Aug)
  - BNB committee over target interest rate

### ROMANIA

- Sep 25:
  - M3 Money supply (Aug)

### SERBIA

- Sep 28:
  - Industrial output (Aug)
  - Trade balance (Aug)
  - Retail sales (Aug)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Developments over the last few sessions have increased worries over a hard Brexit scenario. EU leaders rejected the “Chequers plan” at last week’s summit while UK PM Theresa May acknowledged that Brexit talks have hit “an impasse”. In reaction to the above, the GBP came under pressure while the USD was firmer across the board favored by intensified trade woes on news that China cancelled trade talks with the US that were scheduled to take place later this week. Looking at this week’s calendar, the FOMC monetary policy meeting on Wednesday and Italy’s updated budgetary plan that has to be submitted to parliament by 27 September, lure market attention.

**GREECE:** According to press reports, the Bank of Greece and the Ministry of Finance are planning the total lifting of capital controls by the end of the current year or in early 2019. Based on the roadmap to the removal of capital controls, the first step, reportedly foresees the full abolition of the cash withdrawal limit in Greece and the further increase in the limit of funds that can be transferred abroad by individuals and legal entities. On the economic data front, according to the Bank of Greece, in July 2018 travel receipts rose by 14.4%YoY from 6.5%YoY that they had increased in July 2017. An annual increase of 6.6% was also recorded in non-resident travel expenditure in Greece, compared with a 3.1% decline recorded in July 2017.

### SOUTH EASTERN EUROPE

**BULGARIA:** The main equity index SOFIX was in the red in four out of the five last trading sessions sliding -0.94% over the week to 623.48 points.

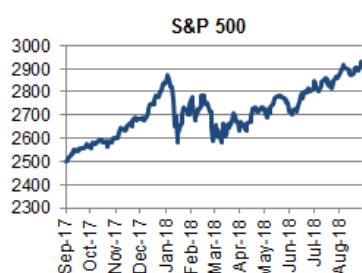
**SERBIA:** The EUR/RSD remained bound within a 118.05-118.45 trading range in the past week while market closed on Friday at 118.05/25.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Developments over the last few sessions have increased worries over a hard Brexit scenario. EU leaders rejected the “Chequers plan” at last week’s summit while UK PM Theresa May acknowledged that Brexit talks have hit “an impasse”. Adding to the above, press reports suggested that some EU27 member states expressed support for a second Brexit referendum while Jeremy Corbyn, the leader of the UK Labor Party, said during his party’s 2018 conference that commenced on Sunday that, although he would prefer a new election, he would back a second referendum if his party votes in favor of such a proposal. In reaction to the above, the GBP came under pressure, standing 1.4% weaker against the USD in early European trade compared to a 2½ month peak close to 1.3300 hit last Thursday. Meanwhile, the USD was firmer across the board favored by intensified trade woes on news that China cancelled trade talks with the US that were scheduled to take place later this week, in reaction to the new round of US tariffs on \$200bn in Chinese imports that came into effect in the early hours of Monday. Against this background, the EUR/USD retreated to levels around 1.1758/62 in early European trade after testing levels slightly above 1.1800 on Friday for the first time since May. Weaker than expected euro area data, which showed a drop in the manufacturing PMI to a two-year low of 53.3 in September from 54.6 in the prior month mainly pressured by lower new orders, was also behind today’s EUR pullback.

Looking at this week’s calendar, the FOMC monetary policy meeting on Wednesday and Italy’s updated budgetary plan that has to be submitted to parliament by 27 September, lure market attention. The Fed is unlikely to announce any surprises and a 25bps rate hike that would take the target range for the federal funds rate from 1.75%-2.00% to 2.00%-2.25% is almost fully-priced in. Meanwhile, Italy’s Finance Minister Giovanni Tria, Prime Minister Giovanni Conte and the two deputy ministers will reportedly meet again today or tomorrow to finalise the fiscal targets. On the data front, this week’s highlight is inflation data from the euro area on Friday.

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### GREECE

According to press reports, the Bank of Greece and the Ministry of Finance are planning the total lifting of capital controls by the end of the current year or in early 2019. Based on the roadmap to the removal of capital controls, the first step, which may take place in the next couple of days, reportedly foresees the full abolition of the cash withdrawal limit in Greece and the further increase in the limit of funds that can be transferred abroad by individuals and legal entities. On the economic data front, according to the Bank of Greece, in July 2018 travel receipts rose by 14.4%YoY from 6.5%YoY that they had increased in July 2017. An annual increase of 6.6% was also recorded in non-resident travel expenditure in Greece, compared with a 3.1% decline recorded in July 2017. In total, for the 7-month period January-July 2018, there was an increase of 17% from 6.3% in the same period of 2017. Significant increases in travel receipts for the said period were recorded from the German (+35.2%) and the US (+27) markets, whereas decreases were recorded in the Russian market (-18.2%) and cruises (-4.0%).

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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

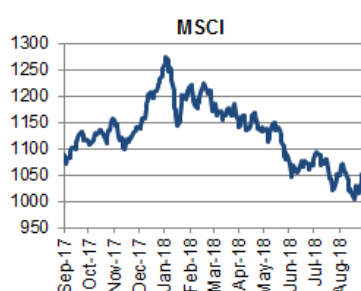
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	Ba2	BBB-	BB+

## Latest economic & market developments in the CESEE region

### BULGARIA\*

The main equity index SOFIX ended in the red in four out of the five last trading sessions sliding -0.94% over the week to 623.48 points. The volume was modest, ending at €2mn, with more than half of it being generated on Friday. External bond yields stayed largely unchanged across all maturities, while local bonds had a bit more to show for, with the 8 and 10 year tenor yields dropping by 4 bps each.

### SERBIA\*

After showing some vividness a week before, the EUR/RSD has fallen into lethargy again, as it keeps consolidating from monthly high at 118.50. Negative carry-trade and muted demand from corporate keeps weighting on EUR/RSD bulls as they keep giving up their positions.

The NBS auctioned RSD 39.5bn of seven-day reverse repos on Wednesday, draining excess liquidity from the local market. This time, 12 banks placed their funds at an average rate of 2.36%.

In other news, several significant contracts with Chinese companies were signed during the visit of Serbian President Aleksandar Vucic in Beijing last week. The most important one concerns the strategic partnership between smelting company RTB Bor and Chinese Zijin Mining. The Serbian delegation also inked the agreement with Shandong Linglong Tire Co. Ltd., which foresees the construction of a new tire factory near Zrenjanin town. The total investment is worth \$994mn and construction works are expected to start in April 2019.

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

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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	2929.67	0.0%	9.6%	EUR/USD	1.1744	0.0%	-2.2%	UST - 10yr	3.08	1	67	GOLD	1197	-0.1%	-8.1%
Nikkei 225	23869.93	0.8%	4.9%	GBP/USD	1.3112	0.3%	-3.0%	Bund-10yr	0.47	1	4	BRENT CRUDE	80	1.9%	20.1%
STOXX 600	383.83	-0.1%	-1.4%	USD/JPY	112.59	0.0%	0.1%	JGB - 10yr	0.13	1	9	LMEX	3025	3.6%	-11.5%

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	0	-24
1-week	2.38	0	-23
1-month	2.61	0	-24
3-month	2.91	0	-21
6-month	3.08	0	-16

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.28	-1	-100
5Y RSD	3.73	0	-56
7Y RSD	4.26	0	-91

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.81	-2	82

## CDS

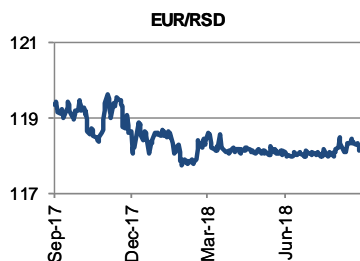
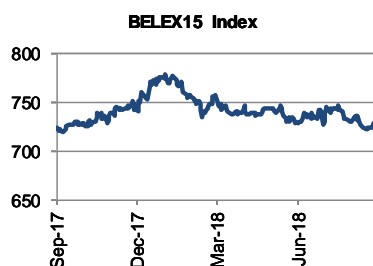
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-9
10-year	151	-1	-11

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	733.0	0.38%	-3.52%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.14	0.06%	0.65%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.76	0	67
1-month	3.04	0	117
3-month	3.14	0	109
6-month	3.38	0	111
12-month	3.52	0	120

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.98	0	60
5Y RON	4.28	0	50
10Y RON	4.96	0	65

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	-3
USD Jan-24	4.19	0	119

## CDS

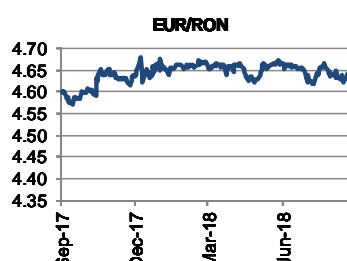
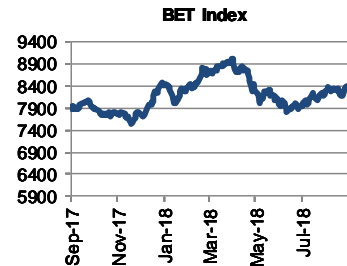
	Last	ΔDbps	ΔYTD bps
5-year	96	0	6
10-year	139	1	5

## STOCKS

	Last	ΔD	ΔYTD
BET	8395.4	0.15%	8.28%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6571	-0.02%	0.17%



## 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	-1	2
5Y BGN	0.10	0	-4
10Y BGN	0.80	0	-16

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.02	0	6
EUR Sep-24	0.47	0	-11

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	79	-1	-18
10-year	121	1	-20

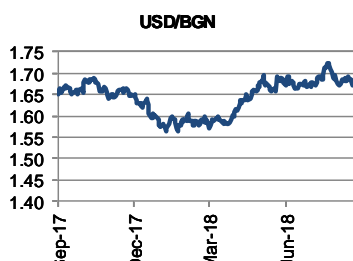
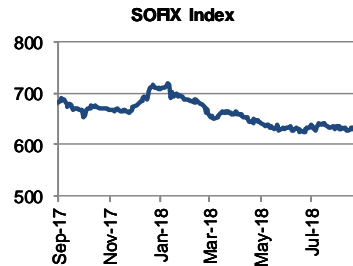
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## STOCKS

	Last	ΔD	ΔYTD
SOFIX	623.5	-0.57%	-7.97%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6656	-0.05%	-2.17%



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

Data updated as of 10:32 EEST

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