

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday 25 September 2018

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### US

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

#### EUROZONE

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

#### GREECE

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

#### SEE

##### BULGARIA

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

##### ROMANIA

- Sep 25:  
M3 Money supply (Aug)

##### SERBIA

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

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Major European equity markets opened higher on Tuesday but gains were limited amid prevailing trade war concerns. Elsewhere, 10-yr Bund yields rose slightly above 0.54% today, the highest since 22 May after ECB President Mario Draghi conveyed a message of increased confidence at the Governing Council about reaching the inflation target. In FX markets, the USD was firmer on the day ahead of this week's two-day FOMC policy meeting, which concludes on Wednesday and a 25bps rate hike is almost fully-priced in. Brent crude oil rose to \$81.69/br earlier today, the highest since November 2014 on mounting supply woes.

**GREECE:** According to a European Commission official, decision on the implementation of the planned pension cuts will be most likely made at the 3<sup>rd</sup> December Eurogroup. In the meantime, the Greek government must submit the 2019 State Budget to the European Commission by 15 October along with detailed evidence to substantiate its position that the pension cuts are unnecessary from both a fiscal and a structural standpoint. Speaking before the European Parliament's Committee on Economic and Monetary Affairs yesterday, ECB President Mario Draghi reportedly stated that from now on with regard to Greece the ECB's interventions will be strictly limited to matters of its competence.

### SOUTH EASTERN EUROPE

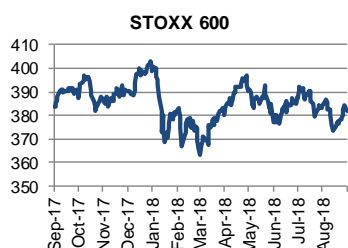
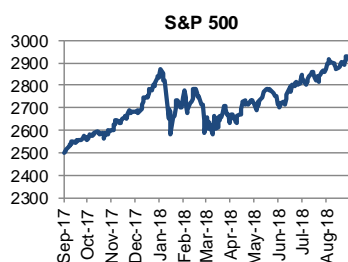
**SERBIA:** Official discussions between Serbia and the IMF over the results of the Policy Coordination Instrument (PCI) for 2018 – 2021 begin.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major European equity markets opened higher on Tuesday but gains were limited amid prevailing trade war concerns. The US and China imposed a new round of tariffs on each other's import goods as of Monday and recent comments by government officials from both sides suggested increased risks for a further escalation of the trade dispute ahead of the US midterm elections in early November with a more negative impact on business confidence and global trade. Meanwhile, oil prices continued to move higher for the third session in a row with Brent crude rising to \$81.69/br earlier today, the highest since November 2014 recording cumulative gains of around 4% so far this week amid mounting supply woes. Speaking to reporters on Sunday after the completion of a joint OPEC and non-OPEC meeting, the Russian and Saudi Arabia energy ministers ruled out any immediate additional increase in crude output, rebuffing US President Donald Trump's call to petroleum exporting countries for action to push oil prices lower. Elsewhere, 10-yr Bund yields rose slightly above 0.54% today, the highest since 22 May and 8bps above Friday's close after ECB President Mario Draghi conveyed a message of increased confidence at the Governing Council about reaching the inflation target. Speaking before the European Parliament's Committee on Economic and Monetary Affairs yesterday, the ECB President said that the Governing Council sees a "relatively vigorous" acceleration in underlying inflation and that this upward trend "is expected to continue over the coming months as the tightening labor market is pushing up wage growth". Taking their cue from higher Bund yields, UST yields also moved higher with the 10-yr yield rising slightly above 3.1% earlier today, some 25bps higher compared to the close at the end of August. In FX markets, the USD was firmer on the day ahead of this week's two-day FOMC policy meeting, which concludes on Wednesday and a 25bps rate hike is almost fully-priced in. Against this background, the EUR/USD retreated to levels around 1.1765/69 in early trade today after hitting an intraday high of 1.1815 yesterday in reaction to the ECB President's comments and a lower than expected decline in the September IFO business climate index to 103.7, which is still above the average for this year. Looking at today's economic calendar, we expect the French INSEE business survey and the US CB's consumer survey, both for September.

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### GREECE

According to a European Commission official, decision on the implementation of the planned pension cuts will be most likely made at the 3<sup>rd</sup> December Eurogroup. In the meantime, the Greek government must submit the 2019 State Budget to the European Commission by 15 October along with detailed evidence to substantiate its position that the pension cuts are unnecessary from both a fiscal and a structural standpoint. The European Commission will then study this data and submit its proposition to the Eurogroup, which is the competent body to make a decision on this matter. Meanwhile, speaking before the European Parliament's Committee on Economic and Monetary Affairs yesterday, ECB President Mario Draghi reportedly stated that from now on with regard to Greece the ECB's interventions will be strictly limited to matters of its competence. In essence, this means issues pertaining solely to the country's macroeconomic and financial situation and not others that may fall into the country's obligations in the context of the Enhanced Post Programme Surveillance framework, such as structural reforms and privatisations.

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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

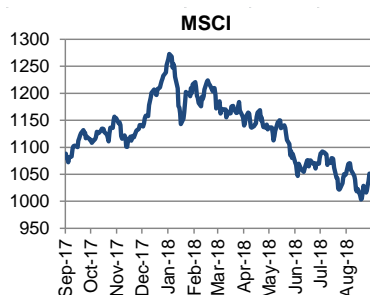
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### SERBIA

Following Serbia's application past June for a new three year macroeconomic and structural reform program ending in 2021 and the IMF's respective approval one month later, official discussions between the two on the first review of the new program began yesterday in Belgrade and are to be concluded by the 4th of October. The agenda of the discussions includes the assessment of current economic, monetary and fiscal trends and the evaluation of the projected macroeconomic indicators in 2018-2019 in order for the two counterparties to agree on targeted measures and policies that will eventually lead to productivity increase and high and sustainable GDP growth.

Last February Serbia completed another three-year program with a €1.2bn Standby Agreement (SBA), the disbursement of which – though not eventually materialised – foresaw significant cuts in public sector wages and pensions that were introduced in September 2014, ranging from 3% to 20%.

Following the gradual improvement in the fiscal metrics ever since (the budget recorded a €49.1bn surplus or 1% of GDP in Jan – Jul 2018) along with the robust domestic growth reading of 4.8% YoY for Q2 2018 (against an initial IMF projection at 3.5% for 2018) authorities have decided to increase pensions in November 2018, which will be followed by a public wages increase in 2019.

Given Serbia's macroeconomic and structural progress within the recently completed program, the IMF is not expected to object to the announced increases.

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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	2919.37	-0.4%	9.2%	EUR/USD	1.1758	0.1%	-2.1%	UST - 10yr	3.10	1	69	GOLD	1200	0.1%	-7.9%
Nikkei 225	23940.26	0.3%	5.2%	GBP/USD	1.3101	-0.1%	-3.1%	Bund-10yr	0.53	2	10	BRENT CRUDE	82	0.4%	21.9%
STOXX 600	382.14	-0.6%	-1.8%	USD/JPY	112.92	-0.1%	-0.2%	JGB - 10yr	0.13	0	8	LMEX	3013	-0.4%	-11.9%

## SERBIA

## Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
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	3.09	1	-15

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.33	-1	-95
5Y RSD	3.73	0	-56
7Y RSD	4.27	0	-91

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.82	0	83

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	112	3	-6
10-year	160	9	-2

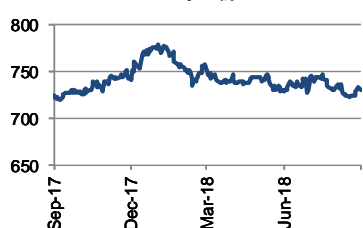
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.6	-0.34%	-3.85%

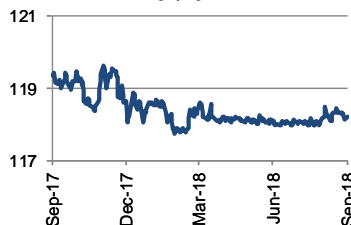
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.26	-0.06%	0.55%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	2.59	0	150
1-month	3.05	0	118
3-month	3.14	0	109
6-month	3.38	0	111
12-month	3.5	0	118

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.98	0	60
5Y RON	4.29	0	51
10Y RON	4.97	0	65

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	#N/A	N/A
USD Jan-24	4.18	0	118

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	99	3	9
10-year	142	4	9

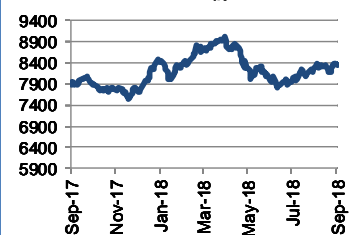
## STOCKS

	Last	ΔD	ΔYTD
BET	8354.4	-0.27%	7.75%

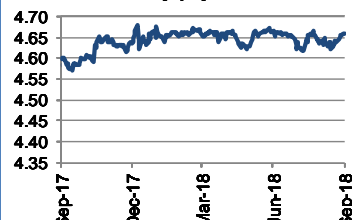
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6586	-0.03%	0.13%

BET Index



EUR/RON



## BULGARIA

## Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
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	3
5Y BGN	0.12	2	-2
10Y BGN	0.85	0	-11

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.02	2	5
EUR Sep-24	0.46	3	-12

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	81	3	-15
10-year	124	3	-18

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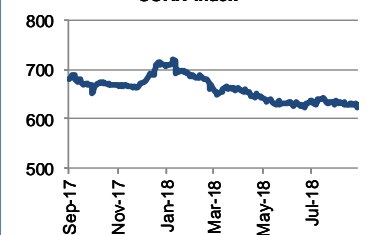
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	623.5	-0.57%	-7.97%

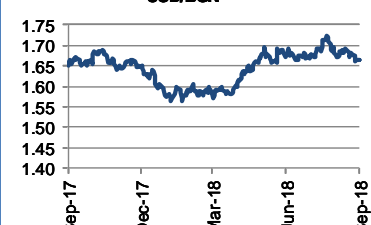
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6635	0.10%	-2.05%

SOFIX Index



USD/BGN



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

Data updated as of 10:32 EEST

Tuesday 25 September 2018

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