

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Oct 22:
 - Chicago Fed Economic Activity Index (Sep)
- Oct 23:
 - Richmond Fed Manufacturing Index (Oct)
- Oct 24:
 - o Mortgage applications (19/10)
 - o New home sales (Sep)
 - o Markit PMI Composite index (Oct,p)
- Oct 25:
 - o Pending home sales (Sep)
 - o Wholesale inventories (Sep,p)
 - o Durable goods orders (Sep,p)
 - o Initial jobless claims (20/10)
- Oct 26:
 - o GDP (Q3,a)
 - o GDP deflator (Q3,a)
 - o University of Michigan Consumer Sentiment (Oct)

EUROZONE

- Oct 23:
 - Consumer confidence (Oct,a)
- Oct 24:
 - o Markit PMI Composite index (Oct,p)
 - o Money supply (Sep)
- Oct 25:
 - ECB Monetary Policy Meeting
- Oct 26:
 - ECB Survey of Professional Forecasters

GREECE

- Oct 22:
 - Current Account (Aug)

SEE

BULGARIA

- Oct 26: Gross external debt

ROMANIA

- Oct 23:
 - Money supply (Sep)

SERBIA

- Oct 25:
 - Real gross wages (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Global equity markets retained a negative tone in early trade on Thursday following Wall Street's heavy losses overnight. Concerns over a likely peak in corporate earnings momentum and a more aggressive than currently expected Fed rating tightening ahead prevail while US/China trade frictions and the likelihood of a more pronounced slowdown in the world economy, have also had an impact. With global equity markets taking another hit, major bond markets retained a positive tone across the board. In FX markets, the DXY index was standing within distance from yesterday's new intraday high for 2018. Focus today is on the ECB monetary policy meeting where the Central Bank is expected to stay put on policy action and confirm its guidance with regard to QE, interest rates and reinvestment policy.

GREECE: The Euroworking Group that is scheduled to convene today is expected to discuss the 2019 draft budget and consequently the projected fiscal space and the potential suspension of the legislated pension cuts in preparation of the November 5 Eurogroup. On the economic data front, according to the Bank of Greece, in September 2018, the annual growth rate of credit to the private sector stood at -1.3% from -1.5% in the previous month. The monthly net flow of credit to the private sector was positive at €541 million, compared with a negative net flow of €307 million in the previous month. Deposits placed by the private sector increased by €102 million, compared with an increase of €1,297 million in the previous month, while the annual growth rate stood at 7.4% from 7.3% in the previous month.

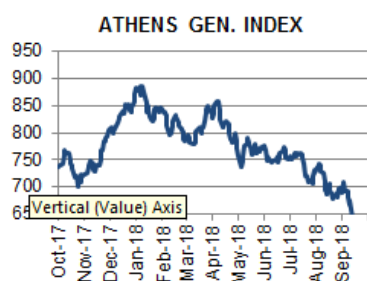
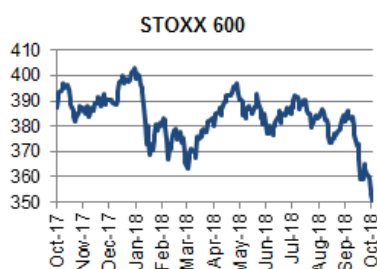
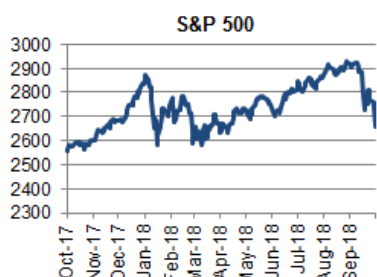
SOUTH EASTERN EUROPE

BULGARIA: The current account surplus widened by 31.8% YoY in August 2018, coming in at €1.20bn vs €0.9bn in August 2017.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Global equity markets retained a negative tone in early trade on Thursday following Wall Street's heavy losses overnight with the three US major equity indices recording their largest daily decline since 2011 and giving back all their gains for the year. Concerns over a likely peak in corporate earnings momentum and a more aggressive than currently expected Fed rating tightening ahead prevail while US/China trade frictions and the likelihood of a more pronounced slowdown in the world economy, have also had an impact. The Euro area Composite PMI dropped from September's 54.1 to a lower than expected 52.7 in October, the lowest reading since September 2016, raising concerns about a 2018 GDP growth rate below the 2.0% market consensus. Rising protectionist fears and a slowdown in global trade continued to take their toll on the manufacturing sector while temporary factors like the new emissions test for the auto sector have also weighed, causing the October PMI index to fall to 52.1 from 53.2 in the prior month. More worryingly, the negative effects from a clouding external environment are now spilling over into the services sector with the respective PMI index falling to a 24-month low of 53.3 from September's 54.7. With global equity markets taking another hit, major bond markets retained a positive tone across the board. The 10-yr UST yield hit a fresh three-week intraday low of 3.10% earlier today and the 10-yr Bund yield was standing close to 0.39% at the time of writing, the lowest since early September. In FX markets, the USD retained a firm tone with the DXY index hovering around 96.217 in early European trade at the time of writing, within distance from yesterday's 96.531 new intraday high for 2018. The EUR/USD dropped to a two-month low of 1.1377 yesterday in reaction to disappointing October PMIs before recovering modestly to levels around 1.1415/18 in early European trade, albeit still 0.9% lower so far this week. Focus today is on the ECB monetary policy meeting where the Central Bank is expected to stay put on policy action and confirm its guidance with regard to QE, interest rates and reinvestment policy. In the post-meeting press conference, investors will probably be looking for any dovish hints by President Mario Draghi following yesterday's weak October PMIs.

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GREECE

The Euroworking Group that is scheduled to convene today is expected to discuss the 2019 draft budget and consequently the projected fiscal space and the potential suspension of the legislated pension cuts in preparation of the November 5 Eurogroup. On the economic data front, according to the Bank of Greece, in September 2018, the annual growth rate of credit to the private sector stood at -1.3% from -1.5% in the previous month. The monthly net flow of credit to the private sector was positive at €541 million, compared with a negative net flow of €307 million in the previous month. In particular, the monthly net flow of credit to corporations was positive at €703 million, compared with a negative net flow of €100 million in the previous month while the annual growth rate stood at -0.4% from -1.1% in the previous month. As regards non-financial corporations, the annual growth rate of credit stood at -0.3% from -0.9% in August 2018 and the monthly net flow of credit was positive at €563 million, against a negative net flow of €122 million in August 2018. Meanwhile, in September 2018, deposits placed by the private sector increased by €102 million, compared with an increase of €1,297 million in the previous month, while the annual growth rate stood at 7.4% from 7.3% in the previous month.

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Thursday 25 October 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

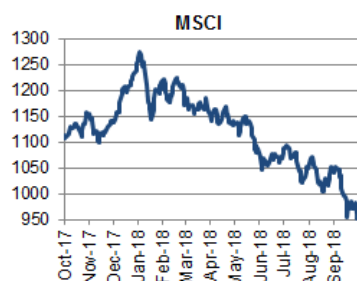
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* 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

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

According to the latest BNB data, the current account surplus (CA) in August 2018 widened by 31.8% YoY, coming in at €1.20bn vs €0.9bn in August 2017. However, on a cumulative basis, the CA surplus in January - August 2018 shrank by 29.4% YoY and stood at €2.36bn vs €3.35bn in January - August 2017. The deterioration is entirely driven by the goods trade gap widening (€1.938mn vs €338mn, i.e. ca +%500 YoY) on the back of strong domestic demand. Although the services trade surplus increased on an annual basis (+15%YoY), the increase was not sufficient to mitigate the surplus evaporation on the overall trade balance, which stood at €630mn, lowered by 66% YoY.

In August 2018, the primary income balance which stood at €37.8mn - up by €65.5mn YoY - was mainly supported by lower profit repatriation by non-residents and to a lesser extent by increased Bulgarian residents' income from compensation. For the same period, the net secondary income increased by 37% YoY and stood at €260.6mn, underpinned by 65% growth in the received income for state administration, possibly related to enhanced absorption of EU funding. In terms of financing, the net financial account was contracted by ca 11% YoY in August 2018 due to the BNB reserve assets reduction (€230.5mn in August 2018) by ca €450mn YoY. Finally, at the end of the first eight months of 2018, net foreign direct investments stood at €230.5mn, declined by 72% YoY, after a moderate behavior between 2014-2016. Referring to the origination of the FDI flows for the same period, the bulk comes from Netherlands (€265mn), Russian Federation (€156mn) and Germany (€80mn).

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Thursday 25 October 2018

GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2656.10	-3.1%	-0.7%
Nikkei 225	21268.73	-3.7%	-6.6%
STOXX 600	350.62	-0.8%	-9.9%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1408	0.1%	-5.0%
GBP/USD	1.2914	0.2%	-4.5%
USD/JPY	112.17	0.1%	0.5%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	3.11	1	71
Bund-10yr	0.39	-1	-4
JGB - 10yr	0.11	-2	7

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.33	1	-19
1-week	2.42	1	-19
1-month	2.63	1	-22
3-month	2.95	1	-17
6-month	3.12	1	-12

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.17	-2	-111
5Y RSD	3.65	0	-65
7Y RSD	4.15	-1	-103

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.02	0	103

CDS

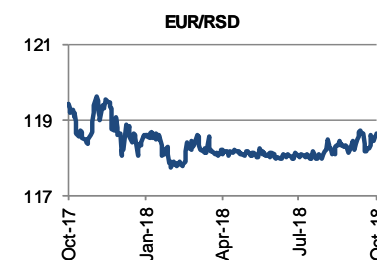
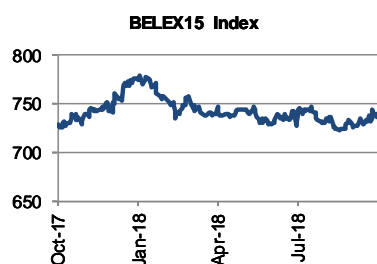
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	158	0	-4

STOCKS

	Last	ΔD	ΔYTD
BELEX15	735.7	-0.05%	-3.17%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.63	-0.01%	0.23%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.52	0	243
1-month	3.38	0	151
3-month	3.35	0	130
6-month	3.56	0	129
12-month	3.65	0	133

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.50	0	112
5Y RON	4.75	0	97
10Y RON	5.12	0	80

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.55	-1	0
USD Jan-24	4.42	1	142

CDS

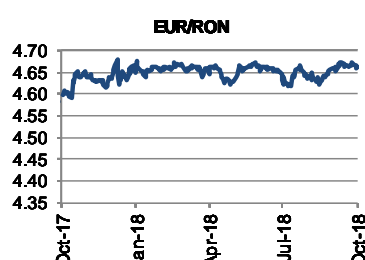
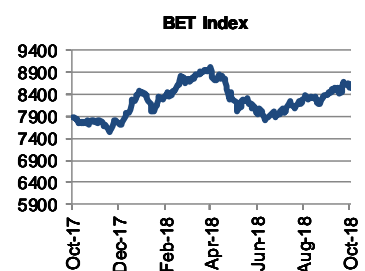
	Last	ΔDbps	ΔYTD bps
5-year	101	0	11
10-year	142	0	9

STOCKS

	Last	ΔD	ΔYTD
BET	8537.8	-1.02%	10.11%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6618	-0.05%	0.06%



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	0.08	1	-7
10Y BGN	0.78	0	-19

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	-1	10
EUR Sep-24	0.60	-4	3

CDS

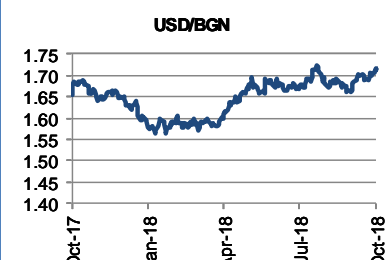
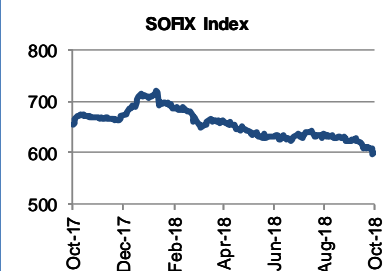
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	125	0	-17

STOCKS

	Last	ΔD	ΔYTD
SOFIX	600.1	0.00%	-11.41%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7147	0.12%	-4.97%



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

Data updated as of 10:22 EEST

Thursday 25 October 2018

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