

KEY UPCOMING DATA & EVENTS THIS WEEK

US

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

EUROZONE

- Oct 23:
 - Consumer confidence (Oct,a)
- Oct 24:
 - Markit PMI Composite index (Oct,p)
 - 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: Taking their lead from weaker Asian bourses earlier today, major European equity markets opened lower in early trade on Friday pressured by a string of mixed US corporate earnings results, concerns over global growth on the back of lingering trade frictions between the US and China, the likelihood of a more aggressive than currently expected Fed rating tightening ahead and Italian budget woes. Favored by their safe-haven appeal, core government bonds retained a firm tone. In FX markets, the EUR/USD remained under pressure on market uncertainty over whether the ECB could pursue monetary tightening after next summer amid growing political and economic uncertainties in the euro area. This evening, S&P will publish the outcome of its review of Italy's sovereign credit rating. On the data front, today we expect the advance estimate of US Q3 GDP.

GREECE: According to the final State Budget Execution data for January – September 2018 the overall fiscal balance registered a surplus of €0.3bn, against a targeted deficit of €1.8bn in the Medium Term Fiscal Strategy 2019-21 (MTFS19-21) and a deficit of €0.3bn in the respective period of 2017. The State Budget Primary Balance recorded a surplus of €4.8bn, against a targeted primary surplus of €2.5bn in the MTFS19-21.

SOUTH EASTERN EUROPE

CESEE MARKETS: The negative tone in global equity markets weighs on CESEE markets.

SERBIA: The overall fiscal balance for the January-August period registered a RSD36.3bn surplus, 8.5% YoY higher.

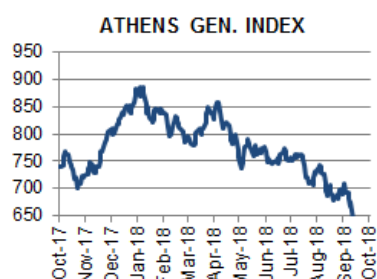
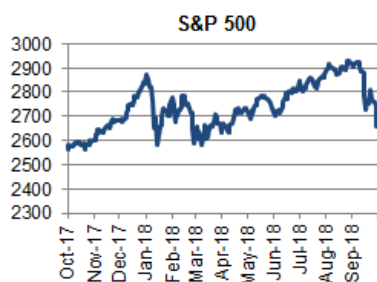
BULGARIA: Credit expansion came in at 7.4% YoY in September.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from weaker Asian bourses earlier today, major European equity markets opened lower in early trade on Friday pressured by a string of mixed US corporate earnings results, concerns over global growth on the back of lingering trade frictions between the US and China, the likelihood of a more aggressive than currently expected Fed rating tightening ahead and Italian budget woes. Favored by their safe-haven appeal, core government bonds retained a firm tone. The 10-yr UST bond was yielding levels around 3.10% in early European trade at the time of writing, 2.6bps lower on the day and within distance from Wednesday's three-week intraday low of 3.09%. Meanwhile, its German peer was yielding levels slightly below 0.38%, the lowest level in 2 ½ months and c. 5.5bps lower on a weekly basis. In FX markets, the EUR/USD remained under pressure. Following a short-lived spike to 1.1432 yesterday after ECB President Mario Draghi downplayed recent weaker-than-expected euro area data releases and continued to view the euro area economic expansion as broad based, the EUR/USD resumed its downtrend thereafter trading not far from yesterday's 2½ month intraday low of 1.1353 at the time of writing, on market uncertainty over whether the ECB could pursue monetary tightening after next summer amid growing political and economic uncertainties in the euro area. At its meeting yesterday, the ECB stayed put on policy action and confirmed its guidance with regard to QE, interest rates and reinvestment policy, in line with market expectations. During the Q&A session, President Mario Draghi elaborated that there are no signs of a "downturn" but just of a "weaker momentum" adding that a thorough assessment will take place at the December meeting when the updated staff projections will be published. Elsewhere, the GBP extended its recent losses against both the USD and the EUR after the ECB President warned that if a Brexit deal is not reached in time, the private sector will need to prepare for a hard Brexit. This evening, S&P will publish the outcome of its review of Italy's sovereign credit rating. Expectations are for a change in its outlook to negative from stable while the risk of a one notch downgrade from BBB currently, as Moody's did last week, cannot be ruled out. On the data front, today we expect the advance estimate of US Q3 GDP. Market consensus is for a growth rate of 3.2%QoQ annualized from 4.2% in Q2 with consumer spending remaining the main engine of economic growth.

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GREECE

According to the final State Budget Execution data for January – September 2018 the overall fiscal balance registered a surplus of €0.3bn, against a targeted deficit of €1.8bn in the Medium Term Fiscal Strategy 2019-21 (MTFS19-21) and a deficit of €0.3bn in the respective period of 2017. The State Budget Primary Balance recorded a surplus of €4.8bn, against a targeted primary surplus of €2.5bn in the MTFS19-21. Ordinary Budget net revenue over-performed its target by €1.1bn mainly as a result of the over-performance of the indirect tax revenue by €0.6bn compared to the respective MTFS19-21 target and the shortfall of tax refunds by 0.5bn. Direct tax revenue underperformed compared to the respective MTFS19-21 target by €0.4bn. Ordinary Budget expenditure was lower by €0.3bn compared to their MTFS19-21 target. Public Investment Budget revenue and expenditure were lower by €0.4bn and €1.2bn compared to their respective MTFS19-21 targets. According to the Bank of Greece ELA continued its decreasing pattern, at €3.6 bn in September 2018 from €4.5 bn in August 2018 registering a monthly decrease of 20.3%.

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Friday 26 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

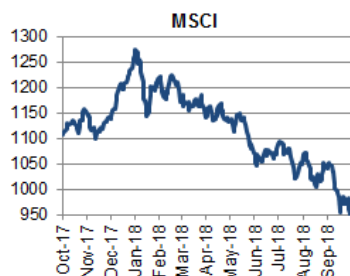
| CYPRUS: Indicators | 2016 | 2017e | 2018f |
|---------------------|------|-------|-------|
| Real GDP growth % | 3.0 | 3.8 | 3.6 |
| HICP (pa, yoy %) | -1.2 | 0.7 | 1.0 |
| Budget Balance/GDP* | 0.4 | 0.2 | 0.4 |
| Current Account/GDP | -5.7 | -5.4 | -6.2 |

* 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

CESEE MARKETS

The negative tone in global equity markets weighs on regional bourses with MSCI EM (-0.4%), SOFIX (-0.2%) and BUDAPEST (-1.5%) indices closing in the red yesterday. Local currencies appear less affected recording small gains against the EUR at the time of writing.

As regards debt capital markets, Hungary and Romania's government bonds auctions yesterday were well received. Hungary sold bonds of HUF88bn worth vs HUF55bn initially planned. Romania sold 3.5 year bonds of RON693mn vs a projected amount of RON500mn at an accepted yield of 4.62%.

SERBIA

According to official data, for the January- August period the overall fiscal balance registered a RSD36.3bn surplus, higher by 8.5% YoY. However, for the month of August, revenues were lower compared to expenditures as tax revenues underperformed the respective target by ca RSD12bn, leading to a tantamount deficit.

BULGARIA

Recent data from the Bulgarian Central Bank (BNB) revealed that credit growth accelerated by 7.4% YoY in September compared to 7.6% YoY in August, 7.1% YoY in July and 4.7% YoY and 1.5% YoY in 2017. Credit to households rose by 9.7% YoY while credit to non-financial institutions grew by 4% YoY.

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Friday 26 October 2018

GLOBAL MARKETS

| Stock markets | | | | FOREX | | | Government Bonds | | | | |
|---------------|----------|-------|-------|---------|--------|-------|------------------|------------|------|-------|----------|
| | Last | ΔD | ΔYTD | | Last | ΔD | ΔYTD | (yields) | Last | ΔDbps | ΔYTD bps |
| S&P 500 | 2705.57 | 1.9% | 1.2% | EUR/USD | 1.1378 | 0.0% | -5.2% | UST - 10yr | 3.10 | -2 | 69 |
| Nikkei 225 | 21184.60 | -0.4% | -6.9% | GBP/USD | 1.2811 | -0.1% | -5.3% | Bund-10yr | 0.37 | -3 | -6 |
| STOXX 600 | 350.82 | -1.2% | -9.9% | USD/JPY | 112.03 | 0.3% | 0.6% | JGB - 10yr | 0.11 | -1 | 6 |

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | 2.33 | 0 | -19 |
| 1-week | 2.42 | 0 | -19 |
| 1-month | 2.61 | -2 | -24 |
| 3-month | 2.93 | -2 | -19 |
| 6-month | 3.10 | -2 | -14 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 3.18 | 0 | -110 |
| 5Y RSD | 3.65 | 0 | -65 |
| 7Y RSD | 4.15 | 0 | -102 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Feb-20 | 4.03 | 0 | 103 |

CDS

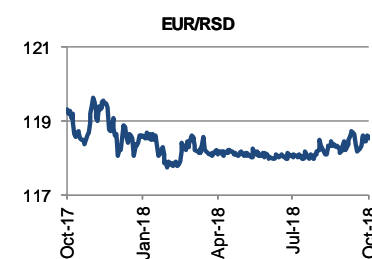
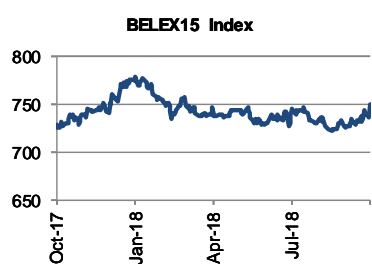
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 111 | 0 | -7 |
| 10-year | 158 | 0 | -4 |

STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|--------|--------|
| BELEX15 | 749.4 | -0.02% | -1.37% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| EUR/RSD | 118.53 | 0.03% | 0.32% |



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 3.61 | 0 | 252 |
| 1-month | 3.41 | 0 | 154 |
| 3-month | 3.39 | 0 | 134 |
| 6-month | 3.58 | 0 | 131 |
| 12-month | 3.68 | 0 | 136 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 4.50 | 0 | 112 |
| 5Y RON | 4.75 | 0 | 97 |
| 10Y RON | 5.11 | 0 | 80 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 1.55 | 0 | 0 |
| USD Jan-24 | 4.41 | -1 | 141 |

CDS

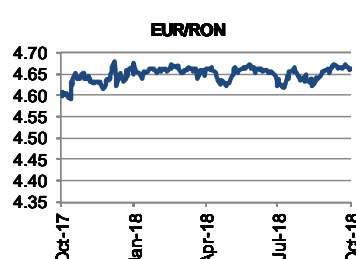
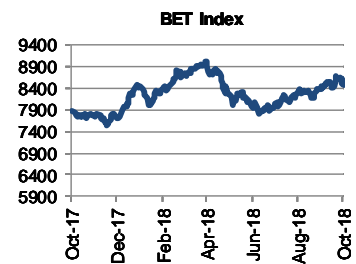
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 101 | 0 | 11 |
| 10-year | 143 | 0 | 9 |

STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|--------|-------|
| BET | 8483.3 | -0.16% | 9.41% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|-------|
| EUR/RON | 4.6621 | -0.02% | 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 | -0.05 | 0 | 2 |
| 5Y BGN | 0.09 | 0 | -6 |
| 10Y BGN | 0.78 | 0 | -19 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Mar-22 | 0.05 | 0 | 10 |
| EUR Sep-24 | 0.61 | 0 | 3 |

CDS

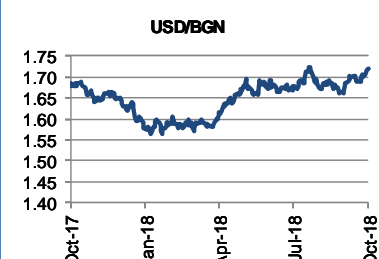
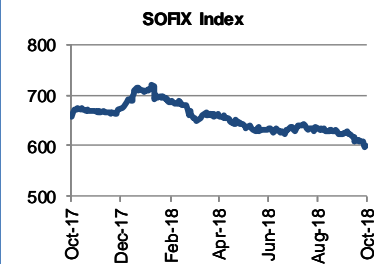
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 80 | 2 | -16 |
| 10-year | 124 | -1 | -18 |

STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|--------|---------|
| SOFIX | 598.4 | -0.07% | -11.67% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| USD/BGN | 1.7189 | 0.03% | -5.21% |



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

Data updated as of 10:50 EEST

Friday 26 October 2018

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