

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 (3rd 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: In line with market expectations, the Fed raised interest rates by 25bps at this week's two-day monetary policy meeting which concluded late on Wednesday, taking the target range for the federal funds rate to 2.00%-2.25%. Changes to the post-meeting statement were minimal with one exception: the Committee removed the reference to the policy stance as "accommodative". However, this has no implications for the Fed's future rate tightening path. The Committee reiterated expectations for further gradual rate tightening and the median dots in the Summary of Economic Projections continued to suggest another hike in December, three in 2019 and one more in 2020. In reaction to the FOMC policy outcome, UST yields fell and the DXY index gained some ground.

GREECE: Moody's kept Greece's sovereign credit rating unchanged at B3 y-day with a positive outlook.

SOUTH EASTERN EUROPE

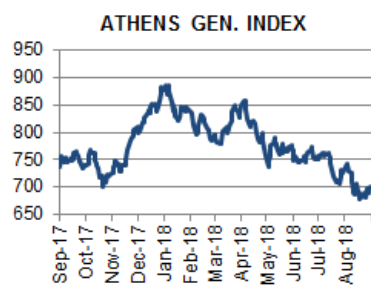
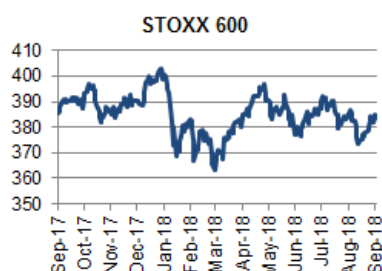
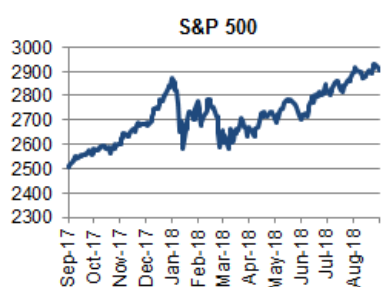
BULGARIA: According to the Bulgarian National Bank (BNB) gross external debt amounted to €33,65bn (63.7% GDP) in July 2018, increased by 0.8% since end of 2017 and 0.5% YoY.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, the Fed raised interest rates by 25bps at this week's two-day policy meeting which concluded late on Wednesday, taking the target range for the federal funds rate to 2.00%-2.25%, above the Fed's preferred inflation gauge for the first time since 2008. Changes to the post-meeting statement were minimal with one exception: the Committee removed the reference to the policy stance as "accommodative". However, this has no implications for the Fed's future rate tightening path. The Committee reiterated expectations for further gradual rate tightening and the median dots in the Summary of Economic Projections continued to suggest another hike in December, three in 2019 and one more in 2020. The projection range extended to 2021 for the first time, showing a median dot at 3.4%, unchanged from 2020, implying no further hikes. The Committee's long-run estimate of where monetary policy is neither expansionary nor contractionary, increased to 3.0% from 2.875% in the June projections. In terms of economic projections, the median GDP growth forecast for 2018 and 2019 rose to 3.1% and 2.5% respectively from 2.8% and 2.4% previously, the respective figure for 2020 was left unchanged at 2.0% and in 2021 the Committee expects growth to return to 1.8% that corresponds to the long-run potential growth rate estimate. The median NAIRU projection remained stable at 4.5% and the headline PCE inflation for 2019 dropped to 2.0% from 2.1%.

In reaction to the FOMC policy outcome, UST yields fell as the Fed reiterated expectations for further gradual rate tightening and Chairman Jerome Powell noted in the post-meeting press conference that the Committee does not see inflation surprising on the upside. Long-dated US sovereign paper outperformed. 10-yr yields were hovering around 3.03% in early European trade on Wednesday, having retreated from Monday's four-month intraday peak of 3.11% with the 2/10-yr yield curve hitting its flattest level in over a week. In FX markets, the USD rose with the DXY index rising 0.5% on the day to a multi-session intraday high of 94.640 earlier today. Focus today is on the Italian updated Stability Programme for 2018-2021, which will include projections for real and nominal GDP growth, public debt, government deficit and the main spending and revenue components.

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GREECE

Moody's kept Greece's sovereign credit rating unchanged at B3 yesterday, with a positive outlook. According to the rating agency, the outlook for Greece is positive on the basis of the improved confidence after the successful conclusion of the Third Economic Adjustment Programme, the benign conditions created by the continued growth in the euro area and the relatively better position of the country in terms of wealth levels compared to its peers at similar rating levels. As a result, Moody's expects an acceleration of economic recovery in 2018. However, the rating agency noted a series of challenges for the short term period including the restrictive fiscal policy due to high debt levels that might have a significant effect on growth, the weak banking system with very high NPEs and the risk of reform fatigue that might lead to the termination of the recent strong track record on structural reforms implementation. For the medium term the rating agency highlighted the negative effects to potential growth that might originate from the expected adverse demographics and the brain drain due to the domestic labor market conditions.

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Thursday 27 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

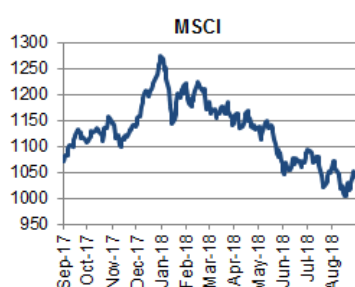
ROMANIA: Indicator:	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP *	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

* 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

BULGARIA

According to the latest Central Bank data, the gross external debt amounted to €33,65bn or 63.7% GDP in July, higher by 0.8% since December 2017 and 0.5% compared to the same month a year earlier.

The gross external debt by institutional sector in July was allocated by 6% to the general government, 13.4% to banks, 31.8% to other sectors and 38% between affiliated companies. The external private debt stood at €28bn at the end of July, higher by 0.6% MoM driven by the increases in the banks' short term liabilities and corporate sector's long term liabilities via corporate bonds. Gross external public debt expanded by only 0.1% MoM in the same period, standing at €5.65bn or 11.5% of GDP, relatively unchanged in the past five months and is expected to remain so until the end 2018.

In terms of duration, 76.5% of external debt consists of long term facilities with the rest 23.5% having short term tenor of expiry. Regarding the disbursements in Jan – July 2018, they increased by ca 15% YoY, standing at €3.237mn and were drawn 6.5% by general government, 21.7% by banks and the rest 71.8% by other sectors and intercompany lending.

The gross external debt service came at €3,1bn or 5.9% of GDP in Jan – July 2018, shrunk by 14% compared with €3,6bn or 7.1% of GDP in the same period of 2017.

The external debt dynamics of Bulgaria have improved in the last decade. After reaching a peak of 104.6% of GDP at end – 2009, the gross external debt has been steadily declining since then and stood at ca 66% at the end of 2017, driven by the private sector deleveraging in the banking sector. Since 2014 declining inter-company lending has also been contributing to the downward trend. According to the IMF projections, the external debt, now standing at 63.7% of GDP, is set to decline to ca 53% of GDP by 2022.

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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	2905.97	-0.3%	8.7%	EUR/USD	1.1705	-0.3%	-2.5%	UST - 10yr	3.03	-1	63	GOLD	1197	0.2%	-8.1%
Nikkei 225	23796.74	-1.0%	4.5%	GBP/USD	1.3115	-0.4%	-3.0%	Bund-10yr	0.49	-4	6	BRENT CRUDE	82	1.1%	23.0%
STOXX 600	384.01	-0.3%	-1.3%	USD/JPY	112.65	0.1%	0.0%	JGB - 10yr	0.12	-1	7	LME X	2990	-0.3%	-12.5%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	1	-23
1-week	2.39	1	-22
1-month	2.62	1	-23
3-month	2.92	0	-20
6-month	3.09	0	-15

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.32	-2	-96
5Y RSD	3.73	0	-57
7Y RSD	4.26	-1	-92

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.81	-2	81

CDS

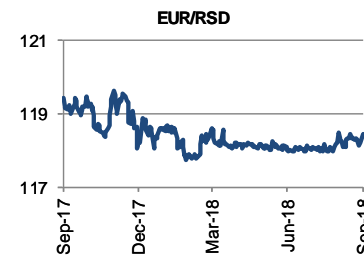
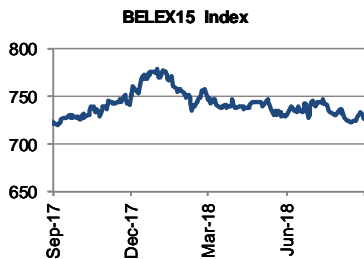
	Last	ΔDbps	ΔYTD bps
5-year	111	-1	-7
10-year	159	-1	-4

STOCKS

	Last	ΔD	ΔYTD
BELEX15	725.7	-0.28%	-4.48%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.41	0.07%	0.42%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.68	0	159
1-month	3.05	0	118
3-month	3.15	0	110
6-month	3.38	0	111
12-month	3.52	0	120

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.99	0	61
5Y RON	4.31	0	53
10Y RON	4.98	0	67

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A	N/A
USD Jan-24	4.16	-3	116

CDS

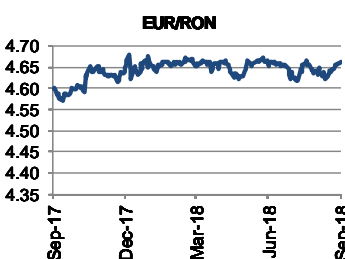
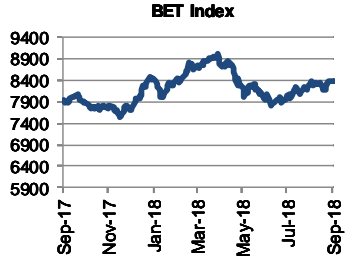
	Last	ΔDbps	ΔYTD bps
5-year	98	-1	8
10-year	141	-1	8

STOCKS

	Last	ΔD	ΔYTD
BET	8365.1	-0.12%	7.88%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6619	-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	0.10	-3	-4
10Y BGN	0.82	0	-14

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.02	-1	5
EUR Sep-24	0.46	-2	-11

CDS

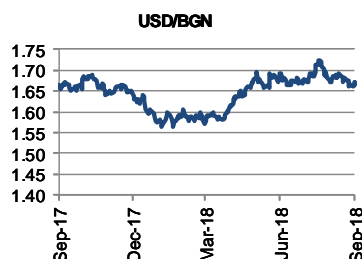
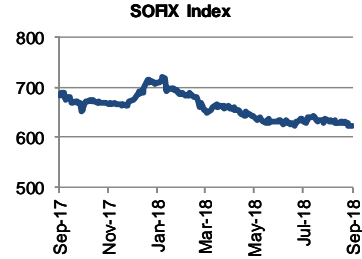
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	125	0	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	622.8	-0.05%	-8.07%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6714	-0.33%	-2.51%



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

Data updated as of 10:39 EEST

Thursday 27 September 2018

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