

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: The Italian government issued a statement yesterday to announce that the new budget deficit target for 2019 has been set at the upper range of market expectations at 2.4%-of-GDP. Tensions with the European Commission are likely to escalate and major rating agencies may downgrade Italy's sovereign credit. Not surprisingly, market reaction was negative. The EUR/USD dropped to a two week low of 1.1614 earlier today and Italy's 10-yr yields moved above the 3.0% level for the first time in more than three weeks.

GREECE: The Ministry of Finance announced yesterday the further relaxation of the capital controls that have been in effect since June 2015. According to the said announcement, the two pillars of the capital controls roadmap are now completely abolished and restrictions on cash withdrawals and capital movements within the country are thus being lifted. At the same time the third pillar restrictions on the transfer of funds abroad are further phased out. In September 2018 a significant decrease was recorded in the Economic Sentiment Indicator, which contracted by 3.9 units.

SOUTH EASTERN EUROPE

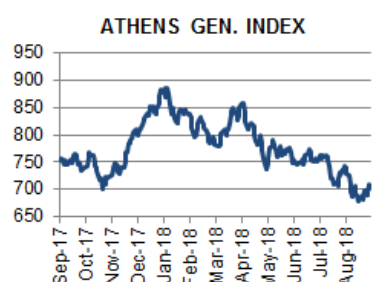
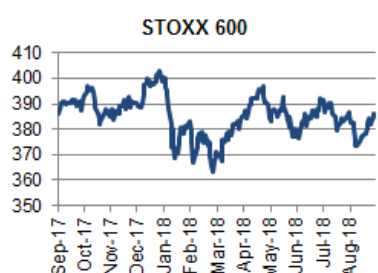
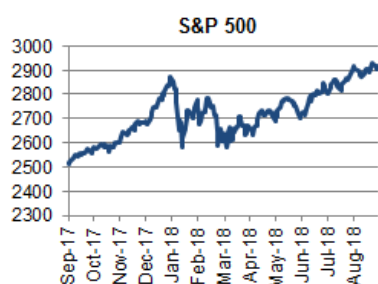
BULGARIA: The Economic Sentiment Index (ESI) dropped on a monthly basis to 108.7 in September.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The Italian government issued a statement yesterday to announce that the new budget deficit target for 2019 has been set at the upper range of market expectations at 2.4%-of-GDP. This development makes clear that the coalition partners' priority to implement their key electoral pledges (albeit gradual) offsets any concerns about the expected negative reaction from the markets, Italy's EU partners and major rating agencies. In addition, a deficit target that violates EU fiscal rules clearly undermines the Economy Minister's authority as a guarantor of fiscal prudence and, according to some political commentators, could lead to his departure from the cabinet (recall that Giovanni Tria is a member of neither the M5S or the League and was actually selected for this position from President of the Republic Sergio Mattarella). Tensions with the European Commission are likely to escalate and, if Italy does not accept to adopt corrective measures, Significant Deviation Procedure or/and Excessive Deficit Procedure may be activated. Italy has to submit its 2019 draft budget –like all other euro countries- to the European Commission by 15 October. The European Commission will publish its first opinion on the draft budget by 30 November and its final assessment in May 2019. Major rating agencies may also downgrade Italy's sovereign credit rating. Moody's placed Italy's Baa2 rating on review for a possible downgrade in late May and, in late August, Fitch revised the outlook to negative from stable, with both rating agencies citing concerns about the stability of public finances.

Not surprisingly, market reaction to Italy's new 2019 budget deficit target was negative. The EUR/USD was standing 1.0% lower compared to Wednesday's close at 1.1622/24 in European trade at the time of writing, the lowest in the last two weeks. In bond markets, Italy's 10-yr yields moved above the 3.0% level for the first time in more than three weeks with the spread against their German counterpart jumping to 266bps, 35bs wider compared to Wednesday's close.

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GREECE

The Ministry of Finance announced yesterday the further relaxation of the capital controls that have been in effect since June 2015. According to the said announcement, the two pillars of the capital controls roadmap are now completely abolished and restrictions on cash withdrawals and capital movements within the country are thus being lifted. At the same time the third pillar restrictions on the transfer of funds abroad are further phased out. The Ministry of Finance plans the abolition of all remaining restrictions in early 2019. On the economic data front, in September 2018 a significant decrease was recorded in the Economic Sentiment Indicator, which contracted by 3.9 units on the back of a deterioration in expectations in industry (-6.0), services (-1.4) and construction (-9.4). On the positive side, expectations ameliorated among consumers (+2.9) and in the retail sector (+1.3).

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Friday 28 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

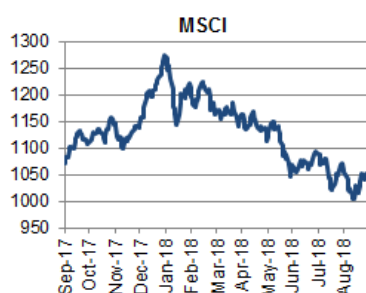
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

The Economic Sentiment Index (ESI) deteriorated on a monthly basis in September, standing at 108.7 vs 110 in August and 108.3 in July.

Looking at the break down of the survey, the behavior of the components is mixed. Even though consumer and retail trade confidence increased by 0.5 and 0.6 points respectively, services, construction and manufacturing industry indicators declined by 1.6, 0.6 and 0.3 respectively.

The improvement trend on both the consumer and retail trade confidence indicators could be attributed to the strong domestic demand dynamics. However, despite the improvement on a monthly basis, both readings for September are relatively low compared to those recorded in the last twelve months.

Finally, regarding the slip of the services confidence indicator, which weighs the most in this month's ESI index drop by 1.3, it is mainly driven by the managers' assessment of past demand along with their expectations for lower demand for the next three months ahead.

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Friday 28 September 2018

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	2914.00	0.3%	9.0%	EUR/USD	1.1624	-0.1%	-3.2%	UST - 10yr	3.05	0	64	GOLD	1183	0.0%	-9.2%
Nikkei 225	24120.04	1.4%	6.0%	GBP/USD	1.3065	-0.1%	-3.4%	Bund-10yr	0.50	-3	7	BRENT CRUDE	82	0.2%	22.4%
STOXX 600	385.42	-0.2%	-1.0%	USD/JPY	113.47	-0.1%	-0.7%	JGB - 10yr	0.13	1	8	LMEX	2949	-1.4%	-13.7%

SERBIA

Money Market

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

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.28	-6	-100
5Y RSD	3.69	0	-61
7Y RSD	4.27	0	-91

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.79	-1	80

CDS

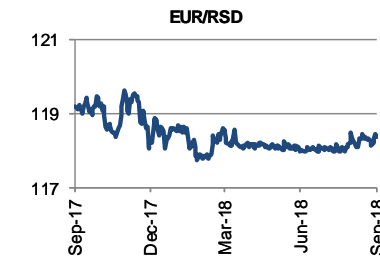
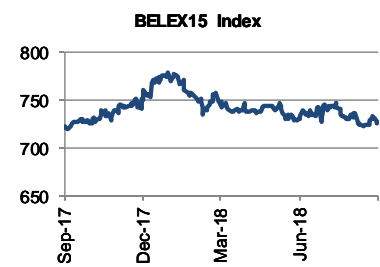
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	159	0	-3

STOCKS

	Last	ΔD	ΔYTD
BELEX15	727.5	0.24%	-4.26%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.30	-0.83%	0.51%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.69	0	160
1-month	3.07	0	120
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	4.32	0	54
10Y RON	4.97	0	66

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A	N/A
USD Jan-24	4.13	-3	113

CDS

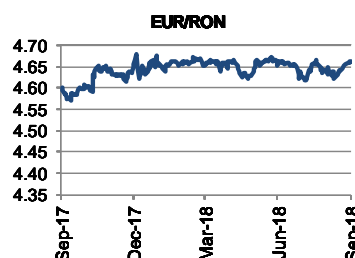
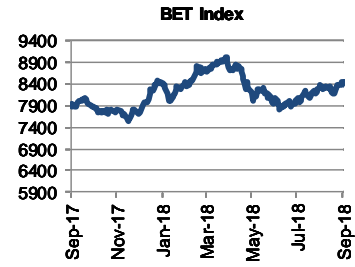
	Last	ΔDbps	ΔYTD bps
5-year	98	0	8
10-year	141	0	8

STOCKS

	Last	ΔD	ΔYTD
BET	8447.5	0.01%	8.95%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6632	-0.03%	0.03%



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	-0.03	0	3
5Y BGN	0.10	0	-4
10Y BGN	0.81	0	-15

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.03	-1	5
EUR Sep-24	0.46	-1	-12

CDS

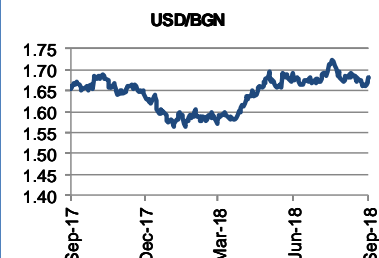
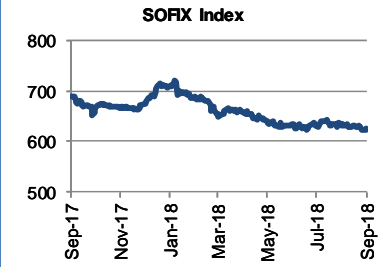
	Last	ΔDbps	ΔYTD bps
5-year	79	0	-18
10-year	125	0	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	624.6	0.15%	-7.81%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6826	-0.14%	-3.16%



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

Data updated as of 10:51 EEST

Friday 28 September 2018

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