

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Aug 28: CB consumer confidence (Aug)
- Aug 29
 - Q2 GDP (2nd estimate)
 - Pending home sales (Jul)
- Aug 30:
 - Initial jobless claims (25 Aug)
 - Personal income & spending (Jul)
- Aug 31:
 - Chicago PMI (Aug)
 - UM consumer confidence (Aug)

EUROZONE

- Aug 27: German IFO business climate (Aug)
- Aug 28: Euro area M3 money supply (Jul)
- Aug 30:
 - German consumer prices (Aug, first Länder results)
 - Euro area economic & business sentiment (Aug)
- Aug 31:
 - Euro area consumer prices (Aug)
 - Euro area unemployment rate (Jul)

GREECE

- Aug 30: PPI (Jul)
- Aug 31: Retail sales (Jun)

SEE

BULGARIA

- Aug 28: Gross External Debt (Jun)
- Aug 31:
 - Consolidated State Budget Balance (Jul)
 - BNB policy meeting

CYPRUS

- Aug 14: GDP (Jun)
- Aug 17: CPI (Jul)

ROMANIA

- Aug 31: U/E Rate (Jul)

SERBIA

- Aug 31
 - Industrial output (Jul)
 - GDP (Q2, final)
 - Trade balance (Jul)
 - Retail sales (Jul)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: After the US and Mexico reached a NAFTA deal earlier this week, Canada rejoined talks aiming to either participate in this agreement or strike a separate one. Otherwise, US President Donald Trump has threatened to impose tariffs on automobile imports from Canada. Discussions are under pressure as an agreement has to be reached by Friday. In FX markets, the GBP was among the main outperformers amid easing "hard Brexit" fears. EU's chief exit negotiator Michel Barnier announced that the EU is ready to offer the UK an unprecedented trade agreement, making however clear, that in return the UK must respect that "there is no single market a la carte". Focus today is on Italy's medium/long term bond auctions, which are seen as an important test to gauge market sentiment towards the country's sovereign paper.

GREECE: Discussions ahead of the first institutions' mission to Greece (10 September) in the context of the Enhanced Post Programme Surveillance (EPPS) are expected to focus, among others, on the implementation of the pension cuts as of January 1st 2019. The potential postponement of the measure is reportedly facing strong opposition by Germany and the IMF but decisions are unlikely to be made before October or November when the 2019 State Budget will have been submitted to Parliament and finalised.

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Latest world economic & market developments

GLOBAL MARKETS

After the US and Mexico reached a NAFTA deal earlier this week, Canada rejoined talks aiming to either participate in this agreement or strike a separate one. Otherwise, US President Donald Trump has threatened to impose tariffs on automobile imports from Canada. Discussions are under pressure as an agreement has to be reached by Friday, in time for ratification by Mexico's outgoing President who leaves office at the end of November. Under US law, the Congress can only approve the agreement 90 days after a presidential signature with a number of US lawmakers from both parties warning that ratification of a bilateral deal—in case Canada does not agree to participate—will not be easy. Meanwhile, risk appetite looked to be subdued in early trade on Thursday amid market anxiety over whether Canada will be part of the new NAFTA deal and, predominantly, fears over a further escalation in trade dispute between the world's two biggest economies. The public hearing on a second round of US tariffs on an additional \$200bn of imports from China ends on 5 September with the new measure possibly coming into effect in late September. Should this be the case, China has already threatened a retaliation of 5-25% tariffs on another \$60bn of US imports. In FX markets, the GBP was among the main outperformers amid easing "hard Brexit" fears. After a meeting with German Foreign Minister Heiko Maas, EU's chief exit negotiator Michel Barnier announced that the EU is ready to offer the UK an unprecedented trade agreement that includes economic as well as foreign and security policy ties, making however clear, that in return the UK must respect that "there is no single market a la carte". Market talk that the EU may drop the current deadline for a Brexit deal by the 18 October EU Summit also favored the GBP ahead of tomorrow's talks in Brussels between Mr. Barnier and UK Brexit Secretary Dominic Raab. Turning to bond markets, focus today is on Italy's medium/long term bond auctions, which are seen as an important test to gauge market sentiment towards the country's sovereign paper. In terms of data, today we expect German inflation data ahead of tomorrow's euro area August CPI release while later this afternoon the US will release both July PCE and core PCE deflators for July.

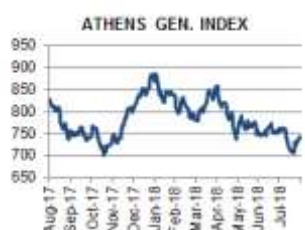
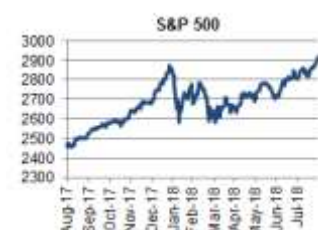
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GREECE

Programme Surveillance (EPPS) are expected to focus, among others, on the implementation of the pension cuts as of January 1st 2019. The measure was legislated in the context of the ESM Loan Facility Agreement, with an aim to delivering net savings of 1% of GDP in 2019 and over the medium term through the reduction of existing pensions, in line with the rules adopted in 2016, by an average of 1.4%. At the same time, and provided that the 3.5% primary surplus target jeopardised, it was agreed that a targeted spending package matching the yield from the pension reform would also be implemented. Nevertheless, due to the high unpopularity of the pension cuts and given that the primary surplus target for 2019 will apparently be achieved, the Greek government is reportedly contemplating ways to either postpone the measure or apply it gradually. This view is reportedly enjoying some support by the EC but faces strong opposition by Germany and the IMF, which claims that the pension cuts should be implemented not just for fiscal reasons but also for structural ones, considering the seriousness of the social security problem in Greece, expected to further deteriorate due to unfavourable demographics. In any case, decisions on this matter are unlikely to be made before October or November when the 2019 State Budget will have been submitted to Parliament and finalised.

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Thursday 30 August 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	2914.04	0.6%	9.0%	EUR/USD	1.1681	-0.2%	-2.7%	UST - 10yr	2.87	-1	47	GOLD	1203	-0.3%	-7.7%
Nikkei 225	22869.50	0.1%	0.5%	GBP/USD	1.3	-0.2%	-3.9%	Bund-10yr	0.39	-2	-4	BRENT CRUDE	77	0.3%	15.7%
STOXX 600	384.79	-0.5%	-1.1%	USD/JPY	111.57	0.1%	1.0%	JGB - 10yr	0.11	1	6	LMEX	2989	-0.3%	-12.6%

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.31	0	-21
1-week	2.43	0	-18
1-month	2.62	0	-23
3-month	2.90	0	-22
6-month	3.07	-1	-17

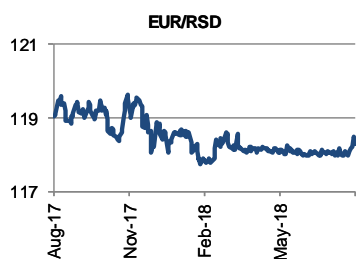
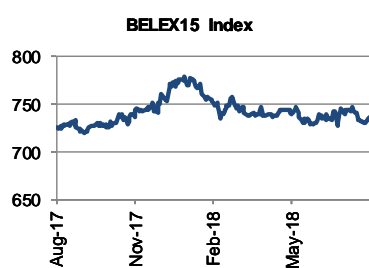
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	3.47	0	-80
5Y RSD	3.86	0	-38
7Y RSD	4.34	#N/A	N/A

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.78	0	79

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	112	0	-6
10-year	148	-1	-14

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	733.7	-0.26%	-3.43%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	118.25	0.30%	0.55%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.69	-1	160
1-month	3.17	-1	130
3-month	3.24	0	119
6-month	3.42	0	115
12-month	3.54	0	122

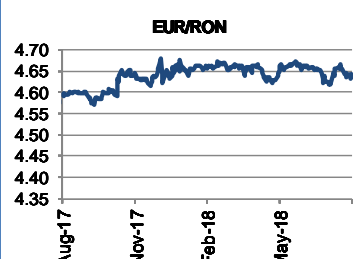
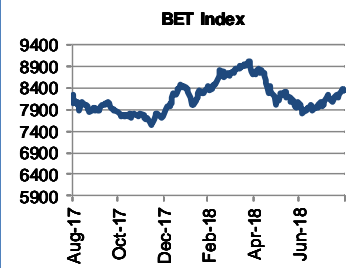
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	3.92	0	54
5Y RON	4.35	0	57
10Y RON	4.80	0	49

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	2
USD Jan-24	4.06	0	106

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	96	0	6
10-year	139	0	6

STOCKS			
	Last	ΔD	ΔYTD
BET	8337.8	0.06%	7.53%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.643	-0.28%	0.47%



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

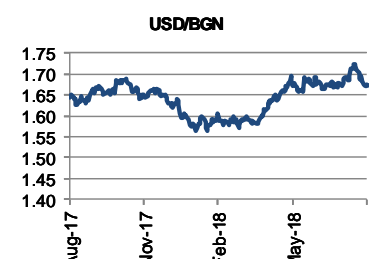
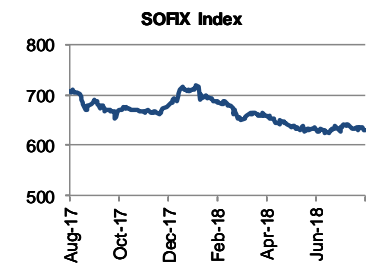
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.07	0	-1
5Y BGN	0.08	0	-6
10Y BGN	0.85	0	-12

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	-1	3
EUR Sep-24	0.39	-2	-19

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	77	0	-19
10-year	123	0	-19

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	629.4	-0.15%	-7.09%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.6748	-0.25%	-2.71%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:16 EEST

Thursday 30 August 2018

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