

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Oct 29: Personal income & spending (Sep)
- Oct 30: CB consumer confidence (Oct)
- Oct 31:
 - ADP employment (Oct)
- Nov 01:
 - Initial jobless claim (27/10)
 - PMI manufacturing (Oct, final)
 - Construction spending (Sep)
 - ISM manufacturing (Oct)
- Nov 02:
 - Trade balance (Sep)
 - Non farm payrolls (Oct)
 - Factory orders (Sep)
 - Durable goods orders (Sep)

EUROZONE

- Oct 30:
 - GDP (Q3, prel)
 - Consumer confidence (Oct, final)
 - Unemployment rate (Sep)
- Oct 31: CPI (Oct, prel)
- Nov 02: PMI manufacturing (Oct, final)

GREECE

- Oct 31: Turnover Index in Retail Trade (Aug)
- Nov 1: PMI manufacturing (Oct)

SEE

BULGARIA

- Oct 30: PPI (Sep)
- Oct 31:
 - Budget balance (Sep)
 - KPR

CYPRUS

- Nov 01: CPI (Oct)

ROMANIA

- Oct 31: Unemployment rate (Sep)
- Nov 01: International reserves (Oct)
- Nov 02: PPI (Sep)

SERBIA

- Oct 31:
 - Industrial output (Sep)
 - GDP (Q3, Prel)
 - Trade balance (Sep)
 - Retail sales (Sep)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: After dominating European politics for well over a decade, German Chancellor Angela Merkel announced yesterday that she will not run again for the leadership of the Christian Democratic Union (CDU). However, this does not mean the immediate end of her chancellorship. Angela Merkel also said that she wants to serve her full term as German chancellor but will not seek another term at Germany's next federal election due in 2021. Meanwhile, trade wars are mounting after today's newswires suggested that the US administration is preparing to announce tariffs on all remaining Chinese imports by early December if talks between the US President and his Chinese counterpart on the sidelines of the G20 meeting in Argentina at the end of November do not bring some progress in resolving their trade dispute. Focus today is on Eurozone Q3 GDP. Market consensus is for a slowdown to 0.3%QoQ from 0.4%QoQ in the prior two quarters partially due to distortions relating to new auto emission standards.

GREECE: Speaking to Reuters, Greek FinMin Euclid Tsakalotos reportedly stated that current volatility in Italian government bonds has rendered Greece's return to the financial markets more difficult. Be that as it may, he noted that Greece's financing needs are under control for at least 2½ years ahead due to the substantial cash buffer. The sale agreement of 100% of EESTY S.A. between TRAINOSE S.A. and HRADF S.A. was signed yesterday for a total consideration of EUR22 million.

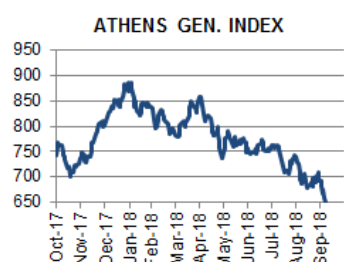
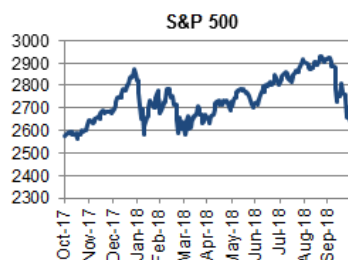
SOUTH EASTERN EUROPE

CESEE MARKETS: The Turkish lira was strengthening further on Tuesday's trade in the aftermath of last week's Central Bank decision.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

After dominating European politics for well over a decade, German Chancellor Angela Merkel announced yesterday that she will not run again for the leadership of the Christian Democratic Union (CDU). The party will have to elect a new leader at its 6-9 December convention. However, this does not mean the immediate end of her chancellorship. Angela Merkel also said that she wants to serve her full term as German chancellor but will not seek another term at Germany's next federal election due in 2021. Her decision followed the election in Hesse state on Sunday where the CDU suffered heavy losses taking 27.2% of the vote, a big drop from 38.3% in the 2013 election. The coalition partner, the center-left Social Democrats (SDP), fared even worse winning 19.6%, down from 30.7% in 2013, its worst result ever in Hesse state. SPD leader Andrea Nahles made clear that her party has to show tangible results to its supporters until next year's mid-term review or else the party will withdraw from the coalition government, a development that could result in a government crisis. In reaction to fears over a likely collapse of the "grand coalition", the EUR weakened marking a session low of 1.1356 against the USD earlier today following a spike to 1.1416 early on Monday. Elsewhere, the 10-yr German Bund yield rose 1.7bp on the day testing levels slightly above 0.40% while today's modest improvement in sentiment towards risky assets has also had an impact. Meanwhile, trade wars are mounting after today's newswires suggested that the US administration is preparing to announce tariffs on all remaining Chinese imports by early December if talks between the US President and his Chinese counterpart on the sidelines of the G20 meeting in Argentina at the end of November do not bring some progress in resolving their trade dispute. The US has already imposed tariffs on USD 250bn of imports from China and China has responded with retaliatory duties on \$110bn worth of US goods. Focus today is on Eurozone Q3 GDP. Market consensus is for a slowdown to 0.3%QoQ from 0.4%QoQ in the prior two quarters partially due to distortions relating to new auto emission standards.

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GREECE

Speaking to Reuters, Greek FinMin Euclid Tsakalotos reportedly stated that current volatility in Italian government bonds has rendered Greece's return to the financial markets more difficult. Be that as it may, he noted that Greece's financing needs are under control for at least 2½ years ahead due to the substantial cash buffer while markets are becoming all the more aware of the numerous reforms that Greece has implemented in the past years as well as of the fact that it has successfully concluded the economic adjustment programme. Mr. Tsakalotos also referred to the debt relief agreement between Greece and its debtors which renders its debt servicing easier than in the case of Portugal or Spain. Finally, as regards the possible issue of a syndicated loan in 2018, he stated that this is a matter of the Public Debt Management Agency but expressed the view that a medium-term timing would be more appropriate. It should be noted that at the time of writing the yield spread between the 10-year Greek and German benchmark bonds stood at 382.9bps, almost unchanged from 382.6bps yesterday and lower from 394.9bps of last Friday's settlement with the 10-yr GGB yielding 4.221%. On the privatisations front, the sale agreement of 100% of EESSTY S.A. between TRAINOSE S.A. and HRADF S.A. was signed yesterday for a total consideration of EUR22 million.

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Tuesday 30 October 2018

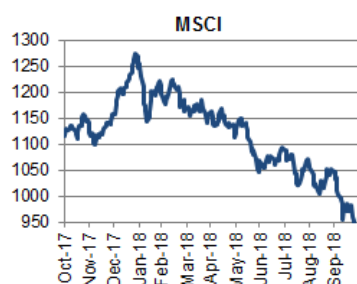
BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* 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

Latest economic & market developments in the CESEE region

CESEE MARKETS

At the time of writing on Tuesday morning, the Turkish lira was further strengthening by almost 1% below 5.5/USD trading at 5.49/USD in the aftermath of last week's Central Bank decision. Recall that on Thursday, the Central Bank of Turkey (CBRT) left unchanged the key policy rate (KPR) – the 1-week repo as of late May – at 24.00% bringing the cumulative tightening up to 1025bps year to date factoring in the 75bps hike delivered in last April. The Overnight and Late liquidity window lending rates were equally left unchanged at 25.5% and 27% respectively. The currency has reversed some of its heavy losses this year on the back of easing investors' concerns over the independence of the Central Bank and deteriorating diplomatic and economic ties with US administration after the release of Andrew Brunson, an evangelical Christian pastor who has lived in Turkey for more than two decades. Nevertheless, the Turkish lira is still down by 30% on a year to date basis standing among the worst performing EM currencies this year.

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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+

Tu Stock markets

	Last	ΔD	ΔYTD
S&P 500	2641.25	-0.7%	-1.2%
Nikkei 225	21457.29	1.5%	-5.7%
STOXX 600	356.70	0.3%	-8.3%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1374	0.0%	-5.3%
GBP/USD	1.278	-0.1%	-5.5%
USD/JPY	112.79	-0.4%	-0.1%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	3.12	3	71
Bund-10yr	0.40	3	-2
JGB - 10yr	0.12	1	7

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.37	2	-15
1-week	2.45	1	-16
1-month	2.64	1	-21
3-month	2.96	0	-16
6-month	3.13	1	-11

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.25	0	-103
5Y RSD	3.65	0	-65
7Y RSD	4.16	0	-102

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.05	0	106

CDS

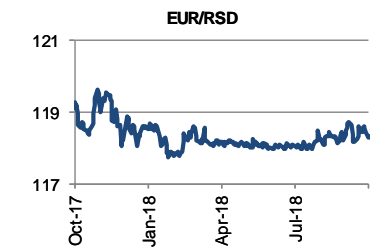
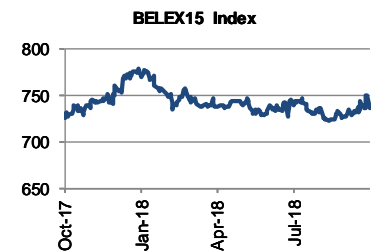
	Last	ΔDbps	ΔYTD bps
5-year	112	0	-6
10-year	159	0	-3

STOCKS

	Last	ΔD	ΔYTD
BELEX15	736.3	-1.79%	-3.09%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.33	-0.04%	0.49%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.81	0	172
1-month	3.3	0	143
3-month	3.34	0	129
6-month	3.53	0	126
12-month	3.65	0	133

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.49	0	110
5Y RON	4.68	0	90
10Y RON	5.09	0	78

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.54	-1	-1
USD Jan-24	4.42	0	142

CDS

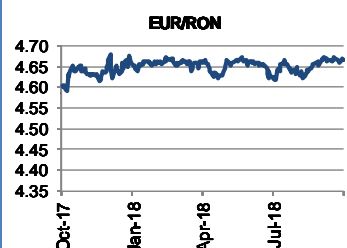
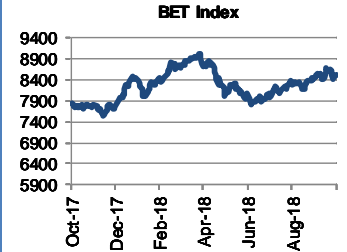
	Last	ΔDbps	ΔYTD bps
5-year	101	0	11
10-year	144	1	11

STOCKS

	Last	ΔD	ΔYTD
BET	8520.1	0.18%	9.88%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6672	0.00%	-0.05%



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	0	2
5Y BGN	0.11	0	-4
10Y BGN	0.79	0	-18

BG Eurobonds

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

CDS

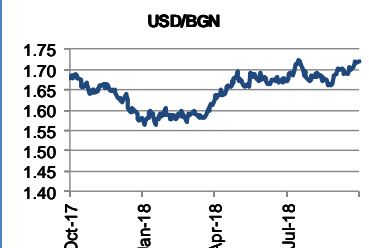
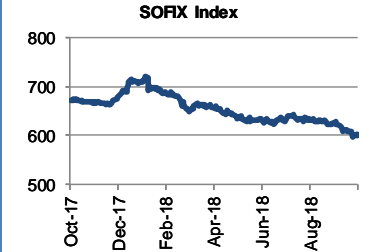
	Last	ΔDbps	ΔYTD bps
5-year	81	1	-16
10-year	125	1	-17

STOCKS

	Last	ΔD	ΔYTD
SOFIX	600.9	-0.25%	-11.30%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7195	0.02%	-5.24%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:38 EEST

Tuesday 30 October 2018

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