

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: According to the preliminary flash estimate, Eurozone GDP decelerated in Q3 2018 to 0.2%QoQ (1.7%YoY), the slowest since Q2 2014, from 0.4%QoQ (2.2%YoY) in Q2. Adding to the Eurozone's poor data released yesterday, the economic sentiment indicator decreased by 1.1 points to 109.8 in October mainly pressured by weaker confidence in industry, services and particularly, retail trade. In a similar negative tone, the business climate indicator dropped by 0.20 points to +1.02. Meanwhile, Bund yields were higher today on the back of a tentative improvement in risk sentiment amid hopes for a trade deal between the US and China in the not too distant future. An expected pick-up in October Eurozone headline and core inflation, may also have had an impact (data due at 11:00). Dented by Wall Street's gains overnight and a more pronounced than expected improvement in the CB consumer sentiment in October, US Treasuries were also lower today. Favored by positive US data, the DXY index extended its recent gains recording a fresh 16-month peak of 97.063 earlier today.

GREECE: According to press reports, the Greek government is contemplating the extension of the household insolvency law (Law 3869/2010) beyond 2018, on the grounds that the latest amendments to the framework will facilitate the filtering-out of non-admissible petitions and speed up judicial procedures. On the privatisations front, the Greek government submitted yesterday for public consultation, the legal framework that will pave the way for the exploitation of ten port authorities, as foreseen by the 3rd Economic Adjustment Programme and the HRADF Asset Development Plan. On the economic data front, in October 2018 the Economic Sentiment Indicator declined for a 3rd month in a row with the deterioration stemming from industry (-3.7 units) and retail trade (-4.6 units).

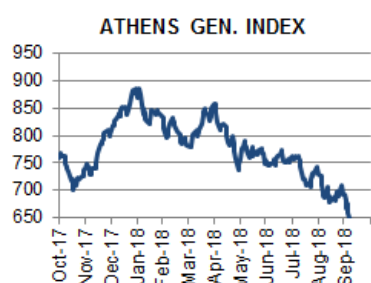
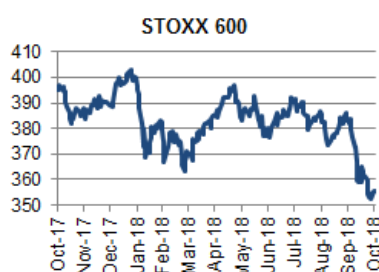
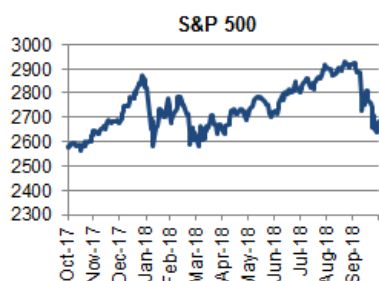
SOUTH EASTERN EUROPE

CESEE MACRO DEVELOPMENTS: The Economic Sentiment Indicator (ESI) dropped in October in regional economies, in line with the EU and Eurozone average over the same month.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

According to the preliminary flash estimate, Eurozone GDP decelerated in Q3 2018 to 0.2%QoQ (1.7%YoY), the slowest since Q2 2014, from 0.4%QoQ (2.2%YoY) in Q2. In terms of aggregate expenditure, GDP growth is expected to have been primarily driven by domestic demand on the back of favourable financial conditions and improving labor market conditions, offsetting some of the headwinds coming from trade protectionism, easing global growth momentum, Italy's budget jitters and Brexit concerns. Eurostat is scheduled to release the expenditure breakdown on 14 November. Adding to Eurozone's poor data released yesterday, the economic sentiment indicator decreased by 1.1 points to 109.8 in October mainly pressured by weaker confidence in industry, services and particularly, retail trade. In a similar negative tone, the business climate indicator dropped by 0.20 points to +1.02 in October, adding to the view that euro area growth risks are probably skewed to the downside. Poor Eurozone data failed to exert a long lasting impact on German Bunds. After marking a session low close to 0.36% on Tuesday, the 10-yr yield moved higher hovering slightly below 0.40% at the time of writing, c. 2bps higher on the day, on the back of a tentative improvement in risk sentiment amid hopes for a trade deal between the US and China in the not too distant future. In a TV interview earlier this week, US President Donald Trump said that he thinks there will be "a great deal" with China on trade, warning though that new tariffs could be applied on imports from China if a deal is not possible. An expected pick up in October Eurozone headline and core inflation to 2.2%YoY and 1.1%YoY respectively, from 2.1%YoY and 0.9%YoY in the prior month, may also have had an impact (data due at 11:00). Dented by Wall Street's gains overnight and a more pronounced than expected improvement in the CB consumer sentiment index to a 18-year peak of 137.9 in October from September's downwards revised 135.3, US Treasuries were also lower today. The 10-yr yield rose for the third session in a row marking a multi-session high near 3.15% earlier today, more than 3.5bps higher on the day. Favored by positive US data, the DXY index extended its recent gains recording a fresh 16-month peak of 97.063 earlier today.

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GREECE

According to press reports, the Greek government is contemplating the extension of the household insolvency law (Law 3869/2010) beyond 2018, on the grounds that the latest amendments to the framework will facilitate the filtering-out of non-admissible petitions and speed up judicial procedures. According to the same sources, the banks will give their consent for the extension if the threshold for the protection of the debtor's main residence is lowered to EUR100,000 from EUR180,000 currently. The matter has so far been discussed with the institutions technical staff but no decision has yet been made. On the privatisations front, the Greek government submitted yesterday for public consultation, the legal framework that will pave the way for the exploitation of ten port authorities, as foreseen by the 3rd Economic Adjustment Programme and the HRADF Asset Development Plan (June 2018). According to the HRADF Chairman of the BoD Aris Xenofos, the process for the exploitation of four out of the ten ports could begin even before the end of the current year. On the economic data front, in October 2018 the Economic Sentiment Indicator declined for a 3rd month in a row with the deterioration stemming from industry (-3.7 units) and retail trade (-4.6 units). On the other hand, there was an improvement in expectations among consumers (+6.6 units), construction (+3.1 units) and services (+0.2 units).

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Wednesday 31 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

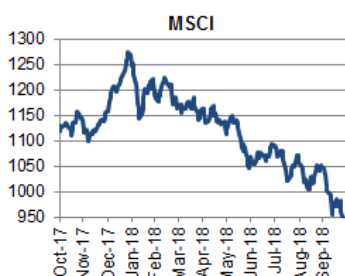
Latest economic & market developments in the CESEE region

CESEE MARKETS

The Economic Sentiment Indicator (ESI) deteriorated in October for Bulgaria (107.1 in October vs 108.7 in September and 110 in August), Romania (102.3 in October vs 102.7 in September and 101.4 in August) and Serbia (109.5 in October vs 111.1 in September and 112 in August).

Looking at the break down of the survey, the behavior of the countries is common, however Bulgarian and Serbian ESI continued to slide for a second month in a row unlike Romania for which September was a month with improved sentiment.

Regarding Bulgaria, the drop is mainly attributed to the deteriorated sentiment in services and consumer indicator. In Romania, it is retail trade confidence that pushed ESI downwards whereas, finally, Serbia registered subdued sentiment in all subcategories, i.e. industry, services, consumer, retail trade and construction.



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+

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Wednesday 31 October 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	2682.63	1.6%	0.3%	EUR/USD	1.1352	0.1%	-5.4%	UST - 10yr	3.14	2	73	GOLD	1216	-0.6%	-6.7%
Nikkei 225	21920.46	2.2%	-3.7%	GBP/USD	1.2725	0.1%	-5.9%	Bund-10yr	0.39	2	-4	BRENT CRUDE	77	1.1%	14.7%
STOXX 600	355.53	0.0%	-8.6%	USD/JPY	113.13	0.0%	-0.4%	JGB - 10yr	0.13	1	8	LME X	2882	-1.6%	-15.7%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.38	1	-14
1-week	2.47	2	-14
1-month	2.65	1	-20
3-month	2.98	2	-14
6-month	3.14	1	-10

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.25	-1	-103
5Y RSD	3.65	0	-65
7Y RSD	4.15	0	-102

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.06	-1	107

CDS

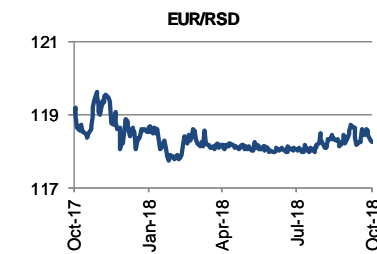
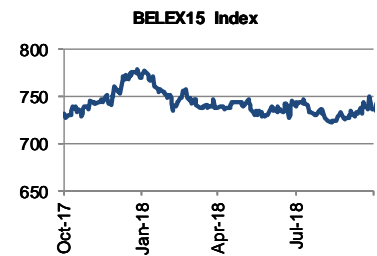
	Last	ΔDbps	ΔYTD bps
5-year	112	0	-6
10-year	159	0	-3

STOCKS

	Last	ΔD	ΔYTD
BELEX15	736.1	-0.02%	-3.12%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.21	0.06%	0.59%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.77	0	168
1-month	3.26	0	139
3-month	3.32	0	127
6-month	3.53	0	126
12-month	3.64	0	132

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.47	0	109
5Y RON	4.66	0	88
10Y RON	5.09	0	77

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.54	0	-1
USD Jan-24	4.43	1	143

CDS

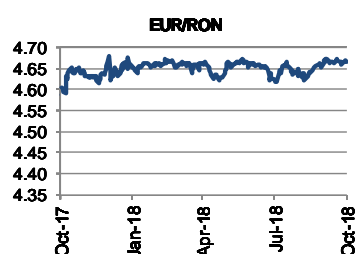
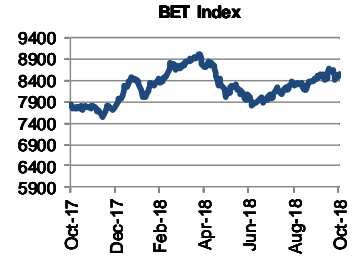
	Last	ΔDbps	ΔYTD bps
5-year	101	0	11
10-year	145	1	11

STOCKS

	Last	ΔD	ΔYTD
BET	8543.8	0.64%	10.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6669	-0.03%	-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	3
5Y BGN	0.11	1	-4
10Y BGN	0.79	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	0	10
EUR Sep-24	0.60	0	3

CDS

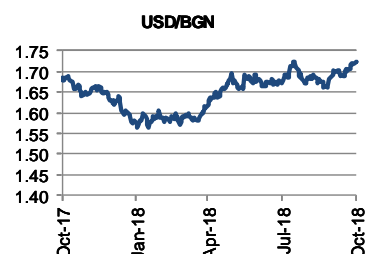
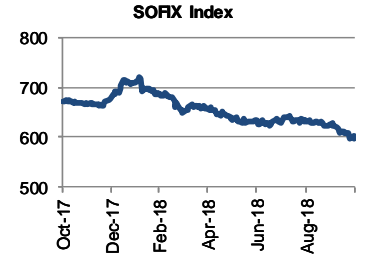
	Last	ΔDbps	ΔYTD bps
5-year	81	0	-16
10-year	124	-1	-18

STOCKS

	Last	ΔD	ΔYTD
SOFIX	597.4	-0.82%	-11.81%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.723	0.05%	-5.43%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:03 EEST

Wednesday 31 October 2018

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