



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday 04 October 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Oct 01:
 - Manufacturing PMI (Sep)
 - Total vehicles sales (Sep)
- Oct 03:
 - Mortgage applications (29/9)
 - ADP Employment change (Sep)
 - Services PMI (Sep F)
- Oct 04:
 - Initial jobless claims (29/09)
 - Factory orders (Aug)
- Oct 05:
 - Trade balance (Aug)
 - Non farm payrolls (Sep)

EUROZONE

- Oct 01:
 - Manufacturing PMI (Sep, final)
 - Unemployment rate (Aug)
- Oct 3:
 - Services PMI (Sep, final)
 - Retail sales (Aug)

GREECE

- Oct 01:
 - Manufacturing PMI (Sep)

SEE CYPRUS

- Oct 04: CPI (Sep)

ROMANIA

- Oct 01:
 - Unemployment rate (Aug)
 - International reserves (Sep)
- Oct 02:
 - PPI (Aug)
- Oct 03:
 - Retail Sales (Aug)
 - Key policy interest rate announcement

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Fuelled by strong US macroeconomic data, the 10-yr UST yield rose to a seven-year high of 3.23% in Asian trade on Thursday, marking the steepest daily increase since the US presidential election in November 2016, in what could be considered an overreaction to the data as stop loss orders were triggered across the futures market. In FX markets, the US dollar firmed on robust US data releases and Fed Chair Powell's optimistic view on the US economy, highlighting the "particularly bright moment" of the current economic cycle that could continue for quite some time and welcoming recent uptrend in wage growth as broadly consistent with observed rates of price inflation and labor productivity growth.

GREECE: According to the Ministry of Finance, the stock of the general government arrears to the private sector, including tax arrears, was €2.8 bn at the end of August 2018 from €2.7 bn at the end of July 2018, registering a monthly increase of 3.7%. According to press reports, the Greek PM Alexis Tsipras held a meeting with top government officials yesterday regarding the steep drop in the Athens stock market yesterday (-2.1%), which was driven mostly by a steep drop in the banks' shares (-8.8%). The decline was attributed to speculative moves, as it does not reflect either the banks' fundamentals or the improving conditions in the Greek economy.

SOUTH EASTERN EUROPE

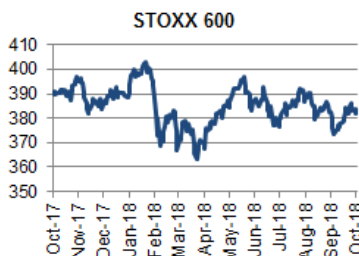
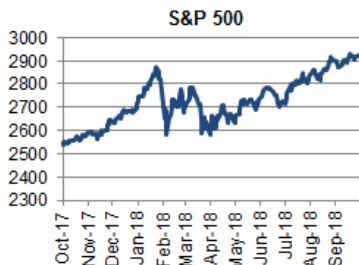
SERBIA: According to latest data published by the statistics office, GDP growth rate was revised upwards from 1.9% YoY to 2% YoY in 2017 and from 2.8% YoY to 3.3% YoY in 2016.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The US ADP employment print came in stronger than expected in September at 230k from 163k in the prior month, the largest gain since February, with broad-based gains across industries. On the same note, the September ISM non-manufacturing index reported a significant improvement in the services sector activity, with the headline index surging to 61.6 points from 58.5 in August, its highest level since August 1997. Fuelled by strong US macroeconomic data, the 10-yr UST yield rose to a seven-year high of 3.23% in Asian trade on Thursday, marking the steepest daily increase since the US presidential election in November 2016, in what could be considered an overreaction to the data as stop loss orders were triggered across the futures market. The 10-yr Bund yield followed suit, hovering around 4-month highs of 0.55% hit in late September. Meanwhile, investors' expectations for a fed funds rate hike were also moved up on the back of positive US data, with the market pricing an additional 7bps of hikes implying a rate of 2.905 through end-2019. In FX markets, the US dollar firmed on robust US data releases and Fed Chair Powell's optimistic view on the US economy, highlighting the "particularly bright moment" of the current economic cycle that could continue for quite some time and welcoming recent uptrend in wage growth as broadly consistent with observed rates of price inflation and labor productivity growth. As a result, the USD/JPY touched an 11-month high of 114.55 overnight on Thursday, while the EUR/USD traded around a 1½ month low of 1.1464 in early European trade at the time of writing. In commodity markets, oil prices rose further with the Brent crude oil price reaching new 4-year peaks above \$86/bbl as upcoming US sanctions on Iran overshadowed the year-to-date largest weekly increase in US crude inventories.

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GREECE

According to the Ministry of Finance, the stock of the general government arrears to the private sector, including tax arrears, was €2.8 bn at the end of August 2018 from €2.7 bn at the end of July 2018, registering a monthly increase of 3.7%. All categories of general government arrears increased, with the exception of central government arrears that remained unchanged compared to the previous month, and local government arrears that registered a decrease of -2.3% on a monthly basis. The stock of general government arrears to the public sector excluding tax arrears at the end of August 2018 was €2.0 bn, from €1.9 bn in the previous month. Compared to their recent peak in August 2017 (€6.0 bn), general government arrears, including tax arrears, registered a decrease of -53.0%. According to the 2019 Draft Budget, the General Government entities will further reduce their obligations to the private sector until the end of the 2018. In other news, according to press reports, the Greek PM Alexis Tsipras held a meeting with top government officials yesterday regarding the steep drop in the Athens stock market yesterday (-2.1%), which was driven mostly by a steep drop in the banks' shares (-8.8%). The decline was attributed to speculative moves, as it does not reflect either the banks' fundamentals or the improving conditions in the Greek economy.

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Thursday 04, 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

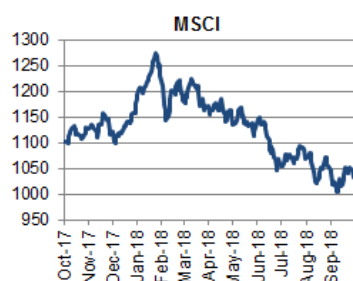
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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+

Latest economic & market developments in the CESEE region

SERBIA

According to the latest data published by the statistics office, the GDP growth of 2017 was revised upwards to 2% vs 1.9% YoY. As regards 2016, GDP growth was revised to 3.3% vs 2.8% YoY. The final estimate will be published a year later.

From a sectoral perspective, in 2017, the key contributors to GDP formation were manufacturing by 15.1%, wholesale -retail trade and repair of motor vehicles repair section by 11.4%, real estate activities by 7.3%, forestry and fishing by 6% and information and communication services by 5%. In terms of GDP growth, the main drivers were manufacturing (+4.8% YoY) and wholesale & retail trade and repair of motor vehicles repair section (+5.2% YoY) while the 10.8% YoY increase in accommodation and food services activities was less pronounced due to its low participation in GDP creation by 1.4%. From the expenditure side, GDP consisted of private consumption by 69.9%, government spending by 16.2% and gross capital formation by 17.7%. Imports accounted for 57.1% of GDP and exports for 50.5%. Pivotal factors for GDP growth were both private and public consumption, which expanded by 2% YoY and 3.7% YoY respectively, on the back of solid domestic demand, while investments grew by 7.3% YoY.

Before the current revision of GDP for 2016 and 2017, Serbia revised growth for Q12018 to 4.6% YoY in May vs the initial estimate of 4.5% YoY one month earlier. Subsequently, in August, the Serbian Central Bank revised its GDP growth projection to 4% YoY vs its 3.5% YoY previous estimate in May, while the H1-2018 GDP growth reading stood at 4.9% YoY one month ago. The aforementioned record of upward revisions is followed by Prime Minister Ana Brnabic's comments released on Monday – same day with current GDP revision – that the GDP growth is expected currently at 4.2% in 2018.

After bottoming out in Q3 2014, economic activity gradually accelerated with private consumption and investments having a lead on the growth momentum. Prime Minister Ana Brnabic stated that the fiscal discipline along with the ongoing structural reforms program, which will be monitored by the IMF at least by 2021 under the PCI regime, have set the ground for "full focus" on sustainable growth and economic transformation.

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Thursday 04 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	2925.51	0.1%	9.4%	EUR/USD	1.1483	0.0%	-4.3%	UST - 10yr	3.20	2	79	GOLD	1199	0.1%	-8.0%
Nikkei 225	23975.62	-0.6%	5.3%	GBP/USD	1.2963	0.2%	-4.1%	Bund-10yr	0.53	5	10	BRENT CRUDE	86	-0.1%	28.9%
STOXX 600	383.16	-0.2%	-1.5%	USD/JPY	114.27	0.2%	-1.4%	JGB - 10yr	0.16	2	11	LME X	3052	0.9%	-10.7%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	-1	-24
1-week	2.39	0	-22
1-month	2.61	-1	-24
3-month	2.92	0	-20
6-month	3.09	0	-15

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.17	-2	-111
5Y RSD	3.65	0	-65
7Y RSD	4.15	-1	-103

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.82	1	83

CDS

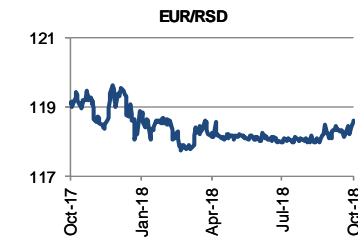
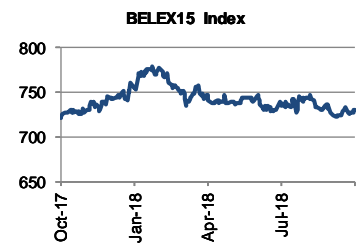
	Last	ΔDbps	ΔYTD bps
5-year	112	1	-6
10-year	156	-3	-6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	729.5	-0.07%	-3.99%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.61	-0.01%	0.25%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.67	0	158
1-month	3.08	0	121
3-month	3.16	0	111
6-month	3.4	0	113
12-month	3.53	0	121

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.94	0	56
5Y RON	4.32	0	54
10Y RON	4.96	0	65

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.54	0	-5
USD Jan-24	4.21	7	121

CDS

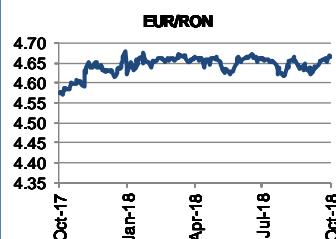
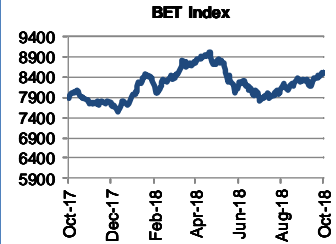
	Last	ΔDbps	ΔYTD bps
5-year	101	2	11
10-year	143	3	9

STOCKS

	Last	ΔD	ΔYTD
BET	8508.4	0.21%	9.73%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.666	0.01%	-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	-0.04	0	2
5Y BGN	0.09	0	-6
10Y BGN	0.79	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.03	-1	4
EUR Sep-24	0.46	-2	-12

CDS

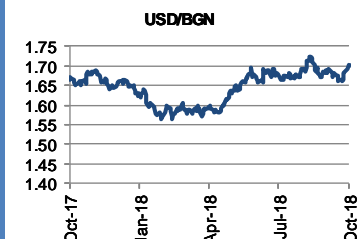
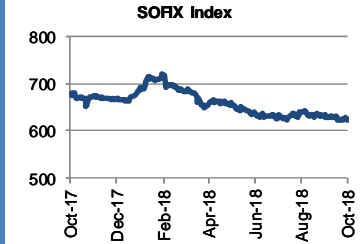
	Last	ΔDbps	ΔYTD bps
5-year	80	2	-16
10-year	124	-1	-18

STOCKS

	Last	ΔD	ΔYTD
SOFIX	622.2	0.00%	-8.16%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7033	0.04%	-4.34%



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

Data updated as of 10:31 EEST

Thursday 04 October 2018

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