



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday 16 October 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Oct 15:
 - Empire state index (Sep)
 - Retail sales (Sep)
- Oct 16:
 - Industrial production (Sep)
 - NAHB index (Oct)
- Oct 17:
 - Housing starts & building permits (Sep)
 - Fed minutes (25/26 Sep meeting)
- Oct 18: Philly Fed (Oct)
 - Initial jobless claims (06/10)
 - Leading Index (Sep)
- Oct 19: Existing Home Sales (Sep)

EUROZONE

- Oct 16: Germany's ZEW (Oct)
- Oct 17: CPI (Sep F)

GREECE

- Oct 17: Annual National Accounts (2017, provisional)
- Oct 19: Turnover index in Industry (Aug)

SEE

BULGARIA

- Oct 15:
 - CPI (Sep)
 - Unemployment rate (Sep)
- Oct 19:
Current Account Balance (Aug)

CYPRUS

- Oct 17: CPI (Sep)

ROMANIA

- Oct 15:
Current Account Balance (Aug)

SERBIA

- Oct 19:
Current Account Balance (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their lead from the improved tone in Asian stocks earlier today, the majority of European bourses opened higher, moving further away from last month's 21-month trough. Yet, gains were limited. Elsewhere, core government bond yields were slightly higher on the day. In FX markets, the GBP recovered some ground earlier today with investors waiting for the EU Council meeting, which commences tomorrow evening. The latest Brexit-related developments suggest that a breakthrough at this week's meeting now seems unlikely and more time will probably be needed for the two sides to work on the remaining open issues necessary for a withdrawal agreement.

GREECE: The Greek government submitted yesterday to the European Commission the 2019 draft budget with one base scenario incorporating the legislated pension cuts and an alternative one without them. Both scenarios satisfy the primary surplus target of 3.5% of GDP. According to the preliminary State Budget Execution data for January – September 2018, the overall fiscal balance registered a surplus of €0.29bn, versus a Medium Term Fiscal Strategy 2019-22 (MTFS) deficit target of €1.84bn. The State Budget Primary Balance registered a surplus of €4.81 versus a MTFS surplus target of €2.52bn.

SOUTH EASTERN EUROPE

BULGARIA: According to the national statistics data, inflation came in at 0.3% MoM /3.6% YoY in September vs 0.1% MoM /3.5% YoY in August.

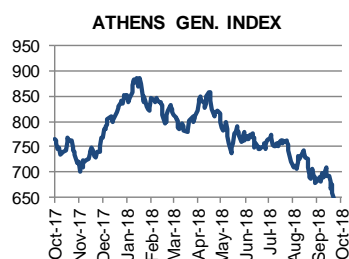
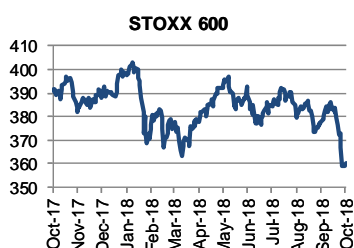
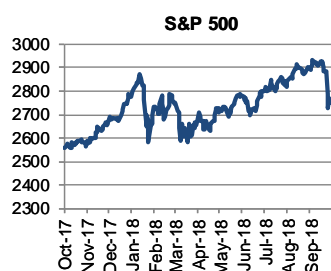
SERBIA: According to the national statistics data, inflation came in at -0.3% MoM/2.1% YoY in September down from 0.3% MoM /2.6% YoY in August.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from the improved tone in Asian stocks earlier today, the majority of European bourses opened higher, moving further away from last month's 21-month trough. Yet, gains were limited. Tensions prevail between Saudi Arabia and the West over the controversy surrounding the disappearance of the Washington Post journalist earlier this month, while yesterday's inflation-related data from China fueled market worries over a sharper than currently expected slowdown amid ebbing domestic demand in the face of rising trade relations with the US. Elsewhere, core government bond yields were slightly higher on the day with the US 10-yr paper yielding levels around 3.177% in early European trade, some 2bps higher on the day, albeit still c. 9bps below last week's 7 1/2 year peak. US data yesterday showed a disappointing 0.1% mom increase in September's retail sales largely driven a 1.8% mom decline in spending on food and drink services. Importantly, closely watched retail sales excluding automobiles gasoline, building materials and food services, the so-called core retail sales, which correspond more closely with the consumer spending component of GDP, rose by a slightly higher than anticipated 0.5% mom. In FX markets, the EUR/USD was little changed on the day hovering around 1.1595/97 at the time of writing, not far from last week's 1.1610 multi-session peak. In Italy, late yesterday the government approved the 2019 draft budgetary plan and sent it to the European Commission, in accordance with the official deadline. The European Commission has already warned over significant deviation from the Stability and Growth Pact rules but investors will have to wait until late-October to see whether it will ask for the budget plan to be resubmitted. Elsewhere, the GBP recovered some ground earlier today hovering around 1.3180/85 against the US after falling to as low as 1.3077 on Monday on news that Brexit talks on the Irish border backstop ended in a stalemate over the weekend. A breakthrough at this week's EU Council now seems unlikely and more time will probably be needed for the two sides to work on the remaining open issues necessary for a withdrawal agreement. The US Treasury is scheduled to release its semiannual report on the FX policies of its trade partners later today with press reports suggesting that China is not expected to be labelled as a currency manipulator.

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GREECE

The Greek government submitted yesterday to the European Commission the 2019 draft budget with one base scenario incorporating the legislated pension cuts and an alternative one without them. Both scenarios satisfy the primary surplus target of 3.5% of GDP. The 2019 state budget is expected to be finalised in by early December following deliberations between the Greek government and the institutions. On the economic data front, according to the preliminary State Budget Execution data for January – September 2018, the overall fiscal balance registered a surplus of €0.29bn, versus a Medium Term Fiscal Strategy 2019-22 (MTFS) deficit target of €1.84bn. The State Budget Primary Balance registered a surplus of €4.81 versus a MTFS surplus target of €2.52bn. The primary balance over-performance was mainly driven by: a) higher than targeted revenue before tax refunds by €0.56bn, b) lower than targeted ordinary budget expenditure by €0.31bn, c) lower than targeted Public Investment Budget (PIB) expenditure by €1.24bn, and d) lower than targeted tax refunds by €0.51bn.

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Tuesday 16 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

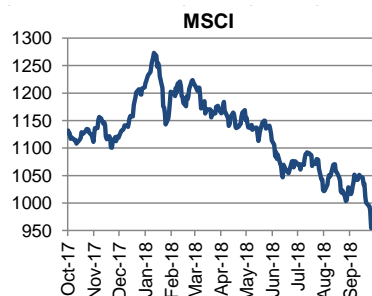
CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* 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

BULGARIA

According to the national statistics data, inflation came in at 0.3% MoM/3.6% YoY in September vs 0.1% MoM/3.5% YoY in August. The rise can be mainly attributed to the price increases recorded in the food and non-alcoholic category of products by 1.5% MoM /3.2% YoY, which accounts for ca. 32% of the consumer basket. Non-food inflation growth decelerated to 3.6% YoY in September down from 3.8% in August driven by slightly lower prices for fuels on an annual basis. Services inflation picked up to 4.1% YoY in September up from 4.0%, driven upwards by higher prices in entertainment and culture services as well as education services.

The harmonized consumer price index (HICP) came in at -0.3% MoM /+3.6% YoY in September.

SERBIA

Consumer prices contracted by -0.3% MoM in September, reflecting the seasonal decline in the prices of travel packages and raw food. Following the increase in August to 2.6% YoY vs 2.4% YoY in July, inflation lost pace in September standing at 2.1% YoY. The price increase by 12.9% YoY in vegetables for September was offset by the modest price behavior in the rest of the food sub-categories thus resulting in a 1.3% YoY price increase in the total food category, which comprises 31.7% of the consumer basket.

The core inflation (CPI excluding food and energy prices) stood at 1.1% YoY in September vs 0.8% YoY in August, which still is considered low and indicates low inflationary pressures.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2750.79	-0.6%	2.9%
Nikkei 225	22549.24	1.2%	-0.9%
STOXX 600	360.32	0.3%	-7.4%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1585	0.1%	-3.5%
GBP/USD	1.3181	0.2%	-2.5%
USD/JPY	112.15	-0.3%	0.5%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	3.17	2	77
Bund-10yr	0.51	0	8
JGB - 10yr	0.15	0	10

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.28	-1	-24
1-week	2.39	-1	-22
1-month	2.61	-1	-24
3-month	2.93	-1	-19
6-month	3.09	-1	-15

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.22	0	-105
5Y RSD	3.68	0	-56
7Y RSD	4.16	0	-102

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.94	0	95

CDS

	Last	ΔDbps	ΔYTD bps
5-year	112	1	-6
10-year	160	1	-2

STOCKS

	Last	ΔD	ΔYTD
BELEX15	738.0	-0.06%	-2.87%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.24	0.04%	0.57%

ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.59	-14	150
1-month	3.1	-2	123
3-month	3.17	-1	112
6-month	3.41	-3	114
12-month	3.55	-1	123

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.20	0	82
5Y RON	4.76	0	98
10Y RON	5.14	0	83

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	#N/A N/A	-1
USD Jan-24	4.34	0	135

CDS

	Last	ΔDbps	ΔYTD bps
5-year	99	-2	9
10-year	141	-2	7

STOCKS

	Last	ΔD	ΔYTD
BET	8471.5	0.35%	9.26%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6665	-0.06%	-0.04%

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	0.08	0	-6
10Y BGN	0.79	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	-1	3
EUR Sep-24	0.44	-1	-13

CDS

	Last	ΔDbps	ΔYTD bps
5-year	80	1	-17
10-year	127	1	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	610.1	-0.10%	-9.94%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6882	0.06%	-3.48%

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

Data updated as of 11:23 EEST

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