## Concerns regarding the Italian 2019 Budget hurt domestic assets, with pressures spreading to European assets

- In our previous Global Markets Roundup bulletin, we highlighted the increased negative correlation of BTP Government bond spreads with Italian bank equities (see graph 2 page 3). Unsurprisingly, the decision by the Italian Government to announce a headline budget deficit target significantly higher than consensus and European Commission expectations led Italian Government bond spreads higher across the curve, while Italian equities suffered significant losses.
- Specifically, 10-year BTP/Bund spreads widened by 32 bps to 268 bps, with FTSE/MIB declining by 3.7% (-5.2% ytd) and Italian banks losing 7.3% on Friday (-15.2% ytd). Note that Italian banks hold circa €375bn in BTPs (or 93% of their capital). A sustained decline of Italian Government bond prices could erode Italian banks' capital (CET1 of 13.2% as of Q1:2018 according to EBA data).
- European assets came under pressure, following the events in Italy, with the Eurostoxx index declining by 1.3% (-1.9% ytd) and the EUR down by 0.3% at $1.16 against the USD on Friday. Periphery bonds were broadly unaffected, with Portuguese and Spanish yields remaining flat at 1.50% and 1.88%, respectively. However, on Monday/Tuesday, Italian 10-Year Yield was up cumulatively by 26 bps to 3.40% (BTP/Bund spreads at 298 bps) as concerns regarding Italy intensified, with Portuguese and Spanish bond yields up by circa 5 bps.
- The envisioned fiscal loosening is significant as the Italian Government foresees a headline budget deficit of -2.4% of GDP each year until 2021, instead of -0.8% (2019), 0.0% (2020) and +0.2% (2021) in the 2018 April Stability Programme. While details have not yet been released, macroeconomic assumptions regarding nominal GDP growth (+3.2% for 2019, +3.0% for 2020 and +2.7% for 2021 in the 2018 April Stability Programme) are expected to be revised up significantly, in order to not put at risk the goal of reducing the public debt, which currently lies at 131% of GDP.
- Note that Italian growth has already slowed in H1:2018, with real GDP at +1.1% saar from +1.9% saar in H1:2017, while leading economic indicators (Ita-coin: Bank of Italy) suggest that real GDP growth could stall in Q3:2018. Looking forward, the Italian Government now has to submit the Draft Budget by October 15th and the European Commission will respond by end-November. It is important to note that rating agencies will issue their assessments over the coming weeks, with Italy currently circa two notches above the Speculative Grade threshold (see graph below). The risk of rating downgrades has likely increased following the 2019 Budget deficit forecasts, suggesting that Italian assets will remain under pressure.
- On the other side of the Atlantic, as expected, the Fed raised the federal funds rate target by 25 bps, to 2.0% - 2.25%, and maintained broadly unchanged its interest rate forecasts of 5 hikes (of 25 bps) to 3.25%-3.50% by end-2020 (see Economics). The Fed downplayed the removal of the description of the policy stance as "accommodative" from the post-meeting statement. It would require 3-4 rate hikes before Fed policy enters restrictive territory.
- We have updated our quarterly Asset Dashboard (page 3). Global equity markets posted strong gains led by the US and Japan, while trade tensions hurt emerging markets across the board (Equities, corporate Bonds and FX). Government bond yields in core markets rose by 10 bps to 30 bps due to strong growth, increasing inflation and monetary policy normalization.

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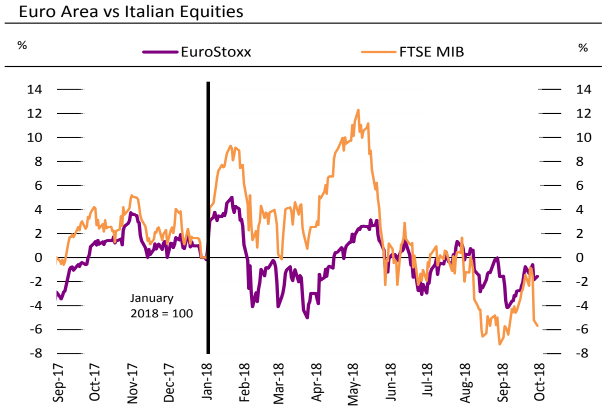
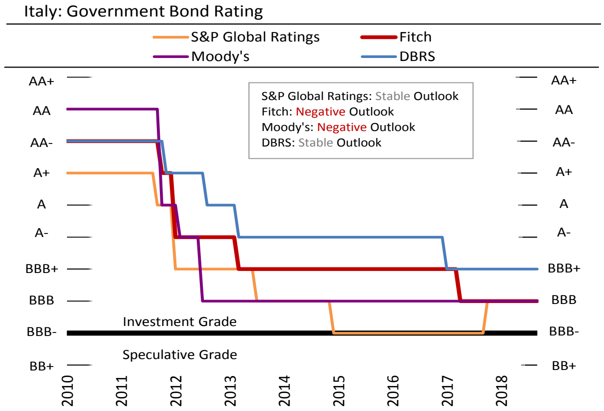
**Charts of the week**

Euro Area vs Italian Equities




Source: NBG Research, Bloomberg

Italy: Government Bond Rating




Source: NBG Research, Bloomberg

**See page 14 for disclosures and analyst certification**

## US GDP in Q2 remains unchanged

- **The 3rd estimate of US GDP growth for Q2:18 was broadly unchanged at 4.2% qoq saar (2.2% qoq saar in Q1:18), the highest since Q3:14, while the annual growth was 2.9% yoy, the highest since Q2:15.** A slight downward revision for inventories (-1.2 pps contribution, versus -1.0 pp in the previous estimate) was offset by minor upward revisions in all other GDP components (private consumption, business investment, residential investment, government consumption and net exports). For Q3:18, GDPNowcast models (New York Fed, Atlanta Fed) point to GDP growth of 2.5% - 3.6% qoq saar (consensus: +3.0% qoq saar), while private consumption is expected to remain the key driver (2.6 pps contribution in Q2:2018). In the event, personal spending, in constant price terms, has risen by 3.1% qoq saar overall in July-August (July-August average versus Q2:2018 average).

## The Fed raises rates, with minor changes to its macroeconomic outlook

- **The Fed increased the target for the federal funds rate by 25 bps to 2.00% - 2.25%, as expected, while its economic outlook strengthened further for 2018 and was left broadly unchanged for the next years.** Risks to the outlook continue to be characterized as "roughly balanced". Notably, the phrase "the stance of monetary policy remains accommodative" was removed from the statement, albeit Fed Chair Powell downplayed the significance of that change.

- Regarding the economic outlook, the median estimate for 2018 GDP growth (Q4 YoY) was revised up by 0.3 pps to 3.1% for 2018, on the back of continued strong momentum in recent months. The respective estimate for 2019 was up by 0.1 pp to 2.5% and for 2020 it was stable at 2.0%. The newly introduced estimate for 2021 puts growth broadly at its potential (1.8%), as the boost from fiscal loosening is expected to have largely run its course by then. No significant changes were made to projections for the unemployment rate (currently at 3.9%), at 3.7% in 2018 (Q4 average) and at 3.5% in 2019 and 2020. As of 2021, in line with economic activity, unemployment is expected to begin gradually returning closer to normal (3.7% | the FOMC's estimated level of NAIRU is 4.5%). Finally, inflation estimates also remained largely unchanged. Indeed, core PCE is projected at 2.0% in 2018 (Q4 YoY average), while both core and headline PCE are expected at 2.1% yoy in 2019, 2020 and 2021, thus only slightly above the 2.0% yoy inflation target (the Fed has a symmetric tolerance range around its target).

- **As a result of the broadly unchanged economic outlook, FOMC participants maintained unchanged their expectations regarding future increases in the federal funds rate.** The median projection for end-2018 was maintained at 2.50%, for 2019 at 3.25%, for 2020 at 3.50% and is also expected at 3.50% for end-2021. Thus, taking into account the longer-term estimate for the federal funds rate by FOMC participants (3.00%), monetary policy will enter restrictive territory during 2019 (to avoid an over-heating of the economy). However, as Fed Chair Powell noted, the FOMC may raise that estimate later, while noting that the Fed's main focus is to set policy pragmatically so as to balance appropriately between the risk of unnecessarily hurting economic activity and the risk of inflation over-heating.

## US household net wealth at record levels

- **According to the Fed's Financial Accounts of the United States, households' net worth rose by 8.3% qoq saar in Q2:18 (+8.2% yoy).** The increase was due to the continued appreciation of real estate assets (+8.1% qoq saar | +7.2% yoy), as well as of financial assets (+8.1% qoq saar | +8.0% yoy). As a result, the ratio of net worth to disposable income reached an all-time high of 692% (long-term average of 539%).

- Household debt rose by 2.9% qoq saar in Q2:18 (+3.4% yoy), compared with +3.2% qoq saar (+3.7% yoy) in Q1:18. As a percentage of GDP, debt fell by 0.8 pps to 75.4% (peak of 98.4% in Q1:08) as nominal GDP rose sharply, by 7.6% qoq saar in Q2:18. Regarding the two major loan categories, mortgage loans (66% of total) increased by 2.4% qoq saar (+2.7% yoy), compared with +2.8% qoq saar (+2.9% yoy) in Q1:18, while consumer credit growth (25% of total) rose by 4.1% qoq saar (+4.6% yoy), compared with +3.3% qoq saar (+4.7% yoy) previously.

## Euro area inflation rose to 2.1%, with weak core CPI

- **Headline inflation accelerated slightly in September, as expected, while core inflation undershot consensus estimates.** Specifically, the flash estimate for CPI was up by 0.1 pp, to 2.1% yoy, matching the highest outcome (recorded in July 2018) since December 2012. More importantly, core CPI growth was 0.9% yoy, versus 1.0% yoy in August, albeit the aforementioned deceleration in the headline figures is mostly due to rounding effects (on a two decimal basis, core CPI was 0.94% yoy in September, versus 0.96% yoy in August). Nevertheless, the latest outcome was below consensus expectations for 1.1% yoy. Recall that core CPI growth stands at 1.0% yoy, on average, so far in 2018, as well as in 2017.

## Euro area bank lending growth at multi-year highs

- **Euro area economic activity continues to find support from the credit cycle.** The two major private sector components performed as follows in August: i) loan growth to households (adjusted for sales and securitizations) was 3.1% yoy, compared with 3.0% yoy in July, the highest since February 2009; and ii) loan growth to non-financial corporations accelerated by 0.2 pps, to 4.2% yoy, the highest since May 2009. On a country-by-country basis, divergence remains, with the annual growth rate of loans to non-financial corporations in Germany (+6.0%) and France (+6.4%) strongly outpacing that of Spain (+0.3%) and Italy (+1.8%). Recall that, in Italy, there has been some improvement during 2018 (1.7% yoy, on average, so far in 2018, compared with +0.1% yoy, on average, in 2017).

## Chinese manufacturing PMIs deteriorated in September

- **PMIs suggest some weakening of activity in the manufacturing sector in September.** Specifically, the Markit manufacturing PMI decreased by 0.6 pts to 50.0 while, more importantly, the official manufacturing PMI (which covers a broader range of industries) was down by 0.5 pts, to a 7-month low of 50.8, below consensus estimates for 51.2. The sub-indices that are closely related to international trade continue to underperform, with the new export component falling by 1.4 pts to 48.0 and the imports component by 0.6 pts to 48.5, both at their lowest level since February 2016. On a positive note, the official non-manufacturing PMI (which mostly covers services sectors) was up by 0.7 pts, to 54.9 (consensus: 54.0).

## Equities

- **Global equity markets were mixed in the past week, with euro area bourses losing substantial ground at the end of the week, due to rising concerns over the prospects for Italy's fiscal health.** Overall, the MSCI World index was down by 0.7% wow, with emerging markets (-0.3% wow) modestly overperforming their developed market peers (-0.7% wow). In the US, the S&P500 declined by 0.5% wow, with the Autos sector underperforming (-5.3% wow). On the other side of the Atlantic, the Eurostoxx ended the week at -1.1% wow, posting considerable losses on Friday (-1.3%), after Italy set the target for the fiscal deficit at 2.4% of GDP for the next three years. This target appears to exceed the level that investors had priced-in and likely derails the process of gradually bringing down the country's debt/GDP ratio (133.4% in Q1:18). Recall that Italian equities underperformed in the past week (FTSE MIB: -3.8% wow), with Banks leading the decline (-8.3% wow | -15.2% ytd). On Monday, the FTSE MIB declined further, by 0.5% (Banks: -3.1%), with finance ministers of euro area countries, during a Eurogroup meeting, expressing worries regarding Italy's fiscal plans and pointing to little room for collision with the European Commission to be avoided. In the UK, the FSTE 100 was up by 0.3% wow in the past week. In Japan, the Nikkei 225 rose by 1.0% wow during the past week, supported by a weaker Yen.

## Fixed Income

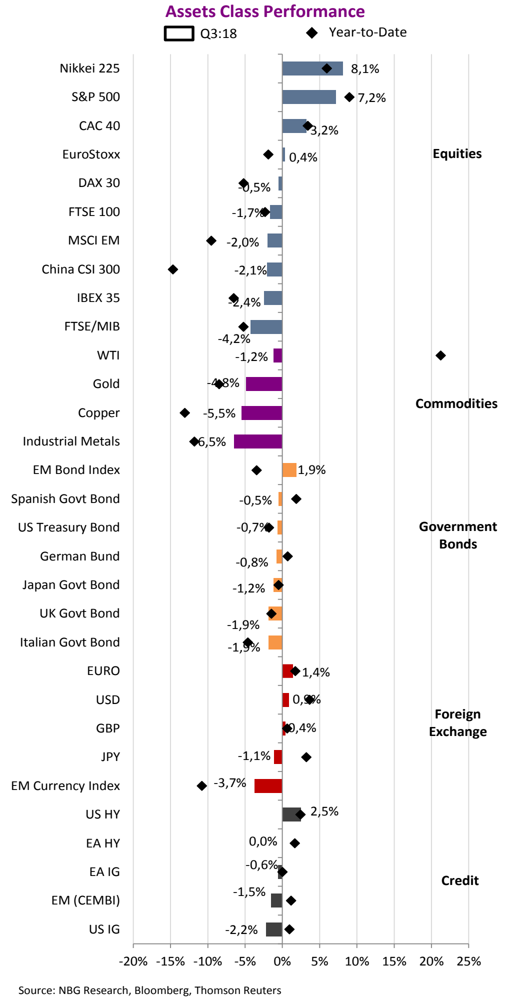
- **Government bond yields posted modest changes overall during the past week, with the exception of Italy.** Specifically, US Treasury 10-year yields were broadly stable at 3.06%, while the 2-year yield increased slightly, by 2 bps wow to 2.82%, as the Fed hike to its federal funds rate was anticipated. In the UK, 10-year government bond yields rose by 2 bps to 1.57%. ECB President Draghi's positive message (during a hearing in the European Parliament) regarding inflation prospects in the euro area (upside effect for yields) was offset by increased "safe-haven" demand on Friday (downside effect), thus leaving 10-Year Bund yields ending the week largely unchanged at 0.47%. Finally, there was upside pressure on Friday on the Italian 10-year yield spread over the Bund, up by 32 bps to 268 bps (+31 bps wow | +109 bps ytd), following the announcement of the government's fiscal deficit target for 2019-2021. On Monday, the aforementioned spread rose further, by 15 bps, to 283 bps.

  **Corporate bond spreads in the euro area high yield spectrum rose on Friday, as policy uncertainty in Italy caused "flight to quality" by investors.** Euro high yield spreads were up by 8 bps on Friday (+6 bps wow), to 350 bps. Their US counterparts were broadly unchanged in the past week, at 324 bps (close to the 11-year low of 323 bps, recorded in January 2018). In the investment grade spectrum, US spreads fell modestly by 2 bps to 111 bps and their euro area counterparts were up slightly, by 1 bp to 114 bps.

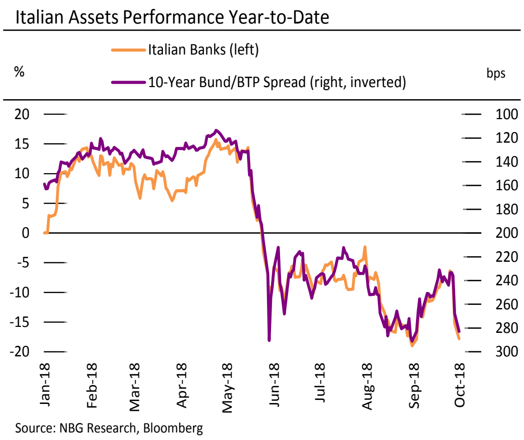
## FX and Commodities

- **In foreign exchange markets, the euro lost ground in the past week, due to policy uncertainty in Italy.** The euro fell by 1.2% wow against the US Dollar, to $1.160 and by 0.8% wow against the British Pound, to €/0.891. Meanwhile, the US Dollar's (modest) consolidation against emerging market (EM) currencies continued for a 3rd consecutive week, down by 0.5% wow (-3.0% since early September | but still +10.8% ytd). Finally, the Japanese Yen declined in the past week, by 0.6% wow in NEER terms.

- **In commodities, oil prices rose in the past week, as major producers (Saudi Arabia, Russia) showed no signal of plans to increase supply, in order to stem the upward trajectory for oil prices.** Overall, Brent rose by 6.1% wow, to $83.0/barrel, the highest since November 2014, while the WTI was up by 2.0% wow to $73.3/barrel.




Graph 1.




Graph 2.

Quote of the week: "Main thing where we might need to move along a little bit quicker would be if inflation surprises to the upside. We really don't see that… I think either a significant and lasting correction in financial markets or a slowing down in the economy that's inconsistent with our forecast, those are the kinds of things we'd react to", **Fed Chair, Jerome Powell**, September 26th 2018.

## Tactical Asset Allocation (3-month)

- **Equities**: We remain Neutral/Positive relative to a 55-40-5 portfolio. GDP growth and corporate earnings are strong (particularly in the US), albeit "trade concerns" and the peak of central bank (C/B) liquidity weighs. Volatility in returns will prevail in the rest of 2018 resulting in lower risk-adjusted returns. US tax-reform may continue to support equities despite S&P500 climbing to new highs. We also closed our O/W position in euro area banks recording losses as Italian concerns and low-for-longer interest rates by the ECB reduce our confidence in this trade.
- **Government Bonds:** Higher yields due to less aggressive C/Bs, reduced liquidity and stronger inflation data, albeit safe haven demand could support prices near-term. **Underweight Govies**. Steeper curves, particularly in Bunds.
- **Credit**: Credit spreads have less fuel to run. **Underweight position in credit** with a preference for banks.
- **Cash: OW position**, as a hedge, as well as a way of being tactical. 2018 is less likely to be as "risk on" as 2017.

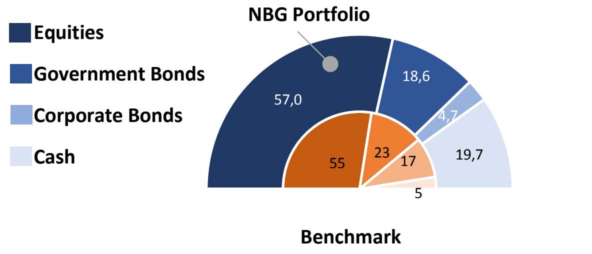
## NBG Global Markets - Main Equity Sector Calls

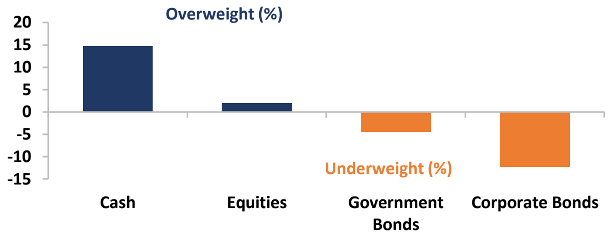
| US Sector | Position | View/Comment |
|---|---|---|
| Banks | OW | Rising rates from low levels and low deposit betas will support interest margins. Less regulation also positive. Valuations (relative to the market) still attractive. |
| Energy | Neutral | OPEC's deal extension until end of 2018 has supported oil prices. However, US oil production is increasing (at 2015 high levels) and expected RoE for Energy firms remains low. Light positioning and sizeable underperformance (2017) may present a buying opportunity. Oil backwardation a positive for the sector. |
| Defensives/ Cyclicals | Neutral | We turn Neutral Defensives amid elevated volatility and favorable relative valuations. Underweight Consumer Discretionary (Cyclicals) as the sector is a major underperfomer during Fed hiking cycles and has high wage expenses. |

| EA Sector | Position | View/Comment |
|---|---|---|
| Energy | Neutral | OPEC's deal extension until end of 2018 has supported oil prices. However, US oil production is increasing (at 2015 high levels) and expected RoE for Energy firms remains low. Light positioning and sizeable underperformance (2017) may present a buying opportunity, thus we upgrade to neutral our position. |
| Defensives/ Cyclicals | Neutral | We turn Neutral Defensives amid elevated volatility and favorable relative valuations. Underweight Consumer Discretionary (Cyclicals) as the sector is a major underperfomer during Fed hiking cycles and has high wage expenses. |

*Including Technology and Industrials
**Including Healthcare, Utilities, Telecoms

## Total Portfolio Allocation




## Detailed Portfolio Breakdown

| Equities | Portfolio | Benchmark | OW/UW |
|---|---|---|---|
| US | 54 | 52 | 2,0 |
| Euro area | 10 | 10 | - |
| UK | 7 | 7 | - |
| Rest of Dev. Europe | 5 | 5 | - |
| Japan | 9 | 7 | 2,0 |
| Rest of Dev. World | 8 | 8 | - |
| Emerging Markets | 7 | 11 | -4,0 |
| EM Asia | 64 | 64 | - |
| EM Latin America | 18 | 18 | - |
| EMEA | 18 | 18 | - |

| Government Bonds | Portfolio | Benchmark | OW/UW |
|---|---|---|---|
| US | 49 | 46 | 3,0 |
| US TIPS | 6 | 6 | - |
| Germany | 12 | 15 | -3,0 |
| UK | 7 | 7 | - |
| Japan | 26 | 26 | - |

| Corporate Bonds | Portfolio | Benchmark | OW/UW |
|---|---|---|---|
| US Industrials | 22 | 32 | -10,0 |
| US Banks | 22 | 12 | 10,0 |
| US High Yield | 12 | 12 | - |
| EUR Industrials | 5 | 9 | -4,5 |
| EUR Banks | 14 | 9 | 4,5 |
| EUR High Yield | 4 | 4 | - |
| UK Industrials | 2 | 3 | -1,5 |
| UK Banks | 5 | 3 | 1,5 |
| Emerging Markets | 16 | 16 | - |

Notes:
(1) The orange inner half-circle of the chart displays asset class weights for the benchmark portfolio. The blue-color representation (outside half-circle) shows asset class weights for the model portfolio.
(2) All figures shown are in percentage points.
(3) OW/UW: Overweight/Underweight relative to Benchmark.
(4) Green (red) color arrows suggest an increase (decrease) in relative asset class weights (portfolio vs benchmark) over the last week.

| | US | Euro Area | Japan | UK |
|---|---|---|---|---|
| **Equity Markets** | + Likely fiscal loosening will support the economy & companies' earnings<br>+ Solid EPS growth in H2:2017 & 2018<br>+ Cash-rich corporates will lead to share buybacks and higher dividends (de-equitization)<br>– Demanding valuations<br>– Peaking profit margins<br>– Protectionism and trade wars<br>– Aggressive Fed in 2018<br>● **Neutral/Positive** | + Still high equity risk premium, albeit declining<br>+ Credit conditions gradual turn more favorable<br>+ Small fiscal loosening<br>– EPS estimates may turn pessimistic due to higher EUR and plateuning economic growth<br>– Strong Euro in NEER terms (2017 vs 2016)<br>– Political uncertainty (Spain, Italy) could re-emerge<br>● **Neutral** | + Still aggressive QE and "yield-curve" targeting by the BoJ<br>+ Upward revisions in corporate earnings<br>– Strong domestic recovery in H1:2017 will continue<br>– Signs of policy fatigue regarding structural reforms and fiscal discipline<br>– Strong appetite for foreign assets<br>– If sustained, JPY appreciation hurts exporters companies<br>● **Neutral** | + 65% of FTSE100 revenues from abroad<br>+ Undemanding valuations in relative terms<br>+ High UK exposure to the commodities sector assuming the oil rally continues<br>– Elevated Policy uncertainty to remain due to the outcome of the Brexit negotiating process<br>● **Neutral/Negative** |
| **Government Bonds** | + Valuations appear rich with term-premium close to 0%<br>+ Underlying inflation pressures<br>+ The Fed is expected to increase its policy rate towards 1.5% by end-2017 and 2%-2.25% by end-2018<br>+ Balance sheet reduction, albeit well telegraphed may push term premia higher<br>– Global search for yield by non-US investors continues<br>– Safe haven demand<br>▲ **Higher yields expected** | + Upside risk in US benchmark yields<br>+ Valuations appear excessive compared with long-term fundamentals<br>– Political Risk<br>– Fragile growth outlook<br>– Medium-term inflation expectations remain low<br>– Only slow ECB exit from accommodative monetary policy<br>▲ **Higher yields expected** | + Sizeable fiscal deficits<br>+ Restructuring efforts to be financed by fiscal policy measures<br>– Safe haven demand<br>– Extremely dovish central bank<br>– Yield-targeting of 10-Year JGB at around 0%<br>● **Stable yields expected** | + Elevated Policy uncertainty to remain due to the outcome of the Referendum and the negotiating process<br>+ Rich valuations<br>+ Inflation overshooting due to GBP weakness feeds through inflation expectations<br>+ The BoE is expected to increase policy rates to 0.50%<br>– Slowing economic growth post-Brexit<br>▲ **Higher yields expected** |
| **Foreign Exchange** | + The Fed is expected to increase its policy rate towards 1.5% in 2017 and 2%-2.25% by end-2018<br>+ Tax cuts may boost growth, and interest rates through a more aggressive Fed<br>– Mid-2014 rally probably out of steam<br>– Protectionism and trade Wars<br>▲ **Long USD against its major counterparts ex-EUR** | + Reduced short-term tail risks<br>+ Higher core bond yields<br>+ Current account surplus<br>– Sluggish growth<br>– Deflation concerns<br>– The ECB's monetary policy to remain extra loose (Targeted-LTROs, ABSs, covered bank bond purchases, Quantitative Easing)<br>● **Broadly Flat EUR against the USD with upside risks towards $1.20** | + Safe haven demand<br>+ More balanced economic growth recovery (long-term)<br>+ Inflation is bottoming out<br>– Additional Quantitative Easing by the Bank of Japan if inflation does not approach 2%<br>▼ **Lower JPY against the USD** | + Transitions phase negotiations<br>– The BoE to retain rates at current levels<br>– Slowing economic growth post-Brexit<br>– Sizeable Current account deficit (-5.5% of GDP)<br>– Elevated Policy uncertainty to remain due to the outcome of the Referendum and the negotiating process<br>● **Flat GBP against the USD with upside risks short term** |

NATIONAL BANK OF GREECE

| | Turkey | Romania | Bulgaria | Serbia |
|---|---|---|---|---|
| **Equity Markets** | + Attractive valuations<br>− Weak foreign investor appetite for emerging market assets<br>− Persisting domestic financial crisis<br>▲ **Neutral/Positive** | + Strong economic activity<br>+ Attractive valuations<br>− Weak foreign investor appetite for emerging market assets<br>▲ **Neutral/Positive** | + Attractive valuations<br>+ Low-yielding domestic debt and deposits<br>− Weak foreign investor appetite for emerging market assets<br>▲ **Neutral/Positive** | + Attractive valuations<br>− Weak foreign investor appetite for emerging market assets<br>▲ **Neutral/Positive** |
| **Domestic Debt** | + Low public debt-to-GDP ratio<br>− Loosening fiscal stance<br>− Stubbornly high inflation<br>− Persisting domestic financial crisis<br>▼ **Stable to lower yields** | + Low public debt-to-GDP ratio<br>− Easing fiscal stance<br>− Envisaged tightening in monetary policy<br>▲ **Stable to higher yields** | + Very low public debt-to-GDP ratio and large fiscal reserves<br>▼ **Stable to lower yields** | + Positive inflation outlook<br>+ Policy Coordination Instrument with the IMF<br>+ Restored fiscal and public debt sustainability<br>+ Acceleration in economic activity<br>− Large public sector borrowing requirements<br>▼ **Stable to lower yields** |
| **Foreign Debt** | + High foreign debt yields<br>− Sizeable external financing requirements<br>− Weak foreign investor appetite for emerging market assets<br>− Persisting domestic financial crisis<br>▼ **Stable to narrowing spreads** | − Large external financing requirements<br>− Heightened domestic political uncertainty<br>▲ **Stable to widening spreads** | + Solidly-based currency board arrangement, with substantial buffers<br>+ Current account surplus<br>− Large external financing requirements<br>▼ **Stable to narrowing spreads** | + Ongoing EU membership negotiations<br>+ Policy Coordination Instrument with the IMF<br>− Sizable external financing requirements<br>− Reinvigorated progress in structural reforms<br>▼ **Stable to narrowing spreads** |
| **Foreign Exchange** | + High domestic debt yields<br>− Sizable external financing requirements<br>− Weak foreign investor appetite for emerging market assets<br>− Persisting geopolitical risks and domestic financial crisis<br>− Escalating global trade war<br>▼ **Weaker to stable TRY against the EUR** | − Large external financing requirements<br>− Heightened domestic political uncertainty<br>▼ **Weaker to stable RON against the EUR** | + Currency board arrangement<br>+ Large foreign currency reserves and fiscal reserves<br>+ Current account surplus<br>− Sizable external financing requirements<br>− Heightened domestic political uncertainty<br>● **Stable BGN against the EUR** | + Ongoing EU membership negotiations<br>+ Policy Coordination Instrument with the IMF<br>+ Large FDIs<br>− Sizable external financing requirements<br>▲ **Stable to stronger RSD against the EUR** |

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## Interest Rates & Foreign Exchange Forecasts

| 10-Yr Gov. Bond Yield (%) | Sep 28th | 3-month | 6-month | 12-month |
|---|---|---|---|---|
| Germany | 0,47 | 0,70 | 0,90 | 1,10 |
| US | 3,06 | 3,10 | 3,20 | 3,40 |
| UK | 1,57 | 1,56 | 1,65 | 1,81 |
| Japan | 0,13 | 0,12 | 0,14 | 0,15 |

| Official Rate (%) | Sep 28th | 3-month | 6-month | 12-month |
|---|---|---|---|---|
| Euro area | 0,00 | 0,00 | 0,00 | 0,00 |
| US | 2,25 | 2,25 | 2,50 | 3,00 |
| UK | 0,75 | 0,75 | 0,80 | 1,05 |
| Japan | -0,10 | -0,10 | -0,10 | -0,10 |

| Currency | Sep 28th | 3-month | 6-month | 12-month |
|---|---|---|---|---|
| EUR/USD | 1,16 | 1,18 | 1,20 | 1,22 |
| EUR/GBP | 0,89 | 0,88 | 0,88 | 0,88 |
| EUR/JPY | 132 | 130 | 132 | 133 |

| Currency | Sep 28th | 3-month | 6-month | 12-month |
|---|---|---|---|---|
| USD/JPY | 114 | 110 | 110 | 109 |
| GBP/USD | 1,30 | 1,34 | 1,37 | 1,39 |

Forecasts at end of period

## Economic Forecasts

| United States | 2016a | Q1:17a | Q2:17a | Q3:17a | Q4:17a | 2017a | Q1:18a | Q2:18a | Q3:18f | Q4:18f | 2018f |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Real GDP Growth (YoY) (1)** | 1,6 | 1,9 | 2,1 | 2,3 | 2,5 | 2,2 | 2,6 | 2,9 | 2,7 | 2,5 | 2,7 |
| **Real GDP Growth (QoQ saar) (2)** | - | 1,8 | 3,0 | 2,8 | 2,3 | - | 2,2 | 4,2 | 2,6 | 2,0 | - |
| Private Consumption | 2,7 | 1,8 | 2,9 | 2,2 | 3,9 | 2,5 | 0,5 | 3,8 | 2,6 | 2,4 | 2,4 |
| Government Consumption | 1,4 | -0,8 | 0,1 | -1,0 | 2,4 | -0,1 | 1,5 | 2,5 | 3,1 | 3,0 | 1,8 |
| Investment | 1,7 | 9,9 | 4,3 | 2,6 | 6,2 | 4,8 | 8,0 | 6,4 | 4,2 | 1,7 | 4,6 |
| Residential | 6,5 | 11,1 | -5,5 | -0,5 | 11,2 | 3,3 | -3,4 | -1,4 | 2,6 | 2,7 | 2,2 |
| Non-residential | 0,5 | 9,6 | 7,3 | 3,4 | 4,9 | 5,3 | 11,5 | 8,7 | 4,6 | 1,5 | 5,4 |
| Inventories Contribution | -0,6 | -0,9 | 0,3 | 1,2 | -1,1 | 0,0 | 0,3 | -1,4 | 0,0 | 0,0 | 0,1 |
| Net Exports Contribution | -0,3 | -0,2 | 0,0 | 0,0 | -1,2 | -0,4 | -0,1 | 1,3 | -0,4 | -0,5 | -0,2 |
| Exports | -0,1 | 5,0 | 3,6 | 3,5 | 6,6 | 3,0 | 3,6 | 9,3 | 1,3 | 1,8 | 4,4 |
| Imports | 1,9 | 4,8 | 2,5 | 2,8 | 11,8 | 4,6 | 3,0 | -0,6 | 3,5 | 4,6 | 4,9 |
| **Inflation (3)** | 1,3 | 2,5 | 1,9 | 1,9 | 2,1 | 2,1 | 2,2 | 2,7 | 2,7 | 2,4 | 2,5 |

| Euro Area | 2016a | Q1:17a | Q2:17a | Q3:17a | Q4:17a | 2017a | Q1:18a | Q2:18a | Q3:18f | Q4:18f | 2018f |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Real GDP Growth (YoY)** | 1,9 | 2,0 | 2,5 | 2,8 | 2,7 | 2,5 | 2,4 | 2,1 | 2,2 | 2,0 | 2,3 |
| **Real GDP Growth (QoQ saar)** | - | 2,7 | 2,8 | 2,7 | 2,6 | - | 1,6 | 1,5 | 2,0 | 2,1 | - |
| Private Consumption | 1,9 | 1,7 | 1,9 | 1,6 | 1,0 | 1,7 | 2,0 | 0,7 | 1,9 | 1,7 | 1,7 |
| Government Consumption | 1,9 | 0,8 | 1,5 | 1,7 | 0,8 | 1,2 | 0,4 | 1,5 | 1,8 | 1,3 | 1,3 |
| Investment | 3,8 | -2,4 | 7,7 | -0,6 | 5,8 | 2,8 | 1,1 | 5,0 | 3,4 | 3,1 | 3,7 |
| Inventories Contribution | 0,1 | -0,3 | -0,3 | 0,2 | -1,0 | 0,0 | 1,0 | 0,6 | 0,1 | 0,1 | 0,0 |
| Net Exports Contribution | -0,4 | 2,4 | 0,2 | 1,4 | 1,7 | 0,8 | -0,8 | -0,8 | -0,3 | 0,2 | 0,3 |
| Exports | 2,9 | 7,6 | 4,5 | 5,3 | 8,5 | 5,5 | -2,9 | 2,3 | 4,4 | 4,8 | 5,3 |
| Imports | 4,1 | 2,6 | 4,4 | 2,6 | 5,3 | 4,1 | -1,3 | 4,4 | 5,4 | 4,8 | 5,0 |
| **Inflation** | 0,2 | 1,8 | 1,5 | 1,4 | 1,4 | 1,5 | 1,2 | 1,7 | 2,1 | 1,6 | 1,5 |

a: Actual, f: Forecasts, 1. Seasonally adjusted YoY growth rate, 2. Seasonally adjusted annualized QoQ growth rate, 3. Year-to-year average % change

## South Eastern Europe Economic Forecasts

### Economic Indicators

| | 2014 | 2015 | 2016 | 2017 | 2018f | 2019f |
|---|---|---|---|---|---|---|
| **Real GDP Growth (%)** | | | | | | |
| Turkey | 5,2 | 6,1 | 3,2 | 7,4 | 3,2 | 1,0 |
| Romania | 3,4 | 3,9 | 4,8 | 7,0 | 4,2 | 3,8 |
| Bulgaria | 1,3 | 3,6 | 3,9 | 3,6 | 3,6 | 3,4 |
| Serbia | -1,8 | 0,8 | 2,8 | 1,9 | 4,3 | 4,0 |
| **Headline Inflation (eop,%)** | | | | | | |
| Turkey | 8,2 | 8,8 | 8,5 | 11,9 | 19,0 | 15,2 |
| Romania | 0,8 | -0,9 | -0,5 | 3,3 | 3,7 | 3,4 |
| Bulgaria | -0,9 | -0,4 | 0,1 | 2,8 | 2,7 | 2,6 |
| Serbia | 1,7 | 1,5 | 1,6 | 3,0 | 2,5 | 2,8 |
| **Current Account Balance (% of GDP)** | | | | | | |
| Turkey | -4,7 | -3,7 | -3,8 | -5,6 | -5,8 | -3,8 |
| Romania | -0,7 | -1,2 | -2,1 | -3,3 | -3,7 | -4,5 |
| Bulgaria | 0,1 | 0,0 | 2,3 | 4,5 | 2,7 | 1,4 |
| Serbia | -6,0 | -3,7 | -3,1 | -5,7 | -5,4 | -5,2 |
| **Fiscal Balance (% of GDP)** | | | | | | |
| Turkey | -1,1 | -1,0 | -1,1 | -1,5 | -2,0 | -2,0 |
| Romania | -1,7 | -1,5 | -2,4 | -2,8 | -3,6 | -3,9 |
| Bulgaria | -3,7 | -2,8 | 1,6 | 0,9 | 0,0 | 0,2 |
| Serbia | -6,6 | -3,7 | -1,3 | 1,2 | 0,6 | 0,4 |

f: NBG forecasts

### Stock Markets (in local currency)

| Country - Index | 1/10/2018 | Last week return (%) | Year-to-Date change (%) | 2-year change (%) |
|---|---|---|---|---|
| Turkey - ISE100 | 98.537 | -1,0 | -14,6 | 28,8 |
| Romania - BET-BK | 1.609 | -0,1 | -2,5 | 23,2 |
| Bulgaria - SOFIX | 626 | 0,4 | -7,6 | 24,0 |
| Serbia - BELEX15 | 727 | -0,5 | -4,3 | 14,2 |

### Financial Markets

| | 1/10/2018 | 3-month forecast | 6-month forecast | 12-month forecast |
|---|---|---|---|---|
| **1-m Money Market Rate (%)** | | | | |
| Turkey | 27,3 | 24,0 | 22,0 | 20,0 |
| Romania | 3,1 | 3,2 | 3,0 | 3,0 |
| Bulgaria(*) | 0,0 | 0,1 | 0,1 | 0,2 |
| Serbia | 2,6 | 2,9 | 3,1 | 3,5 |
| **Currency** | | | | |
| TRY/EUR | 6,88 | 6,85 | 6,82 | 6,80 |
| RON/EUR | 4,66 | 4,64 | 4,65 | 4,68 |
| BGN/EUR | 1,96 | 1,96 | 1,96 | 1,96 |
| RSD/EUR | 118,3 | 117,9 | 117,6 | 117,4 |
| **Sovereign Eurobond Spread (in bps)** | | | | |
| Turkey (USD 2020)(**) | 358 | 340 | 320 | 280 |
| Romania (EUR 2024) | 101 | 130 | 120 | 110 |
| Bulgaria (EUR 2022) | 37 | 44 | 42 | 40 |
| Serbia (USD 2021)(*) | 118 | 132 | 126 | 120 |

(*) Base interest rate (**) Spread over US Treasuries

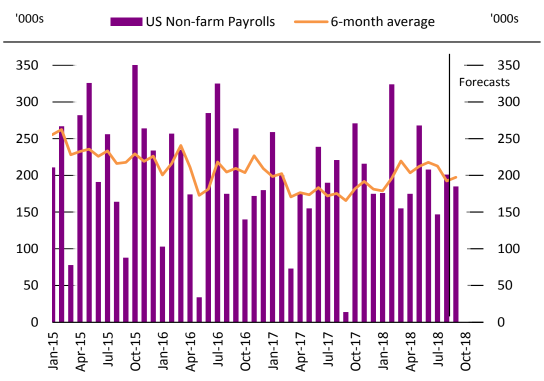
# Economic Calendar

The main macro event next week in the US is the labor market report for September. The unemployment rate is expected to decline further at 3.8%, the lowest since December 1969, with job creation at robust levels. Markets will also monitor the ISM survey for September in the non-manufacturing sector and external trade data for August.

In the Euro area, attention turns to retail sales data for August as private consumption represents 55% of GDP. Retail sales are expected to rebound in August (+0.2% mom compared with -0.2% mom in July).

In the UK, PMI and housing data for September are released. Services PMI is expected at 54.0 compared with 54.3 in the previous month.

US Nonfarm Payrolls




Source: NBG Research, Bloomberg

**Economic News Calendar for the period: September 25 - October 8, 2018**

**Tuesday 25**

| US | | S | | A | P |
|---|---|---|---|---|---|
| S&P Case/Shiller house price index 20 (YoY) | July | 6.20% | - | 5.92% | 6.36% |
| Conference board consumer confidence | September | 132.1 | + | 138.4 | 134.7 |

**Wednesday 26**

| US | | S | | A | P |
|---|---|---|---|---|---|
| New home sales (k) | August | 630 | - | 629 | 608 |
| Fed announces its intervention rate | September 26 | 2.25% | | 2.25% | 2.00% |

**Thursday 27**

| US | | S | | A | P |
|---|---|---|---|---|---|
| Initial Jobless Claims (k) | September 22 | 210 | - | 214 | 202 |
| Continuing Claims (k) | September 15 | 1678 | + | 1661 | 1645 |
| GDP (QoQ, annualized) | Q2:18 F | 4.2% | | 4.2% | 4.2% |
| Personal consumption (QoQ, annualized) | Q2:18 F | 3.8% | | 3.8% | 3.8% |
| Durable goods orders (MoM) | August | 2.0% | + | 4.5% | -1.7% |
| Durable goods orders ex transportation (MoM) | August | 0.4% | - | 0.1% | 0.2% |
| Pending home sales (MoM) | August | -0.5% | - | -1.8% | -0.8% |
| **EURO AREA** | | | | | |
| M3 money supply (YoY) | August | 3.9% | | 3.5% | 4.0% |
| Economic confidence indicator | September | 111.2 | - | 110.9 | 111.6 |
| Business Climate Indicator | September | 1.19 | + | 1.21 | 1.21 |

**Friday 28**

| US | | S | | A | P |
|---|---|---|---|---|---|
| Personal income (MoM) | August | 0.4% | - | 0.3% | 0.3% |
| Personal spending (MoM) | August | 0.3% | - | 0.2% | 0.3% |
| PCE Deflator (YoY) | August | 2.2% | | 2.2% | 2.3% |
| PCE Core Deflator (YoY) | August | 2.0% | | 2.0% | 2.0% |
| **UK** | | | | | |
| GDP (QoQ) | Q2:18 F | 0.4% | | 0.4% | 0.4% |
| GDP (YoY) | Q2:18 F | 1.3% | - | 1.2% | 1.3% |
| **JAPAN** | | | | | |
| Unemployment rate | August | 2.5% | + | 2.4% | 2.5% |
| Retail sales (MoM) | August | 0.5% | + | 0.9% | 0.1% |
| Retail sales (YoY) | August | 2.0% | + | 2.7% | 2.5% |
| Industrial Production (MoM) | August | 1.4% | - | 0.7% | -0.1% |
| Industrial Production (YoY) | August | 1.5% | - | 0.6% | 2.2% |
| Construction Orders (YoY) | August | .. | | 0.5% | -9.3% |

| EURO AREA | | S | | A | P |
|---|---|---|---|---|---|
| CPI Estimate (YoY) | September | 2.1% | | 2.1% | 2.0% |
| Core CPI (YoY) | September | 1.1% | - | 0.9% | 1.0% |

**Monday 1**

| US | | S | | A | P |
|---|---|---|---|---|---|
| Construction spending (MoM) | August | 0.4% | - | 0.1% | 0.2% |
| ISM Manufacturing | September | 60.0 | - | 59.8 | 61.3 |
| **UK** | | | | | |
| Markit UK PMI Manufacturing SA | September | 52.5 | + | 53.8 | 52.8 |
| **JAPAN** | | | | | |
| Tankan - large manufacturers current index | Q3:18 | 22 | - | 19 | 21 |
| Tankan - large manufacturers outlook index | Q3:18 | 20 | - | 19 | 21 |
| **EURO AREA** | | | | | |
| Unemployment Rate | August | 8.1% | | 8.1% | 8.2% |
| **CHINA** | | | | | |
| PMI manufacturing | September | 51.2 | - | 50.8 | 51.3 |
| Caixin PMI Manufacturing | September | 50.5 | - | 50.0 | 50.6 |
| **GERMANY** | | | | | |
| Retail sales (MoM) | August | 0.5% | - | -0.1% | -0.4% |
| Retail sales (YoY) | August | 1.6% | | 1.6% | 0.9% |

**Tuesday 2**

| UK | | S | A | P |
|---|---|---|---|---|
| Markit/CIPS UK Construction PMI | September | 52.9 | .. | 52.9 |
| Nationwide House Px NSA (YoY) | September | 1.9% | .. | 2.0% |

**Wednesday 3**

| US | | S | A | P |
|---|---|---|---|---|
| ADP Employment Change (k) | September | 185 | .. | 163 |
| ISM non-manufacturing | September | 58.0 | .. | 58.5 |
| **UK** | | | | |
| Markit/CIPS UK Services PMI | September | 54.0 | .. | 54.3 |
| **EURO AREA** | | | | |
| Retail sales (MoM) | August | 0.2% | .. | -0.2% |
| Retail sales (YoY) | August | 1.7% | .. | 1.1% |

**Thursday 4**

| US | | S | A | P |
|---|---|---|---|---|
| Initial Jobless Claims (k) | September 29 | 213 | .. | 214 |
| Continuing Claims (k) | September 22 | 1665 | .. | 1661 |
| Factory Goods Orders (MoM) | August | 2.2% | .. | -0.8% |

**Friday 5**

| US | | S | A | P |
|---|---|---|---|---|
| Trade balance ($bn) | August | -53.0 | .. | -50.1 |
| Change in Nonfarm Payrolls (k) | September | 185 | .. | 201 |
| Change in Private Payrolls (k) | September | 180 | .. | 2014 |
| Unemployment rate | September | 3.8% | .. | 3.9% |
| Underemployment Rate | September | .. | .. | 7.4% |
| Average Hourly Earnings (MoM) | September | 0.3% | .. | 0.4% |
| Average Hourly Earnings (YoY) | September | 2.8% | .. | 2.9% |
| Average weekly hours (hrs) | September | 34.5 | .. | 34.5 |
| Labor Force Participation Rate | September | 62.7% | .. | 62.7% |
| **JAPAN** | | | | |
| Coincident Index | August | 117.4 | .. | 116.1 |
| Leading Index | August | 104.2 | .. | 103.9 |

**Monday 8**

| GERMANY | | S | A | P |
|---|---|---|---|---|
| Industrial Production (sa, MoM) | August | .. | .. | -1.1% |
| Industrial Production (wda, YoY) | August | .. | .. | 1.1% |

Source: NBG Research, Bloomberg

S: Bloomberg Consensus Analysts Survey, A: Actual Outcome, P: Previous Outcome

## Equity Markets (in local currency)

| Developed Markets | | Current Level | 1-week change (%) | Year-to-Date change (%) | 1-Year change (%) | 2-year change (%) |
|---|---|---|---|---|---|---|
| US | S&P 500 | 2914 | -0,5 | 9,0 | 16,1 | 34,2 |
| Japan | NIKKEI 225 | 24120 | 1,0 | 6,0 | 18,4 | 46,5 |
| UK | FTSE 100 | 7510 | 0,3 | -2,3 | 2,6 | 9,6 |
| Canada | S&P/TSX | 16073 | -0,9 | -0,8 | 2,9 | 9,1 |
| Hong Kong | Hang Seng | 27789 | -0,6 | -7,1 | 1,3 | 17,7 |
| Euro area | EuroStoxx | 378 | -1,1 | -1,9 | -2,1 | 16,7 |
| Germany | DAX 30 | 12247 | -1,5 | -5,2 | -3,6 | 17,3 |
| France | CAC 40 | 5493 | 0,0 | 3,4 | 3,8 | 23,9 |
| Italy | FTSE/MIB | 20712 | -3,8 | -5,2 | -8,3 | 27,7 |
| Spain | IBEX-35 | 9389 | -2,1 | -6,5 | -9,1 | 7,4 |

| Emerging Markets | Current Level | 1-week change (%) | Year-to-Date change (%) | 1-Year change (%) | 2-year change (%) |
|---|---|---|---|---|---|
| MSCI Emerging Markets | 57943 | -0,6 | -4,8 | 0,9 | 18,3 |
| MSCI Asia | 870 | -0,8 | -5,7 | 0,5 | 20,3 |
| China | 80 | -1,2 | -10,7 | -3,0 | 24,0 |
| Korea | 700 | -0,2 | -6,6 | -2,8 | 23,1 |
| MSCI Latin America | 86301 | -0,4 | 0,7 | 2,6 | 18,5 |
| Brazil | 264857 | -0,1 | 2,9 | 5,9 | 26,2 |
| Mexico | 45617 | 0,0 | -2,1 | -3,2 | 1,0 |
| MSCI Europe | 5566 | 2,5 | 3,3 | 8,2 | 25,0 |
| Russia | 1121 | 3,1 | 17,4 | 21,4 | 28,6 |
| Turkey | 1353680 | 2,9 | -14,4 | -5,0 | 23,0 |

## World Market Sectors (MSCI Indices)

| in US Dollar terms | Current Level | 1-week change (%) | Year-to-Date change (%) | 1-Year change (%) | 2-year change (%) |
|---|---|---|---|---|---|
| Energy | 235,1 | 1,0 | 5,2 | 11,4 | 17,2 |
| Materials | 265,1 | -2,4 | -5,5 | 2,0 | 23,4 |
| Industrials | 263,5 | -1,5 | 0,7 | 5,9 | 26,5 |
| Consumer Discretionary | 261,7 | -0,2 | 9,3 | 17,9 | 35,5 |
| Consumer Staples | 225,3 | -1,3 | -5,2 | -0,1 | 2,1 |
| Healthcare | 254,5 | 0,7 | 11,8 | 13,2 | 23,3 |
| Financials | 120,2 | -3,2 | -5,6 | -0,2 | 29,2 |
| IT | 259,3 | 0,9 | 17,5 | 27,9 | 61,0 |
| Telecoms | 66,7 | -1,3 | -6,2 | -5,0 | -6,7 |
| Utilities | 126,1 | -1,0 | -0,8 | -1,7 | 4,2 |

| in local currency | Current Level | 1-week change (%) | Year-to-Date change (%) | 1-Year change (%) | 2-year change (%) |
|---|---|---|---|---|---|
| Energy | 240,1 | 1,3 | 6,9 | 13,0 | 16,7 |
| Materials | 252,6 | -1,8 | -3,3 | 3,9 | 24,4 |
| Industrials | 260,9 | -1,1 | 2,0 | 6,9 | 28,2 |
| Consumer Discretionary | 253,2 | 0,2 | 10,2 | 18,6 | 37,1 |
| Consumer Staples | 225,7 | -0,8 | -3,8 | 1,1 | 2,8 |
| Healthcare | 251,5 | 1,0 | 12,7 | 13,9 | 23,8 |
| Financials | 120,0 | -2,8 | -4,0 | 1,3 | 29,7 |
| IT | 251,5 | 1,0 | 17,9 | 28,2 | 61,8 |
| Telecoms | 69,5 | -0,8 | -4,8 | -3,9 | -5,5 |
| Utilities | 128,8 | -0,7 | 0,5 | -0,8 | 4,4 |

## Bond Markets (%)

| 10-Year Government Bond Yields | Current | Last week | Year Start | One Year Back | 10-year average |
|---|---|---|---|---|---|
| US | 3,06 | 3,06 | 2,41 | 2,31 | 2,51 |
| Germany | 0,47 | 0,46 | 0,43 | 0,48 | 1,55 |
| Japan | 0,13 | 0,13 | 0,05 | 0,07 | 0,66 |
| UK | 1,57 | 1,55 | 1,19 | 1,38 | 2,32 |
| Greece | 4,18 | 4,07 | 4,12 | 5,71 | 10,27 |
| Ireland | 0,99 | 0,96 | 0,67 | 0,76 | 4,03 |
| Italy | 3,14 | 2,83 | 2,01 | 2,12 | 3,45 |
| Spain | 1,50 | 1,50 | 1,57 | 1,63 | 3,37 |
| Portugal | 1,88 | 1,87 | 1,94 | 2,42 | 5,14 |

| US Mortgage Market (1. Fixed-rate Mortgage) | Current | Last week | Year Start | One Year Back | 10-year average |
|---|---|---|---|---|---|
| 30-Year FRM[1] (%) | 5,0 | 5,0 | 4,2 | 4,1 | 4,3 |
| vs 30Yr Treasury (bps) | 176 | 177 | 148 | 124 | 100 |

| Government Bond Yield Spreads (in bps) | Current | Last week | Year Start | One Year Back | 10-year average |
|---|---|---|---|---|---|
| US Treasuries 10Y/2Y | 24 | 26 | 52 | 86 | 170 |
| US Treasuries 10Y/5Y | 11 | 12 | 20 | 42 | 86 |
| Bunds 10Y/2Y | 99 | 99 | 105 | 118 | 131 |
| Bunds 10Y/5Y | 56 | 58 | 63 | 74 | 78 |

| Corporate Bond Spreads (in bps) | Current | Last week | Year Start | One Year Back | 10-year average |
|---|---|---|---|---|---|
| EM Inv. Grade (IG) | 165 | 166 | 138 | 148 | 260 |
| EM High yield | 475 | 487 | 371 | 412 | 793 |
| US IG | 111 | 113 | 98 | 108 | 187 |
| US High yield | 324 | 325 | 358 | 357 | 610 |
| Euro area IG | 114 | 113 | 87 | 98 | 164 |
| Euro area High Yield | 350 | 344 | 272 | 255 | 630 |

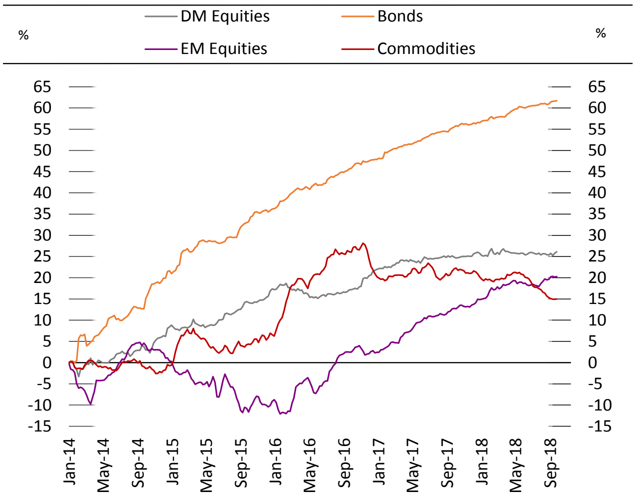
## Foreign Exchange & Commodities

| Foreign Exchange | Current | 1-week change (%) | 1-month change (%) | 1-Year change (%) | Year-to-Date change (%) |
|---|---|---|---|---|---|
| **Euro-based cross rates** | | | | | |
| EUR/USD | 1,16 | -1,2 | -0,9 | -1,5 | -3,3 |
| EUR/CHF | 1,14 | 1,3 | 0,3 | -0,3 | -2,6 |
| EUR/GBP | 0,89 | -0,8 | -0,9 | 1,5 | 0,3 |
| EUR/JPY | 131,90 | 0,2 | 0,9 | -0,4 | -2,5 |
| EUR/NOK | 9,46 | -1,2 | -3,0 | 1,1 | -4,0 |
| EUR/SEK | 10,32 | -0,1 | -3,6 | 7,9 | 5,2 |
| EUR/AUD | 1,61 | -0,3 | 0,3 | 7,1 | 4,7 |
| EUR/CAD | 1,50 | -1,3 | -0,9 | 2,3 | -0,8 |
| **USD-based cross rates** | | | | | |
| USD/CAD | 1,29 | -0,1 | 0,0 | 3,9 | 2,7 |
| USD/AUD | 1,38 | 0,9 | 1,2 | 8,8 | 8,1 |
| USD/JPY | 113,70 | 1,0 | 1,8 | 1,2 | 0,9 |

| Commodities | Current | 1-week change (%) | 1-month change (%) | 1-Year change (%) | Year-to-Date change (%) |
|---|---|---|---|---|---|
| Agricultural | 347 | -1,5 | -2,5 | -10,3 | -8,5 |
| Energy | 577 | 4,4 | 6,3 | 42,9 | 24,8 |
| West Texas Oil ($) | 73 | 2,0 | 5,4 | 42,1 | 21,2 |
| Crude brent Oil ($) | 83 | 6,1 | 7,7 | 44,6 | 24,1 |
| Industrial Metals | 1278 | -0,9 | -0,7 | -4,2 | -11,8 |
| Precious Metals | 1420 | -0,1 | -1,0 | -8,5 | -9,9 |
| Gold ($) | 1193 | -0,5 | -1,2 | -7,4 | -8,5 |
| Silver ($) | 15 | 2,9 | -0,4 | -12,8 | -13,2 |
| Baltic Dry Index | 1540 | 9,0 | -7,3 | 10,7 | 12,7 |
| Baltic Dirty Tanker Index | 791 | 0,0 | 0,3 | 1,2 | -4,4 |

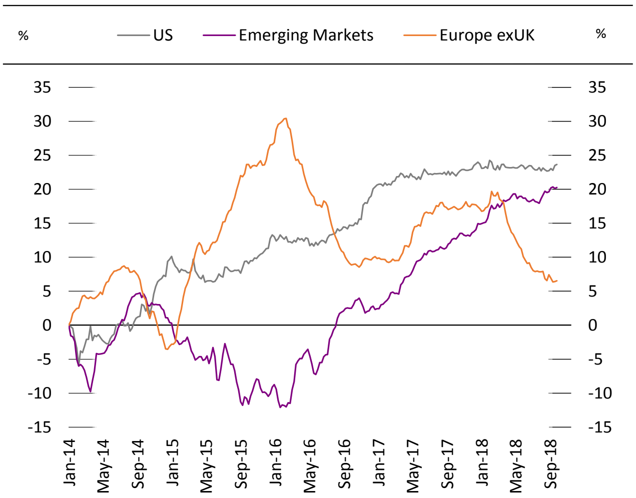
Source: Bloomberg, as of September 28th, S&P/Goldman Sachs Indices for Agricultural, Energy, Industrial & Precious Metals, BofA/ML Indices for Corporate Bond Spreads

Global Cross Asset ETFs: Flows as % of AUM



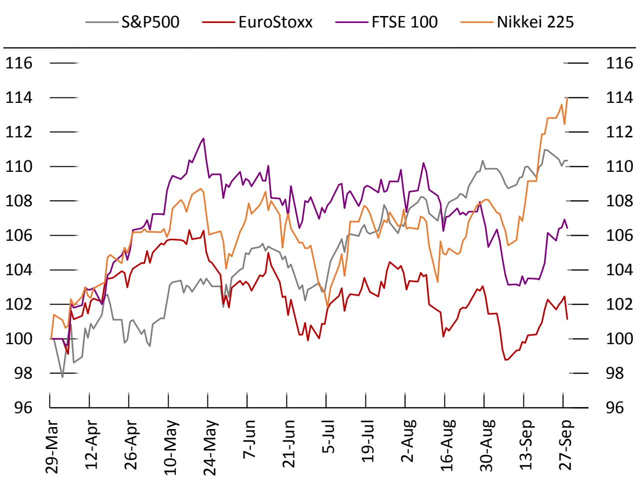

Source: Bloomberg, NBG estimates, Cumulative flows since January 2014, AUM stands for Assets Under Management, Data as of September 28th

Equity ETFs: Flows as % of AUM



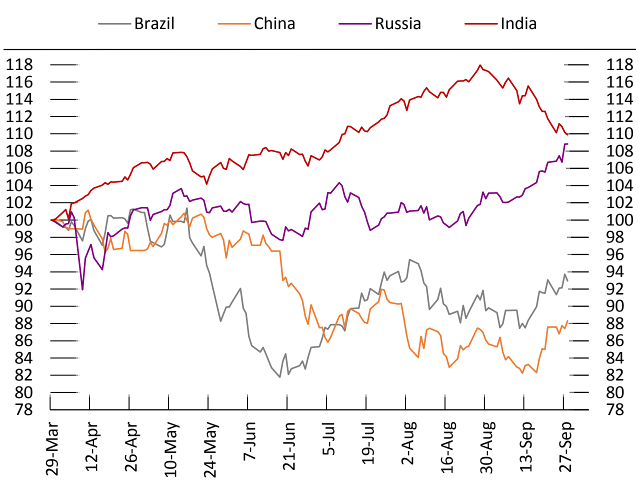

Source: Bloomberg, NBG estimates, Cumulative flows since January 2014, AUM stands for Assets Under Management, Data as of September 28th

Equity Market Performance - G4



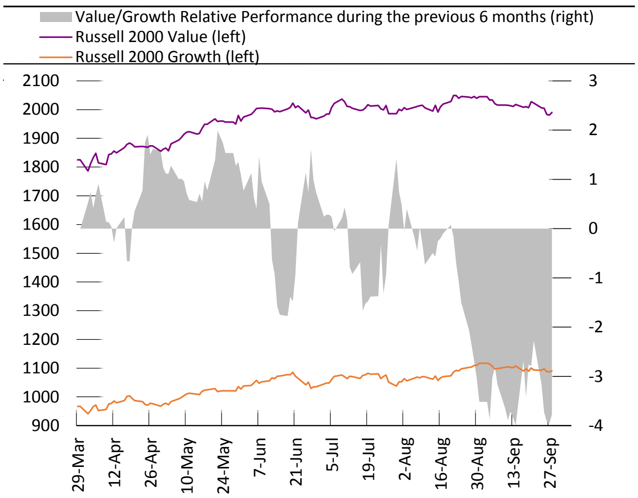

Source: Bloomberg - Data as of September 28th– Rebased @ 100

Equity Market Performance - BRICs



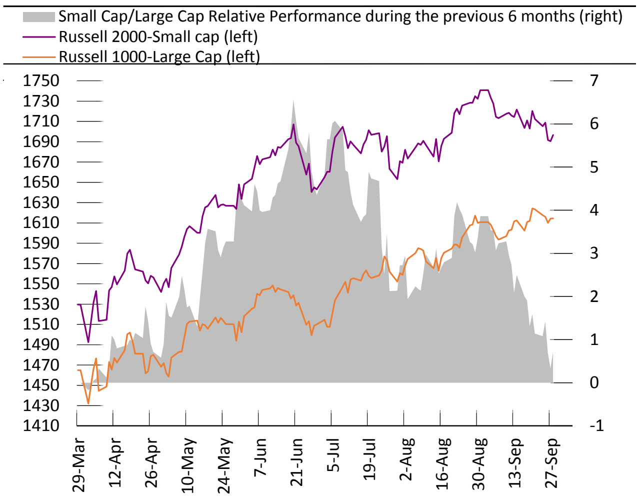

Source: Bloomberg - Data as of September 28th – Rebased @ 100

Russell 2000 Value & Growth Index



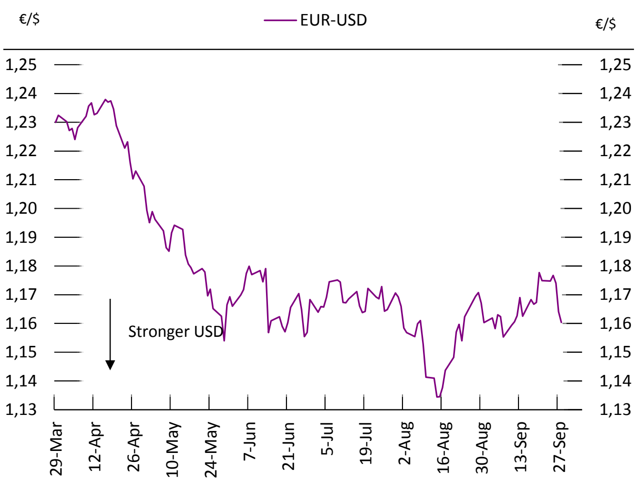

Source: Bloomberg, Data as of September 28th

Russell 2000 & Russell 1000 Index



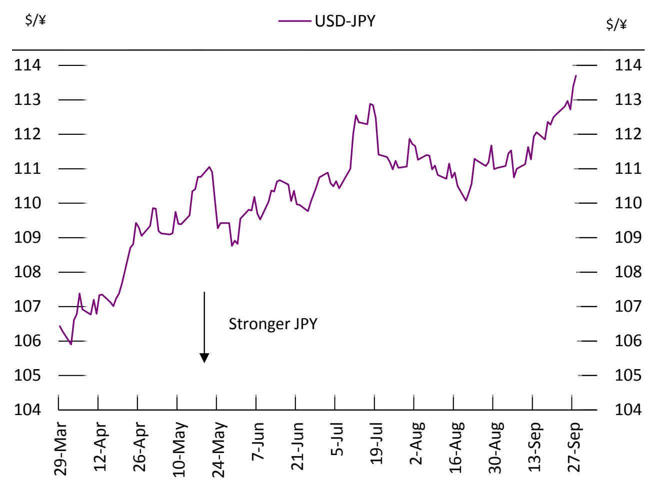

Source: Bloomberg, Data as of September 28th

## EUR/USD



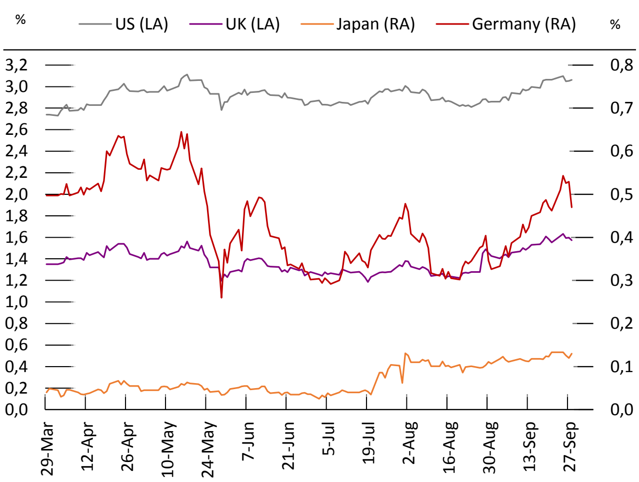

Source: Bloomberg, Data as of September 28th

## JPY/USD



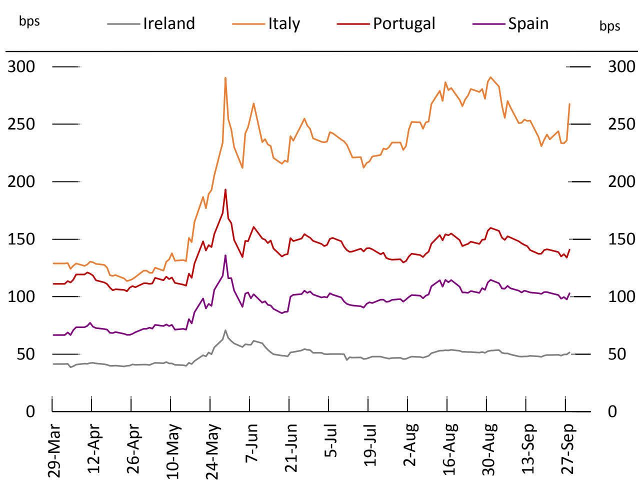

Source: Bloomberg, Data as of September 28th

## 10- Year Government Bond Yields



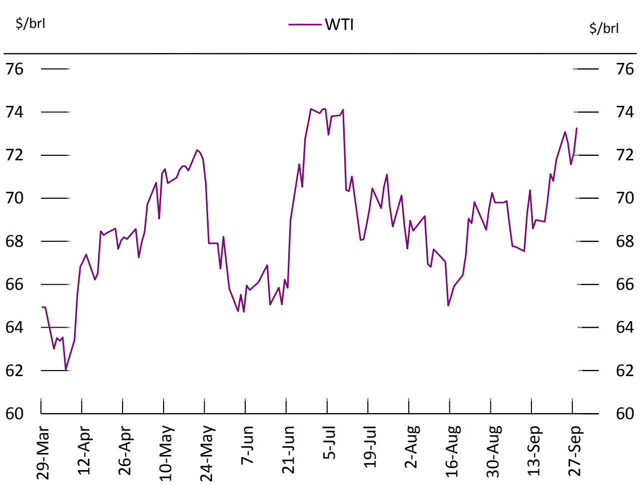

Source: Bloomberg - Data as of September 28th
LA:Left Axis RA:Right Axis

## 10- Year Government Bond Spreads



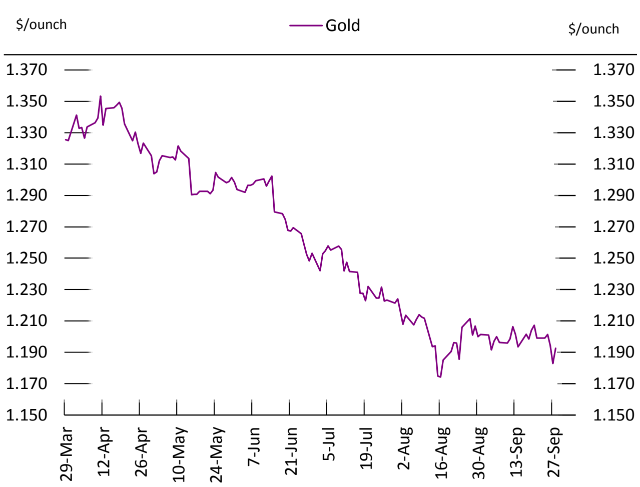

Source: Bloomberg - Data as of September 28th

## West Texas Intermediate ($/brl)




Source: Bloomberg, Data as of September 28th

## Gold ($/ounch)




Source: Bloomberg, Data as of September 28th

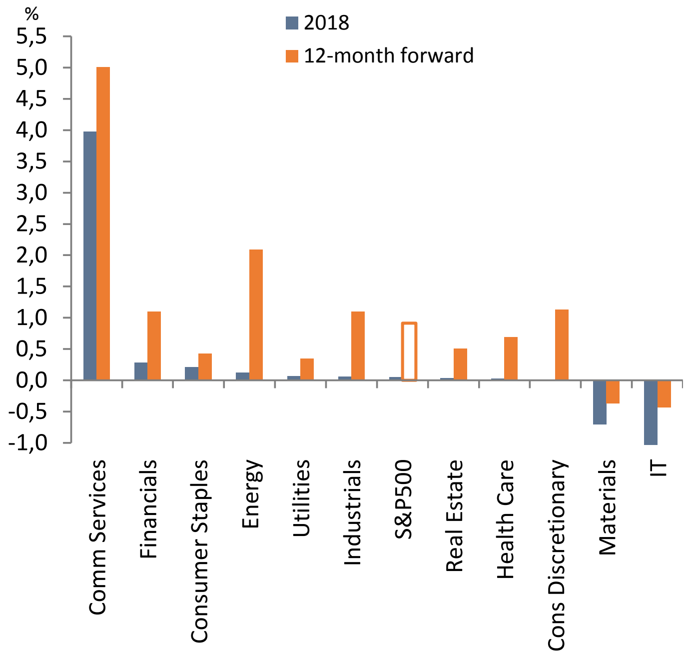
## US Sectors Valuation

| | Price ($) | | EPS Growth (%) | | Dividend Yield (%) | | P/E Ratio | | | | P/BV Ratio | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 28/9/2018 | % Weekly Change | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 12m fwd | 10Yr Avg | 2017 | 2018 | 12m fwd | 10Yr Avg |
| **S&P500** | 2914 | -0,5 | 11,5 | 21,8 | 1,8 | 1,8 | 20,5 | 18,1 | 16,9 | 14,5 | 3,4 | 3,4 | 3,2 | 2,3 |
| **Energy** | 561 | 0,8 | 247,5 | 97,1 | 2,9 | 2,8 | 34,0 | 19,7 | 17,0 | 19,8 | 1,8 | 2,0 | 1,9 | 1,8 |
| **Materials** | 363 | -4,5 | 8,0 | 28,9 | 1,9 | 2,1 | 20,8 | 15,7 | 15,0 | 14,6 | 2,8 | 2,5 | 2,4 | 2,5 |
| **Financials** | | | | | | | | | | | | | | |
| **Diversified Financials** | 679 | -4,0 | 8,7 | 34,4 | 1,2 | 1,5 | 20,4 | 14,6 | 13,9 | 13,8 | 2,0 | 1,8 | 1,7 | 1,4 |
| **Banks** | 335 | -4,5 | 13,3 | 26,5 | 1,8 | 2,4 | 16,2 | 11,9 | 11,0 | 12,5 | 1,5 | 1,3 | 1,3 | 0,9 |
| **Insurance** | 393 | -2,9 | 5,1 | 32,9 | 2,0 | 2,2 | 16,1 | 12,1 | 11,4 | 10,2 | 1,4 | 1,4 | 1,3 | 1,0 |
| **Real Estate** | 202 | -1,7 | 1,4 | 6,3 | 3,6 | 3,5 | 17,6 | 18,0 | 17,3 | 17,6 | 3,2 | 3,2 | 3,3 | 2,7 |
| **Industrials** | | | | | | | | | | | | | | |
| **Capital Goods** | 693 | -1,7 | 7,1 | 19,4 | 2,1 | 2,0 | 22,1 | 18,3 | 16,9 | 15,0 | 5,0 | 4,9 | 4,6 | 3,0 |
| **Transportation** | 804 | -1,6 | 0,8 | 24,2 | 1,6 | 1,6 | 17,5 | 16,2 | 14,6 | 13,9 | 4,1 | 4,5 | 4,1 | 3,2 |
| **Commercial Services** | 282 | -1,9 | -2,6 | 12,8 | 1,4 | 1,4 | 25,0 | 23,9 | 22,2 | 18,6 | 4,2 | 4,2 | 3,9 | 3,0 |
| **Consumer Discretionary** | | | | | | | | | | | | | | |
| **Retailing** | 2435 | 1,8 | 7,4 | 34,1 | 0,8 | 0,7 | 37,7 | 34,5 | 31,0 | 19,1 | 12,0 | 12,6 | 11,1 | 4,9 |
| **Media** | 576 | 1,7 | -11,9 | 19,5 | 0,4 | 0,4 | 27,5 | 25,0 | 22,4 | 18,3 | 4,7 | 4,3 | 3,8 | 2,9 |
| **Consumer Services** | 1062 | -0,5 | 13,9 | 18,0 | 1,7 | 2,0 | 24,2 | 20,8 | 19,3 | 18,2 | 8,8 | 10,1 | 10,8 | 5,0 |
| **Consumer Durables** | 348 | -1,6 | -3,6 | 14,6 | 1,5 | 1,5 | 20,0 | 18,9 | 16,9 | 16,7 | 3,5 | 3,5 | 3,3 | 3,0 |
| **Automobiles and parts** | 115 | -5,3 | 2,9 | -10,6 | 3,7 | 4,5 | 7,5 | 7,3 | 7,2 | 8,5 | 1,8 | 1,4 | 1,3 | 1,6 |
| **IT** | | | | | | | | | | | | | | |
| **Technology** | 1336 | 2,1 | 14,0 | 20,7 | 1,6 | 1,6 | 17,6 | 17,3 | 15,9 | 12,4 | 5,3 | 7,3 | 7,3 | 3,0 |
| **Software & Services** | 1859 | 0,2 | 16,2 | 12,0 | 1,2 | 1,1 | 25,7 | 25,5 | 23,5 | 15,7 | 7,8 | 8,8 | 7,8 | 4,6 |
| **Semiconductors** | 1017 | 0,5 | 45,2 | 28,1 | 1,6 | 1,9 | 17,1 | 13,4 | 13,0 | 16,3 | 4,8 | 4,6 | 4,3 | 2,8 |
| **Consumer Staples** | | | | | | | | | | | | | | |
| **Food & Staples Retailing** | 429 | -0,9 | -2,1 | 13,8 | 2,5 | 1,9 | 19,5 | 19,2 | 18,7 | 15,3 | 3,8 | 4,0 | 3,8 | 2,9 |
| **Food Beverage & Tobacco** | 652 | -2,5 | 8,8 | 10,9 | 3,1 | 3,5 | 20,6 | 17,8 | 17,1 | 16,8 | 5,1 | 4,7 | 4,6 | 4,8 |
| **Household Goods** | 553 | -2,5 | 4,8 | 8,0 | 3,0 | 3,0 | 21,2 | 20,4 | 19,5 | 18,0 | 5,3 | 5,9 | 5,8 | 4,4 |
| **Health Care** | | | | | | | | | | | | | | |
| **Pharmaceuticals** | 928 | 0,4 | 5,6 | 12,1 | 2,0 | 2,0 | 16,5 | 16,2 | 15,5 | 14,0 | 4,6 | 4,9 | 4,5 | 3,2 |
| **Healthcare Equipment** | 1252 | 1,5 | 12,3 | 16,9 | 1,0 | 0,9 | 19,9 | 20,0 | 18,7 | 14,1 | 3,5 | 3,7 | 3,5 | 2,4 |
| **Communication Services** | 156 | -1,5 | 0,8 | 17,9 | 5,5 | 5,5 | 12,2 | 10,6 | 10,4 | 12,7 | 2,1 | 1,8 | 1,8 | 2,3 |
| **Utilities** | 267 | -0,7 | 0,1 | 8,6 | 3,7 | 3,5 | 17,0 | 16,9 | 16,5 | 14,5 | 1,8 | 1,8 | 1,7 | 1,5 |

*Source Factset, Blue box indicates a value more than +2standard devation from average, light blue a value more than +1standard devation from average. Orange box indicates a value less than -2standard devation from average, light orange a value less than -1standard devation from average*

### 1-month revisions to 2018 & 12-month Forward EPS

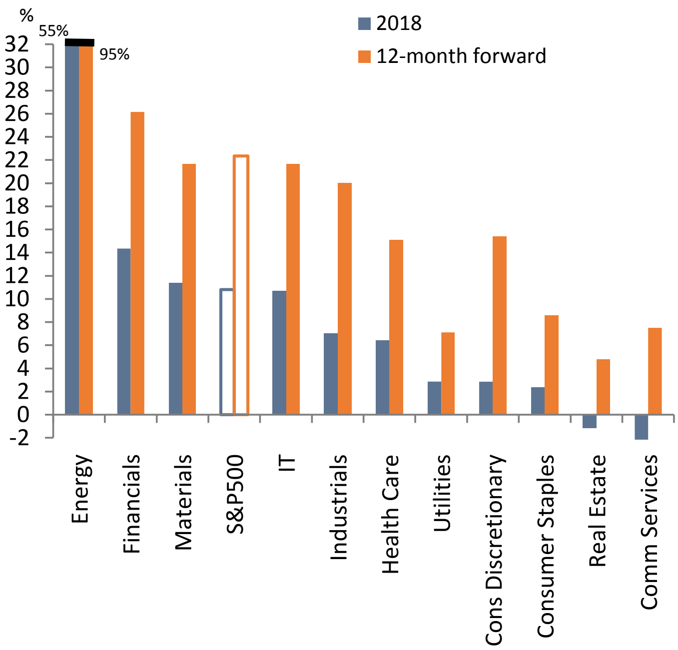
Earnings Revisions indicate 1-month change in 2018 & 12-month Forward EPS




Source: Factset, Data as of September 28th
12-month forward EPS are 26% of 2018 EPS and 74% of 2019 EPS

### 12-month revisions to 2018 & 12-month Forward EPS

Earnings Revisions indicate 12-month change in 2018 & 12-month Forward EPS




Source: Factset, Data as of September 28th
12-month forward EPS are 26% of 2018 EPS and 74% of 2019 EPS

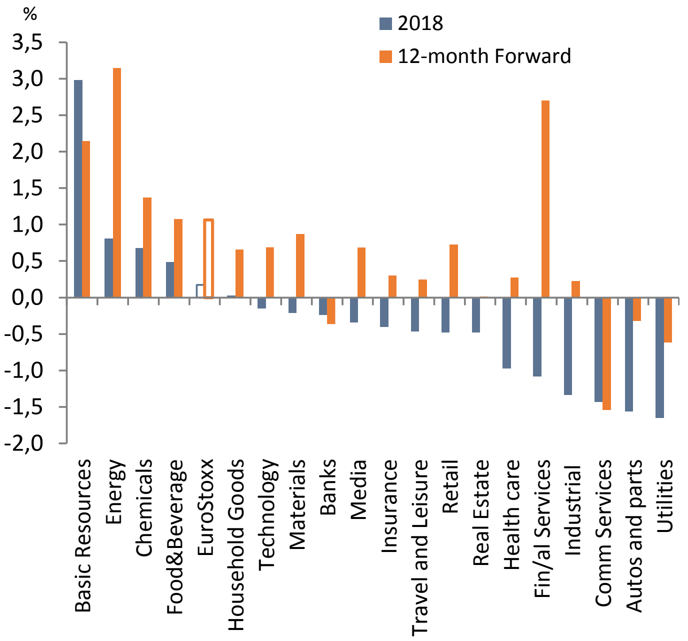
## Euro Area Sectors Valuation

| | Price (€) | | EPS Growth (%) | | Dividend Yield (%) | | P/E Ratio | | | | P/BV Ratio | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 28/9/2018 | % Weekly Change | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 12m fwd | 10Yr Avg | 2017 | 2018 | 12m fwd | 10Yr Avg |
| **EuroStoxx** | 378 | -1,1 | 18,5 | 5,6 | 3,1 | 3,3 | 15,9 | 14,9 | 13,8 | 12,8 | 1,7 | 1,7 | 1,6 | 1,4 |
| **Energy** | 365 | 1,5 | 26,8 | 32,5 | 4,6 | 4,3 | 14,6 | 12,9 | 11,8 | 11,2 | 1,2 | 1,3 | 1,3 | 1,2 |
| **Materials** | 427 | -1,7 | 16,4 | 6,4 | 2,9 | 3,3 | 16,8 | 15,3 | 13,8 | 13,8 | 1,8 | 1,7 | 1,6 | 1,4 |
| **Basic Resources** | 273 | 0,0 | 70,7 | 31,8 | 2,0 | 2,3 | 12,5 | 9,6 | 9,8 | 15,7 | 1,3 | 1,2 | 1,1 | 0,9 |
| **Chemicals** | 1083 | -2,8 | 22,0 | 5,7 | 2,7 | 2,9 | 16,8 | 15,8 | 15,1 | 14,2 | 2,4 | 2,3 | 2,1 | 2,0 |
| **Financials** | | | | | | | | | | | | | | |
| **Fin/al Services** | 455 | -0,8 | 26,4 | 7,6 | 2,4 | 2,6 | 18,1 | 16,7 | 15,6 | 13,3 | 1,7 | 1,6 | 1,5 | 1,2 |
| **Banks** | 107 | -4,9 | 66,9 | 7,0 | 3,8 | 5,1 | 12,9 | 9,5 | 9,0 | 10,3 | 0,9 | 0,7 | 0,7 | 0,7 |
| **Insurance** | 274 | -0,4 | -3,4 | 15,0 | 4,7 | 5,1 | 12,4 | 10,6 | 10,1 | 9,0 | 1,0 | 1,0 | 1,0 | 0,9 |
| **Real Estate** | 242 | -0,5 | -0,3 | 15,5 | 3,9 | 4,4 | 20,3 | 18,3 | 17,3 | 16,4 | 1,1 | 1,0 | 1,0 | 1,0 |
| **Industrial** | 864 | -0,4 | 11,9 | 7,1 | 2,5 | 2,5 | 20,4 | 19,9 | 17,8 | 14,6 | 3,0 | 3,0 | 2,8 | 2,1 |
| **Consumer Discretionary** | | | | | | | | | | | | | | |
| **Media** | 232 | 2,4 | 11,9 | 1,0 | 3,2 | 3,9 | 17,8 | 18,1 | 16,8 | 14,7 | 2,4 | 2,3 | 2,3 | 1,9 |
| **Retail** | 495 | -0,7 | 5,0 | 7,5 | 2,4 | 2,6 | 22,4 | 21,6 | 19,8 | 17,9 | 3,2 | 3,5 | 3,2 | 2,8 |
| **Automobiles and parts** | 512 | -4,5 | 21,0 | 0,1 | 3,0 | 4,0 | 8,7 | 7,3 | 6,8 | 9,3 | 1,3 | 1,0 | 0,9 | 1,0 |
| **Travel and Leisure** | 195 | -2,1 | 21,9 | -9,8 | 1,7 | 2,0 | 12,2 | 11,4 | 10,7 | 35,2 | 2,3 | 1,8 | 1,7 | 1,8 |
| **Technology** | 515 | 0,2 | 19,1 | 1,2 | 1,4 | 1,5 | 22,1 | 22,7 | 20,5 | 17,6 | 3,8 | 3,7 | 3,5 | 2,8 |
| **Consumer Staples** | | | | | | | | | | | | | | |
| **Food&Beverage** | 564 | -1,0 | 7,4 | 13,1 | 2,8 | 3,1 | 23,7 | 20,3 | 18,8 | 17,5 | 3,0 | 2,7 | 2,5 | 2,5 |
| **Household Goods** | 891 | 0,0 | 11,8 | 9,6 | 1,8 | 1,9 | 24,8 | 25,8 | 24,2 | 19,4 | 4,7 | 5,3 | 5,0 | 3,3 |
| **Health care** | 819 | 1,3 | -5,7 | -4,1 | 2,4 | 2,3 | 17,8 | 19,3 | 17,6 | 14,2 | 2,3 | 2,4 | 2,3 | 2,0 |
| **Communication Services** | 275 | -0,8 | 29,9 | -8,9 | 4,6 | 5,1 | 13,5 | 13,9 | 13,1 | 13,1 | 1,8 | 1,7 | 1,6 | 1,7 |
| **Utilities** | 276 | -2,0 | 2,5 | -7,4 | 5,2 | 5,0 | 13,4 | 15,0 | 14,0 | 12,0 | 1,2 | 1,3 | 1,3 | 1,1 |

*Source Factset, Blue box indicates a value more than +2standard devation from average, light blue a value more than +1standard devation from average. Orange box indicates a value less than -2standard devation from average, light orange a value less than -1standard devation from average*

### 1-month revisions to 2018 & 12-month Forward EPS

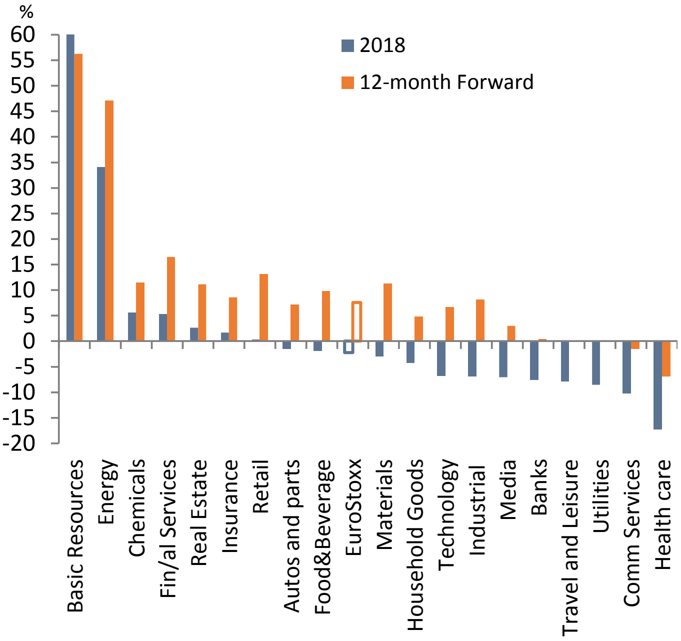
Earnings Revisions indicate 1-month change in 2018 & 12-month Forward EPS




Source: Factset, Data as of September 28th
12-month forward EPS are 26% of 2018 EPS and 74% of 2019 EPS

### 12-month revisions to 2018 & 12-month Forward EPS

Earnings Revisions indicate 12-month change in 2018 & 12-month Forward EPS




Source: Factset, Data as of September 28th
12-month forward EPS are 26% of 2018 EPS and 74% of 2019 EPS

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