



## US Q3:2018 corporate earnings begin on a positive note, albeit momentum in global equity markets remains weak

- The European Commission rejected the Italian 2019 draft Budget on Thursday (which forecast a deficit of 2.4% of GDP in 2019), warning that it is an "unprecedented" deviation from EU budget rules, while GDP growth assumptions appear over-optimistic. Italian equities declined (FTSE MIB index: -0.9% wow | -12.7% ytd), with Banks underperforming (-2.9% wow | -25% ytd) and the 10-Year BTP/Bund spread widening by 18 bps to 327 bps on Thursday.
- On Friday, Moody's downgraded Italy's rating by one notch to Baa3, with a stable outlook (see graph below). This move had been broadly expected by market participants, with the Italian 10-Year BTP/Bund spread down by -25 bps to 302 bps on Friday.
- Key drivers to Moody's decision were: i) the weakening in Italy's fiscal strength as envisioned by higher deficits in the next 3 years, and the fact that, at current levels (130% of GDP), the public debt remains vulnerable to future shocks and weaker growth; and ii) hesitation to implement structural economic and fiscal reforms hence impeding medium-term growth prospects.
- Overall, we expect elevated volatility surrounding Italian assets to continue until at least end-November (on Monday FM Tria stated that Italy will maintain its 2.4% deficit target, sending 10-Year BTP yields up by 16 bps intra-day to 3.47%). S&P is expected to update its current rating (BBB) on October 26<sup>th</sup>. Compared with H1:2018, Italian funding costs are up by 103 bps, suggesting that wider bond spreads could lead to capital erosion for Italian Banks that hold large amounts of Government bonds.
- The Chinese economy continued to slow in Q3:18, with GDP growth at 6.5% yoy, from an average of 6.8% yoy in H1:2018, slightly below consensus estimates (+6.6%). However, fiscal and monetary policy easing is expected to support growth going forward. Moreover, following the recent mixed economic indicators (see Economics) and slowing growth, policymakers have agreed to further policy actions. As a result, Chinese equities recorded strong gains cumulatively on Friday/Monday (CSI300 index: +7% vs -19% ytd), albeit fell again on Tuesday.
- The ongoing earnings season in the US remains optimistic, with mostly robust positive surprises and strong EPS growth delivery. Indeed, out of the 17% of the S&P500 companies that have reported so far for Q3:18, 80% have posted positive EPS surprises, with earnings growth of +19.5% yoy vs 25% yoy in H1. In terms of sector leadership, energy (+96.5% yoy) and financials (+35.1% yoy) exhibit the highest EPS growth.
- Following the recent market correction and solid earnings delivery, the S&P500 12-m forward P/E ratio is now at 15.9x vs 14.5x (10-Year average) and 17x 2 months ago. The earnings season will pick up pace this week when circa 32% of S&P500 companies are due to report.
- Overall, global equities were mixed (MSCI ACWI: -0.1% wow | -3.7% ytd in \$ terms), with EM underperforming. On a regional level, US equities remained flat on a weekly basis (S&P500 +3.5% ytd), as defensives over-performed their cyclical peers, while euro area equities increased (EuroStoxx: +0.3% wow | -8.0% ytd), broadly led by Germany (Dax30: +0.3% wow).

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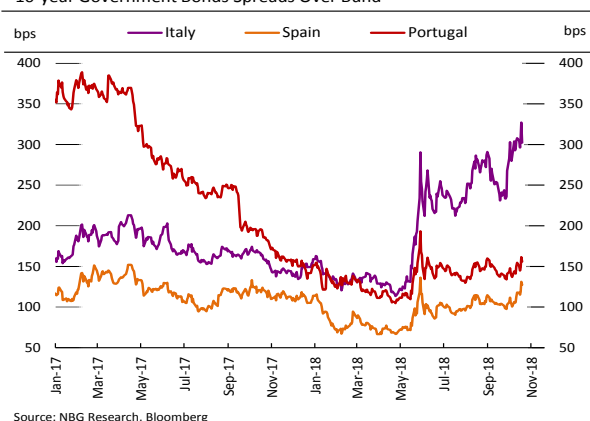
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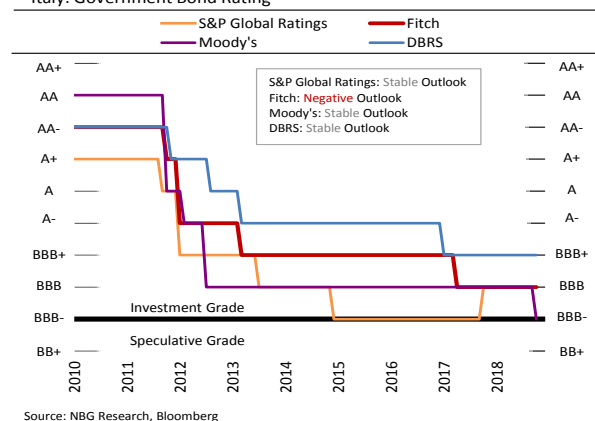
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Charts of the week

10-year Government Bonds Spreads Over Bund



Italy: Government Bond Rating



### US private consumption remained strong in Q3

- **US nominal retail sales increase solidly, by circa 5% yoy.** In value terms, the so-called "control group", as it feeds into the calculation for GDP (i.e. excluding autos, gas, food services and building materials), was up by 0.5% mom in September (+4.9% yoy), versus consensus estimates for +0.4% mom, following a slightly downward revised (by 0.1 pp) flat monthly outcome (+4.9% yoy) in August. Overall in Q3:18, retail sales "control group" rose by 4.8% qoq saar and, although being somewhat softer compared with the respective figure in Q2:18 (+6.5% qoq saar), is still consistent with a robust outlook for US private consumption (+3.8% qoq saar in Q2:2018, contributing 2.6 pps to overall GDP growth of 4.2% qoq saar).

### Robust momentum for the US manufacturing sector

- **US industrial production rose by a solid 0.3% mom in September and the annual pace of growth reached 5.1% yoy, the highest since December 2010.** On a similar note, the less volatile manufacturing production (76% of total) increased by 0.2% mom, broadly in line with consensus estimates (+0.3% mom in August) and the annual pace of growth was 3.5% yoy (+3.1% yoy in August), the highest since April 2012. Note that overall in Q3:18, manufacturing production posted a solid +2.7% qoq saar, compared with +2.3% qoq saar in Q2:18. Overall, consensus estimates for GDP growth for Q3:18 currently stand at +3.4% qoq saar, while GDPNowcast models (Atlanta Fed, New York Fed) point to growth of 2.1% - 3.9% qoq saar.

### UK inflation decelerated by more than expected in September, albeit remaining above the central bank target of 2%

- **CPI has exhibited increased volatility recently, surprising on the upside in August and on the downside in September.** Specifically, CPI declined by 0.3 pps to 2.4% yoy in September (consensus: 2.6% yoy), after having accelerated by 0.2 pps to 2.7% yoy in August (consensus at that time: 2.4% yoy). Similarly, core CPI growth (excluding food and energy) decelerated by 0.2 pps to 1.9% yoy (consensus: +2.0% yoy), following an upside surprise in August (2.1% yoy, versus consensus estimates at that time for 1.8% yoy). Movements in volatile components (mainly clothing and footwear prices) account for most of the aforementioned fluctuations. Overall in Q3:2018, inflation readings (CPI: +2.5% yoy on average) are broadly in line with both consensus and the Bank of England's expectations (August Inflation Report). **Looking forward, the BoE will manage to return CPI to a target of 2% amid a gradual path of interest rate hikes (2 per year until 2020) assuming a successful conclusion to Brexit negotiations.** On the one hand, expectations are for a gradual dissipation of previous upward pressures on inflation from a weaker British pound (-15% in NEER terms from the Brexit referendum on June 23<sup>rd</sup> 2016 to late-August 2017), with the British pound remaining broadly unchanged thereafter in NEER terms (+2%). Indeed, the contribution to annual growth of CPI from components with high import intensities (above 40%) declined to +0.33 pps compared with +0.42 pps in August (and +0.52 pps, on average, since September 2017). On the other hand, domestic price pressures are building. The contribution from prices of components that are more closely related to domestic cost pressures (import intensity: below 10%) stood at a relatively high +0.77 pps, compared with +0.75 pps in August and a trough of +0.67 pps in April 2018.

- **The latest UK labor market data suggest a continuation in the gradual firming of domestic price pressures.** Specifically, wage growth accelerated by 0.1 pp to 2.7% yoy in August, while more importantly, the less volatile wage growth, excluding bonus payments, accelerated by 0.2 pps to 3.1% yoy, the highest since January 2009. Thus, these latest developments continue to point to a modest rise in household real incomes. Finally, the firm labor market conditions support the prospects for wages (the unemployment rate was steady for a 3<sup>rd</sup> consecutive month at 4.0% in August, the lowest since March 1975).

### Chinese GDP was slightly less than expected in Q3

- **GDP growth in Q3:18 was 6.5% yoy, compared with 6.7% yoy in Q2:18, slightly below consensus estimates for 6.6% yoy.** Retail sales held up well in Q3:18, rising by 9.0% yoy, on average, broadly the same pace of growth as in Q2:18, despite weak sales of automobiles (-4.1% yoy, on average, in Q3:18). Recall that the latter have been negatively affected by the gradual phasing out, since early 2017, of tax breaks. Specifically, the tax rate on the sales of the main subcategories of automobiles increased to 7.5% as of January 2017 and was brought back to the 10% rate which is applied to most retail products sales as of January 2018 (as a result, automobiles sales growth has averaged -1.0% yoy so far in 2018, compared with +8.2% yoy in 2017 and +10.3% yoy in 2016). Industrial production weakened in Q3:2018, rising by 6.0% yoy, compared with +6.6% yoy in Q2:18. The deceleration is partly related to production of automobiles (-5.2% yoy, compared with +8.5% yoy in Q2:18, on average). Fixed asset investment growth was another source of the deceleration in overall economic activity in Q3:18. It slowed to +5.4% yoy, compared with +6.4% yoy in Q2:18, on average, solely due to weaker fixed asset investment by the public sector, which posted +1.3% yoy in Q3:18, compared with +4.5% yoy in Q2:18, on average. It should be noted, however, that a stabilization took place in September (+1.2% yoy, compared with +1.1% yoy in August), as fiscal policy support posted some early signs of kicking-in. Indeed, overall fiscal spending rose by 11.7% yoy in September, compared with +3.3% yoy in August.
- **The latest GDP readings were combined with continued efforts to curtail "shadow banking" and stem excessive leverage.** Note that the People's Bank of China (PBoC) altered the total social financing (TSF) definition as of September, by including the issuance by local governments of "special bonds" (i.e. bonds for financing certain types of infrastructure projects such as the construction of highways and which are repaid by revenues stemming from the funded project, e.g. toll collection). Under the new definition, official TSF rose by 10.6% yoy in September (+10.8% yoy in August). Overall in Q3:18, TSF increased by 10.7% yoy, compared with 11.5% yoy in Q2:18, on average, due to a further contraction in "shadow banking" (comprising mainly acceptance bills, entrusted loans). Specifically, "shadow banking" recorded -4.3% yoy, on average, in Q3:18, versus +2.3% yoy in Q2:18 (peak of +19% yoy in October 2017). At the same time, the rotation towards mainstream bank lending continues, with bank loan growth averaging +13.2% in Q3:18, compared with +12.7% yoy in Q2:18.

## Equities

- **Global equity markets were broadly stable on a weekly basis, albeit with volatility intra-week.** Overall, the MSCI World index was largely unchanged (-3.7% ytd), with developed markets (-0.1% wow | -2.0% ytd) overperforming their emerging markets peers (-0.9% wow | -16.1% ytd). The S&P 500 was stable on a weekly basis (+3.5% ytd), albeit volatility persisted (the Vix Index averaged 20% in the past week, matching the average of the previous week, the highest level since February 2018). Positive earnings announcements for Q3:18 provided support. Indeed, out of the 85 companies that have reported results, so far, circa 82% have exceeded analyst estimates. Note that analyst expectations for EPS growth in Q3:18 stand at +20% yoy, compared with +25% yoy in Q2:18. On the other side of the Atlantic, the EuroStoxx posted a slight increase of 0.3% wow (-8.0% ytd), despite Italian equities remaining in the red (FTSE MIB: -0.9% wow | -12.7% ytd), as policy uncertainty remains. Finally, Chinese equities (CSI 300) fell by 1.1% during the past week. Nevertheless, on Friday they reversed course (+3.0%) and the improvement continued on Monday (+4.3% | -18.9% ytd), following officials' comments that suggested the prospect of increased policy support to economic activity going forward.

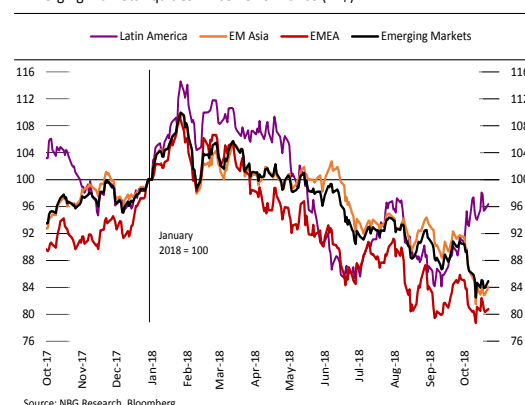
## Fixed Income

- **Government bond yields recorded modest and mixed changes during the past week.** Specifically, US Treasury 10-year yields increased by 3 bps wow to 3.19% (+79 bps ytd) and the 2-year yield by 5 bps wow to 2.91% (+102 bps ytd), as the minutes from the September 26<sup>th</sup> Fed meeting (released on October 17<sup>th</sup>) included explicit references to the prospect of the federal funds rate entering restrictive territory at some point going forward. On the other hand, in Germany, 10-Year Bund yields ended the week down by 4 bps to 0.46%, albeit increasing by +4 bps on Friday as "safe haven" demand, linked to Italian uncertainty, eased slightly at the end of the week. Indeed, on Friday, Moody's downgraded Italy's rating by one notch to Baa3, with a stable outlook, which resulted in an easing of pressure on the Italian 10-year yield spread over the Bund. Indeed, this spread declined by 25 bps on Friday (-6 bps wow), after having reached 327 bps on Thursday, the highest since April 2013 (+143 bps ytd).

## FX and Commodities

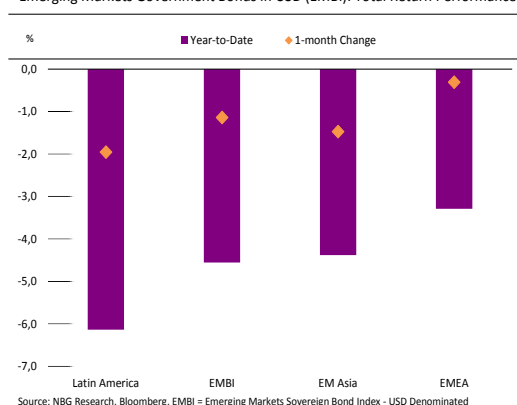
- **In foreign exchange markets, the British pound lost ground, as although the prospect of a "Brexit" deal appeared close, there is increasing uncertainty that such a deal will be approved by UK legislature.** These concerns were supported by media reports over the weekend, which cited that members of the ruling Conservative and Unionist Party (CUP) intend to question the party leadership of PM May. Overall, the British pound fell by 0.2% wow against the euro and by a further 0.4% on Monday to €0.885. Against the US dollar, it fell by 0.6% wow and by a further 0.8% on Monday, to \$1.297. Finally, the euro declined by 0.4% wow against the US Dollar, \$1.151.
- **In commodities, oil prices lost steam in the past week.** This was fueled by an increase in US oil inventories for a 4<sup>th</sup> consecutive week (+6.5 million barrels to 416 million barrels for the week ending October 12<sup>th</sup>) and signs of easing diplomatic tensions between the US and Saudi Arabia over the murder of journalist Khashoggi (thus also easing the prospect of the US imposing sanctions on Saudi Arabia). Overall, Brent declined by 0.9% wow to \$80.1/barrel and WTI by 3.1% wow to \$69.1/barrel.

Emerging Markets Equities: Price Performance (in \$)



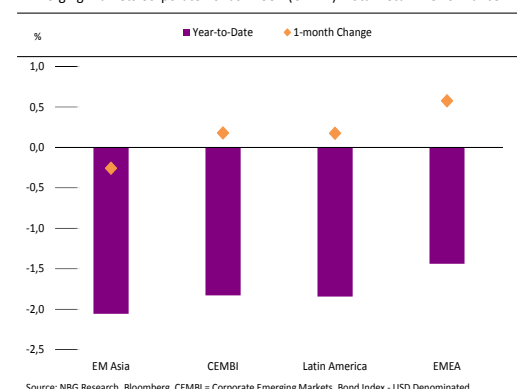
Graph 1.

Emerging Markets Government Bonds in USD (EMBI): Total Return Performance



Graph 2.

Emerging Markets Corporate Bonds in USD (CEMBI): Total Return Performance



Graph 3.

**Quote of the week:** "It is always a policy of the Central Committee of the Communist Party to support private business development, and this will be unwavering", **President of the People's Republic of China, Xi Jinping**, October 21<sup>st</sup> 2018.

## NBG Global Portfolio Tactical Asset Allocation (TAA)

- **Equities:** We turn slightly underweight relative to a Strategic Asset Allocation (SAA) benchmark of 60-30-10 (moderate to moderate aggressive portfolio). GDP growth and corporate earnings are strong (particularly in the US) albeit peaking. 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. We have closed (June) our O/W position in euro area banks recording losses as Italian concerns and low-for-longer interest rates by the ECB reduced 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:** we are broadly Neutral in Corporate Bonds.
- **Cash:** **Overweight position**, as a hedge, as well as a way of being tactical. 2018 is less likely to be as "risk on" as 2017.

## NBG Research - 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 underperformer 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 underperformer during Fed hiking cycles and has high wage expenses.

\*Including Technology and Industrials

\*\*Including Healthcare, Utilities, Telecoms

Figure1. NBG Global Portfolio TAA Tilts: LEVEL 1

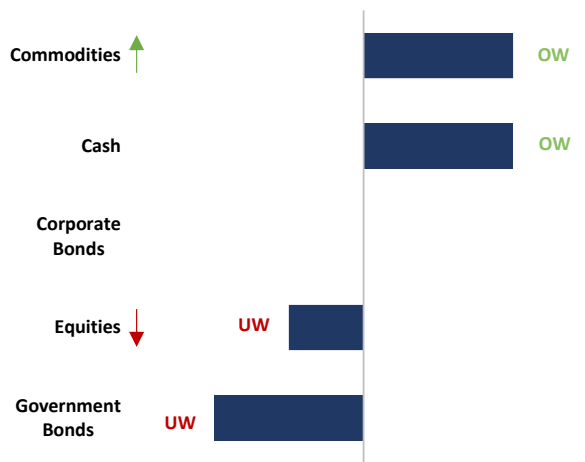
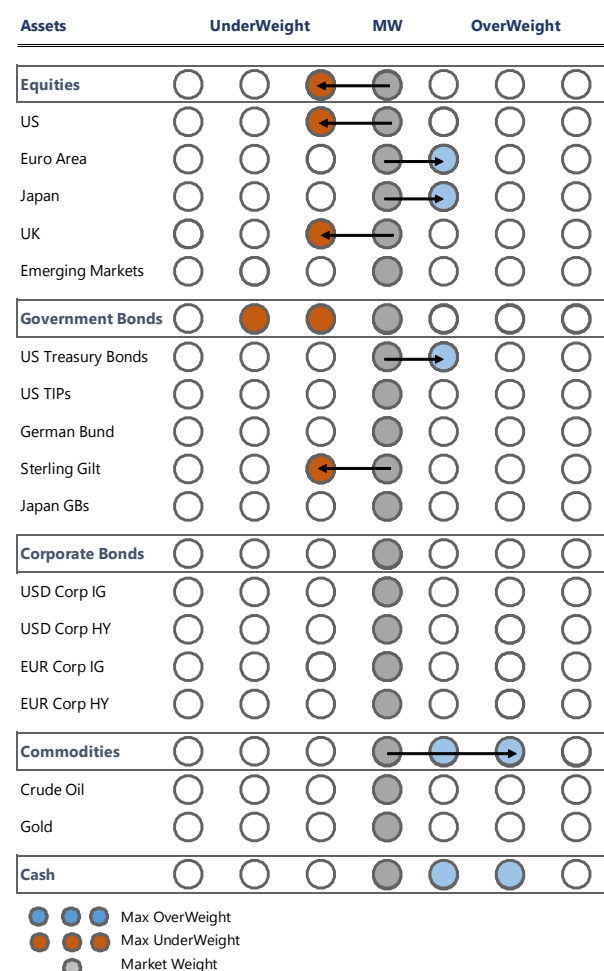


Figure2. NBG Global Portfolio TAA Tilts: LEVEL 2



- (1) Figure1: Green (red) color arrows suggest an increase (decrease) in relative asset class weights over the last week (Tactical Asset Allocation tilts vs our Strategic Asset Allocation portfolio).
- (2) Figure2: The orange/light blue circles of the chart displays current asset class and intra-asset class tilts relative to the Strategic Asset Allocation portfolio. Black arrows point to an increase/decrease, if any, relative to previous allocations.
- (3) **UW|MW|OW:** Underweight | Marketweight | Overweight relative to our Strategic Asset Allocation portfolio.

	US	Euro Area	Japan	UK
Equity Markets	<ul style="list-style-type: none"> <li>+ Likely fiscal loosening will support the economy &amp; companies' earnings</li> <li>+ Solid EPS growth in H2:2017 &amp; 2018</li> <li>+ Cash-rich corporates will lead to share buybacks and higher dividends (de-equitization)</li> <li>- Demanding valuations</li> <li>- Peaking profit margins</li> <li>- Protectionism and trade wars</li> <li>- Aggressive Fed in 2018</li> </ul> <p>● <b>Neutral/Positive</b></p>	<ul style="list-style-type: none"> <li>+ Still high equity risk premium, albeit declining</li> <li>+ Credit conditions gradual turn more favorable</li> <li>+ Small fiscal loosening</li> <li>- EPS estimates may turn pessimistic due to higher EUR and plateauing economic growth</li> <li>- Strong Euro in NEER terms (2017 vs 2016)</li> <li>- Political uncertainty (Spain, Italy) could re-emerge</li> </ul> <p>● <b>Neutral</b></p>	<ul style="list-style-type: none"> <li>+ Still aggressive QE and "yield-curve" targeting by the BoJ</li> <li>+ Upward revisions in corporate earnings</li> <li>- Strong domestic recovery in H1:2017 will continue</li> <li>- Signs of policy fatigue regarding structural reforms and fiscal discipline</li> <li>- Strong appetite for foreign assets</li> <li>- If sustained, JPY appreciation hurts exporters companies</li> </ul> <p>● <b>Neutral</b></p>	<ul style="list-style-type: none"> <li>+ 65% of FTSE100 revenues from abroad</li> <li>+ Undemanding valuations in relative terms</li> <li>+ High UK exposure to the commodities sector assuming the oil rally continues</li> <li>- Elevated Policy uncertainty to remain due to the outcome of the Brexit negotiating process</li> </ul> <p>● <b>Neutral/Negative</b></p>
Government Bonds	<ul style="list-style-type: none"> <li>+ Valuations appear rich with term-premium close to 0%</li> <li>+ Underlying inflation pressures</li> <li>+ The Fed is expected to increase its policy rate towards 1.5% by end-2017 and 2%-2.25% by end-2018</li> <li>+ Balance sheet reduction, albeit well telegraphed may push term premia higher</li> <li>- Global search for yield by non-US investors continues</li> <li>- Safe haven demand</li> </ul> <p>▲ <b>Higher yields expected</b></p>	<ul style="list-style-type: none"> <li>+ Upside risk in US benchmark yields</li> <li>+ Valuations appear excessive compared with long-term fundamentals</li> <li>- Political Risk</li> <li>- Fragile growth outlook</li> <li>- Medium-term inflation expectations remain low</li> <li>- Only slow ECB exit from accommodative monetary policy</li> </ul> <p>▲ <b>Higher yields expected</b></p>	<ul style="list-style-type: none"> <li>+ Sizeable fiscal deficits</li> <li>+ Restructuring efforts to be financed by fiscal policy measures</li> <li>- Safe haven demand</li> <li>- Extremely dovish central bank</li> <li>- Yield-targeting of 10-Year JGB at around 0%</li> </ul> <p>● <b>Stable yields expected</b></p>	<ul style="list-style-type: none"> <li>+ Elevated Policy uncertainty to remain due to the outcome of the Referendum and the negotiating process</li> <li>+ Rich valuations</li> <li>+ Inflation overshooting due to GBP weakness feeds through inflation expectations</li> <li>+ The BoE is expected to increase policy rates to 0.50%</li> <li>- Slowing economic growth post-Brexit</li> </ul> <p>▲ <b>Higher yields expected</b></p>
Foreign Exchange	<ul style="list-style-type: none"> <li>+ The Fed is expected to increase its policy rate towards 1.5% in 2017 and 2%-2.25% by end-2018</li> <li>+ Tax cuts may boost growth, and interest rates through a more aggressive Fed</li> <li>- Mid-2014 rally probably out of steam</li> <li>- Protectionism and trade Wars</li> </ul> <p>▲ <b>Long USD against its major counterparts ex-EUR</b></p>	<ul style="list-style-type: none"> <li>+ Reduced short-term tail risks</li> <li>+ Higher core bond yields</li> <li>+ Current account surplus</li> <li>- Sluggish growth</li> <li>- Deflation concerns</li> <li>- The ECB's monetary policy to remain extra loose (Targeted-LTROs, ABSs, covered bank bond purchases, Quantitative Easing)</li> </ul> <p>● <b>Broadly Flat EUR against the USD with upside risks towards \$1.20</b></p>	<ul style="list-style-type: none"> <li>+ Safe haven demand</li> <li>+ More balanced economic growth recovery (long-term)</li> <li>+ Inflation is bottoming out</li> <li>- Additional Quantitative Easing by the Bank of Japan if inflation does not approach 2%</li> </ul> <p>▼ <b>Lower JPY against the USD</b></p>	<ul style="list-style-type: none"> <li>+ Transitions phase negotiations</li> <li>- The BoE to retain rates at current levels</li> <li>- Slowing economic growth post-Brexit</li> <li>- Sizeable Current account deficit (-5.5% of GDP)</li> <li>- Elevated Policy uncertainty to remain due to the outcome of the Referendum and the negotiating process</li> </ul> <p>● <b>Flat GBP against the USD with upside risks short term</b></p>

	Turkey	Romania	Bulgaria	Serbia
Equity Markets	<ul style="list-style-type: none"> <li>+ Attractive valuations</li> <li>- Weak foreign investor appetite for emerging market assets</li> <li>- Persisting domestic financial crisis</li> </ul> <p>▲ Neutral/Positive</p>	<ul style="list-style-type: none"> <li>+ Strong economic activity</li> <li>+ Attractive valuations</li> <li>- Weak foreign investor appetite for emerging market assets</li> </ul> <p>▲ Neutral/Positive</p>	<ul style="list-style-type: none"> <li>+ Attractive valuations</li> <li>+ Low-yielding domestic debt and deposits</li> <li>- Weak foreign investor appetite for emerging market assets</li> </ul> <p>▲ Neutral/Positive</p>	<ul style="list-style-type: none"> <li>+ Attractive valuations</li> <li>- Weak foreign investor appetite for emerging market assets</li> </ul> <p>▲ Neutral/Positive</p>
Domestic Debt	<ul style="list-style-type: none"> <li>+ Low public debt-to-GDP ratio</li> <li>- Loosening fiscal stance</li> <li>- Stubbornly high inflation</li> <li>- Persisting domestic financial crisis</li> </ul>	<ul style="list-style-type: none"> <li>+ Low public debt-to-GDP ratio</li> <li>- Easing fiscal stance</li> <li>- Envisaged tightening in monetary policy</li> </ul>	<ul style="list-style-type: none"> <li>+ Very low public debt-to-GDP ratio and large fiscal reserves</li> </ul>	<ul style="list-style-type: none"> <li>+ Positive inflation outlook</li> <li>+ Policy Coordination Instrument with the IMF</li> <li>+ Restored fiscal and public debt sustainability</li> <li>+ Acceleration in economic activity</li> <li>- Large public sector borrowing requirements</li> </ul>
Foreign Debt	<p>▼ Stable to lower yields</p> <ul style="list-style-type: none"> <li>+ High foreign debt yields</li> <li>- Sizeable external financing requirements</li> <li>- Weak foreign investor appetite for emerging market assets</li> <li>- Persisting domestic financial crisis</li> </ul>	<p>▲ Stable to higher yields</p> <ul style="list-style-type: none"> <li>- Large external financing requirements</li> <li>- Heightened domestic political uncertainty</li> </ul>	<p>▼ Stable to lower yields</p> <ul style="list-style-type: none"> <li>+ Solidly-based currency board arrangement, with substantial buffers</li> <li>+ Current account surplus</li> <li>- Large external financing requirements</li> </ul>	<p>▼ Stable to lower yields</p> <ul style="list-style-type: none"> <li>+ Ongoing EU membership negotiations</li> <li>+ Policy Coordination Instrument with the IMF</li> <li>- Sizeable external financing requirements</li> <li>- Reinvigorated progress in structural reforms</li> </ul>
Foreign Exchange	<p>▼ Stable to narrowing spreads</p> <ul style="list-style-type: none"> <li>+ High domestic debt yields</li> <li>- Sizeable external financing requirements</li> <li>- Weak foreign investor appetite for emerging market assets</li> <li>- Persisting geopolitical risks and domestic financial crisis</li> <li>- Escalating global trade war</li> </ul> <p>▼ Weaker to stable TRY against the EUR</p>	<p>▲ Stable to widening spreads</p> <ul style="list-style-type: none"> <li>- Large external financing requirements</li> <li>- Heightened domestic political uncertainty</li> </ul> <p>▼ Weaker to stable RON against the EUR</p>	<p>▼ Stable to narrowing spreads</p> <ul style="list-style-type: none"> <li>+ Currency board arrangement</li> <li>+ Large foreign currency reserves and fiscal reserves</li> <li>+ Current account surplus</li> <li>- Sizeable external financing requirements</li> <li>- Heightened domestic political uncertainty</li> </ul> <p>● Stable BGN against the EUR</p>	<p>▼ Stable to narrowing spreads</p> <ul style="list-style-type: none"> <li>+ Ongoing EU membership negotiations</li> <li>+ Policy Coordination Instrument with the IMF</li> <li>+ Large FDIs</li> <li>- Sizeable external financing requirements</li> </ul> <p>▲ Stable to stronger RSD against the EUR</p>

### Interest Rates & Foreign Exchange Forecasts

10-Yr Gov. Bond Yield (%)	Oct 19th	3-month	6-month	12-month	Official Rate (%)	Oct 19th	3-month	6-month	12-month
Germany	0,46	0,70	0,90	1,10	Euro area	0,00	0,00	0,00	0,00
US	3,19	3,10	3,20	3,40	US	2,25	2,25	2,50	3,00
UK	1,58	1,56	1,65	1,81	UK	0,75	0,75	0,80	1,05
Japan	0,15	0,12	0,14	0,15	Japan	-0,10	-0,10	-0,10	-0,10
Currency	Oct 19th	3-month	6-month	12-month		Oct 19th	3-month	6-month	12-month
EUR/USD	1,15	1,17	1,18	1,21	USD/JPY	113	111	110	109
EUR/GBP	0,88	0,87	0,87	0,88	GBP/USD	1,31	1,34	1,35	1,38
EUR/JPY	129	129	130	132					

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	2,6	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	2,1	2,5	2,8	2,7	2,5	2,4	2,2	1,9	1,7	2,0
Real GDP Growth (QoQ saar)		-	2,7	2,8	2,7	2,7	-	1,6	1,8	1,8	1,8	-
Private Consumption		1,9	1,7	1,9	1,7	1,0	1,7	2,2	0,8	1,5	1,4	1,4
Government Consumption		1,8	0,9	1,5	1,8	0,8	1,2	0,3	1,5	2,5	0,8	1,2
Investment		4,0	-2,9	8,6	-1,1	6,3	2,9	0,3	5,9	2,6	2,6	3,2
Inventories Contribution		0,1	-0,4	-0,3	0,1	-0,8	-0,1	0,9	-0,1	0,1	0,1	0,2
Net Exports Contribution		-0,4	2,6	0,0	1,5	1,5	0,8	-0,6	0,0	-0,2	0,2	0,1
Exports		3,0	7,2	4,2	5,3	8,8	5,4	-2,9	4,2	1,9	2,7	2,6
Imports		4,2	1,8	4,6	2,2	6,0	4,0	-1,8	4,8	2,6	2,5	2,5
Inflation		0,2	1,8	1,5	1,4	1,4	1,5	1,2	1,7	2,1	2,1	1,7

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
<b>Real GDP Growth (%)</b>						
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	3,5	3,9	3,8	3,6	3,4
Serbia	-1,8	0,8	2,8	1,9	4,3	4,0
<b>Headline Inflation (eop,%)</b>						
Turkey	8,2	8,8	8,5	11,9	25,0	16,5
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
<b>Current Account Balance (% of GDP)</b>						
Turkey	-4,7	-3,7	-3,8	-5,6	-5,4	-3,4
Romania	-0,7	-1,2	-2,1	-3,2	-3,7	-4,5
Bulgaria	0,1	0,0	2,6	6,5	3,8	2,1
Serbia	-6,0	-3,7	-3,1	-5,7	-5,4	-5,2
<b>Fiscal Balance (% of GDP)</b>						
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	0,5	-0,5
Serbia	-6,6	-3,7	-1,3	1,2	0,6	0,4

f: NBG forecasts

#### Stock Markets (in local currency)

Country - Index	22/10/2018	Last week return (%)	Year-to-Date change (%)	2-year change (%)
Turkey - ISE100	94.682	-4,0	-17,9	20,1
Romania - BET-BK	1.625	1,1	-1,6	23,9
Bulgaria - SOFIX	607	-0,6	-10,4	19,6
Serbia - BELEX15	739	0,1	-2,7	10,3

#### Financial Markets

	22/10/2018	3-month forecast	6-month forecast	12-month forecast
<b>1-m Money Market Rate (%)</b>				
Turkey	26,6	25,0	22,0	20,0
Romania	3,3	3,2	3,0	3,0
Bulgaria(*)	0,0	0,1	0,1	0,2
Serbia	2,6	2,9	3,1	3,5
<b>Currency</b>				
TRY/EUR	6,50	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	118,4	117,9	117,6	117,4

#### Sovereign Eurobond Spread (in bps)

Turkey (USD 2020)(**)	381	350	310	280
Romania (EUR 2024)	104	130	120	110
Bulgaria (EUR 2022)	44	44	42	40
Serbia (USD 2021)(*)	124	132	126	120

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

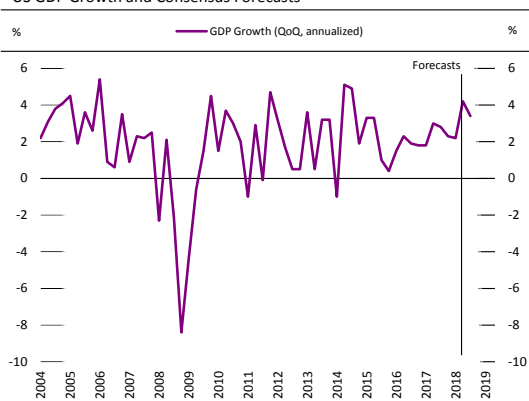
## Economic Calendar

The main macro event next week in the US is the preliminary estimate for GDP in Q3:18, due to release on Friday. Real GDP growth is expected at 3.4% qoq saar, compared with 4.2% qoq saar in Q2:18.

Markets will also focus on the ECB meeting on Thursday. Investors will monitor closely any possible changes in the communication (forward guidance for QE and policy rates). Meanwhile, on Wednesday PMI data are released. Manufacturing PMI is expected at 53.0 in October compared with 53.2 in the previous month.

In Japan, attention turns to retail sales for September and PMI data for October.

US GDP Growth and Consensus Forecasts



Source: NBG Research, Bloomberg

### Economic News Calendar for the period: October 16 - October 29, 2018

Tuesday 16						Wednesday 17											
US		S	A	P	CHINA		S	A	P	US		S	A	P			
Industrial Production (MoM)	September	0.2%	+	0.3%	0.4%	CPI (YoY)	September	2.5%	2.5%	2.3%	Housing starts (k)	September	1210	-	1201	1268	
NAHB housing market confidence index	October	66	+	68	67						Building permits (k)	September	1275	-	1241	1249	
Net Long-term TIC Flows (\$ bn)	August	..		131.8	66.7						FOMC Minutes	September 26					
UK											UK						
ILO Unemployment Rate	August	4.0%		4.0%	4.0%						CPI (YoY)	September	2.6%	-	2.4%	2.7%	
GERMANY											Core CPI (YoY)	September	2.0%	-	1.9%	2.1%	
ZEW survey current situation	October	74.4	-	70.1	76.0						CHINA						
ZEW survey expectations	October	-12.0	-	-24.7	-10.6						Aggregate Financing (RMB bn)	September	..		2205.4	1928.6	
EURO AREA											New Yuan Loans (RMB bn)	September	1358.7	+	1380.0	1280.0	
Trade Balance SA (€ bn)	August	14.7	+	16.6	12.6						Money Supply M0 (YoY)	September	3.5%		2.2%	3.3%	
											Money Supply M1 (YoY)	September	3.9%		4.0%	3.9%	
											Money Supply M2 (YoY)	September	8.3%		8.3%	8.2%	
Thursday 18						Friday 19						Monday 22					
US		S	A	P	US		S	A	P								
Initial Jobless Claims (k)	October 13	211	+	210	215	Existing home sales (mn)	September	5.29	-	5.15	5.33						
Continuing Claims (k)	October 6	1663	+	1640	1653	JAPAN											
Philadelphia Fed Business Outlook	October	20.0	+	22.2	22.9	CPI (YoY)	September	1.3%	-	1.2%	1.3%						
UK						Core CPI (YoY) - ex. Fresh Food	September	1.0%		1.0%	0.9%						
Retail sales Ex Auto (MoM)	September	-0.4%	-	-0.8%	0.5%	Core CPI (YoY) - ex. Fresh Food and Energy	September	0.4%		0.4%	0.4%						
JAPAN						CHINA											
Exports (YoY)	September	2.1%	-	-1.2%	6.6%	GDP (sa, QoQ)	Q3:18	1.6%		1.6%	1.7%						
Imports (YoY)	September	13.7%	-	7.0%	15.4%	GDP (YoY)	Q3:18	6.6%	-	6.5%	6.7%						
						Retail sales (YoY)	September	9.0%	+	9.2%	9.0%						
						Industrial production (YoY)	September	6.0%	-	5.8%	6.1%						
Tuesday 23						Wednesday 24						Thursday 25					
EURO AREA		S	A	P	US		S	A	P	US		S	A	P			
Consumer Confidence Indicator	October	-3.2	..	-2.9	Markit US Manufacturing PMI	October	55.5	..	55.6	Initial Jobless Claims (k)	October 20	213	..	210			
					New home sales (k)	September	625	..	629	Continuing Claims (k)	October 13	1660	..	1640			
					JAPAN					Durable goods orders (MoM)	September	-1.5%	..	4.4%			
					Nikkei PMI Manufacturing	October	..	..	52.5	Durable goods orders ex transportation (MoM)	September	0.4%	..	0.0%			
					EURO AREA					Pending home sales (MoM)	September	0.0%	..	-1.8%			
					Markit Eurozone Manufacturing PMI	October	53.0	..	53.2	GERMANY							
					Markit Eurozone Services PMI	October	54.5	..	54.7	Ifo- Business Climate Indicator	October	103.1	..	103.7			
					Markit Eurozone Composite PMI	October	53.9	..	54.1	Ifo- Expectations	October	100.4	..	101.0			
					M3 money supply (YoY)	September	3.5%	..	3.5%	Ifo- Current Assesment	October	106.0	..	106.4			
										EURO AREA							
										ECB announces its intervention rate	October 25	0.00%	..	0.00%			
										ECB announces its deposit facility rate	October 25	-0.40%	..	-0.40%			
Friday 26						Monday 29											
US		S	A	P	US		S	A	P								
GDP (QoQ, annualized)	Q3:18	3.4%	..	4.2%	PCE Deflator (YoY)	September	..	..	2.2%								
Personal consumption (QoQ, annualized)	Q3:18	3.2%	..	3.8%	PCE Core Deflator (YoY)	September	2.0%	..	2.0%								
					Personal income (MoM)	September	0.4%	..	0.3%								
					Personal spending (MoM)	September	0.4%	..	0.3%								
					JAPAN												
					Retail sales (MoM)	September	..	..	0.9%								
					Retail sales (YoY)	September	..	..	2.7%								

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 (%)	Emerging Markets	Current Level	1-week change (%)	Year-to-Date change (%)	1-Year change (%)	2-year change (%)
US	S&P 500	2768	0,0	3,5	8,0	29,1	MSCI Emerging Markets	53926	-1,0	-11,4	-9,5	9,7
Japan	NIKKEI 225	22532	-0,7	-1,0	5,1	32,6	MSCI Asia	796	-1,3	-13,8	-11,7	10,3
UK	FTSE 100	7050	0,8	-8,3	-6,3	0,4	China	71	-1,9	-19,9	-16,3	12,9
Canada	S&P/TSX	15470	0,4	-4,6	-2,2	4,2	Korea	648	-0,5	-13,4	-13,5	13,5
Hong Kong	Hang Seng	25561	-0,9	-14,6	-9,2	9,7	MSCI Latin America	87644	0,8	2,2	1,6	15,3
Euro area	EuroStoxx	355	0,3	-8,0	-9,1	7,6	Brazil	280303	1,5	8,9	8,2	25,5
Germany	DAX 30	11554	0,3	-10,6	-11,1	8,5	Mexico	43814	0,0	-6,0	-7,4	-3,6
France	CAC 40	5085	-0,2	-4,3	-5,3	12,5	MSCI Europe	5280	-1,1	-2,0	1,2	17,1
Italy	FTSE/MIB	19080	-0,9	-12,7	-13,8	11,9	Russia	1057	-2,0	10,7	14,4	20,9
Spain	IBEX-35	8892	-0,1	-11,5	-12,8	-0,6	Turkey	1306577	-0,2	-17,4	-12,8	17,1

## World Market Sectors (MSCI Indices)

in US Dollar terms		Current Level	1-week change (%)	Year-to-Date change (%)	1-Year change (%)	2-year change (%)	in local currency		Current Level	1-week change (%)	Year-to-Date change (%)	1-Year change (%)	2-year change (%)
Energy		222,4	-1,2	-0,5	6,1	7,0	Energy		227,8	-0,9	1,4	7,7	6,0
Materials		244,1	-1,4	-13,0	-8,4	13,9	Materials		233,7	-1,1	-10,6	-6,2	14,0
Industrials		243,3	-1,3	-7,0	-4,0	18,4	Industrials		241,3	-1,1	-5,7	-2,9	18,8
Consumer Discretionary		241,0	-0,9	0,6	6,8	25,5	Consumer Discretionary		233,3	-0,7	1,5	7,5	26,0
Consumer Staples		221,9	2,9	-6,7	-3,2	3,7	Consumer Staples		222,9	3,1	-5,0	-1,9	3,4
Healthcare		245,0	1,0	7,6	6,2	23,9	Healthcare		242,6	1,1	8,7	7,0	23,7
Financials		114,0	0,0	-10,4	-7,0	20,6	Financials		114,3	0,2	-8,6	-5,3	20,5
IT		239,9	-1,1	8,7	13,9	49,8	IT		232,6	-1,1	9,0	14,2	50,2
Telecoms		65,6	1,6	-7,8	-5,5	-5,0	Telecoms		68,4	1,9	-6,2	-4,3	-4,9
Utilities		127,7	2,7	0,4	-3,2	9,5	Utilities		130,7	2,9	2,0	-2,1	8,9

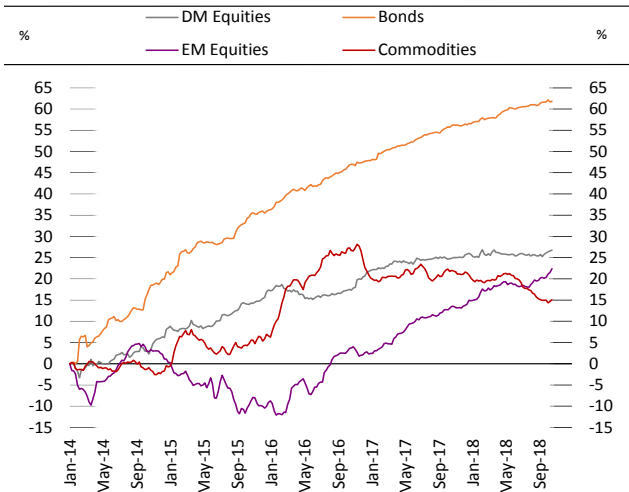
## Bond Markets (%)

10-Year Government Bond Yields	Current	Last week	Year Start	One Year Back	10-year average	Government Bond Yield Spreads (in bps)	Current	Last week	Year Start	One Year Back	10-year average
US	3,19	3,16	2,41	2,32	2,51	US Treasuries 10Y/2Y	29	31	52	79	169
Germany	0,46	0,50	0,43	0,40	1,53	US Treasuries 10Y/5Y	15	15	20	37	86
Japan	0,15	0,15	0,05	0,07	0,65	Bunds 10Y/2Y	104	106	105	113	132
UK	1,58	1,63	1,19	1,28	2,30	Bunds 10Y/5Y	59	59	63	71	79
Greece	4,35	4,41	4,12	5,56	10,26	Corporate Bond Spreads (in bps)	Current	Last week	Year Start	One Year Back	10-year average
Ireland	1,05	1,06	0,67	0,63	4,01						
Italy	3,48	3,57	2,01	2,02	3,44						
Spain	1,74	1,68	1,57	1,64	3,35						
Portugal	2,02	2,04	1,94	2,31	5,13						
US Mortgage Market (1. Fixed-rate Mortgage)	Current	Last week	Year Start	One Year Back	10-year average	EM Inv. Grade (IG)	165	168	138	141	258
						US High yield	476	481	371	384	787
						US IG	117	116	98	102	185
						US High yield	351	354	358	348	604
30-Year FRM <sup>1</sup> (%)	5,1	5,1	4,2	4,1	4,3	Euro area IG	121	118	87	94	163
vs 30Yr Treasury (bps)	172	177	148	130	100	Euro area High Yield	387	372	272	244	624

## Foreign Exchange &amp; Commodities

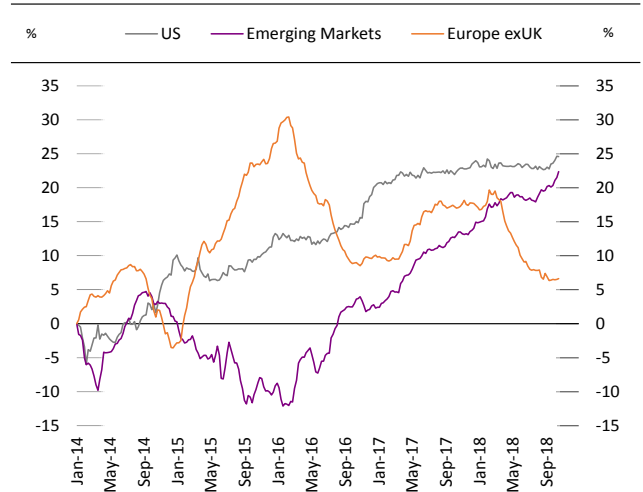
Foreign Exchange		Current	1-week change (%)	1-month change (%)	1-Year change (%)	Year-to-Date change (%)	Commodities		Current	1-week change (%)	1-month change (%)	1-Year change (%)	Year-to-Date change (%)
Euro-based cross rates							Agricultural		364	-0,1	4,7	-5,1	-4,1
EUR/USD		1,15	-0,4	-1,4	-2,9	-4,1	Energy		556	-1,5	0,4	38,7	20,2
EUR/CHF		1,15	-0,1	1,6	-0,9	-2,0	West Texas Oil (\$)		69	-3,1	-2,8	34,8	14,4
EUR/GBP		0,88	0,2	-0,8	-2,2	-0,7	Crude Brent Oil (\$)		80	-0,9	1,1	39,2	19,9
EUR/JPY		129,57	-0,1	-1,1	-2,9	-4,2	Industrial Metals		1264	-1,4	1,7	-8,7	-12,8
EUR/NOK		9,48	0,3	-0,4	0,8	-3,8	Precious Metals		1457	0,5	2,0	-6,6	-7,6
EUR/SEK		10,35	-0,1	0,0	7,5	5,6	Gold (\$)		1227	0,7	1,9	-4,9	-5,8
EUR/AUD		1,62	-0,4	0,6	7,5	5,3	Silver (\$)		15	-0,2	2,3	-15,5	-14,0
EUR/CAD		1,51	0,2	0,0	2,0	0,0	Baltic Dry Index		1576	-0,2	14,8	-0,4	15,4
USD-based cross rates							Baltic Dirty Tanker Index		1024	11,2	32,5	13,5	23,8
USD/CAD		1,31	0,6	1,4	5,0	4,2							
USD/AUD		1,41	0,0	2,1	10,7	9,7							
USD/JPY		112,53	0,3	0,2	0,0	-0,1							

## Global Cross Asset ETFs: Flows as % of AUM



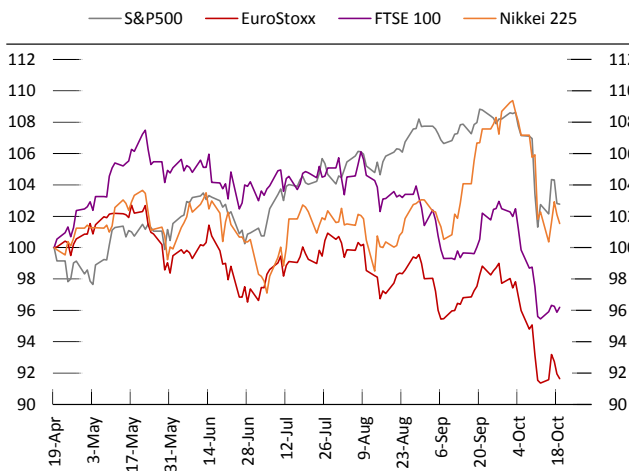
Source: Bloomberg, NBG estimates, Cumulative flows since January 2014, AUM stands for Assets Under Management, Data as of October 19<sup>th</sup>

## Equity ETFs: Flows as % of AUM



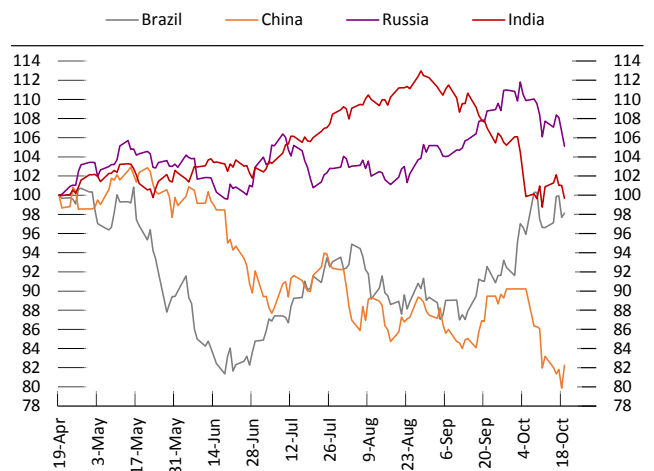
Source: Bloomberg, NBG estimates, Cumulative flows since January 2014, AUM stands for Assets Under Management, Data as of October 19<sup>th</sup>

## Equity Market Performance - G4



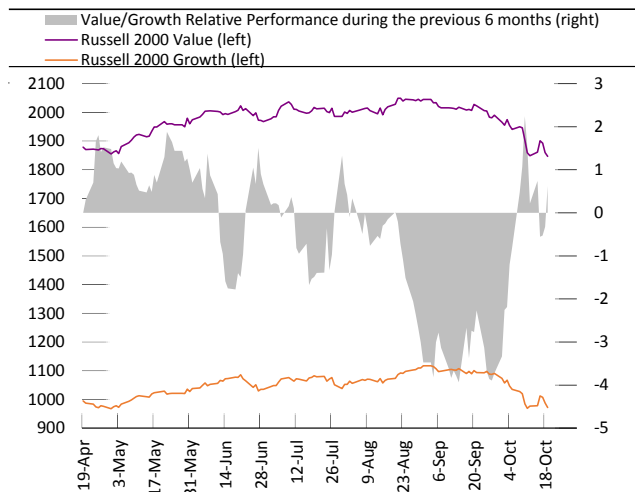
Source: Bloomberg - Data as of October 19<sup>th</sup> - Rebased @ 100

## Equity Market Performance - BRICs



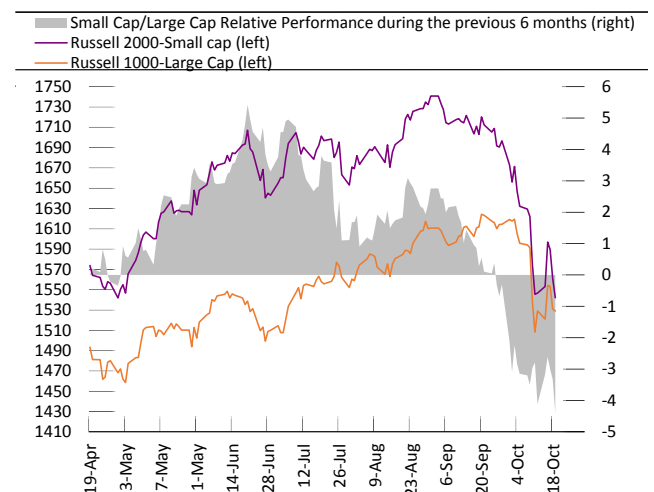
Source: Bloomberg - Data as of October 19<sup>th</sup> - Rebased @ 100

## Russell 2000 Value &amp; Growth Index



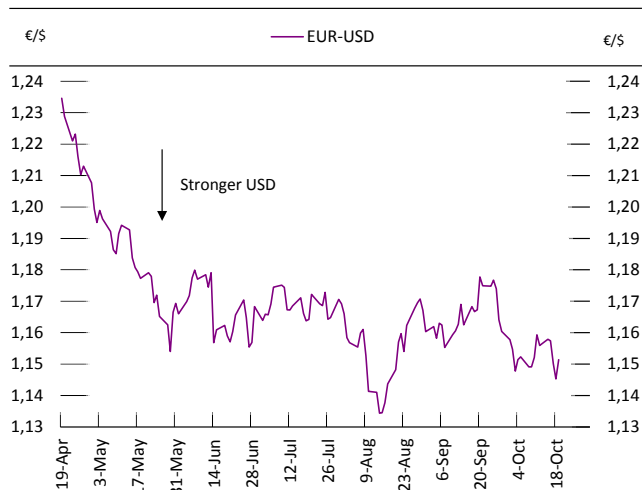
Source: Bloomberg, Data as of October 19<sup>th</sup>

## Russell 2000 &amp; Russell 1000 Index



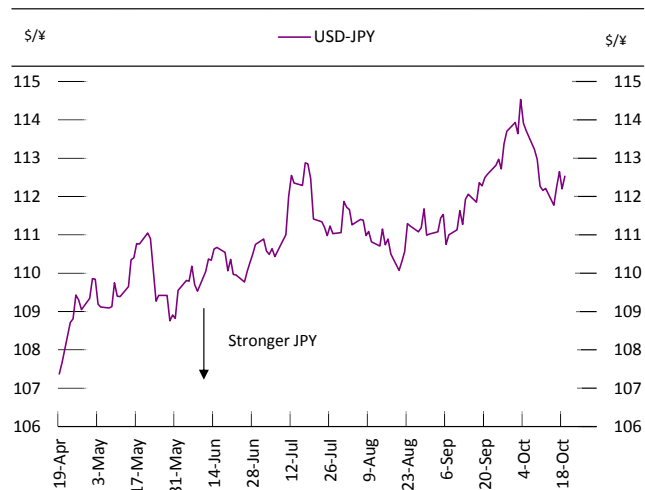
Source: Bloomberg, Data as of October 19<sup>th</sup>

## EUR/USD



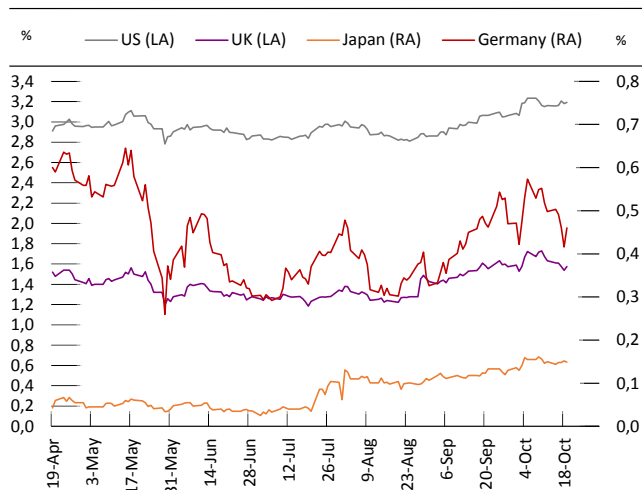
Source: Bloomberg, Data as of October 19<sup>th</sup>

## JPY/USD



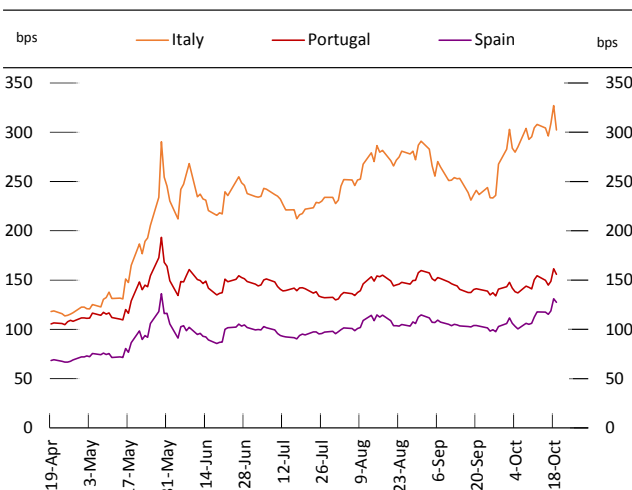
Source: Bloomberg, Data as of October 19<sup>th</sup>

## 10- Year Government Bond Yields



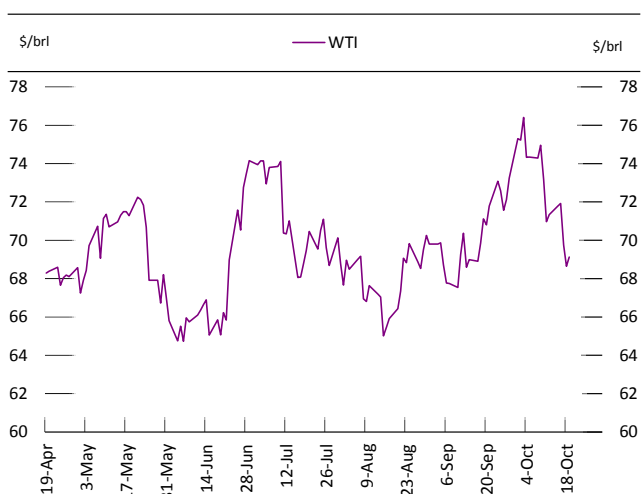
Source: Bloomberg - Data as of October 19<sup>th</sup>  
LA:Left Axis RA:Right Axis

## 10- Year Government Bond Spreads



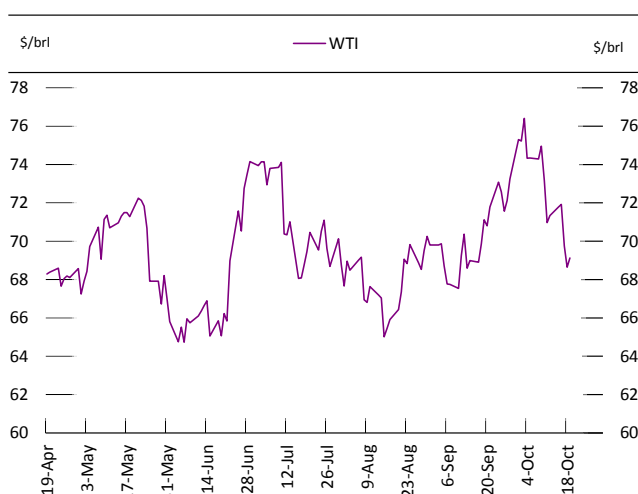
Source: Bloomberg - Data as of October 19<sup>th</sup>

## West Texas Intermediate (\$/bbl)



Source: Bloomberg, Data as of October 19<sup>th</sup>

## Gold (\$/ounce)



Source: Bloomberg, Data as of October 19<sup>th</sup>

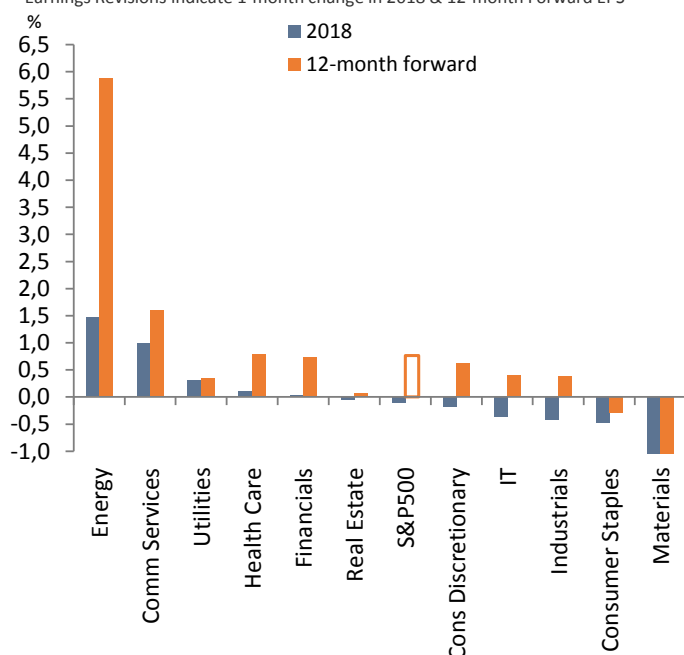
## US Sectors Valuation

	Price (\$)		EPS Growth (%)		Dividend Yield (%)		P/E Ratio				P/BV Ratio			
	19/10/2018 % Weekly Change		2017	2018	2017	2018	2017	2018	12m fwd	10Yr Avg	2017	2018	12m fwd	10Yr Avg
<b>S&amp;P500</b>	2768	0,0	11,5	21,7	1,8	1,9	20,5	17,2	15,9	14,6	3,4	3,3	3,1	2,3
<b>Energy</b>	530	-1,9	253,1	103,8	2,9	3,0	34,7	18,4	15,3	20,2	1,8	1,9	1,8	1,8
<b>Materials</b>	333	-1,3	8,0	27,2	1,9	2,3	20,8	14,6	13,9	14,6	2,8	2,3	2,2	2,5
<b>Financials</b>														
Diversified Financials	659	1,0	8,7	36,4	1,2	1,6	20,4	14,0	13,4	13,8	2,0	1,7	1,6	1,4
Banks	323	0,4	13,3	26,7	1,8	2,5	16,2	11,5	10,6	12,5	1,5	1,3	1,2	0,9
Insurance	376	1,0	5,1	30,2	2,0	2,4	16,1	11,8	10,9	10,3	1,4	1,3	1,2	1,0
<b>Real Estate</b>	197	3,2	1,4	6,3	3,6	3,6	17,6	17,5	16,8	17,6	3,2	3,1	3,2	2,7
<b>Industrials</b>														
Capital Goods	647	-1,3	7,1	18,8	2,1	2,2	22,1	17,1	15,7	15,0	5,0	4,8	4,5	3,0
Transportation	745	-0,5	0,8	24,0	1,6	1,8	17,5	15,0	13,5	13,9	4,1	4,2	3,8	3,2
Commercial Services	271	0,4	-3,5	12,2	1,4	1,4	25,9	23,9	22,0	19,0	4,2	4,3	4,0	3,1
<b>Consumer Discretionary</b>														
Retailing	2185	-2,3	7,4	34,3	0,8	0,8	37,7	30,9	27,7	19,2	12,0	11,3	9,8	5,0
Media	543	0,3	-11,9	19,3	0,4	0,4	27,5	23,5	21,1	18,3	4,7	4,1	3,6	2,9
Consumer Services	1019	0,4	13,9	18,4	1,7	2,1	24,2	19,8	18,4	18,3	8,8	9,8	10,7	5,1
Consumer Durables	302	-3,5	-3,6	14,7	1,5	1,7	20,0	16,4	14,7	16,7	3,5	3,1	2,8	3,0
Automobiles and parts	104	-1,6	2,9	-11,6	3,7	5,0	7,5	6,7	6,6	8,8	1,8	1,3	1,2	1,9
<b>IT</b>														
Technology	1275	-1,0	14,0	20,7	1,6	1,6	17,6	16,5	15,1	12,4	5,3	7,1	7,2	3,0
Software & Services	1724	-0,7	16,2	12,1	1,2	1,2	25,7	23,7	21,7	15,7	7,8	8,1	7,2	4,6
Semiconductors	910	-2,7	45,2	27,6	1,6	2,1	17,1	12,0	11,7	16,3	4,8	4,1	3,9	2,8
<b>Consumer Staples</b>														
Food & Staples Retailing	433	2,7	-2,1	12,3	2,5	1,9	19,5	19,7	19,1	15,3	3,8	4,1	4,0	2,9
Food Beverage & Tobacco	663	3,9	8,8	10,7	3,1	3,4	20,6	18,2	17,3	16,9	5,1	4,7	4,6	4,8
Household Goods	556	6,8	4,8	7,7	3,0	3,0	21,2	20,6	19,7	18,0	5,3	5,9	5,9	4,5
<b>Health Care</b>														
Pharmaceuticals	899	0,9	5,6	12,2	2,0	2,1	16,5	15,7	14,9	14,0	4,6	4,7	4,4	3,2
Healthcare Equipment	1192	-0,1	12,2	17,0	1,0	1,0	19,9	19,0	17,7	14,1	3,5	3,6	3,3	2,4
<b>Communication Services</b>	157	2,2	0,8	17,9	5,5	5,5	12,2	10,6	10,4	12,7	2,1	1,8	1,8	2,3
<b>Utilities</b>	277	3,0	0,1	8,9	3,7	3,4	17,0	17,5	17,0	14,6	1,8	1,9	1,8	1,5

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

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

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

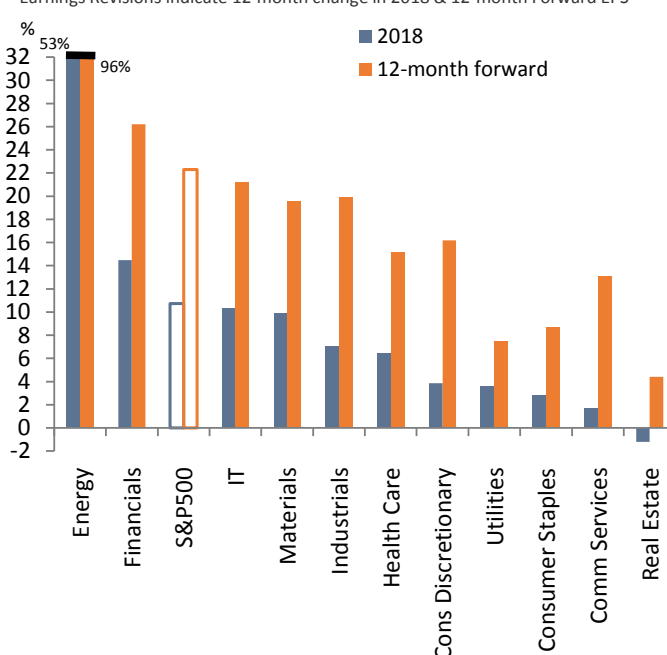


Source: Factset, Data as of October 19<sup>th</sup>

12-month forward EPS are 20% of 2018 EPS and 80% of 2019 EPS

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

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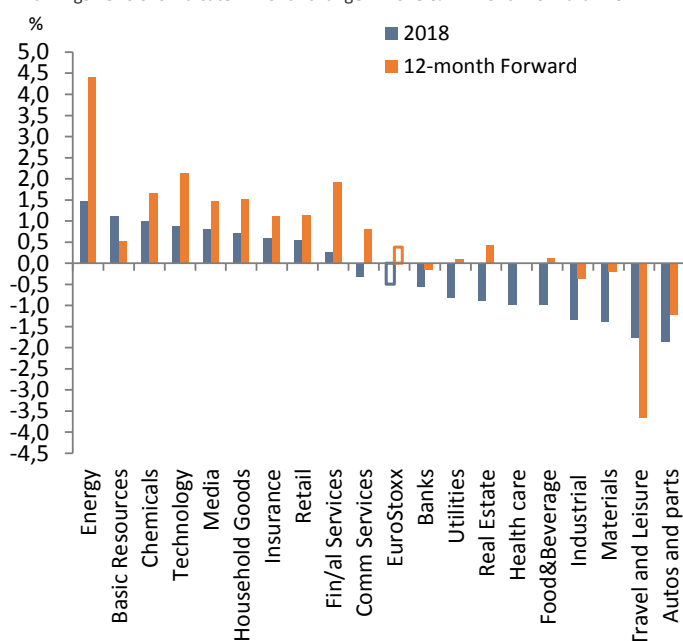
## Euro Area Sectors Valuation

	Price (€)		EPS Growth (%)		Dividend Yield (%)		P/E Ratio				P/BV Ratio			
	19/10/2018	% Weekly Change	2017	2018	2017	2018	2017	2018	12m fwd	10Yr Avg	2017	2018	12m fwd	10Yr Avg
<b>EuroStoxx</b>	355	0,3	18,5	5,2	3,1	3,5	15,9	14,0	12,9	12,8	1,7	1,6	1,5	1,4
<b>Energy</b>	346	-0,4	26,8	33,7	4,6	4,6	14,6	12,1	10,8	11,2	1,2	1,3	1,2	1,2
<b>Materials</b>	389	-2,3	16,4	5,1	2,9	3,6	16,8	14,1	12,6	13,8	1,8	1,6	1,5	1,4
<b>Basic Resources</b>	243	-1,7	70,7	31,8	2,0	2,6	12,5	8,5	8,8	15,7	1,3	1,0	1,0	0,9
<b>Chemicals</b>	987	-0,7	22,0	5,8	2,7	3,1	16,8	14,4	13,7	14,2	2,4	2,1	1,9	2,0
<b>Financials</b>														
<b>Fin/al Services</b>	424	0,3	26,4	8,8	2,4	2,8	18,1	15,4	14,2	13,3	1,7	1,5	1,4	1,2
<b>Banks</b>	100	-2,3	66,9	6,3	3,8	5,4	12,9	9,0	8,4	10,3	0,9	0,7	0,7	0,7
<b>Insurance</b>	264	1,2	-3,4	16,1	4,7	5,3	12,4	10,2	9,6	9,0	1,0	1,0	0,9	0,9
<b>Real Estate</b>	234	4,7	-0,3	15,1	3,9	4,6	20,3	17,7	16,6	16,5	1,1	1,0	0,9	1,0
<b>Industrial</b>	783	-0,1	11,9	6,1	2,5	2,7	20,4	18,3	16,2	14,6	3,0	2,7	2,5	2,1
<b>Consumer Discretionary</b>														
<b>Media</b>	232	2,9	11,9	1,4	3,2	4,0	17,8	18,1	16,7	14,8	2,4	2,3	2,2	1,9
<b>Retail</b>	455	0,7	5,0	8,1	2,4	2,8	22,4	19,8	18,0	17,9	3,2	3,2	3,0	2,8
<b>Automobiles and parts</b>	462	-3,1	21,0	-0,7	3,0	4,4	8,7	6,7	6,2	9,2	1,3	0,9	0,8	1,0
<b>Travel and Leisure</b>	181	0,6	21,9	-11,4	1,7	2,1	12,2	10,8	10,3	35,1	2,3	1,7	1,6	1,8
<b>Technology</b>	476	0,2	19,1	1,6	1,4	1,6	22,1	20,9	18,7	17,7	3,8	3,4	3,2	2,8
<b>Consumer Staples</b>														
<b>Food&amp;Beverage</b>	542	1,0	7,4	11,0	2,8	3,1	23,7	19,9	18,2	17,6	3,0	2,5	2,4	2,5
<b>Household Goods</b>	825	2,4	11,8	10,9	1,8	2,0	24,8	23,6	22,0	19,5	4,7	4,8	4,5	3,3
<b>Health care</b>	788	1,1	-5,7	-5,2	2,4	2,4	17,8	18,8	17,0	14,3	2,3	2,3	2,2	2,0
<b>Communication Services</b>	283	3,8	29,9	-8,9	4,6	5,0	13,5	14,3	13,3	13,1	1,8	1,7	1,7	1,7
<b>Utilities</b>	269	3,1	2,5	-7,9	5,2	5,1	13,4	14,8	13,6	12,0	1,2	1,3	1,3	1,1

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

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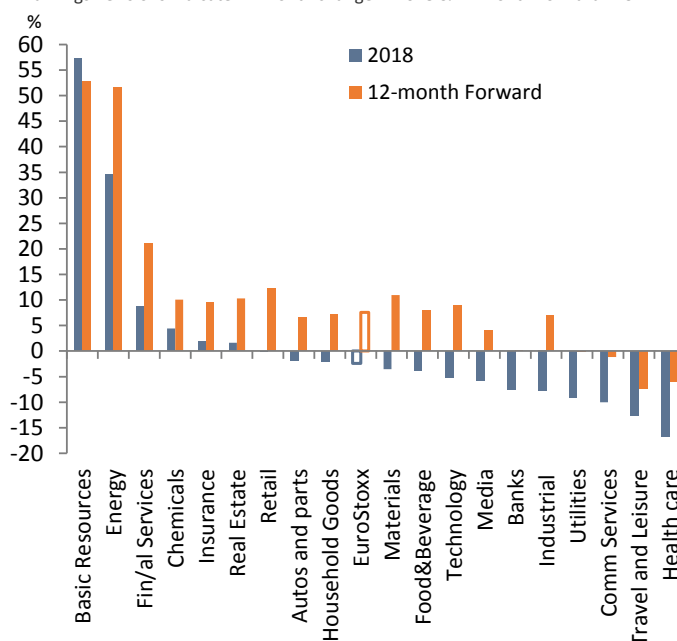


Source: Factset, Data as of October 19<sup>th</sup>

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