

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Nov 27: New home sales (Oct)
- Nov. 28: CB consumer confidence (Nov)
- Nov 29
  - Q3 GDP (2<sup>nd</sup> estimate)
  - Pending home sales (Oct)
  - Fed's Beige Book
- Nov 30
  - Personal income & spending (Oct)
  - Initial jobless claims (weekly)
- Dec. 1
  - ISM manufacturing (Nov)
  - Auto sales (Nov)

##### EUROZONE

- Nov 28: M3, loans to the private sector (Oct)
- Nov. 29: Economic sentiment (Nov)
- Nov. 30
  - CPI (prel. Nov)
  - Unemployment rate (Oct)
- Dec. 1: PMI manufacturing (Nov)

##### GREECE

- Nov 30
  - PPI (Oct)
  - Retail Sales (Sep)

##### SEE

##### BULGARIA

- Nov 30:
  - Producer's Price Index (Oct)
  - Budget Balance (Oct)

##### ROMANIA

- Nov 29: Unemployment Rate (Oct)

##### SERBIA

- Nov 30:
  - Industrial Production (Oct)
  - Trade Balance (Oct)
  - Retail Sales (Oct)
  - GDP (NSA YoY%, Q3)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Wall Street surged to new record highs overnight, shrugging off the latest missile test by North Korea late on Tuesday. The prospects for the eventual endorsement of the US tax reform seemed to improve, following the vote by the Senate Budget Committee y-day to submit the tax plan for approval to the full Senate reportedly on Thursday. Furthermore, market sentiment was also supported by positive US macro data that exceeded market expectations. In FX markets, on track for its worst month since July and its worst year since 2003, the US dollar fell against its major currency peers on Wednesday, dragged down by broad strength in sterling as well as renewed concerns over a possible U.S. government shutdown after Democrats pulled out of a meeting with US President Donald Trump. Looking at today's calendar, focus centres on Fed Chair Yellen's testimony before the congressional Joint Economic Committee in Washington in the afternoon. On the US macro data front, the second reading of US Q3 GDP is expected to take centre stage, as well as October pending home sales for the US and the Fed's Beige Book. In the euro area, November confidence indicators are due later in the day.

**GREECE:** The electronic auctions platform is launching today with two auctions. According to notaries, the aim is to gradually carry out around 70% of total auctions electronically by March 2018. The GGB strip re-profiling was completed yesterday and according to reports participation reached around 80% against the initial Public Debt Management Agency (PDMA) target of 65%. According to the Bank of Greece, in October 2017 deposits in the private sector reached EUR 123.7 billion, increased by EUR 1.1 billion MoM, while credit to the private sector decreased by EUR 0.6 billion MoM.

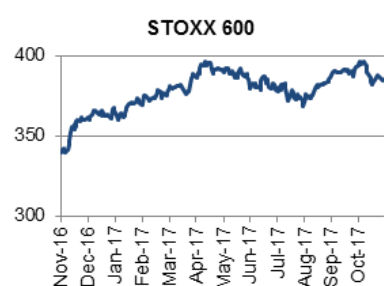
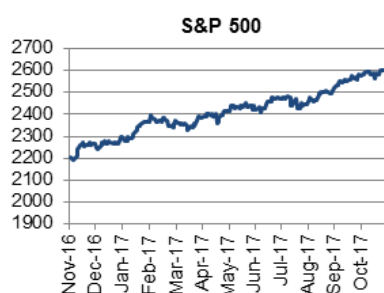
### SOUTH EASTERN EUROPE

**ROMANIA:** The consolidated government budget in cash terms recorded a small surplus of RON 199mn in the month of October, bringing the year to October deficit at 0.8% of projected GDP.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

Wall Street surged to new record highs overnight, shrugging off the latest missile test by North Korea late on Tuesday. The prospects for the eventual endorsement of the US tax reform seemed to improve, following the vote by the Senate Budget Committee y-day to submit the tax plan for approval to the full Senate reportedly on Thursday. Meanwhile, Fed Chair nominee Jerome Powell, in his Senate confirmation hearing on Tuesday, sounded optimistic on the US economic outlook noting that the case for a December rate hike is "coming together" and highlighting that interest rates will increase somewhat further and the size of Fed's balance sheet will gradually shrink over the next three or four years towards ca. \$2.5-3trn. Furthermore, market sentiment was also supported by positive US macro data that exceeded market expectations. The November Conference Board consumer confidence index increased to a new 17-year high of 129.5, while the Richmond Fed manufacturing index surged to its highest level since 1993 (30 vs. 14 expected). In FX markets, on track for its worst month since July and its worst year since 2003, the US dollar fell against its major currency peers on Wednesday, dragged down by broad strength in sterling as well as renewed concerns over a possible U.S. government shutdown after Democrats pulled out of a meeting with US President Donald Trump. Against this backdrop, the GBP/USD hit a two-month high of 1.3431 in early European trade, after Great Britain and the European Union are reportedly close to an agreement on the Brexit related financial settlement bill (the UK has reportedly improved its offer to €45-55bn from €20bn previously). Looking at today's calendar, focus centres on Fed Chair Yellen's testimony before the congressional Joint Economic Committee in Washington in the afternoon. On the US macro data front, the second reading of US Q3 GDP is expected to take centre stage, as well as October pending home sales for the US and the Fed's Beige Book. In the euro area, November confidence indicators are due later in the day.

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### GREECE

The electronic auctions platform is launching today with two auctions. According to notaries, the aim is to gradually carry out around 70% of total auctions electronically by March 2018. Based on the Greek banks' commitments to the SSM for the reduction of NPEs, by the end of 2019 c. EUR 19.5 billion must have been recovered and electronic auctions are considered a key tool towards this goal. Meanwhile, the GGB strip re-profiling was completed yesterday and according to reports participation reached around 80% against the initial Public Debt Management Agency (PDMA) target of 65%. According to the Bank of Greece, in October 2017 deposits in the private sector reached EUR 123.7 billion, increased by EUR 1.1 billion MoM, out of which EUR 0.5 billion came from corporations and EUR 0.6 billion from households and non-profit institutions. In the same month, credit to the private sector decreased by EUR 0.6 billion MoM due to a drop of EUR 0.3 billion in credit to corporations and households and non-profit institutions respectively.

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November 29, 2017

## Latest economic & market developments in the CESEE region

BULGARIA: Indicators	2015	2016	2017f
Real GDP growth %	3.6	3.4	3.6
CPI (pa, yoy %)	-0.1	-0.8	1.6
Budget Balance/GDP*	-2.8	1.6	-1.3
Current Account/GDP	-0.1	5.4	3.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

CYPRUS: Indicators	2015	2016	2017f
Real GDP growth %	1.7	2.8	3.5
HICP (pa, yoy %)	-1.5	-1.2	1.0
Budget Balance/GDP*	0.1	0.4	0.2
Current Account/GDP	-3.0	-5.7	-5.9

\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

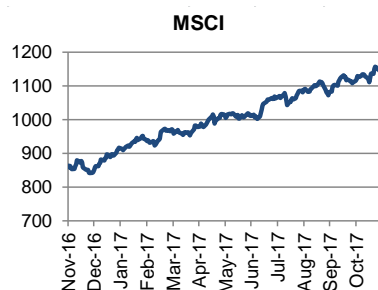
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.5
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2015	2016	2017f
Real GDP growth %	0.8	2.8	2.0
CPI (pa, yoy %)	1.4	1.2	3.0
Budget Balance/GDP	-3.7	-1.3	-0.5
Current Account/GDP	-4.7	-4.0	-4.0
EUR/RSD (eop)	121.38	123.40	120.0
	2016	current	2017
Policy Rate (eop)	4.00	3.50	3.50

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB+	BB-

Source: Reuters, Bloomberg, Eurobank Research

### ROMANIA

The consolidated government balance in cash terms recorded a small surplus of RON199mn in October, compared to a deficit of RON283mn in September, yet significantly lower than in the same month a year ago. Overall, the consolidated government deficit reached RON6.6bn or 0.8% of the revised projected GDP in the first ten months of the year, five times more than the deficit of RON1.3bn or +0.2% of GDP registered in the same period last year.

The main trends witnessed so far in the year are also evident in the budget execution of October. In fact, revenues in October registered the highest performance so far in the year (+25.8% YoY), fuelled by increased EU-funds reimbursements, improved VAT collection (+7.9% YoY) and increased excises taxes (+5.2% YoY), so that total revenues were still up by +10.8% YoY in Jan-Oct. On the other hand, total expenditures expansion has reached double digit level growth (+13.6% YoY) in 10M. Spending in the areas of wages and social benefits is still on the rise (+21.2% YoY and +12.5% YoY in 10M-2017 above the initial projections) as the budget implementation incorporated the ruling coalition's electoral program for further generous hikes. Other key spending items, such as procurement for goods& services (+4.2% YoY), capital expenditure (-17.7% YoY) and debt servicing (+1.3% YoY) remained either relatively contained or declined respectively in the same period.

Overall, the government has revised the budget in order to bring the revenues and expenditures figures closer to reality, but maintained the FY2017 fiscal deficit target of 3% of GDP unchanged. In that direction, the government has adopted compensatory measures - in line with our expectations - in order to maintain fiscal performance in check. On top, the MoF has pledged to contain expenditures; practice has shown that this usually results in the under execution of the public investments program (4.2% of GDP in 2017) at the expense of neglecting infrastructure. The adopted corrective fiscal measures (reintroduction of excise fuel taxes—additional dividends from state-owned enterprises—postponement of an additional 10% pension hike) plus the under execution of the public investments program could probably maintain fiscal deficit close to but in our view still above the threshold of 3%. Nevertheless, the announced fiscal easing measures for 2018 (PIT rate from 16% to 10%, mandatory Pillar II contributions from 5.1% to 3.7% of gross wage) may put additional pressure on the budget deficit next year.

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November 29, 2017

**GLOBAL MARKETS**

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	2609.98	0.3%	16.6%	EUR/USD	1.1876	-0.2%	12.9%	UST - 10yr	2.32	-1	-13	GOLD	1294	0.0%	12.3%
Nikkei 225	22486.24	0.0%	17.6%	GBP/USD	1.3234	-0.6%	7.1%	Bund-10yr	0.34	0	13	BRENT CRUDE	64	-0.5%	11.8%
STOXX 600	386.99	0.6%	7.1%	USD/JPY	111.31	-0.2%	5.1%	JGB - 10yr	0.04	0	-1	LMEX	3260	-0.9%	22.6%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	0	-48
1-week	2.61	-1	-56
1-month	2.79	-1	-56
3-month	3.07	0	-40
6-month	3.22	-1	-44

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.10	-1	-94
5Y RSD	4.51	-1	-85
7Y RSD	4.88	0	-75

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.92	0	-128
USD Nov-24	6.02	-32	-24

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	123	-2	-84
10-year	167	-2	-89

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	739.4	0.11%	3.07%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	119.61	0.00%	3.22%

**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.15	6	159
1-month	2.18	0	142
3-month	2.2	1	130
6-month	2.3	-1	119
12-month	2.36	0	111

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.42	0	190
5Y RON	3.71	0	129
10Y RON	4.47	0	100

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.62	#N/A	N/A
USD Jan-24	3.04	-5	-85

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	98	0	-12
10-year	153	0	1

**STOCKS**

	Last	ΔD	ΔYTD
BET	7802.6	0.84%	10.13%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.6407	-0.03%	-2.19%

**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.26	1	-9
3-month	-0.17	0	-10
6-month	-0.05	0	-13
12-month	0.33	0	-8

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.28	-1	-43
5Y BGN	-0.05	1	-56
10Y BGN	0.90	0	-101

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	0	-87
EUR Sep-24	0.01	-1	-167

**CDS**

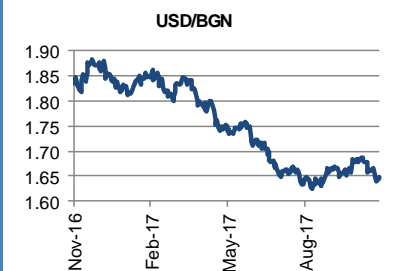
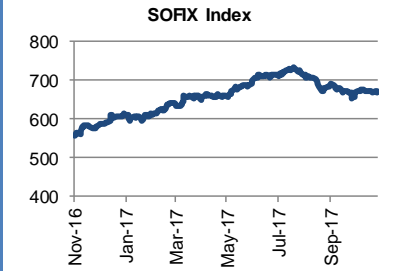
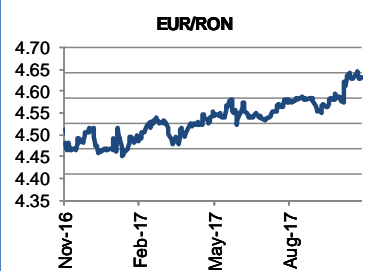
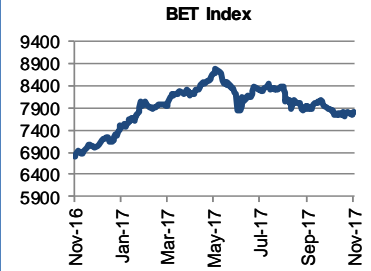
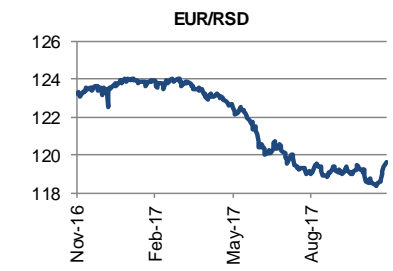
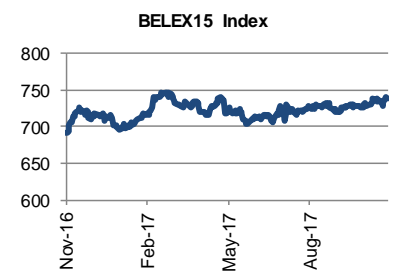
	Last	ΔDbps	ΔYTD bps
5-year	94	-2	-58
10-year	136	-2	-58

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	667.4	0.21%	13.81%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.6475	-0.22%	12.80%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 18:30 EST of previous session

November 29, 2017

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