

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Dec 4 : Industrial orders (Oct)
- Dec. 5
 - Trade balance (Oct)
 - ISM non-manuf.index (Nov)
- Dec. 6: ADP employment change (Nov)
- Dec 7: Initial jobless claims (weekly)
- Dec. 8
 - Non-farm payrolls (Nov)
 - UM consumer confidence (Dec)

EUROZONE

- Dec. 5: Q3 GDP (details)
- Dec. 6: German industrial orders (Oct)
- Dec. 7: German industrial production (Oct)
- Dec. 8: German exports (Oct)

GREECE

- Dec 4
 - GDP QQ Provl. Est. SA Q3
 - GDP YY Provl. Est. SA Q3
- Dec 7
 - Unemployment rate (Sep)
- Dec 8
 - Harmonised CPI YY (Nov)
 - CPI YY (Nov)

SEE

BULGARIA

- Dec 4: 0.8% 2025 T-Bonds auction
- Dec 5: GDP (SA YoY%, Q3)
- Dec 8:
 - Industrial Production (Oct)
 - Retail Sales (Oct)

ROMANIA

- Dec 4:
 - Producer's Price Index (Oct)
 - International Reserves (€ bn, Nov)
 - 5.8% 2027 T-bonds auction
- Dec 5:
 - GDP (SA YoY%, Q3)
 - Retail Sales (October)
- Dec 7:
 - 2.3% 2020 T-Bonds auction

SERBIA

- Dec 7:
 - Producer's Price Index (Nov)
 - NBS MPC Meeting

Source: Reuters, Bloomberg,

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The RBA left the official cash rate unchanged at a record-low of 1.50% at its monetary policy meeting that concluded earlier today, in line with market expectations. However, the accompanying statement tilted slightly to the hawkish side pushing the AUD/USD higher. Meanwhile, the GBP lost some ground after European Commission President Jean-Claude Juncker and UK Prime Minister Theresa May failed to reach an agreement on the so-called "divorce issues" at their meeting yesterday. Turning to core fixed-income markets, the US curve continued to bear flatten amid expectations for somewhat higher Fed interest rates ahead while, on the flipside, long-dated German Bunds underperformed the short-end. Looking at the remainder of the day, we await the US October trade balance report and the November non-manufacturing ISM while in the euro area we will receive the breakdown of the Q3 GDP growth report, the final Markit services PMI and October retail sales.

GREECE: The Eurogroup yesterday welcomed the staff level agreement that has been reached by the Greek authorities and the institutions on the policy conditionality of the 3rd programme review and turned the focus to the implementation of the required prior actions. According to the Eurogroup President Jeroen Dijsselbloem, the large part of the remaining work will be carried out before Christmas and the rest of it right after so that the review may be finalised at the 22 January Eurogroup, something that is both desirable and feasible. According to the ESM's estimations the total package of short-term debt relief measures will reduce the country's debt-to-GDP ratio by about 25 percentage points by 2060 and the gross financing needs-to-GDP ratio by about 6 percentage points. According to the Hellenic Statistical Authority, the available seasonally adjusted data indicate that Q3 2017 GDP in volume terms increased by 0.3%QoQ and 1.3%YoY.

SOUTH EASTERN EUROPE

BULGARIA: Fitch and S&P upgraded the long-term sovereign rating of Bulgaria by one notch in their respective ratings scale.

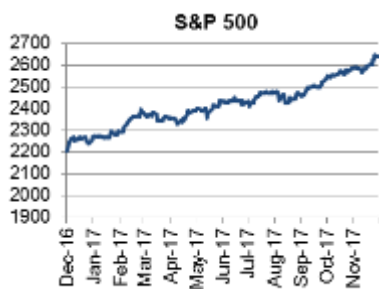
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December 5, 2017

Latest world economic & market developments

GLOBAL MARKETS



The RBA left the official cash rate unchanged at a record-low of 1.50% at its monetary policy meeting that concluded earlier today, in line with market expectations. However, the accompanying statement tilted slightly to the hawkish side of expectations with the RBA emphasizing the tightening labour market while the language on the exchange rate was slightly softer. In reaction to the above as well as the stronger than expected Australia's October retail sales data released earlier today, the AUD outperformed other major G10 peers hitting a three-week high of 0.7653 against the USD shortly after the conclusion of the RBA meeting. Meanwhile, the EUR/USD was little changed on the day standing at 1.1850/55 in early European trade, within its recent range of 1.1810-1.1960 amid hopes that the two major German political parties will reach an agreement in the coming weeks for the formation of a new grand coalition. Meanwhile, the GBP lost some ground falling to a multi-session low of 1.3369 against the USD earlier today after European Commission President Jean-Claude Juncker and UK Prime Minister Theresa May failed to reach an agreement on the so-called "divorce issues" at their meeting yesterday. Speaking to reporters, the European Commission President expressed confidence that a deal could be reached before the December 14-15 EU Council meeting, a development that could open the way for the launch of the second phase of Brexit talks related to a new EU/UK relationship and transitional arrangements. Turning to core fixed-income markets, the US curve continued to bear flatten amid expectations for somewhat higher Fed interest rates ahead while talks in the Senate related to the expiring budget of the current fiscal year on December 8 in order to avoid a possible government shutdown will likely be a yield driver in the very short-term. On the flipside, long-dated German Bunds underperformed the short-end with the 10-yr UST/Bund yield spread widening to 205bps earlier today, the widest in around 6 ½ months. UK Gilt yields rose on the day across the curve by some 3-5bps following the failure of the UK PM and the EU Commission President to reach a deal.

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GREECE

The Eurogroup yesterday welcomed the staff level agreement that has been reached by the Greek authorities and the institutions on the policy conditionality of the 3rd programme review and turned the focus to the implementation of the required prior actions. According to the Eurogroup President Jeroen Dijsselbloem, the large part of the remaining work will be carried out before Christmas and the rest of it right after so that the review may be finalised at the 22 January Eurogroup, something that is both desirable and feasible. Concerns were raised with regard to the prosecution of HRADF experts from Spain, Italy and Slovakia, which was characterized as an unfortunate development that must be resolved as quickly as possible. With regard to Greece's public debt, the ESM released a statement yesterday announcing that it has successfully implemented the short-term debt relief measures for Greece over the course of 2017. According to the ESM's estimations the total package of short-term debt relief measures will reduce the country's debt-to-GDP ratio by about 25 percentage points by 2060 and the gross financing needs-to-GDP ratio by about 6 percentage points (against the original estimate of 20 percentage points and 5 percentage points respectively over that period). In other news, according to the Hellenic Statistical Authority, the available seasonally adjusted data indicate that Q3 2017 GDP in volume terms increased by 0.3%QoQ and 1.3%YoY. On a quarterly basis, total final consumption decreased by 0.1%, gross fixed capital formation decreased by 6.1%, exports increased by 5.0% driven by a significant increase in services exports by 9.8% and imports increased by 0.4%.

Source: Reuters, Bloomberg, Eurobank Research

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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

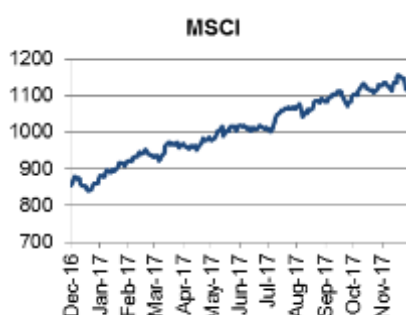
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

L-T ccy	Credit Ratings		
	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

Latest economic & market developments in the CESEE region

BULGARIA

On December 1st, both Fitch and S&P upgraded the long-term sovereign rating of Bulgaria by one notch in their respective ratings scale. More specifically, Fitch upgraded the long-term sovereign rating from BBB- to BBB with a stable outlook. At the same time, Standard and Poor's upgraded the long-term sovereign rating from BB+ to BBB- placing Bulgaria at the investment grade for the first time since December 2014.

According to S&P, the decision reflects primarily the solid improvement in external metrics, the expansion and diversification of the exports base and its' resilience to labor cost growth amid a rise in domestic savings. In turn, the risk of abrupt and material shifts in external financing flows-particularly in FDI investment- has reduced significantly. The solid external performance has strengthened the credit metrics and the economy is now more export driven and less leveraged than previously. At the same time, public financial management has been prudent in further support to the currency board regime. In the S&P view, the stable outlook balances the improved growth prospects and the track record of conservative fiscal policy-unlike many of its CESEE peers- against the potential re-emergence of political instability. The agency tied further positive rating action in the next 24 months upon a further reduction in the banking system's NPL (currently at around 12%) and a strengthening in fiscal performance beyond expectations. Alternatively, if Bulgaria was granted ERM2 access- even though the political hurdle to receive unanimous Euroarea members support is very high- that would further bolster the credibility of the current monetary framework by providing additional external buffers.

On the other hand, Fitch also focused its argumentation for the upgrade on the improvement of the external debt ratios which has led Bulgaria's external metric to outperform the majority of its BBB peers. Moreover, Fitch anticipates the net creditor external position to strengthen further in the medium term and stay above the median of the BBB peers underpinned by strong current account surpluses. The current account surpluses are expected to remain strong at 3.4% in 2017-19 supported by further gains in export competitiveness and diversifying export base. In addition, Fitch stressed that Bulgaria outperforms its peers, both in terms of the projected budget deficits driven by higher expenditure on pension, salaries, defense and social welfare and the general government debt to GDP ratio which will remain below 25% in 2017-2019. Risks are estimated as balanced and may stem from lower absorption of EU structural funds or slow credit growth. Risks stemming from the local banking sector's contingent liabilities have been reduced due to banks' ample capital buffers, high liquidity, stable deposits and moderate profits and mitigate the risks stemming from the high stock of legacy NPLs.

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December 5, 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	2639.44	-0.1%	17.9%	EUR/USD	1.1853	-0.1%	12.7%	UST - 10yr	2.38	1	-6	GOLD	1276	0.0%	10.7%
Nikkei 225	22622.38	-0.4%	18.4%	GBP/USD	1.3423	-0.4%	8.6%	Bund-10yr	0.33	-2	12	BRENT CRUDE	62	-0.3%	9.6%
STOXX 600	386.68	-0.2%	7.0%	USD/JPY	112.58	-0.2%	3.9%	JGB - 10yr	0.05	1	0	LME X	3206	-0.4%	20.5%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA				
Money Market				Money Market				Money Market				
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps	
T/N	2.52	0	-48	O/N	2.09	-5	153	LEONIA	0.01	0	1	
1-week	2.62	0	-55	1-month	2.18	-1	142	1-month	-0.24	1	-8	
1-month	2.82	0	-53	3-month	2.22	1	132	3-month	-0.17	0	-10	
3-month	3.09	0	-38	6-month	2.35	0	124	6-month	-0.05	0	-13	
6-month	3.23	0	-43	12-month	2.4	0	115	12-month	0.32	-1	-9	
RS Local Bonds				RO Local Bonds				BG Local Bonds				
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps	
3Y RSD	4.11	#N/A	N/A	3Y RON	3.45	0	193	3Y BGN	-0.28	1	-43	
5Y RSD	4.50	0	-85	5Y RON	3.78	0	136	5Y BGN	-0.05	2	-55	
7Y RSD	4.89	1	-74	10Y RON	4.48	0	101	10Y BGN	0.92	0	-99	
RS Eurobonds				RO Eurobonds				BG Eurobonds				
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
USD Feb-20	2.95	0	-126	EUR Oct-25	1.61	#N/A	N/A	-52	EUR Mar-22	0.00	-1	-87
USD Nov-24	6.03	-31	-23	USD Jan-24	3.01	0	-88	EUR Sep-24	0.01	-1	-167	
CDS				CDS				CDS				
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
5-year	120	-1	-88	5-year	96	0	-13	5-year	92	-1	-60	
10-year	162	-1	-93	10-year	150	0	-2	10-year	133	-1	-61	
STOCKS				STOCKS				STOCKS				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
BELEX15	743.1	-0.18%	3.59%	BET	7793.2	0.14%	10.00%	SOFIX	667.0	-0.39%	13.73%	
FOREX				FOREX				FOREX				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
EUR/RSD	119.46	-0.06%	3.35%	EUR/RON	4.631	0.02%	-1.99%	USD/BGN	1.65	-0.10%	12.63%	

BELEX15 Index		BET Index		SOFIX Index			
	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17		
	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17		
	Dec-16	Feb-17	Apr-17	Jun-17	Aug-17	Oct-17	Dec-17
	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17		
	Dec-16	Feb-17	Apr-17	Jun-17	Aug-17	Oct-17	Dec-17
	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17		

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