

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, December 06, 2017

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

GREECE: According to press reports, the staff level agreement between Greece and the institutions incorporates, among others, the privatisations that must take place in the energy sector. These are: 1) the sale of 17% of PPC, the sale of 65% of DEPA and the sale of 35% of Hellenic Petroleum. According to the Report on Operational Targets for Non-Performing Exposures of the Bank of Greece, at end-September 2017, the stock of NPEs decreased by 2.4% and 5.5% compared to end-June 2017 and end-December 2016 respectively and reached EUR100.4 billion or 44.6% of total exposures.

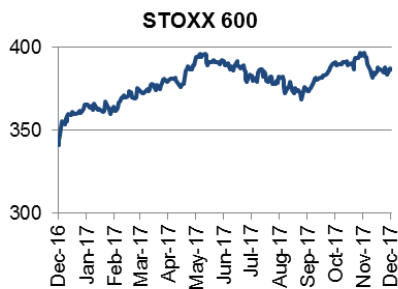
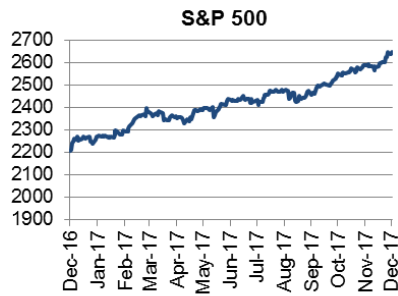
SOUTH EASTERN EUROPE

ROMANIA: The second estimate of the Statistical Service on the seasonally adjusted Q3-2017 GDP reading confirmed the extraordinary output performance suggested by the flash estimate release back in November.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments



GREECE

According to press reports, the staff level agreement between Greece and the institutions incorporates, among others, the privatisations that must take place in the energy sector. These are: 1) The sale of 17% of PPC. The tender is to be launched in June 2018 and the expected revenue will be in the area of EUR 100 million in 2018. 2) The sale of 65% of DEPA. The tender is to be launched in March 2018 and the expected revenue will be in the area of EUR250 million in 2018. 3) The sale of 35% of Hellenic Petroleum. The tender is to be launched in March 2018 and the expected revenue will be in the area of EUR500 million. At the same time it is expected that the privatisation of DESFA will proceed as planned with the submission of binding offers by the preferred investors in January 2018. According to the Report on Operational Targets for Non-Performing Exposures of the Bank of Greece, at end-September 2017, the stock of NPEs decreased by 2.4% and 5.5% compared to end-June 2017 and end-December 2016 respectively and reached EUR100.4 billion or 44.6% of total exposures. Since March 2016, when the stock of NPEs reached the peak, the reduction is 7.6% or EUR8.2billion. The quarterly default rate decreased for the first time in 2017 reaching 2% but still exceeding the cure rate, constituting write-offs the main tool for NPE reduction.

andimitriadou@eurobank.gr

Source: Reuters, Bloomberg, Eurobank Research

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

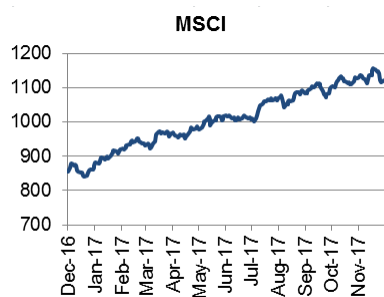
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Latest economic & market developments in the CESEE region

ROMANIA

The second estimate of the Statistical Service on the seasonally adjusted Q3-2017 GDP reading confirmed the extraordinary output performance suggested by the flash estimate release back in November. According to the second estimate release, real GDP on an unadjusted basis expanded by 8.8% YoY in Q3-2017 bringing the year to date performance at 7.0%. On a seasonally adjusted basis, growth skyrocketed to 2.6% MoM/8.6% YoY in Q3-2017 – above analyst call for +1.1% QoQ/+6.2% YoY – compared to +2.0% QoQ/ +6.1% YoY in Q2-2017 and +2.0% QoQ/+5.8% YoY in Q1-2017, up from +0.3% QoQ/+4.3% YoY in Q3-2016. The decomposition of GDP data confirmed once again what is now common knowledge for everyone that growth was once again domestic demand-driven. On a quarterly basis, private consumption bringing 2.3ppts out of the 2.6% rate, with investments adding just 0.3ppts, and net exports subtracting 0.3ppts. On an annual basis, the annual rate of 8.8% was the combined outcome of a 7.9ppts hefty contribution from private consumption, 2.4ppts from investments while net exports and inventories subtracted 1.2ppts and 0.7ppts respectively.

Overall, given the confirmed estimate of GDP growth in Q3, Romania is expected to have expanded no less than 7% YoY in FY2017, up from 4.8% YoY in 2016 outperforming regional peers for a fourth consecutive year and surpassing the most optimistic forecasts. Growth is largely driven by private consumption, financed by an overly expansionary fiscal policy, and leading to a revival of macroeconomic imbalances. Hence, the economy is driven close to, if not above, its potential growth rate at the expense of pushing government finances off consolidation track and deteriorating the external position (CAD17e: -3% of GDP).

In turn, the latter has made us very concerned that this growth rally is not sustainable in the medium term for a number of reasons. First of all, the government has pledged to maintain the fiscal deficit in check and in line with EU rules. For that to happen, the PSD led government – after the parliamentary elections of last December – will most probably need to adopt a more conservative stance in order to maintain the projected fiscal deficit below 3% (assuming no policy change the deficit is expected to surpass the threshold in 2018 from a projected fiscal outcome on the edge if not slightly above of 3% in 2017), which will have a material decelerating impact on the economy next year. Secondly, the NBR has already started tightening – and is about to tighten more next year – even though this has not been reflected yet in the KPR which currently stands at 1.75%. NBR narrowed the interest rates corridor further in November in line with market expectations and is about to start delivering hikes as of Q2-2018. On top, the rhetoric change has increased market pressure on the local currency, that will start having a negative wealth effect impact on consumption and assets in the coming months given that the economy is less Euroized than in the past.

lgkionis@eurobank.gr

December 6, 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	2646.96	0.3%	18.2%	EUR/USD	1.1812	-0.5%	12.3%	UST - 10yr	2.37	0	-7	GOLD	1262	-1.1%	9.5%
Nikkei 225	22622.38	-0.4%	18.4%	GBP/USD	1.3453	-0.2%	8.9%	Bund-10yr	0.32	-2	12	BRENT CRUDE	63	0.2%	10.1%
STOXX 600	386.77	-0.2%	7.0%	USD/JPY	112.84	-0.4%	3.7%	JGB - 10yr	0.05	1	0	LMEX	3206	-0.4%	20.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	0	-48
1-week	2.62	0	-55
1-month	2.81	-1	-54
3-month	3.07	-2	-40
6-month	3.23	0	-43

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.11	#N/A N/A	-94
5Y RSD	4.51	0	-85
7Y RSD	4.88	0	-75

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.96	1	-125
USD Nov-24	6.03	-31	-23

CDS

	Last	ΔDbps	ΔYTD bps
5-year	120	-1	-88
10-year	162	-4	-93

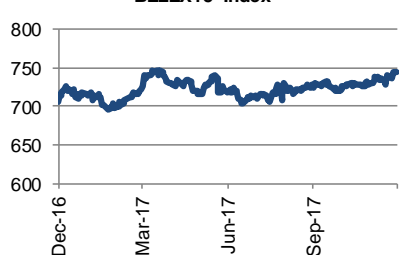
STOCKS

	Last	ΔD	ΔYTD
BELEX15	742.4	-0.28%	3.48%

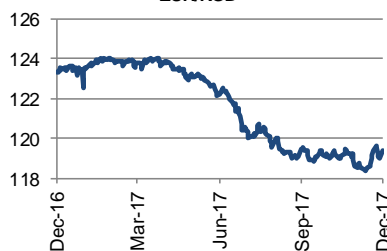
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.30	0.08%	3.49%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.09	-5	153
1-month	2.18	-1	142
3-month	2.22	1	132
6-month	2.35	0	124
12-month	2.4	0	115

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.45	0	193
5Y RON	3.78	0	136
10Y RON	4.48	0	101

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.61	#N/A N/A	-52
USD Jan-24	3.00	-1	-89

CDS

	Last	ΔDbps	ΔYTD bps
5-year	96	0	-13
10-year	150	0	-2

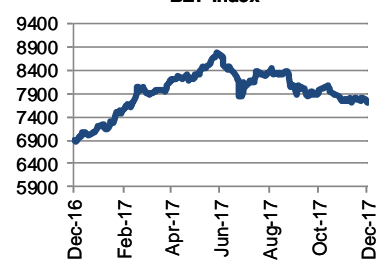
STOCKS

	Last	ΔD	ΔYTD
BET	7720.2	-0.80%	8.96%

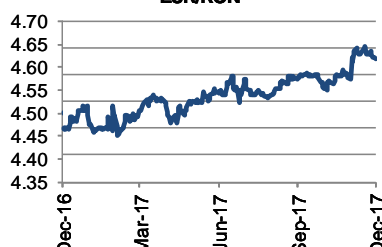
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6306	0.03%	-1.98%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.24	1	-8
3-month	-0.17	0	-10
6-month	-0.05	0	-13
12-month	0.32	-1	-9

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.29	1	-44
5Y BGN	-0.07	0	-58
10Y BGN	0.91	0	-99

BG Eurobonds

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

CDS

	Last	ΔDbps	ΔYTD bps
5-year	92	-1	-60
10-year	133	-1	-61

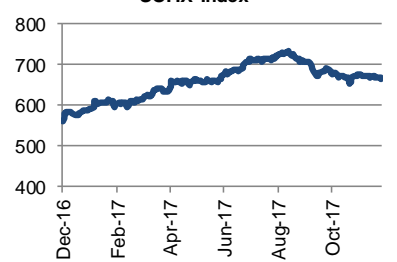
STOCKS

	Last	ΔD	ΔYTD
SOFIX	668.2	-0.20%	13.94%

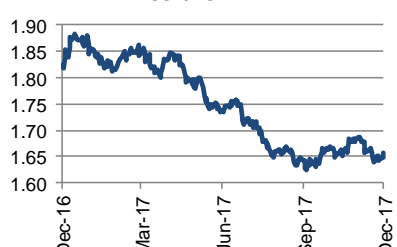
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6556	-0.44%	12.25%

SOFIX Index



USD/BGN



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

Data updated as of 5 December 2017, 19:00 EST

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatiou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatiou@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokrousos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankEA_FMR@eurobank.gr

Eurobank Economic Analysis and Financial Markets
Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at

Follow us on twitter: https://twitter.com/Eurobank_Group

