

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Dec 17: Empire State Index (Dec)
- Dec 18: Housing starts & building permits (Nov)
- Dec 19:
 - Existing home sales (Nov)
 - Fed interest rate decision
- Dec 20
 - Initial jobless claims (16/12)
 - Philly Fed index
- Dec 21:
 - Personal income & spending (Nov)
 - Durable goods orders
 - University of Michigan consumer sentiment (Dec, final)

EUROZONE

- Dec 17: CPI (Nov, final)
- Dec 18: German Ifo business climate
- Dec 21: German GfK consumer confidence (Jan)

UK

- Dec 19: CPI (Nov)
- Dec 20: BoE interest rate decision
- Dec 21: GDP (Q3, final)

GREECE

- Dec 21: Current account balance (Oct)

SEE

BULGARIA

- Dec 18: Current account balance (Oct)

CYPRUS

- Dec 20: CPI (Nov)

SERBIA

- Dec 20: Current account balance (Oct)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: All eyes are on the two-day FOMC monetary policy meeting which concludes later today with investors assigning a c. 70% probability for a further 25bps hike in the target rate to a range of 2.25%-2.50%. However, rising signs of slowing growth in a number of the world's big economies and US equity markets' recent hefty losses support the view that the Fed is likely to take a pause in its rate tightening cycle earlier than previously thought. Awaiting the Fed's verdict, the DXY index remained under pressure for the third session in a row. Favored by the USD's broad-based weakness, the EUR/USD marked a session peak of 1.1400 earlier today while the Italian government's decision to seek a last-minute compromise with the European Commission on the 2019 draft budget, also had a positive impact. The formal decision by the European Commission on whether it will formally open an Excessive Deficit Procedure against Italy will be made at its meeting today.

GREECE: The 2019 Budget was approved yesterday by the 300-seat Hellenic Parliament with 154 votes in favour and 143 against. The budget foresees GDP growth of +2.1% for 2018 and +2.5% for 2019 while the 2018 primary surplus in EPPS terms is expected to reach 3.98% of GDP in 2018 against the target of 3.5%. In other news, the Greek government is considering extending the household insolvency law 3869/2010, which expires on 31 December 2018, by two months until it agrees with banks and the institutions the successor legal framework.

SOUTH EASTERN EUROPE

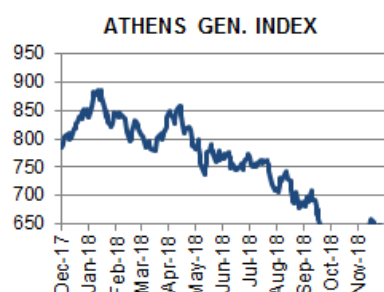
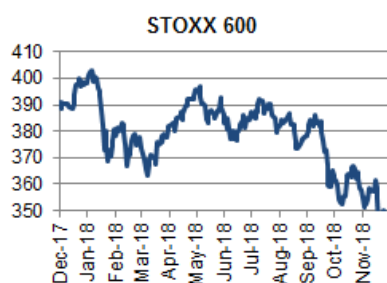
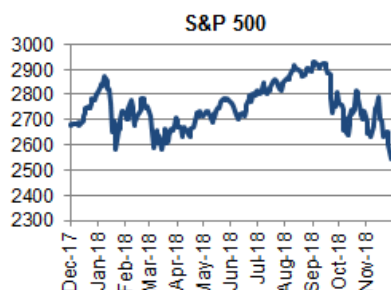
SERBIA: The fifth meeting of the Stabilisation and Association (SA) Council between the EU and Serbia took place yesterday. During the SA Council discussion, Serbia's progress in its preparation for accession was reviewed while the SA Council outlined its commitment to Serbia's European perspective, welcomed the overall progress achieved and urged Serbia to intensify required reform efforts towards EU accession.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

All eyes are on the two-day FOMC monetary policy meeting, which concludes later today, with investors assigning a c. 70% probability for a further 25bps hike in the target rate to a range of 2.25%-2.50%. The updated Summary of Economic Projections is expected to be little changed continuing to point to sustained expansion of economic activity, improving labor market conditions and inflation near the Committee's 2.0% medium-term target. However, rising signs of slowing growth in a number of the world's big economies and US equity markets' recent hefty losses support the view that the Fed is likely to take a pause in its rate tightening cycle earlier than previously thought. Awaiting the Fed's verdict, the DXY index remained under pressure for the third session in a row hovering around a one-week low of 96.843 at the time of writing in early European trade, 0.3% weaker on the day and 0.6% lower compared to Friday's 19-month closing high.

Favored by the USD's broad-based weakness, the EUR/USD marked a session peak of 1.1400 earlier today while the Italian government's decision to seek a last-minute compromise with the European Commission on the 2019 draft budget, also had a positive impact. The government committed to implementing structural cuts to public spending in order to lower the 2019 budget deficit target to 2.04% from 2.4% initially proposed and to generate privatisation revenues worth around 1% of GDP so as to secure a reduction of public debt. The formal decision by the European Commission on whether it will formally open an Excessive Deficit Procedure against Italy will be made at its meeting today. Yesterday's data from Germany showing that the IFO business climate index unexpectedly dropped in December for the fourth month in a row on the back of a struggling auto industry, weaker global trade and increased Brexit uncertainty, were finally shrugged off. The GBP also moved further away from Tuesday's 20 month low of 1.2487 against the USD hovering around 1.2665/70 at the time of writing on the view that, even though Brexit uncertainty may extend beyond the March 2019 Article 50 deadline, a no-deal Brexit scenario could be avoided. Meanwhile, core government bonds retained a firm tone with the 10-yr UST yield falling to a four-month low of 2.80% and taking the spread against its German counterpart to a near three month trough of around 265bps.

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GREECE

The 2019 Budget was approved yesterday by the 300-seat Hellenic Parliament with 154 votes in favour and 143 against. The budget foresees GDP growth of +2.1% for 2018 and +2.5% for 2019. In other news, the Greek government is considering extending the household insolvency law 3869/2010, which expires on 31 December 2018, by two months until it agrees with banks and the institutions the successor legal framework. The Ministry of the Economy is reportedly planning to prepare its proposal by mid-January and discuss it with the institutions during their next visit to Athens, towards the end of January. The government places particular importance to protecting the first residence of debtors but banks would prefer a lower threshold for the value of the residence that is eligible for protection whereas the institutions are reportedly favouring the altogether abolishment of any protection.

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Latest economic & market developments in the CESEE region

SERBIA

The fifth meeting of the Stabilisation and Association (SA) Council between the EU and Serbia took place yesterday.

According to a joint press statement following the conclusion of the meeting, Serbia's progress in its preparation for accession was reviewed and priorities for further work within the framework of the Stabilisation and Association Agreement were assessed. The SA council outlined its commitment to Serbia's European perspective and welcomed the overall progress achieved on behalf of the Serbian authorities towards EU membership. The total number of chapters opened has reached sixteen, two of which have provisionally closed. The SA Council urged Serbia to intensify reform efforts and to deliver sizeable results. Towards that direction, Serbia, timely, has entered in past July into a 30month policy coordination instrument (PCI), having successfully completed a 36month €1.2bn IMF precautionary Stand By Agreement (SBA) in February 2018. Serbia's accession into the PCI signals the country's commitment to reforms and provides a policy anchor going forward.

Moreover, Serbia, yesterday, stepped into a second scheduled early redemption within 2018 of government bonds denominated in RSD and 3 year maturity. The offered redemption volume was RSD 10bn while the volume of submitted bids at the auction reached RSD 16.5bn. The bonds carried a 6% annual coupon rate but were redeemed at a discount rate of 3%. Earlier, in November, Serbia stepped into an earlier redemption of 3-year government bonds maturing on 22 February of 2019 totaling RSD 10bn. The aforementioned redemptions, which are realized on the back of a budget surplus of ca 1.5% of GDP achieved throughout 2018 until Q3, are anchored with Serbia's medium term fiscal strategy which aims at bringing public debt below 50% of GDP by 2021.

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BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

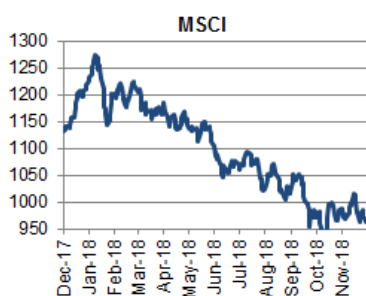
* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

* ESA 2010

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	BBB-	BBB
CYPRUS	Ba2	BBB-	BB+

Wednesday 19 December

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	2546.16	0.0%	-4.8%	EUR/USD	1.1404	0.4%	-5.0%	UST - 10yr	2.82	0	41	GOLD	1250	0.1%	-4.1%
Nikkei 225	20987.92	-0.6%	-7.8%	GBP/USD	1.2676	0.3%	-6.2%	Bund-10yr	0.25	1	-18	BRENT CRUDE	57	0.4%	-15.5%
STOXX 600	340.46	-0.8%	-12.5%	USD/JPY	112.4	0.1%	0.3%	JGB - 10yr	0.04	1	-1	LMEX	2829	-1.6%	-17.3%

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.41	1	-11
1-week	2.54	3	-7
1-month	2.71	2	-14
3-month	3.05	0	-7
6-month	3.18	0	-6

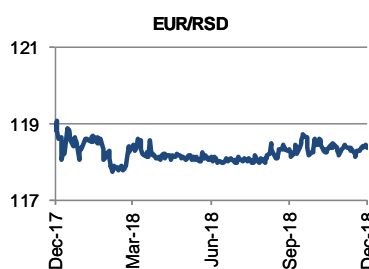
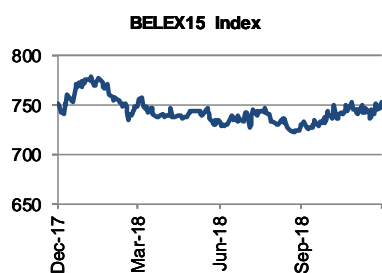
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	3.06	-1	-122
5Y RSD	3.48	0	-82
7Y RSD	4.17	0	-101

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Feb-20	4.04	0	104

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-7
10-year	153	0	-9

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	753.7	0.90%	-0.81%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	118.42	0.03%	0.41%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.67	0	58
1-month	2.72	0	85
3-month	3.04	0	99
6-month	3.34	0	107
12-month	3.52	0	120

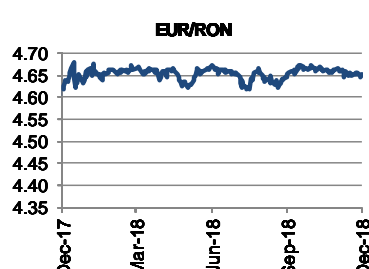
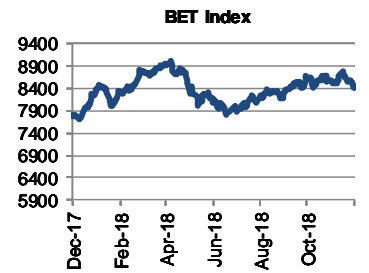
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	3.79	0	40
5Y RON	4.13	0	35
10Y RON	4.71	0	40

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	0	-2
USD Jan-24	4.23	2	123

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	105	0	15
10-year	149	0	15

STOCKS			
	Last	ΔD	ΔYTD
BET	8419.2	-1.24%	8.58%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.6528	-0.17%	0.26%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	8	3
3-month	-0.14	9	4
6-month	-0.02	10	3
12-month	0.36	14	4

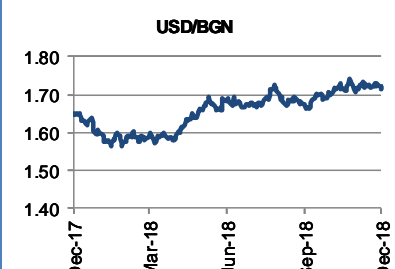
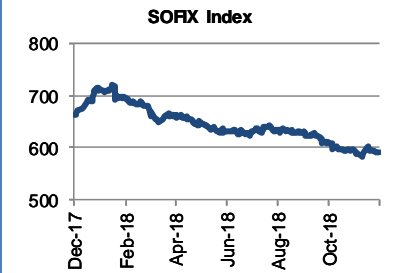
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.05	-1	2
5Y BGN	0.09	0	-5
10Y BGN	0.75	0	-22

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.03	0	7
EUR Sep-24	0.53	0	-4

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	80	0	-17
10-year	128	0	-14

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	592.1	0.15%	-12.60%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.7153	0.38%	-5.01%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 9:20 EEST

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