

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Nov 29
 - GDP (Q2 2016, 2nd est)
 - Case Shiller index (Sep)
 - Cons. confidence (Nov)
- Nov 30
 - ADP employment (Nov)
 - Personal income/ spending (Oct)
 - Core PCE deflator
 - Chicago PMI (Nov)
 - Pending home sales (Oct)
- Dec 1
 - Jobless claims (weekly)
 - ISM manufacturing (Nov)
- Dec 2
 - Non-farm payrolls (Nov)
 - U/E rate (Nov)

EUROZONE

- Nov 28: ECB's Draghi speaks
- Nov 29: ESI (Nov)
- Nov 30
 - HICP headline & core (Nov, flash)
 - ECB' Draghi speaks
- December 1
 - PMI manuf. (Nov, f)
 - U/E rate (Oct)
- December 4: Italy referendum

GREECE

- Nov 28: Euroworking Group
- Nov 29: GDP (Q3, prov.)
- Nov 30: Retail sales (Sep)

CYPRUS

- Dec 1: CPI (Nov)

SEE

BULGARIA

- Dec 2: Sovereign credit reviews by S&P and Fitch

ROMANIA

- Nov 29: ILO u/e rate (Oct)
- Dec 1: National Holiday
- Dec 2
 - Moody's sovereign review
 - Intern/I reserves (Nov)

SERBIA

- Nov 30
 - Trade balance (Oct)
 - Retail sales (Oct)
 - IP (Oct)
 - GDP (Q3, f)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Oil prices retained a firm tone supported by the OPEC agreement earlier this week to cut supply by 1.2mn bbl/d to the new official target of 32.5mn bbl/d as of January 2017, Against this background, major government bond markets remained under pressure while the USD was modestly weaker on profit taking following post-US presidential election hefty gains. Market focus today is on the US November non-farm payrolls report.

GREECE: During a news conference, European Commissioner Pierre Moscovici expressed confidence that a staff level agreement on the conditionality underlying the 2nd programme review is within reach adding that this would allow euro area finance ministers to start discussions also on "medium-term" debt relief measures for Greece at next week's Eurogroup meeting. A bill incorporating the required legal framework for the adoption of a number of provisions removing certain tax exemptions, purportedly as a means for covering a projected FY-2018 fiscal shortfall, is reportedly expected to be submitted to parliament in the coming days. The seasonally adjusted Markit Greece Manufacturing Purchasing Managers' Index (PMI) fell to a one-year low of 48.3 in November from October's 48.6.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets were broadly mixed earlier on Friday ahead of the release of the US non-farm payrolls report due later today. Investor caution also prevailed ahead of the Italian referendum on Sunday.

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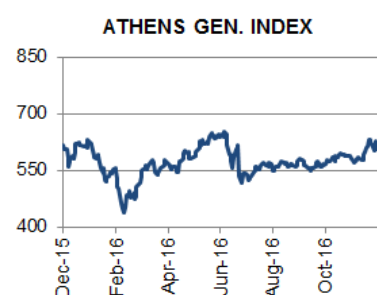
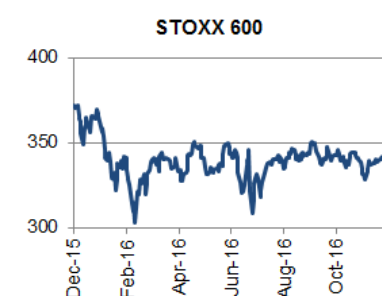
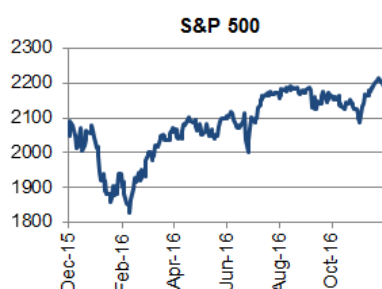
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Latest world economic & market developments

GLOBAL MARKETS

Oil prices retained a firm tone supported by the OPEC agreement earlier this week to cut supply by 1.2mn bbl/d to the new official target of 32.5mn bbl/d as of January 2017 in an effort to contain supply glut and boost prices. Brent crude oil was hovering around a one-year peak of \$53.60/br in European trade on Friday, marking cumulative gains of c. 24% from multi-week lows recorded in mid-November. Against this background, major government bond markets remained under pressure for the second session in a row with the long end underperforming amid increased inflation expectations. Market focus today is on the US November non-farm payrolls report and consensus is for a solid increase of 180k in the headline from 161k in the prior month. Yet, with fed funds futures pricing in almost fully a 25bps Fed rate hike later this month and rate tightening pricing for next year mainly reflective of fiscal policy expectations, payrolls data in line with or modestly weaker than consensus is unlikely to exert a significant market impact. In FX markets, the USD was under modest pressure on profit taking following post-US presidential election hefty gains. Favored by the USD's modest weakness, the EUR/USD improved to levels around 1.0650/55 in European trade after testing levels close to 1.0580 at some point in the prior sessions. Yet, cautiousness prevails ahead of Sunday's constitutional referendum in Italy and the re-run of the presidential election in Austria.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

During a news conference, European Commissioner Pierre Moscovici expressed confidence that a staff level agreement on the conditionality underlying the 2nd programme review is within reach adding that this would allow euro area finance ministers to start discussions also on "medium-term" debt relief measures for Greece at next week's Eurogroup meeting. In an effort to speed up the procedure towards the timely fulfilment of the conditionality underlying the 2nd programme review, the Greek government has secured approval by the Hellenic Parliament of two bills incorporating the required legislation for the implementation of a few prior actions including the mobility of public servants and the simplification of licensing processes. An additional bill incorporating the required legal framework for the adoption of a number of provisions removing certain tax exemptions, purportedly as a means for covering a projected FY-2018 fiscal shortfall, is reportedly expected to be submitted to parliament in the coming days. On the data front, the seasonally adjusted Markit Greece Manufacturing Purchasing Managers' Index (PMI) fell to a one-year low of 48.3 in November from October's 48.6. Adding to the gloomy note of the November PMI headline, the breakdown of the survey showed that production declined for the third successive month by the sharpest pace since July, new export business marked the sharpest drop for one year, backlogs of work deteriorated again and staffing levels in the sector edged closer to stagnation. Greek sovereign bonds retained a firm tone over the last few sessions amid increased market optimism over a timely conclusion of the 2nd programme review while recent news that the ESM will present at the December 5th Eurogroup short-term debt relief measures for Greece, also favored the bullish momentum. After breaking a number of technically important levels over the last few sessions, the 10-yr GGB yield hit a fresh two-year low near 6.4% in European trade earlier today, marking a cumulative yield decline of 188bps relative to end-2015 following a year-to-date peak of 11.8% in mid-February.

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December 2, 2016

BULGARIA: Indicators	2014	2015	2016f
Real GDP growth %	1.6	3.0	2.6
CPI (pa, yoy %)	-1.4	-0.1	-0.5
Budget Balance/GDP*	-3.7	-2.9	-2.0
Current Account/GDP	0.9	1.4	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015	2016f
Real GDP growth %	-2.5	1.6	2.5
HICP (pa, yoy %)	-0.3	-1.5	-0.7
Budget Balance/GDP*	-0.2	0.0	-0.4
Current Account/GDP	-4.6	-3.6	-4.2

* ESA 2010

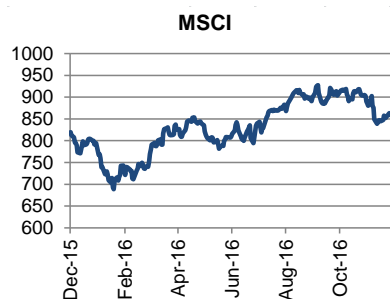
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015	2016f
Real GDP growth %	2.9	3.8	4.2
CPI (pa, yoy %)	1.1	-0.6	-1.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.1	-3.0
EUR/RON (eop)	4.48	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-4.1	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets were broadly mixed earlier on Friday ahead of the release of the US non-farm payrolls report due later today. Investor caution also prevailed ahead of the Italian referendum on Sunday. The key US labour market data release today is expected to be closely scrutinized by market participants ahead of the upcoming Fed meeting on December 13-14, where the market's median forecast is for a 25bps rate hike in interest rates. Expectations for a more aggressive, than earlier expected, Fed rate tightening path have weighed on developing countries' assets over recent weeks by denting their high-yield allure. This upward shift in market consensus over the Fed's future monetary policy deliberations has been largely the result of the US Presidential elections outcome, as president-elect Donald Trump's fiscal loosening plans are anticipated to fan inflation pressures. Adding to the latter view, the OPEC agreement, sealed earlier this week, for a curb on oil production, is anticipated to push oil prices higher further and consequently exacerbate inflation pressures globally.

Against this backdrop, the broad MSCI Emerging Markets index stood in the red (-0.9%) in Asian trade, marking the second day of declines over the last three and being poised to mark its worst performance in three weeks. A retreat in oil prices on profit taking, in the wake of hefty gains amassed earlier in the week, weighed additionally on related equity today. Bourses in the CESEE region seemed to fare better, with most main indices standing in the black in early European trade. Romania's BETI led the way higher with a ca 1% rise, while Hungary's BUX underperformed with a 0.7% drop.

Elsewhere, regional currencies were little changed and government bonds were mixed earlier on Friday. In the FX markets, the Turkish lira hit a new record low today at 3.5180/USD weighed further down by idiosyncratic factors, such as persisting domestic political and macroeconomic worries. Prime Minister Binali Yildirim announced yesterday that his ruling AK Party is planning to present next week to parliament a proposal over a constitutional overhaul that includes plans for an executive presidency. He added that a referendum on the said reform could be possibly held at the start of the summer 2017. From a macroeconomic perspective, a spike in oil prices following the OPEC agreement is likely to translate for Turkey as higher external vulnerabilities and augment inflation pressures on the perception that the country is a net oil importer. Moreover, domestic economic activity is poised for a slowdown this year, primarily on the back of deterioration in investor and consumer confidence following the July coup and ensuing emergency rule, persisting geopolitical tensions with Syria and Iraq as well as domestic political uncertainty prevailing ahead of the expected referendum on constitutional changes. For 2016 real GDP growth is anticipated to come in below 3.0% and undershoot earlier official forecasts of 3.2%. Adding to recent signs of an economic slowdown, the Markit PMI manufacturing data released yesterday showed that the contraction in the sector deepened in November, with the index falling to 48.8 from 49.8 a month earlier, sliding further below the 50-boom-or-bust threshold. Moody's is due to review today Turkey's credit rating (Ba1), however, a change is unlikely after the agency's downgrade of Turkey's rating to junk in September. Also on today's CESEE calendar, S&P reviews Poland's credit rating (BBB+), Moody's Romania's (Baa3) and S&P and Fitch Bulgaria's ((BB+, BBB-, respectively).

December 2, 2016

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	2191.08	-0.4%	7.2%	EUR/USD	1.0646	-0.2%	-1.9%	UST - 10yr	2.43	-2	16	GOLD	1172	0.0%	10.4%
Nikkei 225	18426.08	-0.5%	-3.2%	GBP/USD	1.2615	0.2%	-14.4%	Bund-10yr	0.33	-4	-30	BRENT CRUDE	53	-0.9%	43.4%
STOXX 600	337.00	-1.1%	-7.9%	USD/JPY	113.86	0.2%	5.4%	JGB - 10yr	0.04	1	-23	LMEX	2787	-0.5%	26.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	295	-6	-8
1-week	3.09	-6	-10
1-month	3.28	-3	-23
3-month	3.45	0	-38
6-month	3.64	1	-39

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	0	-35
5Y RSD	5.68	0	-143
7Y RSD	5.73	0	-5

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.53	1	-64
USD Nov-24	6.45	3	4

CDS

	Last	ΔDbps	ΔYTD bps
5-year	208	0	-67
10-year	254	0	-85

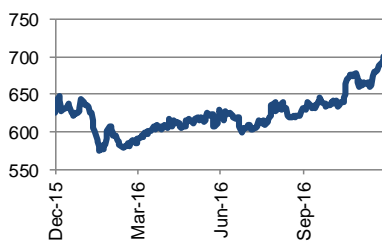
STOCKS

	Last	ΔD	ΔYTD
BELEX15	701.3	0.01%	8.89%

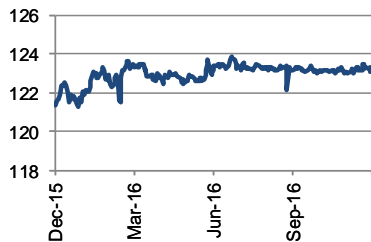
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.19	-0.08%	-1.30%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.53	#VALUE!	0
1-month	0.64	#VALUE!	-5
3-month	0.79	#VALUE!	-23
6-month	1.04	#VALUE!	-30
12-month	1.15	#VALUE!	-37

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.51	0	-42
5Y RON	2.40	4	-40
10Y RON	3.48	8	-30

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.33	6	-24
USD Jan-24	3.90	-3	12

CDS

	Last	ΔDbps	ΔYTD bps
5-year	115	1	-18
10-year	160	2	-12

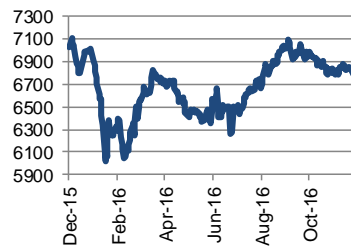
STOCKS

	Last	ΔD	ΔYTD
BET	6910.5	1.12%	-1.34%

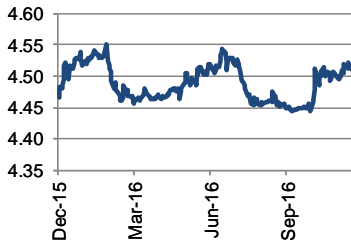
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5122	0.01%	0.04%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.21	9	-22
1-month	-0.17	-1	-32
3-month	-0.07	-1	-33
6-month	0.08	0	-45
12-month	0.40	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.24	1	-37
5Y BGN	0.65	-1	-63
10Y BGN	2.01	0	-64

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.13	0	6
EUR Sep-24	1.92	-45	-50

CDS

	Last	ΔDbps	ΔYTD bps
5-year	151	1	-21
10-year	188	1	-28

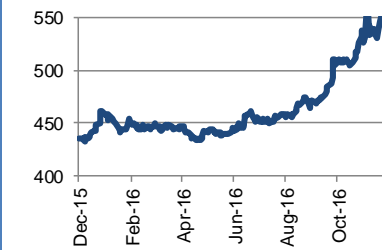
STOCKS

	Last	ΔD	ΔYTD
SOFIX	563.6	0.04%	22.29%

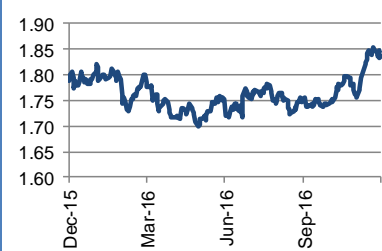
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8373	-0.14%	-2.01%

SOFIX Index



USD/BGN



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

Data updated as of 12:30 EET

December 2, 2016

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