

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Dec 5: ISM non-manuf (Nov)
- Dec 6
 - Durable goods (Oct, f)
 - Factory orders (Oct)
 - Trade balance (Oct)
- Dec 8: Jobless claims (weekly)
- Dec 9: UoM consumer sentiment (Dec, p)

EUROZONE

- Dec 5: PMI services (Nov, f)
- Dec 6
 - GDP (Q3, f)
 - DE: industrial orders (Oct)
- Dec 8: ECB policy meeting

GREECE

- Dec 5: Eurogroup
- Dec 8
 - Labour force survey (Sep)
 - Commercial transactions (Oct, p)
- Dec 9
 - HICP (Nov)
 - Industrial production (Oct)

CYPRUS

- Dec 6: HICP (Nov)
- Dec 9: GDP (Q3, f)

SEE

BULGARIA

- Dec 6: GDP (Q3, f)
- Dec 8
 - Retail sales (Oct)
 - Industrial production (Oct)

ROMANIA

- Dec 5
 - Retail sales (Oct)
 - 3.5% 2022 T-Bonds auction
- Dec 6: GDP (Q3, p)
- Dec 8: 2.25% 2020 T-Bonds auction
- Dec 9: Net wages (Oct)

SERBIA

- Dec 6
 - EUR 1% 2018 T-Bonds auction
 - EUR 2% 2019 T-Bonds auction
- Dec 8: MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: With a turnout close to 70%, Italian voters rejected on Sunday constitutional reforms proposed by the government by a wide margin, 59.1% to 40.9%. Taking full responsibility for the "extraordinary clear defeat", PM Matteo Renzi announced his decision to meet today President Sergio Mattarella to hand in his resignation. Market reaction to the referendum outcome has proved muted so far on the view that though Italian voters rejected the reforms and Matteo Renzi resigns, early elections in the near future are not a given.

GREECE: The Eurogroup is scheduled to convene later today to take stock of the progress made so far towards successful conclusion of Greece's 2nd programme review. In addition, the ESM is expected to submit short-term debt relief measures that could start being implemented immediately, as per the relevant decisions taken at the May 24th Eurogroup, subject to the political approval of the euro zone finance ministers, upon completion of the 2nd programme review. According to some press reports, a staff level agreement between the Greek government and official creditors seems to be within reach following deliberations over the weekend. However, some issues are still pending and it remains unclear whether today's Eurogroup will reach a political agreement in principal on the conditionality underlying the 2nd review.

SOUTH EASTERN EUROPE

BULGARIA: The domestic stock market extended its recent gains last week mostly thanks to positive Q3 corporate earning reports. Meanwhile, both the local and Eurobond markets ended little changed last week as investors stayed on the sidelines amid increased domestic political uncertainty.

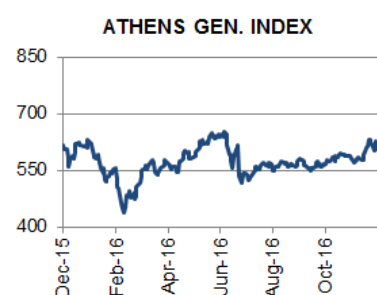
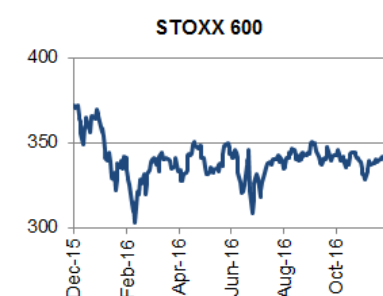
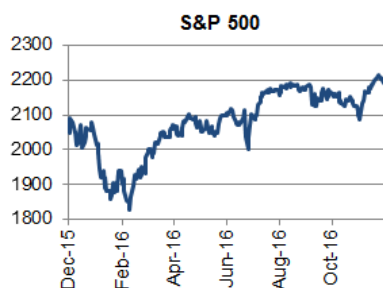
SERBIA: The EUR/RSD remained bound within a very tight range of 123.00-123.30 last week. In other news, the government adopted the 2017 budget draft, which envisions a deficit of 1.7% of GDP.

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

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

With a turnout close to 70%, Italian voters rejected on Sunday constitutional reforms proposed by the government by a wide margin, 59.1% to 40.9%. Taking full responsibility for the “extraordinary clear defeat”, Prime Minister Matteo Renzi announced his decision to meet today President Sergio Mattarella to hand in his resignation. Italy’s President is expected to subsequently begin a round a consultations to form a transition government whose main task would be reforming the voting system and leading the country to snap elections, probably by Q3-end 2017. In a knee-jerk reaction to the Italian referendum outcome, the EUR/USD dropped to a 20-month through of 1.0508 before bouncing to levels around 1.0635/40 in European trade at the time of writing on the view that though Italian voters rejected the reforms and Matteo Renzi resigns, early elections in the near future are not a given. In more detail, the majority of market participants seem to share the view that an interim government supported by a broad alliance will most probably secure the support of parliament in a vote of confidence in the coming sessions. Reflecting the aforementioned prevailing view, Italian bond market’s reaction to the referendum outcome was eventually muted. After hitting a session high of 2.05% earlier today, the 10-yr Italian bond yield moved lower hovering slightly below 2.0% at the time of writing, not far from a multi-session through of 1.89% marked in the prior session and below a multi-week high of 2.230% hit nearly a couple of weeks earlier on recent press reports suggesting that the ECB is ready to temporarily step up purchases of Italian government bonds if the result of the referendum outcome sharply drives up Italy’s borrowing costs. Looking at the week ahead, focus is on the EBC meeting on Thursday where the Central Bank is widely expected to extend the duration of the QE programme beyond March 2017 and proceed with changes in certain programme parameters to address the bond scarcity issue.

GREECE

The Eurogroup is scheduled to convene later today to take stock of the progress made so far towards successful conclusion of Greece’s 2nd programme review. In addition, the ESM is expected to submit short-term debt relief measures that could start being implemented immediately, as per the relevant decisions taken at the May 24th Eurogroup, subject to the political approval of the euro zone finance ministers, upon completion of the 2nd programme review. According to some press reports, a staff level agreement between the Greek government and official creditors seems to be within reach following deliberations over the weekend. However, some issues are still pending and it remains unclear whether today’s Eurogroup will reach a political agreement in principal on the conditionality underlying the 2nd review. According to some press reports, the main sticking point appears to be the IMF’s request for upfront specification of additional critical reforms to secure fulfilment of the 3.5%-of-GDP primary fiscal target over the period 2019-2020, as part of the Medium Term Fiscal Strategy (MTFS) for 2017-2020. However, as has been emphasized by a number of high level Greek government officials over the last few weeks, including Prime Minister Alexis Tsipras, the government opposes strongly new austerity measures as a means of addressing any projected fiscal shortfall, especially for the period after the expiration of the current bailout program. In case there is no agreement today, the ECB/IMF/ESM/EC mission heads are likely to return to Athens to resume official discussions with the Greek government and an extraordinary Eurogroup is likely to follow before the Christmas recess, potentially between December 19-20, to ratify the conclusion of the second program review.

ppetropoulou@eurobank.gr

December 5, 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

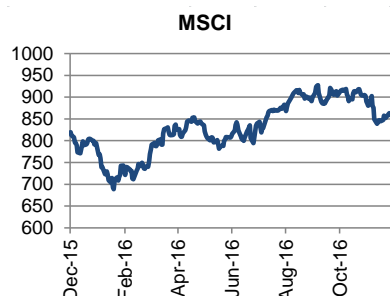
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

The domestic stock market extended its recent gains last week thanks to positive Q3 corporate earning reports, despite trade volumes returning below average levels. In more detail, the main SOFIX index added approximately 1.5% on a weekly basis, having reached a new 2 ½ year high just above 565 points intraday on Thursday. Meanwhile, both the local and Eurobond markets ended little changed last week as investors stayed on the sidelines amid increased domestic political uncertainty instigated after the November Presidential elections, which saw main opposition Socialist party's candidate Rumen Radev winning the ballot in a development that led to the resignation of the GERB-led government. Along these lines, the corresponding yield curves saw a small adjustment to the upside for the former and to the downside for the latter.

VBoteva@postbank.bg

SERBIA

The EUR/RSD held above the psychologically important level of 123.00 last week, with lack of market-moving flows largely containing volatility. Last week's trading range proved very narrow, with potential NBS action aimed at mitigating significant FX fluctuations holding the pair well supported at 123.00. With the gap between emerging market and US bonds currently shrinking, probability of EUR/RSD correction in the coming sessions grows larger. On the other side, an encouraging budget bill of 2017 that government adopted last week provides a significant cushion to potential dinar weakening. According to the draft budget, the planned 2017 fiscal deficit is penciled in at RSD 69.1bn, RSD 52bn lower than the prior year's planned shortfall. In terms of GDP, Serbia aims to achieve a general government deficit of 1.7%, below this year's expected 2.1%. Additionally, the government plans to raise borrowing costs from RSD 450bn (in 2016) to RSD 583.5bn, out of which RSD 124.5bn (ca 1bn EUR) will be raised through Eurobonds.

Zoran.Korac@eurobank.rs

December 5, 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	2191.95	0.0%	7.2%	EUR/USD	1.0653	-0.1%	-1.9%	UST - 10yr	2.40	2	13	GOLD	1166	-1.0%	9.8%
Nikkei 225	18274.99	-0.8%	-4.0%	GBP/USD	1.2731	0.1%	-13.6%	Bund-10yr	0.31	3	-32	BRENT CRUDE	55	0.7%	47.1%
STOXX 600	343.37	1.2%	-6.1%	USD/JPY	114.06	-0.5%	5.3%	JGB - 10yr	0.04	0	-22	LMEX	2771	-0.6%	25.8%

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	5.06	0	-35
5Y RSD	5.68	0	-143
7Y RSD	5.73	0	-5

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.50	-3	-66
USD Nov-24	6.47	2	6

CDS

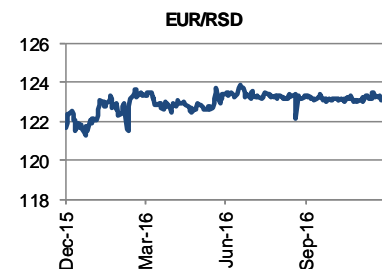
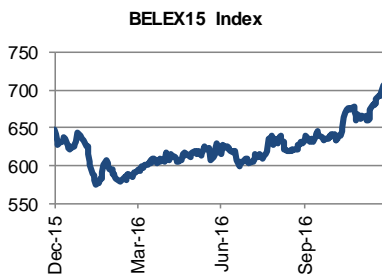
	Last	ΔDbps	ΔYTD bps
5-year	207	0	-67
10-year	254	0	-85

STOCKS

	Last	ΔD	ΔYTD
BELEX15	706.1	-0.04%	9.63%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.13	0.37%	-1.26%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.52	-1	-1
1-month	0.65	1	-4
3-month	0.8	1	-22
6-month	1.05	1	-29
12-month	1.17	2	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.55	4	-38
5Y RON	2.41	2	-39
10Y RON	3.50	2	-28

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.33	0	-23
USD Jan-24	3.90	2	11

CDS

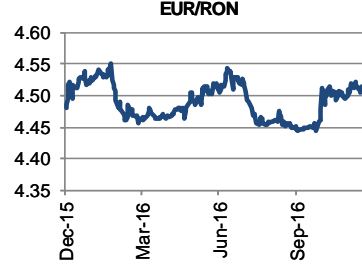
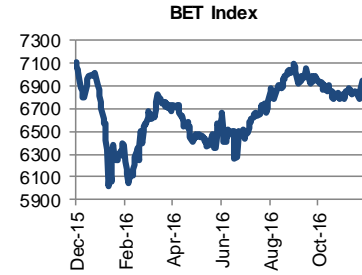
	Last	ΔDbps	ΔYTD bps
5-year	113	-1	-20
10-year	159	-1	-13

STOCKS

	Last	ΔD	ΔYTD
BET	6926.7	-0.31%	-1.11%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.508	0.10%	0.13%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.13	8	-14
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	0.23	-1	-38
5Y BGN	0.64	-2	-63
10Y BGN	2.03	0	-63

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.04	9	-11
EUR Sep-24	1.90	-44	-52

CDS

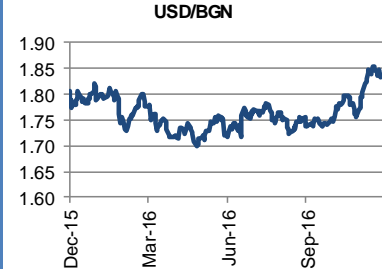
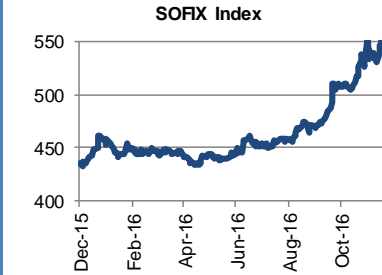
	Last	ΔDbps	ΔYTD bps
5-year	151	0	-20
10-year	188	0	-28

STOCKS

	Last	ΔD	ΔYTD
SOFIX	562.0	-0.32%	21.93%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8358	-0.09%	-1.93%



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

Data updated as of 11:25 EET

December 5, 2016

Contributors

Paraskevi Petropoulou
Economic Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

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

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

Anna Dimitriadou (Special Contributor)
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

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@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

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

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

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@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

Eurobank Ergasias S.A., 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@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 <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

