

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 USD extended its recent gains amid increased optimism that tax reform legislation could become law by year-end. Meanwhile, the Congress passed late on Thursday a two-week spending bill to keep the government funded until December 22. Elsewhere, the GBP moved higher on optimism about the process of Brexit negotiations after European Commission President Jean-Claude Juncker, UK Premier Theresa May, the DUP party and the Irish government agreed on a compromise position on the thorny issue of the Northern Ireland border.

Focus today is on the US non-farm payrolls report for November where consensus is for a 198k rise in the headline. However, the headline is likely to have less impact than the wage data which have the potential to trigger a readjustment in 2018 Fed tightening expectations as a December hike is viewed by market participants as a done deal. Market consensus is for an acceleration in average hourly earnings to 2.7%YoY from 2.4%YoY in October.

SOUTH EASTERN EUROPE

SERBIA: The NBS left the key policy rate unchanged at 3.5% in line with analyst expectations.

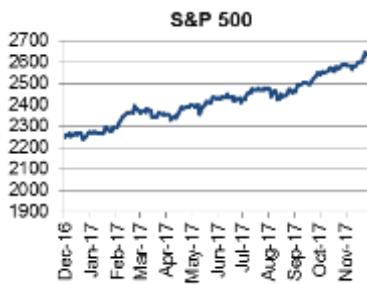
DISCLAIMER

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

The USD extended its recent gains amid increased optimism that tax reform legislation could become law by year-end. A conference committee comprised of conferees of both parties from the House and the Senate agreed to begin negotiations next week in an effort to iron out the remaining differences between House and Senate versions of tax reform legislation including, inter alia, "pass-through" treatment for enterprises, top marginal rate and net interest deductibility. If successful, a conference agreement between the House and Senate could be voted upon by mid-December before it is sent to the US President for signature. Securing more time for reconciling differences in the conference committee, the Congress passed late on Thursday a two-week spending bill to keep the government funded until December 22 and avert a partial government shutdown as the budget of the current fiscal year expires early on Saturday. Against this background, the DXY index rose to a three-week high earlier today recording gains of 0.2% and 1.2% on a daily and weekly basis respectively.



Against a broadly firmer USD, the EUR/USD remained under pressure for the fifth session in a row marking a session low of 1.1730 earlier today, the lowest since November 22, failing to capitalize on somewhat reduced political jitters in Germany. Martin Schulz was re-elected party chair by 81.9% at the party's three-day conference which commenced on Thursday while delegates also agreed the SPD to kick off exploratory talks with Angela Merkel's alliance of Christian parties (CDU/CSU) that could lead to a new grand coalition early next year. Exploratory talks will start next week and, if things evolve positively, another SPD conference would have to clear the way for formal coalition talks.

Elsewhere, the GBP moved higher on increased optimism about the process of Brexit negotiations. After all-night talks, European Commission President Jean-Claude Juncker, UK Premier Theresa May, the DUP party and the Irish government agreed on a compromise position on the thorny issue of the Northern Ireland border, one of the three so-called "divorce issues". Subsequently, the EU Commission released a statement recommending to the European Council to conclude that sufficient progress has been made on the divorce issues and Brexit talks could move forward to the second phase related to the new EU/UK relationship and transitional arrangements. The EU Council convenes on December 14-15 to formally agree the deal made between the Commission and the UK government. After hitting a session-low of 1.3318 on Thursday, the GBP/USD rebounded rising to 1.3519 earlier today, approaching a 2 ½ month high of 1.3549 recorded late last week.

Focus today is on the US non-farm payrolls report for November where consensus is for a 198k rise in the headline following an increase of 261k in the prior month. However, the headline is likely to have less impact than the wage data which have the potential to trigger a readjustment in 2018 Fed tightening expectations as a December 25bps rate hike is viewed by market participants as a done deal. Market consensus is for an acceleration in average hourly earnings to 2.7%YoY from 2.4%YoY in October. The unemployment rate is expected to remain unchanged at the prior month's level of 4.1%, the lowest in the last 17 years.

December 8, 2017

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

SERBIA

The NBS left the key policy rate unchanged at 3.5% in line with analyst expectations in its last monetary policy meeting for the outgoing year. The decision met the expectations of the consensus of the Reuters poll (10 out of 13). In its policy statement released thereafter, the NBS Council assessed that inflationary pressures remain subdued. Headline and core inflation have slowed down over the past months, to 2.8% YoY and 1.4% YoY respectively in last October. In addition, inflation expectations of the financial and corporate sectors continue to move within the NBS target tolerance band. Moreover, fiscal trends have been more favourable than expected and the risk premium has fallen to its new low on record reflecting not only global factors, but also the strengthening of domestic macroeconomic fundamentals and a more favourable outlook for the period ahead.

The fiscal surplus for the first three quarters of the year has totaled RSD gobjn, with this figure coming mostly from the revenue side despite slower than anticipated economic activity. A good part of the improvement derives from permanent factors, while a number of others from temporary. Improved tax collection, enhanced performance of state owned enterprises due to temporary pay cuts in these companies, and some "excessive" dividend collection from the few successful public companies were the main reasons for the boost in revenues so far this year. Still, if the one-offs were to be excluded, Serbia would show a slim budget deficit of less than 1% of GDP, which had been the ultimate goal prior to the fiscal consolidation beginning process three years ago. Finally, Another drag on inflation comes from lower dinar-denominated import prices. All in, the NBS Executive Board expects headline inflation to continue fluctuating within the target tolerance band of $3.0 \pm 1.5\%$ declining below the lower band of the range in H1-2018 due to high base of the oil prices and other products whose prices had one-off hike in early 2017. Furthermore, NBS adopted the new inflation corridor target until 2020 keeping it unchanged at $3.0 \pm 1.5\%$.

From a growth point of view, the NBS Council pointed out that economic activity accelerated in Q3, reflecting the waning effect of supply side shocks, driven by the improvement in the labor market and credit conditions as result of lower interest rates and a pick-up in manufacturing activity. In our view, economic activity has slowed down so far this year, signaling that the previous full year estimate of ca. 3.0% is now out of reach. Despite some modest acceleration, the Q3 flash estimate of 2.1%YoY accentuated this claim. Growth remains fueled by private spending, while investments, net exports and government spending have proven weaker than earlier anticipated mostly due to poor execution of infrastructure projects. The severe summer drought hurt agricultural output and could contribute negatively to GDP growth by ca. 0.7 to 0.8 ppts, according to government estimates. As a result, economic activity is now expected to have expanded by 2% YoY in FY2017 and is forecasted to accelerate to 3% YoY in FY2018.

igkionis@eurobank.gr
gphoka@eurobank.gr

December 8, 2017

GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2636.98	0.3%	17.8%
Nikkei 225	22811.08	1.4%	19.3%
STOXX 600	389.67	0.8%	7.8%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1735	-0.3%	11.5%
GBP/USD	1.3471	0.0%	9.0%
USD/JPY	113.57	-0.4%	3.0%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.38	2	-6
Bund-10yr	0.31	2	11
JGB - 10yr	0.05	0	1

Commodities

	Last	ΔD	ΔYTD
GOLD	1245	-0.1%	8.1%
BRENT CRUDE	62	0.5%	10.0%
LMEX	3100	-0.1%	16.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	0	-48
1-week	2.62	1	-55
1-month	2.81	2	-54
3-month	3.08	2	-39
6-month	3.23	-1	-43

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.09	-1	-94
5Y RSD	4.50	0	-85
7Y RSD	4.88	0	-75

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.96	1	-125
USD Nov-24	6.04	-31	-23

CDS

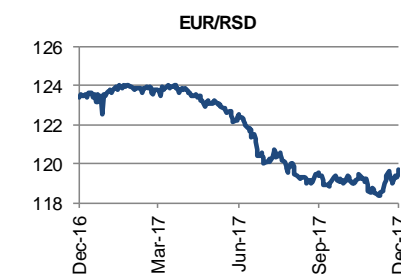
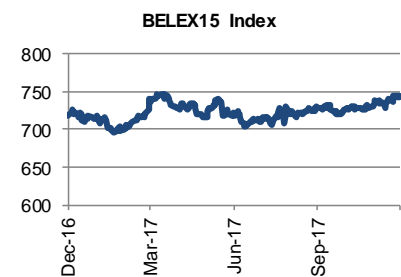
	Last	ΔDbps	ΔYTD bps
5-year	120	1	-87
10-year	163	1	-92

STOCKS

	Last	ΔD	ΔYTD
BELEX15	743.7	0.14%	3.66%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.65	-0.16%	3.19%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.25	-14	69
1-month	2.05	-4	129
3-month	2.15	-3	125
6-month	2.31	0	120
12-month	2.37	0	112

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.39	0	187
5Y RON	3.71	0	129
10Y RON	4.39	0	92

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	-57
USD Jan-24	2.98	2	-91

CDS

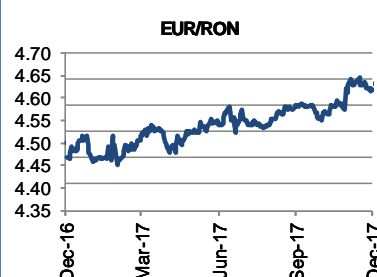
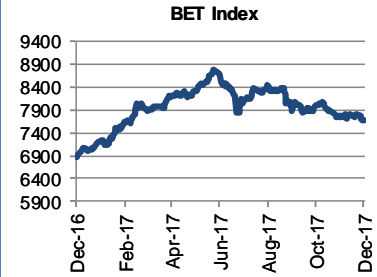
	Last	ΔDbps	ΔYTD bps
5-year	96	-1	-13
10-year	150	-1	-3

STOCKS

	Last	ΔD	ΔYTD
BET	7675.5	0.05%	8.33%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6305	-0.05%	-1.98%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.26	0	-9
3-month	-0.17	0	-10
6-month	-0.05	0	-13
12-month	0.32	0	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.30	2	-45
5Y BGN	-0.08	0	-58
10Y BGN	0.84	1	-107

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	0	-87
EUR Sep-24	0.01	-1	-167

CDS

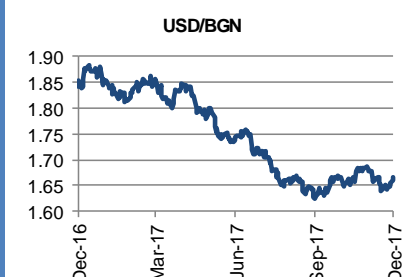
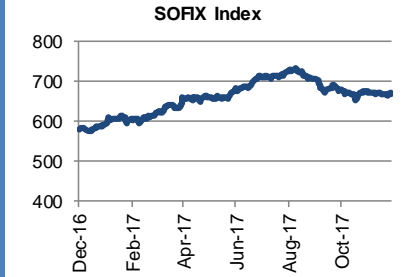
	Last	ΔDbps	ΔYTD bps
5-year	92	0	-60
10-year	133	0	-60

STOCKS

	Last	ΔD	ΔYTD
SOFIX	665.2	-0.03%	13.43%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6668	-0.32%	11.50%



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

Data updated as of 12:00 EST

December 8, 2017

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 Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatou@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

Stylianos 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 Stamatou: Senior Economist
tstamatou@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

