

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, December 11, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Dec. 13
 - CPI (Nov)
 - FOMC meeting
- Dec. 14
 - Jobless claims (weekly)
 - Retail sales (Nov)
- Dec. 15
 - Empire State Index (Dec)
 - Industrial production (Nov)

EUROZONE

- Dec 12: Germany's ZEW (Dec)
- Dec. 13: Industrial production (Oct)
- Dec. 14
 - PMI-manuf. (Dec)
 - ECB meeting
- Dec. 14-15 : European Council
- **GREECE** Dec 11
 - Industrial Output YY (Oct)
- Dec 14
 - Unemployment rate Qtr (Q3)

SEE

BULGARIA

- Dec 11: Trade Balance (€mn, Oct)
- Dec 14: CPI (YoY%, Nov)

ROMANIA

- Dec 11:
 - Trade Balance (Oct)
 - Wages (Net, Oct)
 - 5.85% 2023 T-bonds auction
- Dec 12:
 - CPI (YoY%, Nov)
 - Retail Sales (October)
- Dec 14:
 - Current Account (€mn, Oct)
 - 3.4% 2022 T-bonds auction

SERBIA

- Dec 15: S&P and Fitch sovereign reviews

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: While November US payrolls surprised to the upside, data on wages were somewhat disappointing. However, on the back of an ongoing improvement in US labor market conditions, weaker than expected inflation-related data did not alter market expectations for a 25bps rate hike at this week's two-day FOMC monetary policy meeting that concludes on Wednesday. As for the ECB, its next monetary policy meeting will be held on Thursday and is widely anticipated to stay put on policy action following the adjustments to monetary policy in October. The BoE also holds its next monetary policy meeting on Thursday and is widely expected to stand pat on interest rates after delivering last month the first rate hike in the last decade. The GBP is likely to be more sensitive to the outcome of the December 14-15 EU Summit, which is anticipated to give the green light for the launch of the second phase of Brexit negotiations.

GREECE: According to press reports, the updated Memorandum of Understanding (MoU) and the technical MoU that accompanies it, foresees 82 key deliverables in the 4th programme review (on top of the c. 70 that must be carried out for the 3rd review), which must be completed by June 2018. These, among others, include: all remaining privatisations (PPC, HELPE, DEPA, AIA, EYDAP, EYATH, Hellinikon, Egnatia motorway, etc.), further amendments to the tax system, the implementation of reforms in the public administration, changes to the legal framework of limited liability companies, the restructuring of the benefits system, and the alignment of property tax assessment zonal values with market prices.

SOUTH EASTERN EUROPE

BULGARIA: Bulgarian equities closed lower last week, while local currency and most of the Eurobonds moved modestly.

SERBIA: The Dinar remained under pressure in the past week, but at the same time, strongly supported by new NBS interventions.

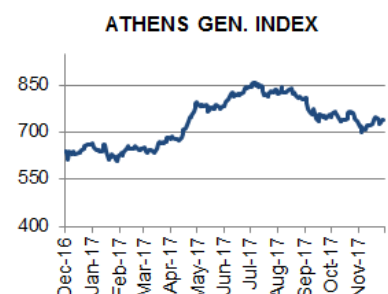
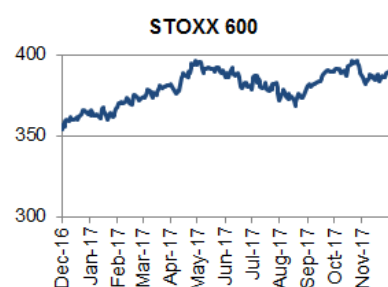
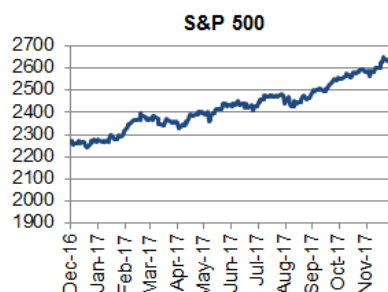
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December 11, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US non-farm payrolls rose by a higher than 228k in November while the unemployment rate was left at a 17-year low of 4.1%, unchanged compared to the prior month. While November payrolls surprised to the upside, data on wages were somewhat disappointing. Average hourly earnings grew by 0.2% mom against market expectations for a 0.3% mom gain while the annual rate rose from 2.3% in October to 2.5%, lower than 2.7% expected. On the back of an ongoing improvement in US labor market conditions, weaker than expected inflation-related data did not alter market expectations for a 25bps rate hike at this week's two-day FOMC monetary policy meeting that concludes on Wednesday. The policy announcement is not likely to have a great market impact by itself. Instead, focus will likely turn to the updated economic projections and the updated Fed 'dot plot,' which is expected to continue signaling three additional hikes by the end of 2018. Little impetus is also anticipated this week from the ECB, which convenes on Thursday and is widely expected to stay put on policy action following the adjustments to monetary policy in October. Investors will focus on the updated macroeconomic projections and possible remarks by ECB President Mario Draghi on the range of views within the Governing Council for an eventual end to QE. As for the BoE, which also holds its next monetary policy meeting on Thursday, it is widely expected to stand pat on interest rates after delivering last month the first rate hike in the last decade. The GBP is likely to be more sensitive to the outcome of the December 14-15 EU Summit, which is anticipated to give the green light for the launch of the second phase of Brexit negotiations. Meanwhile, EMU periphery sovereign bonds retained a positive tone with Portugal outperforming amid expectations that Fitch will probably revise upwards the country's sovereign credit rating, currently at BB+ with positive outlook.

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GREECE

According to press reports, the updated Memorandum of Understanding (MoU) and the technical MoU that accompanies it, foresees 82 key deliverables in the 4th programme review (on top of the c. 70 that must be carried out for the 3rd review), which must be completed by June 2018. These, among others, include: all remaining privatisations (PPC, HELPE, DEPA, AIA, EYDAP, EYATH, Hellinikon, Egnatia motorway, etc.), further amendments to the tax system, the implementation of reforms in the public administration, changes to the legal framework of limited liability companies, the restructuring of the benefits system, and the alignment of property tax assessment zonal values with market prices. As regards the latter, it is reportedly noted in the updated MoU that in order to keep the annual revenue target from property taxes (ENFIA) at EUR 2,65 billion, any downward deviations that may accrue as a result of the revision of property values will be offset by changes to the respective tax rates. On the whole, according to press, the focus of the 4th review will shift to the privatisations programme not least because its proceeds are intended to the servicing of public debt and will thus be of critical importance to the discussions about further debt relief that may commence in February. It is reminded that according to the 2018 State Budget, privatisations are estimated to deliver EUR2,7 billion in 2018. As regards the already legislated fiscal measures for 2019 (pension reform) and 2020 (reduction of the personal income tax credit), according to European officials, they will be activated regardless of the participation of the IMF in the programme whereas the expansionary measures (a growth-enhancing tax package and a targeted spending package) will be adopted in concert with the institutions and to the amount which, according to an assessment provided by the institutions in consultation with the Greek authorities it will not jeopardise the medium-term ESM programme targets.

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December 11, 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

BULGARIA

Bulgarian equities continued their modest decline, with the SOFIX closing 0.25% lower at 665.37 points. The trading week was marked by unusually high volume – almost EUR 20M, mainly due to large transfers of shares of Sopharma. Eurobonds offered little change with the 2024 tenor having the largest percentage change – drop of 6%. On the other hand, local currency bonds offered more excitement with the 9 and 10 year tenors dropping by 9 and 10 basis points respectively.

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SERBIA

The National Bank of Serbia (NBS) held the key policy rate unchanged at 3.5% on a meeting held on Thursday, December 7th. In addition, the Board adopted a memorandum of inflation, in which targeted inflation and corridor remains the same, 3% plus or minus 1.5% until 2020. Although inflation pressures continue to be low, board retained a cautious stance on further easing measures. YoY inflation falls to 2.8% in October and country risk premium is on history low. However, expected rise in domestic demand due to agreed public sector wage increase (10%) counterweights overall stable inflation figures. Also, developments in international environment, especially in USA, still remains one of the main catalysis of future rate policies.

The Dinar remained under pressure but, at the same time, strongly supported by new interventions. The NBS sold EURgorn in the previous week to forestall considerable depreciation of dinar. Consequently, the EUR/RSD recorded relatively narrow range of 119.15 – 119.80. The ongoing correction (from 118.50) is still very much alive as we emphasize the vulnerability of the RSD in the coming months due to seasonality effects.

In other news, the parliament opened a debating session for the 2018 budget bill. The budget bill projects revenues of RSD 1178 bln, outlays of RSD 1207 bln and a deficit of 28.4bln or only 0.6% of GDP. The budget bill has been constructed on a projection of 3.5% GDP growth and 2.7% increase of capital investments. Moreover, the budget envisages public debt to decrease from 65% to 63% of GDP.

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December 11, 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	2651.50	0.6%	18.4%	EUR/USD	1.1796	0.2%	12.1%	UST - 10yr	2.37	-1	-7	GOLD	1251	0.2%	8.6%
Nikkei 225	22938.73	0.6%	20.0%	GBP/USD	1.3378	-0.2%	8.3%	Bund-10yr	0.30	-1	9	BRENT CRUDE	63	-0.2%	11.4%
STOXX 600	389.38	0.0%	7.7%	USD/JPY	113.37	0.1%	3.2%	JGB - 10yr	0.05	0	0	LMEX	3101	0.0%	16.6%

CESEE MARKETS

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	0	-48
1-week	2.62	0	-55
1-month	2.80	0	-55
3-month	3.07	0	-40
6-month	3.22	0	-44

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.10	#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	-32	-23

CDS

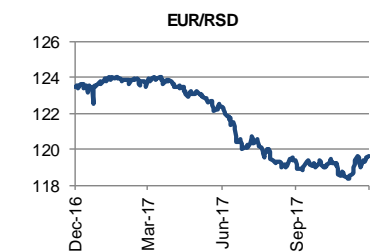
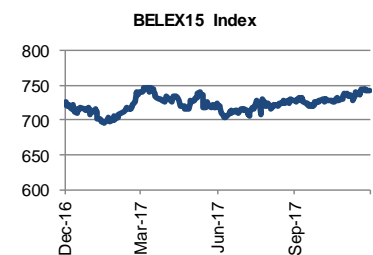
	Last	ΔDbps	ΔYTD bps
5-year	120	0	-88
10-year	162	-1	-93

STOCKS

	Last	ΔD	ΔYTD
BELEX15	742.0	0.03%	3.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.48	0.14%	3.33%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.22	-3	66
1-month	2.05	0	129
3-month	2.15	0	125
6-month	2.31	0	120
12-month	2.36	-1	111

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.40	0	188
5Y RON	3.72	0	131
10Y RON	4.41	0	94

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A N/A	-57
USD Jan-24	2.99	0	-90

CDS

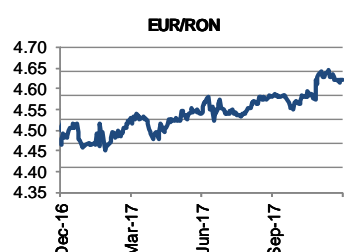
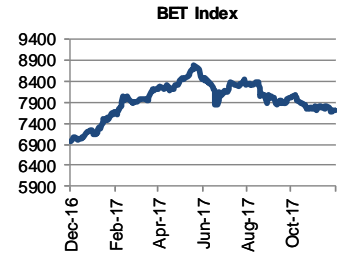
	Last	ΔDbps	ΔYTD bps
5-year	94	-2	-16
10-year	147	-3	-5

STOCKS

	Last	ΔD	ΔYTD
BET	7693.9	0.00%	8.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6321	0.01%	-2.01%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	4	-5
3-month	-0.15	3	-8
6-month	-0.05	0	-13
12-month	0.32	0	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.27	2	-42
5Y BGN	-0.08	0	-59
10Y BGN	0.85	0	-106

BG Eurobonds

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

CDS

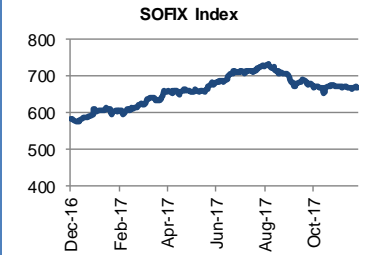
	Last	ΔDbps	ΔYTD bps
5-year	92	0	-60
10-year	133	-1	-61

STOCKS

	Last	ΔD	ΔYTD
SOFIX	665.0	-0.04%	13.40%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6579	0.21%	12.09%



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

Data updated as of 11:45 EST

December 11, 2017

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