

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: The FOMC is widely expected to raise the target range for the federal funds rate by 25bps to 1.25-1.50% at this week's two-day monetary policy meeting that is scheduled to conclude today at 20:00 CET, a move already well communicated by committee members. Focus will be on the updated projections, which are expected to be little changed with the exception of the unemployment rate. The policy announcement will be accompanied by the updated Fed 'dot plot' which is likely to continue signaling three hikes in 2018 and two in 2019. A press conference by Chair Janet Yellen will follow half an hour after the conclusion of the meeting where she is unlikely to signal a significant shift in the FOMC's policy stance. With markets likely to shrug off the anticipated FOMC rate hike, today's US inflation data for November are likely to be the key market mover.

GREECE: According to press reports, notaries in Athens, Thessaloniki, and the Aegean islands decided to abstain today from physical auctions, in an effort to put pressure on the government to see through its commitments to legislate measures that will ensure their safety during auctions. However, electronic auctions will take place as planned. According to the Bank of Greece monthly balance sheet data, Eurosystem funding for Greek banks in November 2017 dropped to EUR32.9 billion (ECB funding EUR13.0 billion and ELA funding EUR 19.9 billion) from EUR37.3 billion in the previous month.

SOUTH EASTERN EUROPE

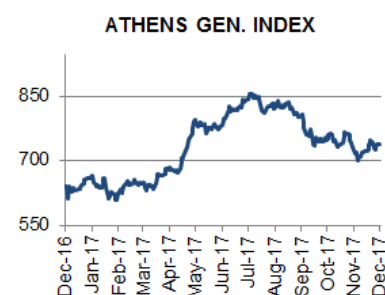
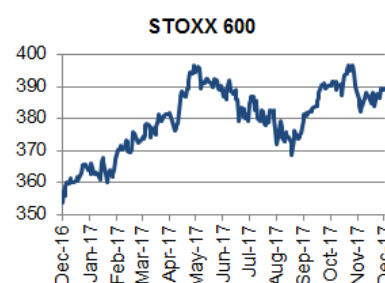
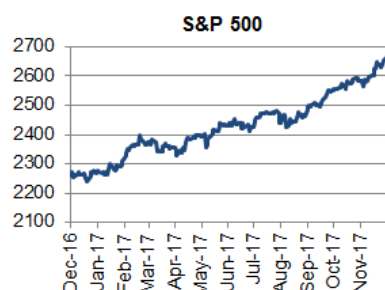
CESEE MARKETS: Emerging market assets treaded water earlier today as caution prevailed ahead of the conclusion of the two-day FOMC meeting later on the day.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The FOMC is widely expected to raise the target range for the federal funds rate by 25bps to 1.25-1.50% at this week's two-day monetary policy meeting that is scheduled to conclude today at 20:00 CET, a move already well communicated by committee members. Focus will be on the updated projections, which are expected to be little changed with the exception of the unemployment rate, which is likely to be revised lower as the current 17-year low of 4.1% is the level the Fed expected to be reached by end-2018. The policy announcement will be accompanied by the updated Fed 'dot plot', which is likely to continue signaling three hikes in 2018 and two in 2019 as the committee will likely await for the approval of the tax reform bill — expected by the end of this year — before taking into account the anticipated impact to its projections. A press conference by Chair Janet Yellen will follow half an hour after the conclusion of the meeting where she is unlikely to signal a significant shift in the FOMC's policy stance. Jerome Powell takes over as Fed Chair once incumbent Chair Janet Yellen's term ends in early February 2018. In addition, much of the composition of the 12-member FOMC is set to change next year. There are still four empty chairs in the Board of Governors while voting rights among seven Reserve Bank presidents will change. All in all, the overall impact of the FOMC meeting is expected to be minimal. Awaiting the Fed's verdict, US yields were broadly unchanged on the day while the USD was slightly lower on news that the Democratic candidate won the Alabama Senate special election narrowing the Republican majority to 51 in the 100-seat Senate. With markets likely to shrug off the anticipated Fed rate hike, today's US inflation data for November are likely to be the key market mover. Consensus is for a flat core CPI reading of 0.2%MoM/1.8%YoY while the headline is expected to rise by 0.4%mom taking the annual rate to 2.2% from 2.0% in October mainly due to higher energy prices.

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GREECE

According to press reports, notaries in Athens, Thessaloniki, and the Aegean islands decided to abstain today from physical auctions, in an effort to put pressure on the government to see through its commitments to legislate measures that will ensure their safety during auctions. However, electronic auctions will take place as planned. It should be noted that the continuation of auctions is a key pre-requisite for the completion of the 3rd programme review and, Declan Costello, EC mission chief in Athens, has reportedly stated that the review may take longer to close unless auctions for debts to the banks and the state continue. It should be noted that tax policy reforms are of critical importance in the ESM programme, with the Supplemental MoU stating among others that the Code of Public Revenue Collection should be revised in alignment with the Code of Civil Procedure including for e-auctions and that the e-auctions mechanism should be extended to auctions conducted by the revenue authorities. In other news, according to the Bank of Greece monthly balance sheet data, Eurosystem funding for Greek banks in November 2017 dropped to EUR32.9 billion (ECB funding EUR13.0 billion and ELA funding EUR 19.9 billion) from EUR37.3 billion in the previous month.

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December 13, 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

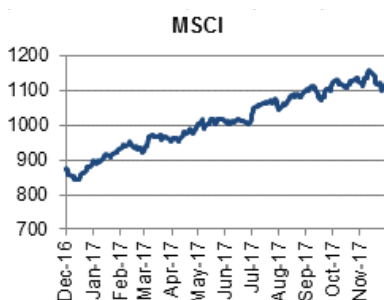
CYPRUS: Indicators	2015	2016	2017f
Real GDP growth %	1.7	2.8	3.5
HICP (pa, yoy %)	-1.5	-1.2	1.0
Budget Balance/GDP*	0.1	0.4	0.2
Current Account/GDP	-3.0	-5.7	-5.9

* 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

CESEE MARKETS

Emerging market assets traded water earlier today as caution prevailed ahead of the conclusion of the two-day FOMC meeting later on the day. In FX markets, most CESEE currencies were weaker. The Romanian leu remained under pressure hovering near yesterday's multi-session trough hit in the wake of November's CPI data release which exceeded expectations to hit a 4 ½-year peak of 3.23%. The rise came mostly on the back of higher fuel prices, the leu's recent depreciation and some higher volatile food prices. The said data exceeded a market consensus of 3.10%YoY as well as October's 2.63%YoY print. Albeit nearing the upper bound of the Central Bank's targeted range, it remained within the 2.5% ±1 percentage point band. However, it stirred concerns over the Central Bank falling behind the curve in an overheating economy. Against this backdrop, the EUR/RON hovered around levels of 4.6320 in early European trade today, standing not too far from Tuesday's 1-week peak of 4.6375.

Inflation data for November also released yesterday in Serbia and Poland also confirmed that, despite some uptick this year, price pressures remain anchored within Central Bank targets. In more detail, CPI in Serbia remained at 2.8%YoY, unchanged compared to the prior month's level and stayed within the 3.0%±1.5 pp Central Bank target tolerance band, which has been the case since the headline index entered the lower bound in Q4 2016. In Poland, core CPI moved a tad higher to 0.9%YoY from 0.8%YoY in October confirming that price pressures in the economy remain subdued.

Globally, focus today is on the FOMC meeting. With a 25bps hike in the fed funds rate considered a deal done, market focus will mostly centre on any hints regarding the Bank's monetary policy deliberations ahead and updated summary of economic projections. From a CESEE perspective, today's calendar of macroeconomic data and events is extremely light. The only notable data release was Romania's industrial production which came in at 9.6%YoY exceeding a market consensus of 8.0%YoY and the prior month's reading of 7.6%YoY, confirming that robust economic activity continued in early Q4 2017.

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December 13, 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	2661.69	0.1%	18.9%	EUR/USD	1.1742	-0.2%	11.6%	UST - 10yr	2.40	1	-4	GOLD	1242	0.0%	7.8%
Nikkei 225	22866.17	-0.3%	19.6%	GBP/USD	1.334	0.0%	8.0%	Bund-10yr	0.31	2	10	BRENT CRUDE	64	-0.5%	13.3%
STOXX 600	390.25	0.3%	8.0%	USD/JPY	113.6	0.0%	3.0%	JGB - 10yr	0.05	0	0	LMEX	3140	1.3%	18.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	0	-49
1-week	2.61	-1	-56
1-month	2.80	-1	-55
3-month	3.07	0	-40
6-month	3.22	-1	-44

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.09	-1	-95
5Y RSD	4.50	0	-85
7Y RSD	4.88	0	-75

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.99	3	-122
USD Nov-24	6.04	-31	-23

CDS

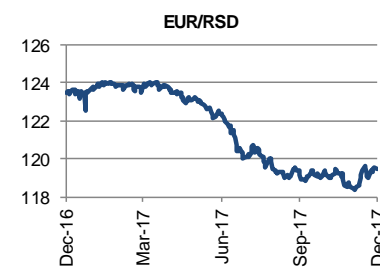
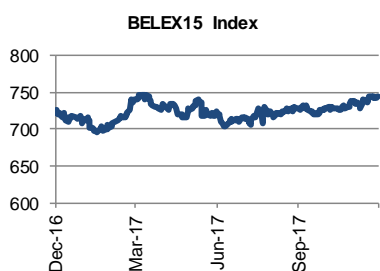
	Last	ΔDbps	ΔYTD bps
5-year	120	0	-88
10-year	161	-1	-94

STOCKS

	Last	ΔD	ΔYTD
BELEX15	743.8	-0.09%	3.68%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.48	-0.10%	3.33%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.33	11	77
1-month	2.06	1	130
3-month	2.15	0	125
6-month	2.31	0	120
12-month	2.37	1	112

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.41	0	189
5Y RON	3.78	0	136
10Y RON	4.42	0	95

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A	N/A
USD Jan-24	3.00	1	-90

CDS

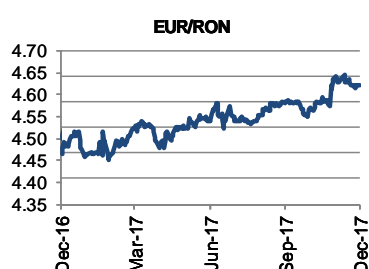
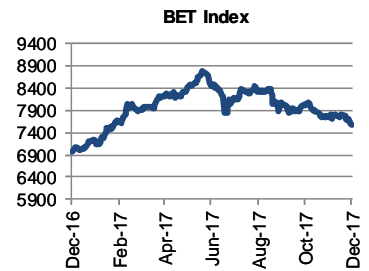
	Last	ΔDbps	ΔYTD bps
5-year	96	2	-13
10-year	150	3	-3

STOCKS

	Last	ΔD	ΔYTD
BET	7570.1	-0.58%	6.85%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6321	0.00%	-2.01%



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.30	-1	-45
5Y BGN	-0.07	0	-57
10Y BGN	0.85	0	-106

BG Eurobonds

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

CDS

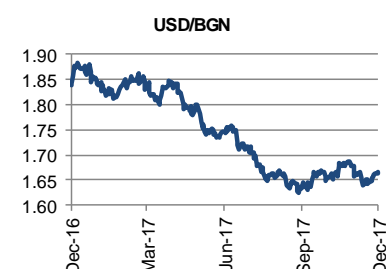
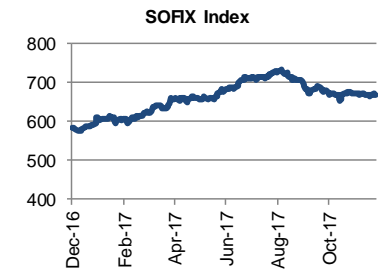
	Last	ΔDbps	ΔYTD bps
5-year	101	9	-51
10-year	145	12	-49

STOCKS

	Last	ΔD	ΔYTD
SOFIX	667.0	0.23%	13.74%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6659	-0.25%	11.56%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:00 EST of previous session

December 13, 2017

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