

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: In line with market expectations, the FOMC delivered a 25bps rate hike at this week's monetary policy meeting which concluded yesterday. The updated projections revealed stronger GDP growth with Chairman Janet Yellen saying in the post-meeting press conference that "most" FOMC participants have incorporated some of the projected impact of the tax reform into their projections. However, inflation projections were little changed suggesting that any impact on inflation from the awaiting tax reform is expected to be moderate. The Fed dots were kept broadly unchanged continuing to imply three hikes in 2018, two in 2019 and one more in 2020. Reacting to the Fed's prevailing cautious stance on inflation, the USD moved lower. With the FOMC meeting out of the way, focus today is on the ECB and the BoE policy meetings.

GREECE: According to press reports, the methodology that the ECB will apply to the upcoming EU-wide stress tests will be uniform across all European banks while the assumptions for the baseline and adverse scenarios for Greek banks are expected to be communicated to the authorities in early January.

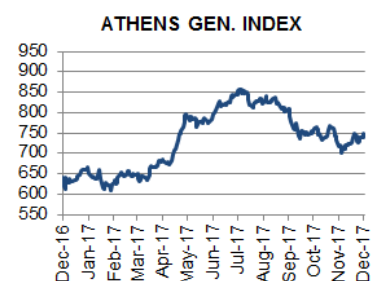
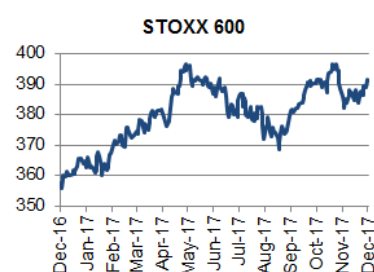
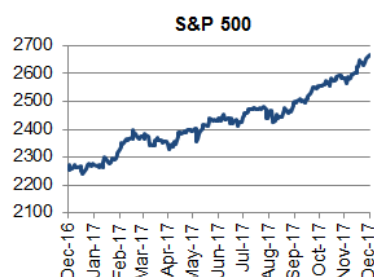
SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets were mixed in early European trade on Thursday as investor caution prevailed ahead of this year's last ECB meeting due later today.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

In line with market expectations, the FOMC delivered a 25bps rate hike at this week's monetary policy meeting, which concluded yesterday, taking the fed funds rate to 1.25-1.50%. The accompanying statement revealed one significant change compared to the November statement: the Fed upgraded its assessment on the labor market saying that "job gains have been solid" as opposed to "the labor market has continued to strengthen" at the last meeting. The updated projections revealed stronger GDP growth with Chairman Janet Yellen saying in the post-meeting press conference that "most" FOMC participants have incorporated some of the projected impact of the tax reform into their projections. The Fed's forecasts for the unemployment rate were revised lower while inflation projections were little changed suggesting that any impact on inflation from the awaiting tax reform is expected to be moderate. The Fed dots were kept broadly unchanged continuing to imply three hikes in 2018, two in 2019 and one additional in 2020. Reacting to the Fed's prevailing cautious stance on inflation, the USD moved lower with the DXY index hitting multi-session low of 93.328 earlier in the day before rebounding modestly to levels around 93.495 at the time of writing, albeit still 0.6% weaker from Tuesday's settlement. Turning to US Treasuries, prices were slightly lower in early European trade, giving back some of post-FOMC meeting gains. After marking a multi-session low close to 2.34% shortly after the conclusion of the FOMC meeting, the 10-yr yield moved higher hovering around 2.38% at the time of writing, albeit still below a peak close to 2.43% hit early on Wednesday ahead of the FOMC policy announcement. With the FOMC meeting out of the way, focus now turns to today's ECB monetary policy meeting. The Central Bank is widely expected to stay put on interest rates while President Mario Draghi is likely to adopt a less dovish tone at the press conference compared to that in the last meeting following a recent string of upbeat euro area economic data. The BoE also convenes today and expectations are for unchanged interest rates after delivering a rate hike in the last meeting for the first time in a decade.

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GREECE

According to press reports, the methodology that the ECB will apply to the upcoming EU-wide stress tests will be uniform across all European banks while the assumptions for the baseline and adverse scenarios for Greek banks are expected to be communicated to the authorities in early January. Meanwhile, the public prosecutor decided to send to trial six former members of the Expert Council of the Hellenic Republic Asset Development Fund (HRADF) on charges of malpractice. Three of these experts are from Italy, Spain and Slovakia and the issue was raised anew at the December 4th Eurogroup where the respective Ministers expressed strong resentment for the prosecution and requested that the experts be exempt from all charges.

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December 14, 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

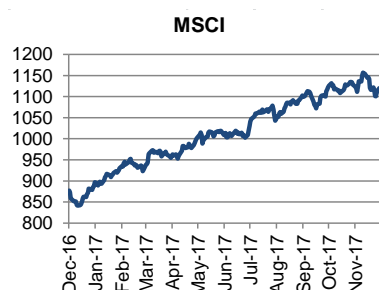
CYPRUS: Indicators	2015	2016	2017f
Real GDP growth %	1.7	2.8	3.5
HICP (pa, yoy %)	-1.5	-1.2	1.0
Budget Balance/GDP*	0.1	0.4	0.2
Current Account/GDP	-3.0	-5.7	-5.9

* 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 were mixed in early European trade on Thursday as investor caution prevailed ahead of this year's last ECB meeting due later today. Against this backdrop, the MSCI Emerging Markets index was modestly firmer on the day in European markets. The index posted a 0.2% rise compared to the prior session's settlement, approaching a 2-week high following yesterday's 0.6% advance which came in the aftermath of the FOMC meeting. The Fed hiked interest rates by 25bps yesterday, in line with market consensus. However, it remained cautious on the inflation outlook and maintained broadly unchanged the "dot plot" of projected appropriate policy path, confounding some market talk for the prospect of more aggressive tightening, boding well for high-yielding assets.

In FX markets, most regional currencies failed to capitalize from a softer USD - which came under pressure in the aftermath of yesterday's Fed meeting - as investors remained cautious ahead of today's ECB and Turkish Central Bank monetary policy meetings. The Turkish lira pulled back from yesterday's 1-month high and stood 0.5% weaker on the day to hover around levels of 3.8290 at the time of writing. The market's median forecast is for the MPC to raise the late liquidity window rate by 100bps as headline inflation remains more than double the 5% medium-term target (headline CPI at a 15-year high of 12.98%YoY in November) and the corresponding core index hit a record high of 12.08%YoY last month, while recent economic activity data shows a robust recovery so far this year. At the same time, the benchmark 1-week repo rate is broadly expected to stay at 8.00% and the overnight lending and borrowing rates are seen remaining at 9.25% and 7.25%, respectively. Should the Central Bank disappoint monetary tightening expectations the lira is likely to ease further in the coming days.

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December 14, 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	2669.06	0.2%	19.2%	EUR/USD	1.1758	0.1%	11.8%	UST - 10yr	2.39	-1	-6	GOLD	1245	0.0%	8.0%
Nikkei 225	22758.07	-0.5%	19.1%	GBP/USD	1.3371	0.4%	8.2%	Bund-10yr	0.32	0	11	BRENT CRUDE	63	-0.4%	11.1%
STOXX 600	391.27	-0.1%	8.3%	USD/JPY	113.15	0.3%	3.4%	JGB - 10yr	0.05	0	0	LMEX	3137	-0.1%	17.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	0	-49
1-week	2.62	1	-55
1-month	2.81	1	-54
3-month	3.08	1	-39
6-month	3.23	1	-43

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.10	#N/A N/A	-95
5Y RSD	4.51	0	-85
7Y RSD	4.88	0	-75

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.99	1	-121
USD Nov-24	6.04	-31	-23

CDS

	Last	ΔDbps	ΔYTD bps
5-year	119	-1	-89
10-year	161	-1	-95

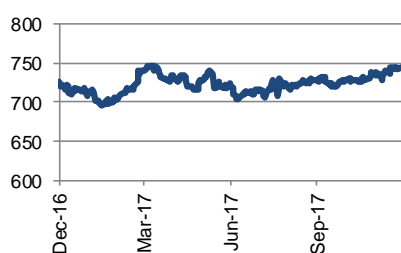
STOCKS

	Last	ΔD	ΔYTD
BELEX15	744.1	0.04%	3.72%

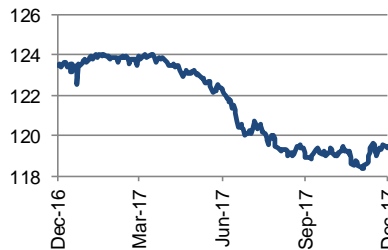
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.11	0.25%	3.66%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.18	-15	62
1-month	2.04	-2	128
3-month	2.12	-3	122
6-month	2.3	-1	119
12-month	2.36	-1	111

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.42	0	190
5Y RON	3.79	0	138
10Y RON	4.39	0	91

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A N/A	-57
USD Jan-24	3.01	0	-89

CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	-1	-14
10-year	149	-1	-4

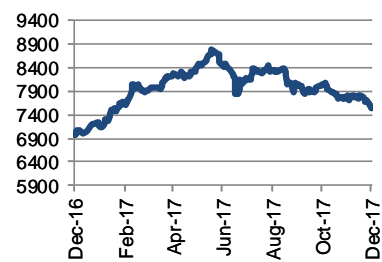
STOCKS

	Last	ΔD	ΔYTD
BET	7533.1	-0.77%	6.32%

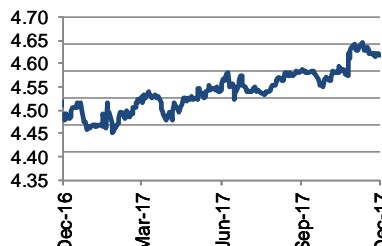
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6297	-0.01%	-1.96%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	0	-6
3-month	-0.14	0	-7
6-month	-0.05	0	-13
12-month	0.32	0	-9

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.29	3	-44
5Y BGN	-0.07	1	-57
10Y BGN	0.85	0	-105

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	98	-3	-54
10-year	142	-3	-51

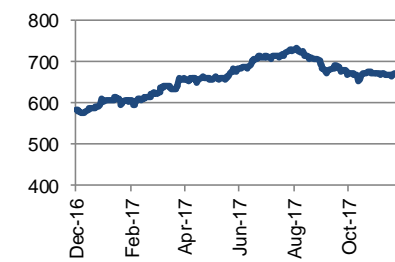
STOCKS

	Last	ΔD	ΔYTD
SOFIX	666.7	-0.04%	13.69%

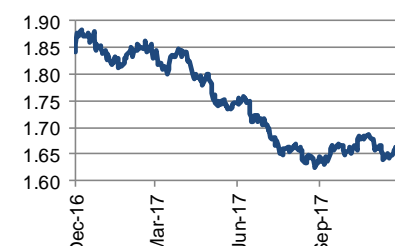
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6634	0.13%	11.72%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:20 EST of previous session

December 14, 2017

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