

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Dec 21: Existing home sales (Nov)
- Dec 22
  - GDP (Q3, 3<sup>rd</sup> est.)
  - Initial claims (weekly)
  - Durable goods orders (Nov)
  - Personal income / spending (Nov)
  - Core PCE deflator (Nov)
- Dec 23
  - UoM consumer sentiment (Dec)
  - New home sales (Nov)

##### EUROZONE

- Dec 19: German ifo business climate (Dec)
- Dec 23: German Gfk consumer confidence (Jan)

##### GREECE

- Dec 21: Current account balance (Oct)

#### SEE

##### BULGARIA

- Dec 19: Reformer's bloc to announce if it won GERB support
- Dec 23: Gross external debt (Oct)

##### ROMANIA

- Dec 19: New parliament to take office

##### SERBIA

- Dec 20: Current account balance (Oct)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GREECE:** The Greek PM Alexis Tsipras met the German Chancellor Angela Merkel in Berlin on Friday to discuss, among others, the progress of the 2nd programme review and the recent complication that arose in the wake of the Greek government's decision for a one-off pay out to low-income pensioners and the postponement of the VAT increase in the refugee-hit islands. Mrs. Merkel referred the matter to the Eurogroup as the competent body to assess the issue and decide on whether or not to freeze the short-term debt relief measures for Greece.

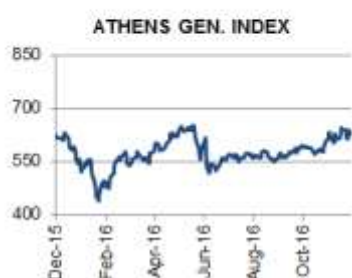
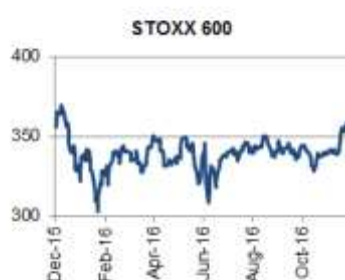
### SOUTH EASTERN EUROPE

**SERBIA:** The EUR/RSD inched up over the last few sessions, to end ca 0.2% higher on a weekly basis on Friday near 123.45, after the Fed's upward revision in the 2017 rate forecasts. However, further upside for the pair appeared to be limited, possibly on National Bank of Serbia action. In other news, the IMF Executive Board completed on Friday the 6<sup>th</sup> review of Serbia's 36-month €1.2bn Stand-By Arrangement. The completion of the review releases an amount of approximately €850.8mn, but Serbian authorities have signaled they plan to treat the arrangement as precautionary. Finally, S&P revised on Friday Serbia's sovereign credit outlook to positive from stable, affirming its rating for the country at BB-, while Fitch affirmed its ratings on Serbia at BB-, with stable outlook.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GREECE

The Greek PM Alexis Tsipras met the German Chancellor Angela Merkel in Berlin on Friday to discuss, among others, the progress of the 2<sup>nd</sup> programme review and the recent complication that arose in the wake of the Greek government's decision for a one-off pay out to low-income pensioners and the postponement of the VAT increase in the refugee-hit islands. Mrs. Merkel referred the matter to the Eurogroup as the competent body to assess the issue and decide on whether or not to freeze the short-term debt relief measures for Greece. According to press reports, the Euroworking Group is likely to discuss the issue either by teleconference this week or at its next scheduled meeting on 12 January. However, there is also speculation of a less favourable scenario whereby the matter will be discussed after the official data for the 2016 primary surplus have been released by Eurostat in April 2017. According to EC Vice-President Valdis Dombrovskis, however, an agreement on the 2<sup>nd</sup> programme review can still be reached in the following months if all sides act constructively. Meanwhile, deliberations on the 2<sup>nd</sup> programme review via teleconference are ongoing and are likely to continue until mid-January when the institutions' staff is reportedly scheduled to return to Athens to assess the achieved progress. On the fiscal front, instead of legislating upfront measures to curb the institutions' reservations regarding the attainment of primary surpluses of 3.5%-of-GDP beyond 2018, according to press reports, the Greek government may be willing to accept the extension of the contingent fiscal mechanism beyond the end of the programme, namely for the years 2019 and 2020. In any case, the Greek government reportedly aims at closing the 2<sup>nd</sup> programme review in January in order to achieve the country's inclusion into the ECB's quantitative easing programme.

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December 19, 2016

BULGARIA: Indicators	2015	2016f	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
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	2015	2016f	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

\* ESA 2010

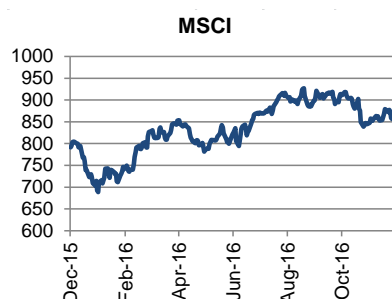
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: Indicator:	2015	2016f	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP*	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

SERBIA: Indicators	2015	2016f	2017f
Real GDP growth %	0.8	2.7	3.0
CPI (pa, yoy %)	1.4	1.0	2.1
Budget Balance/GDP	-3.7	-2.1	-1.7
Current Account/GDP	-4.7	-4.1	-3.9
EUR/RSD (eop)	121.38	123.50	125.5
	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

### SERBIA

The EUR/RSD inched up over the last few sessions, to end ca 0.2% higher on a weekly basis on Friday near 123.45, after the Fed's upward revision in the 2017 rate forecasts. However, further upside for the pair appeared to be limited, possibly on National Bank of Serbia (NBS) action. Just three months ago, NBS was acting as a buyer of hard currency in order to halt further losses for the cross. Now, the Central Bank is using those accumulated funds (€730mn bought in April-October) to prevent any sudden move in the EUR/RSD. Looking into the coming days/weeks, we see a gradual rise of the pair towards 124.00, with constant presence of NBS to contain a steeper upward trajectory.

In other news, the Public Debt Administration sold last week RSD 14.26bn (ca. €115mn) worth of 3Y RSD denominated bonds (sixth reopening from initial introduction on February 18, 2016). Investors swept almost the entire offer at an average accepted yield of 4.74%, 5 bps lower compared to that achieved on previous reopening (on October 13). Meanwhile, adding to further evidence of improving macroeconomic conditions, NPLs dropped to 18.7% at the end of October, down from 21.6% at the end of last year. The decline comes mainly from the segments of construction, trade and agriculture, the sectors that have been outperforming since the beginning of the year.

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Furthermore, the IMF Executive Board completed on Friday the 6<sup>th</sup> review of Serbia's 36-month €1.2bn Stand-By Arrangement. The completion of the review releases an amount of approximately €850.8mn, but Serbian authorities have signaled they plan to treat the arrangement as precautionary. Deputy Managing Director and Acting Chair Tao Zhang noted in a statement in the IMF's website that the program "is delivering positive results, underpinning macroeconomic management and structural reforms in Serbia". He noted that macroeconomic fundamentals and market confidence have improved adding that the domestic economy is strengthening, the employment is rising and inflation remains under control. Additionally, he acknowledged the significant fiscal consolidation progress and highlighted that public debt has embarked on a declining trend, while the financial sector's resilience is also strengthening. Among the priorities mentioned in the statement were "eliminating domestic arrears, reforming the public administration and wage system, and strengthening public investment management". The statement also read that "further efforts are also needed to minimize fiscal risks through a restructuring of unviable state-owned enterprises", while, despite the recent notable improvement in the business environment, more needs to be done to support investor confidence and medium-term potential growth.

Finally, S&P revised on Friday Serbia's sovereign credit outlook to positive from stable, affirming its rating for the country at BB-. The agency acknowledged the improvement in fiscal performance and "the prospects for further gains" and left the door open for upgrades in the event of further outperformance of fiscal metrics in tandem with a current account deficit in check. This is the second such action by the said agency, which had revised higher in January the country's outlook to stable from negative. Also on Friday, Fitch affirmed its ratings on Serbia at BB-, with stable outlook. Recall that, Fitch was the first agency to proceed with an upgrade on Serbia's sovereign rating in June. Provided that the current drive for structural reforms and fiscal consolidation is maintained, further credit rating moves should not be excluded in the foreseeable future.

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December 19, 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	2258.07	-0.2%	10.5%	EUR/USD	1.0444	-0.1%	-3.8%	UST - 10yr	2.59	-1	32	GOLD	1138	0.3%	7.2%
Nikkei 225	19391.60	0.0%	1.9%	GBP/USD	1.2456	-0.3%	-15.5%	Bund-10yr	0.32	0	-31	BRENT CRUDE	55	0.4%	48.7%
STOXX 600	359.69	-0.1%	-1.7%	USD/JPY	117.53	0.4%	2.2%	JGB - 10yr	0.09	1	-18	LMEX	2744	-1.7%	24.6%

**CESEE MARKETS**

SERBIA				ROMANIA				BULGARIA					
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>					
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps		
T/N	298	0	-5	O/N	0.46	-1	-7	LEONIA	-0.09	3	-10		
1-week	3.12	1	-7	1-month	0.65	0	-4	1-month	-0.17	0	-32		
1-month	3.30	1	-21	3-month	0.81	0	-21	3-month	-0.07	0	-33		
3-month	3.44	0	-39	6-month	1.08	0	-26	6-month	0.08	0	-45		
6-month	3.62	1	-41	12-month	1.2	0	-32	12-month	0.40	0	-57		
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	5.08	0	-34	3Y RON	1.58	-1	-35	3Y BGN	0.20	1	-40		
5Y RSD	5.44	0	-167	5Y RON	2.50	-1	-30	5Y BGN	0.60	4	-67		
7Y RSD	5.75	0	-4	10Y RON	3.66	0	-12	10Y BGN	1.99	0	-67		
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	2.45	1	-71	EUR Oct-25	2.29	-3	-28	EUR Jul-17	-0.17	-12	-24		
USD Nov-24	6.48	-1	7	USD Jan-24	4.02	1	23	EUR Sep-24	1.84	-111	-58		
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	207	0	-67	5-year	112	0	-21	5-year	154	-1	-18		
10-year	254	-1	-85	10-year	155	0	-17	10-year	186	-1	-30		
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	718.6	-0.36%	11.56%	BET	7061.8	0.07%	0.82%	SOFIX	578.5	0.00%	25.50%		
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	123.61	0.17%	-1.64%	EUR/RON	4.5126	-0.02%	0.03%	USD/BGN	1.8726	0.05%	-3.86%		
<b>BELEX15 Index</b>				<b>BET Index</b>				<b>SOFIX Index</b>					
<b>EUR/RSD</b>				<b>EUR/RON</b>				<b>USD/BGN</b>					

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

Data updated as of 12:30 EET

December 19, 2016

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