

### 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

**GLOBAL MARKETS:** The USD was modestly weaker in European trade on Thursday on profit taking ahead of a flurry of US data later in the day including the 3rd estimate of Q3 GDP, initial jobless claims, durable goods orders and personal income & spending for November. Elsewhere, major government bond markets were range-bound in European trade while European bourses were mixed in early trade. Oil prices were modestly lower on news that Libya is likely to boost production over the next few months.

**GREECE:** Deliberations between Greek authorities and EU creditors over the activation of the short-term debt relief measures agreed on the December 5th 2016 Eurogroup are still ongoing. The Greek government is reportedly awaiting a detailed list of the clarifications required by the institutions before it submits a written document in the coming days committing to, inter alia, any officially confirmed annual budget over performance in the coming years will be used, in agreement with the institutions, for the implementation of the Guaranteed Minimum Income programme and the payment of State arrears to the private sector.

### SOUTH EASTERN EUROPE

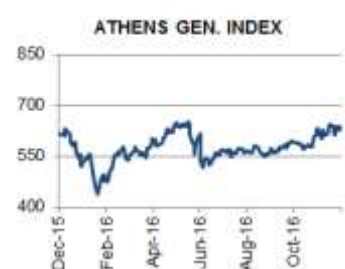
**CESEE MARKETS:** The majority of Emerging Market assets stood on the back foot earlier on Thursday as trade volumes remained thin in view of the Christmas holidays, while caution prevailed ahead of key US data due for release later on the day.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD was modestly weaker in European trade on Thursday on profit taking ahead of a flurry of US data later in the day including the 3rd estimate of Q3 GDP, initial jobless claims, durable goods orders and personal income & spending for November. More specifically, after hitting a session high of 103.380 on Wednesday and a 14-year peak of 103.650 earlier this week, the DXY index was hovering around 102.880 at the time of writing, albeit still c. 4.5% higher since the November 8 US Presidential election. Against this background, the EUR/USD was standing close to 1.0445/50, modestly higher compared to Wednesday's 1.0423 settlement but still below last week's 1.0670 high amid lingering worries over the stability of Italy's banking sector. Italy's new government is said to meet this week to issue an emergency decree authorizing capital injection into Monte dei Paschi Di Siena, the country's third biggest bank, after it reportedly failed to secure an anchor investor for its privately funded rescue plan. Elsewhere, major government bond markets were range-bound in European trade while European bourses were mixed in early trade. Oil prices were modestly lower with Brent crude oil hovering around \$54.45/br at the time of writing after testing levels near \$54.90/br in the prior session on news that Libya is likely to boost production over the next few months. In spite of today's down-move, Brent crude oil was still some 46% higher year-to-date following the recent agreement between OPEC and non-OPEC members to limit daily production as of early next year in an attempt to push up oil prices higher.

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### GREECE

Deliberations between Greek authorities and EU creditors over the activation of the short-term debt relief measures agreed on the December 5th 2016 Eurogroup are still ongoing. The Greek government has reportedly been asked to submit a written document committing to the following: (i) the benefit recently announced by PM Alexis Tsipras to low-income pensioners will be one-off and the planned harmonization of VAT rates in certain northeastern Aegean islands, that have borne the highest brunt of the refugee crisis will be postponed for just one year (i.e. until the end of 2017); (ii) any deviation from the 2016 agreed primary surplus target will be addressed via the activation of the automatic fiscal rule; (iii) any officially confirmed annual budget over performance in the coming years will be used, in agreement with the institutions, for the implementation of the Guaranteed Minimum Income programme and the payment of State arrears to the private sector; and (iv) the Greek government remains committed to meeting the fiscal targets of the 3rd Economic Adjustment Programme (i.e. 0.5%, 1.75% and 3.5% as a percentage of GDP for 2016, 2017 and 2018 respectively). As per the same sources, the Greek government is awaiting a detailed list of the clarifications required by the institutions before it submits the aforementioned written document in the coming days. At the same time, the IMF in a new note published on its blog argues that: i) the personal tax rates in Greece are counterproductively high due to the current level of tax exemptions; ii) the recently implemented personal income tax reform had only a marginal effect in addressing the above mentioned issue between tax-exemptions and personal income tax rates; iii) the pension system is too generous compared with the rest of the Eurozone countries in terms of the Gross Replacement Rate; and iv) the tax compliance remains unchanged in 2016 on an annual basis. Finally, no significant progress has been achieved so far with regards to the implementation of the key items (namely the measures, mechanisms required for the achievement of the 3.5%-of-GDP medium term primary surplus target, etc.) that could lead to a Staff Level Agreement and the successful conclusion of the 2nd review by the end of this year.

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December 22, 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

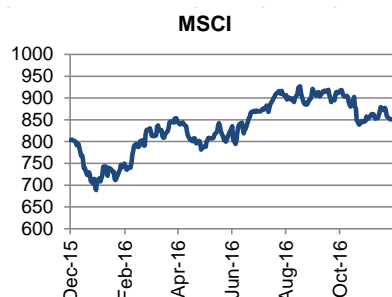
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### CESEE MARKETS

The majority of Emerging Market assets stood on the back foot earlier on Thursday as trade volumes remained thin in view of the Christmas holidays, while caution prevailed ahead of key US data due for release later on the day. In the CESEE region, most main stock indices stood in a marginally negative territory at the time of writing. Serbia's BELEX15 marked the biggest decline, with a 0.4% drop.

On the flipside, Bulgaria's SOFIX bucked the negative trend rising by ca 0.25% in morning European trade, in a move that matched yesterday's advance. The index has largely shrugged off the recently increased domestic political uncertainty and is poised to end 2016 with gains to the tune of ca. 25%, in a development that places it as the second best performer in CESEE after Hungary's BUX. News that outgoing President Rosen Plevneliev would leave the task of appointing an interim government to his successor, President-elect Rumen Radev, appeared to provide support to Bulgarian stocks over the last couple of sessions. Recall that, domestic political jitters have mounted in Bulgaria of late, after the leader of the ruling centre-right party Citizens for European Development of Bulgaria (GERB) and Prime Minister Boyko Borisov handed in his government's resignation in Parliament in the wake of the November Presidential elections that saw the defeat of his party's candidate. Outgoing President Rosen Plevneliev's comments yesterday vindicate our earlier expectations that, if negotiations to form a new government failed - as it proved to be the case -, the President would have to appoint a caretaker government until president-elect Rumen Radev takes office. However, according to the Bulgarian Constitution the incumbent President is not allowed to dissolve the National Assembly and call early elections during the last three months of his tenure. Given that Rumen Radev will assume his responsibilities on January 22<sup>nd</sup>, it appears most sensible for the outgoing GERB-led government to remain in place, rather than to appoint a new administration whose mandate will expire in only a month's time. Along these lines, snap general elections, probably in spring, is the most likely scenario. If realized it will take place two years ahead of schedule and mark the country's return to national polls for the third time in four years.

For the remainder of the week the CESEE calendar is relatively light with Poland's Central Bank meeting minutes and Hungary's MNB inflation report presentation, both tomorrow, being the most notable events in the region.

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December 22, 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	2265.18	-0.2%	10.8%	EUR/USD	1.0465	0.4%	-3.6%	UST - 10yr	2.54	1	27	GOLD	1131	0.0%	6.6%
Nikkei 225	19427.67	-0.1%	2.1%	GBP/USD	1.234	-0.1%	-16.3%	Bund-10yr	0.26	2	-37	BRENT CRUDE	54	-0.1%	45.9%
STOXX 600	359.60	-0.3%	-1.7%	USD/JPY	117.53	0.0%	2.2%	JGB - 10yr	0.06	-1	-21	LMEX	2693	0.0%	22.3%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	300	1	-3
1-week	3.16	0	-3
1-month	3.34	0	-17
3-month	3.47	1	-36
6-month	3.65	-1	-38

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	-1	-34
5Y RSD	5.35	-1	-175
7Y RSD	5.63	-3	-15

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.33	-4	-84
USD Nov-24	6.46	-1	5

**CDS**

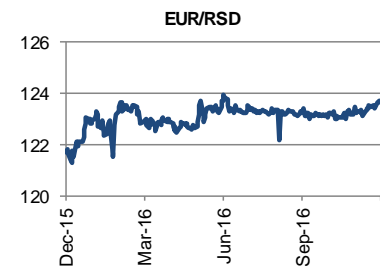
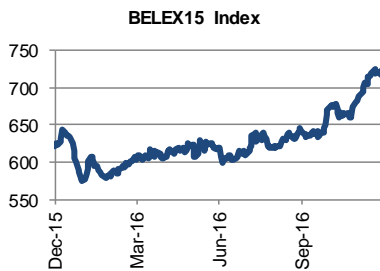
	Last	ΔDbps	ΔYTD bps
5-year	208	0	-67
10-year	254	-1	-85

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	718.8	-0.47%	11.60%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.68	-0.02%	-1.69%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.52	6	-1
1-month	0.71	0	2
3-month	0.82	-1	-20
6-month	1.1	1	-24
12-month	1.22	0	-30

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.58	0	-35
5Y RON	2.48	-1	-32
10Y RON	3.64	0	-14

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.21	-5	-36
USD Jan-24	3.93	-2	15

**CDS**

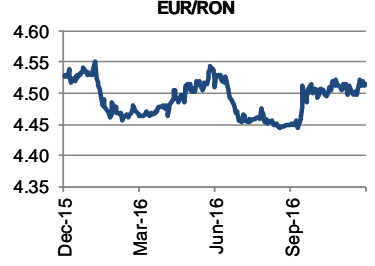
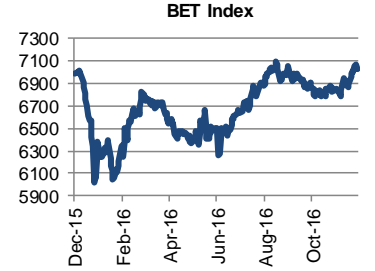
	Last	ΔDbps	ΔYTD bps
5-year	111	0	-22
10-year	156	0	-15

**STOCKS**

	Last	ΔD	ΔYTD
BET	7019.5	-0.04%	0.22%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5163	-0.04%	-0.05%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.09	0	-10
1-month	-0.16	1	-32
3-month	-0.07	1	-33
6-month	0.08	0	-45
12-month	0.41	0	-57

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.17	-2	-43
5Y BGN	0.54	-5	-73
10Y BGN	1.93	0	-73

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.34	-5	-41
EUR Sep-24	1.74	-59	-68

**CDS**

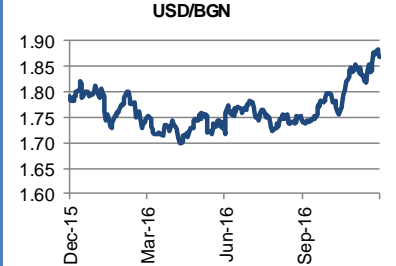
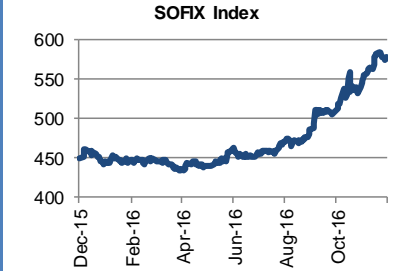
	Last	ΔDbps	ΔYTD bps
5-year	152	-1	-19
10-year	185	-1	-31

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	577.0	0.36%	25.19%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.8691	0.39%	-3.68%



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

Data updated as of 12:30 EET

December 22, 2016

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