

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Nov 29
 - GDP (Q2 2016, 2nd est)
 - Case Shiller index (Sep)
 - Cons. confidence (Nov)
- Nov 30
 - ADP employment (Nov)
 - Personal income/
spending (Oct)
 - Core PCE deflator
 - Chicago PMI (Nov)
 - Pending home sales (Oct)
- Dec 1
 - Jobless claims (weekly)
 - ISM manufacturing (Nov)
- Dec 2
 - Non-farm payrolls (Nov)
 - U/E rate (Nov)

EUROZONE

- Nov 28: ECB's Draghi speaks
- Nov 29: ESI (Nov)
- Nov 30
 - HICP headline & core
(Nov, flash)
 - ECB' Draghi speaks
- December 1
 - PMI manuf. (Nov, f)
 - U/E rate (Oct)
- December 4: Italy referendum

GREECE

- Nov 28: Euroworking Group
- Nov 29: GDP (Q3, prov.)
- Nov 30: Retail sales (Sep)

CYPRUS

- Dec 1: CPI (Nov)

SEE

BULGARIA

- Dec 2: Sovereign credit
reviews by S&P and Fitch

ROMANIA

- Nov 29: ILO u/e rate (Oct)
- Dec 1: National Holiday
- Dec 2
 - Moody's sovereign review
 - Intern/I reserves (Nov)

SERBIA

- Nov 30
 - Trade balance (Oct)
 - Retail sales (Oct)
 - IP (Oct)
 - GDP (Q3, f)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: OPEC members finally reached a final agreement at yesterday's meeting in Vienna to cut production by about 1.2mb/d as of January 1st from 33.6mb/d currently, the first reduction in the last eight years. Reacting to the OPEC agreement, oil prices moved sharply higher with Brent crude oil testing levels near \$53/br earlier today, the highest in nearly two years. Against this background, major bond yields moved higher with long-dated paper undeforming.

GREECE: According to the local press, an agreement in principal on the conditionality underlying the 2nd programme review is quite possible at the December 5th Eurogroup as the Greek government and official creditors have managed to bridge their differences on most of key open issues./ An international press report suggested that, according to an ESM working document, the short term relief measures that will be presented to euro area finance ministers next week are projected to reduce Greece's public debt by 21.8% of GDP until 2060 cumulatively, assuming that Greece fully implements the current bailout programme. /The Ministry of Environment and Energy issued a press release yesterday informing that the Greek government failed to reach an agreement with Azerbaijan's state energy company regarding the sale of a 66% stake in natural gas grid operator DESFA.

SOUTH EASTERN EUROPE

SERBIA: According to the final quarterly national accounts data for Q3 2016 released yesterday, real GDP growth was revised marginally higher to 2.6%YoY from a flash estimate of 2.5%YoY.

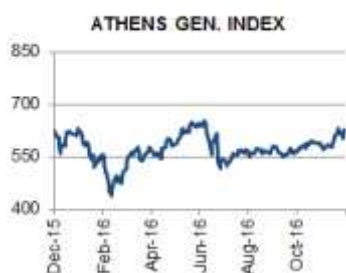
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Latest world economic & market developments

GLOBAL MARKETS

OPEC members finally reached a final agreement at yesterday's meeting in Vienna to cut production by about 1.2mb/d as of January 1st from 33.6mb/d currently, the first cut in the last eight years. The deal is likely to include a side accord with non-OPEC countries for an additional reduction in production by 0.6mb/d in an effort to contain a supply glut and boost prices. Reacting to the OPEC agreement, oil prices moved sharply higher with Brent crude oil testing levels near \$53/br earlier today, the highest in nearly two years. Against this background, major bond yields moved higher with long-dated paper undeforming amid boosted inflation expectations triggering some bear steepening. Indicatively, the 10-yr Bund yield rose by more than 4bps on a daily basis to a one-week high of 0.32% earlier today while the 30-yr German bond was yielding levels close to a 2 ½ week peak at around 0.98%. In FX markets, supported by higher US Treasury yields in the wake of the OPEC deal and another flurry of positive US data on Wednesday, the USD retained a firm tone with the DXY index hovering around 101.270 at the time of writing after marking a multi-session low of 100.640 earlier this week, approaching a 14 year peak of 102.050 marked last week. Against the JPY, the USD extended its recent gains testing levels above 114.00 today for the first time in the last 8 ½ months.



Source: Reuters, Bloomberg, Eurobank Research

GREECE

According to the local press, an agreement in principal on the conditionality underlying the 2nd programme review is quite possible at the December 5th Eurogroup as the Greek government and official creditors have managed to bridge their differences on most of key open issues. Yet, as suggested by several high level EU officials earlier this week, a comprehensive staff level agreement incorporating provisions on debt relief measures and primary surplus targets beyond the expiration of the current programme in mid-2018 requires the consent of the IMF. A number of high-ranking EU officials have stressed in recent weeks that the Fund's participation in Greece's bailout programme is necessary so as to lend it credibility. Furthermore, several euro area countries including Germany and the Netherlands have demanded IMF involvement as a condition for them to agree to the disbursement of additional ESM official funding to Greece under the current programme. That said, an extraordinary Eurogroup, probably on December 22nd, ahead of the Christmas recess may reportedly be called. In any case, following recent comments by both the Eurogroup President and the ESM Managing Director, short-term debt relief measures are expected to be included in the agenda of next week's Eurogroup and a political approval at that meeting is deemed highly likely. With respect to the latter, an international press report suggested that, according to an ESM working document, the short term relief measures that will be presented to euro area finance ministers next week are projected to reduce Greece's public debt by 21.8% of GDP until 2060 cumulatively, assuming that Greece fully implements the current bailout programme. In other news, the Ministry of Environment and Energy issued a press release yesterday informing that the Greek government failed to reach an agreement with Azerbaijan's state energy company regarding the sale of a 66% stake in natural gas grid operator DESFA, creating another obstacle in the country's efforts to speed up the privatization programme and meet the privatization revenue targets. According to a ministry official, the Greek government will decide on how it will relaunch the tender next week after consultation with official creditors.

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December 1, 2016

BULGARIA: Indicators	2014	2015	2016f
Real GDP growth %	1.6	3.0	2.6
CPI (pa, yoy %)	-1.4	-0.1	-0.5
Budget Balance/GDP*	-3.7	-2.9	-2.0
Current Account/GDP	0.9	1.4	1.0
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	2014	2015	2016f
Real GDP growth %	-2.5	1.6	2.5
HICP (pa, yoy %)	-0.3	-1.5	-0.7
Budget Balance/GDP*	-0.2	0.0	-0.4
Current Account/GDP	-4.6	-3.6	-4.2

* ESA 2010

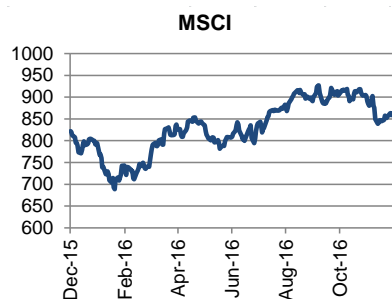
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015	2016f
Real GDP growth %	2.9	3.8	4.2
CPI (pa, yoy %)	1.1	-0.6	-1.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.1	-3.0
EUR/RON (eop)	4.48	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-4.1	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	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

According to the final quarterly national accounts data for Q3 2016 released yesterday, real GDP growth was revised marginally higher to 2.6%YoY from a flash estimate of 2.5%YoY reported in late October. The data follows a downwardly revised reading of 1.9%YoY in Q2 2016 and, despite picking up pace in Q3, remained below growth of 3.8%YoY marked in the January-March period. However, the said slowdown is mostly attributed to favorable base effects in Q1 2016. Furthermore, Q3 is the sixth consecutive quarter of positive annual growth rates after the 2014 floods which pushed the domestic economy into recession. From the production side, the agricultural (+10.9%YoY) and construction (+8.5%YoY) sectors registered the highest contributions in Q3 2016, with wholesale and retail trade (+3.7%YoY) and financial activities (+4.2%YoY) following suit. Annual growth in manufacturing returned to a positive territory of 1.2% after a 0.4% decline in the prior quarter, but remained well below that of other sectors as well as compared to readings recorded over the Q2 2015-Q1 2016. From the expenditure side, data confirmed that last year's positive trends broadly continued through to Q3 2016. In support of the aforementioned, net exports and investments continued to provide the highest input in domestic economic activity, with exports growth of 10.5%YoY outpacing a concomitant increase of 5.9%YoY in imports and gross fixed capital formation picking up pace to 6.2%YoY from 4.4%YoY a quarter earlier. At the same time, household final expenditure grew by 0.5%YoY, halving from 1.0%YoY in Q2, but marked the fifth consecutive quarter in the black. Likewise, government spending decelerated to 1.2%YoY from 4.0%YoY.

Looking ahead, economic activity is expected to accelerate to around 2.7% for the whole of this year, beating earlier official estimates for growth slightly below 2.0%. Prospects for 2017 are even more encouraging, with IMF penciling in a further pick up towards 3.0%. On top of private investment and net exports, which are expected to repeat their current strong performance, private consumption is expected to recover further after several years of acting as a drag on growth. It is expected to provide more meaningful support to overall economic activity next year, driven by real wage growth and the positive fiscal impulse emanating from the targeted rise in public wages and pensions. Risks to the next year's growth outlook stem from, inter alia, the potential unforeseen spillovers from Brexit.

Other macroeconomic data released yesterday in Serbia was rather mixed. In more detail, the Q3 labour force survey, confirmed a further improvement in labour market conditions, showing a drop in the rate of unemployment to a multi-year low of 13.8% from 15.2% a quarter earlier. On the other hand, the annual rate of increase in retail trade turnover slowed to a 5-month low of 5.2%YoY (constant prices) in October from 8.1%YoY in the prior month. That said, it increased by 7.9%YoY over the first ten months of the year. Additionally, industrial production rose by 3.2%YoY in October, compared to a 5.3%YoY increase in September. The breakdown of the data revealed that manufacturing posted meagre growth of 2.9%YoY, while electricity, gas, steam & air-conditioning supply rose by 4.1%YoY and mining and quarrying increased by 4.1%YoY in October. Unfavorable base effects may be partly to blame for the deceleration in industrial output (+7.8%YoY in October 2015).

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December 1, 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	2198.81	-0.3%	7.6%	EUR/USD	1.0626	0.4%	-2.1%	UST - 10yr	2.40	2	14	GOLD	1168	-0.4%	10.1%
Nikkei 225	18513.12	1.1%	-2.7%	GBP/USD	1.2543	0.3%	-14.9%	Bund-10yr	0.31	4	-32	BRENT CRUDE	52	0.9%	40.3%
STOXX 600	340.02	-0.6%	-7.1%	USD/JPY	114.23	0.2%	5.1%	JGB - 10yr	0.03	1	-23	LMEX	2799	1.5%	27.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	303	1	0
1-week	3.16	1	-3
1-month	3.32	1	-19
3-month	3.46	1	-37
6-month	3.63	0	-40

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.06	-1	-35
5Y RSD	5.67	-1	-143
7Y RSD	5.73	0	-5

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.48	-1	-68
USD Nov-24	6.45	3	4

CDS

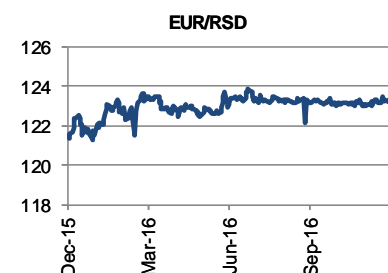
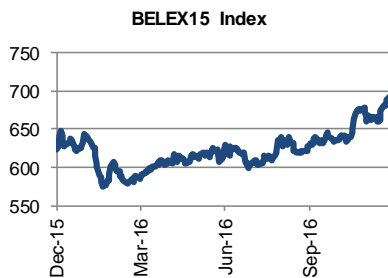
	Last	ΔDbps	ΔYTD bps
5-year	208	0	-67
10-year	254	-1	-85

STOCKS

	Last	ΔD	ΔYTD
BELEX15	699.7	0.73%	8.63%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.31	0.01%	-1.40%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.54	#VALUE!	1
1-month	0.64	#VALUE!	-5
3-month	0.8	#VALUE!	-22
6-month	1.04	#VALUE!	-30
12-month	1.15	#VALUE!	-37

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	#N/A	N/A	#VALUE!
5Y RON	#N/A	N/A	#VALUE!
10Y RON	#N/A	N/A	#VALUE!

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.26	3	-30
USD Jan-24	3.85	8	7

CDS

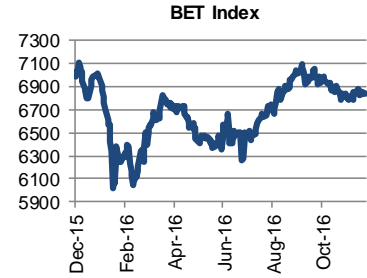
	Last	ΔDbps	ΔYTD bps
5-year	114	3	-19
10-year	158	5	-13

STOCKS

	Last	ΔD	ΔYTD
BET	6833.9	0.65%	-2.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5126	0.11%	0.03%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	-8	-31
1-month	-0.16	0	-32
3-month	-0.07	0	-33
6-month	0.08	0	-44
12-month	0.41	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.22	0	-38
5Y BGN	0.65	-1	-62
10Y BGN	2.02	0	-64

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.15	-29	8
EUR Sep-24	1.89	-14	-53

CDS

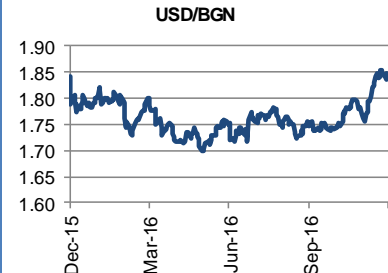
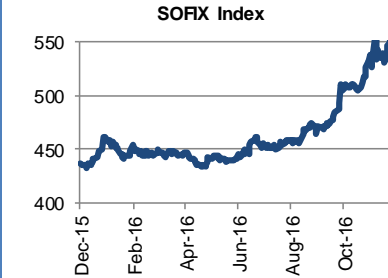
	Last	ΔDbps	ΔYTD bps
5-year	149	1	-22
10-year	187	0	-29

STOCKS

	Last	ΔD	ΔYTD
SOFIX	562.1	-0.12%	21.97%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8407	0.35%	-2.19%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:10 EET

December 1, 2016

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