

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- December 10: Jobless claims (weekly)
- December 11
 - Retail sales (Nov)
 - UoM sentiment (Dec, p)

EUROZONE

- December 7: Eurogroup meeting
- December 8
 - Ecofin meeting
 - GDP (Q3)

GREECE

- December 10
 - IP (Oct)
 - CPI (Nov)
 - U/E rate (Sep)

CYPRUS

- December 8: HICP (Nov)
- December 9: GDP (Q3)

SEE

BULGARIA

- December 7
 - 2.3% 2025 T-bonds auction
 - Reserve assets (Nov)
- December 8
 - Industrial production (Oct)
 - Retail sales (Oct)
- December 9: U/E rate (Oct)

ROMANIA

- December 7: 4.75% 2025 T-bonds auction
- December 8
 - Industrial sales (Oct)
 - Net wages (Oct)
- December 10
 - Trade balance (Oct)
 - 3.5% 2022 T-bonds auction
- December 11: CPI (Oct)

SERBIA

- December 10
 - MPC meeting
 - 6% T-bonds sale
- December 11: HICP (Oct)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from overnight losses in US equity markets major Asian bourses closed in the red on Thursday. The post-OPEC drop in oil prices continued to weigh on risky assets, while yesterday's JPY appreciation exerted a negative impact on Japanese export and health-care firms. In FX markets, the US dollar gained some ground. There is a quiet global data calendar today, with focus on the US initial jobless claims for the week ended on 5 December. On the monetary policy front, the BoE is expected to keep its base rate unchanged at a record low of 0.5% at today's monetary policy meeting.

GREECE: Discussions between the Greek government and official creditors on the agreed set of 13 prior actions attached to the release of the next (pending) ESM loan installment are scheduled to resume today. A multi-bill incorporating the legislation required for the implementation of the agreed prior actions is reportedly expected to come for vote in the Hellenic Parliament by December 18th so as the €1bn loan installment to arrive in State coffers before the end of the year.

SOUTH EASTERN EUROPE

ROMANIA: According to the latest INSEE data, the trade of goods deficit widened to €879mn in October, up by 54.9%YoY bringing the cumulative deterioration at 31.6% in January-October.

CESEE MARKETS: The majority of **emerging stock markets** moved lower in European trade on Thursday, extending their recent downtrend ahead of next week's Fed monetary policy meeting where US interest rates are anticipated to rise for the first time since 2006. **CESEE currencies** remained under pressure earlier today the ECB's monetary easing decision last week that fell short of market expectations and the looming normalization of the Fed's monetary policy continue to take a toll on sentiment towards regional assets. The MPC meeting in Serbia is amongst the main key events in the CESEE region today. The Central Bank is broadly anticipated to stay put on its monetary policy and maintain its key benchmark rate at the current record low of 4.50% ahead of the FOMC meeting next week.

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Latest world economic & market developments

GLOBAL MARKETS

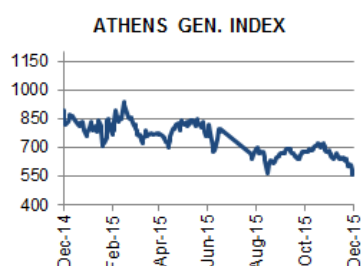
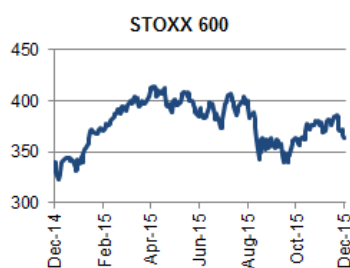
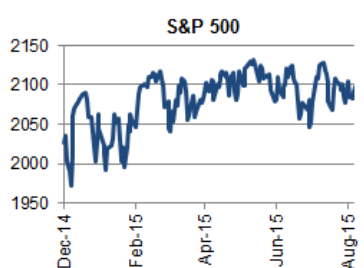
Taking their cue from overnight losses in US equity markets major Asian bourses closed in the red on Thursday, with the Japanese Nikkei 225 index ending 1.3% lower recording a five-week low of 19,046.55 points. The post-OPEC drop in oil prices continued to weigh on risky assets, while yesterday's JPY appreciation exerted a negative impact on Japanese export and health-care firms. In FX markets, the US dollar gained some ground, with the DXY index hovering around levels of 97.571 in European trade at the time of writing after closing at a month-low of 97.345 yesterday. Against a broadly firmer US currency, the EUR/USD edged down c. 0.5% to 1.0965/66, remaining though not far from a 1 1/2 month high of 1.1043 hit at some point in yesterday's session. There is a quiet global data calendar today, with focus on the US initial jobless claims for the week ended on 5 December, for which consensus estimate is for a 270k rise, while US November import prices are expected to fall by 0.8%MoM vs. a drop of 0.5%MoM in the previous month. On the monetary policy front, the BoE is expected to keep its base rate unchanged at a record low of 0.5% at today's monetary policy meeting.

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GREECE

Discussions between the Greek government and official creditors on the agreed set of 13 prior actions linked to the release of the next (pending) ESM loan installment, amounting to €1bn, are expected to resume today with an intention to complete by tomorrow when the EC/ECB/IMF/ESM mission heads are scheduled to depart from Athens. According to the most recent reports, official creditors approved a scheme presented by the Greek government as an alternative but equivalent to a privatization plan of ADMIE envisioning the unbundling of the company from the Public Power Corporation (PPC) through the creation of a new entity. As per the same sources, a 51% stake of the entity will be transferred to the Hellenic Republic and the remaining 49% to be owned by the shareholders of PPC. Furthermore, the two sides reportedly agreed on the form the Hellenic Republic will compensate PPC for the purchase of the 51% stake in the new entity. However, the management of the purportedly new entity remains a contentious issue with the Greek side reportedly insisting to continue under state control. A multi-bill incorporating the legislation required for the implementation of the agreed prior actions is reportedly expected to come for vote in the Hellenic Parliament by December 18th so as the €1bn loan installment to arrive in State coffers before the end of the year. According to some press reports, the relevant vote may be delayed and take place soon before the parliamentary recess for Christmas and New Year holidays. Should this be the case, the pending ESM loan installment may be bundled with the next loan disbursement attached to the successful completion of the 1st programme review.

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Source: Reuters, Bloomberg, Eurobank Research

December 10, 2015

BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	2.9	3.0
CPI (pa, yoy %)	-1.4	0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	2.5	1.4
EUR/BGN (eop)	1.9558		
	2014	current	2015f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014e	2015f	2016f
Real GDP growth %	-2.3	1.2	1.6
HICP (pa, yoy %)	-0.3	-2.1	-0.4
Budget Balance/GDP*	-0.2	-1.3	0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

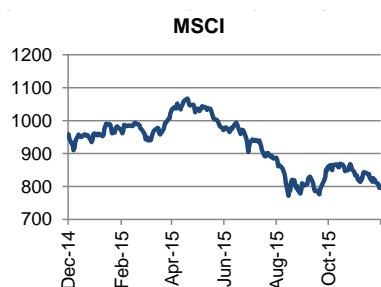
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.5	4.1
CPI (pa, yoy %)	1.1	-0.8	0.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014e	2015f	2016f
Real GDP growth %	-1.8	1.0	2.0
CPI (pa, yoy %)	2.1	1.7	3.5
Budget Balance/GDP	-6.7	-3.5	-4.6
Current Account/GDP	-6.0	-4.3	-4.1
EUR/RSD (eop)	120.96	122.00	124.00
	2014	current	2015f
Policy Rate (eop)	8.00	4.50	4.50

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

L-T ccy	Credit Ratings		
	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest world economic & market developments in the CESEE region

ROMANIA

According to the latest INSEE data, the trade of goods deficit widened to €879mn in October, up by 54.9%YoY bringing the cumulative deterioration at 31.6% in January-October. Strong import growth (+6.9%YoY in October/+6.9%YoY in Jan-Oct2015) coupled with decelerating exports performance as a result of the underperformance of exports to extra-EU28 destinations (+1.3%YoY in October/+4.2%YoY in Jan-Oct2015) are the main drivers behind the trade deficit dynamics. The said deterioration is one of the warning signs that macroeconomic imbalances could reemerge as a result of the unwarranted fiscal stimulus ahead of the parliamentary elections in late 2016. So far, the robust performance in services and current transfers as a result of the improved EU funds absorption maintain the current account deficit at relatively low levels.

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CESEE MARKETS

The majority of **emerging stock markets** moved lower in European trade on Thursday, extending their recent downtrend ahead of next week's Fed monetary policy meeting where US interest rates are anticipated to rise for the first time since 2006. Higher fed funds rates are expected to weigh on risky assets' high yield allure and, thus, to take a toll on capital flows towards emerging markets. Against this backdrop, the broader MSCI Emerging Markets index slid by ca 0.4% at the time of writing, marking the seventh consecutive session in the red. Meanwhile, CESEE bourses were mixed. The Polish WIG bucked the negative trend, leading the gains in the region with a 1.1% advance recouping a small part of 8.0% cumulative losses recorded on a daily basis since November 26.

CESEE currencies remained under pressure earlier today, as the ECB's monetary easing decision last week that fell short of market expectations and the looming normalization of the Fed's monetary policy continue to take a toll on sentiment towards regional assets. Against this backdrop, the Romanian leu and the Hungarian forint hit new multi-month lows at 4.4980/EUR and 316.94, respectively, in European trade today. In a similar vein, the Polish zloty consolidated near a 1-year trough of 4.3780/EUR on Thursday, while despite some timid recovery the Serbian dinar stood not too far from yesterday's 10-month low of 121.45/EUR.

The MPC meeting in Serbia is amongst the main events in the CESEE region today. The Central Bank is broadly anticipated to stay put on its monetary policy and maintain its key benchmark rate at the current record low of 4.50% ahead of the FOMC meeting next week.

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December 10, 2015

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	2047.62	-0.8%	-0.5%	EUR/USD	1.0943	-0.7%	-9.5%	UST - 10yr	2.22	1	5	GOLD	1072	-0.1%	-9.5%
Nikkei 225	19046.55	-1.3%	9.1%	GBP/USD	1.5179	0.0%	-2.6%	Bund-10yr	0.59	-2	4	BRENT CRUDE	40	0.2%	-29.9%
STOXX 600	364.13	0.0%	6.3%	USD/JPY	121.72	-0.2%	-1.7%	JGB - 10yr	0.31	1	-2	LMEX	2148	0.2%	-26.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	308	0	-683
1-week	3.24	-1	-677
1-month	3.55	-1	-650
3-month	3.89	-1	-596
6-month	4.09	0	-570

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.55	-6	-553
5Y RSD	5.03	-1	-515
7Y RSD	7.37	0	-471

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.07	0	-119
USD Nov-24	6.41	0	-18

CDS

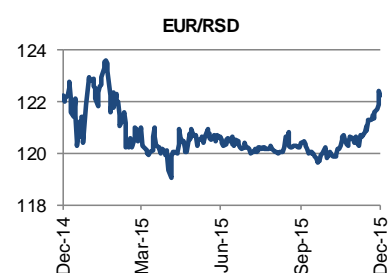
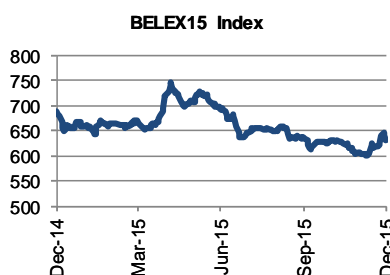
	Last	ΔDbps	ΔYTD bps
5-year	274	0	-16
10-year	339	0	-17

STOCKS

	Last	ΔD	ΔYTD
BELEX15	631.8	-0.06%	-5.28%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.18	0.18%	-0.68%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.56	0	-1
1-month	0.74	0	-17
3-month	1.03	0	-67
6-month	1.34	-1	-67
12-month	1.51	0	-51

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.45	1	-86
5Y RON	1.95	0	-76
10Y RON	3.70	2	4

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.05	-3	-68
USD Aug-23	3.63	0	1

CDS

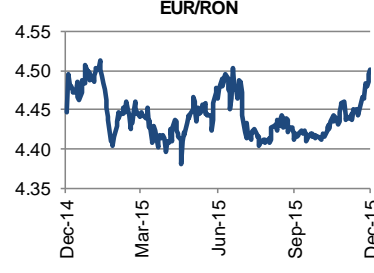
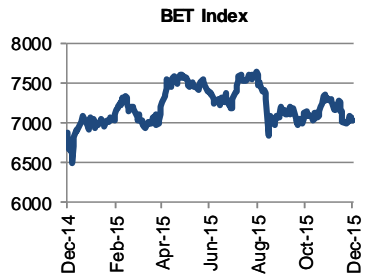
	Last	ΔDbps	ΔYTD bps
5-year	138	0	-5
10-year	179	1	-8

STOCKS

	Last	ΔD	ΔYTD
BET	7031.1	-0.07%	-0.73%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5023	-0.14%	-0.42%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.31	0	-12
6-month	0.57	0	-23
12-month	1.06	0	-45

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.21	3	-83
5Y BGN	0.45	0	-100
10Y BGN	1.94	0	-82

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.19	0	-97
EUR Sep-24	2.37	-1	-50

CDS

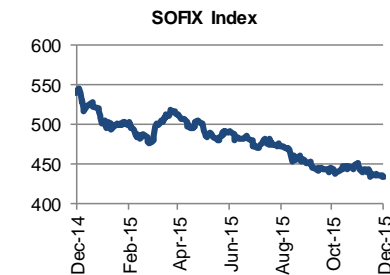
	Last	ΔDbps	ΔYTD bps
5-year	171	0	-20
10-year	222	0	-19

STOCKS

	Last	ΔD	ΔYTD
SOFIX	434.1	0.13%	-16.86%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7874	-0.74%	-9.56%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:45 EET

December 10, 2015

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