

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- December 1: ISM manufacturing (Nov)
- December 2
 - Fed Chair Yellen speaks
 - Fed Beige Book
 - ADP employment(Nov)
- December 3
 - Fed Chair Yellen speaks
 - Jobless claims (weekly)
 - Industrial orders (Oct)
 - ISM non-manuf (Nov)
- December 4
 - NFP (Nov)
 - U/E rate (Nov)
 - Trade balance (Oct)

EUROZONE

- December 1: PMI manuf (Nov, f)
- December 2: HICP (fl, Nov)
- December 3
 - ECB MPC meeting
 - PMI services/ composite (Nov, f)

GREECE

- November 30: Retail sales (Sep)
- December 1: PMI manuf (Nov)

SEE

BULGARIA

- November 30: Budget balance (Oct)
- December 1: Reserve Assets (Nov)
- December 4: GDP (Q3, f)

ROMANIA

- December 2: International reserves (Nov)
- December 3
 - 3.25% 2018 T-bonds
 - Retail sales (Oct)
- December 4: GDP (Q3, f)

SERBIA

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

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Addressing the Economic Club of Washington on Wednesday, FOMC Chair Janet Yellen expressed confidence on the US economic outlook adding that risks from abroad have dissipated since the summer. She also stressed that there were risks associated with waiting too long to start normalising monetary policy making clear that, once incepted, the rate hike cycle would be gradual. All eyes today are on the ECB policy meeting where the Central Bank is widely expected to provide additional monetary accommodation to address the risks of a too prolonged period of low inflation.

GREECE: The progress made so far by the Greek government in implementing the 13 agreed prior actions attached to the release of the next ESM loan installment (€1bn) is expected to be a key issue of discussion in the upcoming Eurogroup scheduled for December 7th. A bill incorporating the relevant legislation required for the prior actions' implementation is reportedly expected to be submitted to the Hellenic Parliament by December 11th with an intention to have the next loan installment released by December 18th.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging stock markets closed broadly lower on Wednesday following downbeat US manufacturing data while caution prevailed ahead of key data and events, such as the ECB monetary policy meeting today, a speech by Fed Chair Janet Yellen today and the US non-farm payrolls on Friday. Elsewhere, **CESEE currencies** were mixed on Wednesday.

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Latest world economic & market developments

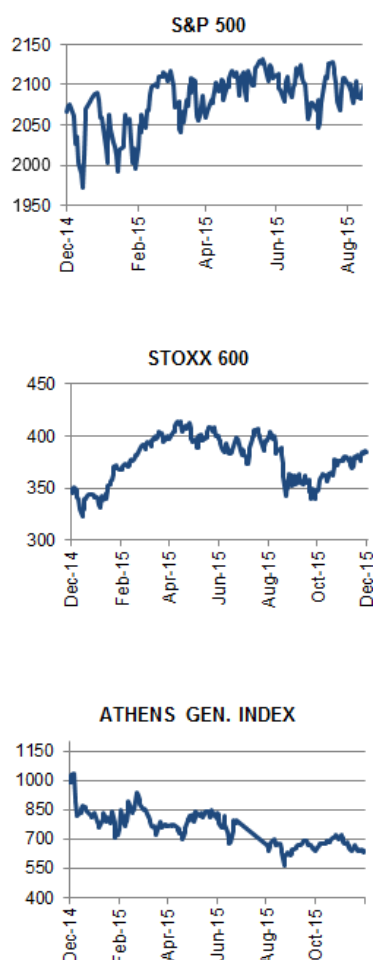
GLOBAL MARKETS

Addressing the Economic Club of Washington on Wednesday, FOMC Chair Janet Yellen expressed confidence on the US economic outlook adding that risks from abroad have dissipated since the summer. She also stressed that there were risks associated with waiting too long to start normalising monetary policy making clear that, once incepted, the rate hike cycle would be gradual. Hawkish comments by the FOMC Chair weighed on US Treasuries, mainly on long-dated paper with the 2/10-yr yield curve undertaking some bearish steepening. The corresponding spread was hovering around 125.5bps in European trade at the time of writing c. 1bps wider compared to the settlement in the prior session but below levels near 130bps tested a week earlier. In FX markets, the USD retained a firm tone with the DXY standing close to 100.290, within distance from a fresh year-to-date peak of 100.510 marked in the prior session. With investors expecting the ECB to provide additional monetary accommodation at today's policy meeting to address the risks of a too prolonged period of low inflation, the EUR/USD was standing close to 1.0563/66 at the time of writing, not far from an eighth-month low of 1.0550 recorded in the prior session. In case the ECB merely does what is effectively priced in by the market, the EUR/USD is likely to rebound, recovering some of its recent hefty losses. On the flipside, should the ECB decide to provide further stimulus beyond market consensus, the EUR/USD may come under renewed downward pressure. Technically, resistance lies at 1.0620 recent high (Dec. 2 peak) while, on the downside, key support stands at recent lows in the way to 1.0455 year-to-date trough.

GREECE

The progress made so far by the Greek government in implementing the 13 agreed prior actions attached to the release of the next ESM loan installment (€1bn) is expected to be a key issue of discussion in the upcoming Eurogroup scheduled for December 7th. A bill incorporating the relevant legislation required for the prior actions' implementation is reportedly expected to be submitted to the Hellenic Parliament by December 11th with an intention to have the next loan installment released by December 18th. The list of the said prior actions reportedly include, inter alia: (i) a comprehensive strategy for the resolution of domestic banks' non-performing loans (NPLs); (ii) the privatization of the power grid operator ADMIE (or, alternatively, an equivalent plan); (iii) a fiscally-neutral reform of the unified wage grid, effective January 1, 2016; (iv) appointment of an independent Task Force to identify options and prepare recommendations on the operational goals, structure and governance of a new independent Privatization Fund; and (iv) the implementation of certain pending OECD toolkit I and II recommendations including, inter alia, Sunday trade liberalization and liberalization of distribution channels of over-the-counter medicines (OTCs). According to some press reports, the next loan installment is available until 31st December and any delay in the implementation of the relevant milestones may render necessary the approval of the extension of its availability by a number of Euro area national parliaments (including German Bundestag).

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Source: Reuters, Bloomberg, Eurobank Research

December 3, 2015

Latest world economic & market developments in the CESEE region

BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	2.1	2.5
CPI (pa, yoy %)	-1.4	0.2	0.8
Budget Balance/GDP*	-3.7	-2.0	-2.4
Current Account/GDP	0.9	2.0	1.5
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

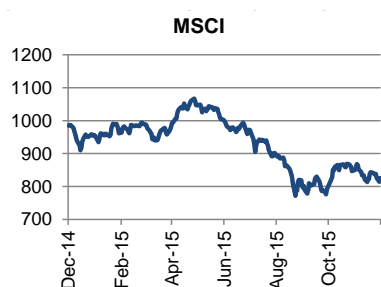
ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.8
CPI (pa, yoy %)	1.1	-0.8	0.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

* 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	4.00

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

CESEE MARKETS

Emerging stock markets closed broadly lower on Wednesday following downbeat US manufacturing data while caution prevailed ahead of key data and events, such as the ECB monetary policy meeting today, a speech by Fed Chair Janet Yellen today and the US non-farm payrolls on Friday. Along these lines, the MSCI Emerging Markets index closed ca 0.5% lower compared to Tuesday's settlement, with Poland's WIG broadly underperforming its EM peers registering a 1.7% daily drop. On the flipside, Serbia's BELEX15 index bucked the negative trend to close 0.7% higher.

Elsewhere, **CESEE currencies** were mixed on Wednesday. The Turkish lira extended its recent gains against for the third session running, broadly outperforming its regional peers. In more detail, the currency has rallied nearly 2% against the USD so far this week receiving some comfort from upbeat trade data for November that showed a steep narrowing in the corresponding deficit. Against this backdrop, the USD/TRY stood near 2.8885 on Wednesday's settlement, not too far from a new multi-session low of 2.8690 hit intraday. We reiterate that despite the currency's recent recovery, renewed TRY depreciation cannot be ruled out as a Fed rate hike this month remains in the pipeline. Higher US interest rates are anticipated to weigh on capital flows towards emerging market assets. Turkish assets are considered amongst the most highly vulnerable in the EM space due to the country's comparably elevated external vulnerabilities.

Elsewhere, the Polish zloty ended little changed near 4.2770/EUR yesterday. Wednesday's Central Bank meeting announcement appeared to have a limited impact as the outcome was largely priced in by financial markets. In line with the market's consensus, the NBP stayed put on its monetary policy and kept its main policy rate at the current record low of 1.50%. The accompanying statement and comments by Governor Marek Belka suggested that the Committee sees the current rate levels appropriate with no need for further cuts ahead. Since cutting interest rates by 50bps and signaling the end of its monetary easing cycle in March, the Central Bank has held its horses. That said, the MPC's structure will change early next year, with the PiS controlled Parliament anticipated to elect eight of the ten members. As such, a resumption of rate cuts in 2016 cannot be ruled out as the ruling party has signaled it is in favor of further fiscal and monetary easing in order to stimulate the domestic economy. However, with the prospect of CPI returning into a positive territory in the coming months, real annual GDP rates around 3.50% (in Q3 2015) and potential fiscal loosening likely to add to inflation pressures ahead, our baseline scenario is for stable interest rates next year.

The tone for CESEE assets over the coming sessions will likely be set by the outcome of the ECB's meeting today. An announcement of further monetary stimulus measures is likely to favour CESEE assets the most in the emerging markets space. On the other hand, a disappointment of market expectations will likely weigh regional sentiment. Janet Yellen's speeches and the November US non-farm payrolls report are also likely to provide additional direction for EM assets in the imminent future.

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December 3, 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	2094.48	-0.4%	1.7%	EUR/USD	1.0572	-0.6%	-12.6%	UST - 10yr	2.19	4	1	GOLD	1055	-1.3%	-11.0%
Nikkei 225	19938.13	-0.4%	14.3%	GBP/USD	1.4923	-1.0%	-4.2%	Bund - 10yr	0.47	0	-7	BRENT CRUDE	43	-2.7%	-24.6%
STOXX 600	384.17	0.0%	12.2%	USD/JPY	123.53	-0.5%	-3.1%	JGB - 10yr	0.32	2	-1	LMEX	2167	1.0%	-25.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	311	3	-680
1-week	3.27	3	-674
1-month	3.61	6	-644
3-month	3.95	5	-590
6-month	4.16	7	-563

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.74	0	-530
5Y RSD	5.06	0	-512
7Y RSD	7.40	0	-142

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.03	1	-123
USD Nov-24	6.39	0	-20

CDS

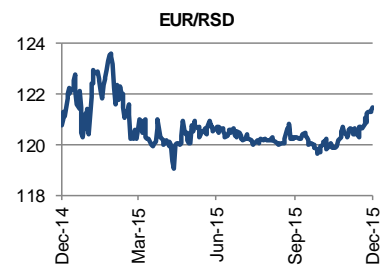
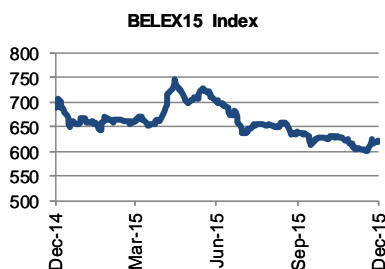
	Last	ΔDbps	ΔYTD bps
5-year	274	0	-16
10-year	339	0	-17

STOCKS

	Last	ΔD	ΔYTD
BELEX15	623.4	0.67%	-6.53%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.46	-0.10%	-0.09%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.61	#VALUE!	4
1-month	0.75	#VALUE!	-16
3-month	1.04	#VALUE!	-66
6-month	1.35	#VALUE!	-66
12-month	1.51	#VALUE!	-51

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.45	-1	-86
5Y RON	1.93	-1	-78
10Y RON	3.51	-1	-15

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.04	-3	-69
USD Aug-23	3.54	0	-7

CDS

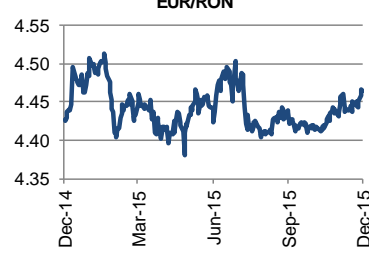
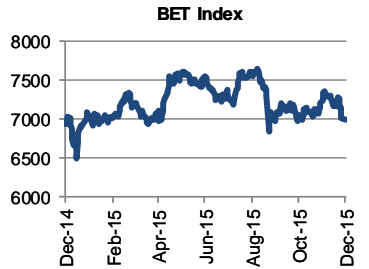
	Last	ΔDbps	ΔYTD bps
5-year	130	-1	-12
10-year	173	-1	-14

STOCKS

	Last	ΔD	ΔYTD
BET	6990.4	-0.39%	-1.31%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4631	0.04%	0.46%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.31	0	-13
6-month	0.57	0	-23
12-month	1.06	0	-45

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.21	-2	-83
5Y BGN	0.45	3	-100
10Y BGN	1.89	0	-86

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.17	-4	-99
EUR Sep-24	2.30	28	-56

CDS

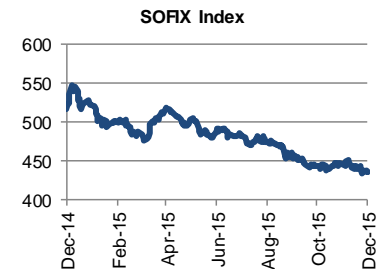
	Last	ΔDbps	ΔYTD bps
5-year	163	-1	-28
10-year	213	-2	-27

STOCKS

	Last	ΔD	ΔYTD
SOFIX	436.2	-0.15%	-16.45%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8503	-0.59%	-12.64%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 19:10 EET of previous session

December 3, 2015

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