

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- November 12: Jobless Claims
- November 13
 - Retail sales (Oct)
 - UoM sent.(Nov, p)

EUROZONE

- November 9: OECD Economic Outlook
- November 11: ECB President Draghi speaks

GREECE

- November 9: Eurogroup
- November 11: EC/ECB/IMF/ESM mission heads reportedly expected to arrive in Athens

CYPRUS

- November 10: HICP (Oct)
- November 13: Conclusion of 8th programme review
- November 14: GDP (Q3, p)

SEE

BULGARIA

- November 9
 - Trade balance (Sep)
 - Ind. production (Sep)
 - Retail sales (Sep)
 - T-bonds auction
- November 12: CPI (Oct)
- November 13
 - GDP (Q3, p)
 - U/E rate (Oct)

ROMANIA

- November 9
 - Trade balance (Sep)
 - T-bonds auction
- November 10: Industrial production (Sep)
- November 11: CPI (Oct)
- November 13
 - GDP (Q3, A)
 - CAD (Sep)
- November 3: Retail sales (Sep)

SERBIA

- November 12
 - HICP (Oct)
 - MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Addressing the European Parliament's Economic and Monetary Affairs Committee yesterday, ECB President Mari Draghi stated that downside risks stemming from global growth and world trade are clearly visible and that inflation dynamics have somewhat weakened. The ECB President added that the Central Bank is ready to use all the instruments available in its mandate to secure its medium-term price stability objective, reinforcing expectations for further ECB monetary policy stimulus at the upcoming policy meeting scheduled for December 3rd.

GREECE: Speaking to a local TV station yesterday, government spokeswoman Olga Gerovasili said that the Greek government will have fulfilled by Monday (November 16) all pending issues and the Euro Working Group could then give the green light for the release of the €10bn amount earmarked for recapitalizing Greece's four systemic banks. / Addressing the European Parliament's Economic and Monetary Affairs Committee yesterday, ECB President Mario Draghi suggested that Greece's sovereign bonds could be eligible for the ECB's QE programme provided that certain conditions are in place, including, inter alia, successful completion of the 1st programme review and no violation of the issue and issuer limits for public sector purchase programme (PSPP).

SOUTH EASTERN EUROPE

BULGARIA: Deflation on an annual basis resurfaced again in October for the first time since last July. In more detail, CPI came in at +0.2%MoM/-0.6%YoY in October, from -0.1%MoM/+0.1%YoY in September compared to -0.2%MoM/-0.2%YoY in July.

SERBIA: The National Bank of Serbia (NBS) decided at its MPC meeting on Thursday to stay put on its monetary policy and keep the key policy rate unchanged at the current record low level of 4.50%. Meanwhile, HICP rose by 1.4%YoY in line with the prior month's reading, remaining below the lower bound of the NBS 4±1.5% target tolerance band for the 20th month running.

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Latest world economic & market developments

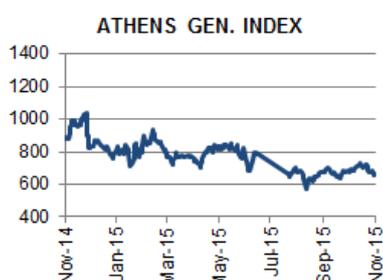
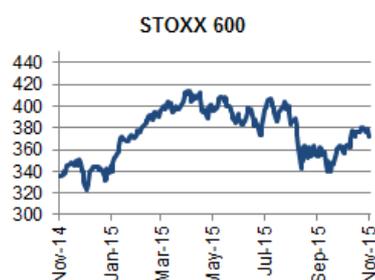
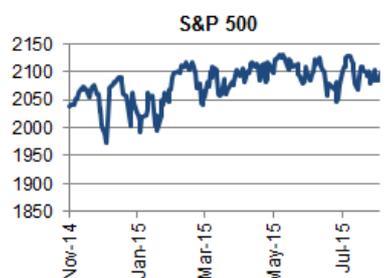
GLOBAL MARKETS

Addressing the European Parliament's Economic and Monetary Affairs Committee yesterday, ECB President Mari Draghi stated that downside risks stemming from global growth and world trade are clearly visible and that inflation dynamics have somewhat weakened, mainly due to lower oil prices and the delayed effects of the stronger euro exchange rate seen earlier in the year. The ECB President added that a sustained normalisation of inflation could take longer than anticipated earlier this year when the QE programme was launched. Reinforcing expectations for further ECB monetary policy stimulus at the upcoming policy meeting scheduled for December 3rd, the ECB President said that the Central Bank is ready to use all the instruments available in its mandate to secure its medium-term price stability objective. The ECB President's dovish tone assisted German bonds retain a firm tone in European trade today with the 2-year Bund yield hovering close to fresh record closing lows of -0.36% recorded earlier this week. In FX markets, the EUR remained under pressure hovering around 1.0720/25 against the US dollar at the time of writing, not far from multi-month lows of 1.0673 marked a few sessions earlier. Persisting political jitters in Portugal and Spain, also continued to exert a negative impact on the EUR. On the data front, focus today is on the preliminary Q3 GDP figures for the euro area. Consensus is for a growth rate of 0.4%qoq, unchanged compared to the prior quarter.

GREECE

Speaking to a local TV station yesterday, government spokeswoman Olga Gerovasili said that the Greek government will have fulfilled by Monday (November 16) all pending issues and the Euro Working Group could then give the green light for the release of the €10bn amount earmarked for recapitalizing Greece's four systemic banks. According to the local press, the EWG will convene by next Monday to evaluate the progress made by the Greek side in implementing all outstanding milestones for the disbursement of the pending ESM loan installment of €2bn as well as some of the programme deliverables regarding the governance of the banks. Subject to a positive EWG assessment, an ESM Board of Governors meeting will reportedly convene a session later to officially approve the release of €10bn (or part of that amount if needed) to cover the recapitalization needs of Greece's four systemic banks. / Addressing the European Parliament's Economic and Monetary Affairs Committee yesterday, ECB President Mario Draghi suggested that Greece's sovereign bonds could be eligible for the ECB's QE programme provided that certain conditions are in place, including, inter alia, successful completion of the 1st programme review and no violation of the issue and issuer limits for public sector purchase programme (PSPP). The ECB President also said that the amount earmarked for potential recapitalization and resolution needs of the Greek banking system (up to €25bn) will not probably be needed in its entirety.

ppetropoulou@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Research

November 13, 2015

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

Latest world economic & market developments in the CESEE region

BULGARIA

Deflation on an annual basis resurfaced again in October for the first time since last July. In more detail, CPI came in at +0.2%MoM/-0.6%YoY in October, from -0.1%MoM/+0.1%YoY in September compared to -0.2%MoM/-0.2%YoY in July. As a result, the average annual inflation came at -0.3% since the beginning of the year. The category of transportation recorded the largest decline both on a monthly and an annual basis (-1.4%MoM/-9.8%YoY) in October driven by lower world energy prices. Prices of food & non-alcoholic beverages, the component of the CPI basket with the highest share, receded due to seasonal effects (-0.4%MoM/+0.1%YoY) amid lower prices for fruits (-7.9%MoM/+3.3%YoY) and meat (+0.7%MoM/-2.7%YoY). The contribution of regulated prices (+0.4%MoM/-0.2%YoY in October) to annual inflation became negative as a result of phasing out last year's electricity hikes.

igkionis@eurobank.gr

SERBIA

The National Bank of Serbia (NBS) decided at its MPC meeting on Thursday to stay put on its monetary policy and keep the key policy rate unchanged at the current record low level of 4.5%. This follows three consecutive 50bps monthly cuts, and cumulative rate-easing of 725bps since May 2013, out of which 350bps have been rendered so far this year. Despite persistently below target inflation, falling inflation expectations and a relatively stable foreign exchange rate, the market's consensus was for stable interest rates at yesterday's meeting ahead of December's key meetings by the ECB and the Fed. The two major Central Banks appear to be pursuing increasingly divergent monetary policies, with expectations having significantly increased lately over an expansion of the ECB's QE and a Fed rate hike in their upcoming meetings in December. With regards to the latter, the inception of the FOMC's rate-hiking cycle may weigh on foreign capital flows into emerging markets. The NBS acknowledged this risk yesterday, though highlighting that the economy is shielded by the favourable effects of fiscal consolidation, improving growth prospects, reduced external imbalances and the IMF's policy anchor. In the post-meeting statement the Central Bank of Serbia also noted that it anticipates inflation to temporarily return within the target tolerance band ($4 \pm 1.5\%$) in early 2016 in view of the waning impact of last year's decrease in the prices of petroleum products and cigarettes, adding that a sustainable return within the target band is expected from mid-2016. Note that according to October's inflation data, released yesterday, HICP rose by 1.4%YoY in line with the prior month's reading. October's print outperformed market expectations for an advance to 1.9% and remained below the lower bound of the NBS target tolerance band for the 20th month running. All in all, the data confirmed that price pressures remain subdued amid weak domestic consumption and low global oil prices. Looking ahead, we believe that yesterday's MPC decision flags the end of the Central Bank's current rate-cutting cycle with a wait-and-see stance likely to be adopted in the months ahead, as the impact of earlier monetary easing and reduction in FX reserve requirements gradually feeds through into the domestic economy. Potential increases in public sector wages and pensions announced by the Prime Minister earlier in the week are likely to have a modest impact on inflation as they are likely to be of a limited scale. In more detail, the government plans as of January 2016 a 1.25% increase in all pensions, a 2pps wage rise in police and military wages, a 3pps increase in doctors/nurses salaries and a 4% hike in teachers' wages. According to the Prime Minister these increases have already been agreed with the IMF.

gphoka@eurobank.gr

November 13, 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	2045.97	-1.4%	-0.6%	EUR/USD	1.0756	-0.5%	-11.1%	UST - 10yr	2.30	-1	13	GOLD	1084	-0.1%	-8.5%
Nikkei 225	19596.91	-0.5%	12.3%	GBP/USD	1.5216	-0.1%	-2.3%	Bund-10yr	0.58	-3	4	BRENT CRUDE	45	1.6%	-21.9%
STOXX 600	371.51	-0.3%	8.5%	USD/JPY	122.77	-0.1%	-2.5%	JGB - 10yr	0.31	0	-2	LMEX	2225	-2.0%	-23.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	306	-2	-685
1-week	3.21	-3	-680
1-month	3.48	-7	-657
3-month	3.84	-6	-601
6-month	4.02	-7	-577

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.96	-2	-512
5Y RSD	6.59	0	-359
7Y RSD	6.89	0	-519

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.10	0	-116
USD Nov-24	6.44	0	-15

CDS

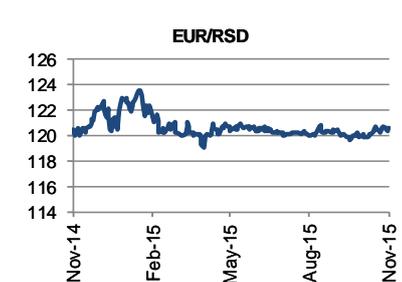
	Last	ΔDbps	ΔYTD bps
5-year	286	0	-4
10-year	351	0	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	602.5	-0.45%	-9.67%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.59	0.02%	0.63%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.56	1	-1
1-month	0.86	0	-5
3-month	1.09	-1	-61
6-month	1.37	-2	-64
12-month	1.53	-1	-49

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.50	-1	-81
5Y RON	2.04	-1	-67
10Y RON	3.47	-1	-19

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.19	0	-54
USD Aug-23	3.72	1	11

CDS

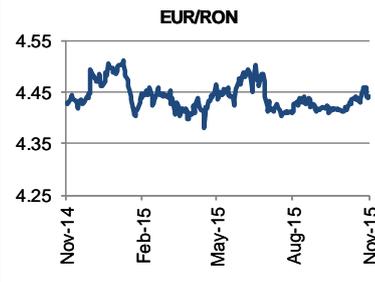
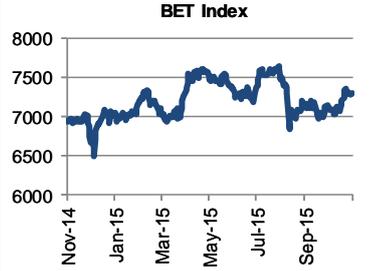
	Last	ΔDbps	ΔYTD bps
5-year	137	2	-6
10-year	179	2	-8

STOCKS

	Last	ΔD	ΔYTD
BET	7283.9	-0.27%	2.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4411	-0.02%	0.95%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-4
3-month	0.30	0	-13
6-month	0.57	0	-23
12-month	1.12	-1	-39

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.29	6	-75
5Y BGN	0.54	-1	-90
10Y BGN	2.08	0	-67

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.33	0	-83
EUR Sep-24	2.49	14	-38

CDS

	Last	ΔDbps	ΔYTD bps
5-year	172	2	-18
10-year	221	4	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.2	0.06%	-14.92%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8183	-0.53%	-11.10%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:25 EET of previous session

November 13, 2015

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Arkadia Konstantopoulou (Special Contributor)
Research Assistant, Eurobank Ergasias
+30 210 3371224
arkonstantopoulou@eurobank.gr

Olga Kosma (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokrousos@eurobank.gr, + 30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, + 30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, + 30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, + 30 210 33 71 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr, + 30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr, + 30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, + 30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, + 30 210 33 71 228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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