

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- December 15
 - Empire manufacturing (Nov)
 - CPI (Nov)
- December 16
 - Housing starts (Nov)
 - Building permits (Nov)
 - Industrial production (Nov)
 - Markit Manufacturing PMI (Dec, p)
 - FOMC meeting
- December 17
 - Philly Fed (Dec)
 - Jobless claims (weekly)
- December 18: Markit PMI composite/ services (Dec, p)

EUROZONE

- December 14: Industrial production (Oct)
- December 16
 - CPI (Nov, f)
 - PMI manufacturing/ services/ composite (Dec, p)

GREECE

- December 17: U/E rate (Q3)

SEE

BULGARIA

- December 14
 - CPI (Nov)
 - U/E rate (Nov)
 - T-bonds auction
- December 17: Current account deficit (Oct)

ROMANIA

- December 14
 - Current account balance (Oct)
 - Industrial production (Oct)
 - 3.25% 2021 T-bonds auction

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The Bank of Japan (BoJ) unexpectedly announced on Friday a new program for purchases of exchange-traded funds (ETFs), as well as an extension of the average maturity of its government bond holdings. Most Asian bourses edged lower and major European equity indices opened in the red on Friday, mirroring the negative tone in Wall Street overnight. In FX markets, the US dollar initially firmed against the JPY soon after the BoJ's announcement, hitting a two-week high of 123.56 earlier in Asian trade, before retreating to a one-week low of 121.25/26 in European trade at the time of writing as the BoJ's new ETF program was perceived as rather small.

GREECE: According to the quarterly labour force survey (non-seasonally adjusted data), released yesterday by EL.STAT. the unemployment rate stood at 24.0% in the 3rd quarter 2015. Compared to the 3rd quarter 2014 (25.5%) there was a decrease of 1.5 percentage points. Furthermore, the number of employed and unemployed persons came up to 3,671k (2.3%, yoy%) and 1,161k (-5.6%, yoy%) respectively.

SOUTH EASTERN EUROPE

BULGARIA: The current account surplus widened to 2.5% of GDP in January-October 2015, up from 2.2% of GDP in January – October 2014.

ROMANIA: The Ministry of Finance sold at an auction on Thursday RON 500m of 1 Year T-bills at an average accepted yield of 0.97%.

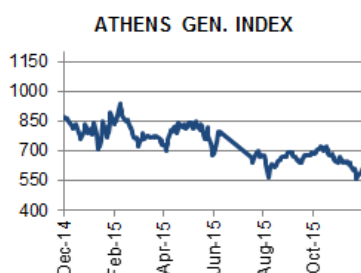
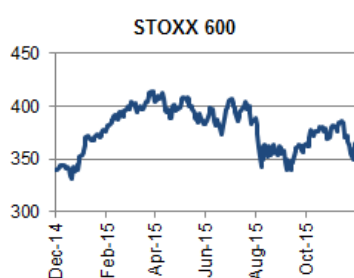
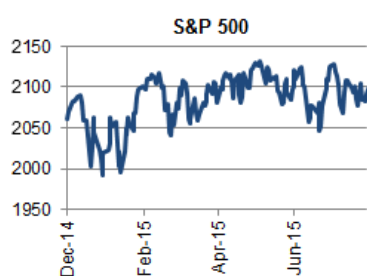
CESEE MARKETS: CESEE assets firmed across the board on Thursday after the US Fed Reserve lifted interest rates.

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December 18, 2015

Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

The Bank of Japan (BoJ) unexpectedly announced on Friday a new program for purchases of exchange-traded funds (ETFs), as well as an extension of the average maturity of its government bond holdings from 7-10 years to 7-12 years, with the intention to push interest rates lower across the entire yield curve. Nevertheless, the Central Bank's base money target under its massive stimulus program was kept unchanged at an annual pace of JPY80tr. Although the Japanese Nikkei-22 Stock Average index jumped as much as 2% soon after the BoJ's announcement, it finally closed 1.9% lower as the new ETF program with an annual budget of JPY300bn (~\$2.5bn) was perceived as rather small. Elsewhere, most Asian bourses edged lower and major European equity indices opened in the red on Friday, mirroring the negative tone in Wall Street overnight. In FX markets, the US dollar initially firmed against the JPY, hitting a two-week high of 123.56 earlier in Asian trade, before retreating to a one-week low of 121.25/26 in European trade at the time of writing. On the US data front, focus today is on the preliminary estimate of US Markit PMI Services and Composite Indices for December, while Kansas Fed manufacturing activity index for December also lures market attention.

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GREECE

According to the quarterly labour force survey (non-seasonally adjusted data), released yesterday by EL.STAT., the unemployment rate stood at 24.0% in the 3rd quarter 2015. Compared to 2014Q3 (25.5%) there was a decrease of 1.5 percentage points. Furthermore, the number of employed and unemployed persons came up to 3,671k (2.3%, yoy%) and 1,161k (-5.6%, yoy%) respectively. In what concerns structural characteristics of the unemployed, *i.e.*, the distribution in terms of gender, age, level of education, geography and duration, it is worth noting the following facts: (i) the unemployment rate of males and females was 20.7% and 28.1% respectively in 2015Q3; (ii) the unemployment rate in the age group 15-24 was 48.8% (from 49.5% in Q3 2014), 25-29, 34.3% (39.7%), 30-44, 23.4% (24.7%), 45-64, 18.4% (18.5%), and 65+, 10.8% (9.3%); (iii) the unemployment rate of people that did not attend school was 46.9% (2015Q3), of lower secondary education, 27.1%, and of post graduate studies, PhD, 13.2%; (iv) the Greek region with the highest unemployment rate in 2015q3 was Western Macedonia, 31.5% (from 26.7% in 2014Q3), while the one with the lowest was Southern Aegean, 10.4% (from 15.2% in 2014Q3); and (v) long term unemployment rate stood at 73.7% in 2015Q3 from 75.4% in 2014Q3.

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December 18, 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

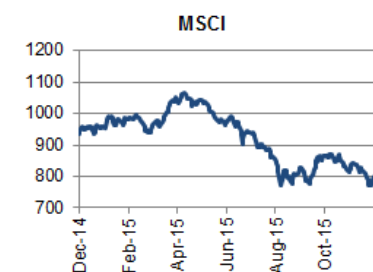
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	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

The current account recorded a deficit of €68mn in October 2015 down from surplus of €182.7mn in September 2015, compared to a deficit of €94.3mn in September 2014. As a result, the current account surplus widened to €1.06bn, or 2.5% of GDP in January-October 2015, up from €934mn or 2.2% of GDP in January – October 2014. In terms of components, the improvement in the current account was driven by the further compression of the trade deficit (from 5.2% to 3.2% of GDP) in the same period. Exports expanded by 6.9% yoy in the first ten months of the year helped by the ongoing recovery of Euroarea, the main trade partner of Bulgaria. On the other hand, imports edged up by only 1.9% yoy underpinned by lower energy imports mirroring lower world energy prices. The primary income deficit widened by 97.5% yoy, to EUR1.7bn in January-October, as a result of an increase in the profits' repatriation of foreign companies operating in Bulgaria.

In terms of financing, the capital and financial account recorded a hefty surplus which reflects improved EU funds absorption ahead of the closing of the programming period 2007-2013, increased FDI inflows and a decline in the account other investment liabilities. The capital account surplus widened to €1.05bn, an equivalent of 2.4% of GDP, up from €508.3 mn or 1.2% of GDP in January – October 2014. Net FDI inflows increased by 40% yoy, reaching €1.4bn in Jan-October 2015 compared to €997mn in the period a year ago.

ROMANIA

The Ministry of Finance sold at an auction on Thursday RON 500m of 1 Year T-bills at an average accepted yield of 0.97%, lower than the 1% achieved at a prior tender of the same maturity paper in November. The amount of total bids came at RON 1.2bn, thus pushing the bid to cover ratio at 2.4.

CESEE MARKETS

CESEE assets firmed across the board on Thursday after the US Fed Reserve lifted interest rates. Nevertheless, US Fed rebutted investors' worries over a swift monetary policy tightening, thus, easing fears of capital outflow from the region. Having touched a six year low earlier this week, the Polish WIG20 surged by almost 3%, followed by the Romanian BET and Slovenian SBITOP indices. In FX markets, the Polish Zloty firmed by 0.5% after data releases showed higher-than-expected growth in industrial output and retail sales in November. After trading near five month lows, the Hungarian Forint firmed by 0.5% to 316 against the Euro. The Czech crown eased by 0.2% but remained close to the 27/€ cap imposed by the Central Bank driven by investors optimism about the Czech economy prospects. The Central Bank of Czech Republic reiterated on Thursday its intention to maintain the cap on crown policy in place most likely until the end of 2016.

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December 18, 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	2041.89	-1.5%	-0.8%	EUR/USD	1.0863	0.3%	-10.2%	UST - 10yr	2.22	-1	5	GOLD	1056	0.5%	-10.9%
Nikkei 225	18986.80	-1.9%	8.8%	GBP/USD	1.4936	0.2%	-4.1%	Bund-10yr	0.59	-1	5	BRENT CRUDE	37	0.2%	-35.2%
STOXX 600	364.90	1.2%	6.5%	USD/JPY	121.81	0.6%	-1.7%	JGB - 10yr	0.27	-3	-6	LMEX	2126	-1.2%	-27.1%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	304	0	-687	O/N	0.5	0	-7	LEONIA	0.01	0	-1
1-week	3.23	1	-678	1-month	0.71	0	-20	1-month	0.17	-1	-4
1-month	3.55	1	-650	3-month	1.04	0	-66	3-month	0.29	-1	-15
3-month	3.86	1	-599	6-month	1.34	0	-67	6-month	0.54	-1	-25
6-month	4.05	-3	-574	12-month	1.52	0	-50	12-month	1.01	-2	-50
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	3.67	-2	-542	3Y RON	1.46	0	-85	3Y BGN	0.07	-4	-94
5Y RSD	5.12	0	-506	5Y RON	2.01	0	-70	5Y BGN	0.47	0	-97
7Y RSD	7.36	0	-472	10Y RON	3.75	0	9	10Y BGN	1.93	0	-82
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.17	0	-109	EUR Sep-20	1.05	-1	-68	EUR Jul-17	0.17	0	-99
USD Nov-24	6.42	0	-17	USD Aug-23	3.75	0	13	EUR Sep-24	2.44	-19	-42
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	274	0	-16	5-year	133	0	-10	5-year	167	-1	-24
10-year	339	0	-17	10-year	174	0	-13	10-year	218	-1	-23
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	638.5	0.72%	-4.27%	BET	6836.7	0.53%	-3.48%	SOFIX	440.8	0.64%	-15.58%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	122.02	0.03%	-0.55%	EUR/RON	4.509	0.10%	-0.57%	USD/BGN	1.8007	0.33%	-10.23%

BELEX15 Index

BET Index

SOFIX Index

EUR/RSD

EUR/RON

USD/BGN

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:00 EET

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