

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: As was expected, the Fed decided at its two-day policy meeting which was concluded late yesterday, to raise the target range for the federal funds rate by 25bps to 0.25%-0.50%, the first increase since June 2006. The decision was unanimous. With respect to the pace of rate tightening ahead, the statement suggested that it will be gradual, dependent on the US economic outlook as well as global financial developments. In reaction to the FOMC policy announcement, global equity markets firmed, the USD moved higher while US Treasuries weakened with short-dated bonds underperforming.

GREECE: The Euroworking Group is expected to convene through teleconference today to decide about the disbursement of the EFSF loan installment (€1bn) to Greece. In other news, the ECB Governing Council is reportedly considering revisiting the issue of re-instating the waiver for Greek sovereign bonds at its 21st January 2016 policy meeting.

SOUTH EASTERN EUROPE

BULGARIA: The Bulgarian Central Bank (BNB) projected that economic activity will moderate in the last quarter of the year in its latest economic review report which was released yesterday.

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Latest world economic & market developments

GLOBAL MARKETS

As was widely expected, the Fed decided at its two-day policy meeting which was concluded late yesterday, to raise the target range for the federal funds rate by 25bps to 0.25%-0.50%, the first increase since June 2006. The decision was unanimous. As suggested by the accompanying statement, the rationale behind the decision was the considerable improvement in labor market conditions this year, the Committee's confidence that inflation will rise over the medium term to the 2% objective target and the acknowledgement over the time lag with which policy actions affect future economic conditions. With respect to the pace of rate tightening ahead, the statement suggested that it will be gradual, dependent on the US economic outlook as well as global financial developments. As was revealed by an updated Summary of Economic Projections, the Fed's median interest rate projection for 2016 stood at 1.4% (unchanged from September), for 2017 at 2.4% and for 2018 at 3.3%, implying a "dovish" tightening cycle. In reaction to the FOMC policy announcement, global equity markets firmed while US Treasuries weakened with short-dated bonds underperforming. The 2-yr bond yield was hovering around 1.006% at the time of writing, not far from a 5-year peak of 1.025% hit shortly after the FOMC policy announcement with the 2/10-yr bond yield curve undertaking some bearish flattening. In FX markets, the USD firmed with the DXY hitting a near two-week high of 98.955 earlier today before retreating modestly to levels around 98.735 at the time of writing. Technically, strong resistance lies at a year-to-date high of 100.470 hit earlier this month.

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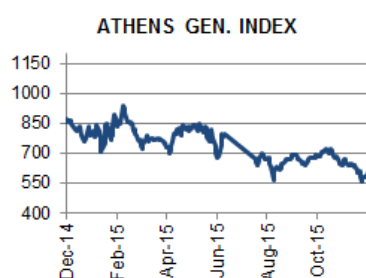
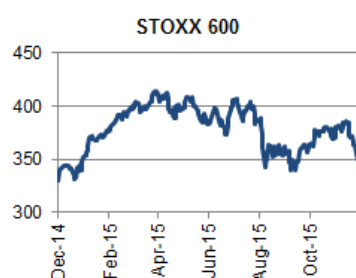
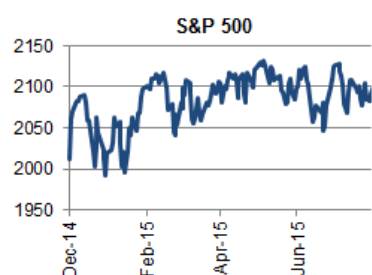
GREECE

The Euroworking Group is expected to convene through teleconference today to decide about the disbursement of the EFSF loan installment (€1bn) to Greece. Based on media sources, there are only a few open issues left, which require either a presidential decree to be issued or an amendment in existing legislation to be introduced. Should the Euroworking Group give the 'green light', the ESM Governing Council is expected to authorize tomorrow the disbursement of the loan installment so that it reaches State coffers by Monday, December 21st.

According to local press reports, the ECB is considering revisiting the issue of re-instating the waiver (*i.e.* the reacceptance of bonds issued or guaranteed by the Hellenic Republic as eligible collateral in the ECB's regular liquidity provision operations) at its 21st January 2016 policy meeting. As a reminder, speaking during the Q&A session post the latest policy meeting held on December 3, ECB Vice President Vítor Constâncio said that, on the condition that the Governing Council is satisfied over Greece's compliance with the financial assistance programme and is convinced that the review will be successful, then they could agree on the reintroduction of the waiver even before the conclusion of the review.

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Source: Reuters, Bloomberg, Eurobank Research

December 17, 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

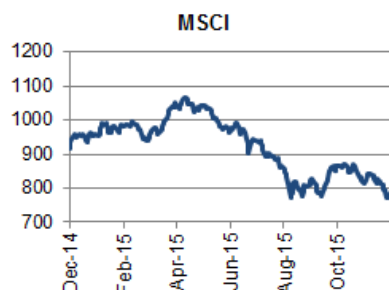
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Credit Ratings			
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 Bulgarian Central Bank (BNB) projected that economic activity will moderate in the last quarter of the year in its latest economic review report which was released yesterday. According to the BNB, GDP growth is expected to moderate in Q4 close to the readings recorded in the 1H-2015 driven by the lower but still positive contribution of net exports mirroring lower global economic activity. Bulgaria expanded by 2.9%YoY in Q3-2015, the highest rate since 2011, up from a revised 2.6%YoY in the 1H-2015. Growth was once again primarily driven by net exports in Q3, complemented this time by the recovery of final consumption as a result of improved sentiment, rising real wages, modest employment gains and increased government spending related to the closing of the EU funds programming period 2007-2013.

Looking ahead, the BNB anticipates net exports to remain the main growth driver in the quarters ahead, followed by final consumption and investments. BNB noted that private consumption might strengthen further in case household sentiment remains positive and the labor market continues to recover. On the negative side, the outlook for lower economic growth for Bulgaria's main trade partners could be a drag for next year's GDP growth prospects. Moreover, BNB pointed out that the outlook on private investments could be also a downside risk to growth, since continued uncertainty and investor caution might delay the expected recovery of investments. Finally, BNB anticipates consumer price deflation to deepen further in Q4 driven by lower energy prices but also deflation pressures to ease in 2016.

From a data point of view, sentiment indicators have come out strong in the first two months of the last quarter. The Economic Sentiment Index (ESI) edged up to 105.7 in November compared to 105.6 in October driven by the improvement in the subsectors of industry and retail trade. The improvement of expectations year to November has been impressive (ESI stood at only 100.5 at the end of last year) and broad-based in all sub-categories. The readings of ESI in October and November support the idea of growth accelerating in Q4. On the other hand, high frequency indicators-such as retail sales (-1.3% YoY in October, the third consecutive negative monthly reading for the first time since Q1-2013) and industrial production (+1% YoY in October vs. +2.8% YoY in Q3 are still either in marginally positive or even red territory, disconnected from the upward economic activity trend.

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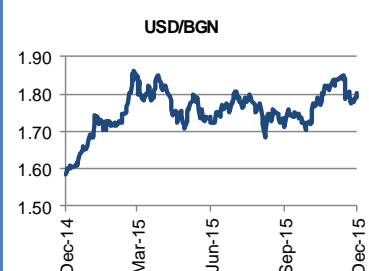
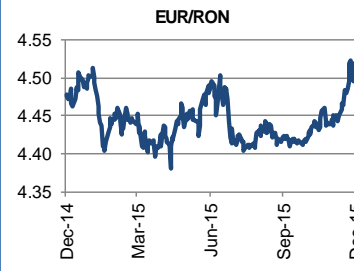
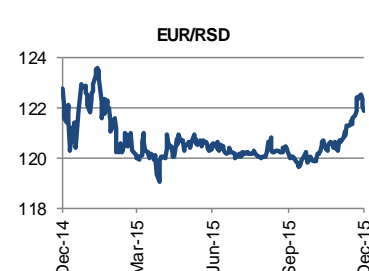
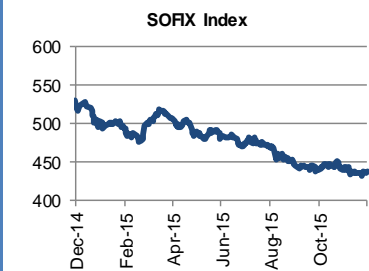
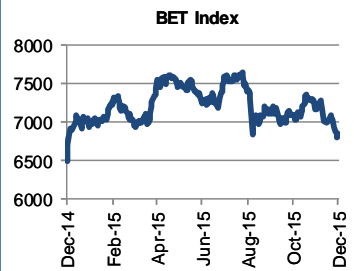
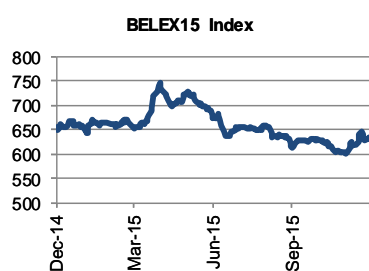
December 17, 2015

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	2073.07	1.5%	0.7%	EUR/USD	1.0856	-0.5%	-10.3%	UST - 10yr	2.26	-4	9	GOLD	1067	-0.5%	-10.0%
Nikkei 225	19353.56	1.6%	10.9%	GBP/USD	1.4938	-0.4%	-4.1%	Bund-10yr	0.65	-3	11	BRENT CRUDE	37	-0.2%	-34.9%
STOXX 600	360.43	0.2%	5.2%	USD/JPY	122.44	-0.2%	-2.3%	JGB - 10yr	0.30	0	-3	LMEX	2152	0.9%	-26.2%

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	-4	-687	O/N	0.52	0	-5	LEONIA	0.01	0	-1
1-week	3.22	-3	-679	1-month	0.7	0	-21	1-month	0.18	0	-4
1-month	3.54	-2	-651	3-month	1.04	0	-66	3-month	0.30	1	-13
3-month	3.85	-5	-600	6-month	1.34	0	-67	6-month	0.56	0	-24
6-month	4.08	-1	-571	12-month	1.53	0	-49	12-month	1.03	0	-48
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	3.72	-6	-527	3Y RON	1.47	0	-84	3Y BGN	0.12	-7	-93
5Y RSD	5.11	-1	-507	5Y RON	2.02	-1	-69	5Y BGN	0.47	2	-98
7Y RSD	7.36	0	-472	10Y RON	3.78	-1	12	10Y BGN	1.95	0	-80
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.17	-2	-109	EUR Sep-20	1.08	-1	-65	EUR Jul-17	0.17	0	-99
USD Nov-24	6.42	0	-17	USD Aug-23	3.78	2	16	EUR Sep-24	2.48	-73	-38
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	274	0	-16	5-year	132	-4	-10	5-year	168	-2	-23
10-year	339	0	-17	10-year	174	-4	-13	10-year	219	-2	-22
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	633.9	0.27%	-4.96%	BET	6844.7	0.74%	-3.36%	SOFIX	438.0	0.41%	-16.11%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	121.87	0.16%	-0.43%	EUR/RON	4.5025	0.11%	-0.42%	USD/BGN	1.8019	-0.52%	-10.29%



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

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