

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: The majority of global equity markets were weaker on Tuesday dragged down by lower crude oil prices following the OPEC's decision last Friday to leave unchanged the oil production level. Amid expectations for subdued inflation pressures on the back of lower oil prices, US Treasuries gained while the US dollar retained a firm tone amid increased expectations for a Fed rate hike at the upcoming meeting next week.

GREECE: At the press conference following yesterday's Eurogroup, President Jeroen Dijsselbloem called on the Greek authorities to implement by mid-December the legislation required for the implementation of the prior actions attached to the release of the next (pending) ESM loan installment (€1bn). The Eurogroup President added that the recapitalization of the four systemic banks is almost finalized and the total capitalization needs are estimated at less than €5.5bn, well below the €25bn initially earmarked for bank recapitalization and resolution needs.

SOUTH EASTERN EUROPE

ROMANIA: The finance ministry sold at an auction on Monday RON 200mn (€44.6mn) of 10-year bonds at an average accepted yield of 3.70%, which came in slightly above 3.56% achieved at a prior tender of same maturity paper held in November.

CESEE MARKETS: Taking their cue from the negative tone in Wall Street overnight and in Asian as well as European stock markets on Tuesday, the majority of **emerging bourses** moved broadly lower in early European trade today. The decline in global equity came primarily on the back of downbeat trade data from China and a renewed drop in global oil prices this week after OPEC decided on Friday's meeting to hold production around current levels in a development that pressured related shares. Sentiment remained fragile after the ECB's monetary policy decision last week fell short of market expectations and the upbeat US non-farm payrolls report supported the view that the Fed will render in December its first rate hike since 2006. **CESEE currencies** and **government bonds** broadly recoiled in European trade on Tuesday on position squaring in the wake of last week's ECB meeting.

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December 8, 2015

Latest world economic & market developments

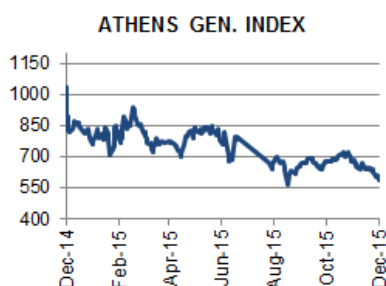
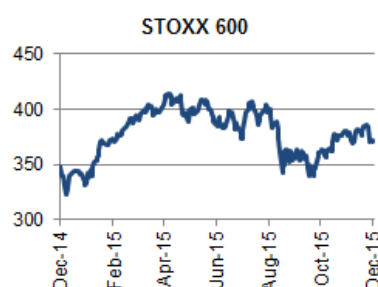
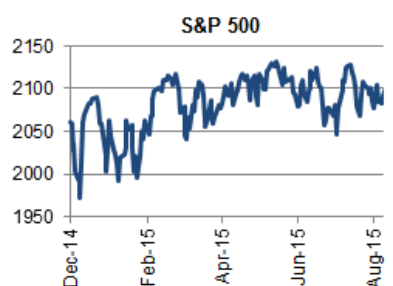
GLOBAL MARKETS

The majority of global equity markets were weaker on Tuesday dragged down by lower crude oil prices following OPEC's decision last Friday to leave unchanged the oil production level –estimated at around 31mn barrels a day- despite persisting oversupply in the market. Brent crude oil was hovering around \$41 a barrel in early European trade at the time of writing, its lowest level in almost seven years having declined by 6.7% cumulatively since the announcement of last week's OPEC meeting outcome. Amid expectations for subdued inflation pressures on the back of lower oil prices, US Treasuries gained with long-dated bonds outperforming. The 10-yr bond yield was hovering around 2.21% at the time of writing after ending near 2.23% in the prior session with the 2/10-yr yield curve undertaking some bullish flattening. Yet, amid bond supply jitters, any further yield decline in the coming sessions is likely to prove limited. After selling \$54bn in 3- and 6-month bills on Monday, the US Treasury is scheduled to auction \$24bn in 3-yr notes later today, \$21bn in reopened 10-yr notes on Wednesday and \$13bn in 30-yr bonds on Thursday. In FX markets, the USD retained a firm tone amid increased expectations for a Fed rate hike at the upcoming meeting next week following the firmer-than-expected US November's non-farm payrolls report released late last week. Focus will be on the accompanying statement for hints over the pace of rate hikes in 2016 and beyond which are expected to play a key driver on the USD's short-term outlook. Meanwhile, the DXY index was trading close to 98.576 at the time of writing, not far from a seven-year peak of 100.510 marked four sessions earlier, having recovered from a multi-week trough of 97.591 hit at some point last Thursday following the ECB's less dovish than expected stimulus package.

GREECE

At the press conference following yesterday's Eurogroup, President Jeroen Dijsselbloem called on the Greek authorities to implement by mid-December the legislation required for the implementation of the prior actions attached to the release of the next (pending) ESM loan installment (€1bn). The Eurogroup President added that the recapitalization of the four systemic banks is almost finalized and the total capitalization needs are estimated at less than €5.5bn, well below the €25bn initially earmarked for bank recapitalization and resolution needs. According to some press reports, the Greek government is planning to submit to the Hellenic Parliament by December 20th the relevant bill for vote with an intention the €1bn ESM loan installment to arrive in State coffers before the end of the year. Meanwhile, the EC/ECB/IMF/ESM mission heads are reportedly expected to arrive in Athens today to assess the progress made so far by the Greek side in implementing the aforementioned prior actions which include, inter alia: (i) the privatization of the power transmission company ADMIE (unless an alternative scheme is provided with equivalent results in terms of competition and prospects of investment); (ii) adoption of steps for accelerating resolution of NPLs; (iii) 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) reform of the unified wage grid across the public sector. / The majority of global equity markets were weaker on Tuesday dragged down by lower crude oil prices following the OPEC's decision last Friday to leave unchanged the oil production level. Amid expectations for subdued inflation pressures on the back of lower oil prices, US Treasuries gained while the US dollar retained a firm tone amid increased expectations for a Fed rate hike at the upcoming meeting next week.

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Source: Reuters, Bloomberg, Eurobank Research

December 8, 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

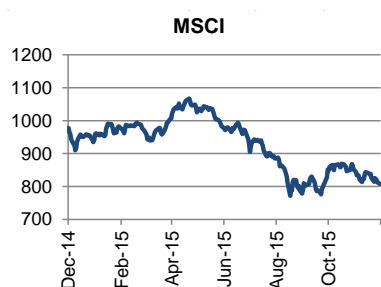
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

ROMANIA

The finance ministry sold at an auction on Monday RON 200mn (€44.6mn) of 10-year bonds at an average accepted yield of 3.70%, which came in slightly above 3.56% achieved at a prior tender of same maturity paper held in November. The bid to cover ratio stood at 1.6 yesterday, while the issue matures on February 24, 2025.

CESEE MARKETS

Taking their cue from the negative tone in Wall Street overnight and in Asian as well as European stock markets on Tuesday, the majority of **emerging bourses** moved broadly lower in early European trade today. The decline in global equity came primarily on the back of downbeat trade data from China and a renewed drop in global oil prices this week after OPEC decided on Friday's meeting to hold production around current levels in a development that pressured related shares. Sentiment remained fragile after the ECB's monetary policy decision last week fell short of market expectations and the upbeat US non-farm payrolls report supported the view that the Fed will render in December its first rate hike since 2006.

Against this backdrop, the broader MSCI Emerging Markets index fell more than 1.0% at the time of writing, remaining in a negative territory for the fifth consecutive session and having hit a 2-month trough intraday. Stock markets in the CESEE region appeared to be faring better compared to their global emerging market peers thanks to the ECB's accommodative monetary policy. Romania's BET index bucked the negative trend leading the way higher with daily gains of 0.7% earlier today. Hungary's BUX trailed behind advancing by 0.3% compared to the prior session's settlement, while Poland's WIG posed as the region's worst performer posting losses to the tune of 1.0%.

CESEE currencies and government bonds broadly recoiled in European trade on Tuesday on position squaring in the wake of last week's ECB meeting. In FX markets, the Polish zloty, considered amongst the most liquid in the CESEE space, led the downtrend with the EUR/PLN bouncing to a multi-session peak near 4.3310, approaching anew an 11-month high of 4.3397 hit earlier in the month. Upbeat industrial output data for October from Hungary did little to support the forint, which eased to a multi-session low near 313.70/EUR earlier in Europe.

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December 8, 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	2077.07	-0.7%	0.9%	EUR/USD	1.0847	0.1%	-10.3%	UST - 10yr	2.24	1	7	GOLD	1072	0.1%	-9.5%
Nikkei 225	19492.60	-1.0%	11.7%	GBP/USD	1.5003	-0.3%	-3.7%	Bund-10yr	0.60	2	6	BRENT CRUDE	41	1.4%	-28.0%
STOXX 600	370.05	-0.7%	8.0%	USD/JPY	123.16	0.2%	-2.8%	JGB - 10yr	0.32	-1	-1	LMEX	2140	-1.4%	-26.6%

CESEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	307	0	-684
1-week	3.24	2	-677
1-month	3.55	6	-650
3-month	3.89	4	-596
6-month	4.09	6	-570

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.64	-2	-545
5Y RSD	5.06	0	-512
7Y RSD	7.34	0	-474

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.06	0	-120
USD Nov-24	6.41	0	-18

CDS

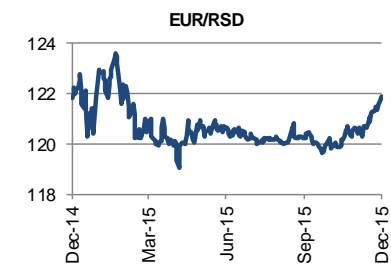
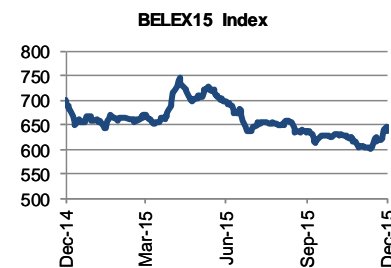
	Last	ΔDbps	ΔYTD bps
5-year	274	0	-16
10-year	339	1	-17

STOCKS

	Last	ΔD	ΔYTD
BELEX15	638.8	-1.29%	-4.23%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.95	-0.22%	-0.49%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.56	-2	-1
1-month	0.74	-1	-17
3-month	1.03	0	-67
6-month	1.34	-1	-67
12-month	1.52	0	-50

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.45	-2	-86
5Y RON	1.97	-3	-74
10Y RON	3.67	0	1

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.12	0	-61
USD Aug-23	3.64	-1	2

CDS

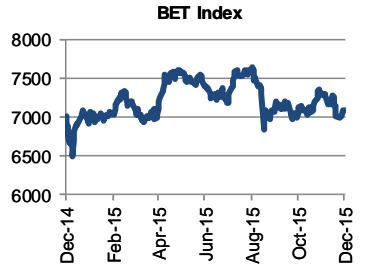
	Last	ΔDbps	ΔYTD bps
5-year	135	2	-7
10-year	176	2	-11

STOCKS

	Last	ΔD	ΔYTD
BET	7092.8	-0.08%	0.14%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4818	-0.02%	0.04%



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.19	-3	-85
5Y BGN	0.50	6	-95
10Y BGN	1.97	0	-78

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.22	5	-94
EUR Sep-24	2.36	25	-51

CDS

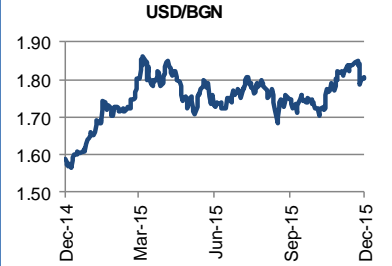
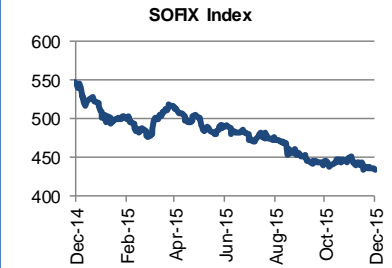
	Last	ΔDbps	ΔYTD bps
5-year	168	2	-23
10-year	219	2	-22

STOCKS

	Last	ΔD	ΔYTD
SOFIX	434.4	-0.19%	-16.79%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8034	0.08%	-10.36%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 13:15 EET

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