

Monday, December 18, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Dec 18: NAHB Index (Dec)
- Dec 19
 - Housing starts (Nov)
 - Housing permits (Nov)
- Dec 20: Existing home sales (Nov)
- Dec 21
 - GDP (Q3, 3rd estimate)
 - Jobless claims (weekly)
 - Philadelphia Fed Index (Dec)
- Dec 22
 - Durable goods orders (Nov)
 - Personal income / spending (Nov)
 - Core PCE deflator (Nov)
 - UoM consumer confidence (Dec, f)
 - New home sales (Nov)

EUROZONE

- Dec 18: HICP – Headline / Core (final, Nov)
- Dec 19: DE: Ifo (Dec)

GREECE

- Dec 21: Current account balance (Oct)

SEE

BULGARIA

- Dec 19: Current account balance (Oct)
- Dec 22: Gross external debt (Oct)

ROMANIA

- Dec 18: 3.25% 2024 T-bonds auction
- Dec 21: 4.75% 2019 T-bonds auction

SERBIA

- Dec 20: Current account balance (Oct)
- Dec 21: 2020 EUR-denominated T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GREECE: The Greek government has decided to assign the alignment of property tax assessment zonal values with market prices to certified appraisers through a tender process. The updated zonal values are to be delivered until early March 2018. As regards the market test for the sale of the lignite-fired generation capacity of the Public Power Corporation, the Directorate General for Competition initiated the process of gathering information from potential investors regarding the divestment portfolio. According to the preliminary State Budget Execution data for January – November 2017, the budget balance recorded a deficit of ca €0.76 bn, ca €1.58 bn lower relatively to the respective 2018 Draft Budget target (deficit of €2.35 bn). The primary balance recorded a surplus of ca €4.66 bn, over-performing the respective 2018 Draft Budget target by €1.58 bn (primary surplus of €3.07 bn).

SOUTH EASTERN EUROPE

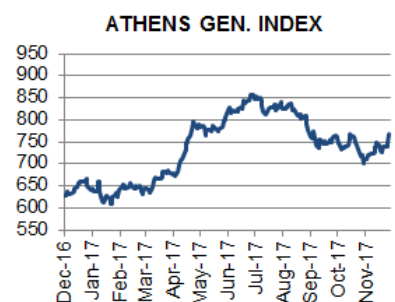
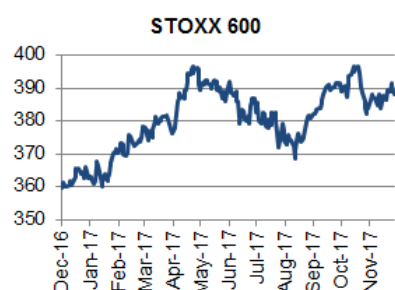
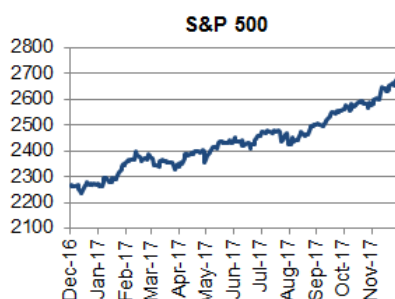
BULGARIA: The Bulgarian stock market experienced a mixed week with three out of the five trading days closing in the black. Elsewhere, Eurobond yields continued to slide, while the majority of local-currency bonds ended the week little changed.

SERBIA: The EUR/RSD rose as far as 119.70 last week on a back of strong EUR demand, but new Central Bank intervention in the FX markets halted any further up-move on the pair, with the cross easing towards a key support level of 118.50 thereafter. In other news, the parliament adopted last week the 2018 budget bill, envisioning a general government deficit of 0.6% of GDP. Meanwhile, in line with our expectations, S&P upgraded on Friday its long-term foreign and local currency sovereign credit ratings on Serbia at “BB” from “BB-”, with stable outlook. In a similar move, Fitch also revised higher on Friday Serbia’s Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) at ‘BB’ with a Stable Outlook.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments



GREECE

Among the prior actions for the next review of the 3rd Economic Adjustment Programme is the alignment of property tax assessment zonal values with market prices until March 2018 so that by May 2018 the relevant tax rates will have been adjusted accordingly. Due to the very tight deadline for the action, the Greek government has decided to assign this project to certified appraisers through a tender process. The updated zonal values are to be delivered until early March 2018. Meanwhile, as regards the market test for the sale of the lignite-fired generation capacity of the Public Power Corporation, the Directorate General for Competition initiated the process of gathering information from potential investors regarding the divestment portfolio. According to the draft Supplemental MoU, based on the feedback from the market test, the Greek authorities shall officially submit a revised and final commitment offer, suitable by DG Comp, regarding the lignite-fired generation capacity to be divested and all its related assets so that the Commission can adopt a binding commitment decision. By May 2018, the Greek authorities must have undertaken all necessary steps so that the divestment can effectively be completed thereafter. On the fiscal front, according to the preliminary State Budget Execution data for January – November 2017, the budget balance recorded a deficit of ca €0.76 bn, ca €1.58 bn lower relatively to the respective 2018 Draft Budget target (deficit of €2.35 bn). The primary balance recorded a surplus of ca €4.66 bn, over-performing the respective 2018 Draft Budget target by €1.58 bn (primary surplus of €3.07 bn). Ordinary budget net revenue under-performed its 2018 Draft Budget targets by €0.52 bn mainly as a result of the under-performance of revenue before tax refunds by €0.47 bn. Ordinary budget expenditure stood at €42.85 bn, undershooting the respective 2018 Draft Budget target by €0.91 bn.

andimitriadou@eurobank.gr

tstamatiou@eurobank.gr

Source: Reuters, Bloomberg, Eurobank Research

BULGARIA: Indicators	2015	2016	2017f
Real GDP growth %	3.6	3.4	3.6
CPI (pa, yoy %)	-0.1	-0.8	1.6
Budget Balance/GDP*	-2.8	1.6	-1.3
Current Account/GDP	-0.1	5.4	3.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

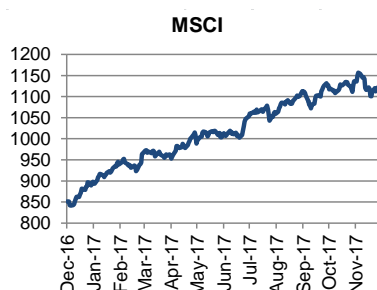
CYPRUS: Indicators	2015	2016	2017f
Real GDP growth %	1.7	2.8	3.5
HICP (pa, yoy %)	-1.5	-1.2	1.0
Budget Balance/GDP*	0.1	0.4	0.2
Current Account/GDP	-3.0	-5.7	-5.9

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.5
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2015	2016	2017f
Real GDP growth %	0.8	2.8	2.0
CPI (pa, yoy %)	1.4	1.2	3.0
Budget Balance/GDP	-3.7	-1.3	-0.5
Current Account/GDP	-4.7	-4.0	-4.0
EUR/RSD (eop)	121.38	123.40	120.0
	2016	current	2017
Policy Rate (eop)	4.00	3.50	3.50

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

L-T ccy	Credit Ratings		
	Moody's	S&P	Fitch
SERBIA	Ba3	BB	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	B1	BB+	BB-

Source: Reuters, Bloomberg, Eurobank Research

Latest economic & market developments in the CESEE region

BULGARIA

The Bulgarian stock market experienced a mixed week with three out of the five trading days closing in the black. That said, the blue chip SOFIX closed 0.11% lower at 664.67 points, while the trading volume stood at €5.3mn. Elsewhere, Eurobond yields continued to slide with that of paper maturing in 2028 falling by 7bps. Meanwhile, local-currency bonds were little changed with the exception of paper of 6 year tenor which dropped by 3 bps.

RSRaychev@postbank.bg

SERBIA

The EUR/RSD rose as far as 119.70 last week on a back of strong EUR demand generated from both locals and foreigners. Overall, the move proved short-lived as the Central Bank (NBS) spent €120mn in the FX markets to halt any further up-move on the pair, with the cross easing towards a key support level of 118.50 thereafter. We expect NBS to continue intervening in the FX markets in the coming days in order to keep the pair around 118.50.

In other news, the parliament adopted last week the 2018 budget bill, with voting 150 in favor and 12 against endorsement. The bill projects revenues at RSD 1.178bn and expenses at RSD 1.207bn, with a general government deficit envisioned at 0.6% of GDP. The budget plan assumes GDP growth of 3.5% and inflation at 2.7% for next year.

Zoran.Korac@eurobank.rs

In line with our expectations, S&P upgraded on Friday its long-term foreign and local currency sovereign credit ratings on Serbia at "BB" from "BB-", with stable outlook and affirmed the 'B' short-term foreign and local currency sovereign credit ratings. We had argued last week that this development was probable as S&P had noted earlier in the year that there was an increased upgrade likelihood over the next 6-12 months if fiscal developments exceed the agency's expectations, while there has been an ongoing improvement in government finances so far this year. Behind its decision, the agency noted "stronger fiscal metrics, underpinned by years of cost-containing efforts and revenue overperformance, amid steady economic recovery and contained current account deficits", while the stable outlook indicates "balanced risks to the ratings over the next 12 months." In a similar move, Fitch also revised higher on Friday Serbia's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) at 'BB' with a Stable Outlook. Fitch acknowledged improving public finances supported by ongoing fiscal over-performance and expressed expectations for the fiscal consolidation to continue in 2018-19, "leading to smaller general government deficits relative to 'BB' peers."

gphoka@eurobank.gr

December 18, 2017

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	2675.81	0.9%	19.5%	EUR/USD	1.1779	0.3%	12.0%	UST - 10yr	2.37	2	-7	GOLD	1257	0.1%	9.1%
Nikkei 225	22901.77	1.5%	19.8%	GBP/USD	1.3353	0.2%	8.1%	Bund-10yr	0.31	1	11	BRENT CRUDE	64	0.7%	12.0%
STOXX 600	388.19	-0.2%	7.4%	USD/JPY	112.72	-0.1%	3.8%	JGB - 10yr	0.04	0	0	LME X	3227	1.3%	21.3%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	0	-49
1-week	2.62	0	-55
1-month	2.81	0	-54
3-month	3.08	0	-39
6-month	3.23	0	-43

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.09	-1	-95
5Y RSD	4.55	0	-81
7Y RSD	4.91	0	-73

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.99	0	-122
USD Nov-24	6.03	-31	-23

CDS

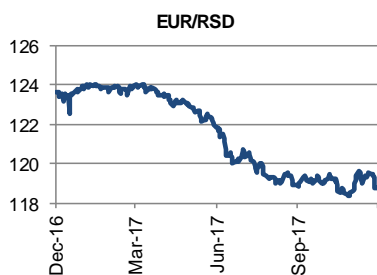
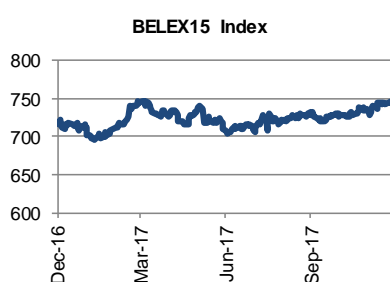
	Last	ΔDbps	ΔYTD bps
5-year	119	0	-89
10-year	160	0	-95

STOCKS

	Last	ΔD	ΔYTD
BELEX15	743.5	-0.50%	3.65%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.10	-0.23%	3.66%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.06	0	50
1-month	1.99	0	123
3-month	2.11	0	121
6-month	2.3	0	119
12-month	2.35	0	110

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.40	0	188
5Y RON	3.80	0	139
10Y RON	4.36	0	89

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.60	#N/A	N/A
USD Jan-24	2.98	0	-91

CDS

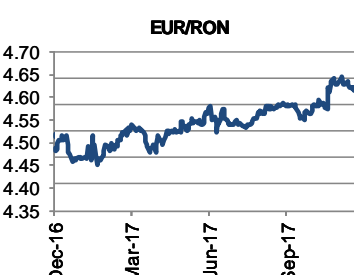
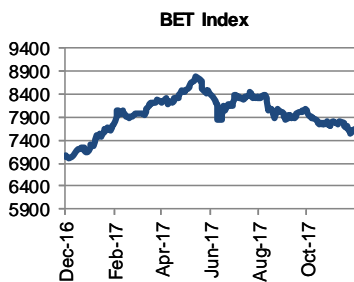
	Last	ΔDbps	ΔYTD bps
5-year	96	0	-13
10-year	150	1	-2

STOCKS

	Last	ΔD	ΔYTD
BET	7649.5	0.61%	7.97%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6285	-0.14%	-1.93%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	0	-5
3-month	-0.15	-1	-8
6-month	-0.05	0	-13
12-month	0.32	0	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.29	2	-44
5Y BGN	-0.10	-2	-60
10Y BGN	0.83	0	-108

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.08	34	-95
EUR Sep-24	0.01	-1	-167

CDS

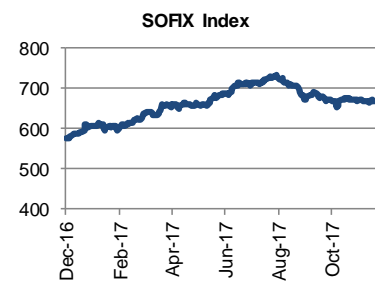
	Last	ΔDbps	ΔYTD bps
5-year	98	0	-54
10-year	144	1	-50

STOCKS

	Last	ΔD	ΔYTD
SOFIX	664.7	0.00%	13.34%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6607	0.25%	11.90%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 10:05 EST

December 18, 2017

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

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

Ioannis Gkionis (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3337305
igkionis@eurobank.gr

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

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

Theodoros Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatou@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

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokrousos: 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 37 18 793

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

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

Olga Kosma: Research Economist
okosma@eurobank.gr, + 30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@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

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, + 30 210 33 71 207

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

Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at

Follow us on twitter: https://twitter.com/Eurobank_Group

