

Economic Analysis Division Emerging Markets Analysis

Bi-Weekly Report
14 – 27 May 2019



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Emerging Markets Analysis

Konstantinos Romanos-Louizos
✉ : romanos.louizos.k@nbg.gr

Louiza Troupi
✉ : troupi.louiza@nbg.gr

Athanasios Lampousis
✉ : lampousis.athanasios@nbg.gr

ROMANIA 1

Increased pressure on the Government following the defeat of the PSD in the European Parliamentary elections, together with the jail sentence of its leader on grounds of corruption

The NBR maintains its key rate unchanged at 2.5%

BULGARIA 2

The ruling GERB party wins the European Parliamentary elections, amid corruption scandals

Lending activity remained strong in Q1:19, supported by easier credit standards

Deposit growth strengthened in Q1:19, in line with solid economic growth

SERBIA 3

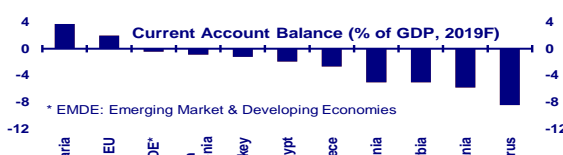
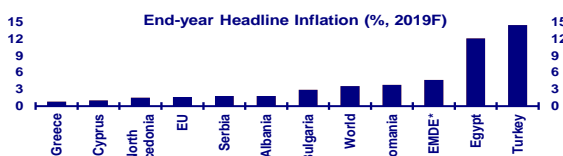
The IMF reached a staff-level agreement with the Serbian authorities on the completion of the 2nd review of the 30-month (non-financing) Policy Coordination Instrument (PCI)

The unemployment rate declined for a 6th successive year to a historical low of 12.7% in FY:18 (below its pre-crisis level)

ALBANIA 4

The banking sector's bottom line improved slightly on an annual basis in Q1:19, with ROAE remaining in double digits

APPENDIX: FINANCIAL MARKETS 5



Romania

BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)

% of the vote				
	Elections for the European Parliament May 2019		Parliamentary Elections December 2016	
			Chamber of Deputies	Senate
PNL	26.7	PSD	45.5	45.7
PSD	22.9	PNL	20.0	20.4
Alliance 2020*	21.5	USR	8.9	8.9
Pro Romania	6.7	UDMR	6.2	6.2
UDMR	5.8	ALDE	5.6	6.0
PMP	5.7	PMP	5.4	5.7
Other	10.7	Other	8.4	7.1
Total	100	Total	100	100

*comprising the Save Romania Union (USR) and the Freedom, Unity & Solidarity party (PLUS)

Increased pressure on the Government following the defeat of the PSD in the European Parliamentary elections, together with the jail sentence of its leader on grounds of corruption. The Supreme Court upheld a conviction and a 3½ year sentence against L. Dragnea, leader of the ruling centre-left PSD, for keeping two party members on the public payroll, during his tenure as President of a county council in 2008-10. Dragnea, who has been barred from becoming a PM due to a previous suspended sentence for voter manipulation, is the “real power” behind PM Dancila’s Government. He has been also widely seen as the main beneficiary of the controversial legislative reform recently pushed through the Parliament. The latter drew strong criticism both domestically and internationally, with the EC threatening to place Romania under the newly-established Rule of Law Framework (i.e. the last step prior to suspending some of the country’s voting rights).

Dragnea’s sentence dealt a heavy blow to the PSD, which one day earlier had suffered a defeat in the European Parliamentary (EP) elections. Indeed, the main opposition party, the centre-right PNL, won 26.7% of the vote (and 10 out of 32 seats), outpacing the PSD, which garnered 22.9% (8 seats), well below the 2016 parliamentary election outcome of 45.6%.

In a non-binding referendum held simultaneously with the EP elections, the electorate also rejected overwhelmingly the Government’s bid to weaken anti-corruption legislation (with 81.1% of the vote).

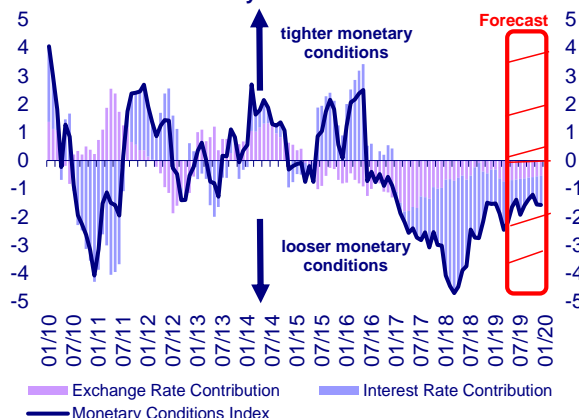
Worryingly, political uncertainty is unlikely to ease, affecting policy implementation and hurting investor confidence. Indeed, Dragnea’s sentence could further hurt the popularity of his party, and, at the same time, spark a power struggle within its ranks. Note that the ruling coalition (also comprising the liberal ALDE) is already in dire straits, having lost majority in the Chamber of Deputies, following a series of defections. In our view, early elections will only be triggered when a party or coalition has sufficient support to form a Government

The NBR remains on hold. At its May meeting, the NBR Board maintained its 2-week repo rate unchanged at 2.5%. Recall that the NBR raised its key rate by 75 bps in H1:18 and has remained on hold since then, engaging, at the same time, in active liquidity management (incl. large unsterilized FX interventions – c. EUR 3bn in 4M:19), mainly with a view to containing pressure on the RON (down 2.3% y-t-d against the EUR). Nevertheless, in real *ex-post* terms, market rates remain relatively low (-0.9% on a 1-month basis against a historical average of 0.8%), suggesting that monetary conditions are still loose.

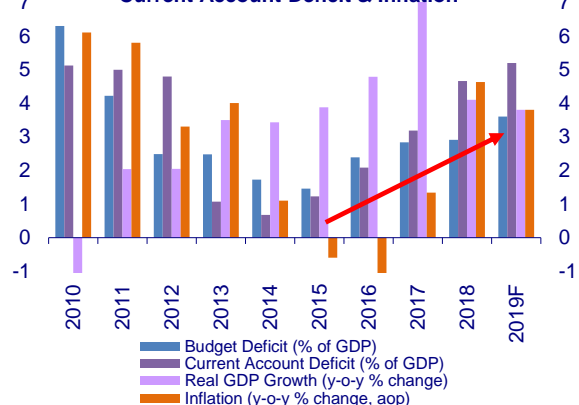
The NBR needs to raise rates further to attenuate overheating pressures. The economy still appears overheated, with GDP growth well above its long-term potential (of 3.0%) for a 7th consecutive year, headline inflation hovering around the upper bound of the NBR’s target range (2.5±1%) and the current account deficit up sharply (see table). More worryingly, FX reserves have been declining and are now close to critical levels (covering slightly more than 3 months of GNFS imports). At the same time, fiscal policy remains expansionary, with the budget deficit projected to breach the EU threshold of 3.0% this year.

Against this backdrop, the NBR appears to be behind the curve. Our “Taylor rule” estimates suggest that rates should be raised to 4.5% from 2.5% currently to address these challenges. Importantly, following the decoupling of the bank tax from the evolution of ROBOR, the NBR has room for manoeuvre in monetary policy. However, in view of the authorities’ reluctance to proceed with aggressive rate hikes, especially in the context of limited or no tightening by other central banks in the region, we expect the NBR to adhere to tight liquidity management and adjust its key rate only gradually (up 50 bps to 3.0% by end-2019).

Monetary Conditions Index



Real GDP Growth, Budget Deficit, Current Account Deficit & Inflation



	27 May	3-M F	6-M F	12-M F
1-m ROBOR (%)	3.1	3.0	3.0	3.0
RON/EUR	4.76	4.80	4.82	4.85
Sov. Spread (2024, bps)	138	128	120	110

	27 May	1-W %	YTD %	2-Y %	
BET-BK	1,563	0.3	7.3	-4.8	
Real GDP Growth (%)	4.8	7.0	4.1	3.8	3.4
Inflation (eop, %)	-0.5	3.3	3.3	3.8	3.2
Cur. Acct. Bal. (% GDP)	-2.1	-3.2	-4.5	-5.0	-5.4
Fiscal Bal. (% GDP)	-2.4	-2.8	-2.9	-3.6	-3.8

Bulgaria

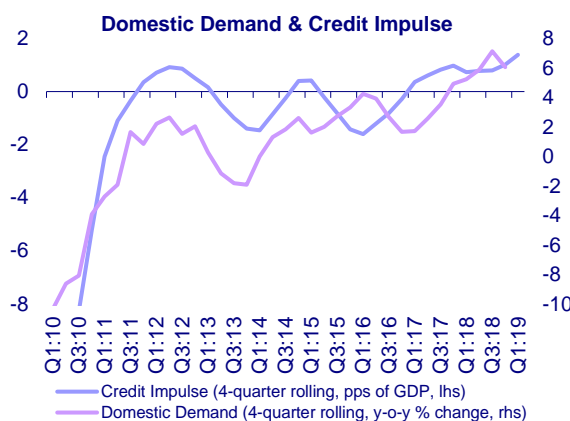
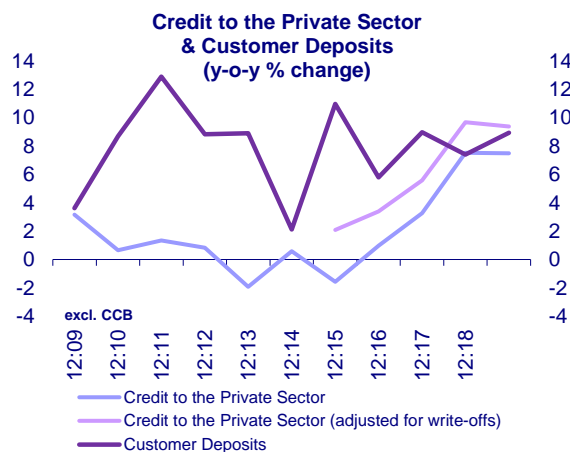
BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

% of the vote			
	Elections for the European Parliament May 2019		Parliamentary Elections March 2017
GERB	30.9	GERB	32.7
BSP	24.2	BSP	27.2
MRF	16.4	United Patriots	9.1
IMRO	7.2	DPS	9.0
DB	6.4	Volya	4.2
Other	14.9	Other	17.8
Total	100	Total	100

*comprising IMRO, NFSB and Ataka

The ruling GERB party wins the European Parliamentary (EP) elections, amid corruption scandals. The centre-right GERB received 30.9% of the vote (and 6 seats out of a total 17), outpacing its main rival, the centre-left BSP, which garnered 24.2% (5 seats). This outcome comes in striking contrast with the latest opinion polls, which had shown a significant decline in popularity for the GERB due to the involvement of several high-ranked party officials in a series of corruption scandals, including real estate purchases at below-market prices and misuse of EU funds. Importantly, the GERB's lead over the BSP (6.7 pps) widened compared with the March 2017 parliamentary elections (5.5 pps). Regarding the other political parties, the Turkish minority party (MRF) came in 3rd with 16.4% of the vote (3 seats), followed by the Bulgarian National Movement (IMRO), which is a member of the junior partner in the ruling coalition, the nationalist United Patriots alliance (UP), with 7.2% (2 seats), and the Democratic Bulgaria party with 6.4% (1 seat). Note that the participation rate was very low (30.8%).

All said, the election result confirms that the ruling GERB remains the dominant force on the Bulgarian political stage. Nevertheless, the stability of the ruling coalition remains a question. Recall that the latter is beset by tensions not only between the two partners, but also within the UP. Indeed, disagreements between the UP and the GERB have arisen over a series of issues, including the reform of the electoral code, immigration policy and minority rights, as well as the orientation of Bulgaria's foreign policy. At the same time, the UP appears highly divided (note that its constituent parties registered separately for the elections), mired by the struggle between its partners over its leadership. Importantly, in view of Bulgaria's solid fiscal and external positions, near-term risks are well contained.



*Adjusted for the bankruptcy of CCB in 2014

Lending activity remained strong in Q1:19, supported by easier credit standards. Credit to the private sector rose by 7.5% y-o-y in March, the same pace as at end-2018. As a result, the loan-to-GDP ratio reached 50.4% -- well above the SEE-4 average (c. 30.0%).

In our view, the strong credit expansion is due to the easier credit standards by banks, on the back of the continuing -- albeit at a slow pace -- drop in the NPL ratio (to 7.4% in March from 9.3% a year ago, still double the EU average). Adjusted for NPL write-offs, credit to the private sector is estimated to have expanded at a faster pace of 9.4% y-o-y in March. The introduction of negative interest rates by the BNB and the increased transparency in the aftermath of the 2016 AQR have also fostered credit expansion.

Deposit growth strengthened in Q1:19, in line with solid economic growth. Customer deposits expanded by 9.0% y-o-y in March 2018 against a rise of 7.4% at end-2018. Deposit growth would have been stronger had deposit yields not been subdued (currently at c. 0.2% for both BGN and FX-denominated time deposits), due to abundant liquidity, thus favouring other asset classes like real estate.

Credit activity is set to maintain momentum, providing support to the economic recovery. Against the backdrop of increased liquidity (the loan-to-deposit ratio stands at 75.4%), we expect credit activity to remain strong, in line with the sustained drop in NPLs (to 6.0% by end-2019). Solid demand for real estate, together with the extension of a state loan subsidy programme aimed at improving the energy efficiency of residential buildings by mid-2019 should also help. Note, however, that the high level of non-financial corporate indebtedness (c. 80% of GDP -- the highest in the region) remains a stumbling block to credit expansion.

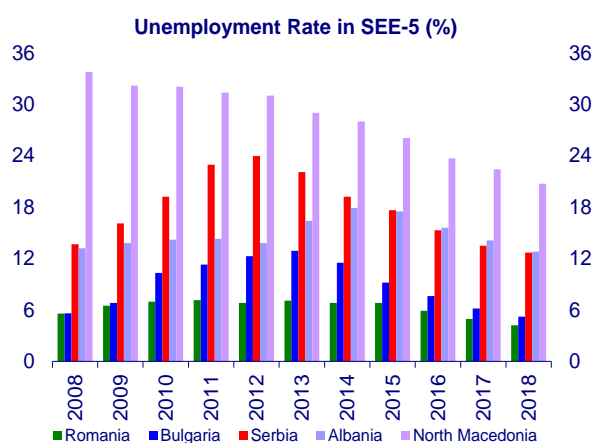
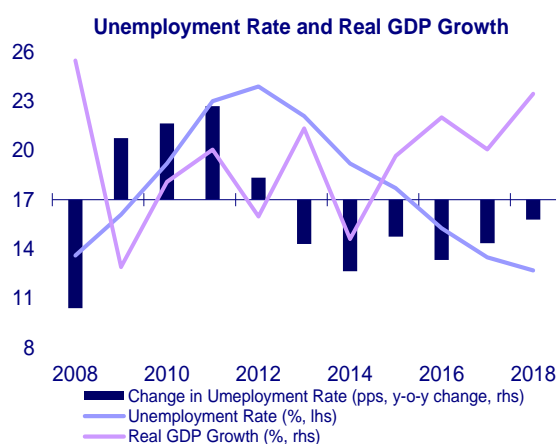
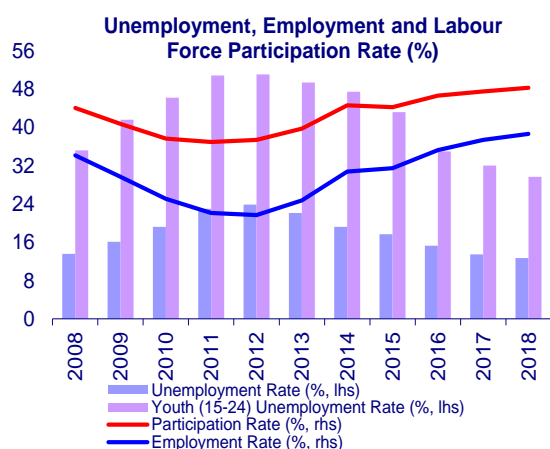
	27 May	3-M F	6-M F	12-M F
Base Interest Rate (%)	0.0	0.0	0.0	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	59	45	43	40

	27 May	1-W %	YTD %	2-Y %
SOFIX	572	0.5	-3.7	-13.2

	2016	2017	2018	2019F	2020F
Real GDP Growth (%)	3.9	3.8	3.1	3.6	3.2
Inflation (eop, %)	0.1	2.8	2.7	2.9	2.7
Cur. Acct. Bal. (% GDP)	2.6	6.5	4.6	3.7	2.7
Fiscal Bal. (% GDP)	1.6	0.8	0.1	-0.5	-0.5

Serbia

BB / Ba3 / BB (S&P / Moody's / Fitch)



	27 May	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.7	2.8	3.0
RSD/EUR	117.9	116.5	116.0	115.0
Sov. Spread (2021, bps)	118	116	113	110

	27 May	1-W %	YTD %	2-Y %
BELEX-15	6.2	-0.3	-3.8	5.9

	2016	2017	2018	2019F	2020F
Real GDP Growth (%)	3.3	2.0	4.3	3.6	3.8
Inflation (eop, %)	1.6	3.0	2.0	1.8	2.0
Cur. Acct. Bal. (% GDP)	-2.9	-5.3	-5.2	-5.0	-4.5
Fiscal Bal. (% GDP)	-1.2	1.1	0.6	-0.5	-0.4

The IMF reached a staff-level agreement with the Serbian authorities on the completion of the 2nd review of the 30-month (non-financing) Policy Coordination Instrument (PCI). The IMF mission confirmed that Serbia's economic programme is broadly on track, with all end-March quantitative targets met and most reforms implemented. It commended: i) the continued strong macroeconomic performance, reflected in robust economic growth and appropriate fiscal relaxation this year, which ensured the continued reduction in the public debt-to-GDP ratio, and low inflation; and ii) the committed implementation of structural reforms (including the authorities' determination to privatise Komercijalna Bank, modernise tax administration, and fight against informal economy). The approval of the (non-financing) PCI by the IMF Board, signalling Serbia's continued commitment to the agreed reform agenda, is expected in mid-July.

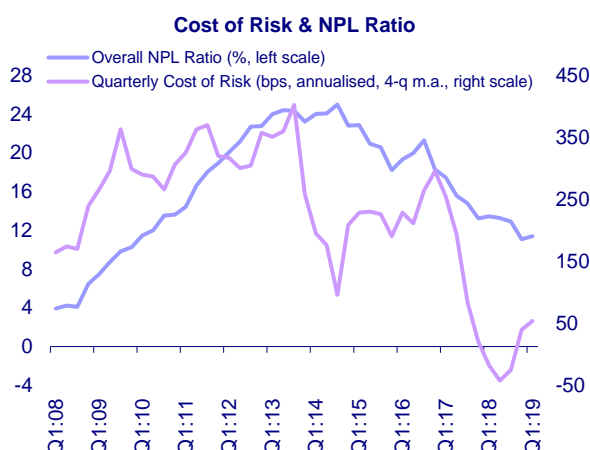
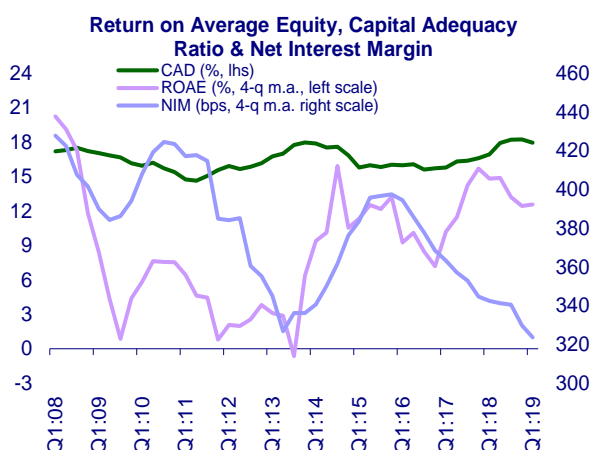
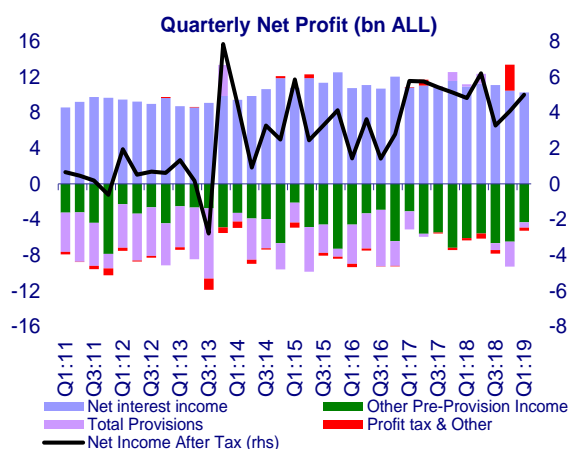
The unemployment rate declined for a 6th successive year to a historical low of 12.7% in FY:18 (below its pre-crisis level). The unemployment rate fell further, for a 6th successive year, by 0.8 pps to a record low of 12.7% in FY:18 (following an average decline of 2.1 pps in 2013-17). This level is almost half its peak of 23.9% in FY:12 and below its pre-crisis low of 13.6% in FY:08 (yet still the highest in the region, with the exception of North Macedonia, see chart).

The sustained improvement was mainly driven by the continued recovery in employment, for a 6th successive year, despite the downsizing in the public sector. In fact, following an impressive average rise of 4.7% in 2013-17, employment was up by 1.4% in FY:18. Employment has been boosted in line with: i) strong economic growth (excluding agriculture, real GDP accelerated to a post-global crisis high of 3.6% y-o-y in FY:18 from 3.0% in FY:17); and ii) sustained high FDI inflows (amounting to a high -- by regional standards -- 7.4% of GDP in FY:18 from 6.2% in FY:17). Regarding sectors, the improvement was driven by the industry, services and construction sectors (representing 22%, 57% and 4% of total employment, respectively, up by 7.7%, 0.8% and 8.7% in FY:18). The increase in overall employment would have been stronger had the number of employees in the (labour-intensive) agricultural sector not declined by 6.3% y-o-y in FY:18. Note that a large part of employment remains informal (19.5% of total employment in FY:18, yet below 20.7% in FY:17), mainly in the agricultural sector (accounting for 2/3 of informal employment).

Importantly, the decline in the unemployment rate occurred, despite the strong increase in the labour force participation rate, as the number of entrants to the labour market was lower than that of jobs created. In fact, the labour force participation rate rose, for a 3rd successive year, by 0.5 pps y-o-y to a record high of 54.5% in FY:18 -- well above a trough of 46.4% in FY:11 and its pre-crisis level of 51.5% in FY:08. Furthermore, albeit still large, labour market slack has declined significantly during the past 6 years, with the employment rate improving, rising by 0.9 pps to 47.6% in FY:18 from a trough of 35.5% in FY:12 -- exceeding its pre-crisis high of 44.4% in FY:08. This improvement reflects a more attractive labour market, amid vibrant economic growth (above its long-term potential), rising wages (boosted by a 10% increase in the minimum wage as of January 2018), as well as of a series of Government measures encouraging people to join the labour market. The measures comprise, *inter alia*: i) strengthening the capacities of local employment offices; ii) providing incentives for the self-employment; iii) targeting activation policies to long-term unemployed as well as women and young; iv) setting up retraining programmes and simplifying seasonal employment registration; and v) making labour market legislation more flexible.

Albania

B+ / B1 / NR (S&P / Moody's / Fitch)



	27 May	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.2	2.2	2.2	2.2
ALL/EUR	122.5	123.8	123.5	122.0
Sov. Spread (bps)	163	215	200	180

Stock Market	27 May	1-W %	YTD %	2-Y %
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	2016	2017	2018	2019F	2020F
Real GDP Growth (%)	3.3	3.8	4.1	3.8	4.0
Inflation (eop, %)	2.2	1.8	1.8	1.8	2.0
Cur. Acct. Bal. (% GDP)	-7.6	-7.5	-6.7	-5.8	-5.6
Fiscal Bal. (% GDP)	-1.8	-2.0	-1.6	-2.1	-2.1

The banking sector's bottom line improved slightly in Q1:19, with ROAE remaining in double digits. Net profit (after tax) increased by 3.8% y-o-y reaching ALL 5.0bn (EUR 40mn or 0.3% of GDP) in Q1:19. As a result, (annualised) ROAE and ROAA increased slightly to 13.6% and 1.5%, respectively, in Q1:19 -- remaining in double digits for a 9th successive quarter -- from 13.2% and 1.4% in Q1:18, and the corresponding levels of 13.0% and 1.2% in FY:18.

Pre-provision earnings (PPI) rose in Q1:19. PPI was up by 22.1% y-o-y in Q1:19, after declining for 3 successive years, mainly due to higher (net) non-interest income (NNII), reflecting the positive impact of securities revaluation, as well as lower operating expenses.

The latter declined by 11.1% y-o-y in Q1:19, partly on the back of the separation of the National Commercial Bank Kosovo branch (BKT-ks) from the National Commercial Bank Albania (BKT) and its establishment as an independent body since January 2019 (with BKT-ks accounting for 28% of total BKT employment). Even excluding this once-off, operating expenses are estimated to have declined (albeit at a slower pace of c. 3.0% y-o-y in Q1:19), reflecting continued banking sector downsizing (following Greek banks withdrawal and two mergers at end-2018).

On a negative note, PPI was dragged down by the continued decline in net interest income (NII), accounting for c. 76.0% of gross operating income), by 13.8% y-o-y in Q1:19, partly reflecting the impact of the above-mentioned BKT separation. Adjusting for this once-off, NII is estimated to have declined by 1.5% y-o-y in Q1:19, as slightly higher average interest earning assets (up 0.9% in Q1:19) were more than offset by the continued compression of NIM (down 25 bps y-o-y to a record low of 307 bps in Q1:19). The latter has been declining since 2016, reflecting both: i) the narrowing of the loan spreads at a faster pace than deposit spreads, in an environment of declining interest rates and strong competition for lending market share; and ii) the sharp drop in public domestic debt yields (with the 12-month T-bill rate declining to a record-low of 1.2% on average in Q1:19 from 2.6% in Q1:18, due, *inter alia*, to reduced Government financing needs following the issuance of a Eurobond in late-2018).

With operating income rising at a faster pace than operating expenses, the cost-to-income ratio declined by 6.6 pps y-o-y to 55.7% in Q1:19, below the FY:18 outcome of 64.0% (down by 7.2 pps y-o-y, adjusted for the BKT impact).

The cost of risk increased slightly in Q1:19, partly offsetting the positive impact of rising PPI on the bottom line. P/L provisions turned positive, reaching ALL 0.6bn in Q1:19, against minus ALL 0.2bn (reversal of provisions) in Q1:18 (minus ALL 0.5bn, excluding BKT-ks provisions in Q1:18) -- yet absorbing just 9.3% of pre-provision earnings. The rise in provisions occurred despite the continued decline in the NPL ratio, by 2.1 pps y-o-y to 11.4% in Q1:19 -- well below its post-crisis peak of 25.0% in Q3:14. The downward trend in the NPL ratio since 2014 was supported by: i) improved collection (reinforced by better economic prospects, rising wages, ALL appreciation and low interest rates); ii) credit restructuring, the repayment of loans in the NPL portfolio, and large write-offs (with the latter amounting to an estimated ALL 59.3bn in 2015-2018, or 44.0% of end-2014 NPLs); and iii) the 2015 regulation mandating the obligatory write-off of loans held in "loss" category for more than three years. As a result, the cost of risk increased moderately to a still low 41 bps in Q1:19 from -16 bps in Q1:18. Furthermore, the banking sector remains well capitalized (CAD at 18.0% in Q1:19 -- above the regulatory floor of 12%).

FOREIGN EXCHANGE MARKETS, MAY 27TH 2019

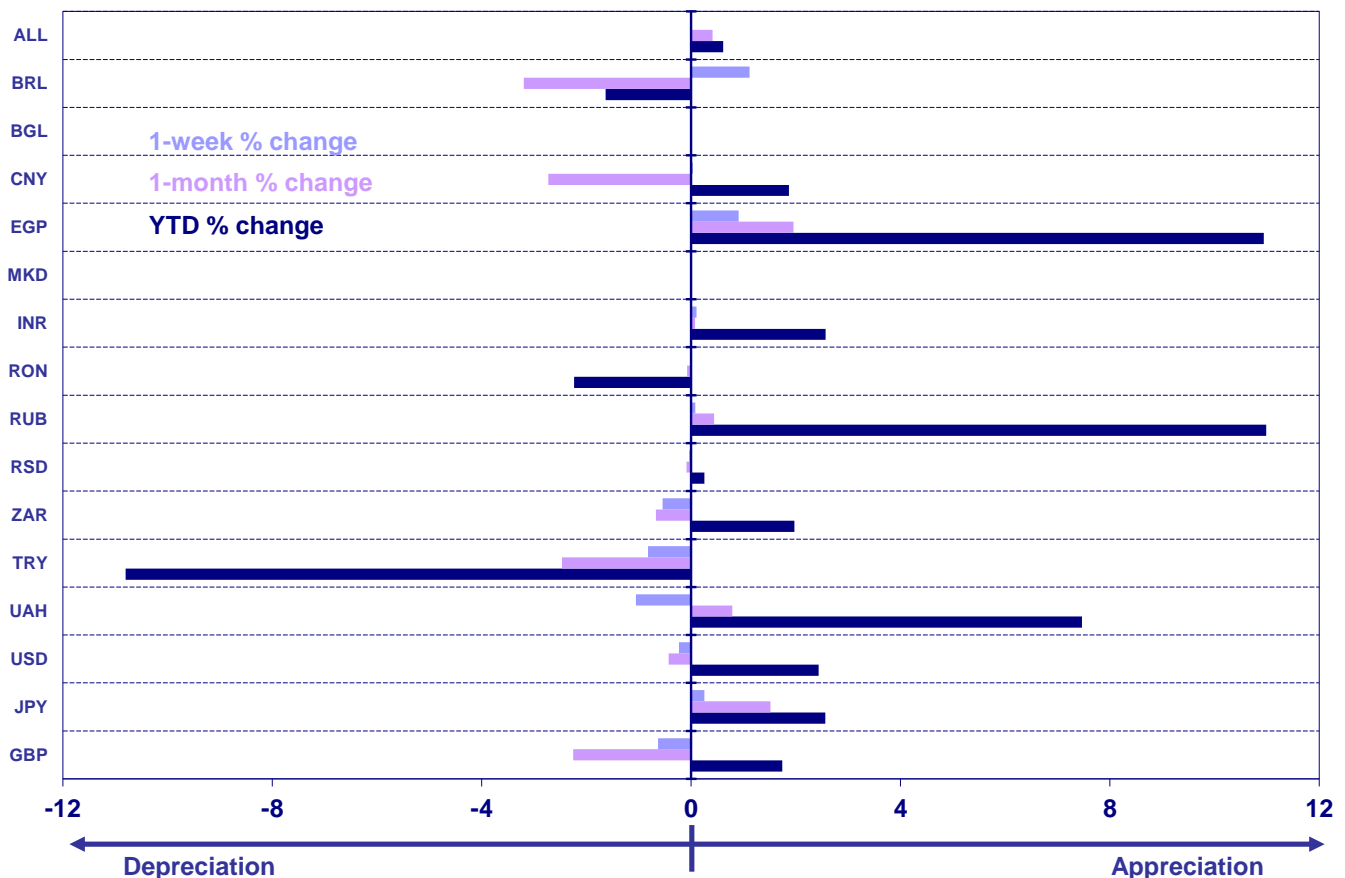
Against the EUR

Currency		2019										2018	2017
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	122.5	0.0	0.4	0.6	3.2	122.4	125.9	122.8	122.6	121.4	7.8	1.9
Brazil	BRL	4.52	1.1	-3.2	-1.6	-4.1	4.16	4.60	---	---	4.82	-10.7	-13.9
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.72	0.0	-2.7	1.9	-3.6	7.49	7.88	---	---	7.97	-0.8	-6.0
Egypt	EGP	18.78	0.9	2.0	10.9	10.4	18.86	21.16	---	---	---	0.0	-9.4
North Macedonia	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	77.8	0.1	0.1	2.6	0.9	76.8	82.3	---	---	---	-3.9	-6.7
Romania	RON	4.76	0.0	-0.1	-2.2	-2.5	4.75	4.78	4.80	4.86	4.97	0.6	-3.0
Russia	RUB	72.0	0.1	0.4	11.0	0.6	71.4	80.1	73.6	75.8	77.8	-13.4	-6.8
Serbia	RSD	117.9	0.0	-0.1	0.3	0.1	117.9	118.5	118.2	118.5	---	0.2	4.2
S. Africa	ZAR	16.1	-0.5	-0.7	2.0	-10.2	15.16	16.66	16.4	16.8	17.3	-9.9	-2.7
Turkey	YTL	6.79	-0.8	-2.5	-10.8	-21.5	5.91	7.03	7.23	7.78	8.74	-24.9	-18.4
Ukraine	UAH	29.5	-1.1	0.8	7.5	3.4	29.09	32.66	---	---	---	6.0	-15.2
US	USD	1.12	-0.2	-0.4	2.4	3.8	1.1	1.2	1.13	1.14	1.15	4.6	-12.4
JAPAN	JPY	122.6	0.3	1.5	2.6	3.8	118.8	127.5	122.6	122.6	122.7	7.5	-8.9
UK	GBP	0.88	-0.6	-2.3	1.7	-1.1	0.8	0.9	0.89	0.89	0.89	-1.1	-4.1

* Appreciation (+) / Depreciation (-)

** Forward rates have been calculated using the uncovered interest rate parity for Brazil, China, Egypt, India and Ukraine

Currencies against the EUR (May 27th 2019)



MONEY MARKETS, MAY 27TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	North Macedonia	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	6.4	---	2.7	---	15.9	---	---	3.0	7.9	---	25.5	7.1	16.8	---	2.4
T/N	---	---	---	---	---	---	---	---	3.0	7.9	2.2	---	7.6	---	---	---
S/W	1.1	6.4	---	2.7	-0.4	---	0.0	---	---	8.2	2.3	---	7.8	17.1	-0.4	2.4
1-Month	1.2	6.4	0.0	2.8	-0.4	---	0.0	6.7	3.1	8.5	2.6	26.0	7.0	18.8	-0.4	2.4
2-Month	---	6.4	---	---	---	---	---	---	---	8.1	2.7	26.2	7.1	---	---	2.5
3-Month	1.4	6.4	---	2.9	---	---	0.0	7.1	3.3	8.2	3.0	26.8	7.7	19.3	---	2.5
6-Month	1.4	6.4	---	3.0	---	---	0.0	---	3.4	8.1	3.1	27.3	7.7	---	---	2.5
1-Year	1.6	6.4	---	3.2	-0.1	---	0.0	---	3.5	8.5	---	27.8	8.0	---	-0.1	2.6

*For Bulgaria, the Base Interest Rate (BIR) is reported. For Egypt, the O/N Interbank Rate is reported.

LOCAL DEBT MARKETS, MAY 27TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	North Macedonia	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	---	---	---	---	---	17.6	---	6.2	---	7.7	---	23.0	---	---	-0.6	2.4
6-Month	1.0	---	---	---	---	17.5	---	6.3	3.5	7.7	3.3	23.1	---	---	-0.5	2.4
12-Month	1.4	---	-0.2	2.6	---	17.3	0.9	6.3	3.4	7.3	2.7	25.7	---	19.2	-0.6	2.3
2-Year	1.6	---	---	2.9	---	---	1.3	6.5	3.6	7.3	---	24.6	6.6	---	-0.6	2.2
3-Year	1.8	---	-0.1	3.0	0.2	---	---	6.7	3.9	7.6	---	23.6	7.1	18.0	-0.7	2.2
5-Year	3.0	8.4	---	3.1	0.5	16.0	---	6.9	4.4	7.7	3.7	21.5	7.5	16.0	-0.5	2.2
7-Year	3.8	---	0.4	---	0.8	16.0	---	7.2	4.8	7.9	---	---	---	---	-0.4	2.3
10-Year	5.2	8.8	0.6	3.4	---	16.0	---	7.2	5.1	8.0	---	18.8	8.4	---	-0.1	2.4
15-Year	---	---	---	---	---	---	3.0	7.4	---	8.1	---	---	9.9	---	0.1	---
25-Year	---	---	---	---	---	---	---	---	---	---	---	---	9.8	---	---	---
30-Year	---	---	---	---	---	---	---	7.5	---	---	---	---	9.8	---	0.5	2.8

*For Albania, North Macedonia and Ukraine primary market yields are reported

CORPORATE BONDS SUMMARY, MAY 27TH 2019

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	Bulgaria Energy Hold 4.875% '21	EUR	NA/NA	2/8/2021	550	1.6	218	185
South Africa	FirstRand Bank Ltd 4.25% '20	USD	BB/Baa3	30/4/2020	500	3.7	134	123
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.8	140	112
Turkey	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.7	430	387
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	8.1	595	557
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	11.2	913	819
	Vakifbank 5.75% '23	USD	NA/B1	30/1/2023	650	10.6	849	762
	TSKB 5.5% '23	USD	NA/B2	16/1/2023	350	10.6	846	756
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.5	639	598
	KOC Holding 5.25% '23	USD	BBB-/Ba2	15/3/2023	750	7.2	504	479

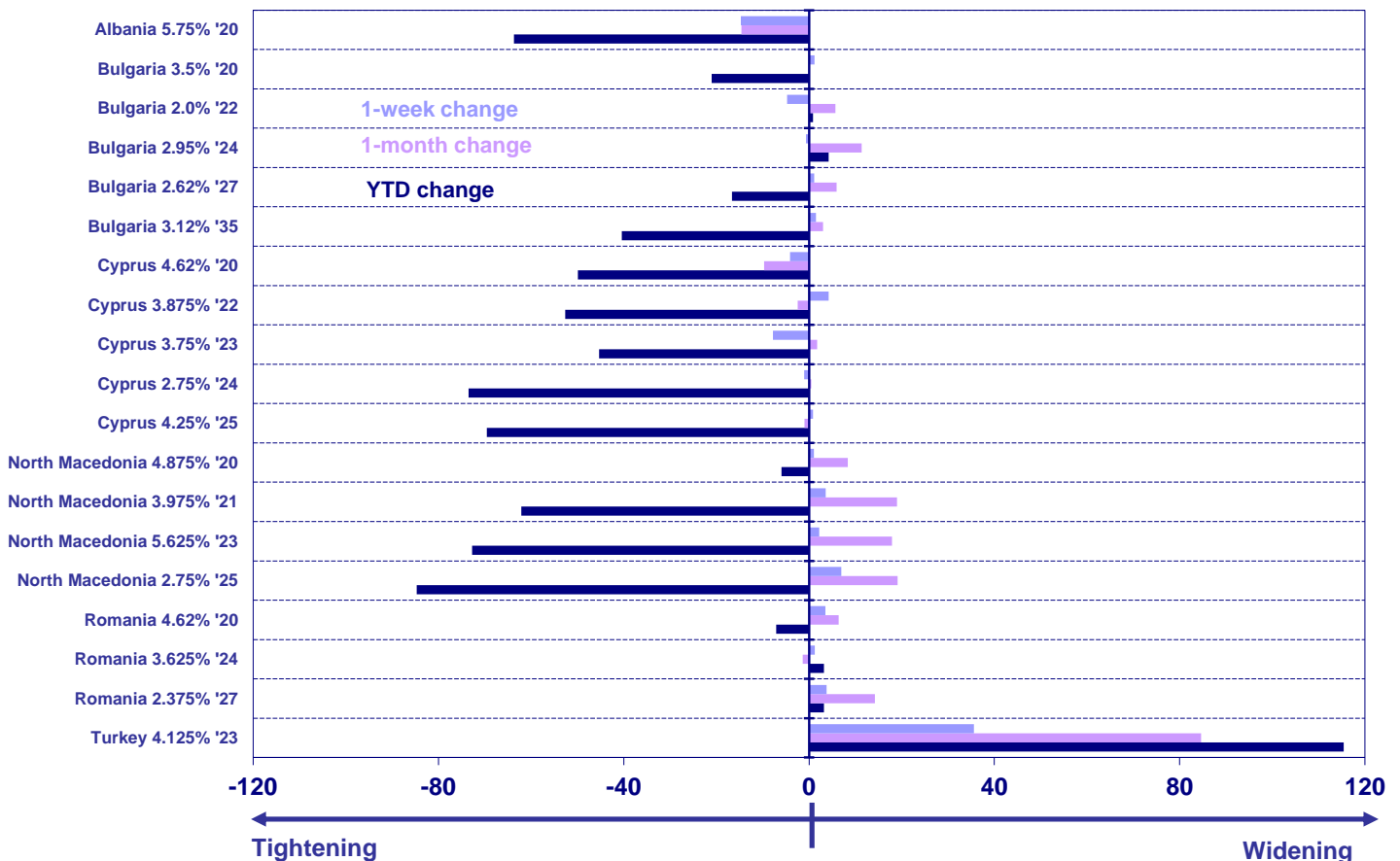
CREDIT DEFAULT SWAP SPREADS, MAY 27TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	North Macedonia	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	---	178	76	53	90	327	---	95	99	128	121	514	194	651
10-Year	---	257	104	90	103	395	---	104	136	189	148	527	258	674

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MAY 27TH 2019

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.0	163	138
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	-0.2	37	11
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	-0.1	59	16
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.2	76	28
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	0.7	99	53
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	1.8	174	120
Cyprus 4.62% '20	EUR	BBB-/Ba2	3/2/2020	668	0.4	94	67
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	0.2	82	41
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	0.3	95	53
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	0.5	104	60
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	0.8	119	81
North Macedonia 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.0	169	142
North Macedonia 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.3	194	490
North Macedonia 5.625% '23	EUR	BB-/NA	26/7/2023	450	1.8	244	211
North Macedonia 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.1	256	209
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.0	56	33
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	0.8	138	98
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.1	238	186
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	5.2	581	515

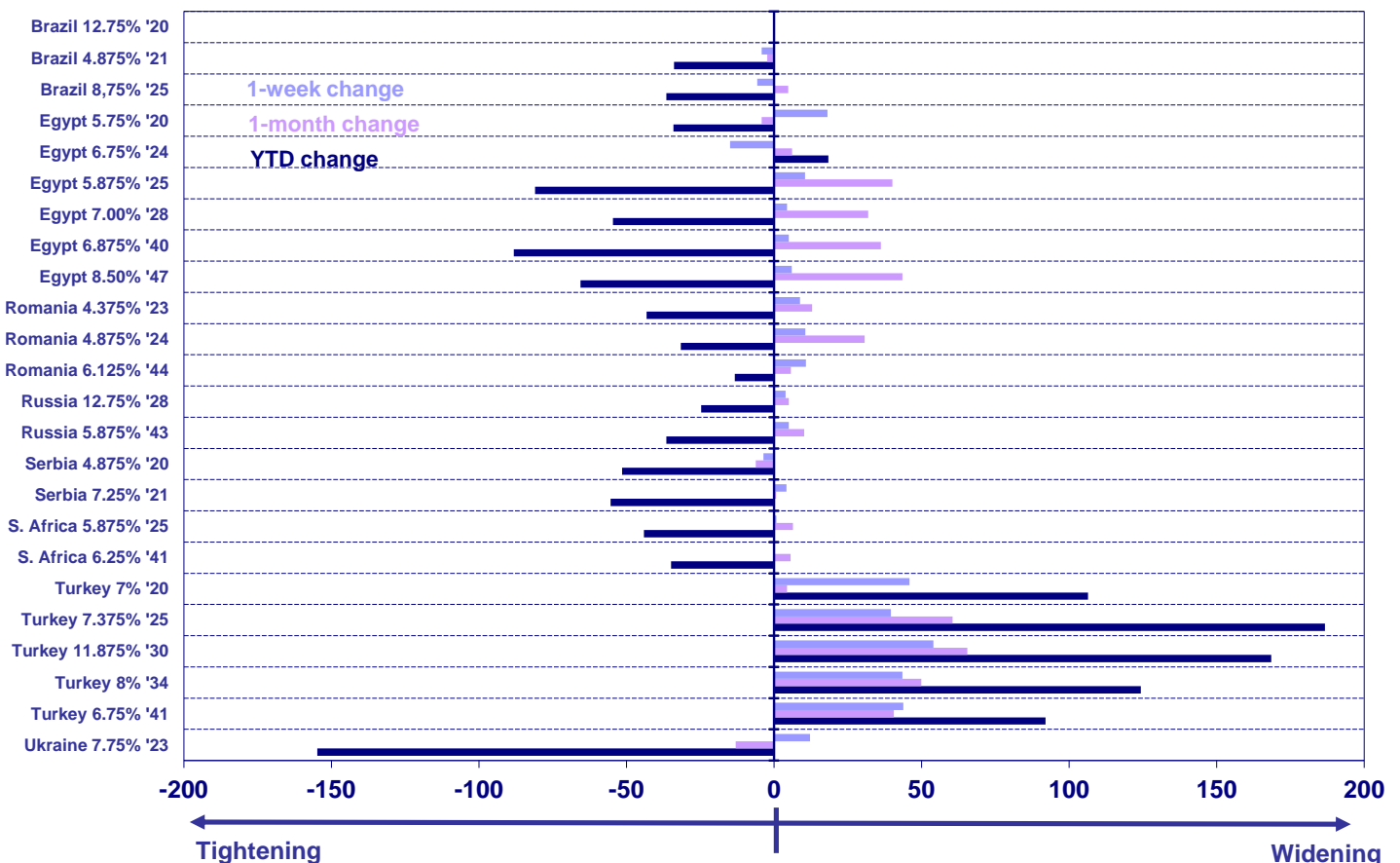
EUR-Denominated Eurobond Spreads (May 27th 2019)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MAY 27TH 2019

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	NA/Ba2	15/1/2020	87	2.4	---	---
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	3.0	82	74
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	3.8	166	185
Egypt 5.75% '20	USD	B/B2	29/4/2020	1,000	4.4	209	199
Egypt 6.75% '24	USD	NA/B2	10/11/2024	1,500	6.0	392	391
Egypt 5.875% '25	USD	B/B2	11/6/2025	500	6.5	429	421
Egypt 7.00% '28	USD	NA/B2	10/11/2028	1,000	7.3	502	493
Egypt 6.875% '40	USD	B/B2	30/4/2040	1,500	7.8	502	490
Egypt 8.50% '47	USD	NA/B2	31/1/2047	500	8.6	583	597
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	3.4	127	129
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	3.5	140	143
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	4.9	216	269
Russia 12.75% '28	USD	BBB-/Baa3	24/6/2028	2,500	4.3	199	280
Russia 5.875% '43	USD	BBB-/Baa3	16/9/2043	1,500	4.8	205	254
Serbia 4.875% '20	USD	BB/Baa3	25/2/2020	1,500	3.3	96	82
Serbia 7.25% '21	USD	BB/Baa3	28/9/2021	2,000	3.4	118	123
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	4.8	255	266
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	5.9	313	347
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	6.4	405	393
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	8.1	600	576
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	8.6	625	705
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	8.4	602	575
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	8.1	534	472
Ukraine 7.75% '23	USD	B-/Caa1	1/9/2023	1,355	8.6	643	623

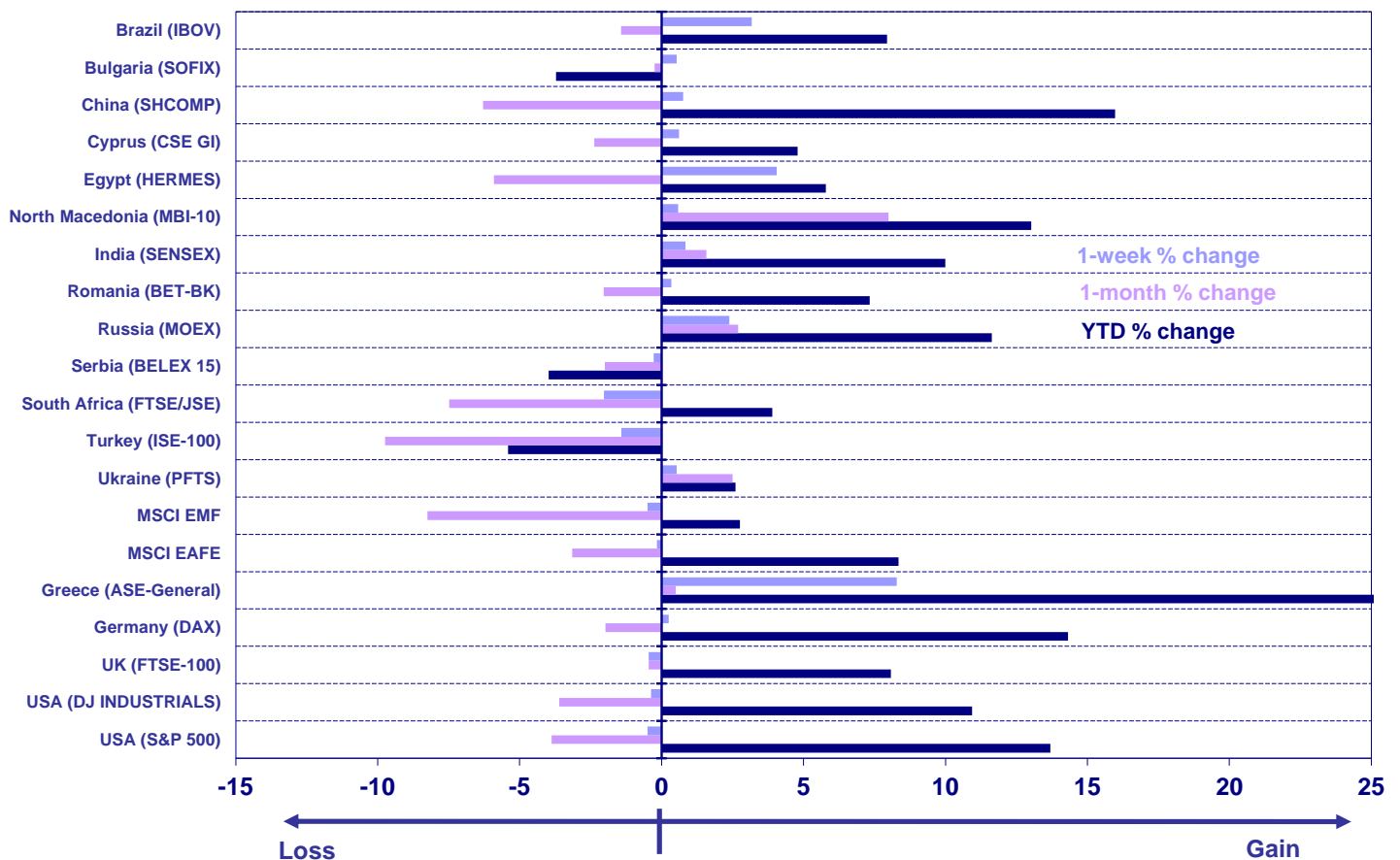
USD-Denominated Eurobond Spreads (May 27th 2019)



STOCK MARKETS PERFORMANCE, MAY 27TH 2019

	2019								2018		2017	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change	% change	% change	% change
Brazil (IBOV)	94,864	3.2	-1.4	7.9	25.9	87,536	100,439	5.9	15.0	2.5	26.9	9.5
Bulgaria (SOFIX)	572	0.5	-0.2	-3.7	-10.5	560	622	-3.7	-12.3	-12.3	15.5	15.5
China (SHCOMP)	2,892	0.8	-6.3	16.0	-7.7	2,441	3,288	18.2	-24.6	-25.2	6.6	-0.3
Cyprus (CSE GI)	69	0.6	-2.4	4.8	4.4	60	71	4.8	-3.9	-3.9	4.7	4.7
Egypt (HERMES)	1,343	4.1	-5.9	5.8	-17.7	1,290	1,467	14.1	-11.1	-11.1	32.0	18.7
North Macedonia (MBI)	3,921	0.6	8.0	13.0	34.1	3,467	3,943	13.0	36.6	36.6	18.9	18.9
India (SENSEX)	39,683	0.8	1.6	10.0	12.8	33,292	40,125	13.1	5.9	1.6	27.9	19.3
Romania (BET-BK)	1,563	0.3	-2.0	7.3	-3.5	1,394	1,602	5.0	-11.6	-11.1	22.8	19.1
Russia (MOEX)	2,633	2.4	2.7	11.6	13.9	2,350	2,646	23.3	0.9	-12.3	-16.2	-21.9
Serbia (BELEX-15)	731	-0.3	-2.0	-4.0	-1.8	668	760	-3.8	0.2	0.5	5.9	10.3
South Africa (FTSE/JSE)	54,488	-2.0	-7.5	3.9	-4.2	50,907	59,545	6.2	-11.4	-20.1	17.5	14.3
Turkey (ISE 100)	85,545	-1.4	-9.7	-5.4	-19.7	83,535	105,930	-16.1	-20.9	-40.5	47.6	20.5
Ukraine (PFTS)	574	0.5	2.5	2.6	28.2	530	582	9.6	77.5	88.1	18.8	0.8
MSCI EMF	989	-0.5	-8.2	2.8	-13.0	946	1,099	5.0	-16.6	-12.8	34.3	17.7
MSCI EAFE	1,855	-0.2	-3.2	8.3	-7.5	1,709	1,928	10.7	-16.1	-12.3	21.8	6.7
Greece (ASE-General)	777	8.3	0.5	28.6	2.8	600	785	28.6	-23.6	-23.6	24.7	24.7
Germany (XETRA DAX)	12,071	0.2	-2.0	14.3	-6.2	10,387	12,436	14.3	-18.3	-18.3	12.5	12.5
UK (FTSE-100)	7,278	-0.5	-2.0	8.1	-5.9	6,599	7,529	10.5	-12.5	-13.5	7.6	3.2
USA (DJ INDUSTRIALS)	25,586	-0.4	-3.6	10.9	3.4	21,713	26,952	13.3	-5.6	-1.3	25.1	9.6
USA (S&P 500)	2,826	-0.5	-3.9	13.7	3.8	2,444	2,954	16.1	-6.2	-1.9	19.4	4.7

Equity Indices (May 27th 2019)



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