South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

12 – 18 January 2016

NBG - Economic Analysis Division

Director: **Paul Mylonas**
☎ : +30 210 33 41 521
✉ : pmylonas@nbg.gr

Emerging Markets Research

Head: **Michael Loufir**
☎ : +30 210 33 41 211
✉ : mloufir@nbg.gr

Analysts:

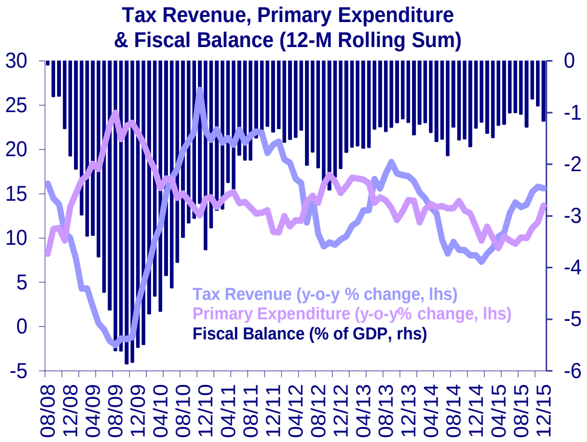
Evlabia Fetsi
☎ : +30 210 33 41 667
✉ : efetsi@nbg.gr

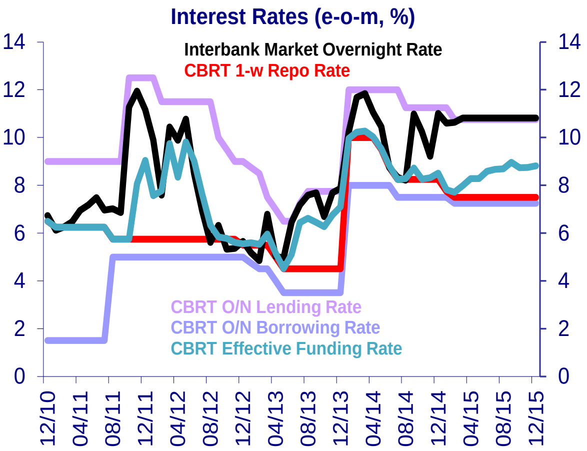
Konstantinos Romanos-Louizos
☎ : +30 210 33 41 225
✉ : romanos.louizos.k@nbg.gr

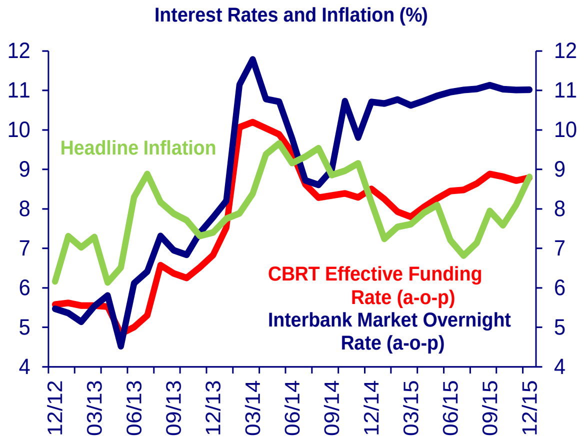
Louiza Troupi
☎ : +30 210 33 41 696
✉ : troupi.louiza@nbg.gr

Turkey

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







	18 Jan.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.9	11.5	11.0	10.5
TRY/EUR	3.31	3.32	3.34	3.40
Sov. Spread (2017, bps)	153	145	135	120

	18 Jan.	1-W %	YTD %	2-Y %
ISE 100	71,040	0.0	-3.0	8.2

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	2.1	4.2	2.9	3.4	3.2
Inflation (eop, %)	6.2	7.4	8.2	8.8	8.4
Cur. Acct. Bal. (% GDP)	-6.2	-7.9	-5.8	-4.5	-5.0
Fiscal Bal. (% GDP)	-2.1	-1.2	-1.3	-1.2	-1.5

The 2015 Budget outperforms its target, despite a sharp deterioration in December, with a FY deficit of 1.2% of GDP. In December, both the primary and the overall fiscal deficits widened by 0.2 pps y-o-y to 0.8% and 0.9% of GDP, respectively, as the rise in primary spending (17.0% y-o-y) was far higher than that for revenue (7.0% y-o-y) and interest payments remained broadly unchanged from their level a year earlier. Specifically, the sharp rise in primary expenditure in December reflects a surge in capital expenditure (up 47.4% y-o-y). Importantly, despite an election year, FY:15 overall expenditure remained contained (up 12.8% against its target of 12.2%), partly supported by lower interest payments. On the other hand, the modest rise in revenue in December reflects a strong base effect from the sale of the thermal plants in Kemerkoy and Yenikoy a year earlier. More importantly, FY:15 tax, non-tax, and overall revenue rose by 15.6%, 3.5%, and 13.5%, respectively, exceeding growth targets of 15.1%, -0.8%, and 12.4%. As a result, the FY:15 primary and the overall budgets posted a surplus of 1.6% of GDP and a deficit of 1.2% of GDP, respectively, beating their respective targets (and FY:14 outcomes) of a surplus of 1.5% of GDP and a deficit of 1.3% of GDP.

For 2016, the Government envisages a slight loosening of the fiscal stance, targeting a primary surplus of 1.2% of GDP -- down from 1.6% of GDP in 2015 and an overall fiscal deficit of 1.3% of GDP -- up from 1.2% of GDP in 2015. The planned loosening is set to result from the delivery on election promises, expected to cost TRY 22.0bn (1.0% of GDP). The pledges include: i) the compensation to private sector employers of 40.0% of the cost of the hike in the minimum wage (by 30.0% to TRY 1.3k); ii) the exemption from income tax for 3 years for young people starting a new business; iii) cash support of up to TRY 50k to young people who want to start a business; iv) the payment of wages of first-time employed young people for 1 year; and v) interest-free loans to small businesses. In our view, the net burden of the promises on the primary balance should be higher than budgeted (we estimate at 0.6 pps versus c. 0.4 pps of GDP). We see FY:16 primary surplus and fiscal deficit at 1.0% and 1.5% of GDP, respectively.

The CBRT remained in a "wait-and-see" mode for an eleventh consecutive month. At the first MPC meeting of the year, the CBRT maintained its central policy rate (1-week repo rate) unchanged as well as the interest rate corridor (the overnight borrowing and overnight lending rates) at 7.5% and 7.25%-10.75%, respectively.

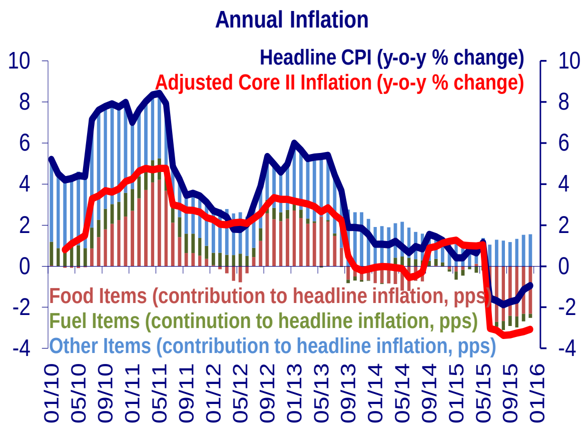
Surprisingly, the CBRT provided no clarity on the long-awaited simplification of its monetary policy framework, set to gradually achieve a narrower and symmetric corridor around the 1-week repo rate, with the aim of having a single interest policy rate. Note that at its December meeting, the CBRT said that the corridor would be adjusted in January if the decline in financial volatility persisted after the start of the global policy normalization.

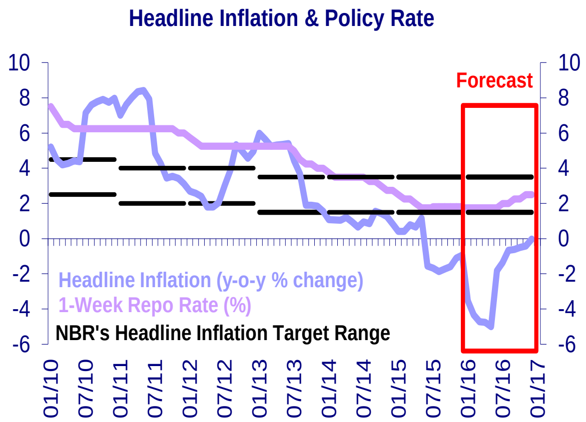
The CBRT reiterated that the "*the tight liquidity stance will be maintained as long as deemed necessary*", hinting that it would increase further its effective funding rate (currently at 8.9%, through the reduction of the amount of lower costing 1-week repo financing -- 7.5%) towards the upper bound of its interest rate corridor (10.75%). The tight conditions have raised the O/N interbank rate to 10.75%.

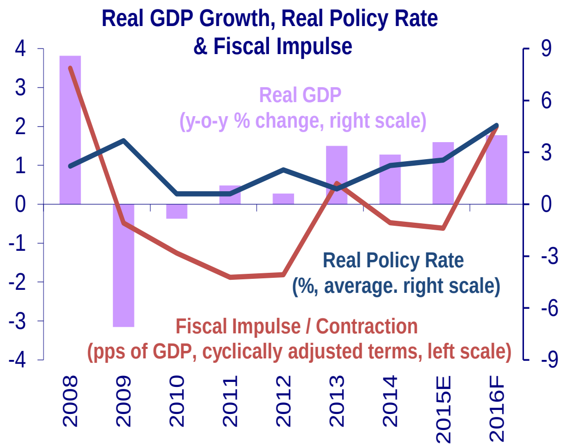
Going forward, we expect the CBRT to change its stance in the coming months in view of the negative inflation outlook (we see end-year inflation at 8.4%), additional hikes in the Fed interest rate, and a further weakening of the TRY on the back of heightening geopolitical and security concerns. We foresee the CBRT hiking its 1-week repo rate by 200 bps to 9.5% by end-year and bringing its interest rate corridor to 8.5%-10.5% by December from 7.25%-10.75% currently.

Romania

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







	18 Jan.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	1.2	1.5	1.8
RON/EUR	4.53	4.52	4.51	4.50
Sov. Spread (2018, bps)	82	88	85	80

	18 Jan.	1-W %	YTD %	2-Y %
BET-BK	1,171	-8.7	-12.7	-10.0

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	0.6	3.4	2.8	3.6	4.5
Inflation (eop, %)	5.0	1.6	0.8	-0.9	0.0
Cur. Acct. Bal. (% GDP)	-4.8	-1.1	-0.5	-1.0	-2.1
Fiscal Bal. (% GDP)	-2.5	-2.5	-1.9	-1.2	-3.0

Headline inflation ends 2015 in negative territory (-0.9% y-o-y), in the wake of the VAT cut on food in June. Headline deflation eased to -0.9% y-o-y in December from -1.1% in November. The main factor was the moderation in fuel deflation (to -2.3% y-o-y in December from -4.4% in November), in line with developments in global oil markets (the price of Brent was down 29.7% y-o-y in RON terms in December against a drop of 32.5% in November).

Overall, headline inflation fell to -0.9% y-o-y at end-2015 from 0.8% at end-2014. This sharp decline is mainly attributed to the 15 pp cut in VAT on all food items and services to 9% in June. Adjusting for the latter, end-year headline inflation would have been close to 2.0%, reflecting much stronger demand-side pressures.

Headline inflation to remain subdued until end-2016, due to supply-side shocks. Looking ahead, headline inflation is set to plunge deeper "in the red" in 5M:16, following a 4.0 pp cut in the general VAT rate to 20.0% in January (and to reach a trough of -5.0% y-o-y in May 2016). Thereafter, stronger demand-side pressures (note that, *inter alia*, public sector wages and pensions rose by 10.0% and 5.0% as of December 2015 and January 2016, respectively), together with negative base effects from the June 2015 VAT cut on food and a softer decline in fuel prices (we project the price of Brent to drop by 21.0% on average in RON terms in FY:16 against a decline of 35.2% in FY:15), should bring inflation to 0% by end-2016. At the same time, adjusted core II inflation (excluding volatile and administered prices) is set to converge towards headline inflation (0.4% at end-2016 against -3.1% y-o-y at end-2015).

The NBR is expected to embark on a tightening cycle later in the year. Despite the subdued inflation outlook, we expect the NBR to tighten gradually its monetary policy stance. Importantly, fiscal policy is expected to ease significantly, through the ongoing loosening in incomes policy, together with a series of tax cuts (including, in addition to the VAT cut, the reduction in the dividend tax rate by 9 pps to 5%, an increase in personal tax deductions and tax incentives for small businesses to hire employees). In total, these measures are expected to push up the budget deficit to 3.0% of GDP in FY:16 from an estimated 1.2% in FY:15, resulting in a cyclically-adjusted fiscal impulse of 2 pps. In fact, we see real GDP growth picking up to 4.5% in FY:16 from an estimated 3.6% in FY:15, with the already positive output gap increasing by 0.7 pps to 0.8 pps in FY:16. All said, we expect the NBR to maintain its 1-week repo rate at its current level of 1.75% until mid-Q2:16, before considering a gradual increase to 3.0% by end-2016 (implying an *ex-post* real policy rate of 3.0%).

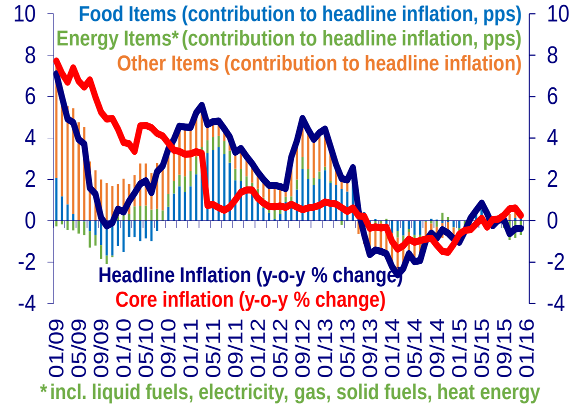
At the same time, we do not rule out further cuts in reserve requirement rates (RRRs), which are still high compared with ECB standards (2.0%). Note that, at its first meeting for the year, the NBR reduced its RRR on FX liabilities by 2.0 pps to 12.0%, freeing up around RON 3bn (0.4% of GDP) in liquidity. The RRR on RON liabilities was left unchanged at 8.0%. In fact, in view of the risk of capital outflows, amid, *inter alia*, heightened global uncertainty, and in a bid to rebalance banks' portfolios towards LC loans (50% of total loans), we expect the central bank to proceed mainly with cuts in RRRs on RON liabilities.

Ample liquidity in the banking system (the gross loan-to-deposit ratio stood at 96.1% in November, down from its pre-crisis peak of c. 140%), together with a sustained decline in NPLs (accounting for 11.7% of total loans in November, down from an estimated 20.7% in early-2014 on the back of massive write-offs), should prompt banks to ease further their credit standards, thus boosting lending activity (up 5.0-6.0% in FY:16 -- up 7.0-8.0% adjusted for write-offs -- following an estimated increase of 2.0% in FY:15 -- up 5.0% adjusted for write-offs).

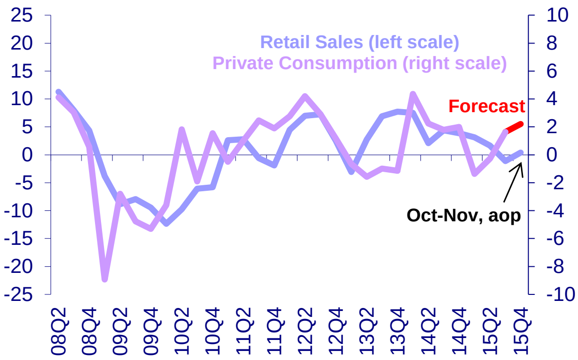
Bulgaria

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

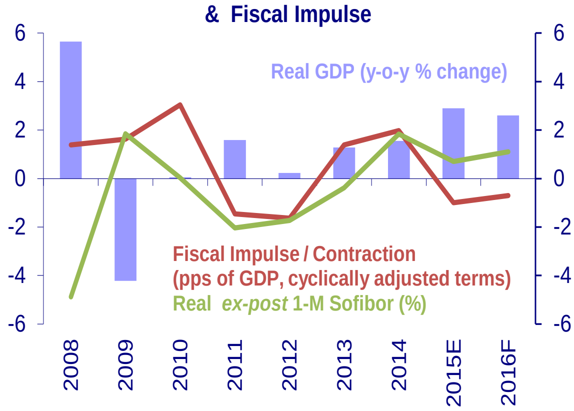
Annual Inflation



Retail Sales & Private Consumption (real terms, y-o-y % change)



Real GDP Growth, Real Money Market Rate & Fiscal Impulse



	18 Jan.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.1	0.3	0.3	0.3
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2017, bps)	51	62	61	60

	18 Jan.	1-W %	YTD %	2-Y %
SOFIX	446	-1.8	-3.2	-16.9

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	0.2	1.3	1.5	3.0	2.6
Inflation (eop, %)	4.2	-1.6	-0.9	-0.4	0.7
Cur. Acct. Bal. (% GDP)	-0.3	1.8	1.2	1.5	1.0
Fiscal Bal. (% GDP)	-0.4	-1.8	-3.7	-2.7	-2.0

A sharp decline in fuel prices keeps headline inflation in negative territory in 2015 (-0.4% at end-year against -0.9% at end-2014). Headline inflation stood at -0.4% y-o-y in December, unchanged from November. Indeed, food inflation rose in December (to 0.5% y-o-y from 0.3% in November) and fuel deflation eased (to -11.3% y-o-y in December from -13.5% in November), in line with developments in global oil markets, offsetting the decline in services inflation (to -0.7% y-o-y in December from 0% in November), on the back of weaker-than-usual seasonal patterns.

Note that Bulgaria experienced deflation for a 3rd consecutive year in 2015, albeit milder than in the previous 2 years. This should be attributed to the plunge in fuel prices, which more than offset the impact of stronger domestic demand. Indeed, adjusting for energy and food prices, core inflation rose to 0.3% y-o-y at end-2015 from -1.1% at end-2014.

Headline inflation to remain contained until end-2016. Looking ahead, inflation should embark on a mild upward trend, reflecting: i) a softer decline in fuel prices (we project the price of Brent to drop by 22.0% on average in BGN terms in FY:16 against a decline of 35.2% in FY:15); ii) the gradual normalization of volatile food prices; and iii) a hike in the excise duty on fuels in January 2016 (adding c. 0.2 pps to headline inflation). All said, we see headline inflation reaching 0.7% at end-2016, still well below its long-term average. At the same time, core inflation should converge towards headline inflation (0.5% at end-2016).

Retail sales expand in Q4:15, albeit sluggishly, pointing to an increase in private consumption. Retail sales (volume terms) increased by a weak 0.4% y-o-y in October-November, following a decline of 1.1% in Q3:15. Indeed, private consumption surely improved in Q4:15, supported by: i) lower inflation; ii) better labour market conditions (the LFS unemployment rate stood at a 6-year low of 8.8% in November, much lower than its peak of 13.1% at end-2013); and iii) looser fiscal conditions (adjusting for capital spending and grants from the EU, the budget deficit widened by 0.2 pps of GDP y-o-y in 10-11M:15 following a contraction of 1.9 pps of GDP y-o-y in 9M:15).

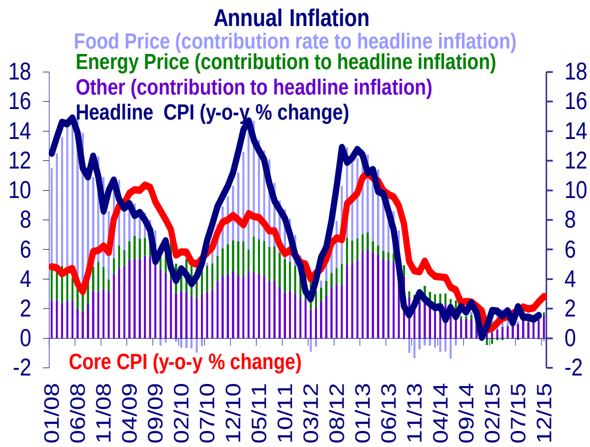
Investment strengthened in Q4:15, driven by the public sector, supporting economic growth. According to budget execution data, public investment was up 0.5 pps of GDP y-o-y in 10-11M:15, mainly due to an acceleration in the absorption of EU funds ahead of the closing of the 2007-2013 programming period at end-2015. The latter, combined with higher net capital inflows to the private sector (up 0.6 pps of GDP y-o-y in 10-11M:15), also supported private investment in Q4:15.

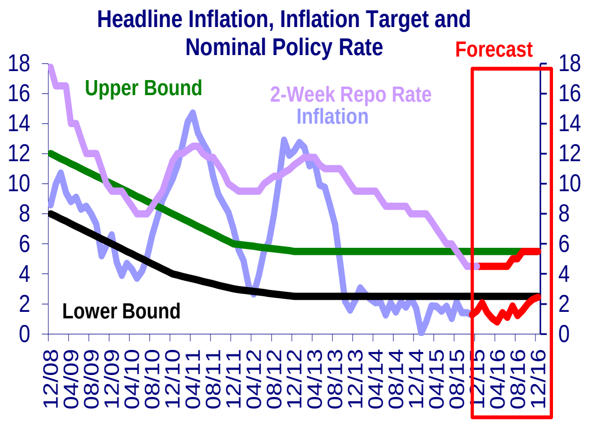
All said, economic expansion likely accelerated in Q4:15, driven by domestic demand. We estimate real GDP growth to have firmed-up to 3.2% y-o-y in Q4:15 (1.0% q-o-q s.a.) from 3.0% in Q3:15 (0.7% q-o-q s.a.), bringing FY:15 growth to a solid 3.0% against 1.5% in FY:14.

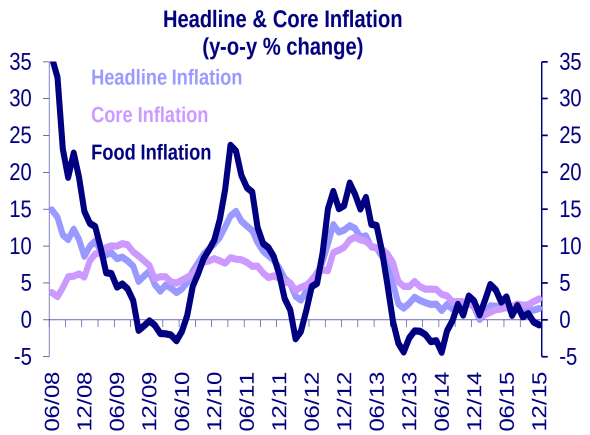
Economic growth should maintain momentum in FY:16, supported by stronger fixed investment. Considering the low investment-to-GDP ratio (currently at 21% against a pre-crisis high of 32%) and the high capacity utilization rate in the industrial sector (currently at 74% against a historical average of 70%), we expect fixed investment to gain momentum in FY:16, despite the expected slowdown in the implementation of EU co-financed projects. At the same time, private consumption should improve sluggishly, in view of a slowdown in job creation, limited wage growth and higher inflation. Policies will not support growth, as fiscal consolidation is set to continue, albeit at a slower pace (we see the budget deficit narrowing to 2.0% of GDP in FY:16 from 2.7% in FY:15). Overall, we expect real GDP growth to moderate slightly to 2.6% in FY:16, below its long-term average of 3%.

Serbia

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







	18 Jan.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.6	4.0
RSD/EUR	123.0	119.8	120.1	120.3
Sov. Spread (2021, bps)	327	270	240	180

	18 Jan.	1-W %	YTD %	2-Y %
BELEX-15	590	-5.7	-6.5	2.5

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	-1.0	2.6	-1.8	0.8	2.5
Inflation (eop, %)	12.2	2.2	1.7	1.5	2.4
Cur. Acct. Bal. (% GDP)	-11.6	-6.1	-6.0	-4.5	-4.4
Fiscal Bal. (% GDP)	-6.8	-5.5	-6.7	-4.1	-3.9

PM calls for snap parliamentary elections. The PM and leader of the ruling pro-Presidential Serbian Progressive Party (SNS), A. Vucic, on January 17th, called for early legislative elections (2 years ahead of schedule). The decision is motivated by the need for a strong mandate for tough decisions to ensure Serbia's EU membership in 2020.

Recall that the ruling SNS not only holds an absolute majority in parliament (158 of 250 seats), but also has the support of the Socialist Party (SPS) -- the junior coalition party -- as well as independent MPs (totalling 52). Despite the strong parliamentary support, Vucic appears to have decided to take advantage of favourable poll numbers. In fact, both Vucic and his party enjoy strong public support (exceeding 50% according to recent polls, with the main opposition parties lagging far behind, below 10%), despite the adoption of unpopular fiscal consolidation measures (including tax hikes and sizeable pension and public sector wages cuts). The strong popularity of Vucic reflects his pro-EU agenda (that led to the opening of the first two negotiating Chapters in December) and his efforts in the fight against corruption.

The snap elections should help the SNS implement long-awaited IMF-supported structural reforms (including public employment rightsizing, the resolution of loss-making state-owned enterprises and reforms in large public utilities and transport companies). It should also help make further concessions for normalizing relations with Kosovo, needed to accelerate the pace of talks for EU membership.

Headline inflation rose to 1.5% y-o-y in December, due to a hike in tobacco prices. Inflation rose to 1.5% y-o-y in December from 1.3% in November, due to a 12.9% rise in tobacco prices (contributing 0.6 pps to the inflation increase between November and December).

Importantly, end-year headline inflation reached its lowest level on record in 2015, and stood 0.2 pps y-o-y below its 2014 outcome. Equally important, inflation has remained below the lower bound of the NBS target band (4±1.5%) for almost two years.

The easing in end-year headline inflation was due to favourable food prices that were only partly dampened by higher administrative prices. In fact, food prices declined by 0.7% at end-2015 against a rise of 2.6% at end-2014 (subtracting 0.2 pps from end-2015 inflation after contributing 0.8 pps in end-2014), driven by favourable (volatile) prices of fruit and vegetables. Note that food inflation has also been contained by the drop in international food prices (by 6.5% y-o-y in RSD terms at end-2015 against a rise of 10.1% at end- 2014).

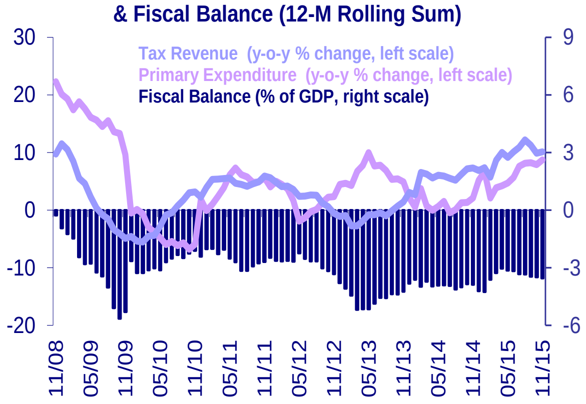
Nevertheless, this positive trend was partly offset by: i) the 12.2% hike in electricity prices from August 1st -- for the first time since August 2013 -- that added 0.6 pps to end-2015 inflation; and ii) a rise in core inflation (that excludes food and energy prices, and accounts for 54% of the CPI basket). In fact, core inflation rose to (a still low) 2.8% y-o-y at end-2015 from 1.9% at end-2014, despite: i) the sustained decline in consumption, mainly reflecting cuts in public sector wages and pensions and other fiscal consolidation measures; as well as ii) RSD stability. The rise in core inflation was driven by higher (non-energy) administered prices (accounting for 12% of the CPI basket). The latter contributed an estimated 1.2 pps to end-2015 core inflation compared with 0.4 pps at end-2014, due to higher tobacco prices.

Inflation is set to reach the lower bound of the NBS target range by end-2016. Inflation is set to fluctuate around 1.3% in H1:15 -- still remaining well below the lower bound of the NBS target range -- and rise thereafter to the NBS lower bound, reaching 2.4% by end-2016. The increase will result from: i) the gradual normalization of food prices from their end-2015 low; ii) a rise in regulated prices (including an electricity price hike in May); iii) oil excise tax hikes; and iv) the rebound in domestic demand.

F.Y.R.O.M.

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

Consolidated Fiscal Balance (% of GDP)					
	2014	11M:14	11M:15	Revised 2015 Budget	NBG 2015 Forecast
Revenue	27.8	24.8	26.8	30.8	30.2
Tax Revenue	24.6	22.1	23.6	26.3	26.5
Personal Inc.	2.3	2.0	2.0	2.4	2.4
Corporate Inc.	1.0	0.9	2.0	1.9	2.2
VAT	8.3	7.5	7.1	8.2	8.1
Excises	3.3	3.0	3.4	3.5	3.7
Import Duties	0.8	0.7	0.7	0.9	0.8
Other Taxes	0.5	0.4	0.4	0.6	0.5
Soc. Contrib.	8.4	7.5	7.9	8.7	8.8
Non-Tax revenue	3.2	2.7	3.2	4.5	3.7
Expenditure	32.0	28.4	29.8	34.5	34.0
Cur. Expenditure	28.6	25.7	27.0	30.4	30.1
Personnel	4.4	4.0	4.2	4.6	4.6
G. & Services	2.9	2.6	2.9	3.6	3.5
Transfers	20.3	18.3	18.9	20.9	20.9
Int.Payments	1.0	0.8	1.0	1.2	1.2
Capital Expend.	3.4	2.7	2.8	4.1	3.8
Fiscal Balance	-4.2	-3.6	-3.0	-3.7	-3.7
Primary Balance	-3.2	-2.8	-1.9	-2.5	-2.5



	18 Jan.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.4	1.4	1.4	1.4
MKD	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	505	460	400	300

	18 Jan.	1-W %	YTD %	2-Y %
MBI 100	1.779	-2.4	-3.0	4.9

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	-0.4	2.7	3.5	3.5	3.6
Inflation (eop. %)	4.7	1.4	-0.5	-0.3	0.6
Cur. Acct. Bal. (% GDP)	-3.0	-1.8	-1.3	-0.4	-1.4
Fiscal Bal. (% GDP)	-3.8	-3.8	-4.2	-3.7	-3.2

Early legislative elections to be held on April 24th, despite a threat of boycott by the opposition. To end the 15-month domestic political impasse, and in line with an agreement mediated by the EU Enlargement Commissioner J. Hahn in early-July, the PM and leader of the ruling VMRO-DPMNE, N. Gruevski, tendered his resignation on January 15th, paving the way for early parliamentary elections on April 24th (two years ahead of schedule). On January 18th, Parliament endorsed the resignation and the nomination of the VMRO-DPMNE's secretary general, E. Dimitriev, as caretaker PM until the elections.

However, the main opposition party, SDSM, said it would boycott the elections on the grounds that two conditions of the EU-brokered deal have not been fulfilled: i) media reform, to reduce government influence and ii) the conduct of a thorough review of the electoral roll.

In our view, with the help of the EU, the opposition's demands are likely to be met before the elections. Encouragingly, the SDSM later announced that it will present its decision on taking part in the transitional government – in line with the EU-mediated agreement -- in the coming days.

Significant fiscal consolidation in 11M:15, in line with the Budget's projections. The cumulative fiscal deficit narrowed to 3.0% of GDP in 11M:15 from 3.6% in 11M:14. The main driver was tax revenue (up 1.5 pps of GDP y-o-y), despite a decline in VAT revenue (by 0.4 pps of GDP y-o-y), likely reflecting strong base effects from lower refunds in 11M:14. Specifically, corporate tax revenue rose sharply in 11M:15 (up 1.1 pp of GDP y-o-y), following the elimination of the long-standing tax exemption on reinvested profits, effective since January 1st 2015. Furthermore, excise taxes increased significantly (up 0.4 pps of GDP y-o-y in 11M:15), due to higher cigarette production following a strategic partnership project with Philip Morris, as did social security contributions (up 0.4 pps of GDP y-o-y in 11M:15). The latter was underpinned by a hike in the minimum wage by 9% (to MKD 156/month) since January 1st 2015, improved tax compliance, and a rise in employment (by 2.1% y-o-y in 9M:15). Non-tax revenue also improved in 11M:15 (up 0.5 pps of GDP y-o-y), on the back of higher foreign grants and dividends from public entities.

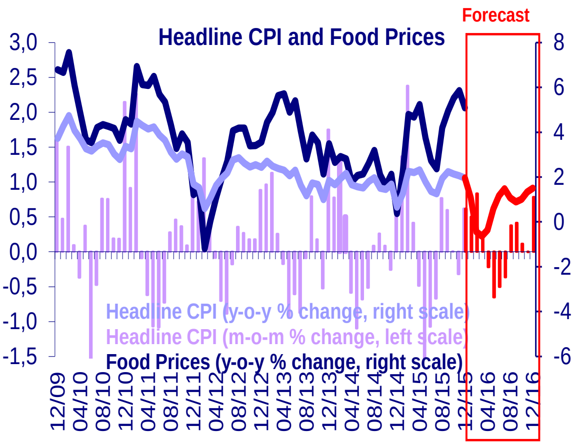
On the other hand, non-interest expenditure increased (up 1.2 pps y-o-y), on the back of higher spending on social transfers, goods & services and wages & allowances, ahead of the April 2016 early legislative elections. As a result, the 12-month rolling deficit moderated to 3.5% of GDP in November from 4.2% in December.

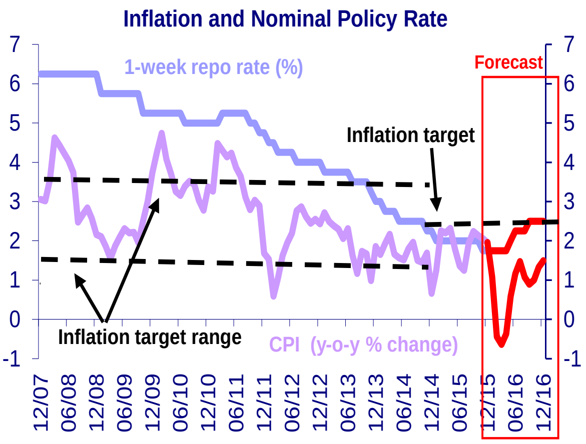
The fiscal deficit is estimated to have met its (upwardly revised) FY:15 target of 3.7% of GDP. We estimate the fiscal performance remained flat in December (an estimated deficit of 0.7% of GDP, broadly unchanged from end-2014), mainly due to an acceleration in capital execution ahead of the April 2016 parliamentary elections. Overall, we estimate the FY:15 fiscal deficit reached 3.7% of GDP -- in line with its target and 0.5 pps lower than the FY:14 outcome.

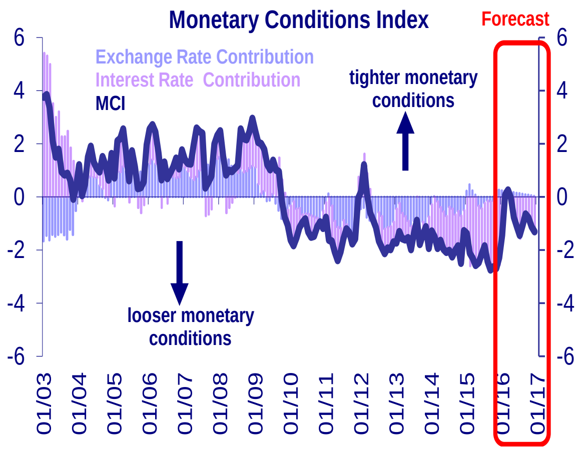
Meeting the 2016 Budget deficit target of 3.2% of GDP will require expenditure restraint. The 2016 Budget (not yet disclosed) targets further fiscal consolidation, projecting a fiscal deficit of 3.2% of GDP -- 0.5 pps below the FY:15 target and our FY:15 estimate. In the absence of new tax measures, the revenue growth target of 7.8% appears overly optimistic. We expect FY:16 revenue growth at 5.2% y-o-y, broadly in line with our nominal GDP growth, implying a revenue shortfall of 0.8 pps of GDP. Therefore, meeting the FY:16 fiscal deficit target will require significant under-execution of spending (4.0% growth against the target of 6.3%). Overall, we expect the FY:16 deficit to be in line with its target of 3.2% of GDP.

Albania

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







	18 Jan.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	2.2	2.2	2.2	2.2
ALL/EUR	139.3	139.2	138.2	139.0
Sov. Spread (bps)	527	500	450	400

	18 Jan.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	1.4	1.1	2.2	2.7	3.2
Inflation (eop, %)	2.4	1.9	0.7	2.0	1.5
Cur. Acct. Bal. (% GDP)	-10.2	-10.9	-12.9	-11.4	-11.0
Fiscal Bal. (% GDP)	-3.4	-5.0	-5.2	-3.4	-1.8

Headline inflation remained broadly flat at 2.0% y-o-y in December. Inflation slowed marginally to 2.0% y-o-y in December from 2.1% in November, supported by lower food prices. The latter (comprising 39.3% of the CPI basket) contributed 2.0 pps to inflation in December against 2.3 pps in November, on the back of easing vegetable prices.

Overall, end-year headline inflation accelerated significantly in 2015, and stood 1.3 pps y-o-y above its 2014 outcome, on the back of a significant acceleration in food prices due to a supply-side shock. In fact, food inflation rose to 5.1% at end-2015 from a record low of 0.4% at end-2014 (contributing 2.0 pps to headline inflation at end-2015 against a mere 0.1 pp at end-2014), exclusively driven by the surge in fruit and vegetable prices, following the floods in 2015.

Inflationary pressures have, however, been constrained by the drop in core inflation (that excludes food and energy, and accounts for 53.2% of the CPI basket). The latter fell to a low of 0.2% y-o-y at end-2015 from 1.2% at end-2014. The decline was driven by: i) a drop in rent prices (subtracting 0.3 pps from end-2015 inflation after contributing 0.1 pp at end-2014); ii) imported low inflation (due to plunging global oil and food prices, combined with a relatively stable exchange rate); iii) the absence of demand-side inflationary pressures; and iv) spare capacity.

Importantly, despite the sharp rise in food inflation, headline inflation remained well-anchored and far below the BoA's target of 3% throughout 2015.

End-year headline inflation is set to ease to 1.5% this year. Inflation is set to remain sudued in H1:16 (averaging 0.2%), due to the normalization of food prices (as the impact of the floods fades), before gradually embarking on an upward trend in H2:16, as domestic demand recovers. Despite the pick-up in H2:16, inflation is set to remain at low levels, ending 2016 at 1.5% -- half of the BoA's target, and 0.5 pps below the end-2015 outcome. Inflationary pressures should be anchored by: i) the normalization in food prices; ii) imported favourable inflation; and iii) a persistent negative output gap (-0.3% in FY:16 against -0.5% in FY:15).

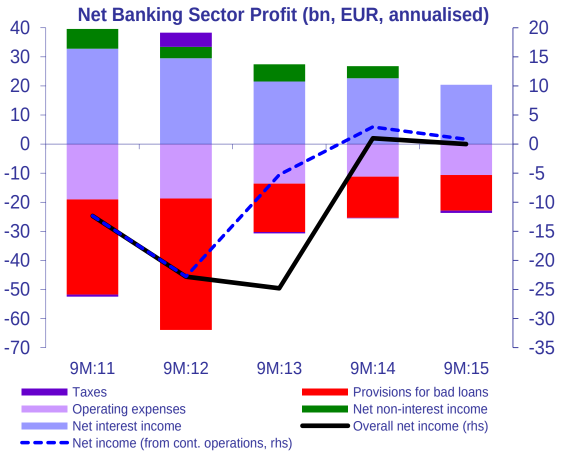
The cycle of monetary policy easing has likely come to an end. The BoA kept its key policy rate unchanged at its meeting on January 6th, for a 3rd successive month, at a record low of 1.75%, following cumulative cuts of 50 bps in FY:15.

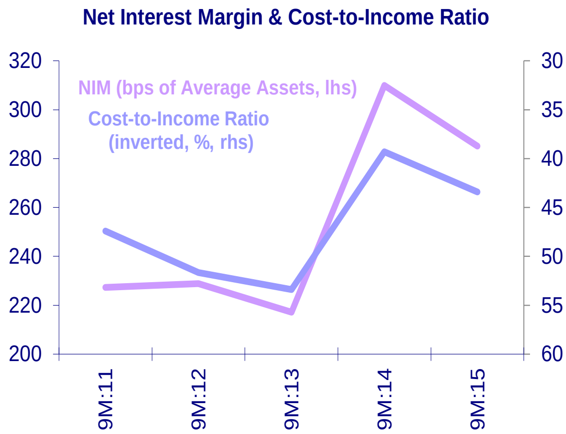
Note that since the initiation of the cycle of monetary policy easing in September 2011, the policy rate has been cut by a sizeable 350 bps. The aggressive monetary policy easing has helped lower LC lending rates significantly (the average local currency lending rate for all maturities declined to a record low of 7.4% in November from 11.1% in September 2011). As a result, local currency lending gained momentum (up 2.6% y-o-y compared with a decline of 5.8% in foreign currency lending in November). More importantly, the monetary policy stance also helped reduce sharply the funding cost of domestic public debt. In fact, the average yield of 12-month T-bills declined to a record low of 2.2% in January from 7.7% in September 2011.

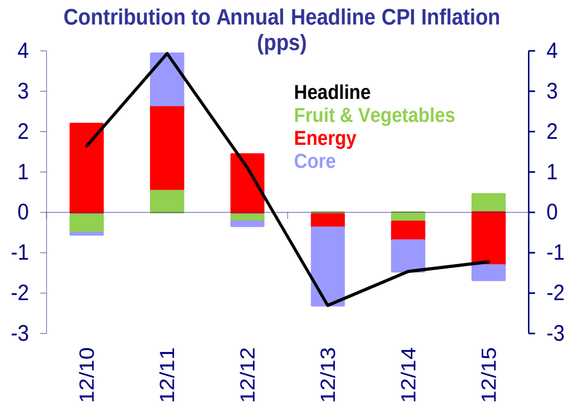
Looking ahead, we expect the monetary policy stance to tighten. Specifically, we foresee the BoA maintaining its key policy rate unchanged at its current low of 1.75% until April, in view of the positive inflation outlook and the investment-driven recovery in activity. The BoA is thereafter expected to hike gradually its 1-week repo rate to 2.5% by end-2016, in an effort to: i) dampen increasing inflationary pressures from June; and ii) prevent the overheating of the economy (real GDP growth is projected to accelerate to a 6-year high of 3.2% in 2016). Should our forecasts materialise, the *ex post* policy rate would increase to 1.4% on average in 2016 (in real and compounded terms) up from 0.1% in 2015, gradually moving towards its 2004-15 average of 2.2%.

Cyprus

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







	18 Jan.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.22	-0.22	-0.22	-0.22
EUR/USD	1.09	1.07	1.06	1.06
Sov. Spread (2020. bps)	295	280	240	200

	18 Jan.	1-W %	YTD %	2-Y %
CSE Index	66	-0.2	-2.0	-38.8

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	-2.4	-5.9	-2.5	1.5	2.0
Inflation (eop. %)	1.1	-2.3	-1.5	-1.2	-0.2
Cur. Acct. Bal. (% GDP)	-5.6	-4.5	-4.6	-5.3	-4.8
Fiscal Bal. (% GDP)	-4.6	-4.7	-0.2	-0.5	0.0

Banking sector profitability reached breakeven in the first nine months of 2015. Banking sector net profit (after tax) receded marginally to EUR 0.4mn in the first nine months of 2015 from EUR 74mn in the same period last year, as the weakening in net income from continued operations was broadly offset by weaker losses from discontinued operations abroad. The deterioration in the bottom line of continued operations in 9M:15 was driven by a severe decline in pre-provision earnings before tax in continued operations, which more than offset that in provisions for NPLs. As a result, overall (annualised) ROAA and ROAE declined from 0.1% and 1.6%, respectively, in 9M:14 to 0.0% in 9M:15. Note that, excluding discontinued overseas operations, (annualised) ROAA and ROAE eased from 0.4% and 4.8%, respectively, in 9M:14 to 0.4% and 4.8% in 9M:15.

Pre-provision earnings (before tax) from continued operations posted a sharp decline in 9M:15. Despite a drop in operating expenses (down 5% y-o-y), pre-provision earnings (before tax) declined sharply in 9M:15 (down 20% y-o-y), on the back of significant declines in net interest income (NII) and net non-interest income (NNII) (down 10% y-o-y and 30% y-o-y, respectively).

The negative performance of NII in 9M:15 was driven by weaker (annualised) net interest margin (down 25 bps y-o-y), reflecting, *inter alia,* tightening lending-deposit spreads (average up to 1-year deposit and up to 1-year lending interest rates for households declined by 68 and 125 bps y-o-y, respectively, to 1.84% and 4.74% in 9M:15), and lower average interest-earning assets (down 2% y-o-y), in line with the ongoing deleveraging.

Operating expenses were down by only 4.1% y-o-y in 9M:15 compared with 18.5% and 25.8%, respectively, in 9M:14 and 9M:13, as the restructuring of the banking sector is almost complete.

Reflecting the fact that operating expenses decreased at a slower pace than operating income in 9M:15, the efficiency of the banking system deteriorated, with the cost-to-income ratio standing at 43.4%, compared with 39.3% a year ago.

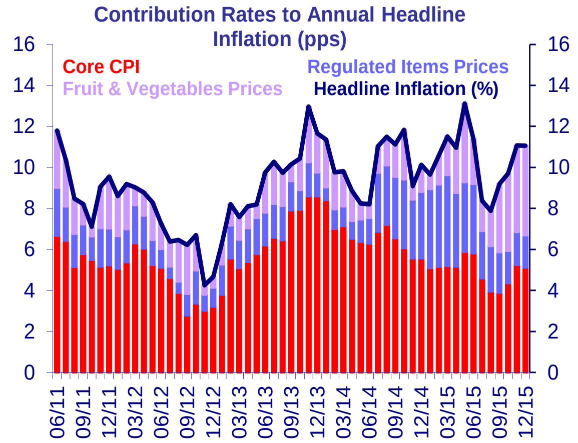
NPL provisions declined on an annual basis in 9M:15, as the NPL ratio fell. P/L provisions for NPLs declined by 13.6% y-o-y (annualised) in 9M:15, in line with the drop in the NPL ratio (down by an estimated 1.6 pps y-o-y to 47.3%; c. EUR 28bn or 162% of estimated 2015 GDP), supported by both domestic and overseas operations). As a result, the (annualised) cost of risk eased by 21 bps y-o-y to 204 bps in 9M:15.

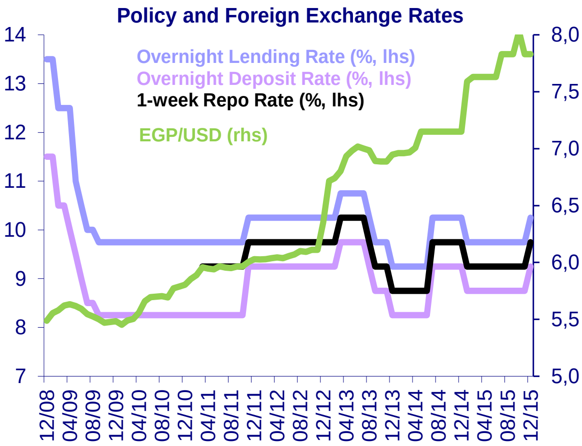
Deflation decelerated to -1.2% y-o-y in December from -1.5% a year earlier. Between December 2014 and December 2015, the sharp decline in energy prices (accounting for 9% of the CPI basket) was more than offset by a significant increase in the prices of volatile fruit and vegetables (accounting for 12.5% of the CPI basket) as well as a moderation in core deflation (excluding volatile food and energy prices and accounting for 75% of the CPI basket). The latter reflects the recovery in domestic demand in 9M:15 (up 1.8% y-o-y, following a decline of 1.1% in FY:14). Indeed, fruit & vegetables, core and energy inflation contributed 0.7 pps, 0.4 pps and -0.8 pps, respectively, to the 0.3 pp increase in headline inflation.

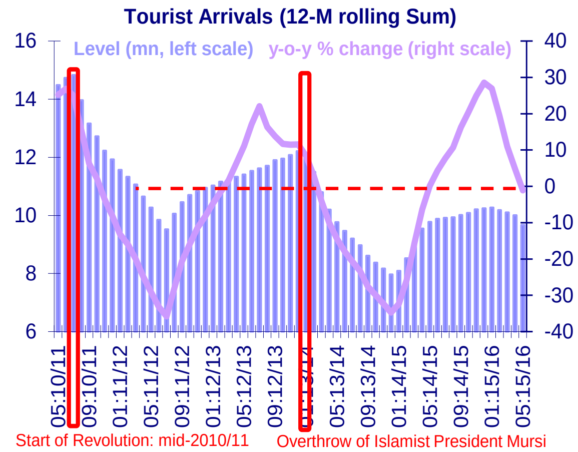
Deflation to ease sharply by end-2016. We expect the impact from the ongoing recovery in domestic demand (we foresee real GDP growth accelerating to 2.0% in FY:16 from an estimated 1.5% for FY:15) to be partly offset by favourable fuel prices (we project the average price of Brent oil to decline by around 22% in FY:16). Overall, we see headline and core inflation ending 2015 at -0.2% and 1.0%, respectively, up from -1.2% and -0.4% at end-2015.

Egypt

B- / B3 / B (S&P / Moody's / Fitch)







	18 Jan.	3-M F	6-M F	12-M F
1-m CAIBOR (%)	9.3	8.3	8.0	8.8
EGP/USD	7.83	8.10	8.25	8.50
Sov. Spread (2020. bps)	466	400	300	220

	18 Jan.	1-W %	YTD %	2-Y %
HERMES 100	537	-10.4	-14.7	-24.4

	11/12	12/13	13/14	14/15E	15/16F
Real GDP Growth (%)	2.2	2.1	2.1	4.2	3.8
Inflation (eop. %)	7.3	9.8	8.2	11.4	13.5
Cur. Acct. Bal. (% GDP)	-3.7	-2.2	-0.9	-3.7	-5.0
Fiscal Bal. (% GDP)	-10.8	-13.7	-12.8	-11.5	-12.0

Headline inflation stabilised at a 5-month high of 11.1% y-o-y in December. Annual headline inflation stood at 11.1% y-o-y in December, unchanged from November, as an acceleration in volatile prices of fruit & vegetables (up 42.4% y-o-y in December against 39.8% in November) was offset by a moderation in core inflation (excluding prices of regulated items and fruit & vegetables, up 7.2% y-o-y in December against 7.4% in November), reflecting favourable global food prices.

Headline inflation to rise significantly in H2:15/16, ending the fiscal year (June 2016) at 13.5% y-o-y. Looking ahead, we expect inflation to resume its upward trend this month, as the Government, with the support of new Parliament, is set to implement a set of delayed reforms in view of securing the financing of the country's large external gap (estimated by the Fund at USD 20.0bn over the coming two years). These mesures comprise: i) the replacement of the current complex sales taxes by the VAT (initially set to take place in July 2014), which is expected to add 1.3 pps to headline inflation; ii) a gradual move towards a more flexible exchange rate policy, focused on achieving a market-clearing rate; and iii) additional cuts in energy subsidies. Overall, we foresee headline inflation reaching an 8-year high of 13.5% y-o-y at the end of the current fiscal year (June 2016) -- well above the end-2014/15 outcome of 11.4%. Core inflation should end 2015/16 at 9.5% y-o-y against the end-2014/15 outcome of 8.1%.

The CBE is set to proceed with additional but measured policy rate hikes by the end of this fiscal year (June 2016). In view of the negative inflation outlook and further interest rate hikes by the Fed, we expect the CBE to continue with its tightening cycle of monetary policy, initiated on December 24th, raising its policy rates by 50 bps. However, the rate hikes should be measured, as the downside risks and uncertainty that surround the global economy could put at risk the fragile domestic growth. We foresee the CBE hiking the overnight deposit, overnight lending, and 1-week repo rates by an additional 100 bps to 10.25%, 11.25%, and 10.75%, respectively, by end-2015/16.

Tourist activity hit hard in November, following the terrorist bombing of a Russian plane. Tourist arrivals declined sharply by 37.8% y-o-y in November, following a decline of 6.2% y-o-y in July-October 2015 (4M:15/16), reflecting a base effect from a surge in arrivals in the same period a year earlier (up 72.2% y-o-y). The latter was due to a calmer political climate and easing security concerns following the election of President el-Sissi in May 2014, which led several European countries to remove travel bans imposed on Egypt. The November decline followed the terrorist bombing of a Russian passenger plane on October 31st, which led Russia (the largest source country, which accounted for more than 30% of total tourists in 2014) to ban flights to the country, and several countries issued warnings against travel to Egypt. Note that the decline in the number of nights spent by tourists was even sharper than that of arrivals in November, standing at -51.5% y-o-y.

Looking ahead, with security concerns unlikely to ease soon, we foresee tourist arrivals and nights spent by tourists declining by c. 22.0% and 33.0%, respectively, to 8.1mn and 66.6mn in FY:15/16. Should our forecast materialise, the tourism sector -- accounting for c. one tenth of the country's GDP and representing one of the main sources of foreign currency -- would: i) shave 0.8 pps off overall GDP growth in FY:15/16 (projected at 3.8%) after having added an estimated 0.8 pps to growth in FY:14/15 (estimated at 4.2%); and ii) see its contribution to FX reserves decreasing to USD 4.5bn in FY:15/16 from USD 7.2bn in FY:14/15.

FOREIGN EXCHANGE MARKETS, JANUARY 18TH 2016

Against EUR

	Currency	2016 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**	2015 % change*	2014 % change*
Albania	ALL	139.3	-0.9	-1.5	-1.6	0.6	137.5	139.5	139.9	139.9	139.0	2.0	0.1
Brazil	BRL	4.42	-0.3	-2.0	-2.6	-31.3	4.28	4.46	5.07	5.09	5.10	-25.2	1.0
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	7.16	-0.5	-1.7	-1.6	0.9	6.99	7.29	7.38	7.38	7.39	6.7	10.8
Egypt	EGP	8.76	0.0	0.0	0.0	-5.5	8.26	8.61	9.59	- - -	- - -	-1.1	10.6
FYROM	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	73.6	-1.6	-2.2	-2.4	-3.8	71.3	74.4	79.3	- - -	- - -	6.6	12.3
Romania	RON	4.53	0.0	-0.5	-0.3	-0.7	4.51	4.54	4.54	4.54	4.58	-0.8	-0.5
Russia	RUB	86.5	-4.3	-11.3	-8.4	-13.0	78.2	86.7	88.6	91.1	96.2	-15.1	-32.8
Serbia	RSD	123.0	-0.9	-1.3	-1.3	-0.8	121.6	123.2	123.9	125.0	- - -	-0.1	-5.6
S. Africa	ZAR	18.4	-0.8	-10.9	-8.7	-27.3	16.72	18.49	18.7	19.1	20.0	-16.6	3.0
Turkey	YTL	3.31	-0.2	-4.4	-4.2	-18.8	3.17	3.35	3.40	3.50	3.70	-10.8	4.4
Ukraine	UAH	26.6	-5.0	-3.7	-2.2	-32.2	25.06	26.83	33.1	- - -	- - -	-27.5	-40.8
US	USD	1.09	-0.3	-0.2	-0.3	6.2	1.1	1.1	1.09	1.10	1.10	11.4	13.6
JAPAN	JPY	127.8	0.1	3.1	2.1	6.4	126.8	130.8	127.8	127.8	127.9	11.0	-0.1
UK	GBP	0.76	-2.4	-4.7	-3.7	-0.2	0.7	0.8	0.77	0.77	0.77	5.3	7.0

* Appreciation (+) / Depreciation (-)

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

MONEY MARKETS, JANUARY 18TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EA	US
O/N	1.9	14.2	0.0	2.0	- - -	8.9	- - -	- - -	0.4	12.1	- - -	11.3	6.5	19.5	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	10.8	2.9	- - -	6.8	- - -	- - -	- - -
S/W	2.0	14.2	0.0	2.3	-0.3	9.1	1.2	- - -	- - -	11.0	2.9	- - -	7.0	20.7	-0.3	0.4
1-Month	2.2	14.5	0.1	2.9	-0.2	9.3	1.5	7.2	0.6	12.3	3.3	11.9	7.3	22.8	-0.2	0.4
2-Month	- - -	14.6	0.2	- - -	-0.2	- - -	- - -	- - -	- - -	12.5	3.5	11.9	7.6	- - -	-0.2	0.5
3-Month	2.5	14.8	0.3	3.0	-0.1	9.3	1.7	7.6	1.0	12.4	3.5	11.9	7.8	24.0	-0.1	0.6
6-Month	2.7	15.1	0.6	3.1	-0.1	- - -	2.1	- - -	1.3	12.5	3.8	11.9	8.2	- - -	-0.1	0.9
1-Year	3.0	15.6	1.2	3.3	0.0	- - -	2.6	- - -	1.5	12.8	- - -	11.9	8.9	- - -	0.0	1.1

LOCAL DEBT MARKETS, JANUARY 18TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	2.6	- - -	- - -	- - -	- - -	11.4	- - -	7.2	- - -	11.9	2.7	10.0	- - -	- - -	-0.5	0.2
6-Month	2.0	- - -	- - -	- - -	- - -	11.8	2.1	7.2	0.6	12.1	3.6	10.3	- - -	- - -	-0.5	0.4
12-Month	2.2	- - -	0.3	2.3	- - -	12.1	2.5	7.3	1.0	10.2	4.4	11.0	- - -	7.0	-0.4	0.5
2-Year	4.0	- - -	- - -	2.5	- - -	- - -	2.0	7.3	1.2	10.6	- - -	10.8	8.7	- - -	-0.4	0.9
3-Year	- - -	- - -	0.8	2.6	- - -	- - -	2.7	7.6	1.4	10.8	- - -	10.9	9.1	- - -	-0.3	1.1
5-Year	- - -	16.3	- - -	2.6	- - -	13.5	2.7	7.7	2.4	10.8	6.3	11.0	9.4	- - -	-0.2	1.5
7-Year	- - -	- - -	1.6	- - -	3.3	14.6	- - -	7.9	2.8	10.8	- - -	- - -	- - -	- - -	0.1	1.8
10-Year	- - -	16.3	2.6	2.8	- - -	15.5	3.8	7.8	3.7	10.8	- - -	10.9	9.8	- - -	0.5	2.1
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.0	8.2	- - -	10.7	- - -	- - -	10.2	- - -	0.9	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.4	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.2	- - -	- - -	- - -	- - -	10.4	- - -	1.3	2.9

*For Albania, FYROM and Ukraine primary market yields are reported

SOVEREIGN EUROBOND SUMMARY, JANUARY 18TH 2016

	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	5.1	527	494
Brazil 6% '17	USD	BB+/Baa3	17/1/2017	2,277	2.9	250	227
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	6.3	486	468
Brazil 8.75% '25	USD	BB+/Baa3	4/2/2025	969	7.3	521	568
Bulgaria 4.25% '17	EUR	BB+/Baa2	9/7/2017	950	0.1	51	28
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.6	167	127
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.4	203	177
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.8	237	181
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	850	3.9	268	224
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.9	188	228
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.4	139	180
Cyprus 4.75% '16	EUR	NA/NA	25/2/2016	25	2.8	---	---
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	750	2.5	280	253
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	990	2.7	295	270
Cyprus 3.875 '22	EUR	NA/B3	6/5/2022	1,000	3.3	329	290
Egypt 3.5% '16	USD	NA/NA	1/7/2016	1,000	---	---	---
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	6.1	466	474
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	8.3	630	576
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	9.0	615	558
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	5.0	505	558
Romania 6.5% '18	EUR	BBB-/Baa3	18/6/2018	1,500	0.4	82	54
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	1.0	113	90
Romania 4,375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.7	189	204
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.3	213	177
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	5.0	217	295
Russia 3.25% '17	USD	BB+/Ba1	4/4/2017	2,000	3.5	299	266
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	4.4	332	323
Russia 5% '20	USD	BB+/Ba1	29/4/2020	3,500	4.6	318	335
Russia 4.875% '23	USD	BB+/Ba1	16/9/2023	3,000	5.4	356	355
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	6.4	435	579
Serbia 5.25% '17	USD	BB-/B1	21/11/2017	750	3.3	242	242
Serbia 5.875% '18	USD	BB-/B1	3/12/2018	1,000	4.1	298	307
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.3	289	310
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.7	327	346
Serbia 5% '24	USD	BB-/NA	1/11/2024	125	3.8	360	328
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	4.7	352	358
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.9	392	402
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	6.5	364	402
Turkey 7% '16	USD	NR/Baa3	26/9/2016	2,000	2.5	209	181
Turkey 5.5% '17	EUR	NR/Baa3	16/2/2017	1,500	1.2	153	132
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	2.0	235	216
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	4.4	296	328
Turkey 6.25% '22	USD	NR/Baa3	26/9/2022	2,500	4.9	310	342
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	5.2	324	374
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	5.5	348	473
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.9	393	426
Turkey 6,875% '36	USD	NR/Baa3	17/3/2036	2,750	6.0	324	400
Turkey 7.25% '38	USD	NR/Baa3	5/3/2038	1,000	6.0	325	411
Turkey 6.75% '40	USD	NR/Baa3	30/5/2040	2,000	6.0	325	395
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,155	9.8	867	813
Ukraine 7.75% '20	USD	B-/Caa3	1/9/2020	1,531	9.6	814	781
Ukraine 7.75% '21	USD	B-/Caa3	1/9/2021	1,378	9.7	821	768
Ukraine 7.75% '22	USD	B-/Caa3	1/9/2022	1,355	9.5	774	742
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	9.3	749	710

CORPORATE BONDS SUMMARY, JANUARY 18TH 2016

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	Bulgaria Energy Hld 4.25% '18	EUR	NA/NA	7/11/2018	500	6.1	640	583
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	6.8	717	665
Cyprus	Hellenic Bank 0.026% '19	EUR	NA/NA	10/3/2019	90	- - -	- - -	- - -
	Aroundtown Property 3% '21	EUR	NA/NA	9/12/2021	200	3.4	339	294
Russia	Gazprom 8.2% '19	RUB	BB+/NA	9/4/2019	10,000	11.6	100	16
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	11.3	61	- - -
South Africa	FirstRand Bank Ltd 4.375% '16	USD	BBB-/Baa2	9/6/2016	342	4.1	374	346
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.2	144	112
Turkey	Vakiflar Bankasi 3.5% '19	EUR	NA/Baa3	17/6/2019	500	3.5	385	345
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.4	363	332
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4.4	442	398
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.4	438	469

CREDIT DEFAULT SWAP SPREADS, JANUARY 18TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	492	169	129	295	468	- - -	- - -	133	347	278	311	376	1,059
10-Year	- - -	542	216	173	325	481	- - -	- - -	177	347	318	359	422	- - -

STOCK MARKETS PERFORMANCE, JANUARY 18TH 2016

	2016								2015		2014	
	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	
Brazil (IBOV)	37,937	-5.0	-13.6	-12.5	-22.6	37,937	43,349	-14.2	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	446	-1.8	1.2	-3.2	-11.2	444	462	-3.2	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,914	-3.4	-18.6	-18.4	-13.7	2,845	3,539	-19.3	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	66	0.2	0.1	-2.0	-20.2	65	68	-2.0	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	537	-10.4	-10.9	-14.7	-38.6	522	636	-14.7	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,779	-2.4	-0.3	-3.0	-3.7	1,814	1,833	-3.0	-0.6	-0.6	6.1	6.1
India (SENSEX)	24,188	-2.6	-5.2	-6.8	-14.0	24,142	30,025	-8.1	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,171	-8.7	-11.1	-12.7	-10.2	1,171	1,329	-12.8	2.6	1.6	3.7	3.5
Russia (RTS)	3,613	-4.0	-6.8	-8.8	4.1	3,509	3,962	-15.5	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	590	-5.7	-7.2	-6.5	-10.6	588	637	-7.6	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JTS)	46,877	-3.0	-3.8	-7.7	-3.3	46,855	50,694	-14.6	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	71,040	0.0	-2.0	-3.0	-18.7	69,396	73,011	-6.3	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	241	-1.2	1.0	0.3	-39.5	240	246	-1.6	-37.8	-54.8	28.7	-24.2
MSCI EMF	703	-2.8	-10.9	-11.1	-26.5	706	794	-10.8	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,548	-3.3	-8.3	-10.4	-11.1	1,565	1,716	-10.1	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	543	-6.6	-12.8	-11.1	-31.3	532	627	-11.1	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,522	-3.1	-10.2	-11.4	-6.4	9,458	10,486	-11.4	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	5,780	-1.6	-4.5	-7.9	-11.8	5,769	6,242	-11.2	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,956	-4.2	-10.7	-10.9	0.5	16,665	18,951	-8.2	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	15,988	-2.5	-6.7	-9.2	-8.7	15,370	18,351	-9.1	-2.2	9.3	7.5	22.2
USA (NASDAQ 100)	1,880	-2.3	-6.2	-8.9	-6.9	1,867	2,135	-8.7	-0.7	10.9	11.4	26.6