South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

29 March – 4 April 2016

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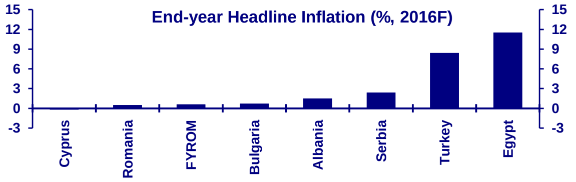
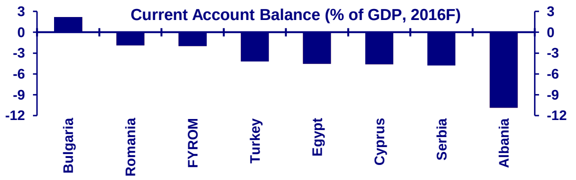
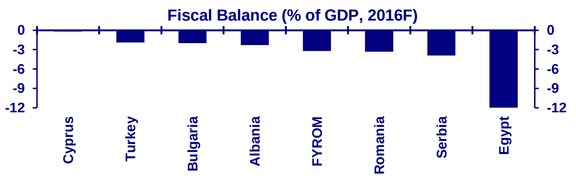
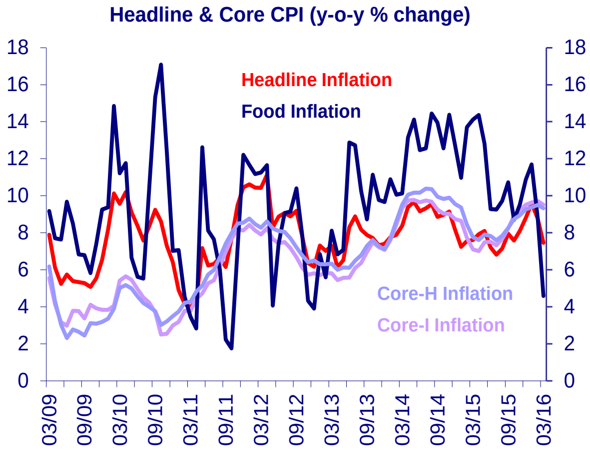


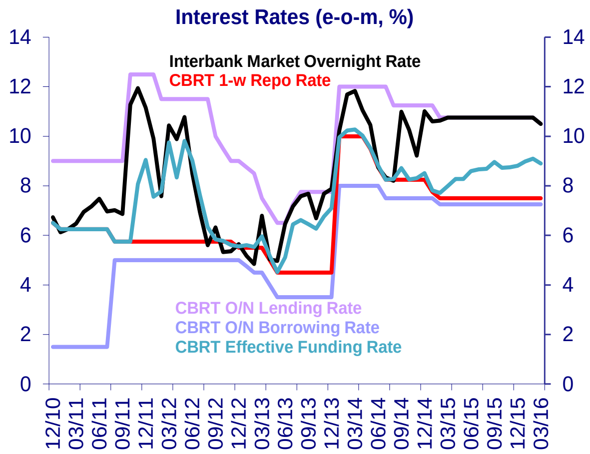


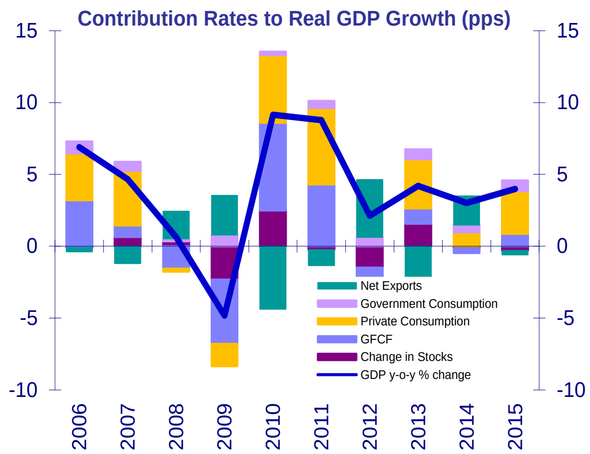


Turkey

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







	4 Apr.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.2	11.0	10.8	10.5
TRY/EUR	3.20	3.25	3.30	3.40
Sov. Spread (2019, bps)	201	210	200	170

	4 Apr.	1-W %	YTD %	2-Y %
ISE 100	83,873	3.1	14.6	15.6

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	3.0	3.6
Inflation (eop, %)	7.4	8.2	8.8	8.4	7.5
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.2	-5.0
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.9	-1.6

Headline inflation eased to a 7-month low of 7.5% y-o-y in March from 8.8% in February, mainly due to a sharp correction in food prices. Food inflation moderated significantly to a 3-year low of 4.6% y-o-y in March from 8.8% in February (shaving 1.2 pps off headline inflation between February and March).

Encouragingly, core inflation reversed its upward trend for the first time since July, suggesting that the bulk of the impact from the weakening of the TRY has already passed through to prices. The CBRT's favourite core inflation measures, i.e., CPI-H and CPI-I eased to 9.3% y-o-y and 9.5% y-o-y, respectively, in March from 9.5% and 9.7% in February.

Looking ahead, we expect headline inflation to ease further until May (to 7.2% y-o-y), on the back of base effects, and thereafter embark on a steady upward trend, ending 2016 at 8.4% y-o-y, slightly below the end-2015 outcome of 8.8% but well above the CBRT's target of 5.0% and revised forecast of 7.5%. The expected acceleration in headline inflation from June should be driven by: i) the normalization in food prices (set to move food inflation towards its long-term average of 9.0% from 4.6% currently); ii) less favourable global oil prices (we project the decline in the prices of Brent to ease from -28.0% y-o-y in H1:16 to -2.0% y-o-y in H2:16 in TRY terms); and iii) second-round effects from the 30% hike in the minimum wage from January 1st.

The CBRT is expected to proceed with a further cut of the upper bound of its interest rate corridor, by 25 bps to 10.25% at its April 20th MPC meeting, on the back of i) the decline in headline inflation in March; ii) the strengthening of the domestic currency (by 4.3% against the basket of "50%*EUR/TRY+50%*USD/TRY" since mid-February, more than reversing its losses in the first 6 weeks of the year); and iii) a further easing in global volatility (VIX has declined by 9.0 pps to a 6-month low of 13.1 since the previous MPC meeting).

Economic growth accelerated to 4.0% in FY:15 from 3.0% in FY:14, despite strong domestic and global headwinds. The acceleration was driven by a significant across-the-board improvement in domestic absorption (contributing 4.3 pps to overall growth against 1.0 pp in FY:14), which largely offset a sharp deterioration in net exports (shaving 0.3 pps from overall growth after having contributed 2.0 pps in FY:14) and a slight increase in the depletion of inventories (shaving 0.3 pps from overall growth against -0.2 pps in FY:14).

Domestic absorption benefited, *inter alia*, from i) improving labour market conditions; ii) large public consumption and investment in an election year; and iii) strong unrecorded capital inflows, i.e. errors & omissions (USD 9.3bn or 1.3% of GDP). Specifically, private consumption expanded by 4.5% against a rise of 1.4% in FY:14, accounting for the bulk of the acceleration in activity. Public investment rose by 7.6%, almost reversing a sharp loss of 8.2% in FY:14. Private investment increased by a 4-year high of 2.7% against a rise of 0.3% in FY:14. The contribution of public consumption was low, expanding by 6.7% following an in increase of 4.7% in FY:14.

Net exports turned from a driver to a drag on overall growth in FY:15, resulting in an unbalanced overall growth, too dependent on domestic demand. Specifically, exports deteriorated sharply (down 0.8% against a rise of 7.6% in FY:14), while imports strengthened (up 0.3% following a decline of 0.3% in FY:14).

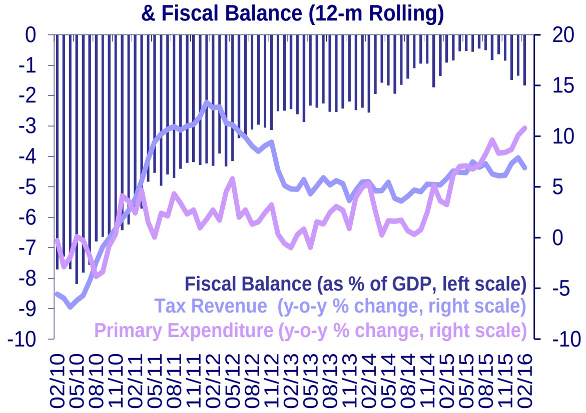
For this year, persisting geopolitical tensions, increasing domestic security concerns, the challenging domestic political backdrop, combined with weaker global growth and tighter global liquidity conditions, should weigh on both domestic demand and net exports. We expect real GDP growth to decelerate to 3.0% in FY:16 – a slower pace than the Government's forecast of 4.5% -- from 4.0% in FY:15.

Romania

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

Consolidated Budget (% of GDP)	2015 Outcome	2M:14	2M:15	2016 Budget	2016 NBG Forecast
Total Revenue	32.9	4.8	4.8	31.2	31.4
Tax Revenue	27.6	4.2	4.3	26.7	26.9
o/w PIT/CIT	5.7	0.7	0.7	5.5	5.5
VAT	8.0	1.4	1.4	7.1	7.3
Excise Duties	3.7	0.6	0.6	3.7	3.7
Soc. Sec. Contr.	8.1	1.2	1.3	8.3	8.3
Non-Tax Revenue	5.3	0.6	0.5	4.5	4.5
o/w EU grants	2.4	0.1	0.1	1.8	1.8
Total Expenditure	34.4	4.4	4.7	34.0	34.7
Current Spending	28.3	4.1	4.3	29.1	29.8
o/w Wages	7.3	1.1	1.3	7.7	8.2
Social Spending	10.7	1.7	1.8	10.7	11.0
Goods & Services	5.7	0.7	0.6	5.8	5.8
Interest Paym.	1.3	0.2	0.3	1.5	1.5
Subsidies	0.9	0.1	0.1	0.9	0.9
Capital Expend.	6.1	0.3	0.4	4.9	4.9
Fiscal Balance	-1.5	0.3	0.1	-2.8	-3.3
Primary Balance	-0.2	0.5	0.4	-1.3	-1.8

Tax Revenue, Primary Expenditure & Fiscal Balance (12-m Rolling)



	4 Apr.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	1.2	1.5	1.8
RON/EUR	4.46	4.52	4.51	4.50
Sov. Spread (2024, bps)	228	210	180	150

	4 Apr.	1-W %	YTD %	2-Y %
BET-BK	1,267	0.0	-5.5	4.8

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	3.5	3.0	3.7	4.5	3.4
Inflation (eop, %)	1.6	0.8	-0.9	0.5	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.5	-1.1	-1.9	-2.4
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.3	-2.5

The fiscal performance deteriorated in 2M:16, with the 12-month rolling budget deficit widening to 1.7% of GDP from 1.5% in December. In 2M:16, the consolidated budget surplus narrowed by 0.2 pps y-o-y to 0.1% of GDP. The main driver behind this deterioration was current spending, which increased markedly in 2M:16 (by 0.2 pps of GDP y-o-y), mainly due to higher personnel expenses and social spending, on the back of the ongoing easing in incomes policy. Recall that, following the broad-based 10% hike in public sector wages at end-2015, targeted increases in wages in the broader public sector were made in January. At the same time, pensions were raised by 5% and social benefits and allowances were increased. Moreover, interest payments rose in 2M:16 (by 0.1 pp of GDP y-o-y), but the increase was offset by lower public consumption. Public investment also picked up slightly in 2M:16 (by 0.1 pp of GDP y-o-y). On the other side of the budget and contrary to initial expectations, tax revenue improved slightly in 2M:16 (by 0.1 pp of GDP y-o-y), despite the 4 pp cut in the VAT rate (excl. food items) to 20% from January 1st.

The budget deficit is set to widen sharply in FY:16, fuelled by aggressive tax cuts and a looser incomes policy. The FY:16 budget envisages a deficit of 2.8% of GDP, far higher than the FY:15 outcome of 1.5%. According to budget projections, tax revenue is set to decline in FY:16 (by 0.9 pps of GDP against the FY:15 outcome), due to a series of tax cuts. The latter include: i) the aforementioned cut in the VAT rate; ii) the reduction in the dividend tax rate by 9 pps to 5%; iii) higher personal tax deductions; and iv) tax incentives for SMEs to hire employees. Although the authorities appear to have overestimated the size of second-round effects of the tax cuts on consumption (the budget assumes nominal GDP growth of 6.0% compared with our forecast of 5.0%) and employment (up by a sizeable 3.5% according to budget assumptions compared with our forecast of 2.5%), we expect the decline in tax revenue to be smaller than envisaged in the FY:16 budget, reflecting improved tax compliance.

On the other side of the budget, primary current spending is projected to rise markedly in FY:16 (according to budget projections, up 0.6 pps of GDP against the FY:15 outcome), mainly on the back of a looser incomes policy. Worryingly, however, the cost of the latter appears to be significantly understated in the budget (personnel expenses and social spending are up 0.3 pps of GDP y-o-y in 2M:16 compared with a targeted FY:16 increase of just 0.4 pps). At the same time, the authorities plan to proceed with a hike in the minimum wage in May (by 19% to RON 1,250), which is set to weigh further on outlays for social benefits and allowances, and an additional 5% rise in public sector wages in H2:16. The cost of these initiatives, neither of which are included in the original budget, is estimated at least at 0.2 pps of GDP. Overall, we see primary current spending overshooting its FY:16 budget target by 0.7 pps of GDP.

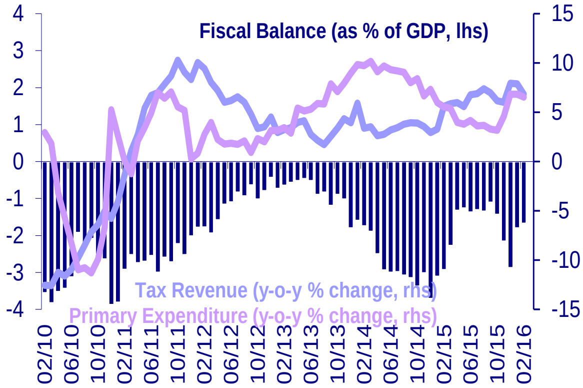
All said, unless corrective measures are adopted, we see the budget deficit surpassing the critical limit of 3.0% of GDP in FY:16 (3.3% versus 1.5% in FY:15). However, with parliamentary elections scheduled for end-year, it is unlikely that the broad-backed technocratic Government will reverse any of the ongoing policies. In fact, once again, we expect the public investment programme to be under-executed, compensating for the envisaged slippage from the budget target.

Bulgaria

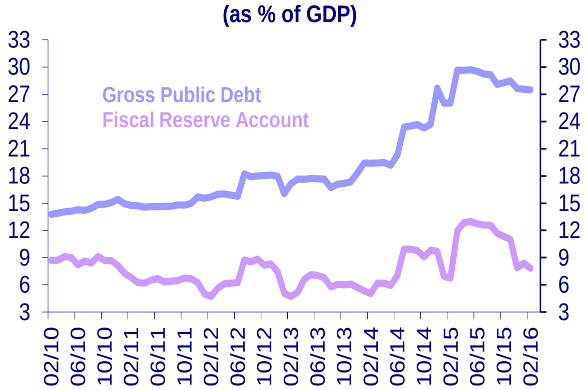
BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)	2015 Outcome	2M:15	2M:16	2016 Budget	2016 NBG Forecast
Total Revenue	37.3	5.5	6.2	37.2	37.3
Tax Revenue	28.8	4.5	4.8	29.3	29.4
Non-Tax Rev.	4.3	0.8	0.9	5.0	5.0
Grants	4.2	0.3	0.6	2.9	2.9
Total Expenditure	40.2	5.6	5.2	39.2	39.3
Current Spending	32.3	5.1	4.9	32.3	32.4
o/w Wages	5.4	0.8	0.8	5.4	5.4
Goods & Services	5.2	0.7	0.7	5.4	5.4
Subsidies	1.9	0.2	0.2	1.6	1.6
Social Spending	16.1	2.6	2.6	16.2	16.2
Interest Payments	0.8	0.2	0.1	0.9	0.9
Capital Expend.	7.9	0.5	0.3	6.9	6.9
Fiscal Balance	-2.9	-0.1	1.0	-2.0	-2.0

Tax Revenue, Primary Expenditure & Fiscal Balance (12-m rolling)



Gross Public Debt & Fiscal Reserves (as % of GDP)



	4 Apr.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.3	0.3	0.3
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2017, bps)	205	170	150	120

	4 Apr.	1-W %	YTD %	2-Y %
SOFIX	447	0.6	-3.1	-27.7

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	1.3	1.5	3.0	2.6	2.6
Inflation (eop, %)	-1.6	-0.9	-0.4	0.7	1.4
Cur. Acct. Bal. (% GDP)	1.3	0.9	1.4	2.2	1.5
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-2.0	-1.5

The fiscal performance improves in 2M:16, with the 12-month rolling budget deficit narrowing to 1.7% of GDP in February from 2.9% at end-2015. The fiscal balance improved by 1.1 pp y-o-y to a surplus of 1.0% of GDP in 2M:16. This strong performance is largely attributed to an across-the-board improvement in budget revenue (up 0.7 pps of GDP y-o-y in 2M:16). Specifically, tax revenue increased in 2M:16 (by 0.3 pps of GDP y-o-y), reflecting the hike in the excise duty on tobacco and fuel, as well as better tax collection. Moreover, non-tax revenue was up slightly in 2M:16 (by 0.1 pp of GDP y-o-y), as were grants from the EU (by 0.3 pps of GDP y-o-y), on the back of base effects from delayed refunds for expenses incurred at end-2015. At the same time, budget spending was contained (down 0.4 pps of GDP y-o-y in 2M:16), but this was due to lower interest payments and capital spending, as well as a smaller contribution to the EU budget, rather than a sustained decline in primary current spending.

Fiscal consolidation is set to continue in FY:16, albeit due to once-off privatisation receipts. The FY:16 budget assumes a tighter fiscal stance with respect to the FY:15 budget performance, targeting a deficit of 2.0% of GDP versus an outcome of 2.9% of GDP in 2015. Specifically, tax revenue is projected to strengthen in FY:16 (according to budget assumptions, up 0.5 pps of GDP against the FY:15 outcome), supported by increases in excise duties (see above) and improved tax compliance. The 2M:15 outcome suggests that tax revenue may overperform in 2016. Moreover, the budget is set to benefit from the (once-off) proceeds from the concession of Sofia airport this year (projected at 0.7% of GDP).

On the other hand, the FY:16 budget foresees current spending remaining broadly flat compared with the FY:15 outcome. Indeed, higher public consumption should be offset by a cut in subsidies. At the same time, despite the hike in the minimum wage (by 10.5% to EUR 215 in January) and pensions (by 2.5% in July), social spending should remain broadly contained, in view of tighter means testing. Overall, we are comfortable with the FY:16 current spending target; but we see risks from the rising financing needs of the healthcare system. In any event, any slippage from the budget target could be offset by the under-execution of the public investment programme. In fact, the latter appears optimistic, in view of lower absorption of EU funds this year, when the authorities will forfeit unused EU funding allocated for use during the 2007-2013 period.

All said, we expect the FY:16 budget deficit to meet its target of 2.0% of GDP. As a result, and excluding privatisation receipts, the fiscal stance is broadly neutral, which appears appropriate, in view of the weak economic recovery (real GDP growth is projected at 2.6% in FY:16 against 3.0% in FY:15, still below its long-term potential of c. 3.0%).

A successful double-tranche issue on the Eurobond market signals investor confidence in the Bulgarian economy. Bulgaria raised EUR 2.0bn (4.4% of GDP) from international capital markets through a double-tranche Eurobond at favourable terms, benefitting from the strong demand for euro-denominated debt in the aftermath of the expansion of the ECB's QE programme. Specifically, the Treasury sold a 7-year Eurobond worth EUR 1.14bn at 185 bps over mid-swaps and a 12-year Eurobond worth EUR 0.85bn at 235 bps over mid-swaps. According to the Minister of Finance, the proceeds of the issue will be used to cover the budget deficit and build a liquidity buffer ahead of the completion of the asset quality review (AQR) and stress tests which the BNB has recently launched. Overall, we project gross public debt to rise to 32.0% of GDP at end-2016 from 27.6% at end-2015, still far below the EU-28 average (c. 87% of GDP).

Serbia

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

Consolidated Fiscal Balance (% of GDP)	2014	2015	2M:15	2M:16	2016 Budget
Revenue	41.5	42.7	6.4	6.7	41.3
Tax Revenue	36.8	36.8	5.5	5.7	36.6
PIT	3.7	3.7	0.5	0.5	3.6
CIT	1.9	1.6	0.2	0.2	1.6
VAT	10.5	10.5	1.7	1.7	10.3
Excises	5.4	5.9	0.8	1.0	6.1
Customs	0.8	0.8	0.1	0.1	0.8
Other taxes	1.5	1.6	0.2	0.3	1.6
Soc. Contrib.	13.0	12.7	1.9	1.9	12.5
Non-Tax Rev.	4.4	5.6	0.9	1.0	4.5
Grants	0.2	0.2	0.0	0.0	0.3
Expenditure	48.1	46.4	6.3	6.5	45.2
Current Exp.	43.4	42.7	6.1	6.1	41.5
Personnel	11.7	10.6	1.6	1.5	10.4
Goods & Services	6.6	6.5	0.8	0.9	6.5
Subsidies	3.0	3.4	0.3	0.3	2.7
Social Assist.	17.8	17.9	2.8	2.7	17.3
o/w Pensions	13.0	12.3	2.0	1.9	12.3
Other	1.4	1.1	0.1	0.1	1.1
Int. Payments	2.9	3.3	0.5	0.6	3.5
Capital Exp.	2.5	2.9	0.1	0.3	2.9
Activated Guarant.	0.8	0.8	0.1	0.1	0.8
Net Lending	1.4	0.1	0.0	0.0	0.1
Fiscal Balance	-6.6	-3.8	0.1	0.2	-4.0
Primary Balance	-3.7	-0.5	0.6	0.8	-0.5
Fiscal Bal. excl. once-off	-6.6	-3.0	0.1	0.2	-4.0

Fiscal Financing (% of GDP)	2015	2016
Financing Needs	14.0	16.0
Fiscal Deficit	3.8	4.0
Domestic Debt Amortisations	9.1	10.3
External Debt Amortisations	1.1	1.7
Financing Sources	14.0	16.0
Foreign Borrowing	2.9	5.1
Domestic Borrowing	11.1	11.0
RSD-denominated	7.1	8.0
EUR-denominated	4.0	3.0

	4 Apr.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.4	3.6	4.0
RSD/EUR	122.6	123.2	124.0	125.0
Sov. Spread (2021, bps)	345	290	240	180

	4 Apr.	1-W %	YTD %	2-Y %
BELEX-15	608	0.5	-3.7	5.7

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.7	2.6	3.0
Inflation (eop, %)	2.2	1.7	1.5	2.4	2.8
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.8	-4.8	-5.3
Fiscal Bal. (% GDP)	-5.5	-6.6	-3.8	-4.0	-3.0

The fiscal performance improved slightly in 2M:16, with the 12-month rolling budget deficit narrowing to 3.6% of GDP in February. The consolidated fiscal surplus increased by 0.1 pp y-o-y to 0.2% of GDP in 2M:16, due to a strong rise in revenue (by 0.3 pps of GDP y-o-y). The positive overall revenue performance in 2M:16 was due to: i) higher excise tax revenue (up 0.2 pps of GDP y-o-y), reflecting the introduction of the electricity excise duty (in August 2015), and the increase in oil excise duties (in January 2016), as well as the Government's efforts to fight tobacco smuggling; and ii) a rise in non-tax revenue (by 0.1 pp of GDP y-o-y).

This adjustment was partly offset by higher expenditure (up 0.2 pps of GDP y-o-y). Outlays increased due to: i) a rise in purchases of goods & services and higher capital expenditure (each up by 0.1 pp of GDP y-o-y), ahead of the end-April general and local elections; and ii) higher interest payments, in line with the rising public debt and the still high effective interest rate. The rise in spending was held back by the suspension of the indexation of public sector wages and pensions. In fact, personnel and pension expenditure (together accounting for ½ of total expenditure) declined by 0.2 pps of GDP y-o-y in 2M:16.

The 2016 deficit target of 4.0% requires the timely implementation of the planned corrective fiscal measures. The 2016 Budget envisages a slight fiscal loosening, targeting a deficit of 4.0% of GDP, 0.2 pps above the FY:15 outcome. The Budget is based on realistic assumptions. The tax revenue growth target of 3.5% is within reach, in view of the envisaged revenue-enhancing measures (electricity and oil excise hikes, set to contribute 0.3 and 0.1 pps of GDP, respectively, in FY:16) as well as nominal GDP growth (of 4.2%).

On the other hand, the expenditure growth target of 1.6% (equivalent to 3.5%, excluding the once-off non-recurrent expenses in FY:15) is attainable, provided that the planned expenditure-saving measures are implemented fully (equivalent to 1.0 pp of GDP) after the formation of a new Government in the wake of the end-April general elections. These measures consist of: i) the suspension of the indexation of public sector wages and pensions (estimated to save 0.4 pps of GDP in FY:16); ii) public sector employment downsizing (by 6.0% in 2016, saving 0.2 pps of GDP in FY:16); and iii) lower subsidies (0.3 pps of GDP in FY:16), mainly in agriculture. The Government is also aiming to restructure and resolve 500 loss-making state-owned enterprises (through bankruptcy or privatisation), as well as reform large public utilities and transportation companies. Overall, we expect the FY:16 fiscal deficit to be in line with its target of 4.0% of GDP.

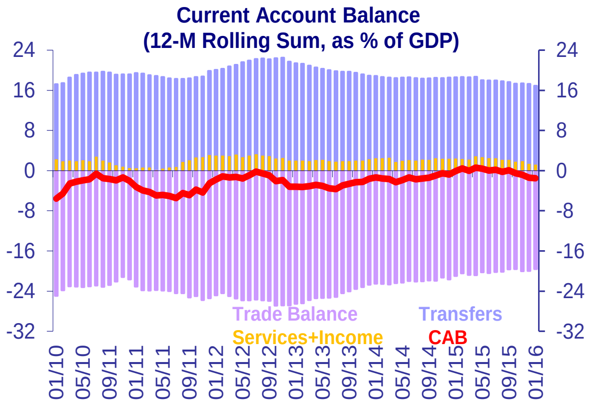
Should this year's deficit target be met, the public debt-to-GDP ratio would increase at a slower pace than a year ago, reaching a 14-year high of 78.9% at end-2016 from 76.6% in 2015.

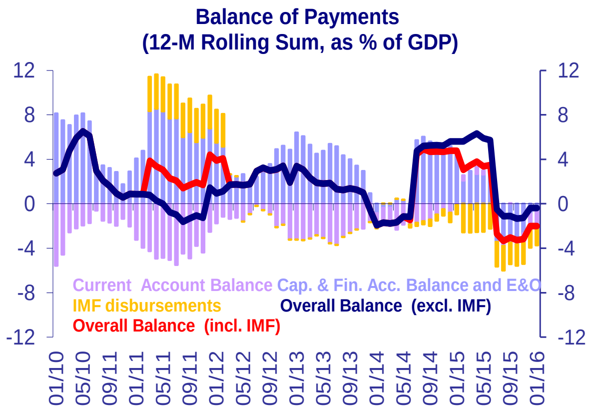
Covering this year's public sector financing requirements (c. EUR 5.4bn, or 16.0% of GDP) should not be a cause for concern. Indeed, ⅔ should be financed through the domestic debt market (RSD and EUR-denominated), supported by strong domestic demand for high-yielding government paper, and the rest by the expected issuance of a EUR 1.0bn Eurobond and loans from IBRD and UAE (EUR 0.7bn).

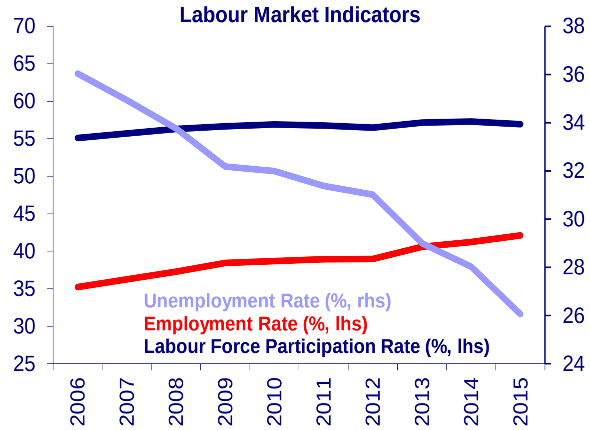
Upside risks to our fiscal deficit forecast, stemming from this election year, are low. Indeed, any delay in the implementation of the planned corrective measures ahead of the April 24th elections is expected to be addressed rapidly by the outgoing Serbian Progressive Party (SNS), which is widely expected to consolidate its power in the new Parliament. Moreover, even in the event that the recently-announced once-off (unbudgeted) debt payment of the petrochemical producer, Petrohemija, to NIS materialises, the resulting fiscal slippage will be manageable, bringing the FY:16 deficit to 4.3% of GDP.

F.Y.R.O.M.

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







	4 Apr.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.5	1.5	1.5
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	563	520	450	350

	4 Apr.	1-W %	YTD %	2-Y %
MBI 100	1.782	0.1	-2.8	3.4

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	2.7	3.5	3.7	3.6	3.4
Inflation (eop. %)	1.4	-0.5	-0.3	0.6	1.3
Cur. Acct. Bal. (% GDP)	-1.6	-0.8	-1.4	-2.0	-2.5
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.5	-3.2	-3.0

The current account deficit (CAD) widened to 1.5% of GDP in January, on a 12-month rolling basis. The monthly current account balance deteriorated by 0.2 pps y-o-y to a surplus of 0.2% of GDP in January. The deterioration was driven by: i) a significant decline in the transfers surplus (by 0.3 pps y-o-y to 0.9% of GDP in January), reflecting a surge in "under the mattress" CHF (following the decision by the Swiss National Bank to remove the cap on the CHF against the EUR in mid-January); and ii) a narrowing in the services surplus (by 0.2 pps y-o-y to 0.3% of GDP in January), due to lower manufacturing-related services. The deterioration of the current account would have been sharper had the trade deficit not narrowed significantly, on the back of a sharp decline in imports of energy, in line with global oil price developments (by 0.3 pps y-o-y to 0.8% of GDP).

The capital and financial account CFA deficit narrowed by 0.4 pps y-o-y to 0.4% of GDP in January. The improvement was mainly supported by a repatriation of FX holdings abroad by local banks. Reflecting CAB and CFA developments in January, FX reserves declined to EUR 2,247mn from EUR 2,262mn at end-2015 (still covering 4.6 months of GNFS).

The CAD is set to widen further, ending the year at 2.0% of GDP, in line with the recovery in domestic demand. For 2016, the improvement in the oil balance should be partly offset by a deterioration in the non-oil balance, reflecting the continued recovery in domestic demand.

Importantly, with no debt repayments to the IMF in FY:16 (against 1.8% of GDP in FY:15), filling the external financing gap should be manageable. Projecting that: i) net FDI inflows remain broadly unchanged (1.8% of GDP in FY:16 against 1.9% of GDP in FY:15); ii) net portfolio investment declines (to c. 0% of GDP in FY:16 from 0.7% of GDP in FY:15; and iii) the maturing external debt rollover rate remains broadly unchanged at FY:15 levels (96%), we foresee FX reserves retreating moderately, by EUR 40mn in 2016, following a decline of EUR 175mn in 2015, bringing down FX reserves to EUR 2.2bn at end-2016 (covering 4.4 months of GNFS imports).

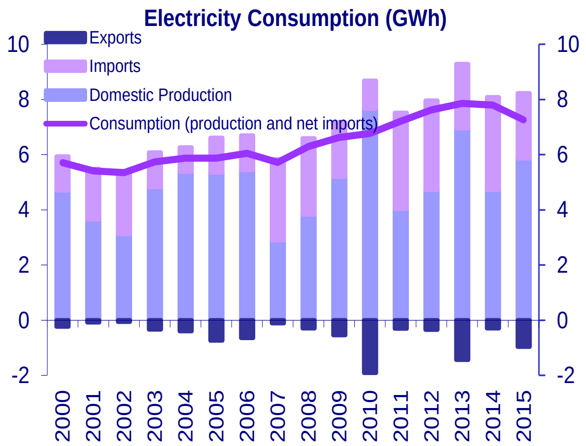
The unemployment rate reached a record low of 26.1% in 2015. The unemployment rate declined by 2.0 pps y-o-y to a record low (since the inception of the time series) of 26.1% in FY:15, as the employment rate increased (up 0.9 pps y-o-y to an all-time high of 42.1%) and the participation rate declined (down 0.4 pps y-o-y to 57.0%).

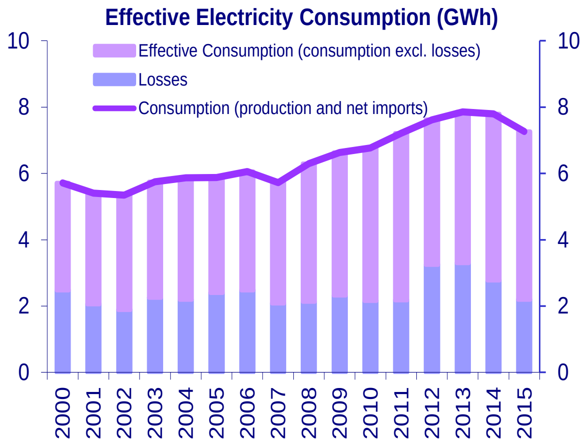
In fact, growth in employment accelerated to 2.3% in FY:15 (15.8k jobs created) from 1.8% in FY:14, supported, *inter alia,* by: i) the ongoing recovery in economic activity (real GDP increased by 3.7% in FY:15); and ii) the fact that construction companies which carry out work in key infrastructure projects were required to hire at least half of their sub-contractors and workforce from the domestic economy (instead of from China). Importantly, the improvement in employment in FY:15 was broad-based. Indeed, in FY:15, employment rose in construction, services and industry by 3.6%, 3.2% and 2.5%, respectively, more than offsetting a slight decline in agriculture by 1.0%.

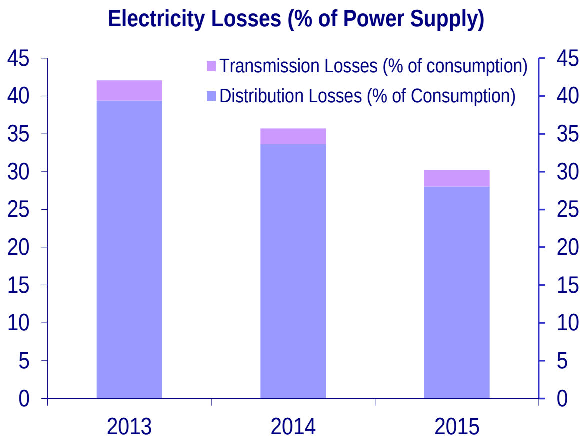
Looking ahead, we expect labour market conditions to improve further this year, supported, *inter alia*, by the ongoing national and regional infrastructure projects (in the context of a Partnership Strategy with the World Bank). Our FY:16 forecasts for the unemployment rate and employment growth stand at 25% and 1.8% y-o-y, respectively, compared with 26.1% and 2.3% y-o-y in 2015.

Albania

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







	4 Apr.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	2.0	2.2	2.2	2.2
ALL/EUR	138.4	139.2	138.2	139.0
Sov. Spread (bps)	494	500	450	400

	4 Apr.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	1.1	2.0	2.7	3.2	3.6
Inflation (eop, %)	1.9	0.7	2.0	1.5	2.0
Cur. Acct. Bal. (% GDP)	-10.9	-12.8	-11.0	-10.9	-10.7
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.3	-2.0

Albania's electricity generation reached high levels in 2015, as a result of heavy rainfall. Domestic electricity production increased significantly in 2015, surging by 24.1% y-o-y (to 5.9 GWh) against a marked drop of 32.1% in FY:14. This improvement reflects abundant rainfall in Q1:15 and Q4:15 that boosted hydropower production. Recall that Albania's electricity generation remains fully based on hydroelectric production (accounting for 100% of total domestic production), with public sector power generation providing 75.9% of production in 2015.

The sharp rise in domestic electricity production in 2015 led to a marked increase in electricity exports (more than three times their level in FY:14) and a sharp decline in imports (by 29.8% y-o-y in FY:15). As a result, imports covered just 32.4% of total consumption in FY:15, down from 43.1% in FY:14.

Implementation of the long-delayed electricity sector reform brings about impressive results in 2015. In October 2014, the Government enforced criminal penalties for (widespread) electricity theft (punishable by imprisonment rather than just administrative offence) and launched a campaign to disconnect power supply for unpaid bills, and two months later, it provided an 80% discount on fines in return for the full payment of accumulated unpaid bills. As a result, large unbilled electricity, reflecting not only technical losses (due to the low quality of the electricity network), but most importantly, extensive electricity theft, was gradually reduced. Indeed, (unbilled) distribution losses fell further, to a still sizeable 28.0% of total consumption in FY:15 from 33.6% in FY:14 and a peak of 39.4% in FY:13, with non-technical losses declining to 30.5% of total losses in FY:15 from 41.8% in FY:14 and a sizeable 60.8% in FY:13. The collection rate of (billed) consumption is also estimated to have moved to 100%, against 72% in FY:14, according to the IMF, due to sustained increases in bill collections and large payments of past-due electricity bills.

In 2015, the Government also took the first steps to adjust underpriced regulated tariffs. From January 1st 2015, it: i) abolished the two-tier electricity tariff for households (that envisaged a tariff of ALL 7.7/kWh for consumption up to 300 kWh and 13.5/kWh for consumption above this threshold, as the lower segment was heavily subsidised and widely abused) and introduced a single retail tariff of ALL 9.5/kWh (near cost recoverability); and ii) hiked the price for commercial users by 10-39%.

Note that the sustained implementation of the ambitious and long-delayed power sector reform (supported by the World Bank, with a USD 150mn loan agreed in September 2014 for energy reforms, and an EBRD loan of EUR 218mn expected this year to finance a restructuring of electricity sector debt) should positively impact the economy. It should dampen the negative impact of adverse weather conditions on: i) growth, by enabling increased investments in production capacity, and securing electricity supply to meet growing demand (up 1.2% y-o-y in FY:15) without recurrent energy shortages; and ii) the balance of payments, as uncertain supply necessitates large (expensive) emergency energy imports, due to fluctuations in rainfall. It will also ease pressures on public finances, as the energy sector relies heavily on public financial support, through subsidies, net lending, compensation for the poor (together estimated to have reached 1.2% of GDP in 2015 up from 0.9% in 2014), and loan guarantees (their stock reached 3.3% of GDP in 2014). The implementation of the envisaged reforms is set to phase out (quasi-fiscal) electricity losses by 2019.

To advance reforms, the Government needs to: i) invest in metering and grid infrastructure; ii) increase the frequency of tariff adjustments, and deregulate prices for commercial consumers; and iii) strengthen corporate governance in the sector.

Cyprus

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

	Balance of Payments (% of GDP)		
	FY:14A	FY:15E	FY:16F
Current AccBalance	-4.6	-3.6	-3.8
Trade Balance	-16.2	-18.2	-18.2
Exports	16.1	14.3	14.8
Imports	32.3	32.5	33.0
Services Balance	16.9	16.9	17.2
Income Balance	-2.8	0.3	0.0
Transfers Balance	-2.4	-2.6	-2.8
Capital & Financial Account (excl IMF)	-2.8	-2.1	3.8
FDI	-4.1	-26.8	1.0
Other	1.3	24.7	2.8
Overall Balance	-7.4	-5.8	0.0
Troika disbursements	7.4	5.8	0.0
Change in Reserves (+ denotes increase)	0.0	0.0	0.0

External Financing (EUR bn)				
	2013	2014	2015	2016
Financing Needs	68.1	48.4	45.6	44.9
Current Account Deficit	0.8	0.8	0.6	0.7
Amortisations + Other	67.3	47.6	45.0	45.6
Financing Sources	63.3	47.1	44.6	44.9
FDI	-1.2	-0.7	-4.7	0.2
Loans & Other	64.5	47.8	49.3	44.8
External Financing Balance	-4.8	-1.3	-1.0	0.0
IMF-EU	4.6	1.1	0.6	0.0
Change in FX Reserves	0.3	0.2	0.4	0.0

	4 Apr.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.34	-0.34	-0.34	-0.34
EUR/USD	1.14	1.08	1.06	1.05
Sov. Spread (2020. bps)	378	340	300	250

	4 Apr.	1-W %	YTD %	2-Y %
CSE Index	68	0.5	0.4	-41.7

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	-5.9	-2.5	1.6	2.0	2.2
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-4.5	-4.6	-3.6	-3.8	-4.2
Fiscal Bal. (% GDP)	-4.7	-0.3	-0.5	-0.2	0.2

The current account deficit (CAD) narrowed significantly by 0.9 pps y-o-y to a 12-year low of 3.6% in FY:15. This positive performance resulted from a marked improvement in the income balance, which turned into a surplus of 0.3% of GDP in FY:15 (the first since 2011) from a deficit of 2.8% of GDP in FY:14. The surplus was supported by both repatriation of large profits and dividends by Cypriot companies established abroad and, to a lesser extent, lower repatriation of dividends and profits by foreign companies established in Cyprus.

The large improvement in the income balance was tempered, however, by a significant widening in the trade deficit (by 2.1 pps to 18.2% of GDP in FY:15), mainly due to lower exports (down 1.9 pps of GDP y-o-y in FY:15). The decline in exports reflects a normalization following a post-crisis surge in FY:14. The trade deficit would have been larger had energy imports not declined (by 0.8 pps of GDP y-o-y in FY:15), on the back of favourable global oil prices, with the average price of Brent decreasing by 35.2% y-o-y, in EUR terms, in FY:15. Non-energy imports increased by c. 1.0 pp of GDP y-o-y in FY:15, reflecting a strong recovery in domestic demand (up 2.9% y-o-y in FY:15 against a decline of 1.1% y-o-y in FY:14).

On the other hand, the services surplus stood at 16.9% of GDP, unchanged from its 2014 level, as the significant increase in (net) tourism receipts (up 0.4 pps of GDP y-o-y), reflecting strong tourism activity – tourist arrivals and receipts increased by 8.9% and 4.4%, respectively -- was broadly offset by an equivalent decline in (net) transportation receipts (down 0.4 pps of GDP y-o-y). The latter was driven by lower maritime transport as well as air passenger transport, reflecting the closure of Cyprus Airways in January 2015.

The capital and financial account (CFA) balance increased in FY:15, but remained in negative territory. The CFA deficit, including errors and omissions, declined significantly in FY:15 (down 0.7 pps y-o-y to 2.1% of GDP), as a sharp increase in "other net capital inflows" (by 23.4 pps y-o-y to 24.7% of GDP in FY:15) more than offset by a surge in net FDI outflows (by 22.7 pps y-o-y to -26.8% of GDP in FY:15). The improvement in "other net capital inflows" reflects lower (net) borrowing by Cypriot-based companies, while the deterioration in net FDI resulted from strong investments abroad – reportedly an investment in the Russian market by a Cypriot-based financial services company.

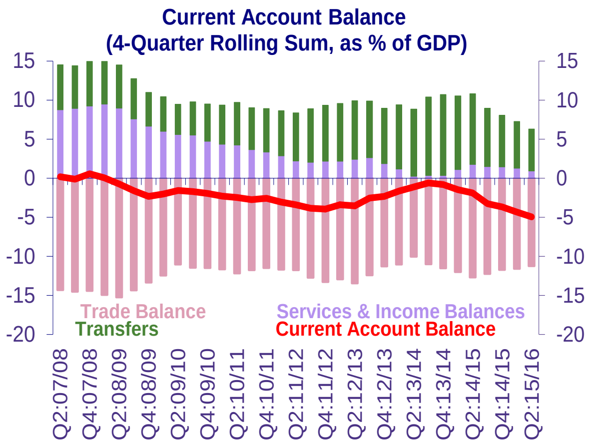
As a result, the overall balance posted a deficit of 5.8% of GDP in FY:15. This gap was fully covered by financial assistance from the IMF and the EU (EUR 600mn from the ESM and EUR 403mn from the IMF).

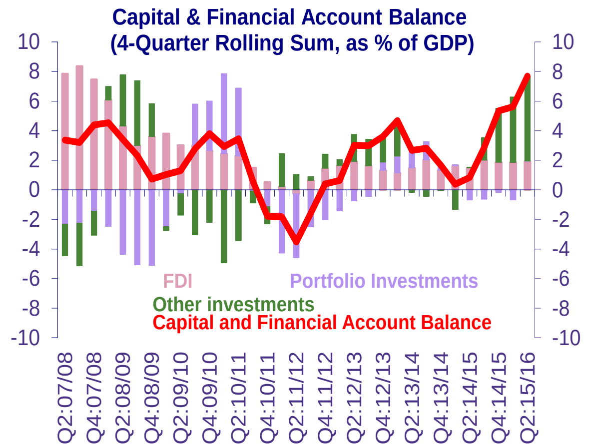
The CAD is set to widen slightly to 3.8% of GDP in FY:16, in line with the recovery in domestic demand. For 2016, the improvement in the oil balance (we expect global oil prices to decline by 22.0% y-o-y in 2016, shaving an estimated 0.4 pps of GDP off the CAD) should be broadly offset by a deterioration in the non-oil balance, in view of a further build-up in domestic demand (we see real GDP growth accelerating to 2.0% in 2016 from 1.5% in 2015). On the other hand, we expect the increase in tourist receipts, reflecting a surge in the number of higher spending Russian tourists due to accelerating security concerns in neighbouring countries – Turkey and Egypt, to be more than offset by the normalization of the income balance and higher transfers to the EU.

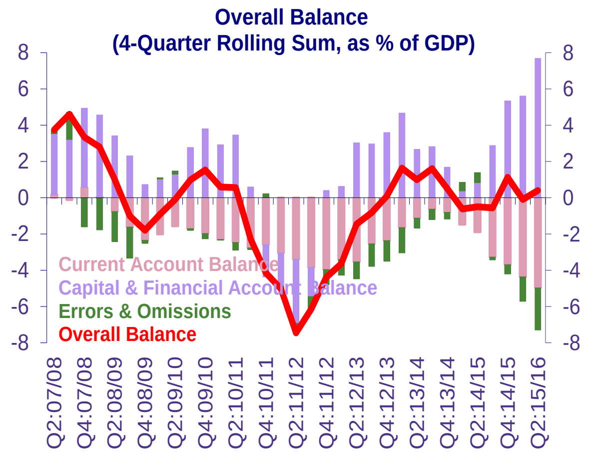
Overall, we see the CAD widening to 3.8% of GDP in FY:16 from 3.6% in FY:15.

Egypt

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







	4 Apr.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	10.8	10.8	10.8	10.5
EGP/USD	8.88	8.95	9.20	9.50
Sov. Spread (2020. bps)	428	400	300	220

	4 Apr.	1-W %	YTD %	2-Y %
HERMES 100	689	1.0	9.4	-10.3

	12/13	13/14	14/15	15/16F	16/17F
Real GDP Growth (%)	2.1	2.1	4.2	3.0	4.5
Inflation (eop. %)	9.8	8.2	11.4	12.5	10.5
Cur. Acct. Bal. (% GDP)	-2.2	-0.9	-3.7	-5.6	-4.0
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.0

The current account deficit (CAD) widened sharply in the first half of the fiscal year (July-December 2015), mainly due to a sharp decline in cash and commodity grants from Gulf countries. The CAD rose significantly by 1.3 pps y-o-y to 2.6% of GDP in H1:15/16, mainly due to the decline in cash and commodity grants from Gulf countries (down 0.8 pps of GDP y-o-y). The deterioration was also driven by weaker workers' remittances from abroad (down 0.3 pps of GDP y-o-y) and lower tourism receipts (down 0.4 pps of GDP y-o-y).

The CAD would have been larger in H1:15/16 had the non-energy trade deficit not narrowed (down 0.6 pps of GDP y-o-y). Indeed, the decline in non-energy merchandise imports (down 1.0 pp of GDP y-o-y), mainly reflecting scarce foreign currency, was sharper than that in non-energy merchandise exports (down 0.4 pps of GDP y-o-y), partly due to an overvalued domestic currency. Importantly, despite the sharp decline in global oil prices, Egypt -- a net importer of energy – has seen its energy trade deficit widen by 0.1 pp of GDP y-o-y, due to surging domestic demand for energy.

With the H1:15/16 performance, the 4-quarter rolling CAD rose to a 30-year high of 5.0% of GDP in Q2:15/16 from 3.7% of GDP in Q4:14/15. Excluding grants from oil-rich Gulf countries, the 4-quarter rolling CAD widened by 0.5 pps y-o-y to 5.0% of GDP in Q2:15/16.

The capital and financial account (CFA) balance improved significantly in H1:15/16, mainly on the back of unsustainably large short-term inflows. The CFA balance strengthened to 2.7% of GDP in H1:15/16 from 0.3% of GDP a year earlier, on the back of: i) large (net) short-term borrowing; ii) net non-debt generating foreign direct investment inflows; iii) short-term deposits at domestic banks by foreign banks; and iv) repatriation of deposit holdings abroad by domestic banks. The improvement in the CFA balance in H1:15/16 would have been larger had (net) portfolio investment inflows not turned negative (minus USD 1.7bn), following the repayment of a matured 10-year USD 1.3bn US-backed bond in September.

Although the CFA surplus fully covered the CAD, the overall balance turned negative in H1:15/16 (USD 3.4bn or 1.0% of GDP), due to large negative net errors & omissions (minus USD 3.7bn or minus 1.1% of GDP). The latter likely reflects unrecorded non-energy imports financed through the flourishing foreign currency black market. As a result and accounting for valuation effects, FX reserves declined by USD 3.6bn to USD 16.4bn (or 3.2 months of imports) in H1:15/16.

The CAD is set to reach a high of 5.6% of GDP this fiscal year. Looking ahead, in view of the year-to-date performance, recent trends, and the negative impact of mid-March devaluation of the domestic currency (by 12.7% to EGP 8.85 per EGP) on the trade balance in the short term (J-curve effect), the CAD should continue to widen in H2:15/16 (January-June 2016), reaching a 3-decade high of 5.6% of GDP this fiscal year. Encouragingly, an ambitious 2-year reform programme (2016/17-2017/18, the details of which have not yet been disclosed), announced by PM Ismail on March 27th, should help reduce external imbalances and alleviate financing pressures. The programme comprises a series of reforms recommended by a Fund delegation a few months ago, including: i) the long-awaited replacement of the current complex sales' taxes by a VAT (initially set to take place in July 2014); ii) additional cuts in energy subsidies; and iii) a gradual move towards a more flexible exchange rate policy. This programme should be approved by the new Parliament, dominated by supporters of President el-Sissi, by end-April and could be the basis for talks on an agreement with the IMF by end 2015/16 (June 2016), needed for the return to international capital markets.

Foreign Exchange Markets, April 4th 2016

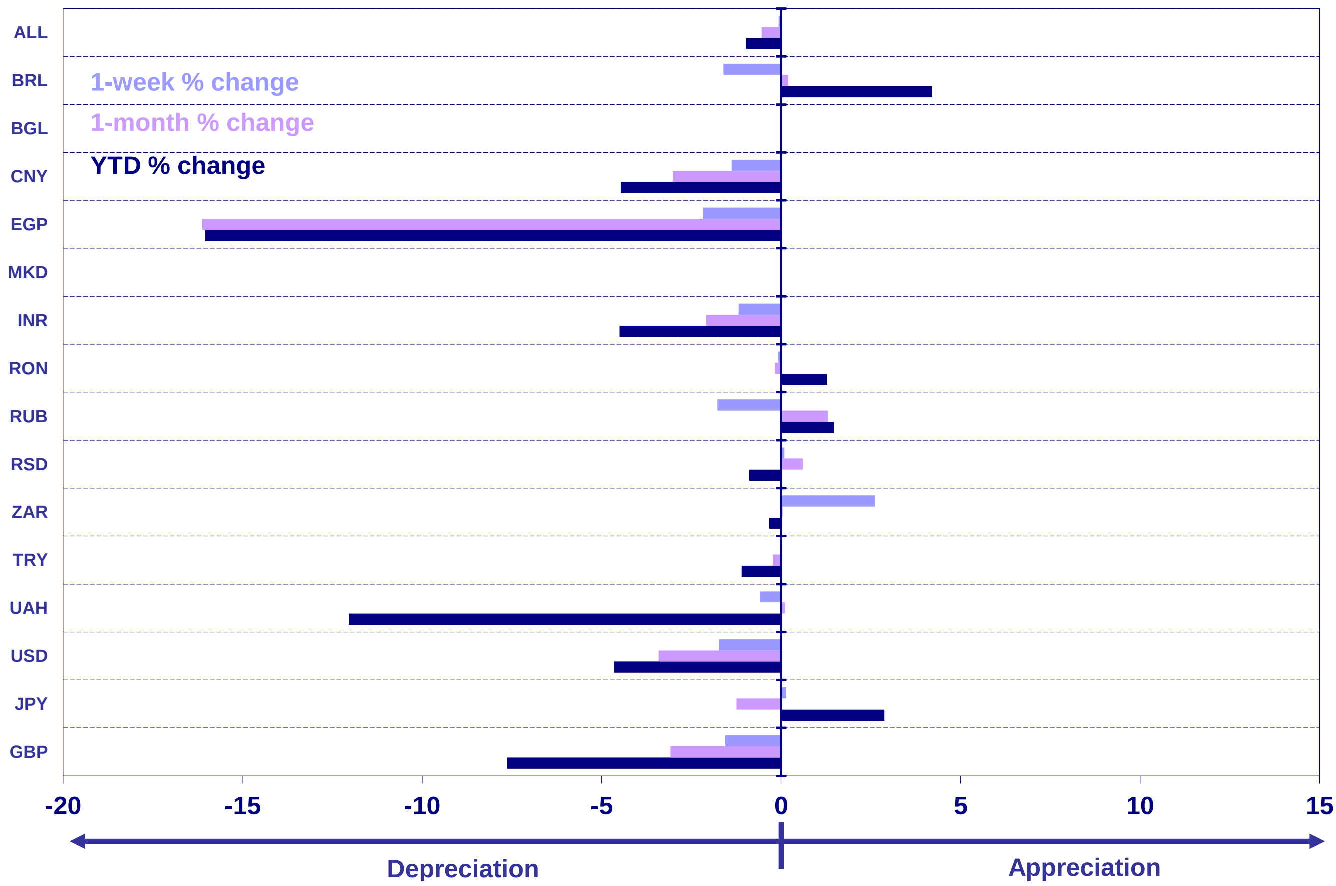
Against the EUR

	Currency	2016										2015	2014
		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	138.4	-0.1	-0.5	-1.0	1.3	137.5	139.5	139.0	138.8	137.5	2.0	0.1
Brazil	BRL	4.13	-1.6	0.2	4.2	-17.3	3.95	4.55	4.72	4.71	4.69	-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	7.37	-1.4	-3.0	-4.5	-8.7	6.99	7.46	7.60	7.59	7.59	6.7	10.8
Egypt	EGP	10.11	-2.2	-16.1	-16.0	-17.4	8.26	10.11	- - -	- - -	- - -	2.1	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	75.2	-1.2	-2.1	-4.5	-9.3	71.3	77.8	81.0	- - -	- - -	6.6	12.3
Romania	RON	4.46	-0.1	-0.2	1.3	-1.0	4.45	4.56	4.47	4.48	4.50	-0.8	-0.5
Russia	RUB	78.1	-1.8	1.3	1.5	-22.4	75.3	93.8	80.0	82.2	84.9	-15.1	-32.8
Serbia	RSD	122.6	0.1	0.6	-0.9	-2.1	121.6	123.7	123.2	124.0	- - -	-0.1	-5.6
S. Africa	ZAR	16.8	2.6	0.0	-0.3	-23.5	16.29	18.58	17.2	17.5	18.3	-16.6	3.0
Turkey	YTL	3.20	0.0	-0.2	-1.1	-11.9	3.12	3.35	3.29	3.37	3.55	-10.8	4.4
Ukraine	UAH	29.6	-0.6	0.1	-12.0	-13.7	25.06	30.16	36.8	- - -	- - -	-27.5	-40.8
US	USD	1,14	-1,7	-3,4	-4,7	-4,1	1,1	1,1	1,14	1,15	1,15	11.4	13.6
JAPAN	JPY	126,8	0,1	-1,2	2,9	2,9	122,1	132,3	126,8	126,8	126,6	11.0	-0.1
UK	GBP	0,80	-1,6	-3,1	-7,6	-8,0	0,7	0,8	0,80	0,80	0,81	5.3	7.0

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (April 4th 2016)



MONEY MARKETS, APRIL 4TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.7	14.1	-0.1	2.0	- - -	10.8	- - -	- - -	0.4	12.0	- - -	11.0	8.0	19.5	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	11.0	2.9	- - -	8.3	- - -	- - -	- - -
S/W	1.8	14.1	-0.1	2.3	-0.4	- - -	1.3	- - -	- - -	10.8	2.9	- - -	7.8	20.6	-0.4	0.4
1-Month	2.0	14.1	0.0	2.8	-0.3	- - -	1.5	7.3	0.6	12.3	3.1	11.2	7.6	22.9	-0.3	0.4
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	12.1	3.2	11.2	7.7	- - -	-0.3	0.5
3-Month	2.3	14.1	0.1	2.8	-0.2	- - -	1.8	7.4	0.8	11.8	3.3	11.3	8.2	23.9	-0.2	0.6
6-Month	2.4	14.0	0.3	2.9	-0.1	- - -	2.1	- - -	1.0	11.8	3.5	11.3	8.5	- - -	-0.1	0.9
1-Year	2.5	13.6	0.7	3.1	0.0	- - -	2.6	- - -	1.2	12.8	- - -	11.4	9.1	- - -	0.0	1.2

LOCAL DEBT MARKETS, APRIL 4TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	12.2	1.6	6.9	- - -	11.8	2.8	9.4	- - -	- - -	-0.6	0.2
6-Month	1.3	- - -	- - -	- - -	- - -	13.6	2.3	6.9	0.6	12.0	3.4	9.8	- - -	- - -	-0.4	0.3
12-Month	1.6	- - -	0.1	2.2	- - -	14.2	2.6	7.0	0.7	10.0	4.3	10.0	- - -	- - -	-0.5	0.6
2-Year	2.1	- - -	- - -	2.3	- - -	- - -	2.0	7.2	1.0	9.4	- - -	9.7	8.0	19.6	-0.5	0.7
3-Year	- - -	- - -	0.4	2.3	2.9	- - -	2.7	7.3	1.2	9.4	- - -	9.7	8.4	20.0	-0.5	0.9
5-Year	- - -	13.9	- - -	2.5	- - -	15.9	2.7	7.5	2.6	9.2	7.0	9.6	8.6	- - -	-0.3	1.2
7-Year	- - -	- - -	1.6	- - -	3.5	16.9	- - -	7.7	3.0	9.2	- - -	- - -	- - -	- - -	-0.2	1.5
10-Year	- - -	14.0	2.6	2.9	3.9	17.2	3.9	7.4	3.4	9.2	- - -	9.6	9.2	- - -	0.1	1.8
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	8.0	- - -	9.3	- - -	- - -	9.6	- - -	0.4	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.9	- - -	- - -	- - -	- - -	10.0	- - -	0.8	2.6

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

CORPORATE BONDS SUMMARY, APRIL 4TH 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	5.5	599	545
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.2	570	537
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	3.7	400	346
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.8	135	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.9	158	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.3	311	317
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	145	112
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.3	380	341
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.8	332	296
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.8	407	367
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.1	438	470

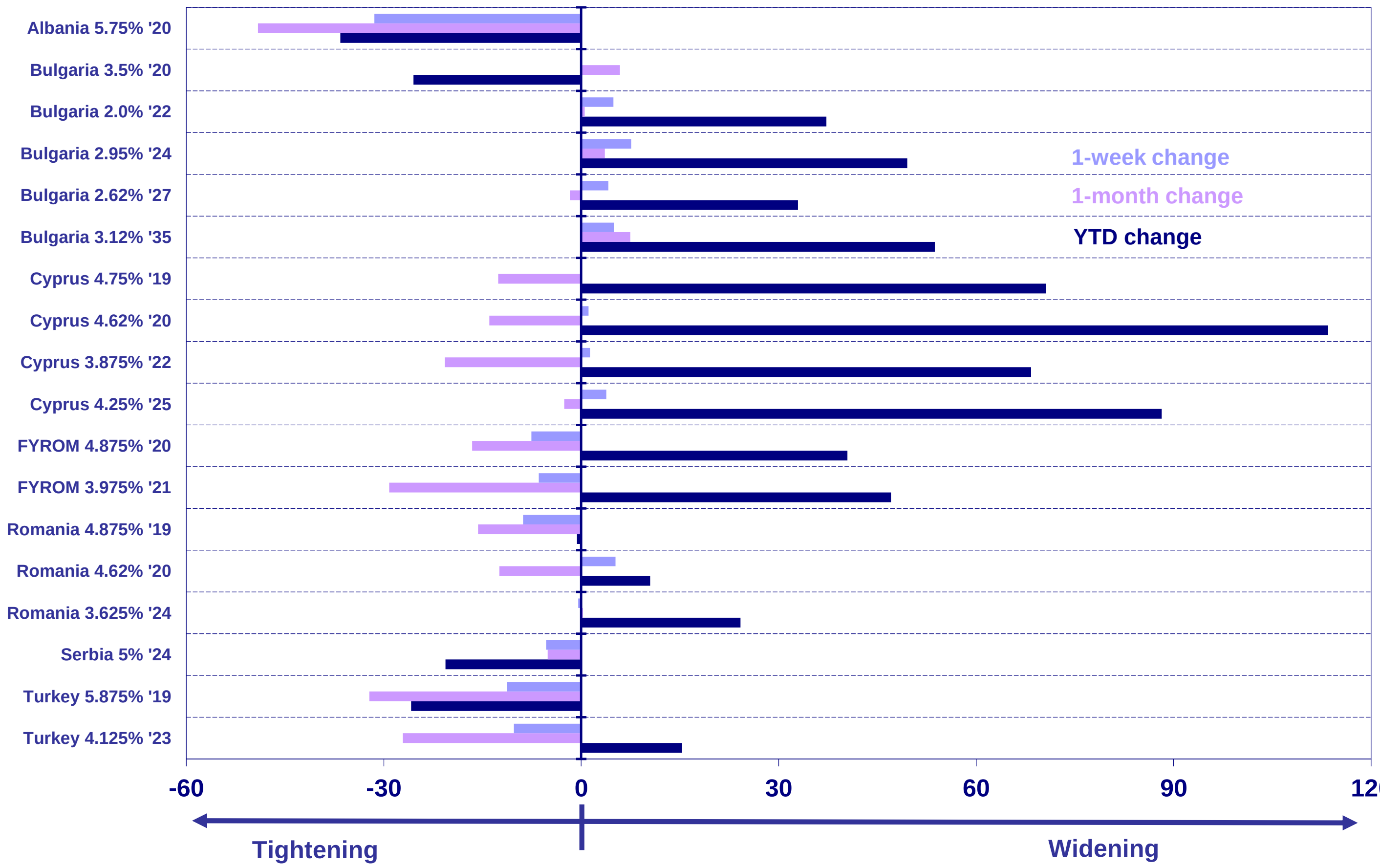
CREDIT DEFAULT SWAP SPREADS, APRIL 4TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	356	159	120	- - -	494	- - -	- - -	118	280	262	255	300	- - -
10-Year	- - -	424	206	168	- - -	505	- - -	- - -	159	334	305	310	354	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, APRIL 4TH 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	4.3	494	445
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.7	116	85
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	205	162
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.4	241	207
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.7	258	206
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.7	305	254
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	2.9	340	312
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.3	378	340
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.5	383	340
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.9	381	346
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	4.9	557	482
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.9	563	547
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.6	98	71
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.8	125	93
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.1	228	192
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.7	382	350
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.5	201	178
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	3.0	323	287

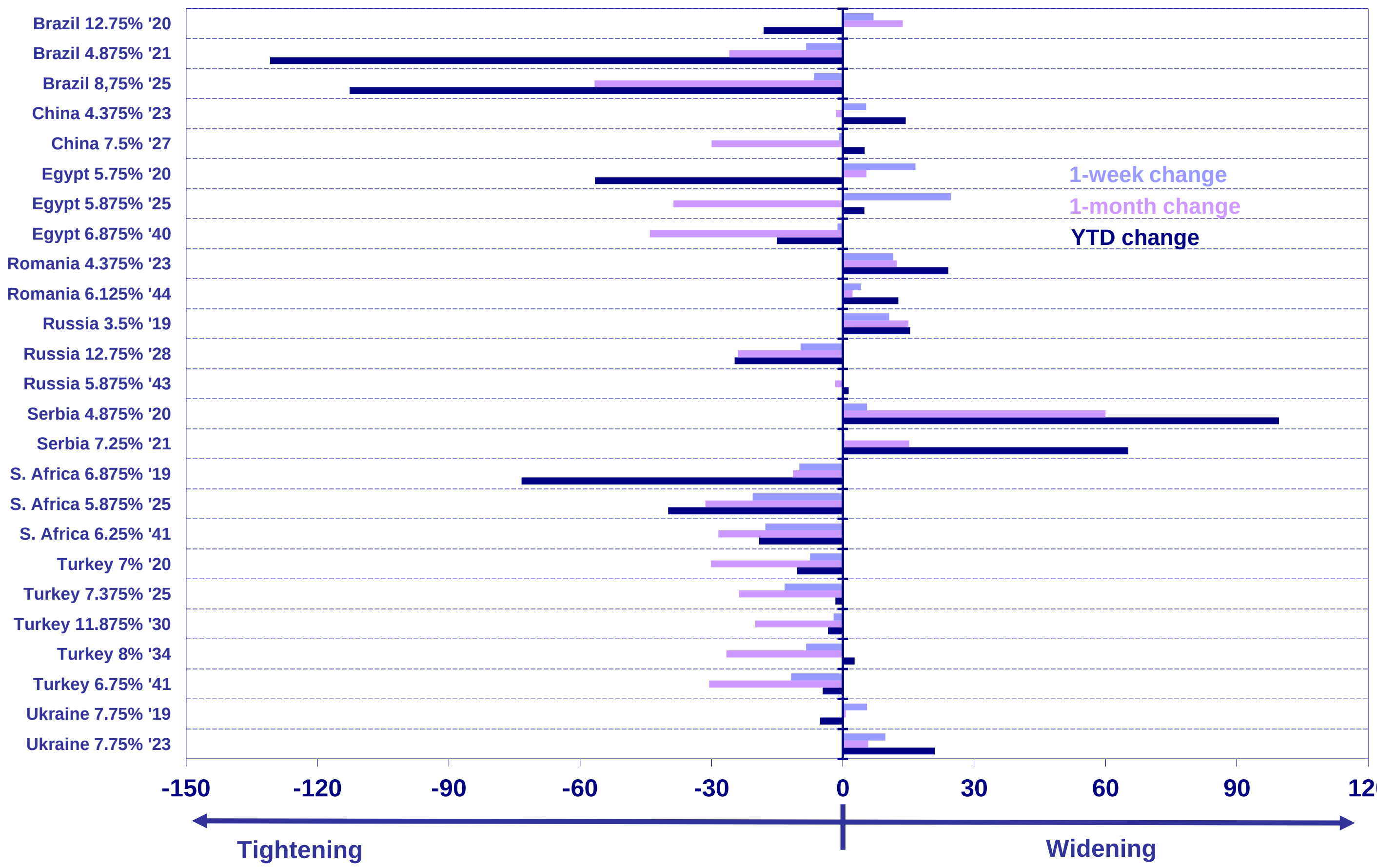
EUR-Denominated Eurobond Spreads (April 4th 2016)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, APRIL 4TH 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB+/Baa3	15/1/2020	234	4.3	348	382
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	4.7	348	350
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	5.7	395	462
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.7	191	230
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.0	119	157
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.5	428	436
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	7.5	577	546
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.3	572	547
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.4	184	200
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.7	209	293
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.3	243	233
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	5.3	352	492
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.6	304	355
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.4	349	328
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.7	345	362
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.4	255	256
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.7	289	318
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.5	288	357
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	3.5	228	256
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.5	275	329
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	4.8	302	422
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.3	350	391
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.4	278	343
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,646	9.7	884	825
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	9.4	791	745

USD-Denominated Eurobond Spreads (April 4th 2016)



STOCK MARKETS PERFORMANCE, APRIL 4TH 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)	48,780	-4.0	-0.6	12.5	-9.2	37,046	52,262	18.0	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	447	0.6	0.0	-3.1	-13.5	441	462	-3.1	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,010	1.7	4.7	-15.8	-22.1	2,638	3,539	-19.0	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	68	0.5	0.3	0.4	-14.4	64	70	0.4	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	689	1.0	23.2	9.4	-11.5	521	688	9.4	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,782	0.1	-1.2	-2.8	3.1	1,771	1,842	-2.8	-0.6	-0.6	6.1	6.1
India (SENSEX)	25,400	1.7	3.1	-2.2	-10.9	22,495	29,095	-5.6	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,267	0.0	1.9	-5.5	-3.9	1,171	1,329	-4.2	2.6	1.6	3.7	3.5
Russia (RTS)	4,142	0.2	-0.5	4.6	6.9	3,509	4,326	7.2	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	608	0.5	2.8	-3.7	-11.6	570	637	-4.4	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	51,895	-0.8	-0.6	2.1	-0.6	45,976	53,827	3.1	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	83,873	3.1	8.7	14.6	0.9	68,230	83,873	14.1	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	229	2.0	-5.1	-4.7	-45.9	222	256	-16.0	-37.8	-54.8	28.7	-24.2
MSCI EMF	827	1.7	4.5	4.5	-17.8	687	839	0.2	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,627	-0.3	-0.1	-5.8	-13.9	1,492	1,716	-9.6	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	565	1.4	2.2	-7.6	-26.8	421	627	-7.6	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,822	-0.3	0.0	-8.6	-17.9	8,699	10,486	-8.6	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,165	1.0	-0.6	-1.7	-9.8	5,500	6,242	-9.2	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,123	-5.9	-5.2	-15.3	-16.9	14,866	18,951	-12.0	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,737	1.1	4.3	0.8	-0.8	15,370	18,351	-3.3	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,066	1.4	3.3	0.1	-0.7	1,810	2,135	-3.9	-0.7	10.9	11.4	26.6

Equity Indices (April 4th 2016)