South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

8 – 14 March 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

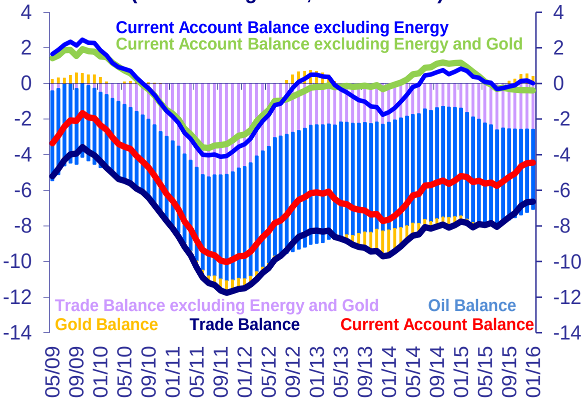
Konstantinos Romanos-Louizos
☎ : +30 210 33 41 225
✉ : romanos.louizos.k@nbg.gr

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

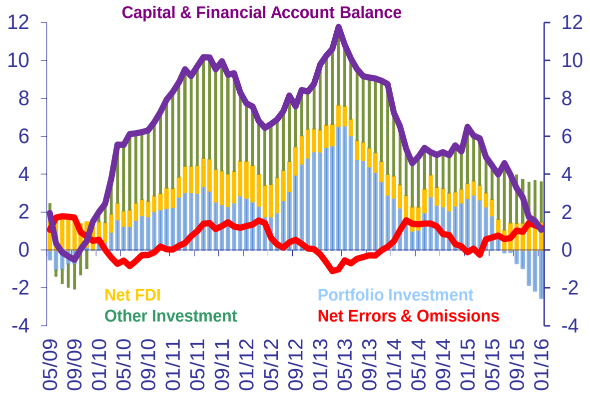
Turkey

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

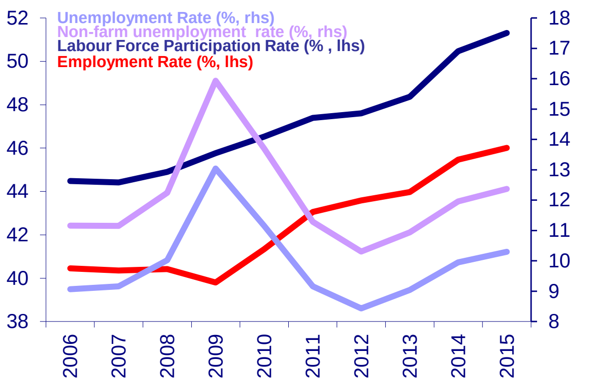
Trade and Current Account Balances (12-M Rolling Sum, as % of GDP)



Capital & Financial Account and Errors & Omissions (12-M Rolling Sum, as % of GDP)



Labour Market Indicators



	14 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.8	11.5	11.0	10.5
TRY/EUR	3.19	3.32	3.34	3.40
Sov. Spread (2019, bps)	221	220	200	170

	14 Mar.	1-W %	YTD %	2-Y %
ISE 100	80.111	3.4	9.4	26.6

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	4.2	2.9	3.8	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	-1.5	-1.2

External rebalancing paused in January. The monthly current account deficit (CAD) stood at USD 2.2bn (0.32% of GDP) in January, broadly unchanged from a year earlier (USD 2.4bn or 0.35% of GDP). Specifically, the improvement in the energy balance (by 0.18% of GDP y-o-y), in line with global oil price developments, offset the deterioration in the gold balance (by 0.14 pps of GDP y-o-y), reflecting a base effect from a spike in gold exports in January 2015, and the weakening of tourist receipts (by 0.02 pps of GDP y-o-y). Tourist receipts declined due to Russian sanctions and heightening security concerns, especially following the January terrorist attack that killed 11 tourists in Istanbul's old city and the car bombing in the heart of Ankara which killed at least 37 people and wounded 125 on March 13th, bringing the number of deadly terrorist attacks to six since July 2015 -- following the Government's involvement in the war against the ISIS and the collapse of a 2-year ceasefire with the Kurdistan Workers Party militant group.

On the financing side, the monthly capital and financial account (CFA) balance deteriorated by USD 3.4bn y-o-y (0.46 pps y-o-y of GDP) to a surplus of USD 3.3bn (0.45% of GDP), in line with weaker investor appetite for emerging markets. This negative development was driven by lower (net) FDI (down 0.17 pps of GDP y-o-y), large (net) portfolio outflows (0.17% of GDP against inflows of 0.22% of GDP in January 2015), and lower (net) borrowing (down 0.17 pps of GDP y-o-y).

Importantly, despite its weakening in January, the CFA surplus covered the CAD and offset the negative (net) errors and omissions (USD 1.5bn), keeping FX reserves broadly unchanged from their December level of USD 92.9bn -- equivalent to 5.1 months of imports of GNFS and 112.6% of short-term debt (excluding trade credits).

Going forward, we expect a small improvement in the current account in 2-12M:15, as the bulk of the anticipated improvement in the oil balance (by 0.7 pps of GDP on the back of an estimated decline in average global oil prices to USD 40/bbl from USD 56/bbl for FY:15) should be offset by a decline in tourist receipts and a deterioration in the core trade balance. The latter should be contained, due to the decline in core imports, in line with weaker domestic demand and difficult access to external financing. Core exports should also continue to decline, on the back of moderating global growth and persisting geopolitical tensions. Overall, we see the CAD easing to USD 29.8bn (4.2% of GDP) in 2016 from USD 32.2bn (4.5%) in 2015.

Unemployment rose to a 5-year high of 10.3% in FY:15. The s.a. unemployment rate stabilized at 10.4% in Q4:15, following a cumulative rise of 0.3 pps Q1-Q3:15, reflecting the dissipation of domestic political uncertainty in the wake of the November 1st elections and the acceleration in economic activity (by an estimated 5.0% y-o-y in Q4:15 against 3.8% for FY:15). As a result, the unemployment rate rose to a 5-year high of 10.3% in FY:15 from 10.0% in FY:14. Non-farm unemployment also increased, to 12.4% in FY:15 from 12.0% in FY:14.

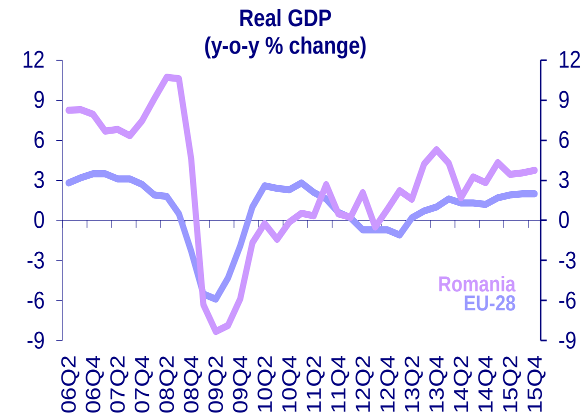
The annual 0.3 pp rise in the unemployment rate in FY:15 reflects the fact that the number of new entrants to the labour force (926k y-o-y or 3.1% y-o-y) exceeded the number of jobs created (733k y-o-y or 2.8% y-o-y). Note that the labour force participation ratio and the employment rate reached record levels of 51.3% and 46.0%, respectively, in FY:15.

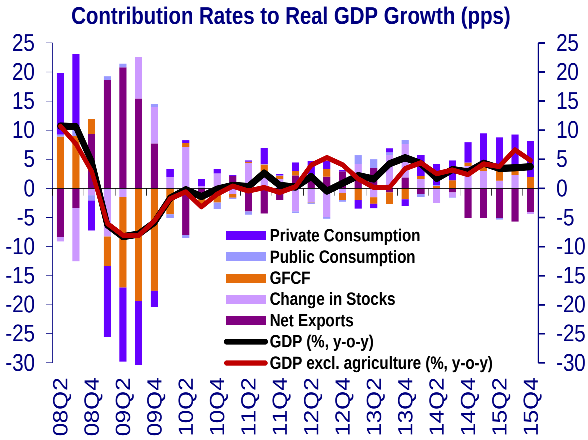
Importantly, there was an across-the-broad improvement in employment in FY:15. Indeed, in FY:15, employment rose in services, construction, industry, and agriculture by 5.1% y-o-y (675k), 0.9% y-o-y (18k), 0.5% y-o-y (28k), and 0.2% y-o-y (12k), respectively.

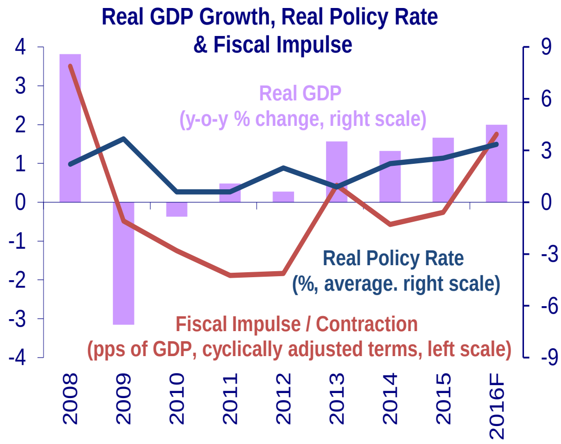
Looking ahead, the unemployment rate is set to deteriorate further this year, mainly on the back of the expected slump in the labour-intensive tourism sector.

Romania

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







	14 Mar.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.5	1.2	1.5	1.8
RON/EUR	4.46	4.52	4.51	4.50
Sov. Spread (2024, bps)	216	210	180	150

	14 Mar.	1-W %	YTD %	2-Y %
BET-BK	1,268	1.6	-5.5	8.1

	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

Real GDP growth hit a 7-year high of 3.7% in FY:15. The annual pace of economic growth rose slightly to 3.7% y-o-y in Q4:15 from 3.6% in Q3:15, bringing FY:15 growth to 3.7%, well above the FY:14 outcome of 3.0%. Importantly, this impressive performance would have been even better, had agricultural output not declined sharply due to the drought (subtracting 0.8 pps from overall growth in FY:15).

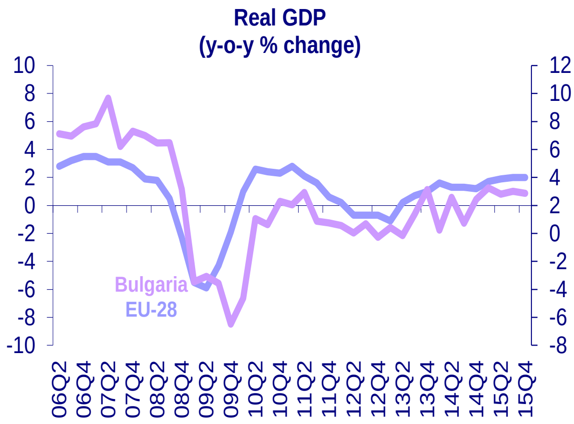
The strong performance in Q4:15 was driven by domestic absorption, contributing 8.1 pps to growth. Against the backdrop of persistent deflation (-1.2% y-o-y in Q4:15), private consumption strengthened further in Q4:15 (up 7.2% y-o-y, following an increase of 6.1% in Q3:15), supported by a looser incomes policy (public sector wages rose by 10.0% in December, with the education and healthcare sectors receiving even larger increases – up 25.0% and 15.0% in October and December, respectively) and easing credit conditions (adjusting for write-offs of NPLs, growth in consumer credit has turned positive after having declined for more than 2 years). Moreover, fixed investment rebounded in Q4:15 (up 11.0% y-o-y following a rise of 3.7% in Q3:15), driven by the public sector (according to budget data, public investment was up 1.0 pp of GDP y-o-y). On the other hand, the drag from net exports on overall growth moderated in Q4:15 (to -4.0 pps from -5.7 pps in Q3:15), due a sharp deceleration in imports of goods and services. The latter was driven by a significant drawdown in inventories (incl. statistical discrepancies, subtracting 0.7 pps of GDP in Q4:15 against a positive contribution of 2.3 pps in Q3:15).

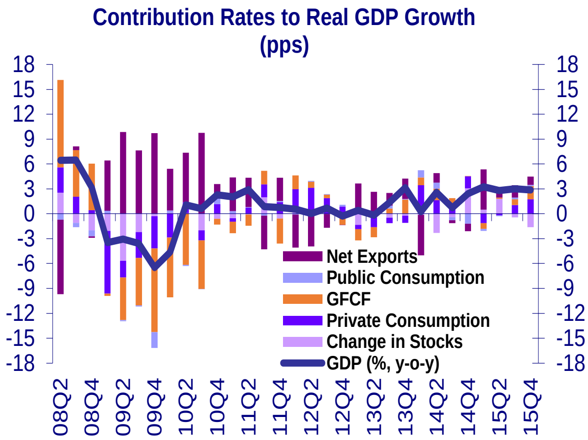
Economic growth to remain strong in FY:16, but increasingly unbalanced. Looking ahead, private consumption should continue to expand at a strong pace, reflecting: i) a looser incomes policy (including, in addition to the hike in public sector wages at end-2015, targeted increases in the wages in the broader public sector and a 19% rise in the minimum wage in May 2016) and its spillover to the private sector; ii) persistent deflation (a 4 pp cut in the general VAT rate in January should drive average headline inflation down further to -1.3% on average in FY:16 from -0.6% in FY:15); and iii) tighter labour market conditions, in the context, *inter alia*, of a continuous decline in the working-age population. Fixed investment should also remain solid, helped by improving business confidence, despite the expected slowdown in the absorption of EU funds in FY:16, when the authorities forfeit EU funding allocated for use during the 2007-13 programming period. In FY:16, domestic absorption will contribute an unsustainable 10 pps to growth. Worryingly, in view of stagnant growth in the EU, net exports should remain a large drag on overall growth, in line with stronger domestic demand. However, the policy mix should be supportive of growth, as the envisaged turnaround in fiscal policy (we project an impulse of 1.8 pps of GDP in FY:16, due to the ongoing loosening in incomes policy and tax cuts) should more than offset the impact of tighter monetary conditions (we see the *ex-post* real policy rate rising to 3.4% on average in FY:16 from 2.6% in FY:15). All said, we see real GDP growth at 4.5% in FY:16 (supported by base effects from the plunge in agricultural production in FY:15, contributing more than 0.5 pps to GDP growth), well above its long-term potential of 3.0%.

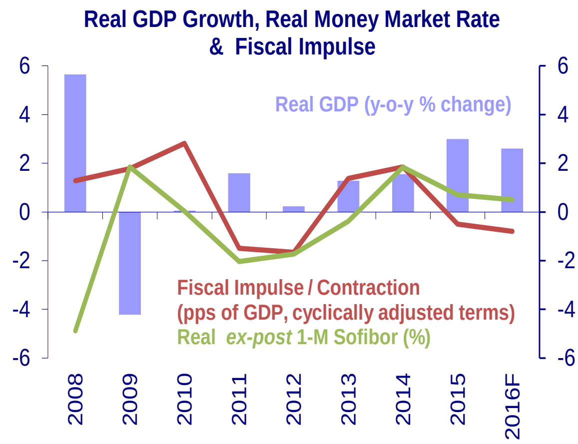
Risks to the economic outlook are broadly balanced. Indeed, a stronger-than-expected recovery in the EU and faster absorption of EU funds could stimulate further Romania's economic growth. On the other hand, renewed political instability would hurt investor confidence. Note that although a broadly-backed technocrat Government is currently in office, tensions could rise between the two largest parliamentary parties, i.e. the centre-left PSD and the centre-right PNL, ahead of the upcoming parliamentary elections, scheduled for end-2016.

Bulgaria

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







	14 Mar.	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)	193	170	150	120

	14 Mar.	1-W %	YTD %	2-Y %
SOFIX	448	0.5	-2.7	-25.5

	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)	1.8	1.2	1.2	2.0	1.3
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-2.0	-1.5

Real GDP growth climbs to a 7-year high of 3.0% in FY:15. The annual pace of economic expansion remained broadly unchanged in Q4:15 from the Q3:15 outturn of 3.0% y-o-y, bringing FY:15 growth to a post-crisis high of 3.0%, well above the FY:14 outcome of 1.5%.

Domestic absorption provides the main impetus to economic growth in Q4:15. Fixed investment expanded at a strong pace in Q4:15 (up 7.2% y-o-y following an increase of 3.2% in Q3:15), driven by the public sector. Indeed, according to budget execution data, public investment was up by a sizeable 1.7 pps of GDP y-o-y in Q4:15, mainly on the back of an acceleration in the absorption of EU funds ahead of the closing of the 2007-13 programming period. At the same time, private consumption improved further (up 2.4% y-o-y in Q4:15 following a rise of 1.6% in Q3:15), supported by lower inflation (-0.5% y-o-y in Q4:15 against 0% in Q3:15) and better labour market conditions (employment rose by a strong 2.4% y-o-y in Q4:15, marking the 8th consecutive quarter of increase). Note that de-stocking accelerated in Q4:15 (subtracting 1.6 pps of GDP from overall growth against 0.5 pps in Q3:15); though this item also contains statistical discrepancies and could reflect weaker domestic absorption.

On the other hand, the contribution of net exports to overall growth, albeit still positive, moderated in Q4:15 (to 1.0 pp of GDP from 1.5 pps in Q3:15). Indeed, import growth revived in Q4:15 (up 4.3% y-o-y against 2.3% in Q3:15), in line with stronger domestic absorption, more than offsetting the pick-up in export growth (to 6.4% y-o-y in Q4:15 from 4.3% in Q3:15), on the back of stronger demand from the EU.

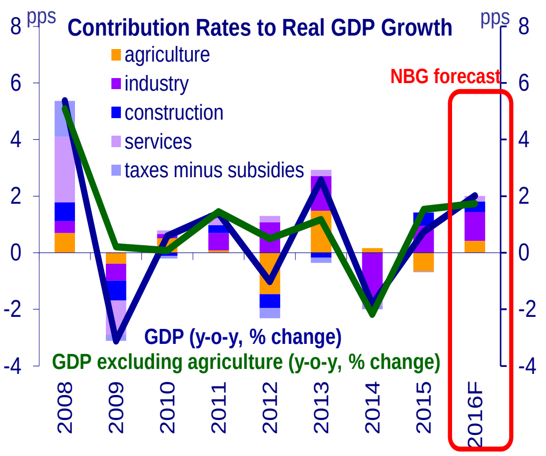
Economic growth is set to maintain its momentum, supported by fixed investment. Considering the low, by recent historical standards, investment-to-GDP ratio (currently at 21% against a pre-crisis high of 32%) and the increasing capacity utilization rate in the industrial sector (currently at 74% against a historical average of 70%), as well as favourable domestic financing conditions (as suggested by the abundant liquidity in the banking system -- the loan-to-deposit ratio stood at 83.3% at end-2015 -- and low interest rates), we expect fixed investment to gain momentum in FY:16, despite the envisaged 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, on the back, *inter alia*, of structural problems in the labour market (persistently high long-term unemployment and skills mismatches) and slightly higher inflation.

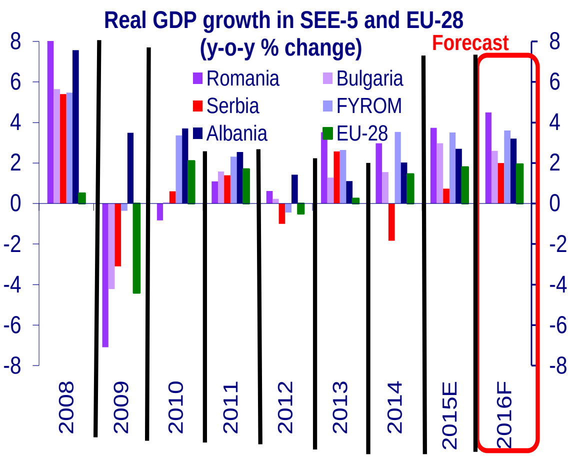
Against this backdrop, despite stagnant economic growth in the country's main trade partner, the EU (absorbing c. 60% of Bulgarian exports), the contribution of net exports to overall growth, although moderating, should remain positive, supported by improving competitiveness of the economy (real GDP per employee has risen by 7.0% since end-2011, while the BGN has remained broadly stable in real terms during the same period). The policy mix should be broadly neutral, as fiscal consolidation is expected to pause (adjusting for once-off privatisation receipts, the budget deficit is projected to remain slightly below 3.0% of GDP for a second consecutive year in FY:16), and (imported) monetary conditions remain accommodative. Overall, we expect real GDP growth to moderate slightly to 2.6% in FY:16, below its long-term average of c. 3.0%.

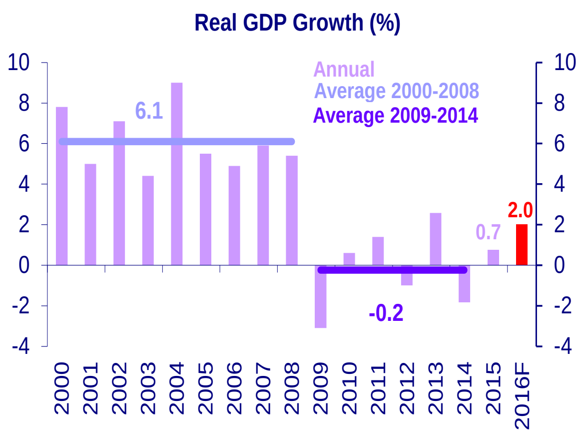
Risks to this outlook are balanced. On the upside, a stronger-than-expected recovery in the EU could generate higher external demand for Bulgarian exports, boosting the country's economic growth. On the other hand, political uncertainty could arise, should tensions between the partners of the highly fragmented and politically heterogeneous ruling coalition re-emerge.

Serbia

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







	14 Mar.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.4	3.6	4.0
RSD/EUR	123.2	124.1	124.6	125.0
Sov. Spread (2021, bps)	331	280	240	180

	14 Mar.	1-W %	YTD %	2-Y %
BELEX-15	598	0.8	-5.3	5.0

	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	-3.7	-3.9	-3.0

Economic activity recovered in FY:15 (up 0.7% y-o-y), but fell short of compensating for the flood-related decline in FY:14. Economic activity posted positive, albeit weak, growth of 0.7%, following a (flood-related) decline of 1.8% in FY:14. The FY:15 GDP growth was supported by the full restoration of production in coal extraction and energy, following the 2014 floods.

A broad-based recovery in activity in FY:15, with the exception of the agricultural sector. The strong rebound in the industrial sector was the main driver of the improvement. In fact, industrial sector output rose by 4.7% y-o-y in FY:15 following a decline of 7.6% in FY:14 (contributing 0.9 pps to GDP growth in FY:15 after having subtracted a sizeable 1.6 pps to GDP growth in FY:14). Although a detailed breakdown is not available, industrial production figures suggest a broad-based improvement, driven by the restoration of electricity supply and the recovery in mining production, after the devastating floods in May 2014. In fact, power generation and mining (c. 18% and 10%, respectively, of industrial production) rebounded strongly, surging by 10.5% and 18.8% y-o-y, respectively, in FY:15 compared with a sharp decline of 16.7% and 20.1% in FY:14. Moreover, manufacturing production increased by 5.3% y-o-y in FY:15 following a drop of 1.4% in FY:14, due to: i) the restoration in electricity supply; ii) the gradual recovery in external demand (with activity in the EU, accounting for ⅔ of Serbia's exports, growing by 1.8% y-o-y in FY:15 against 1.5% in FY:14); iii) low production costs (in line with declining oil prices); and iv) improved confidence following the approval of a (precautionary) EUR 1.1bn SBA with the IMF in early-2015 (contributing to the surge in FDI inflows by 1.8 pps y-o-y to a 4-year high of 5.5% of GDP in FY:15). The improvement in activity in FY:15 was also attributed to the rebound in construction, which rose by double digits (11.1% y-o-y in FY:15, contributing 0.5 pps to real GDP growth), following 3 years of decline. Construction was supported, *inter alia*, by the introduction, in April, of a law aimed at simplifying and accelerating the issuance of construction permits, as well as higher infrastructure projects.

Furthermore, output in the services sector stagnated in FY:15 (50.8% of GDP) following a decline of 0.4% in FY:14, despite the implementation of significant fiscal consolidation measures (including cuts in pensions and public sector wages). The resilience of the output in the services sector is attributed to the positive impact from a looser monetary policy stance (an average ex-post real policy rate of 4.8% in FY:15, far below 6.9% in FY:14), combined with a continuing sharp decline in oil prices, higher remittances and tourism inflows, and the marked drop in the unemployment rate (to 17.9% on average in FY:15 from 19.1% in FY:14).

The FY:15 performance would have been even stronger had agricultural output not declined. Excluding agriculture, real GDP grew at a faster pace, by a 7-year high of 1.5% in FY:15, following a decline of 2.2% in FY:14.

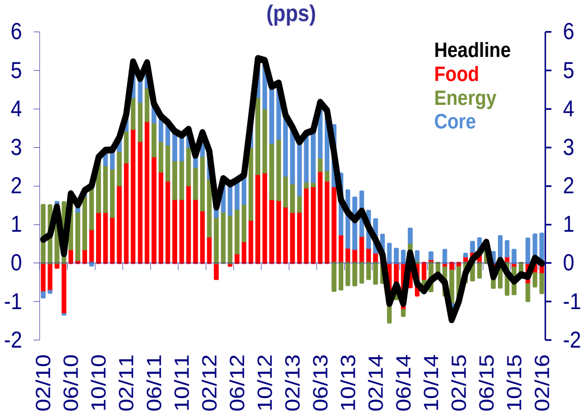
Economic activity is set to accelerate further, to (a 3-year high) of 2.6% this year. The acceleration in activity should be supported by: i) a favourable fiscal stance (with the primary fiscal deficit set to remain broadly stable in 2016 following a sharp contraction of 3.2 pps y-o-y in FY:15); ii) significant monetary policy easing (an estimated average *ex-post* real policy rate of 2.2% in FY:16, well below the 4.8% in FY:15); iii) a recovery in agricultural production (set to contribute 0.4 pps to GDP growth this year after having subtracted 0.7 pps in 2015); and iv) a continued recovery in the industrial sector. The latter is set to be driven by increased production in the steel plant, Smederevo, following the launch of production in its 2nd furnace in mid-October, combined with more favourable production costs (in line with low oil prices).

F.Y.R.O.M.

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

Consolidated Fiscal Balance (% of GDP)	2015	1M:15	1M:16	2016 Budget	2016 NBG Forecast
Revenue	29.7	1.9	2.2	29.6	28.8
Tax Revenue	26.0	1.7	1.8	25.2	25.2
Personal Inc.	2.4	0.2	0.2	2.3	2.3
Corporate Inc.	2.2	0.1	0.1	1.8	1.8
VAT	7.7	0.6	0.7	8.0	8.0
Excises	3.6	0.2	0.2	3.4	3.4
Import Duties	0.8	0.0	0.0	0.9	0.9
Other Taxes	0.4	0.0	0.0	0.3	0.3
Soc. Contrib.	8.8	0.6	0.6	8.2	8.2
Non-Tax revenue	3.8	0.2	0.4	4.4	3.6
Expenditure	33.3	2.3	2.5	32.8	32.0
Cur. Expenditure	29.9	2.1	2.3	28.5	28.5
Personnel	4.6	0.4	0.4	4.3	4.3
G. & Services	3.3	0.2	0.2	3.3	3.3
Transfers	20.8	1.5	1.7	19.9	19.9
Int.Payments	1.2	0.1	0.1	1.0	1.0
Capital Expend.	3.4	0.2	0.2	4.3	3.5
Fiscal Balance	-3.6	-0.4	-0.3	-3.2	-3.2
Primary Balance	-2.4	-0.3	-0.2	-2.2	-2.2

Contribution to Annual Headline CPI Inflation (pps)



	14 Mar.	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)	581	530	450	350

	14 Mar.	1-W %	YTD %	2-Y %
MBI 100	1.802	-0.2	-1.7	1.1

	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

Headline inflation declined to 0% y-o-y in February from 0.1% in January, due to higher energy deflation. The decline in energy prices (accounting for 15% of the CPI basket) accelerated to -3.5% y-o-y in February from -2.4% y-o-y in January, in line with developments in global oil prices (the price of Brent was down 41.5% y-o-y, in MKD terms, in February compared with a decline of 31.4% y-o-y in January).

On the other hand, core inflation and food deflation stood at 1.7% y-o-y and -0.7% y-o-y, respectively, in February, remaining unchanged from January.

Looking ahead, inflation should resume a mild upward trend, reflecting: i) increasing demand side pressures on the back, *inter alia*, of a 5% rise in both public sector pensions and social assistance, effective since January 1st; ii) a softer decline in fuel prices (we project the price of Brent to decline by 22.0%, on average, in MKD terms in FY:16 against a decline of 35.5% in FY:15); and iii) cost-push pressures from the expected 14.7% hike in the minimum wage to EUR 179 from March 1st. Overall, we see headline and core inflation ending 2016 at 0.6% and 1.9% y-o-y, respectively, up from -0.3% and 1.4% at end-2015.

The fiscal performance improved slightly in January, with the 12-month rolling budget deficit narrowing to 3.5% of GDP from 3.6% at end-2015. The general government budget deficit narrowed by 0.1 pp y-o-y to 0.3% of GDP in January, due to an across-the-board improvement in budget revenue (up 0.3 pps of GDP y-o-y). Specifically, non-tax revenue increased in January (by 0.2 pps of GDP y-o-y), on the back of higher capital revenue. Moreover, tax revenue rose slightly in January (by 0.1 pp y-o-y), mainly due to higher VAT revenue, reflecting the recovery in private consumption (up 3.6% y-o-y in Q4:15 against 3.2% in FY:15).

The better tax revenue performance was partly offset, however, by the rise in non-interest expenditure (by 0.2 pps of GDP y-o-y), mainly due to a 5% increase in social assistance and agricultural subsidies, both effective since January 1st. As a result, the 12-month rolling deficit eased to 3.4% of GDP in January from 3.5% in December.

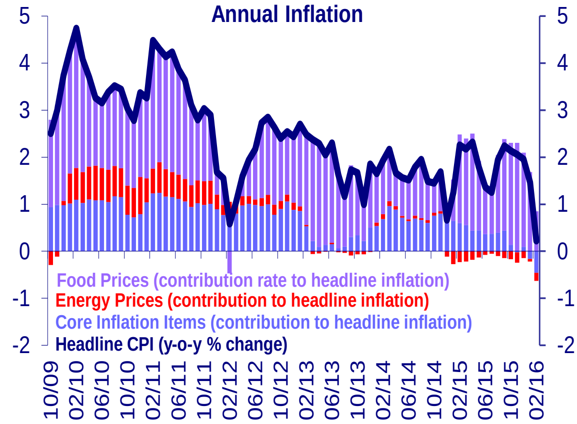
Meeting the 2016 Budget deficit target of 3.2% of GDP will require expenditure restraint. The 2016 budget envisages further fiscal consolidation, targeting a fiscal deficit of 3.2% of GDP -- 0.3 pps below the FY:15 outcome, in line with the medium-term fiscal strategy for the period 2014-2017, which aims at reducing the fiscal deficit from 4.2% of GDP in 2014 to 3% of GDP in 2017.

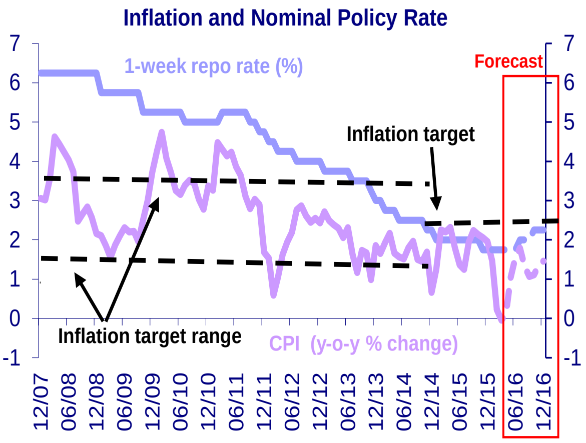
Revenue and expenditure are projected to increase by 10.0% and 8.7%, respectively, compared with the 2014 outcome. In our view, these targets are overly optimistic. Specifically, though the tax revenue growth target (7.0%) is in line with our nominal GDP growth, the non-tax revenue target of 30.4% appears unattainable in view of a historical average rise of 0.5% and the FY:15 surge of 22.6%. However, any revenue shortfall should be offset by expenditure restraint, via a supplementary budget, likely to occur in mid-year, as happened in previous years. We expect spending cuts to come mainly from capital expenditure, despite the country's high infrastructure needs. Overall, we expect the FY:16 deficit to be in line with its target of 3.2% of GDP, implying fiscal contraction of 0.3 pps of GDP y-o-y.

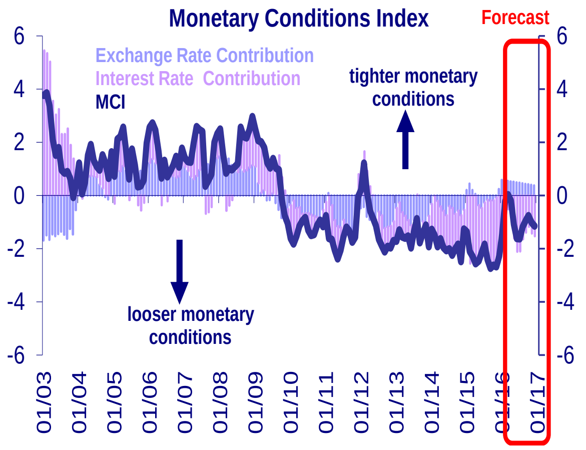
In the event the 2015 fiscal target is met – our baseline scenario -- general government debt will rise to a 13-year high of 40% of GDP at end-2016 from 39% at end-2015 -- still below the SEE-5 average of 50% of GDP and the IMF-calculated average of "emerging market and developing economies" of 43.5% of GDP.

Albania

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







	14 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	2.0	2.2	2.2	2.2
ALL/EUR	137.8	139.2	138.2	139.0
Sov. Spread (bps)	525	500	450	400

	14 Mar.	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	-11.3	-10.9	-10.7
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.3	-2.0

Headline inflation eased sharply to 0.2% y-o-y in February, supported by a sharp correction in food prices. Headline inflation declined, for a fifth successive month, to a historical low of 0.2% y-o-y in February from 1.5% in January. This decline was largely driven by a significant moderation in food prices -- comprising 37.2% of the CPI basket -- mainly reflecting a sharp correction in volatile vegetable prices. In fact, vegetable prices decelerated to 9.6% y-o-y in February from an increase of 19.3% in January (contributing 0.5 pps in February headline inflation against 1.0 pp in January), due to a base effect from floods in February 2015 (vegetable prices were up 26.7% m-o-m in February 2015). Food inflation was also contained by continuing favourable global food prices, combined with a relatively stable exchange rate.

Inflationary pressures were also held back by favourable energy prices (comprising 7.5% of the CPI basket), recording a sharper decline of 2.2% y-o-y in February following a drop of 0.7% in January, supported by lower global oil prices (down 42.4% y-o-y, in ALL terms, in January following a drop of 32.3% in January).

Core inflation (that excludes food and energy, and accounts for 53.2% of the CPI basket) also contributed to the moderation in headline inflation in February. Indeed, core inflation eased to a historical low of -0.9% y-o-y in February from -0.3 in January, supported by low imported inflation, the absence of demand-side inflationary pressures and spare production capacity.

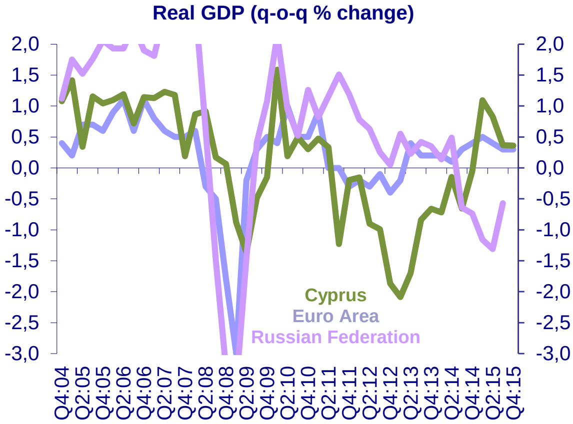
Headline inflation is set to end 2016 at 1.5% -- below the 2015 outcome and the BoA's target of 3.0%. Inflation is set to remain subdued during the remainder of H1:16 (averaging 0.7%), due to the ongoing normalization of food prices, following a sharp flood-induced rise in H1:15, before gradually embarking on a mild upward trend in H2:16. We expect inflationary pressures in H2:16, stemming from a recovery in domestic demand, to be contained by: i) favourable imported inflation, combined with the absence of depreciation pressures on the domestic currency; ii) a persistent negative output gap (-0.3% in FY:16 against -0.5% in FY:15); iii) a tight fiscal policy stance (we see the fiscal deficit narrowing by 1.3 pps y-o-y to 2.3% of GDP this year); and iv) favourable global oil prices (by 22.3% y-o-y, in ALL terms, in FY:16). Overall, we see headline inflation ending 2016 at 1.5% -- half the BoA's target, and 0.5 pps below the end-2015 outcome.

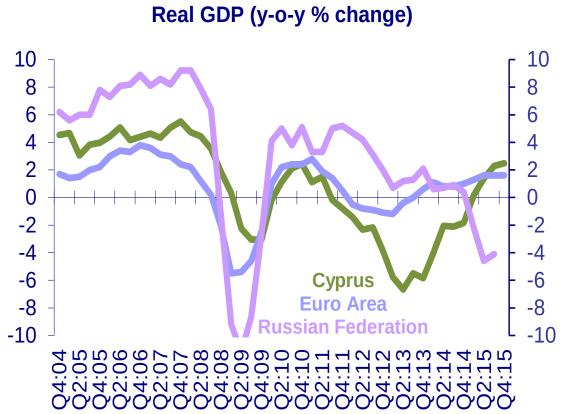
The cycle of monetary policy easing has likely come to an end. The BoA has maintained its key policy rate (1-week repo) unchanged for four successive months, at a record low of 1.75%, following cumulative cuts of 50 bps in FY:15. Note that since the initiation of the cycle of monetary policy easing in September 2011, the policy rate has been cut by a sizeable 350 bps. The aggressive monetary policy easing has helped: i) lower LC lending rates significantly, boosting LC lending; as well as ii) reduce sharply the funding cost of domestic public debt (this decline was also reinforced, since November, by ample liquidity provided after the Eurobond issuance in November).

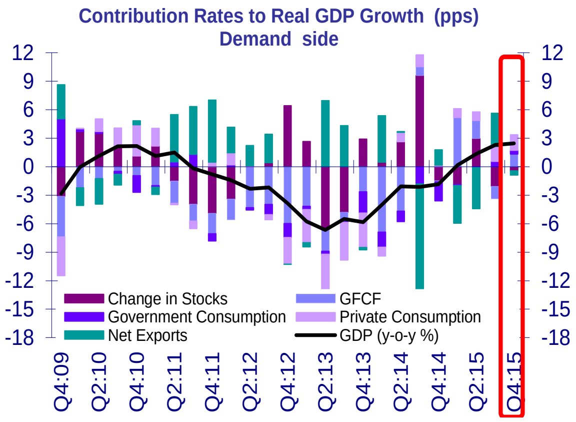
Looking ahead, the BoA is expected to gradually hike its key rate to 2.25% in H2:16, in an effort to: i) dampen increasing inflationary pressures from June; and ii) prevent the overheating of the economy (real GDP growth is projected to accelerate to a 6-year high of 3.2% in 2016). Should our forecasts materialise, the *ex post* policy rate would increase to 0.9% 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)







	14 Mar.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.31	-0.31	-0.31	-0.31
EUR/USD	1.11	1.07	1.06	1.06
Sov. Spread (2020. bps)	371	340	300	250

	14 Mar.	1-W %	YTD %	2-Y %
CSE Index	69	2.1	2.7	-52.8

	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	-5.3	-4.6	-4.8
Fiscal Bal. (% GDP)	-4.7	-0.3	-0.5	-0.2	0.2

Growth returned to positive territory in FY:15 (1.6%), following 3 years of recession. Real GDP rose by 1.6% in FY:15, following three successive years of contraction. This outcome was in line with our estimate and above the Troika's recently revised estimate of 1.4% (from -0.5% initially).

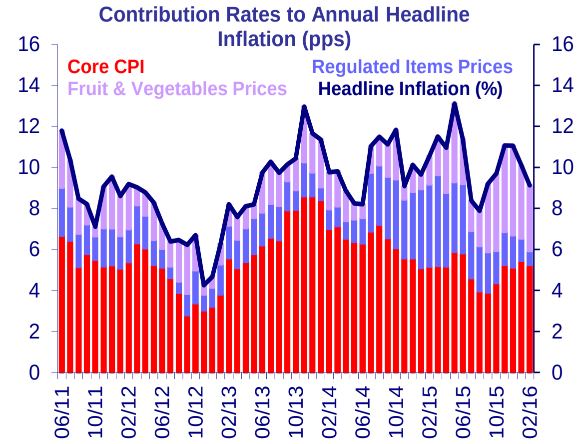
The exit from recession in FY:15 was driven by an impressive across-the-board improvement in domestic absorption and, to a lesser extent, a lower drag from net exports. Fixed investment was the main engine of growth in FY:15, posting positive growth of 18.0% y-o-y for the first time in 7 years (contributing 1.7 pps to overall growth). The surge was supported by: i) improving business confidence due to the authorities' commitment to fully implement the financial assistance programme (the Business Climate Indicator increased to 104.0 in FY:15 from 98.2 in FY:14 and a long-term average of 99.0); and ii) a favourable base effect (the investment rate – the ratio of fixed investment-to-GDP – had declined sharply to a low 12.7% in FY:14 from 27.0% in FY:08). At the same time, public consumption recorded positive growth in FY:15, for the first time since 2011 (contributing 0.2 pps to FY:15 growth compared with -1.6 pps in FY:14), benefiting from a signficant loosening of the fiscal stance (the fiscal deficit widened by 0.2 pps y-o-y in FY:15 compared with a tightening of 4.4 pps in FY:14). Furthermore, private consumption strengthened in FY:15 (up 1.9% and contributing 1.3 pps to FY:15 growth compared with 0.4% in FY:14), mainly supported by: i) a sharp decline in global oil prices (-35.2% in EUR terms in FY:15); ii) improving labour market conditions (the unemployment rate declined by 0.5 pps y-o-y to 15.6% in 2015); and iii) strengthening consumer confidence (the Consumer Confidence Index increased to -18.6 in FY:15 from -32.0 in FY:14).

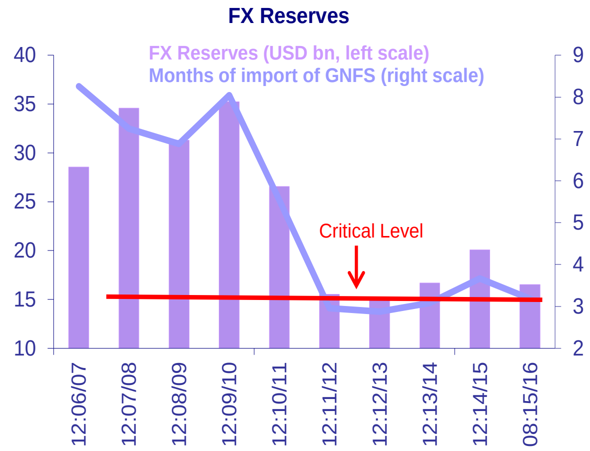
On the other hand, the drag from net exports on overall growth moderated in FY:15 (subtracting 1.3 pps of GDP compared with 1.5 pps of GDP in 2014), as the rebound in exports (contributing 1.2 pps to overall growth in FY:15 versus -0.3 pps in FY:14), on the back of stronger tourism activity, more than offset that of imports (subtracting 2.4 pps from overall growth in FY:15 compared with 1.2 pps in FY:14). Imports in FY:15 were contained by a signficant drawdown in inventories (also containing statistical discrepancies), subtracting 0.3 pps from overall growth. Note that tourist arrivals increased by 8.9% in FY:15 against a rise of 1.5% in FY:14, benefiting from a sharp increase in arrivals from the UK – the main source country, accounting for 35.7% in FY:14 – up 19.5% in FY:15, and Israel – a fast growing market, accounting for 3% in FY:14 – up 43.3% in FY:15.

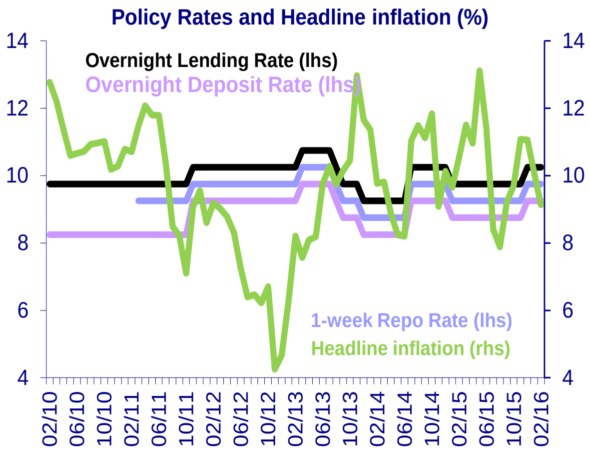
Economic activity set to accelerate to 2.0% this year – 0.5 pps above the Troika's January forecast. The improvement should result from a continued recovery in domestic demand, on the back of: i) improving labour market conditions; ii) strengthening confidence following the exit from the adjustment programme in early-March and the authorities' commitment to maintain prudent macroeconomic and fiscal policies and to continue to promote structural reforms; and iii) easing credit conditions by banks following the implementation of the insolvency and foreclosure framework. On the other hand, the drag of net exports on overall growth should increase slightly, as the negative impact on imports from recovering domestic demand will not be fully offset by the positive impact on exports from strong tourism activity. Specifically, we see growth in tourist arrivals moderating to around 6.0% in FY:16 – the second highest growth rate since 2011 -- due to strong base effects from the sharp increase in FY:15 (8.9%), and the fact that the island is an expensive tourist destination compared with its crisis-hit neighbouring competitors (Turkey and Egypt).

Egypt

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







	14 Mar.	3-M F	6-M F	12-M F
1-m CAIBOR (%)	9.3	8.3	8.0	8.8
EGP/USD	8.95	8.10	8.50	9.00
Sov. Spread (2020. bps)	416	400	300	220

	14 Mar.	1-W %	YTD %	2-Y %
HERMES 100	634	10.6	0.6	-21.2

	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	-5.0	-3.5
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.0

Headline inflation eased by 1.0 pp to 9.1% y-o-y between January and February, mainly on the back of decelerating regulated prices and prices of fruit & vegetables. Regulated prices rose at a slower pace in February (up 3.5% y-o-y against 5.6% in January), reflecting a base effect from the increase in the prices of butane cylinders (up 16.6%), due to supply bottlenecks in the distribution channels, as well as the adjustment in the prices of imported and local tobacco in February 2015. On the other hand, volatile prices of fruit & vegetables continued to normalize (up 30.4% y-o-y against 34.5% in January) after having reached a 55-month high in December (42.4%).

Headline inflation to resume its upward trend in March, ending the fiscal year at 12.5% y-o-y (June 2016). Looking ahead, despite a continued normalization in prices of fruit & vegetables, we expect inflation to re-embark on an upward trend in March, as the Government, with the support of the new Parliament, is set to implement a series of delayed reforms in view of securing the financing of the country's large external gap (estimated by the Fund at USD 20.0bn between July 2015 and June 2017). Indeed, in view of: i) the sharp decline in FX reserves by USD 3.5bn to USD 16.5bn (3.2 months of imports) in the first eight months of the current fiscal year (July 2015-January 2016); ii) the absence of support from Gulf countries in the context of plunging revenue from oil exports; and iii) the expected sharp decline in tourist receipts, following the terrorist bombing of a Russian passenger plane on October 31st, the only plausible option for the authorities is to secure an IMF loan, and subsequently the country's return to international capital markets. However, the signing of a deal with the IMF requires the implementation of recommendations by a Fund delegation last September. These comprise:

i) the replacement of the current complex sales taxes by a VAT, initially set to take place in July 2014. We expect this measure to be approved by Parliament in the coming days and become effective in April (adding 1.3 pps to headline inflation).

ii) a gradual move towards a more flexible exchange rate policy, focused on achieving a market-clearing rate. The Central Bank made a bold step in this direction on March 14th, by devaluing the EGP against the USD (by 11.5%). This move, along with the sale of USD 1.9bn at three exceptional auctions this week (compared with USD 0.1bn in normal weeks), is also set to reduce the size of the black market. Ahead of the devaluation, the EGP traded in the official and the parallel markets at 7.83 per USD and 9.72 per USD, respectively (a premium of 24.2%). Currently, the gap between the official and the black markets stands at 1.6%.

iii) additional cuts in energy subsidies through higher prices. Such a move is more likely to be postponed to the next fiscal year (July 2016), in view of the anticipated decline in global oil and gas prices, which will, *per se*, significantly reduce energy subsidies, and the authorities' efforts to contain popular discontent.

Overall, we foresee headline inflation reaching an 8-year high of 12.5% 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 expected to resume its cycle of monetary tightening at its March 17th MPC meeting. In view of the negative impact of the recent devaluation on inflation and the need to enhance demand for the EGP, we expect the CBE to proceed with a 100-150 bp hike of its policy rates on March 17th. Note that following a 12-month pause, the CBE hiked its overnight deposit, 1-week repo, and overnight lending rates by 50 bps to 9.25%, 9.75%, and 10.25%, respectively, in December 2015.

Foreign Exchange Markets, March 14th 2016

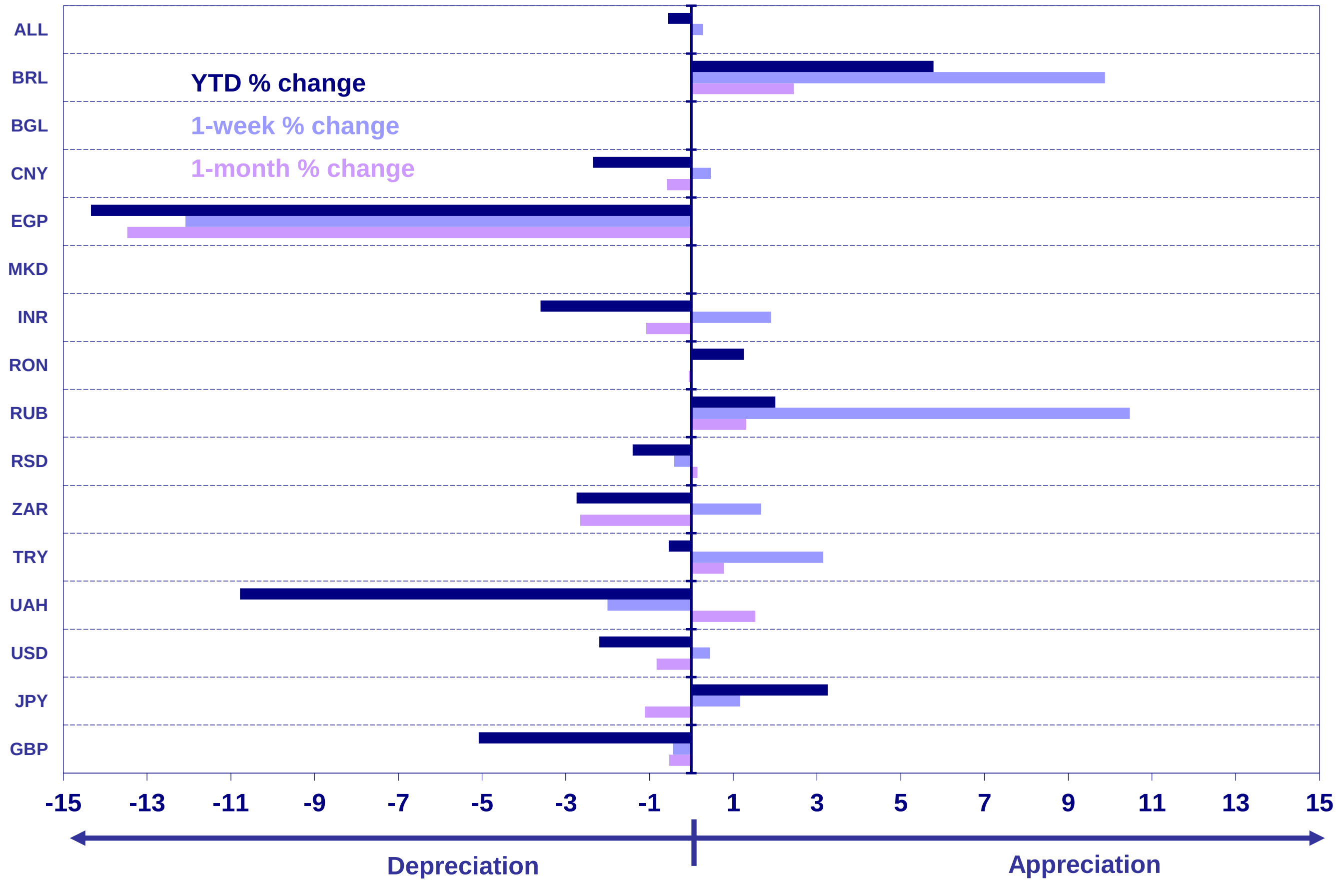
Against the EUR

	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	137.8	0.0	0.5	-0.6	1.7	137.5	139.5	138.4	138.1	137.8	2.0	0.1
Brazil	BRL	4.06	2.5	10.8	5.8	-16.2	3.95	4.55	4.65	4.64	4.62	-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	7.21	-0.6	2.5	-2.4	-8.0	6.99	7.46	7.43	7.43	7.43	6.7	10.8
Egypt	EGP	9.91	-13.5	-11.1	-14.3	-19.4	8.26	9.97	10.85	- - -	- - -	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	74.5	-1.1	2.7	-3.6	-11.1	71.3	77.8	80.8	- - -	- - -	6.6	12.3
Romania	RON	4.46	-0.1	0.2	1.3	-0.5	4.45	4.56	4.47	4.48	4.51	-0.8	-0.5
Russia	RUB	77.7	1.3	14.0	2.0	-16.1	75.9	93.8	79.5	81.7	84.5	-15.1	-32.8
Serbia	RSD	123.2	0.1	-0.4	-1.4	-2.6	121.6	123.7	123.8	124.7	- - -	-0.1	-5.6
S. Africa	ZAR	17.3	-2.7	3.5	-2.7	-24.1	16.29	18.58	17.6	18.0	18.7	-16.6	3.0
Turkey	YTL	3.19	0.8	3.3	-0.5	-13.0	3.12	3.35	3.27	3.37	3.54	-10.8	4.4
Ukraine	UAH	29.2	1.5	-1.2	-10.8	-22.7	25.06	30.16	36.2	- - -	- - -	-27.5	-40.8
US	USD	1.11	-0.8	1.4	-2.2	-5.5	1.1	1.1	1.11	1.12	1.13	11.4	13.6
JAPAN	JPY	126.4	-1.1	0.9	3.3	0.8	122.1	132.3	126.3	126.3	126.1	11.0	-0.1
UK	GBP	0.78	-0.5	0.0	-5.1	-8.4	0.7	0.8	0.78	0.78	0.78	5.3	7.0

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (March 14th 2016)



Money Markets, March 14th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.7	14.1	0.0	1.9	- - -	8.9	- - -	- - -	0.4	11.0	- - -	11.3	7.8	19.9	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	11.1	2.9	- - -	7.4	- - -	- - -	- - -
S/W	1.8	14.1	-0.1	2.3	-0.3	9.1	1.3	- - -	- - -	10.7	2.9	- - -	7.5	20.9	-0.3	0.4
1-Month	2.0	14.1	0.1	2.7	-0.3	9.3	1.5	8.1	0.5	11.7	3.1	11.8	7.2	23.2	-0.3	0.4
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	11.8	3.2	11.9	7.5	- - -	-0.3	0.5
3-Month	2.4	14.1	0.2	2.8	-0.2	9.3	1.8	8.2	0.8	11.9	3.3	12.0	7.7	23.8	-0.2	0.6
6-Month	2.5	13.9	0.4	2.9	-0.1	- - -	2.1	- - -	1.0	11.9	3.5	12.0	8.1	- - -	-0.1	0.9
1-Year	2.6	13.7	0.9	3.1	0.0	- - -	2.6	- - -	1.2	12.1	- - -	12.1	8.8	- - -	0.0	1.2

Local Debt Markets, March 14th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	1.5	- - -	- - -	- - -	- - -	11.1	1.6	7.2	- - -	11.8	3.8	9.1	- - -	- - -	-0.5	0.3
6-Month	1.3	- - -	- - -	- - -	- - -	11.9	2.3	7.2	0.5	12.0	4.0	10.0	- - -	- - -	-0.4	0.5
12-Month	1.7	- - -	0.1	2.2	- - -	12.5	2.6	7.3	0.7	9.4	4.4	10.3	- - -	- - -	-0.4	0.7
2-Year	2.3	- - -	- - -	2.4	- - -	- - -	2.0	7.4	1.0	9.4	- - -	10.3	8.0	19.6	-0.5	1.0
3-Year	- - -	- - -	0.5	2.5	3.1	- - -	2.7	7.6	1.3	9.4	- - -	10.0	8.4	20.0	-0.4	1.2
5-Year	- - -	14.2	- - -	2.6	- - -	14.1	2.7	7.8	2.3	9.5	6.3	9.9	8.6	- - -	-0.3	1.5
7-Year	- - -	- - -	1.6	- - -	3.6	15.3	- - -	8.0	2.7	9.5	- - -	- - -	- - -	- - -	-0.1	1.8
10-Year	- - -	14.5	2.5	2.9	4.0	16.2	3.9	7.6	3.3	9.5	- - -	9.9	9.1	- - -	0.3	2.0
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	8.2	- - -	9.4	- - -	- - -	9.6	- - -	0.6	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.2	- - -	- - -	- - -	- - -	9.9	- - -	1.0	2.7

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

Corporate Bonds Summary, March 14th 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	5.9	635	579
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.7	617	582
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	3.8	398	346
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.7	135	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	11.2	182	- - -
South Africa	**FirstRand Bank Ltd 4.375% '16**	USD	BBB-/Baa2	9/6/2016	342	4.9	451	417
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.1	142	113
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.3	370	334
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.1	351	315
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4.1	429	387
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.3	430	459

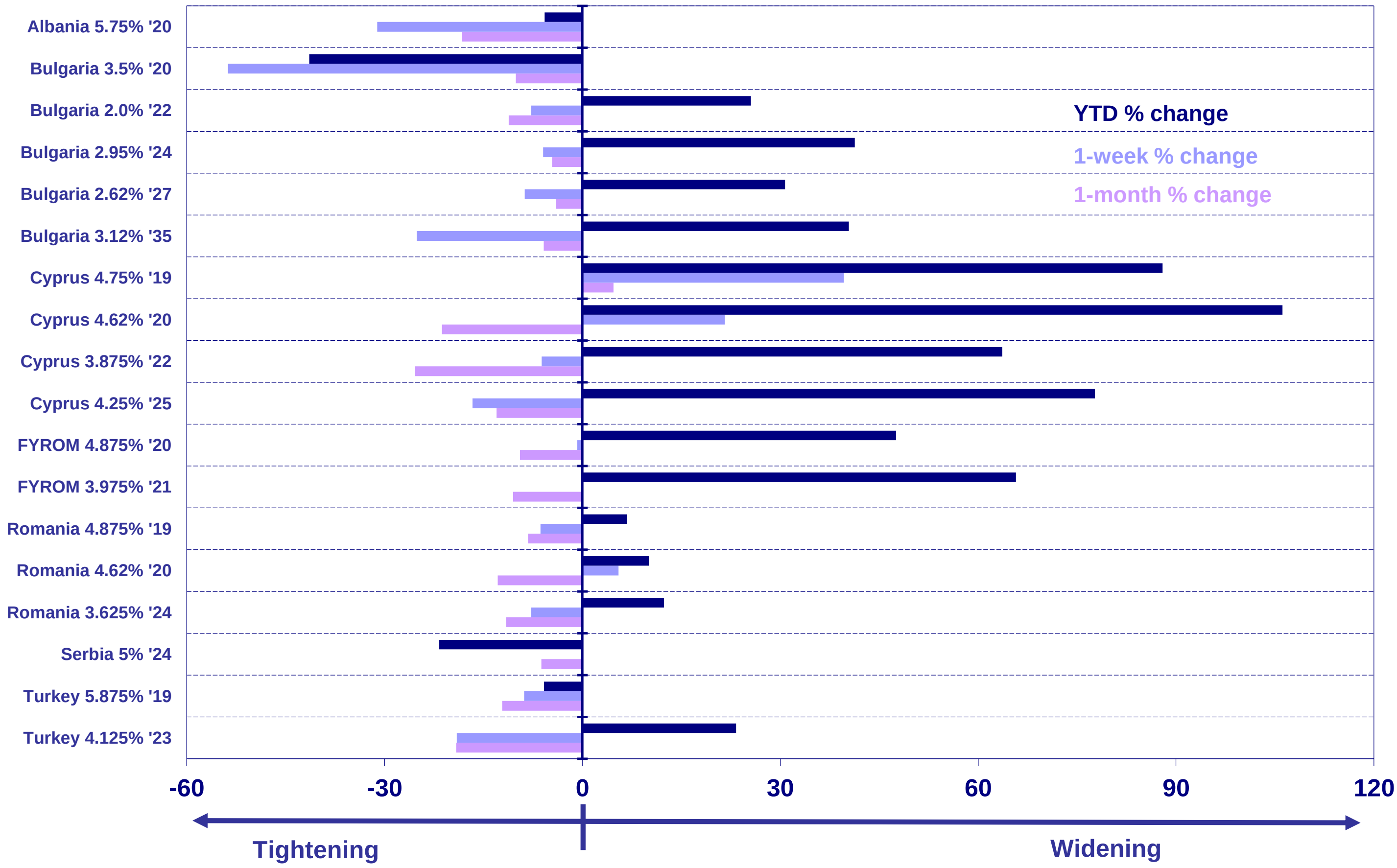
Credit Default Swap Spreads, March 14th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	384	167	112	- - -	507	- - -	- - -	126	285	275	253	315	- - -
10-Year	- - -	455	213	161	- - -	518	- - -	- - -	170	333	316	307	369	- - -

EUR-Denominated Sovereign Eurobond Summary, March 14th 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	4.7	525	470
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.6	100	72
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	193	154
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.5	232	203
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.9	256	205
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.8	291	246
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	3.1	358	330
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.3	371	336
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.6	379	337
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	4.0	371	339
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	5.0	564	487
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	5.1	581	549
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.7	106	84
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.9	124	96
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	216	184
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.8	381	351
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.8	221	201
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	3.2	331	297

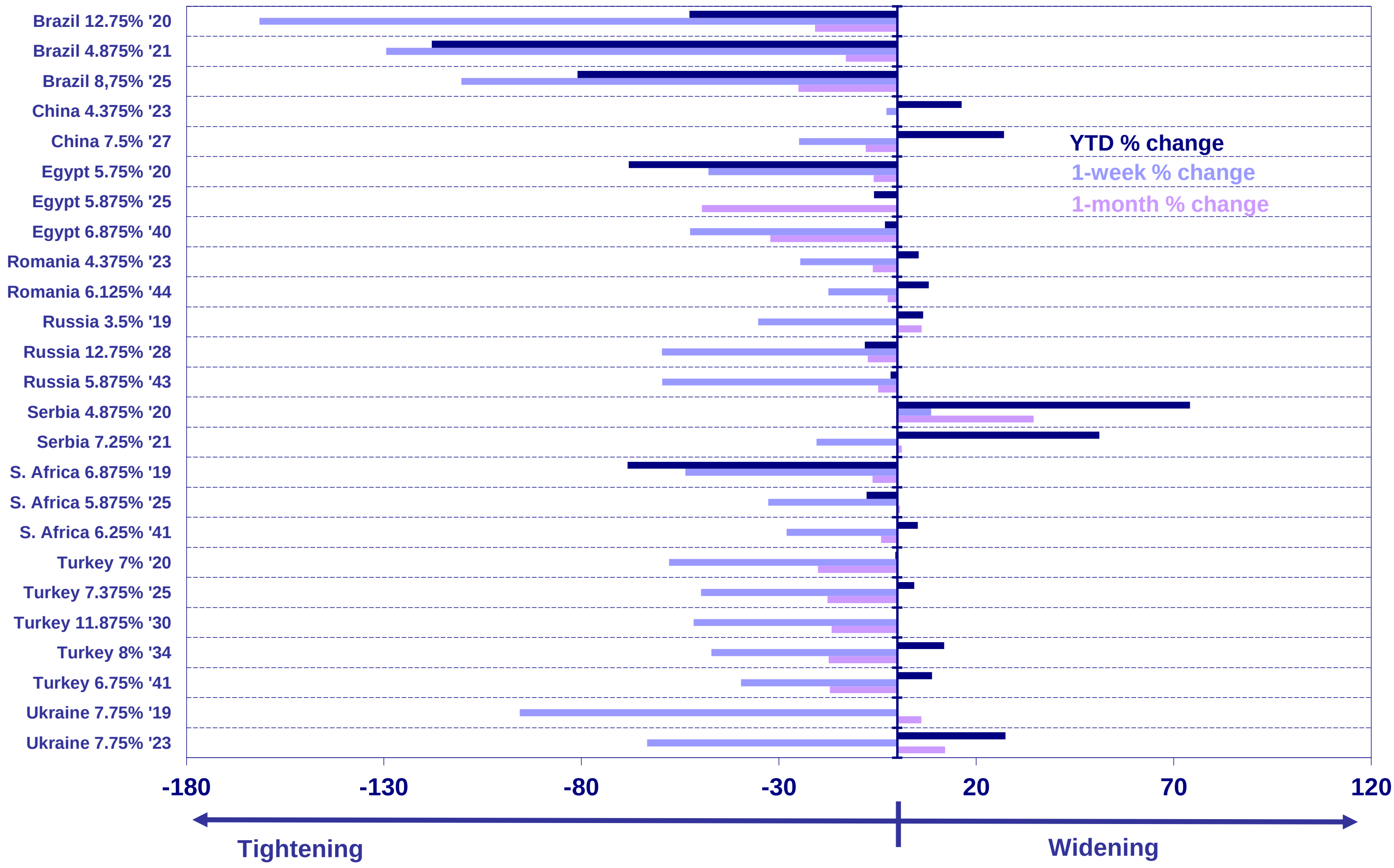
EUR-Denominated Eurobond Spreads (March 14th 2016)



USD-Denominated Sovereign Eurobond Summary, March 14th 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	313	350
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	5.1	361	363
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	6.2	427	488
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.9	193	230
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.4	141	183
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.6	416	429
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	7.6	566	536
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.6	583	549
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.4	166	185
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.8	204	288
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.5	235	231
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	5.6	368	510
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.7	301	352
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.4	324	309
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.8	331	352
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.8	260	267
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.2	321	345
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.9	312	372
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	3.9	238	269
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.8	281	334
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	5.0	306	428
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.6	359	401
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.7	292	350
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,155	10.0	889	831
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	9.7	797	747

USD-Denominated Eurobond Spreads (March 14th 2016)



STOCK MARKETS PERFORMANCE, MARCH 14TH 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)	48,867	-0.8	22.8	12.7	0.6	37,046	50,166	20.0	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	448	0.5	1.0	-2.7	-9.8	441	462	-2.7	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,859	-1.3	3.5	-20.0	-15.2	2,638	3,539	-21.3	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	69	2.1	7.2	2.7	-11.7	64	69	2.7	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	634	10.6	19.5	0.6	-27.9	521	636	0.6	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,802	-0.2	-0.8	-1.7	-0.9	1,776	1,842	-1.7	-0.6	-0.6	6.1	6.1
India (SENSEX)	24,804	0.6	7.9	-4.5	-13.0	22,495	29,095	-6.9	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,268	1.6	7.1	-5.5	-5.3	1,171	1,329	-4.1	2.6	1.6	3.7	3.5
Russia (RTS)	4,165	-1.4	10.4	5.2	15.0	3,509	4,229	8.4	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	598	0.8	2.5	-5.3	-9.6	570	637	-6.5	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	52,472	-0.4	8.0	3.3	1.3	45,976	52,776	1.8	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	80,111	3.4	12.9	9.4	4.5	68,230	80,115	9.6	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	251	4.0	5.1	4.4	-42.0	236	256	-6.6	-37.8	-54.8	28.7	-24.2
MSCI EMF	803	1.0	13.0	1.5	-14.5	687	803	-0.1	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,653	1.9	10.8	-4.3	-9.0	1,492	1,716	-5.8	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	566	1.2	24.6	-7.3	-26.5	421	627	-7.3	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,990	2.2	11.4	-7.0	-16.1	8,699	10,486	-7.0	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,175	-0.1	8.2	-1.6	-8.4	5,500	6,242	-6.5	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	17,234	1.9	15.3	-9.5	-10.5	14,866	18,951	-5.6	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,229	0.9	7.9	-2.1	-2.9	15,370	18,351	-3.7	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,020	0.9	8.3	-2.1	-1.6	1,810	2,135	-3.7	-0.7	10.9	11.4	26.6

Equity Indices (March 14th 2016)