NATIONAL BANK OF GREECE

Economic Analysis Division
Emerging Markets Research

Bi-Weekly Report *5 – 18 December 2017*

NBG - Economic Analysis Division
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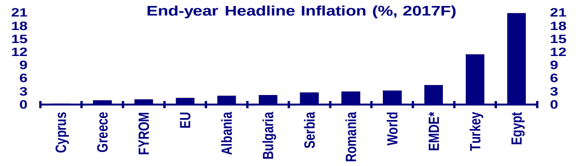
* EMDE: Emerging Market & Developing Economies



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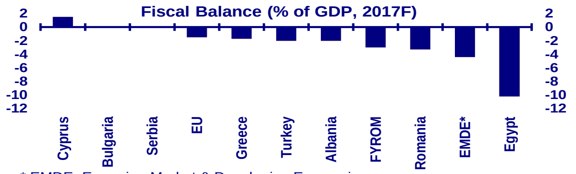

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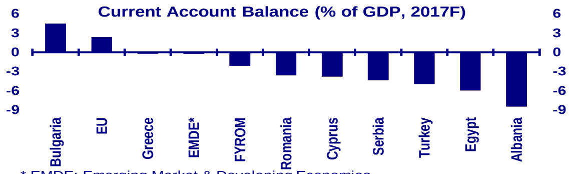
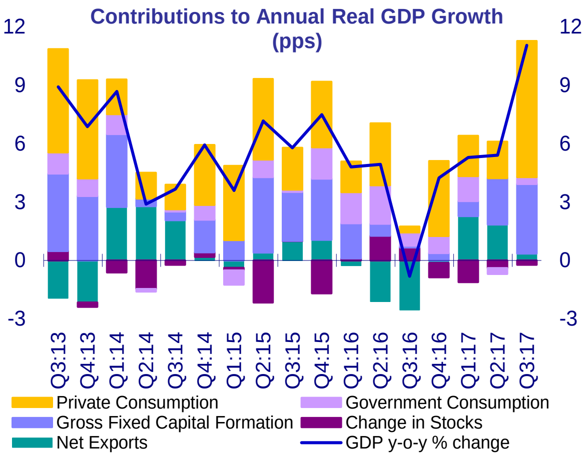
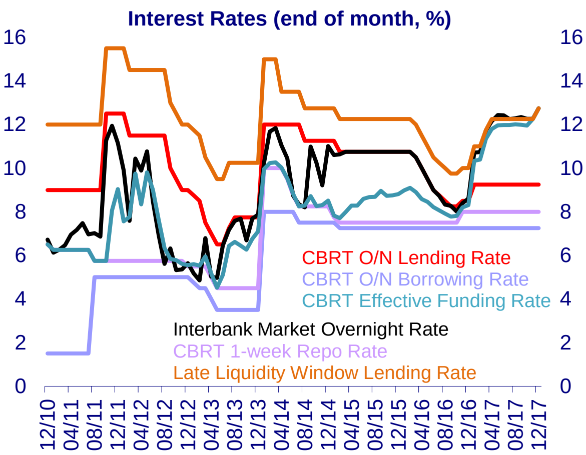


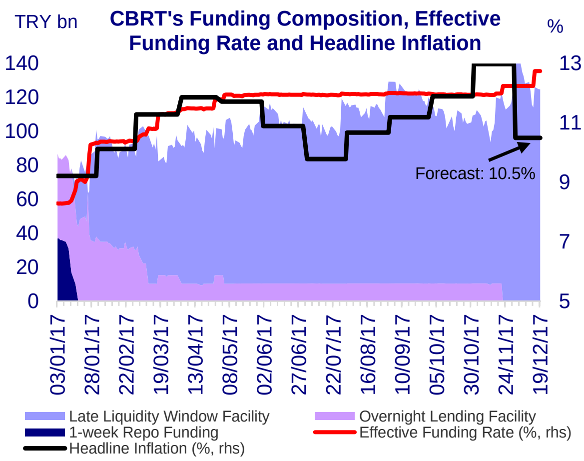
* EMDE: Emerging Market & Developing Economies

Turkey

BB / Ba1 / BB+ (S&P/ Moody's / Fitch)







	18 Dec.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	14.3	13.5	13.0	12.0
TRY/EUR	4.51	4.50	4.44	4.36
Sov. Spread (2020, bps)	181	174	165	150

	18 Dec.	1-W %	YTD %	2-Y %
ISE 100	110,248	1.0	41.1	52.1

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	6.1	3.2	6.8	4.2	3.8
Inflation (eop, %)	8.8	8.5	11.5	9.5	8.2
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.0	-4.6	-4.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-2.0	-2.2	-2.4

GDP growth is on track to reach a 4-year high of 6.8% this year, following its sharp rise to 11.1% y-o-y in Q3:17. In Q3:17, GDP growth slowed to 4.8% q-o-q saar from 9.1% q-o-q saar in Q2:17. However, on an annual basis, it rose sharply to a 6-year high of 11.1% y-o-y in Q3:17 from an upwardly-revised 5.4% y-o-y in Q2:17 (from 5.1%), due to a very weak base (it declined to -1.3% y-o-y in Q3:16, following the mid-July 2016 failed coup) and additional working days.

The acceleration of economic activity, on an annual basis, was driven by domestic demand. Specifically, private consumption rose sharply by a 6½-year high of 12.2% y-o-y in Q3:17 from 3.2% in Q2:17, largely supported by tax cuts on consumer durables and a low base. Gross fixed capital formation (GFCF) increased significantly by a 2¼-year high of 12.4% y-o-y in Q3:17 from 8.0% in Q2:17, mainly underpinned by the acceleration in lending to SMEs through the credit guarantee fund (CGF) and a low base.

Encouragingly, despite a significant rebound in imports in Q3:17 (up 14.5% y-o-y against a rise of 1.8% in Q2:17) on the back of stronger domestic demand, the contribution of net exports to overall growth, albeit deteriorating, remained positive (down to 0.4 pps in Q3:17 from 1.8 pps in Q2:17). The deterioration was contained by sustained growth of exports (up a 5¼-year high of 17.2% y-o-y in Q3:17 from 10.7% in Q2:17), reflecting stronger external demand, higher price competitiveness and the recovering tourism sector.

Looking ahead, we expect economic growth to decelerate to c. 1.0% q-o-q saar in Q4:17 (5.3% y-o-y), mainly due to less supportive fiscal and quasi-fiscal measures. Indeed, tax cuts on consumer durables expired at end-Q3:17 and 80% of CGF loans had been allocated in Q2-Q3:17. Overall, we foresee economic activity accelerating to a 4-year high of 6.8% in FY:17 from a post-global crisis low of 3.2% in FY:16.

The CBRT proceeded with a further 50 bp hike to its key monetary policy instrument. The CBRT raised the late liquidity window (LLW) lending rate by 50 bps to 12.75%. This window has effectively become the only funding source since the CBRT ceased financing through the 1-week repo facility (at 8%) on January 18th and the overnight facility (at 9.25%) on November 22nd. As widely expected, the CBRT maintained unchanged its overnight lending rate, one-week repo rate, and overnight borrowing rate at 9.25%, 8.0% and 7.25%, respectively.

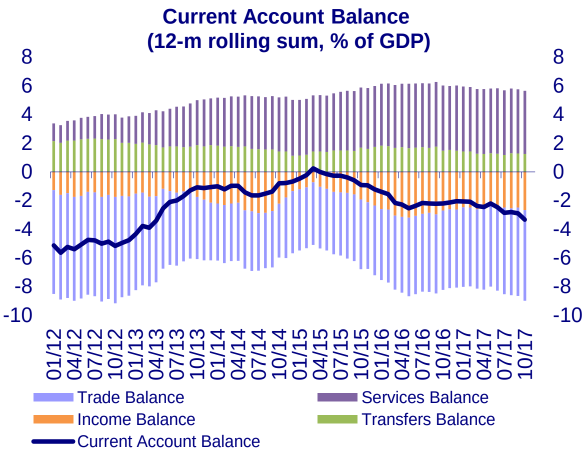
In making its decision, the Bank stated the need to contain the deterioration in the inflation outlook. Note that in November, headline inflation reached a 14-year high of 13.0% y-o-y, while 1-year ahead and 2-year ahead inflation expectations stood at record-highs of 9.3% and 8.5%, respectively.

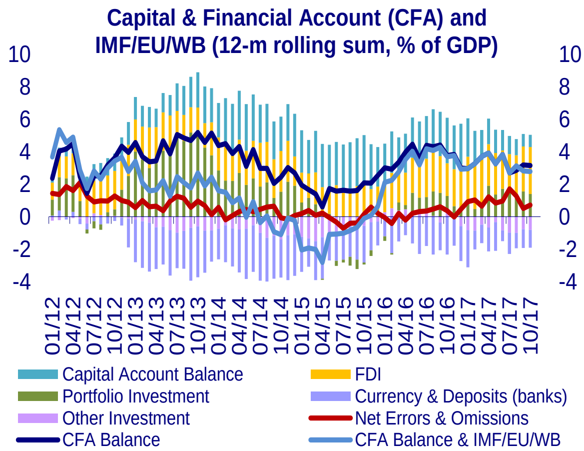
However, the 50 bp hike fell short of market expectations of 100 bps. In our view, the "measured" hike could be justified by the strengthening of the TRY over the past 2 weeks, in line with the recovery in global risk sentiment and, to a larger extent, expectations for a significant deceleration in headline inflation from 13.0% in November to single digits in March 2018.

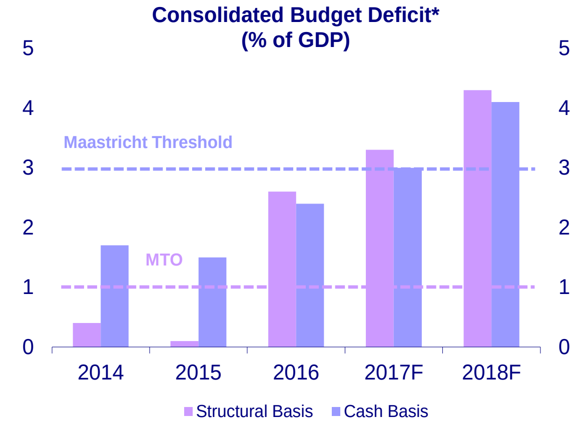
Looking ahead, under our baseline scenario, projecting the return of headline inflation to single digits in March and its fluctuation within the 9.5%-9.9% range until end-year, we expect the CBRT to maintain all its rates on hold at least until end-2018 in a bid to prevent further depreciation pressures on the TRY, reverse the deterioration of inflation expectations and regain credibility. In the event, the *ex post*, real and compounded effective funding rate will rise from a 16-month low of 0% in November to 2.9% in January and could reach 3.7% at end-2018, though the CBRT is likely to resume funding through the less expensive overnight lending and/or 1-week repo facilities.

Romania

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







***EC estimates & forecasts**

	18 Dec.	3-M F	6-M F	12-M F
1-m ROBOR (%)	2.0	2.4	2.6	2.8
RON/EUR	4.61	4.62	4.60	4.58
Sov. Spread (2024, bps)	116	114	112	110

	18 Dec.	1-W %	YTD %	2-Y %
BET-BK	1,635	0.3	21.6	24.0

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	3.9	4.8	6.6	4.2	3.6
Inflation (eop, %)	-0.9	-0.5	3.0	3.8	3.4
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.6	-4.4	-4.7
Fiscal Bal. (% GDP)	-1.5	-2.4	-3.3	-4.5	-4.8

The current account deficit (CAD) rose sharply to 3.3% of GDP on a 12-month rolling basis in October, from 2.1% at end-2016, reflecting sizeable fiscal policy stimulus. In 10M:17, the CAD rose by 1.2 pps y-o-y to 2.9% of GDP. The bulk of this deterioration came from the trade deficit, which widened sharply in 10M:17 (up 0.9 pps y-o-y to 5.2% of GDP), in line with stronger private consumption. The latter is due to tax cuts (the VAT rate was reduced by 1 pp to 19% and the special excise duty on fuels was abolished in January -- but it was reinstated in September) and a looser incomes policy (incl. hikes of 20% in some public sub-sectors and a 14.8% rise in pensions) and its spillover to the private sector.

The overall balance (excl. debt repayments to IFIs) remained "in the black", despite the larger CAD and the large drop in capital transfers from the EU. Capital outflows from the banking system decelerated in 10M:17 (to 1.8% of GDP from 2.9% in 10M:16), mainly reflecting lower placement of deposits abroad by domestic banks. Moreover, net portfolio investment rose in 10M:17 (to 1.4% of GDP from 0.6% in 10M:16), net proceeds from sovereign Eurobond issuance amounted to 1.5% of GDP in 10M:17 against 0.1% in 10M:16. These improvements were partly offset by the sharp decline in capital transfers (to 0.7% of GDP in 10M:17 from 2.4% in 10M:16), on the back of slower absorption of EU funds at the onset of the new EU programming period. In total, the overall balance deteriorated in 10M:17 (by 0.9 pps y-o-y), but remained in surplus (0.7% of GDP).

The CAD is set to widen further to 4.4% of GDP in FY:18 from a projected 3.6% in FY:16, on the back of stronger domestic demand. Looking ahead, pressures on the trade deficit are set to persist, in view of buoyant domestic demand. The latter should be led by a large fiscal impulse (1.2 pps of GDP in FY:18 following 0.9 pps in FY:17).

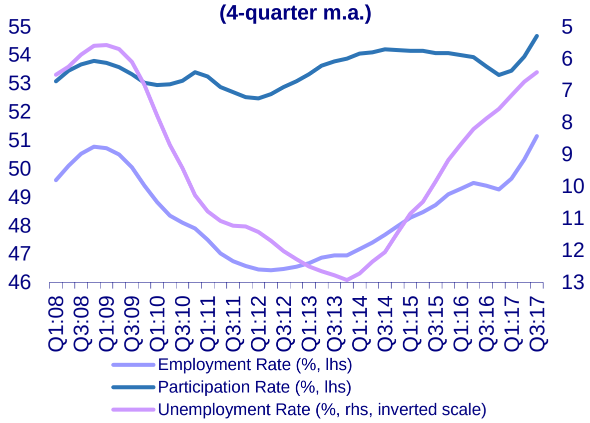
The larger CAD, combined with continuing debt repayments to IFIs (0.8% of GDP in FY:18 following 0.6% in FY:17), should lead to further depletion in FX reserves. Projecting that: i) net FDI inflows remain unchanged compared with their projected FY:17 levels (of 2.9% of GDP); ii) the rollover of maturing external debt continues at the current rate (of c. 90%); and iii) capital transfers rise (to 2.0% of GDP in FY:18 from a projected 1.0% in FY:17), due to the better absorption of EU funds, we see FX reserves declining by EUR 1.4bn in FY:18, following a drop of EUR 0.5bn in FY:17, to a comfortable -- albeit tightening -- level of EUR 32.3bn (covering more than 4 months of GNFS imports).

The European Commission (EC) calls for fiscal adjustment in Romania. In its Semester Autumn Package (SAP), the EC stressed that Romania has failed to take effective action to correct a significant deviation from the recommended adjustment path towards the medium-term budgetary objective (MTO) and called for a structural adjustment of 0.8% of GDP in FY:18. According to the EC, Romania's structural deficit is projected to increase to 4.3% of GDP in FY:18 from 3.3% in FY:17 and 2.2% in FY:16, well above its MTO of 1.0% of GDP. On a cash basis, the EC's budget deficit projections for Romania stand at 4.1% of GDP for FY:18 and 3.0% for FY:17 against 2.4% in FY:16, which are slightly more optimistic than our forecasts (see table). The Government must report to the EC on actions taken in response to its recommendation by April 2018. All said, Romania is at a critical juncture as regards its fiscal policy. Unless corrective measures are taken, the ongoing fiscal easing is set to exacerbate overheating pressures and if allowed to continue, threaten macroeconomic and financial stability.

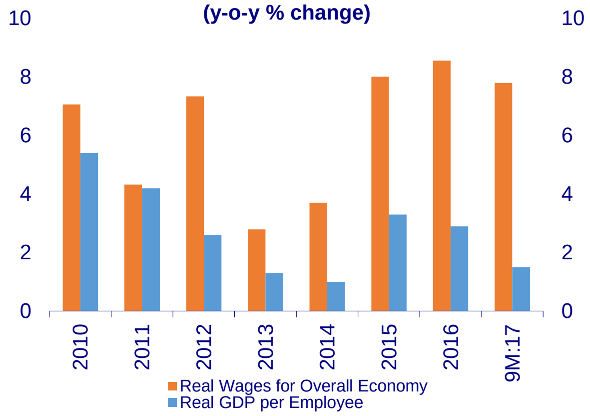
Bulgaria

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

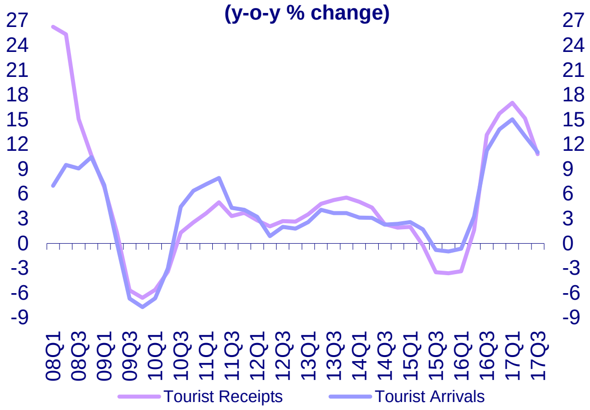
Labour Market Indicators (4-quarter m.a.)



Real Wages & Real GDP per Employee (y-o-y % change)



Tourist Receipts & Arrivals (y-o-y % change)



	18 Dec.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	-0.1	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	43	42	41	40

	18 Dec.	1-W %	YTD %	2-Y %
SOFIX	662	-0.5	12.9	50.3

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.8	3.6	3.2
Inflation (eop, %)	-0.4	0.1	2.2	2.6	2.8
Cur. Acct. Bal. (% GDP)	0.0	5.3	4.5	3.2	2.0
Fiscal Bal. (% GDP)	-2.8	1.6	0.0	-1.0	-0.6

Labour market conditions tightened further in Q3:17. Against the backdrop of solid economic growth (GDP growth stood at 3.8% y-o-y in Q3:17, broadly unchanged since Q1:17 and above its long-term potential of 3.0%), the unemployment rate fell sharply by 1.2 pps y-o-y to 5.8% in Q3:17. Indeed, employment continued to grow strongly (up 5.6% y-o-y in Q3:17 following a rise of 3.3% in H1:17), raising the employment rate to a high of 53.2% (up 3.3 pps y-o-y). Note that the participation rate also rose in Q3:17 (up 2.9 pps y-o-y to 56.5%, which is slightly higher than that of the region), while the working-age population continued to decline (down 1.0% y-o-y).

However, buoyant labour market conditions have translated into wage pressures. Indeed, real wages continued to grow at a fast pace (up 8.4% y-o-y in Q3:17 following a rise of 7.5% in H1:17), surpassing by far productivity gains (real GDP per employee has been rising at an annual pace of c. 2.5% over the past 3 years).

Structural problems cloud the outlook for the labour market. Long-term unemployment remains high (at 5.0%, above the EU average of 4.0%), reflecting labour market rigidities and skills mismatches, as well as poor activation policies. At the same time, the labour force is shrinking due to outward migration and ageing. In this context, and despite strong economic activity, we expect labour market conditions to improve at a slower pace, with employment rising by 1.0% in FY:18 (against a projected increase of 4.0% in FY:17) and the unemployment rate falling to 5.8% in FY:18 (from 6.2% in FY:17 and 7.6% in FY:16).

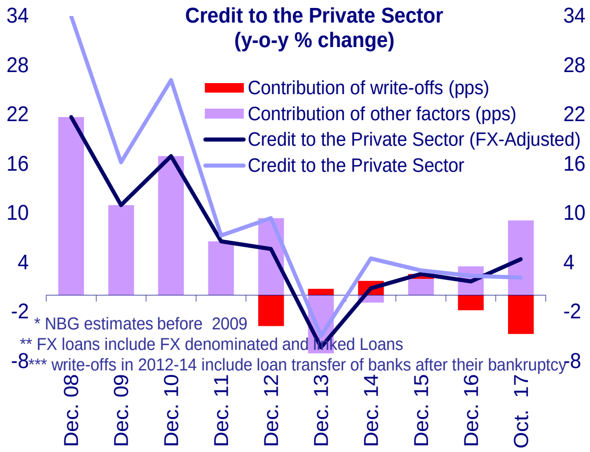
As a result, wage pressures are set to intensify in FY:18. However, this is not a cause for concern. Indeed, with total hourly costs being one-sixth of the EU-28 average, competitiveness remains strong as reflected in the large current account surplus (projected at 4.5% of GDP in FY:17 and 3.2% in FY:18).

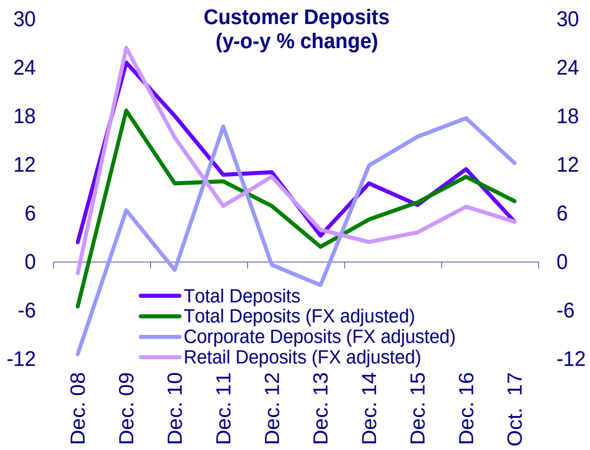
Tourism activity remained strong in 9M:17, sustaining economic growth and the current account surplus. Tourist arrivals rose by 9.7% y-o-y in 9M:17 against 13.8% in FY:16. The slowdown is largely attributed to the gradual return of tourists from the EU to Turkey and Egypt, mainly due to easing domestic security concerns. Indeed, tourist arrivals from the EU (excl. the UK, accounting for 55.9% of total arrivals in FY:16) rose by 10.6% y-o-y in 9M:17 against an increase of 18.7% in FY:16. This deceleration was, however, tempered by an increase in arrivals from outside the EU (especially Turkey, Ukraine and Serbia, up by a combined 10.0% y-o-y in 9M:17 against 4.7% in FY:16, and accounting for 20.2% of total arrivals in FY:16) and the UK (up 26.1% y-o-y in 9M:17 against 12.7% in FY:16, and accounting for 2.7% of total arrivals in FY:16). On a negative note, tourism receipts rose by 9.7% y-o-y in 9M:17 against 15.7% in FY:16, pointing to a stabilization in spending per tourist.

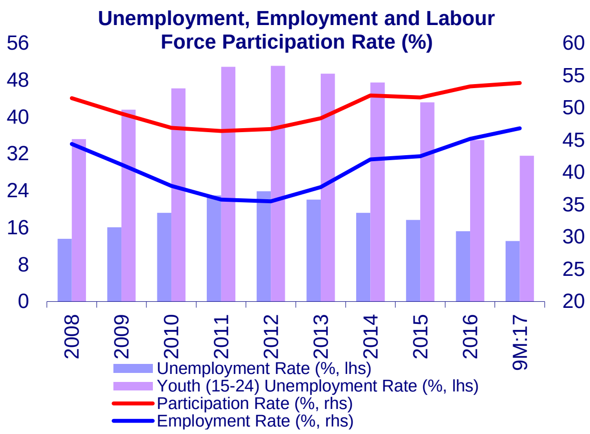
Looking ahead, in view of the country's price competitiveness, we expect tourism activity to remain strong, sustaining economic growth (the tourism sector contributes c. 13.0% and 12.0%, respectively, to GDP and employment according to the World Travel & Tourism Council) and the current account surplus. The increase in the number of direct flights, mostly low-cost charters from northern and western Europe, will also support tourism. Note that strong tourism activity has led to a significant staff shortage in the sector, with the Government having relaxed employment regulations earlier this year so as to attract workers from non-EU countries. All said, we see tourist arrivals rising by 9.0% (to 11.6mn) in FY:17 and another 7.5% (to 12.4mn) in FY:18, with receipts growing at a broadly equal pace, to EUR 3.6bn (7.0% of GDP) in FY:17 and EUR 3.9bn (7.2% of GDP) in FY:18.

Serbia

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







	18 Dec.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.9	3.2	3.4	3.8
RSD/EUR	118.6	119.8	120.0	120.3
Sov. Spread (2021, bps)	123	123	122	120

	18 Dec.	1-W %	YTD %	2-Y %
BELEX-15	746	0.3	4.1	17.4

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	0.8	2.8	2.0	3.6	3.6
Inflation (eop, %)	1.5	1.6	2.8	3.0	3.0
Cur. Acct. Bal. (% GDP)	-4.7	-4.0	-4.4	-4.3	-4.1
Fiscal Bal. (% GDP)	-3.7	-1.3	0.0	0.0	0.7

Credit growth (adjusted for FX movements) accelerated in 10M:17, reaching a 5-year high of 9.1% y-o-y in October (adjusted for write offs). Importantly, the strengthening in credit activity occurred despite sizeable write-offs, following the NBS regulation obliging banks by end-Q3:17 to transfer off-balance sheet NPLs that are 100% provisioned. In fact, write-offs amounted to 4.8% of the stock of loans at end-2016 in 10M:17 -- exceeding those in FY:16 by c.25%. Adjusting for write-offs, the loan book expanded at a pace of 9.1% y-o-y in October compared with an estimated 3.5% at end-2016 (adjusted for FX movements).

The underlying strengthening in lending activity reflects the increase in loan demand, supported by low (both LC and FC) lending interest rates. Indeed, the average blended lending rate on new loans fell to a historical low of 5.2% in 10M:17 from 5.8% in 10M:16 and 8.4% in 2014-15. The underlying improvement can also be attributed to easing credit standards by banks, mainly on the back of: i) strengthening asset quality (the NPL ratio declined to 12.2% in Q3:17 from a peak of 23.0% in Q3:14, returning to pre-crisis level of 10.2% in Q3:08) and ii) the improving economic outlook.

FX-adjusted customer deposit growth moderated slightly in October, to a still strong 7.5% y-o-y from a post-crisis peak of 10.5% at end-2016. The deceleration in (FX adjusted) overall deposits in 10M:17 followed 3 successive years of strong acceleration. Importantly, despite their slowdown in 10M:17, (FX adjusted) overall deposits posted the second strongest growth rate in the past 6 years (see chart). The robust deposit growth in 10M:17 was supported by tightening labour market conditions as well as buoyant exports.

The unemployment rate declined further to 13.1% in 9M:17. The unemployment rate fell markedly by 2.9 pps y-o-y to a still high 13.1% in 9M:17 -- almost half its peak of 23.9% in FY:12 and slightly below its pre-crisis low of 13.6% in FY:08. The significant improvement was mainly driven by the continued recovery in employment, for a 5th successive year. In fact, employment rose by 3.3% y-o-y in 9M:17, following an average annual rise of 5.2% in 2013-16. The sustained rise was driven by the services and industry sectors (up by 4.3% and 8.5% y-o-y, respectively, in 9M:17). Employment has been boosted by strengthening economic growth (excluding agriculture, GDP accelerated to 2.6% y-o-y in 9M:17 from 2.3% in FY:16). The increase in overall employment would have been stronger had the (labour-intensive) agricultural and construction sectors not suffered from severe weather conditions (the number of employees in agriculture and construction declined by 4.0% and 1.3% y-o-y, respectively, in 9M:17).

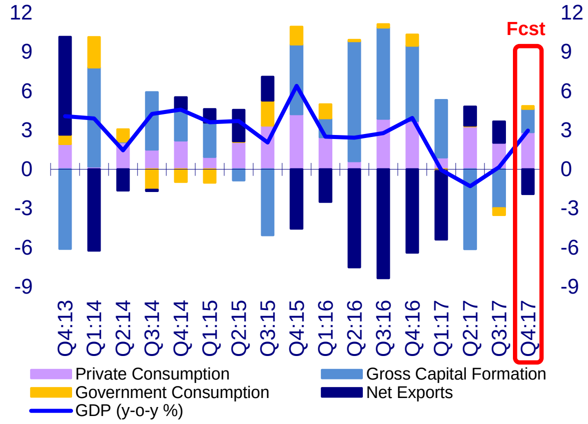
Importantly, albeit still remaining large, labour market slack has declined significantly during the past 5 years. In fact, the employment rate, rose by 1.7 pps y-o-y to 46.8% in 9M:17 from 45.2% in FY:16 and a trough of 35.5% in FY:12 -- exceeding its pre-crisis high of 44.4% in FY:08. Moreover, the labour force participation rate rose to 53.9% in 9M:17 from 53.3% in FY:16 and a trough of 46.4% in FY:11 -- well above its pre-crisis level of 51.5% in FY:08. The improvement was the result of a series of Government measures, aiming *inter alia* to: i) strengthen the capacities of local employment offices; ii) provide incentives for self-employment, hiring those who have been unemployed for more than 6 months, and setting up retraining programmes; and iii) make the labour market more flexible.

Not surprisingly, declining unemployment and improved employment in 9M:17 have led to higher wage growth. In fact, nominal (net) wages increased by 4.6% y-o-y in 9M:17, following a rise of 3.7% in FY:16. Nevertheless, with rising inflation, real (net) wages moderated to 1.0% y-o-y in 9M:17 from 2.5% in FY:16.

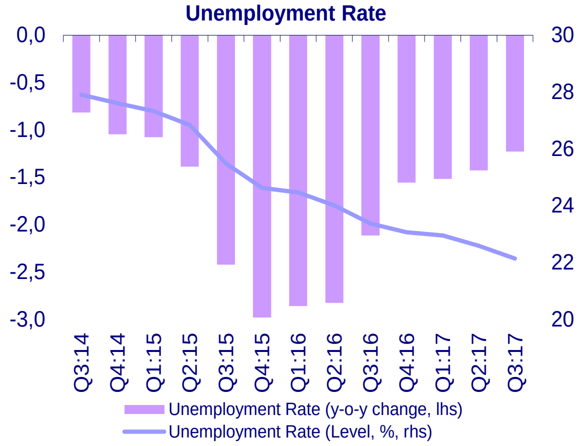
F.Y.R.O.M

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

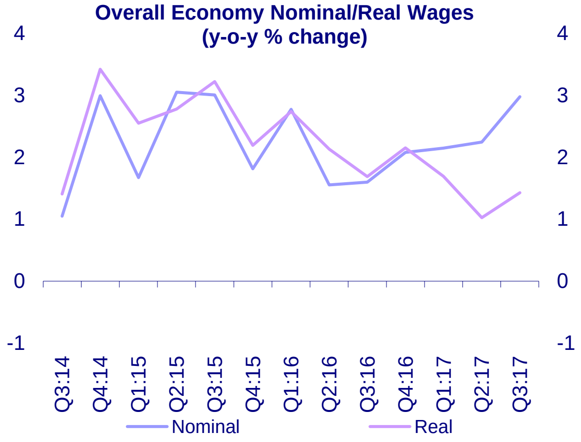
Contributions to Annual Real GDP Growth (pps)



Unemployment Rate



Overall Economy Nominal/Real Wages (y-o-y % change)



	18 Dec.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	218	220	210	200

	18 Dec.	1-W %	YTD %	2-Y %
MBI 100	2,502	-0.1	17.2	40.3

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.5	3.5	3.7
Inflation (eop. %)	-0.3	-0.2	1.2	1.6	2.0
Cur. Acct. Bal. (% GDP)	-1.9	-2.7	-2.2	-2.4	-2.5
Fiscal Bal. (% GDP)	-3.5	-2.7	-3.0	-3.0	-2.8

GDP growth returned to positive territory in Q3:17 (0.2% y-o-y), as the political situation normalizes. Economic activity rose slightly by 0.2% y-o-y in Q3:17, after having contracted by 0.7% y-o-y in H1:17. The recovery in Q3:17 reflects the fact that political and economic uncertainty had eased, with the formation of a new Government at end-May after 5 months of political vacuum. Indeed, in the period from late May when the SDSM-led coalition Government was formed until the mid-October local elections, political uncertainty remained high, as the new Government controls a slim majority in Parliament (62 out of 120 seats) and hinged on the support of four parties (3 of which are ethnic Albanians). Political uncertainty declined only after the mid-October local elections, when the new coalition Government secured a landslide victory (70 mayoral seats out of a total 81).

The recovery in economic activity in Q3:17 was driven by net exports. The contribution of net exports to overall growth turned positive in Q3:17 (1.6 pps against after having subtracted 1.8 pps in H1:17). This positive development was due to a significant slowdown in imports (up 2.1% y-o-y against an increase of 9.2% y-o-y in H1:17), which more than offset a milder moderation in exports (up 5.5% y-o-y in Q3:17 against a rise of 9.7% y-o-y in H1:17). The deceleration in imports in Q3:17 was in line with a contraction in investment and a likely drawdown in inventories.

The positive impact of external demand on Q3:17 growth was, however, contained by weaker domestic demand (subtracting 1.5 pps from headline growth after having contributed 1.1 pp in H1:17). Encouragingly, private consumption posted solid growth of 2.9% y-o-y in Q3:17, unchanged from H1:17, supported by tighter labour market conditions (see below) and robust consumer credit growth (up 10.6% y-o-y in Q3:17 in real terms). GCF (including gross fixed capital formation, changes in inventories and statistical discrepancies) remained a drag, shaving a sizeable 3.0 pps off overall growth in Q3:17, after having subtracted 1.0 pp in H1:17. Furthermore, public consumption was not supportive in Q3:17, subtracting 0.5 pps from overall growth after having been neutral in H1:17, due to an under-execution of goods and services spending.

Looking ahead, GDP growth set to rebound strongly in Q4:17 and FY:18. Overall, we see GDP growth at 0.5% in FY:17 (implying a growth rate of 3.0% in Q4:17) and a 3-year high of 3.5% in FY:18.

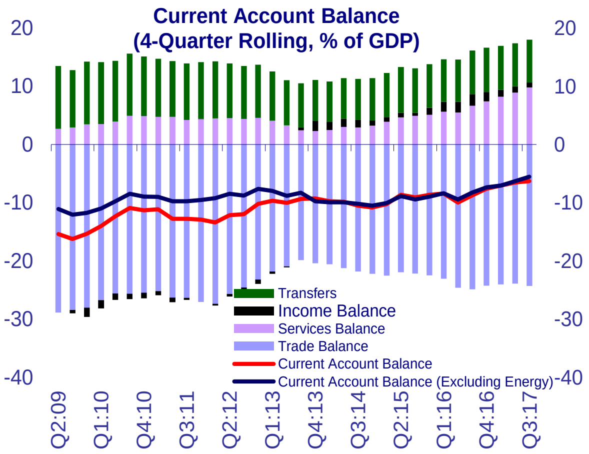
Labour market conditions to tighten further in Q4:17 and FY:18. The unemployment rate declined by 1.2 pps y-o-y to a historical low of 22.1% in Q3:17 (from 22.8% in H1:17). This positive performance reflects the fact that the employment rate (up 0.9 pps y-o-y to an all-time high of 44.2% in Q3:17) rose at a faster pace than the participation rate (0.2 pps y-o-y to 56.8%). The improvement in the employment rate in Q3:17 was driven by a significant rise in the number of new jobs (up 15.5k y-o-y or 2.1% y-o-y), supported by government-subsidized employment programmes. The improvement in employment was broad-based, with the sectors of services, industry and construction posting increases of 3.0% (11.6k), 2.9% (4.8k) and 1.4% y-o-y (0.4k y-o-y), respectively.

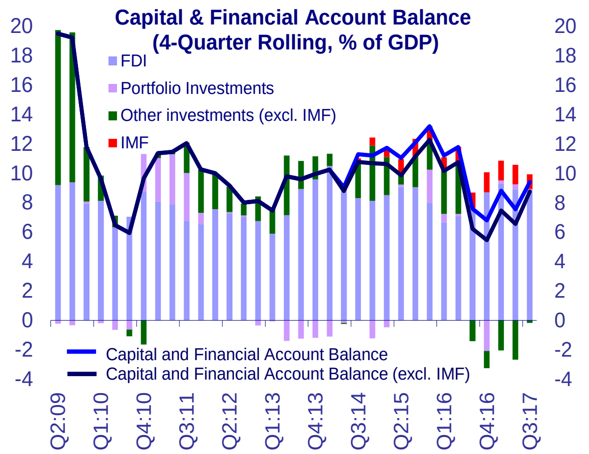
As a result, pressures on nominal wages intensified. Indeed, nominal wages rose by 3.0% y-o-y in Q3:17 compared with an increase of 2.2% y-o-y in H1:17. However, with inflation rising, real wage growth in Q3:17 remained unchanged from H1:17, at 1.4% y-o-y.

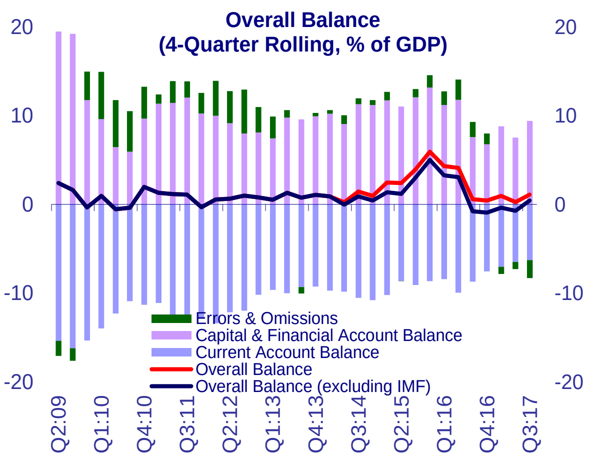
Looking ahead, we expect labour market conditions to tighten further, supported by a strong recovery in economic activity. Overall, we see the unemployment rate moderating from 23.7% in FY:16 to 22.3% in FY:17 and 20.5% in FY:18.

Albania

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







	18 Dec.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	132.9	132.3	131.7	130.7
Sov. Spread (bps)	198	195	190	180

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

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	2.2	3.4	4.0	4.3	4.2
Inflation (eop, %)	2.0	2.2	2.0	2.6	2.8
Cur. Acct. Bal. (% GDP)	-8.6	-7.6	-7.2	-6.8	-6.5
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-1.9	-1.8

The current account deficit (CAD) narrowed significantly on an annual basis in 9M:17, mainly on the back of a larger services surplus. The CAD declined by 1.4 pps y-o-y (to 4.5% of GDP) in 9M:17, due to a 2.1 pps of GDP y-o-y increase in the services surplus, reflecting higher transport and construction services, (related to the TAP project), and buoyant tourism activity.

The improvement in the CAD in 9M:17 was also supported by a lower trade deficit (down by 0.6 pps y-o-y). The positive performance of the trade balance reflects the strong double-digit growth in exports (up 18.1% y-o-y, in EUR terms in 9M:17, against a decline of 17.9% in 9M:16), on the back of a recovery in exports of oil, construction material and metals. On the other hand, imports rose at a slower pace (up 7.8% y-o-y in 9M:17 against an increase of 10.7% in 9M:16), despite: i) a high import-content of rebounding investments -- especially in the energy sector (namely TAP and the Statkraft/Devoll hydropower projects); ii) higher drought-related energy imports (prompting a deterioration in the energy balance by 0.5 pps of GDP y-o-y in 9M:17); and iii) the rebound in private consumption. In our view, the slowdown in imports could be attributed to a drawdown in inventories and should be reversed in Q4:17.

Overall, the 4-quarter rolling CAD narrowed to a 13-year low of 6.3% of GDP in Q3:17 from 7.6% in Q4:16.

The capital and financial account (CFA) surplus improved in 9M:17 and fully covered the CAD. The CFA surplus (excluding the IMF) rose by 3.1 pps y-o-y (to 5.6% of GDP) in 9M:17. Importantly, (net) FDIs remained strong (6.2% of GDP in 9M:17), more than covering the 9M:17 CAD. The CFA was also supported by: i) (net) portfolio inflows (1.1% of GDP in 9M:17 against outflows of 1.0% of GDP in 9M:16), in line with the increase in domestic paper yields (with the 2-year T-bill yield rising to 2.7% in 9M:17, after reaching a trough of 2.1% in 9M:16); and ii) (net) loan borrowing (0.4% of GDP in 9M:17 against net repayments of 0.4% of GDP in 9M:16).

However, despite the positive developments of the current account and the CFA in 9M:17, the overall balance turned negative (-0.9% of GDP), due to large (net) negative errors and omissions (-2.0% of GDP).

The CAD is set to narrow this year and next and be fully covered by large FDI and concessional loans. Looking ahead, we expect the CAD to widen by c. 1.0 pps of GDP y-o-y in Q4:17, reversing more than half of the 9M:17 gains, on the back of a normalization in import growth. Overall, we see the CAD narrowing for a third consecutive year to 7.2% of GDP in FY:17 from 7.6% in FY:16 and a peak of 10.6% in FY:14.

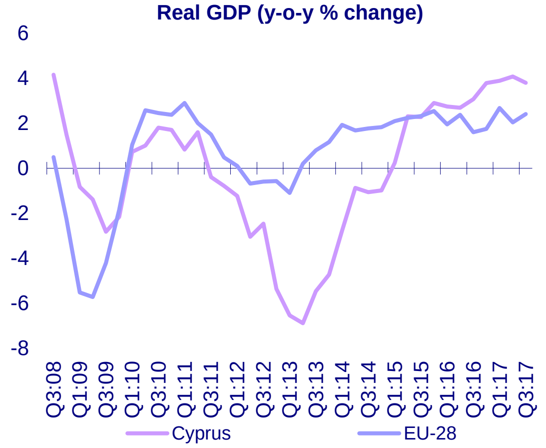
Regarding financing, projecting that the bulk (almost 100%) of the FY:17 CAD will be covered by FDI inflows, we see an external financing gap of EUR 194mn (1.7% of GDP), which will, however, be more than met by sizeable IFI support of 2.2% of GDP in FY:17 (of which ⅔ was already disbursed in 9M:17). Should our forecast materialise, FX reserves would rise by EUR 65mn y-o-y to EUR 3.0bn at end-2017.

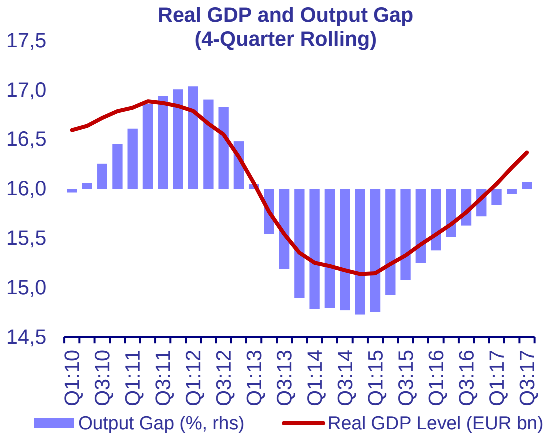
For 2018, the CAD is set to continue on its downward trend, narrowing by 0.4 pps to 6.8% of GDP. The expected improvement in FY:18 should result from lower imports related to energy projects (contributing 1.7 pps of GDP to the FY:18 CAD against 3.0 pps in FY:17, according to the IMF), as the largest part of TAP is set to be achieved in FY:17.

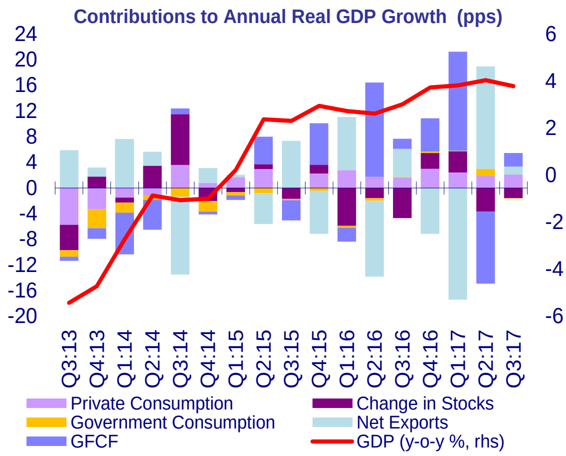
Regarding financing, the expected FY:18 CAD should be fully covered by FDIs, despite their slowdown (by 0.7 pps y-o-y to 8.0% of GDP), following the completion of energy projects. Projecting zero other (net) inflows in FY:18, the expected IFI support (c. 0.5% of GDP) should boost FX reserves by EUR 88mn y-o-y to EUR 3.1bn (7months of GNFS imports) at end-2018.

Cyprus

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







	18 Dec.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.18	1.19	1.18	1.20
Sov. Spread (2020. bps)	131	110	100	80

	18 Dec.	1-W %	YTD %	2-Y %
CSE Index	69	-1.5	4.3	4.7

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	3.0	3.7	3.4	3.2
Inflation (eop. %)	-1.0	-0.3	0.2	0.8	1.2
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-3.8	-3.0	-3.2
Fiscal Bal. (% GDP)	-1.2	0.4	1.5	1.5	1.8

Economic growth on track to reach a pre-crisis high in 2017 of 3.7%. In Q3:17, the seasonally-adjusted real GDP rose by a solid 0.9% q-o-q , similar to the past 2 quarters. As a result, the annual pace of economic expansion stood at 3.8% y-o-y in Q3:17 – broadly unchanged from H1:17, and comparing favourably with the EU-28 outcome of 2.4% (in Q3:17). Importantly, with the strong Q3:17 outcome, the (4-quarter rolling) real GDP reached a 5-year high and is set to surpass its pre-crisis record-high in mid-2018, while the output gap turned positive for the fist time in 4½ years in Q3:17.

The strong growth performance in Q3:17 was driven by net exports. GDP growth remained at 3.8% y-o-y between H1:17 and Q3:17, as stronger net exports (including and excluding ships) compensated for a slowdown in domestic absorption and a larger drawdown in inventories.

Indeed, excluding ships, net exports contributed 1.6 pps to headline growth in Q3:17, after having subtracted 3.1 pps in H1:17. Specifically, export growth accelerated to 7.1% y-o-y in Q3:17 from 6.0% y-o-y in H1:17, supported by buoyant tourism activity and other services. On the other hand, import growth moderated in Q3:17 to 5.8% y-o-y from 12.2% y-o-y in H1:17, due to a slowdown in fixed investment (see below) and a larger inventory depletion (shaving 1.6 pps off overall growth after having subtracted 0.3 pps in H1:17). Including ships, the contribution of net exports to Q3:17 headline growth, although moderating, remained positive at 1.3 pps.

On the other hand, domestic absorption, excluding ships, saw its contribution to overall growth easing significantly in Q3:17 to 3.7 pps from 7.3 pps in H1:17, mainly due to a slowdown in fixed investment (up 12.9% y-o-y following a sharp rise of 33.2% y-o-y in H1:17). Including ships, the contribution of domestic absorption to Q3:17 overall growth was higher, at 4.1 pps, reflecting higher mostly-imported (net) investments in shipping.

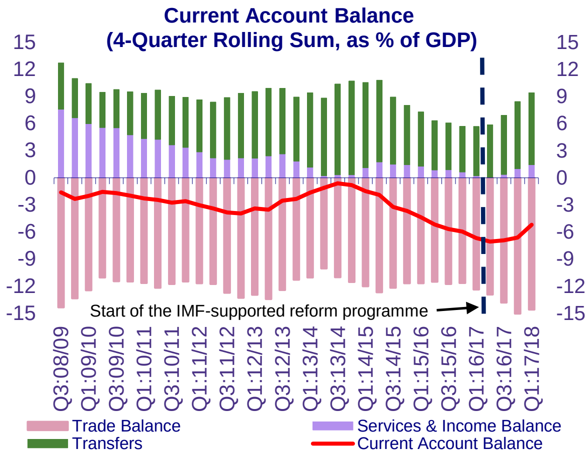
Encouragingly, private consumption continued to support growth in Q3:17 (contributing 2.1 pps, as in H1:17), benefiting from higher real disposable income, in line with improving labour market conditions, and stronger consumer confidence. However, with a tighter fiscal stance in Q3:17, public consumption became a drag on GDP growth (-0.1 pp against a contribution of 0.3 pps in H1:17).

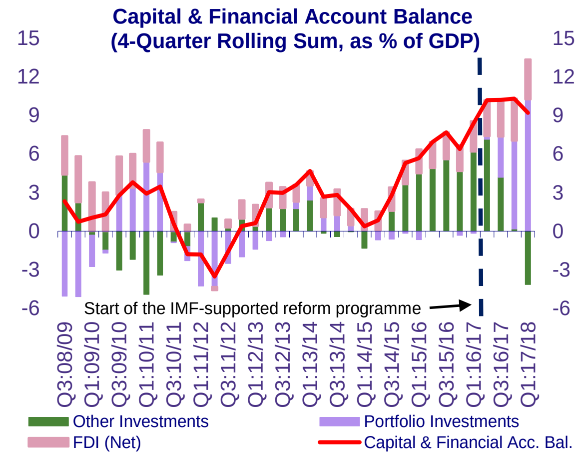
Economic activity to grow at a robust, albeit moderating pace, in Q4:17 and FY:18. Looking ahead, we expect economic activity to slow to 3.2% y-o-y in Q4:17, on the back of further weakening of domestic demand and, to a lesser extent, base effects from a strong investment-driven Q4:16 performance. Private consumption should start to slow in Q4:17, due to increased debt servicing stemming from increased household debt servicing, in line with banks' more aggressive restructuring,. Overall, we expect GDP growth to accelerate to a post-crisis high of 3.7% in FY:17 -- up from 3.0% in FY:16.

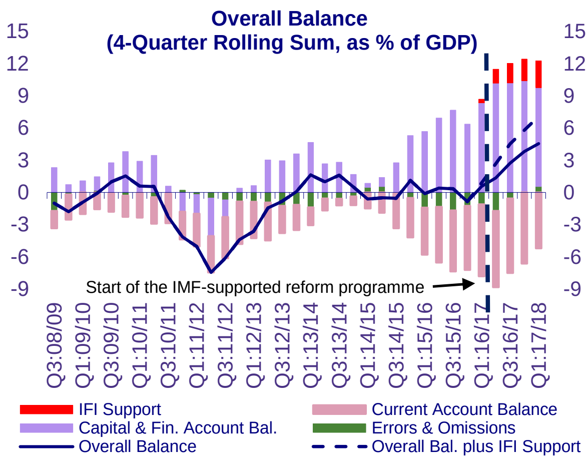
For FY:18, we see GDP growth moderating to a still solid 3.4%. The deceleration should result mainly from weaker private consumption and less buoyant tourism activity. The latter will be hindered by a significant slowdown in tourist arrivals from Russia and the UK -- the island's main source countries (c. 60% of total) – due to the resumption of Russian and UK flights to neighbouring Egypt after a ban of more than 2 years that followed the bombing of a Russian tourist jet. Indeed, due to improved security conditions, the UK's Department for Transport recommended in September that the ban be lifted, and a cooperation agreement on civil aviation security was signed between Russia and Egypt in the past week, in preparation for the resumption of direct flights between the two countries in February 2018.

Egypt

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







	18 Dec.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	18.8	19.0	18.0	17.0
EGP/USD	17.8	17.8	18.0	18.0
Sov. Spread (2020. bps)	182	196	190	180

	18 Dec.	1-W %	YTD %	2-Y %
HERMES 100	1,427	3.0	31.0	136.7

	14/15	15/16	16/17E	17/18F	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	4.6	5.2
Inflation (eop. %)	11.4	14.0	29.8	13.5	9.8
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.6	-5.4	-4.4
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.5	-8.2

External adjustment accelerated in Q1:17/18, mainly due to the positive effects from the flotation of the EGP in early-November 2016, with the quarterly current account deficit (CAD) narrowing by 0.9 pps y-o-y to (a 3-year low of) 0.7% of GDP. The quarterly CAD narrowed by 0.9 pps y-o-y to (a 3-year low of) 0.7% of GDP in Q1:17/18 (July-September 2017), following 3 successive quarters of improvement (averaging 0.2 pps of GDP y-o-y), largely supported by the flotation of the domestic currency in mid-Q2:16/17, ahead of the signing of the IMF-supported 3-year economic programme.

The significant improvement in the current account in Q1:17/18 was mainly driven by tourist receipts and workers' remittances from abroad. Indeed, tourist receipts rose by 0.9 pps y-o-y to 1.1% of GDP in Q1:17/18, due not only to more competitive prices (the EGP had depreciated against the USD by c. 50.0% y-o-y in Q1:17/18 and c. 52.0% y-o-y since the flotation), but also to the removal of travel bans and/or warnings by key source countries – with the exception of Russia and the UK -- following a significant improvement in security conditions. Moreover, workers' remittances increased by 1.1 pp y-o-y to a 3½-year high of 2.5% of GDP in Q1:17/18, continuing on the upward trend started in Q2:16/17, when the Central Bank decided to float the domestic currency. In fact, before the flotation, remittances through the banking sector had been hindered by the attractive rates offered in the flourishing parallel FX market (where the USD was traded at a premium of c. 40.0% over its official rate of EGP 8.88 in early-Q2:16/17).

On a negative note, although the trade deficit narrowed in absolute terms by 5.0% y-o-y in USD terms in Q1:17/18, it widened as a percentage of GDP by 0.7 pps y-o-y, due to the sharp decline in nominal GDP in USD terms (down c. 22.0%), tempering the improvement in the CAD (as a percentage of GDP). Specifically, overall exports rose significantly by 11%, while overall imports remained broadly flat (up 0.7%) in Q1:17/18.

The capital and financial account (CFA), excluding IFI support, also improved in Q1:17/18 and more than covered the CAD. The CFA surplus, excluding IFI support, strengthened by 0.2 pps y-o-y to 2.1% of GDP Q1:17/18, underpinned by the return of foreign investor confidence in the Egyptian economy following the solid implementation of the loan agreement with the IMF (signed in mid-Q2:16/17). Importantly, net portfolio investment inflows turned positive (3.1% of GDP) in Q1:17/18 from negative (-0.3% of GDP) in the same quarter a year ago, due almost exclusively to large investment by foreigners in the very attractive domestic debt market. The sharp improvement in net portfolio inflows compensated for a large drop in (net) other investment inflows, mainly deposits from Gulf countries at the CBE and short-term deposits at domestic banks by foreign banks. As a result and accounting for (positive) net errors & omissions (0.2% of GDP), the overall balance improved by 1.3 pps y-o-y to a surplus of 1.6% of GDP in Q1:17/18. This, combined with IFI support (USD 1.3bn or 0.45 of GDP from the IMF) and valuation effects, brought FX reserves to an all-time high of USD 36.5bn in Q1:17/18 (7.2 months of imports of GNFS) – slightly higher than the high of USD 36.0bn in December 2010.

Looking ahead, we expect the CAD to continue to narrow during the rest of the fiscal year, albeit at a slower pace, as the increasingly favourable "J-curve" effect is set to be tempered by the normalization of workers' remittances and tourism receipts, as well as higher repatriation of profits by both oil and non-oil foreign companies operating in Egypt. Overall, we see the CAD easing to 5.4% of GDP in FY:17/18 from a 34-year high of 6.6% in FY:16/17.

FOREIGN EXCHANGE MARKETS, DECEMBER 18TH 2017

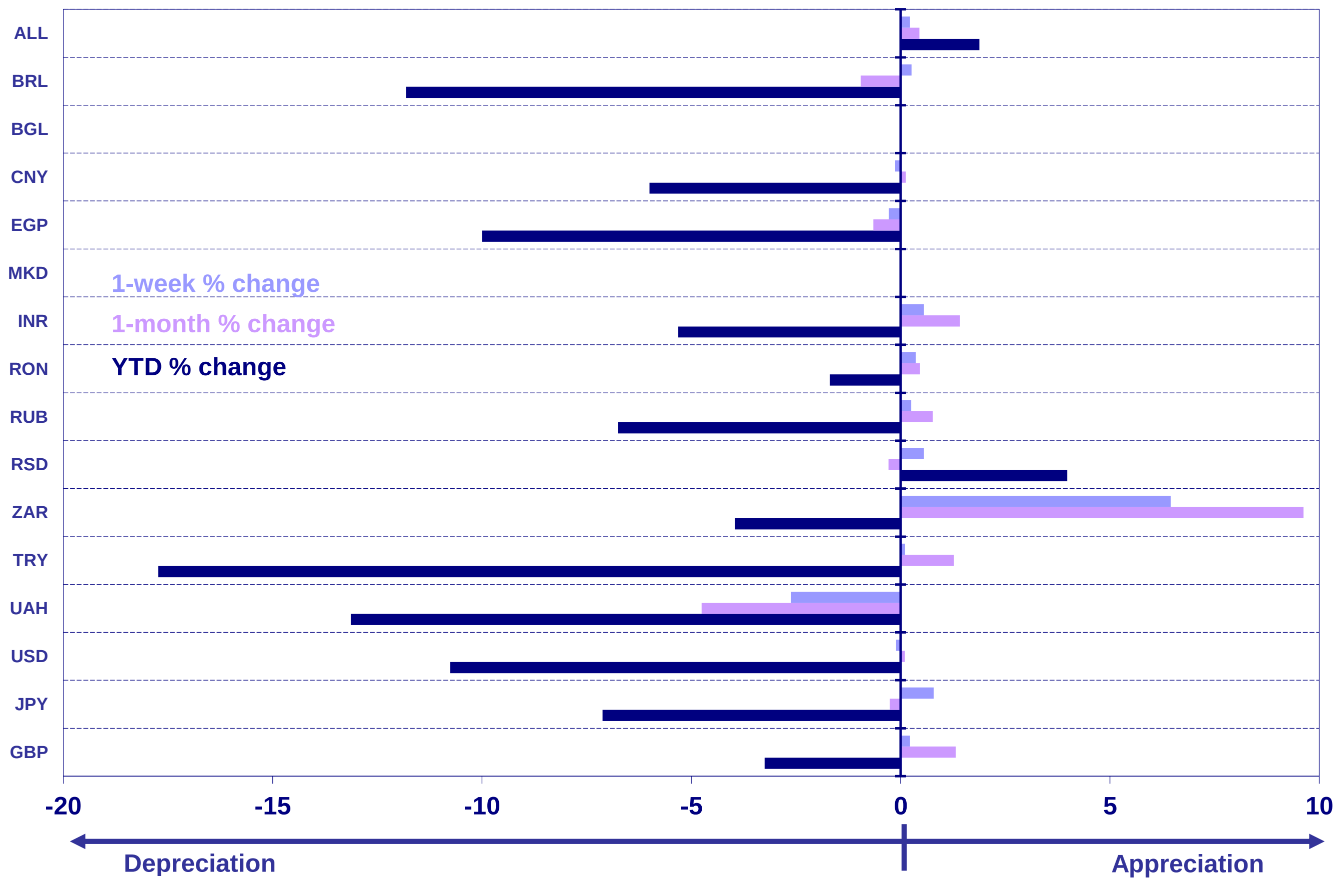
Against the EUR

	Currency	2017										2016	2015
		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	132.9	0.2	0.5	1.9	1.2	132.1	137.3	133.3	133.2	132.8	1.2	2.0
Brazil	BRL	3.88	0.3	-1.0	-11.8	-9.8	3.23	3.96	4.16	4.15	4.15	25.7	-25.2
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	7.80	-0.1	0.1	-6.0	-7.3	7.20	7.99	8.20	8.20	8.18	-4.0	6.7
Egypt	EGP	20.97	-0.3	-0.6	-10.0	-5.7	16.62	21.29	- - -	- - -	- - -	-55.0	2.1
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	75.5	0.6	1.4	-5.3	-6.2	68.2	77.8	80.7	- - -	- - -	0.4	6.6
Romania	RON	4.61	0.4	0.5	-1.7	-2.1	4.49	4.66	4.65	4.66	4.77	-0.4	-0.8
Russia	RUB	69.1	0.3	0.8	-6.8	-7.0	59.5	72.1	70.3	71.6	74.1	22.9	-15.1
Serbia	RSD	118.6	0.6	-0.3	4.0	4.2	0.1	124.1	119.2	119.5	- - -	-1.5	-0.1
S. Africa	ZAR	15.0	6.5	9.6	-4.0	-2.3	13.38	17.06	15.3	15.6	16.3	16.2	-16.6
Turkey	YTL	4.51	0.1	1.3	-17.7	-18.7	3.70	4.72	4.66	4.83	5.18	-14.7	-10.8
Ukraine	UAH	32.8	-2.6	-4.8	-13.1	-16.6	27.22	32.85	38.6	- - -	- - -	-8.6	-27.5
US	USD	1.18	-0.1	0.1	-10.8	-11.7	1.0	1.2	1.19	1.19	1.21	3.3	11.4
JAPAN	JPY	132.6	0.8	-0.3	-7.1	-8.2	114.9	134.5	132.8	132.8	133.0	6.0	11.0
UK	GBP	0.88	0.2	1.3	-3.2	-4.7	0.8	0.9	0.88	0.88	0.89	-13.5	5.3

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (December 18th 2017)



MONEY MARKETS, DECEMBER 18TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	6.9	-0.1	2.7	- - -	18.8	- - -	- - -	1.0	8.0	- - -	13.4	8.8	13.8	- - -	1.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.0	7.8	2.5	- - -	6.2	- - -	- - -	- - -
S/W	1.4	6.9	-0.1	2.9	-0.4	- - -	1.2	- - -	- - -	6.7	2.5	- - -	6.7	14.5	-0.4	1.5
1-Month	1.6	6.9	0.0	4.6	-0.4	- - -	1.5	6.3	2.0	7.8	2.9	14.3	7.8	16.2	-0.4	1.5
2-Month	- - -	6.9	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	8.5	3.0	14.4	7.8	- - -	-0.3	1.5
3-Month	2.1	6.8	0.1	4.8	-0.3	- - -	1.7	6.5	2.1	7.6	3.1	14.9	8.6	17.3	-0.3	1.6
6-Month	2.5	6.7	0.2	4.8	-0.3	- - -	2.0	- - -	2.3	7.7	3.3	15.1	7.9	- - -	-0.3	1.8
1-Year	3.1	6.9	0.6	4.7	-0.2	- - -	2.4	- - -	2.4	8.2	- - -	15.2	8.5	- - -	-0.2	2.1

LOCAL DEBT MARKETS, DECEMBER 18TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	18.9	- - -	6.2	- - -	7.7	3.3	12.1	- - -	- - -	-1.0	1.3
6-Month	2.0	- - -	- - -	- - -	- - -	18.6	1.5	6.3	2.1	7.7	3.3	13.1	- - -	- - -	-0.9	1.5
12-Month	2.5	- - -	-0.1	3.8	- - -	18.0	1.9	6.4	2.5	7.1	3.5	13.3	- - -	14.7	-0.8	1.7
2-Year	3.1	- - -	- - -	3.8	- - -	- - -	- - -	6.6	3.0	7.1	- - -	13.1	7.7	- - -	-0.7	1.8
3-Year	- - -	- - -	0.1	3.8	0.8	- - -	- - -	6.9	3.5	7.1	- - -	13.0	7.9	14.9	-0.6	1.9
5-Year	- - -	10.0	- - -	3.9	0.9	16.1	- - -	7.0	3.9	7.2	4.8	12.6	8.2	- - -	-0.3	2.2
7-Year	- - -	- - -	0.5	- - -	- - -	16.1	- - -	7.2	4.1	7.4	- - -	- - -	- - -	- - -	-0.1	2.3
10-Year	- - -	10.5	1.3	3.9	- - -	16.2	- - -	7.2	4.4	7.6	- - -	11.9	8.9	- - -	0.3	2.4
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.5	- - -	7.8	- - -	- - -	9.9	- - -	0.5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.5	- - -	- - -	- - -	- - -	9.8	- - -	1.1	2.7

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

CORPORATE BONDS SUMMARY, DECEMBER 18TH 2017

		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	1.2	204	156
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	6.7	665	- - -
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	8.3	122	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	8.3	121	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.4	155	132
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	108	57
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.2	289	249
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.1	179	139
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.2	263	219
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.9	376	366

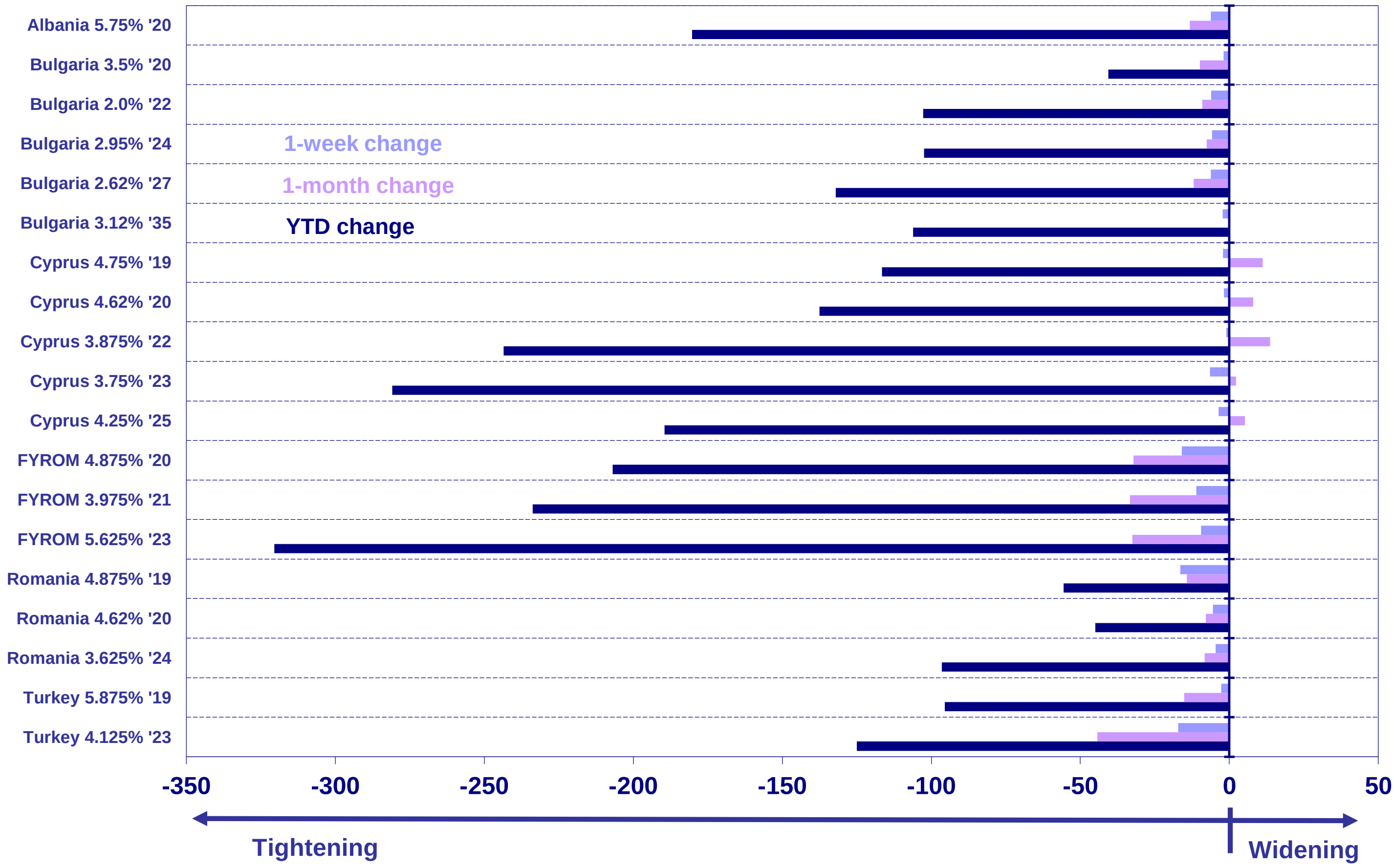
CREDIT DEFAULT SWAP SPREADS, DECEMBER 18TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	162	90	53	115	350	- - -	80	96	121	129	168	160	- - -
10-Year	- - -	253	129	93	162	398	- - -	89	140	192	165	254	253	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, DECEMBER 18TH 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.4	198	157
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	82	32
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.0	43	-14
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	0.6	68	21
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.1	76	41
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.2	141	105
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	199	0.4	107	69
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	668	0.6	131	83
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	0.9	140	88
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	1.1	131	90
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	1.6	154	113
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	1.5	205	161
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.7	218	422
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.6	284	254
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	-0.1	61	14
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	58	9
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.1	116	77
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.7	152	104
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.5	270	233

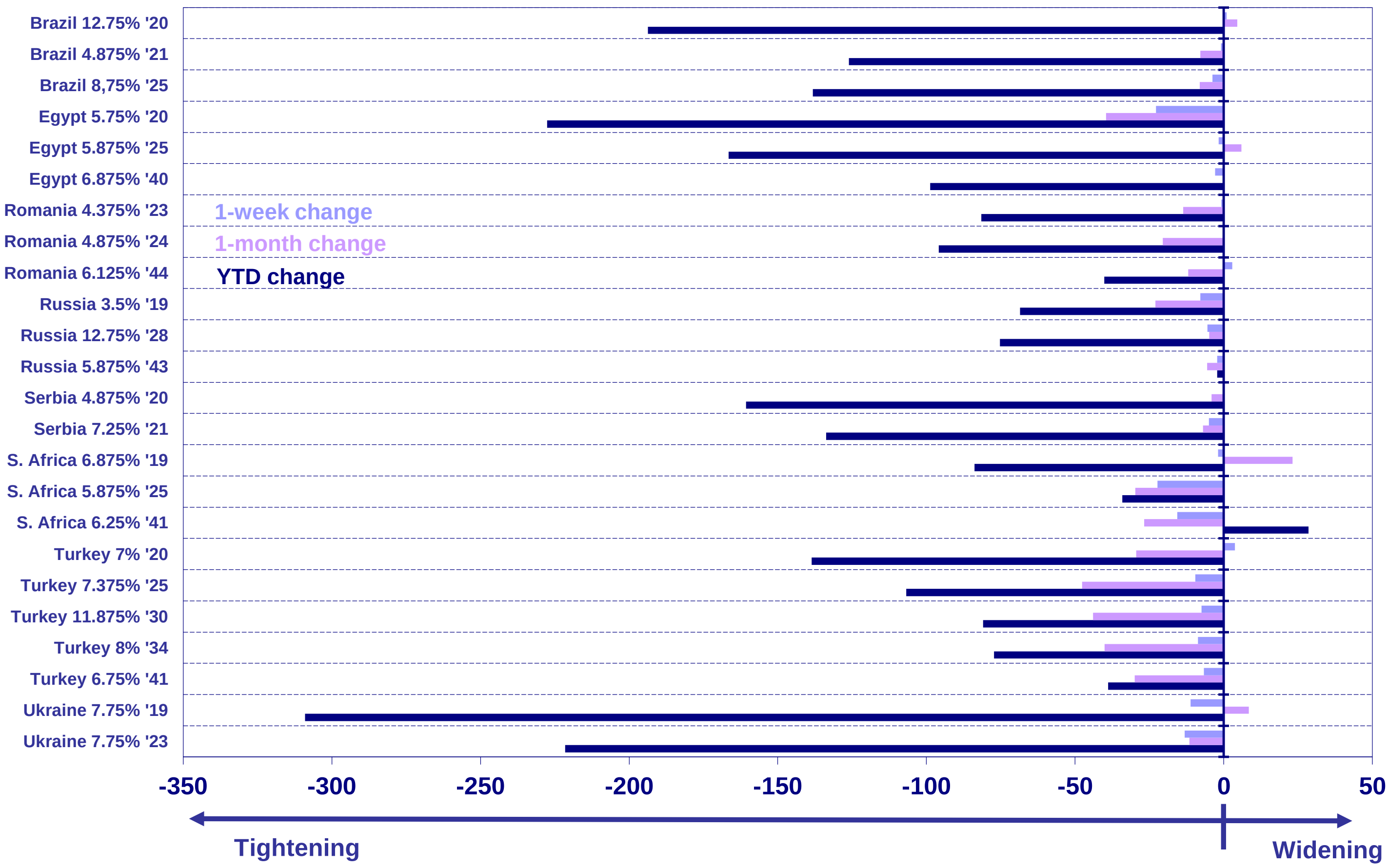
EUR-Denominated Eurobond Spreads (December 18th 2017)



USD-Denominated Sovereign Eurobond Summary, December 18th 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	87	2.1	25	6
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,713	2.8	86	71
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	688	4.0	168	197
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	3.7	182	161
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	5.6	334	332
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	6.8	405	422
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.1	88	83
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.0	73	82
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.3	153	203
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.4	72	53
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.1	166	237
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.8	204	245
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.0	119	98
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.2	123	108
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	3.0	126	103
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.5	215	222
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.5	276	311
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.7	181	163
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	4.9	256	276
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.4	301	395
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.8	341	373
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	5.9	318	335
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	661	4.8	297	283
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	6.4	425	426

USD-Denominated Eurobond Spreads (December 18th 2017)



STOCK MARKETS PERFORMANCE, DECEMBER 18TH 2017

	2017								2016		2015	
	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)	73,115	0.4	-0.4	21.4	28.0	59,371	78,024	6.8	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	662	-0.5	-1.0	12.9	15.1	583	733	12.9	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,268	-1.6	-3.4	5.3	4.8	3,017	3,450	-1.4	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	69	-1.5	-3.3	4.3	5.5	65	79	4.3	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,427	3.0	8.5	31.0	35.1	1,071	1,425	17.1	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,502	-0.1	-3.2	17.2	18.5	2,135	2,706	17.2	16.5	16.5	-0.6	-0.6
India (SENSEX)	33,602	0.4	0.8	26.2	27.4	25,754	33,866	19.2	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,635	0.3	-0.4	21.6	22.8	1,365	1,666	19.6	0.2	0.0	2.6	1.6
Russia (RTS)	4,212	-0.6	-2.0	-14.4	-14.0	3,838	5,089	-20.2	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	746	0.3	1.5	4.1	3.9	694	753	8.2	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	57,707	-0.5	-4.0	13.9	15.7	50,338	61,299	9.4	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	110,248	1.0	3.8	41.1	42.9	75,657	115,093	16.1	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	310	1.9	2.2	16.8	17.5	265	310	1.5	10.2	1.0	-37.8	-54.8
MSCI EMF	1,130	0.9	-0.5	31.1	32.8	858	1,161	17.0	8.6	12.2	-17.0	-6.9
MSCI EAFE	2,038	1.1	2.6	21.0	21.7	1,677	2,023	8.0	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	784	6.1	10.0	21.8	24.8	602	860	21.8	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	13,312	1.4	2.5	16.0	16.5	11,415	13,526	16.0	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,537	1.1	2.1	5.5	7.4	7,094	7,599	2.1	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	24,792	1.7	6.1	25.5	24.7	19,678	24,689	11.9	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,690	1.1	4.3	20.2	18.9	2,245	2,680	7.2	9.5	13.2	-0.7	10.6

Equity Indices (December 18th 2017)