Economic Analysis Division
Emerging Markets Analysis
Bi-Weekly Report

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Emerging Markets Analysis

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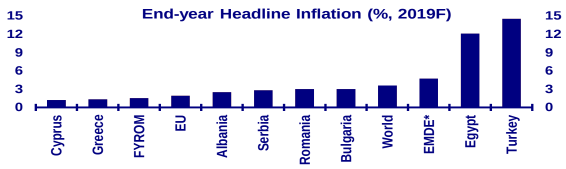
* EMDE: Emerging Market & Developing Economies



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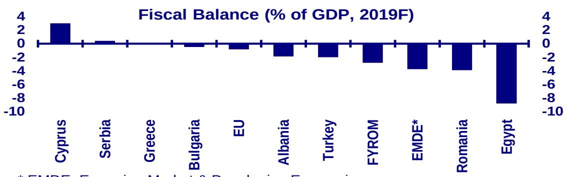

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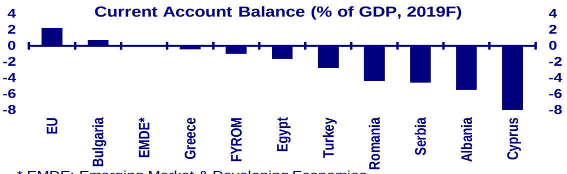

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TURKEY 1

End-year headline inflation to decline from a 16-year high of 20.3% y-o-y in 2018 to 14.5% in 2019

The CBRT set to maintain its key policy rate on hold at 24.0%% at least until May, before initiating a new cycle of monetary policy easing

Lending activity (FX-adjusted) slowed significantly in 2018, mainly due to the August currency crisis

Customer deposits (FX-adjusted) decelerated markedly in 2018, hampered by weakening confidence in the domestic economy

ROMANIA 2

The banking sector's bottom line improved further in Q3:18, due to a slowdown in provisioning and, to a lesser extent, higher NII

Profitability to be hit significantly by a controversial tax

BULGARIA 3

The profitability of the banking system improved sharply in Q3:18, mainly on the back of lower provisioning

Stronger pre-provision income is set to sustain profitability in 2019

SERBIA 4

GDP growth is estimated to have rebounded to a post-global crisis high of 4.3% in FY:18 from 2.0% in FY:17

The IMF Executive Board completed the 1st review of the 30-month (non-financing) PCI

Serbia opened two additional Chapters in EU accession talks

FYROM 5

Parliament agreed to change the country's name to the Republic of North Macedonia, paving the way for the start of EU membership talks and joining NATO

Headline inflation decelerated to 0.9% y-o-y at end-2018 from 2.4% at end-2017, mainly due to a significant moderation in core inflation

The unemployment rate is estimated to have declined to a record low of 21.0% in FY:18, underpinned by economic recovery and active labour market policies

ALBANIA 6

The current account deficit is estimated to have continued on its downward trend, for a 4th consecutive year, narrowing to a 12-year low of 6.6% of GDP in FY:18 from 7.5% in FY:17

The current account deficit is set to narrow further this year and be fully covered through large FDIs

CYPRUS 7

End-year headline inflation turned positive for the first time in 6 years in 2018 at 1.7% y-o-y

The current account deficit narrowed to 1.6% of GDP in 9M:18 from a 3-year high of 2.3% in 9M:17, due to a favourable ship trade balance

EGYPT 8

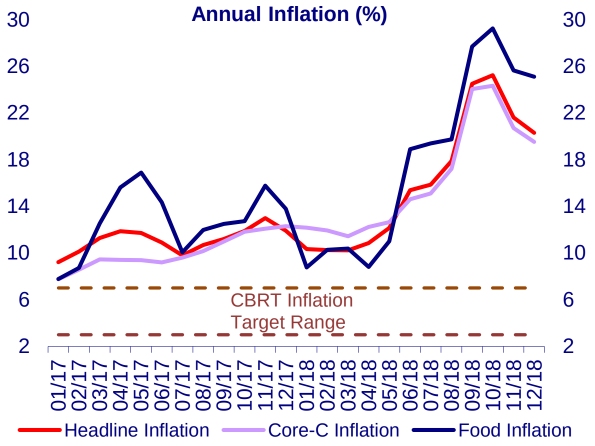
External adjustment continued for a 7th consecutive quarter in Q1:18/19, with the 4-quarter rolling current account deficit easing to 2.3% of GDP from a 3½-decade high of 7.2% in Q2:16/17

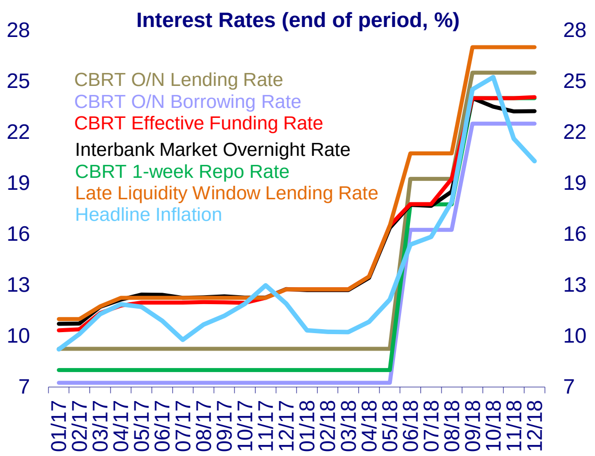
The capital and financial account balance, excluding IMF support, turned into deficit in Q1:18/19, hindered by the withdrawal of foreign investors from the domestic debt market

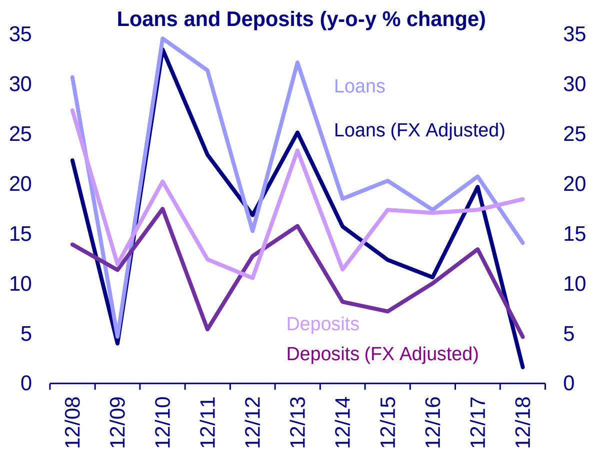
APPENDIX: FINANCIAL MARKETS 9

Turkey

BB- / Ba2 / BB (S&P/ Moody's / Fitch)







	14 Jan.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	24.6	23.5	22.0	18.5
TRY/EUR	6.24	6.30	6.60	6.80
Sov. Spread (2020, bps)	348	325	310	280

	14 Jan.	1-W %	YTD %	2-Y %
ISE 100	92,054	2.3	1.8	12.9

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	3.2	7.4	2.5	0.2	3.0
Inflation (eop, %)	8.5	11.9	21.0	14.5	11.5
Cur. Acct. Bal. (% GDP)	-3.8	-5.6	-3.6	-2.8	-3.6
Fiscal Bal. (% GDP)	-1.1	-1.5	-2.0	-2.0	-2.0

End-year headline inflation to decline from a 16-year high of 20.3% y-o-y in 2018 to 14.5% in 2019. End-year headline inflation rose to 20.3% y-o-y in 2018 from 11.9% in 2017, mainly due to a sharp acceleration in food prices and a significant rise in core inflation. Indeed, food prices (comprising 23.0% of the CPI basket) rose by 25.1% y-o-y in December 2018 compared with 13.8% a year earlier. Moreover, the CBRT's favourite core inflation measure, CPI-C, rose sharply to a 14-year high of 19.5% y-o-y in December 2018 from 12.3% a year earlier, on the back of a strong pass-through from a weaker TRY (the depreciation of the TRY against the equally-weighted EUR-USD basket stood at 26.3% y-o-y in December). End-2018 headline inflation would have been even higher had domestic demand not weakened throughout the year and had the Government not initiated temporary tax cuts (on automotive, white goods and furniture) and a 10% discount campaign in early-October.

Looking ahead, we expect headline inflation to decline to 14.5% y-o-y at end-2019 from 20.3% at end-2018, mainly supported by: i) a gradual normalization in agricultural production; ii) a milder depreciation of the TRY; and iii) a tight monetary policy stance.

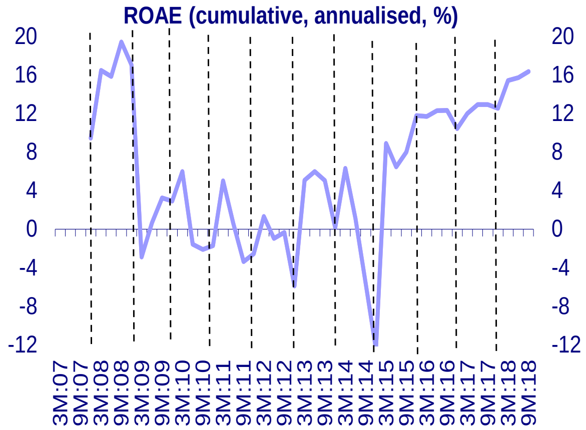
The CBRT set to maintain its key policy rate on hold at 24.0% at least until May, before initiating a new cycle of monetary policy easing. With inflation likely to fluctuate around 20.0% until May, mainly due to a weak base and the 25.0% hike in the minimum wage in January, the CBRT is set to maintain its 1-week repo unchanged at 24.0% until then, in a bid to contain eventual depreciation pressures on the TRY, re-anchor inflation expectations and preserve its hard-won credibility. From June, when inflation is expected to embark on a downward trend, the CBRT is set to start a new cycle of monetary policy loosening, cutting its central rate gradually by 600 bps to 18.0% by December.

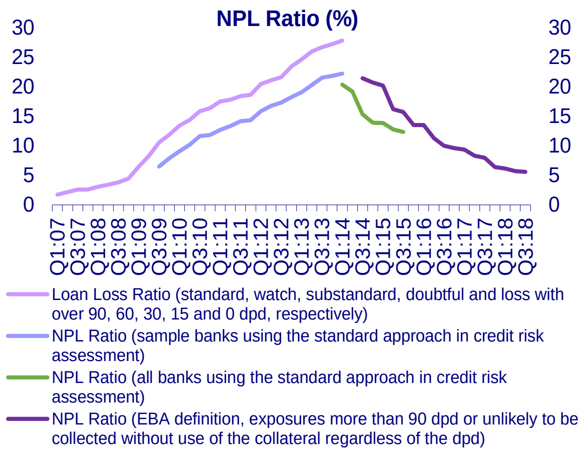
Lending activity (FX-adjusted) slowed significantly in 2018, mainly due to the August currency crisis. Lending growth, adjusted for FX variations, declined markedly to a 9-year low of 1.6% y-o-y at end-2018 from 19.7% a year earlier, as supply and demand for loans weakened sharply following the August currency crisis. The latter was triggered by the absence of an adequate policy response to the country's alarming imbalances and heightened tensions with the US. Indeed, banks scaled back their lending activity, due to limited access to external financing, tighter liquidity conditions (the loans-to-deposits ratio reached a record high of c. 122.0% at end-2017), higher domestic borrowing costs (the CBRT's average effective funding rate rose by 6.2 pps y-o-y to 17.5% in 2018) and rising NPLs (the NPL ratio increased by 0.8 pps y-o-y to an 8-year high of 3.8% at end-2018). On the other hand, household and corporate demand for loans decelerated in 2018, due to prohibitive lending rates (average interest rates on TRY retail loans, TRY corporate loans and USD corporate loans reached multi-year highs of 25.0%, 24.0% and 5.7%, respectively, in 2018 – up from 18.3%, 15.9% and 4.4% in 2017) and pessimistic growth prospects.

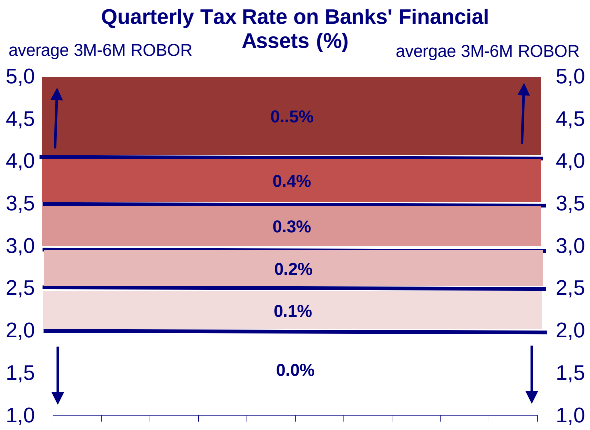
Customer deposits (FX-adjusted) decelerated markedly in 2018, hampered by weaker confidence in the domestic economy. Growth in customer deposits, adjusted for FX variations, declined to a 9-year low of 4.7% y-o-y at end-2018 from 13.5% a year ago, hindered by deteriorating confidence in the Turkish economy. The deceleration in (FX-adjusted) deposits would have been even sharper had deposit remuneration rates not been increased. Specifically, average interest rates on TRY and USD deposits reached multi-year highs of 17.0% and 3.5%, respectively, in 2018 – up from 11.3% and 2.7% in 2017.

Romania

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







	14 Jan.	3-M F	6-M F	12-M F
1-m ROBOR (%)	2.7	3.0	3.0	3.0
RON/EUR	4.68	4.67	4.68	4.68
Sov. Spread (2024, bps)	137	130	120	110

	14 Jan.	1-W %	YTD %	2-Y %
BET-BK	1,394	-7.5	-4.3	1.7

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	4.8	7.0	4.2	3.8	3.4
Inflation (eop, %)	-0.5	3.3	3.3	3.0	2.8
Cur. Acct. Bal. (% GDP)	-2.1	-3.2	-4.0	-4.4	-4.7
Fiscal Bal. (% GDP)	-2.4	-2.8	-3.6	-3.9	-4.1

The banking sector's bottom line improved further in Q3:18, due to a slowdown in provisioning and, to a lesser extent, higher NII. Net profit after tax rose by 60.0% y-o-y to RON 2.2bn (EUR 474mn or 0.2% of GDP) in Q3:18. As a result, net profit amounted to RON 5.8bn in 9M:18 (up 42.0% y-o-y), with the annualised ROAA and ROAE rising to post-crisis highs of 1.8% and 16.4%, respectively, from 1.4% and 12.9% in 9M:17.

As in the previous quarters, the positive performance in Q3:18 can be largely attributed to a slowdown in provisioning, in line with the sharp decline in NPLs. Indeed, the NPL ratio fell to 5.6% in Q3:18 from 8.0% in Q3:17, and a peak of 26.8% in early-2014, mainly on the back of large (NBR-motivated) write-offs and NPL sales (equivalent to c. 10.0% of the current stock of total gross loans). Moreover, following last year's ruling by the Constitutional Court that precludes the retrospective application of the Debt Settlement Law (effectively a no-recourse framework), banks continued to reverse the provisions made for this purpose, further sustaining profitability. That being said, the NPL coverage ratio reached c. 58.0%, among the highest in the EU.

At the same time, we estimate pre-provision income to have increased in Q3:18, on the back of stronger net interest income (NII). The latter was underpinned by rapid credit expansion (average balances rose by 6.6% y-o-y in Q3:18 against 6.0% in H1:18 and 4.4% in FY:17), as well as a higher net interest margin. Indeed, banks passed on the higher funding costs to customers (recall that the NBR raised its key rate by 75 bps to 2.5% in 9M:18, with money market rates rising by 120 bps on a 1-month basis).

Pre-provision income would have been higher, had operating expenses not increased, due to the upgrade of banks' IT systems and higher personnel expenses, amid tight labour market conditions. All said, the cost-to-income ratio declined further to 53.1% in Q3:18 (down 2.1 pps y-o-y) -- lower than the EU average (over 60%).

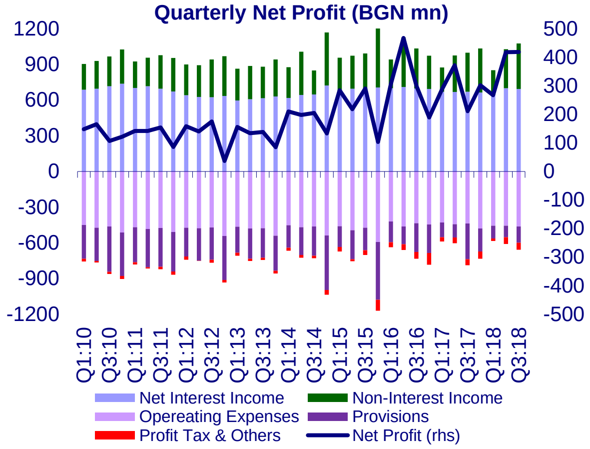
Profitability to be hit significantly by a controversial tax. In a bid to contain the widening budget deficit, the Government announced at end-December a set of measures targeting, *inter alia*, the banking sector. The new tax applies to banks' financial assets and varies based on the upward deviation of the average 3M and 6M ROBOR from the reference rate, set at 2.0% (different from the policy rate, currently standing at 2.5%). The quarterly tax rate rises gradually from 0.1% (0.4% on an annual basis) for a ROBOR of 1.5%-2.0% to 0.5% (2.0% on an annual basis) for a ROBOR above 4.0%.

Besides its sizeable impact on bank profitability (down by up to 70%, *ceteris paribus*), the new tax has significant implications for macroeconomic and financial stability. Indeed, banks could be prompted to shrink their balance sheets (especially their holdings of Government bonds, currently accounting for 45% of the outstanding stock) and/or pass on the cost to customers through higher lending rates. At the same time, banks could shift towards (riskier) external funding sources. In any case, the pace of credit expansion is set to slow, affecting economic growth. Against this backdrop, and assuming the absence of significant pressure on the RON, we expect the NBR to be more dovish going forward and remain on hold throughout FY:19 (instead of hiking its key rate by 50 bps as initially projected). Note that Romania remains the most credit-underpenetrated market in the region, with a loan-to-GDP ratio of 26% against 47% for SEE-4. All said, following an outstanding FY:18 performance (we estimate ROAE at 16.0%), profitability could even fall into the red in FY:19.

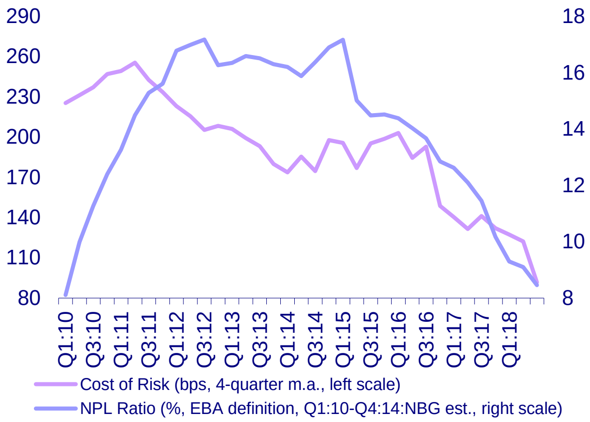
Bulgaria

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

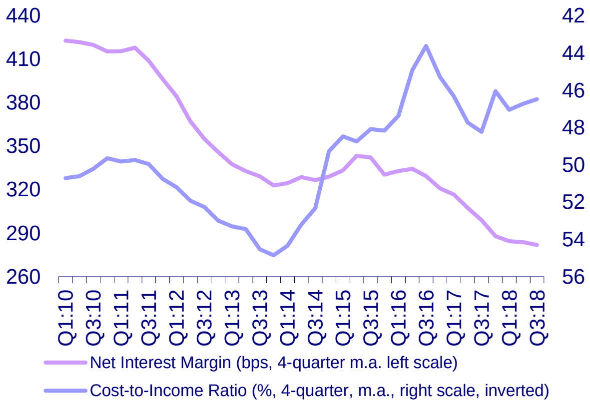
Quarterly Net Profit (BGN mn)



NPL Ratio & Cost of Risk



Net Interest Margin & Cost-to-Income Ratio



	3 Dec.	3-M F	6-M F	12-M F
Base Interest Rate (%)	0.0	0.0	0.0	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	57	56	45	40

	3 Dec.	1-W %	YTD %	2-Y %
SOFIX	568	-1.6	-4.4	-5.7

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	3.9	3.8	3.3	3.6	3.2
Inflation (eop, %)	0.1	2.8	2.7	2.9	2.7
Cur. Acct. Bal. (% GDP)	2.6	6.5	2.8	0.7	-0.6
Fiscal Bal. (% GDP)	1.6	0.8	0.5	-0.5	-0.5

The profitability of the banking system improved sharply in Q3:18, mainly on the back of lower provisioning. The banking system's net profit (after tax) rose sharply by 98.1% y-o-y in Q3:18 to BGN 418mn (EUR 214mn or 0.4% of GDP). As a result, annualised ROAA and ROAE (adjusted for large once-off gains made by one of the leading banks in the sector through its subsidiary) stood at 1.5% and 11.7% in 9M:18 against 1.2% and 9.5% in the same period in FY:17.

A further decline in the NPL ratio prompted banks to cut provisioning in Q3:18. The NPL ratio continued to decline, reaching 8.5% in Q3:18 (still double the EU average) against 11.4% in Q3:17. As a result, provisioning declined further in Q3:18 (down 54.6% y-o-y following a drop of 13.2% in H1:18 – down 9.6% in FY:17), pushing down the cost of risk to 68 bps (down 13 bps y-o-y) at the same time (122 bps on a 4-quarter rolling basis against 132 bps in Q4:17). Importantly, the NPL coverage ratio stood at 62.8% in Q3:18 -- broadly unchanged since the beginning of the year -- against 53.2% in Q3:17. The sharp improvement in the ratio compared with 2017 is due to the implementation of the tighter IFRS-9 accounting standards. Recall that IFRS-9 moves from the concept of incurred loss to that of expected loss, thus requiring banks to raise provisions. Note, however, that the implied capital impact is directly on equity and does not affect profits.

Stronger net interest income (NII) and net non-interest income (NNII) more than offset the increase in operating expenses (OpEx) in Q3:18. NII rose for a 2nd consecutive quarter in Q3:18 (up 3.2% y-o-y, following an increase of 4.8% in Q2:18 -- down 3.7% y-o-y in Q1:18 and 4.6% in FY:17), as the expansion in average interest earning assets (up 7.5% y-o-y) more than offset the impact of the lower net interest rate margin (279 bps in Q3:18 -- down 15 bps y-o-y -- against 288 bps in FY:17). The latter is mainly attributed to the decline in lending rates, reflecting tighter competition among banks for market share against the backdrop of increased liquidity in the system (the loan-to-deposit ratio fell to 75.8% in Q3:18 from 78.5% in Q3:17 and its peak of 146.7% in mid-2009). Note that the NIM appears to have bottomed out as it has remained broadly flat since the beginning of the year.

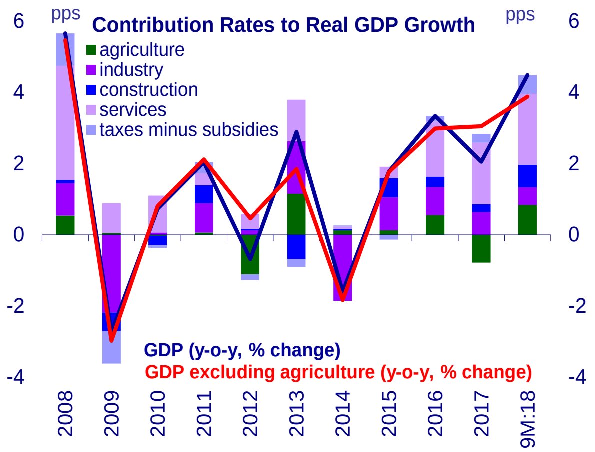
At the same time, NNII improved (up 12.2% y-o-y in Q3:18 against no change in H1:18 -- up 13.3% in FY:17), in line with higher net fees and commissions income and trading gains.

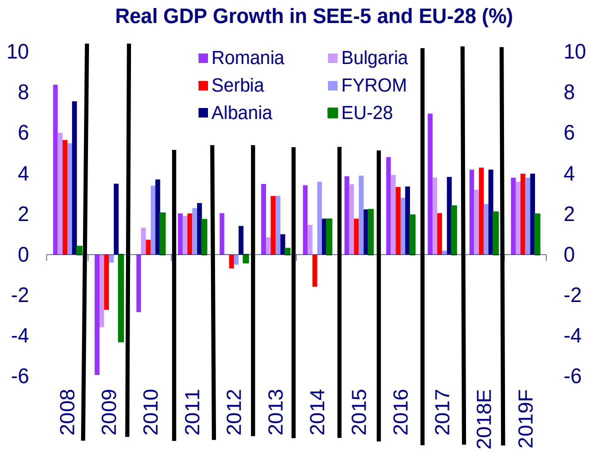
On a negative note, OpEx continued to rise at a strong pace in Q3:18 (up 6.0% y-o-y following 4.6% in H1:18 -- up 1.5% in FY:17), due to higher general & administrative costs, as well as personnel expenses. Indeed, against the backdrop of a tight labour market, gross wage growth in the sector has strengthened (up 6.0% y-o-y in 9M:18 against 3.9% in FY:17). Nevertheless, the efficiency of the banking system improved, with the cost-to-income ratio falling by 60 bps y-o-y to 43.1% in Q3:18, far lower than the EU average (over 60.0%).

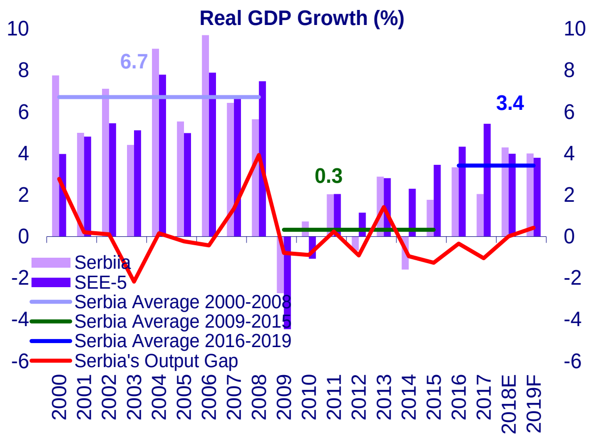
Stronger pre-provision income is set to sustain profitability in 2019. Looking ahead, pre-provision income is due to strengthen, driven by the pick-up in credit activity (up 7.5% this year against a projected 5.2% in FY:18). Indeed, against the backdrop of increased liquidity in the system, the pace of credit expansion should pick up, reflecting solid economic growth and strong demand for real estate (prices are currently up 7.0% y-o-y). At the same time, assuming no negative surprises from the ongoing AQR in the largest banks in the system, ahead of the country's bid to join the SSM, we expect provisioning to remain subdued, reflecting the high NPL coverage and the continuing drop in NPLs (to 6.5% by end-2019). All said, we see ROAE improving to 14.0% in FY:19 from a projected 12.0% in FY:18.

Serbia

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







	14 Jan.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.7	2.9	3.1	3.5
RSD/EUR	118.3	116.5	116.0	115.0
Sov. Spread (2021, bps)	163	150	130	120

	14 Jan.	1-W %	YTD %	2-Y %
BELEX-15	693	-5.2	-9.0	-2.7

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	3.3	2.0	4.3	4.0	3.8
Inflation (eop, %)	1.6	3.0	2.5	2.8	3.0
Cur. Acct. Bal. (% GDP)	-2.9	-5.3	-4.9	-4.6	-4.1
Fiscal Bal. (% GDP)	-1.2	1.1	0.6	0.4	-0.2

GDP growth is estimated to have rebounded to a post-global crisis high of 4.3% in FY:18 from 2.0% in FY:17. GDP grew at a solid pace of 3.8% y-o-y in Q3:18, albeit moderating from 4.8% in H1:18. The slowdown in Q3:18 was the result of base effects and temporary supply shocks. The latter include the maintenance at thermal power plants and low water levels in rivers that weighed heavily on power generation and mining (subtracting an estimated 0.5 pps from growth in Q3:18 after having contributed 0.3 pps in H1:18).

Despite the slowdown in Q3:18, 9M:18 GDP growth reached a 10-year high of 4.5% y-o-y from a weak 1.9% in 9M:17 and 2.0% in FY:17. The improvement in 9M:18 was broadly based and mainly driven by higher agricultural and electricity production. In fact, growth in agricultural production turned positive and reached double digits in 9M:18 (up by 14.1% y-o-y, contributing 0.8 pps to real GDP growth), after a drought-related decline in 9M:17 (by 11.2%, subtracting 0.8 pps from growth). Moreover, growth in the construction sector reached double digits, rising markedly by 17.0% y-o-y (and contributing 0.6 pps to overall growth) in 9M:18 against a rise of just 1.5% in 9M:17. The strong recovery in the construction sector was supported, *inter alia*, by higher infrastructure projects (capital expenditure was up sharply by 58.6% y-o-y in 9M:18 against a drop of 10.4% in 9M:17) and a base effect from the prolonged cold spell in early 2017.

Looking ahead, GDP growth is estimated to have strengthened to 4.0% y-o-y in Q4:18 from 2.5% y-o-y in Q4:17, supported by the continued normalization in agricultural output and the fading of the negative effect from temporary energy production outages. Overall, we estimate FY:18 GDP growth at 4.3% (the best performance in SEE-5).

GDP growth is set to moderate to a still high 4.0% in FY:19 -- well above its long-term potential (of 3.5%) for a 2nd successive year. The expected slight moderation in activity should result from a normalization in agricultural output, following its sharp rise in FY:18.

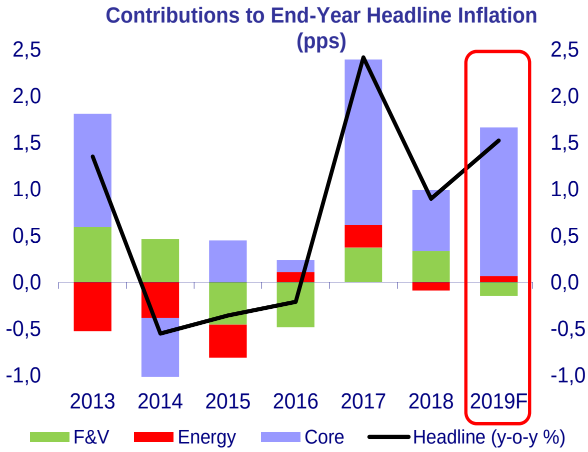
Excluding agriculture, GDP growth is set to strengthen to a post-crisis high of 3.9% in FY:19 from 3.6% in FY:18. The improvement should be supported by: i) stronger private consumption, on the back of the increase in public sector wages and pensions and an 8.6% rise in the minimum wage; and ii) improved confidence in the domestic economy, on the back of strong fundamentals and continued engagement with the IMF through the Policy Coordination Instrument (PCI, see below).

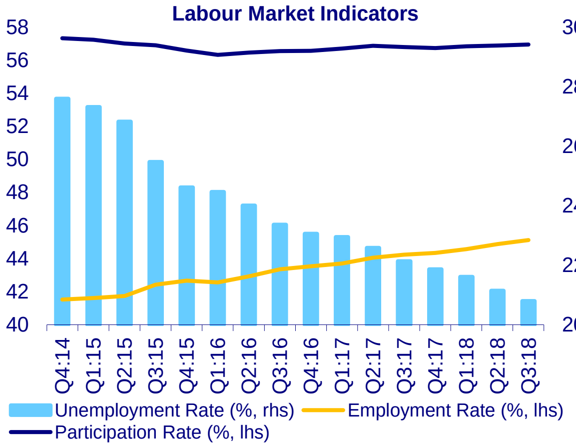
The IMF Executive Board completed the 1st review of the 30-month (non-financing) PCI. The IMF Board confirmed that Serbia's economic programme is broadly on track. It commended: i) the continued strong macroeconomic performance, reflected in robust economic growth, the sound fiscal performance, ensuring the continued reduction in the public debt-to-GDP ratio, and low inflation; and ii) the continued implementation of structural reforms (including the privatisation of the copper mine, RTB Bor, and the dairy firm, PKB).

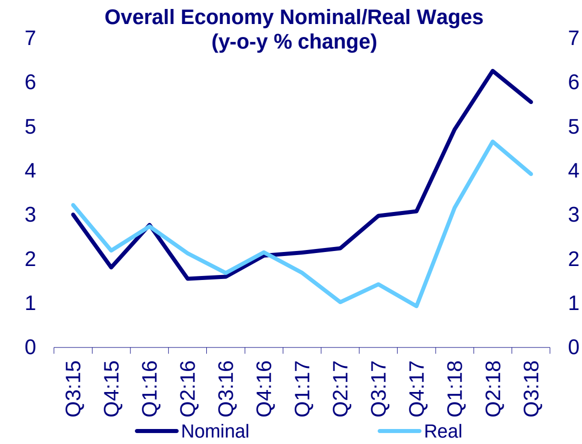
Serbia opened two additional Chapters in EU accession talks. Negotiations were opened on Chapter 17 - Economic and Monetary policy and Chapter 18-Statistics. This brought the number of opened Chapters of the *acquis* to 16 (out of a total of 35 Chapters) since the formal launch of accession talks in January 2014, with 2 having been provisionally completed. Note that the pace of Serbia's EU accession depends largely on progress in the normalization of its relations with Kosovo. Progress in this regard halted recently amid heightened tensions between the 2 countries, after Kosovo: i) transformed its security force into regular army in mid-December; and ii) imposed a 100% tariff on imports from Serbia in November, in retaliation to Serbia's refusal to endorse Kosovo's membership to Interpol.

F.Y.R.O.M

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







	14 Jan.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.2	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	256	210	190	160

	14 Jan.	1-W %	YTD %	2-Y %
MBI 100	3,624	2.7	4.5	64.5

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	2.8	0.2	2.5	3.8	4.0
Inflation (eop. %)	-0.2	2.4	0.9	1.5	1.7
Cur. Acct. Bal. (% GDP)	-2.8	-1.0	0.3	-1.0	-2.2
Fiscal Bal. (% GDP)	-2.7	-2.7	-2.8	-2.8	-2.7

Parliament agreed to change the country's name to the Republic of North Macedonia, paving the way for the start of EU membership talks and joining NATO. The country's name change, envisaged by the June Prespa Agreement, was approved by the required two-thirds majority in Parliament (81 votes in the 120-seat chamber) amid a boycott by the conservative opposition VMRO-DPMNE. Under the Prespa Agreement, the name change must be ratified by the Greek Parliament before coming into effect. The finalisation of the deal will open the door for the Republic of North Macedonia to begin EU accession negotiations and join NATO.

Headline inflation decelerated to 0.9% y-o-y at end-2018 from 2.4% at end-2017, mainly due to a significant moderation in core inflation. The latter eased to 0.8% y-o-y in December from 2.2% a year earlier, contributing 1.1 pp to the overall decline. The deceleration mainly reflects a widening negative output gap (to -1.0% in FY:18 from -0.7% in FY:17) and base effects from sharp increases in prices of transport and communication services in FY:17. End-year headline inflation was also held back by softer energy and volatile food inflation (contributing 0.3 pps and 0.1 pp, respectively, to the overall decline).

Looking ahead, we expect headline inflation to accelerate by end-year, mainly due to strengthening domestic demand, reflecting tighter labour market conditions (see below) and strengthening confidence ahead of the country's commencement of EU membership talks and admission to NATO. Demand-side pressures should be tempered by a normalization in volatile food prices. Overall, we see headline inflation at 1.5% y-o-y at end-2019 -- above the end-2018 outcome of 0.9%.

The Central Bank is likely to maintain its key rate unchanged at a record low of 2.5%, at least until Q3:19. Recall that the NBRM proceeded with three 25 bp cuts to its key 28-day CB bill rate last year (the last cut took place in December), bringing total cuts to 150 bps since the initiation of a cycle of monetary policy easing in December 2016. In view of a persistently negative output gap and subdued inflation and barring a political crisis ahead of the April Presidential elections, we expect the CB to maintain its key rate unchanged at least until Q3:19, when the ECB and most neighbouring countries are set to embark on a new cycle of monetary tightening. Overall, we see the CB hiking its policy rate by 25-50 bps to 2.75-3.0% in Q4:19.

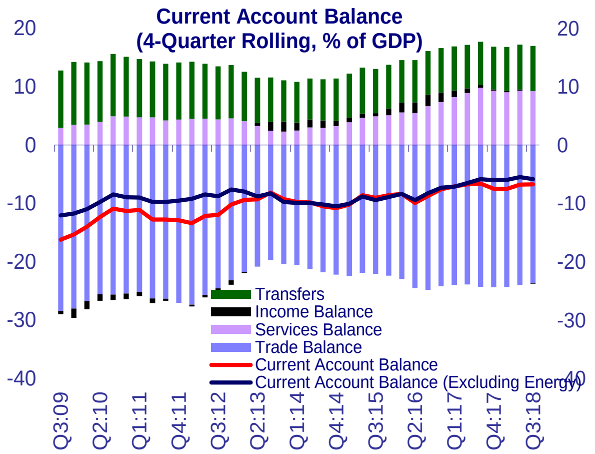
The unemployment rate is estimated to have declined to a record low of 21.0% in FY:18, underpinned by economic recovery and active labour market policies. The unemployment rate declined by 1.3 pps y-o-y to 20.8% in Q3:18, exclusively due to an increase in the employment rate (up 0.9 pps y-o-y to 45.1%). Importantly, employment continued to grow at a solid pace in Q3:18 (up 2.2% y-o-y), benefiting from the strengthening economic activity and continued government-subsidized employment programmes.

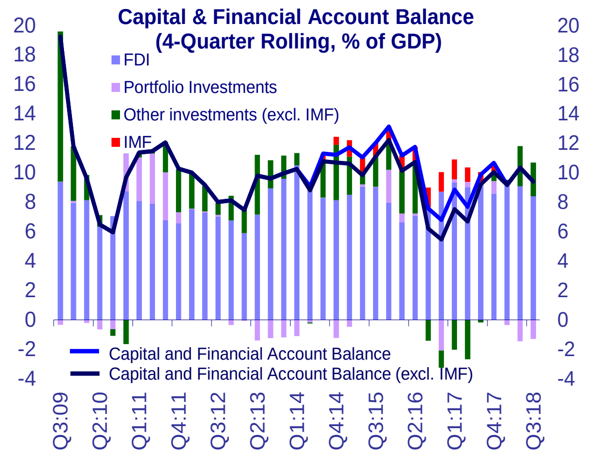
Against this backdrop, wage pressures intensified in Q3:18, with nominal wages rising sharply (up 5.6% y-o-y), although at a softer pace than in Q2:18 (up 6.3% y-o-y), due to an unsupportive base effect from a significant hike to the minimum wage in September 2017 (up 19% to MKD 12 or c. EUR 200).

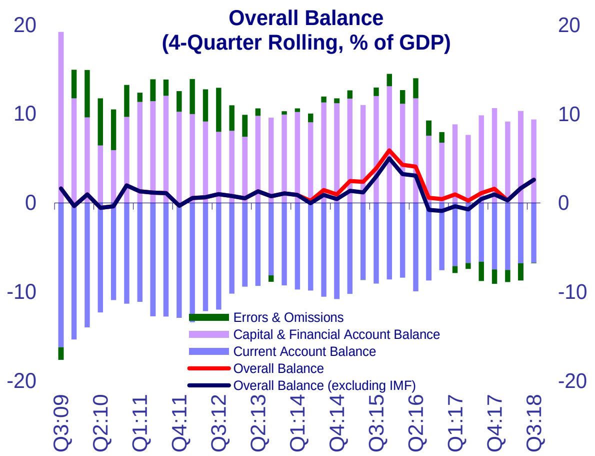
Looking ahead, we estimate the unemployment rate continued to decline in Q4:18, bringing the full year unemployment rate to a record low of 21.0% from 22.4% in FY:17. For this year, we see the unemployment rate falling further to 19.5%, supported by the continued strengthening in economic activity and increasing confidence, with the finalisation of the name agreement with Greece.

Albania

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







	14 Jan.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.3	2.2	2.2	2.2
ALL/EUR	125.0	123.8	123.5	122.0
Sov. Spread (bps)	227	215	200	180

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

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	3.4	3.8	4.2	4.0	4.2
Inflation (eop, %)	2.2	1.8	2.3	2.5	2.8
Cur. Acct. Bal. (% GDP)	-7.5	-7.5	-6.6	-5.5	-5.2
Fiscal Bal. (% GDP)	-1.8	-2.0	-2.0	-1.9	-1.8

The current account deficit (CAD) is estimated to have continued on its downward trend, for a 4th consecutive year, narrowing to a 12-year low of 6.6% of GDP in FY:18 from 7.5% in FY:17. The CAD declined by 1.0 pp y-o-y to 3.8% of GDP in 9M:18, due to a narrower trade deficit (down 1.8 pps of GDP y-o-y in 9M:18), reflecting both a strong export performance, as well as lower investment-related imports.

In fact, exports continued to record double-digit growth (up 25.7% y-o-y, in EUR terms in 9M:18, compared with a rise of 11.7% in FY:17), reflecting: i) a recovery in exports of construction material and metals (mainly to China), supported by rising metal prices; as well as ii) a rebound in oil and electricity exports (mainly to Spain and Serbia) after 4 consecutive years of sharp decline. Note that electricity exports rose sharply in 9M:18, in line with electricity production, due to abundant rainfall, following a drought throughout FY:17.

On the other hand, imports rose at a slower pace (up 5.8% y-o-y in 9M:18, compared with an increase of 9.2% in FY:17), despite the rebound in private consumption. The slowdown in imports can be attributed to lower imports related to energy projects (namely TAP and the Statkraft/Devoll hydropower projects) -- contributing 1.6 pps of GDP to the FY:18 CAD against 2.3 pps in FY:17, according to the IMF -- as the largest part of TAP was completed in FY:17.

Looking ahead, the CAD is estimated to have remained broadly flat on an annual basis in Q4:18 due to stronger consumption-related imports.

The capital and financial account (CFA) surplus, excluding IMF disbursements, narrowed in 9M:18, but fully covered the CAD. The CFA balance (excluding the disbursement of the last two tranches from the IMF, totalling EUR 73.2mn, or 0.6% of GDP, in H1:17) deteriorated by 1.0 pp y-o-y to a surplus of 5.1% of GDP in 9M:18. Importantly, although (net) FDIs declined (down 0.6 pps y-o-y reaching 6.0% of GDP in 9M:18), as energy projects approach their final stage, they covered 160% of the 9M:18 CAD. The deterioration in the CFA balance also reflects (net) portfolio outflows (of 1.0% of GDP) in 9M:18 against inflows (of 1.1% of GDP) in 9M:17. The bulk of these outflows was offset by the disbursement of the first tranche of EUR 118mn (0.9% of GDP) of a total loan of EUR 218mn from the EBRD to the state-owned electricity producer, KESH.

Reflecting the current account and CFA developments, negative net errors and omissions (of 0.5% of GDP in 9M:18) and valuation effects, FX reserves rose by a sizeable EUR 112mn (or 0.9% of GDP) in 9M:18 to a record high EUR 3.1bn, covering an adequate 6.5 months of GNFS imports.

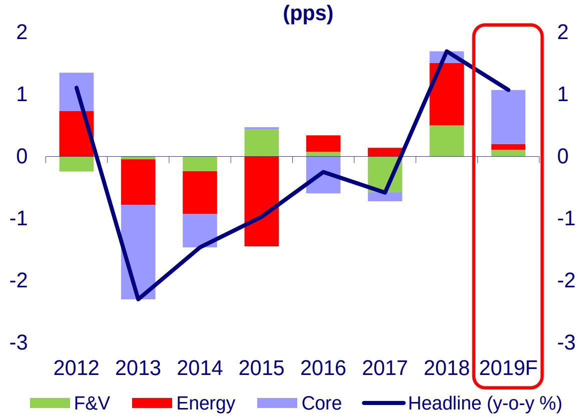
For Q4:18, we estimate that the CAD and other financing needs were more than covered by FDIs and the issuance of the EUR 500mn Eurobond in October (of which EUR 200mn was used for the pay-back of a Eurobond maturing in 2020). As a result, FX reserves are estimated to have increased by EUR 255mn y-o-y to a record high of EUR 3.3bn at end-2018.

The CAD is set to narrow further this year and be fully covered through large FDIs. For 2019, the CAD is expected to continue on its downward trend, declining by 1.1 pp to a record low of 5.5% of GDP. The improvement should result from lower imports related to energy projects (contributing 0.8 pps of GDP to the FY:19 CAD against 1.6 pps in FY:18, according to the IMF), as TAP is near completion. Regarding financing, despite their decline (by 0.7 pps y-o-y 7.0% of GDP) following the completion of energy projects, (net) FDI inflows should fully cover the FY:19 CAD and other financing needs, keeping FX reserves broadly unchanged.

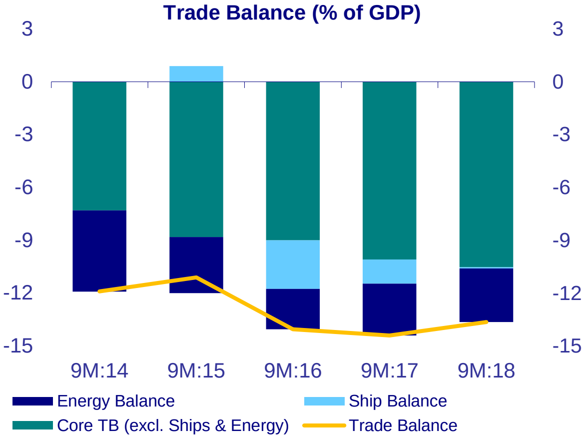
Cyprus

BBB- / Ba2 / BBB- (S&P / Moody's / Fitch)

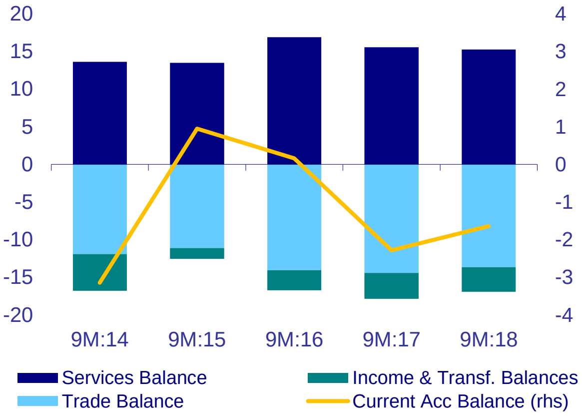
Contributions to End-Year Headline Inflation (pps)



Trade Balance (% of GDP)



Current Account Balance (% of GDP)



	14 Jan.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.33	-0.22
EUR/USD	1.15	1.16	1.17	1.20
Sov. Spread (2020. bps)	54	52	48	45

	14 Jan.	1-W %	YTD %	2-Y %
CSE Index	65	-1.5	-1.1	-6.5

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	4.8	4.2	4.0	3.6	3.2
Inflation (eop. %)	-0.3	-0.6	1.7	1.2	1.4
Cur. Acct. Bal. (% GDP)	-5.1	-8.4	-6.9	-8.0	-7.4
Fiscal Bal. (% GDP)	0.3	1.8	2.8	3.0	3.0

End-year headline inflation turned positive for the first time in 6 years in 2018 at 1.7% y-o-y. Headline inflation rose to 1.7% y-o-y in December from -0.6% in the same month a year earlier. The increase was mainly due to a marked rise in volatile prices of fruit and vegetables, reflecting unfavourable base effects, and higher energy inflation, in line with global oil price developments (contributing 1.1 pp and 0.9 pps, respectively, to the overall increase). Headline inflation at end-2018 was also pushed up by higher core inflation (which excludes volatile food and energy prices, contributing 0.3 pps to the overall increase), reflecting, *inter alia*, elevated prices of tourism-related services and tighter labour market conditions.

Looking ahead, we foresee end-year headline inflation moderating this year. The deceleration should result from a normalization in volatile prices of fruit and vegetables and favourable energy prices (set to end the year close to their end-2018 levels in EUR terms according to consensus forecasts, against a rise at end-2018). Softer energy and volatile food inflation should, however, be tempered by a further increase in core inflation, reflecting continued tightening of labour market conditions. Overall, we see headline inflation reaching a trough of c. 0.0% y-o-y (on base effects) in mid-year and ending the year at 1.2% -- below the end-2018 outcome of 1.7%.

The current account deficit (CAD) narrowed to 1.6% of GDP in 9M:18 from a 3-year high of 2.3% in 9M:17, due to a favourable ship trade balance. Indeed, the ship trade deficit declined to 0.1% of GDP in 9M:18 from 1.4% in 9M:17, as a sharp increase in exports of ships (reflecting de-registration of ships) outpaced that of imports of ships. The moderation in the CAD in 9M:18 was, however, tempered by: i) a larger energy trade deficit (up 0.1 pp of GDP y-o-y); ii) a smaller underlying (core) trade surplus (excluding ship transactions and energy -- down 0.4 pps of GDP y-o-y), driven by weaker exports; and iii) a smaller services surplus (down 0.3 pps of GDP y-o-y), reflecting, *inter alia*, declining tourist receipts as a percentage of GDP (down 0.4 pps y-o-y, as a subdued rise in receipts of 2.3% y-o-y fell short of nominal GDP growth -- 5.5%).

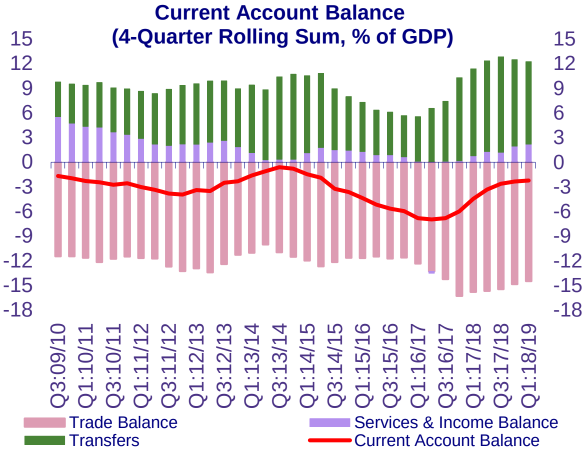
As a result, the 4-quarter rolling CAD eased to 7.5% of GDP in Q3:18 from 8.4% of GDP in Q4:17. However, excluding ships and energy, the 4-quarter rolling current account balance deteriorated but remained in surplus -- down to 0.9% of GDP in Q3:18 from 1.4% in Q4:17.

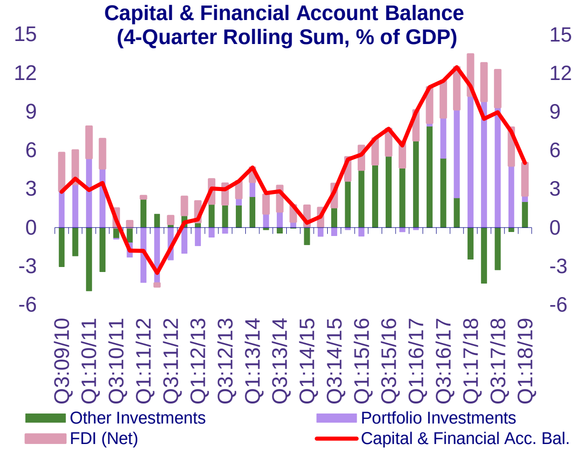
Looking ahead, we estimate that the (overall) CAD moderated further in Q4:18, mainly on the back of softer domestic demand, stemming, *inter alia*, from increased household debt servicing following the Government's recent efforts to reduce banks' stocks of non-performing exposures. Overall, we estimate the CAD declined to 6.9% of GDP in FY:18 from 8.4% in FY:17.

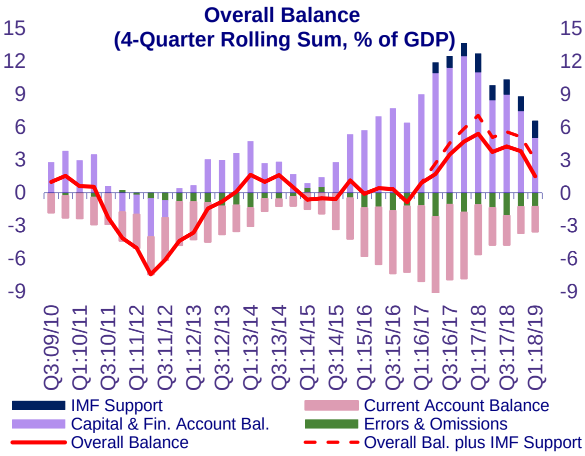
For this year, we expect the external adjustment to reverse course, mainly due to a less favourable external environment, which is set to weigh on both goods and services balances. The deterioration in the trade balance in FY:19 should be driven by an expected slowdown in economic activity in the EU (excl. UK) -- Cyprus' main trade partner -- and could be exacerbated in the event of a disorderly departure of the UK (second largest EU trade partner after Greece) from the EU at end-Q1:19 (a "no-deal" Brexit would trigger cross-border trade tariffs). The services balance should be undermined by slower inbound tourism, reflecting not only the negative impact of Brexit-related uncertainty on pre-holiday season bookings by visitors from the UK (largest source country), but also a strong competition from neighbouring countries -- Turkey and Egypt. Overall, we foresee the CAD widening by 1.1 pp to a 2-year high of 8.0% of GDP in FY:19.

Egypt

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







	14 Jan.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	16.8	15.5	14.0	12.0
EGP/USD	17.9	17.9	18.0	18.0
Sov. Spread (2020. bps)	253	230	210	180

	14 Jan.	1-W %	YTD %	2-Y %
HERMES 100	1,300	0.0	2.4	11.3

	15/16	16/17	17/18E	18/19F	19/20F
Real GDP Growth (%)	4.3	4.2	5.3	5.6	5.8
Inflation (eop. %)	14.0	29.8	14.4	14.8	12.0
Cur. Acct. Bal. (% GDP)	-6.0	-6.0	-2.4	-1.8	-1.5
Fiscal Bal. (% GDP)	-12.5	-10.9	-9.7	-9.4	-8.2

External adjustment continued for a 7th consecutive quarter in Q1:18/19, with the 4-quarter rolling current account deficit (CAD) declining to 2.3% of GDP from a 3½-decade high of 7.2% in Q2:16/17. The CAD narrowed by 0.1 pp y-o-y to 0.6% of GDP in Q1:18/19 (July-September 2018), supported by the flotation of the domestic currency in mid-Q2:16/17, a rebound in hydrocarbon production and improved security conditions.

Specifically, tourist receipts rose by 0.2 pps y-o-y to a post-January 2011 Revolution high of 1.3% of GDP, due not only to more competitive prices (the EGP had depreciated against the USD by c. 50.0% since the flotation), but also to a significant improvement in security conditions.

Moreover, the overall trade deficit narrowed by 0.3 pps y-o-y to a 9-quarter low of 3.0% of GDP, mainly on the back of a less unfavourable energy trade balance. The latter improved by 0.2 pps y-o-y to a deficit of 0.2% of GDP in Q1:18/19, mainly supported by the start of production in the large natural gas field Zohr at end-Q2:17/18.

The external adjustment in Q1:18/19 would have been stronger had workers' remittances not declined by 0.4 pps y-o-y to 1.9% of GDP in Q1:18/19, on the back of a strong base effect. Indeed, remittances posted an impressive CAGR of c. 40.0% y-o-y in the 4 quarters that followed the mid-Q2:16/17 Central Bank decision to float the EGP. 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).

The capital and financial account (CFA) balance, excluding IMF support, turned into deficit in Q1:18/19, hindered by the withdrawal of foreign investors from the domestic debt market. The CFA balance, excluding IMF support, posted a deficit of 0.2% of GDP in Q1:18/19, despite sustained net FDI inflows, especially in the oil sub-sector and real estate market, net borrowing and repatriation by residents of short-term deposits held abroad (0.3%, 0.4% and 0.6% of GDP, respectively). The poor CFA performance in Q1:18/19 was due to a decline in foreign holdings of T-Bills (net sales of USD 3.2bn or 1.1% of GDP) amid a broader global sell-off in emerging markets.

Reflecting the current account and the CFA developments, and accounting for (positive) net errors & omissions (0.2% of GDP) and valuation effects, the overall balance recorded a deficit of 0.6% of GDP in Q1:18/19. This deficit was, however, more than covered by the disbursement of the fourth tranche of the IMF loan (USD 2.0bn or 0.7% of GDP). As a result, FX reserves reached an all-time high of USD 44.5bn at end-Q1:18/19 (7.7 months of imports of GNFS). Importantly, the solid level of FX reserves and the flexible exchange rate regime should help the authorities manage the increasingly less-friendly global environment for emerging markets.

Looking ahead, we expect the external adjustment to continue throughout the rest of the fiscal year, with further improvement in the energy trade balance and tourist receipts more than compensating for continued normalization in workers' remittances and higher repatriation of profits and dividends. Overall, we see the CAD declining to 1.8% of GDP in FY:18/19 from 2.4% in FY:17/18 and 6.0% in FY:16/17.

Moreover, the country's external position is set to strengthen further this fiscal year, underpinned by the strong implementation of the IMF-supported economic programme. The release of the fifth tranche of the IMF loan of USD 2.0bn by end-January and the expected issuance of a Eurobond worth USD 5.0bn by end-February will raise FX reserves to USD 46.5bn at end-2018/19 from USD 44.3bn at end-2017/18.

FOREIGN EXCHANGE MARKETS, JANUARY 14TH 2019

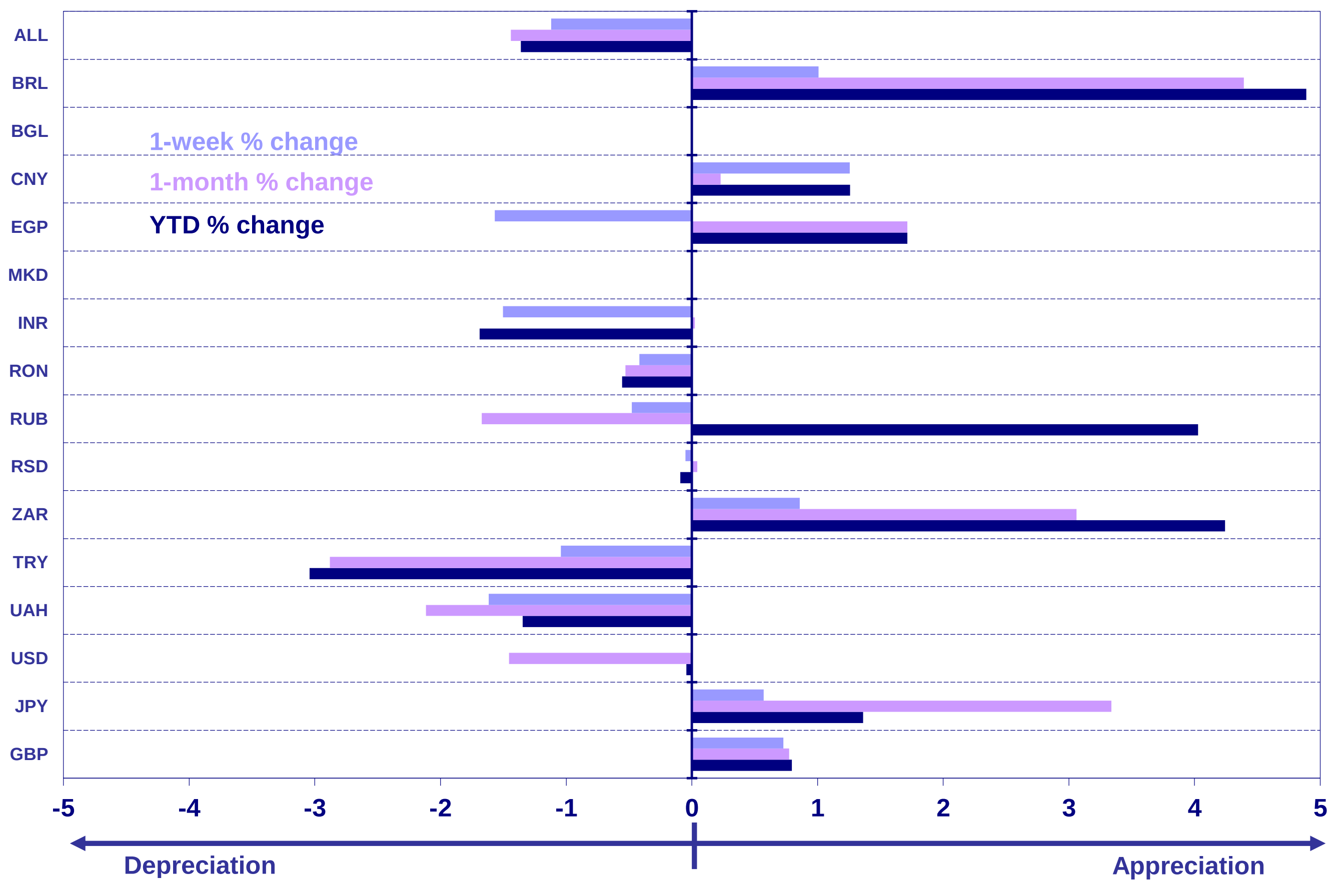
Against the EUR

	Currency	2019										2018	2017
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	125.0	-1.1	-1.4	-1.4	7.0	123.6	125.5	125.2	125.1	124.1	7.8	1.9
Brazil	BRL	4.24	1.0	4.4	4.9	-7.1	4.22	4.46	- - -	- - -	4.53	-10.7	-13.9
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.76	1.3	0.2	1.3	1.6	7.73	7.88	- - -	- - -	8.03	-0.8	-6.0
Egypt	EGP	20.48	-1.6	1.7	1.7	5.0	19.66	21.16	- - -	- - -	- - -	0.0	-9.4
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	81.2	-1.5	0.0	-1.7	-4.0	79.3	81.5	- - -	- - -	- - -	-3.9	-6.7
Romania	RON	4.68	-0.4	-0.5	-0.6	-0.9	4.66	4.69	4.72	4.76	4.86	0.6	-3.0
Russia	RUB	76.8	-0.5	-1.7	4.0	-10.2	76.4	80.1	78.3	79.8	83.0	-13.4	-6.8
Serbia	RSD	118.3	-0.1	0.0	-0.1	-0.2	118.3	118.4	118.6	118.9	- - -	0.2	4.2
S. Africa	ZAR	15.8	0.9	3.1	4.2	-4.5	15.78	16.66	16.1	16.4	17.1	-9.9	-2.7
Turkey	YTL	6.24	-1.0	-2.9	-3.0	-25.3	6.05	6.47	6.61	6.98	7.68	-24.9	-18.4
Ukraine	UAH	32.1	-1.6	-2.1	-1.3	8.9	31.19	32.66	- - -	- - -	- - -	6.0	-15.2
US	USD	1.15	0.0	-1.5	0.0	6.9	1.1	1.2	1.16	1.16	1.18	4.6	-12.4
JAPAN	JPY	124.0	0.6	3.3	1.4	9.3	118.8	125.8	124.1	124.1	124.1	7.5	-8.9
UK	GBP	0.89	0.7	0.8	0.8	-0.2	0.9	0.9	0.89	0.90	0.90	-1.1	-4.1

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (January 14th 2019)



MONEY MARKETS, JANUARY 14TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	6.4	- - -	1.9	- - -	16.8	- - -	- - -	2.6	8.0	- - -	24.3	5.0	17.8	- - -	2.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.6	8.0	2.4	- - -	7.1	- - -	- - -	- - -
S/W	1.2	6.4	- - -	2.6	-0.4	- - -	1.0	- - -	- - -	7.8	2.4	- - -	7.4	18.2	-0.4	2.4
1-Month	1.3	6.4	0.0	2.8	-0.4	- - -	1.2	7.1	2.7	8.5	2.7	24.6	7.7	19.4	-0.4	2.5
2-Month	- - -	6.4	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.9	2.9	24.7	7.8	- - -	- - -	2.6
3-Month	1.5	6.4	- - -	3.0	- - -	- - -	1.5	7.6	2.9	8.1	3.0	24.7	8.0	19.7	- - -	2.8
6-Month	1.6	6.5	- - -	3.1	- - -	- - -	1.7	- - -	3.2	8.5	3.2	24.7	8.2	- - -	- - -	2.9
1-Year	1.7	6.6	- - -	3.3	-0.1	- - -	2.0	- - -	3.4	8.4	- - -	24.7	8.4	- - -	-0.1	3.0

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

LOCAL DEBT MARKETS, JANUARY 14TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	18.7	- - -	6.6	- - -	7.8	- - -	21.5	- - -	- - -	-0.6	2.4
6-Month	- - -	- - -	- - -	- - -	- - -	19.3	- - -	6.7	3.0	8.1	3.3	21.5	- - -	- - -	-0.5	2.5
12-Month	1.4	- - -	-0.1	2.4	- - -	19.4	1.0	6.8	3.4	7.5	2.8	21.0	- - -	17.9	-0.6	2.6
2-Year	1.9	- - -	- - -	2.7	- - -	- - -	- - -	7.0	3.6	7.8	- - -	17.5	6.2	- - -	-0.6	2.5
3-Year	- - -	- - -	0.0	2.8	0.8	- - -	- - -	7.0	4.1	8.0	- - -	18.4	7.1	16.2	-0.5	2.5
5-Year	- - -	8.4	- - -	2.9	1.0	18.5	- - -	7.3	4.5	8.2	3.7	16.6	8.1	- - -	-0.3	2.5
7-Year	- - -	- - -	0.6	- - -	1.7	18.2	- - -	7.4	4.9	8.3	- - -	- - -	- - -	- - -	-0.1	2.6
10-Year	5.9	9.1	0.9	3.1	- - -	18.0	- - -	7.4	5.0	8.3	- - -	16.0	8.8	- - -	0.2	2.7
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	7.6	- - -	8.5	- - -	- - -	9.9	- - -	0.5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.6	- - -	- - -	- - -	- - -	9.8	- - -	0.8	3.1

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

CORPORATE BONDS SUMMARY, JANUARY 14TH 2019

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.875% '21**	EUR	NA/NA	2/8/2021	550	2.2	271	236
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.6	207	183
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	149	117
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	4.1	463	411
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	7.1	455	423
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	11.5	900	789
	Vakifbank 5.75% '23	USD	NA/Ba3	30/1/2023	650	9.5	702	631
	TSKB 5.5% '23	USD	NA/Ba3	16/1/2023	350	10.5	793	697
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.5	597	548
	KOC Holding 5.25% '23	USD	BB+/Ba1	15/3/2023	750	6.9	434	404

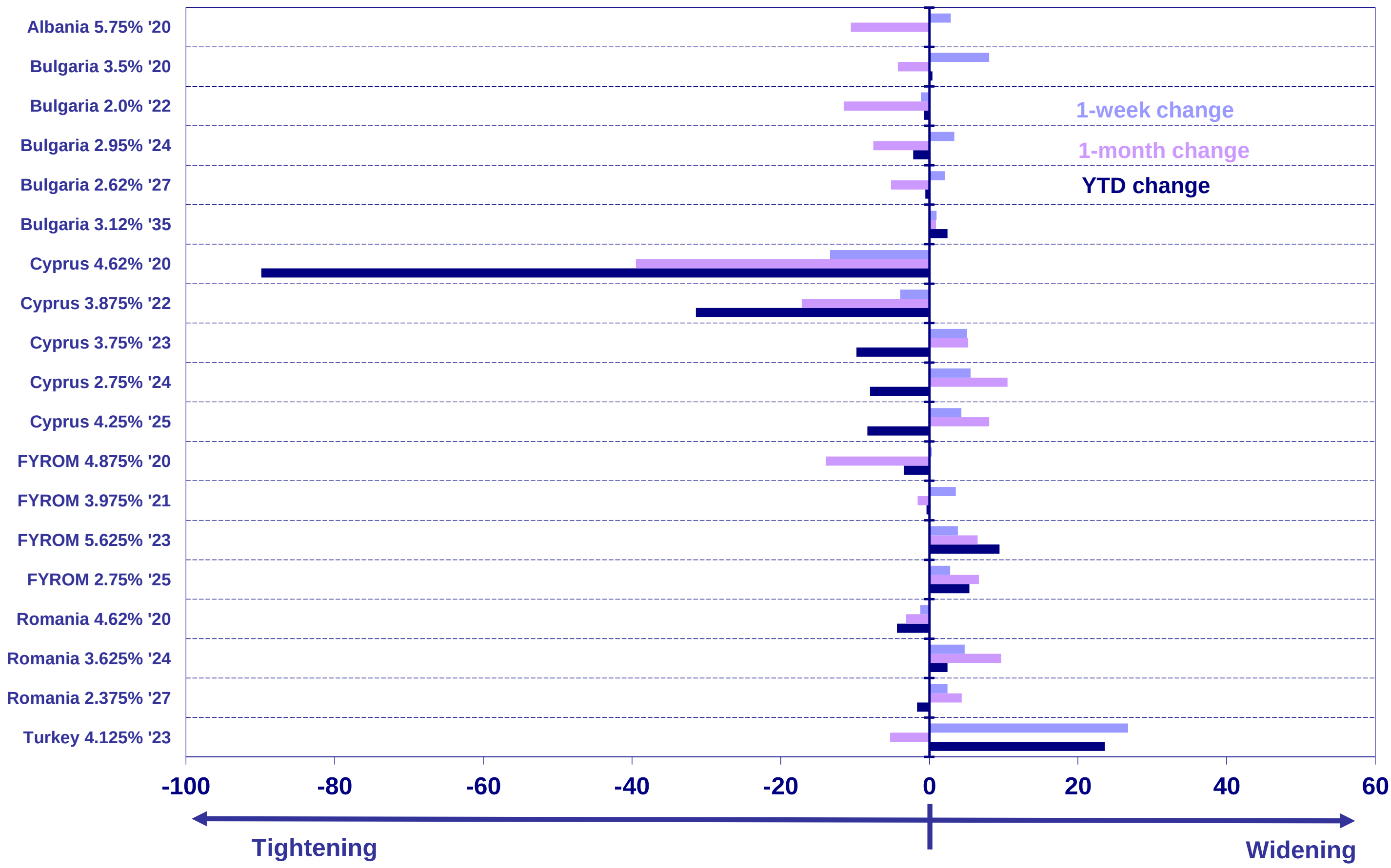
CREDIT DEFAULT SWAP SPREADS. JANUARY 14TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	182	71	64	139	377	- - -	80	104	143	116	376	205	598
10-Year	- - -	253	103	108	154	420	- - -	89	144	200	147	418	263	623

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY. JANUARY 14TH 2019

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.7	227	196
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.0	59	25
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.0	57	8
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.5	69	24
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.2	115	65
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.6	216	146
Cyprus 4.62% '20	EUR	BBB-/Ba2	3/2/2020	668	0.0	54	22
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	0.5	104	56
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	1.0	130	90
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	1.4	170	117
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	1.7	180	140
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.1	171	137
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.0	256	503
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.9	326	298
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	3.2	347	283
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.0	59	22
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	1.0	137	89
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.4	233	175
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	4.4	489	423

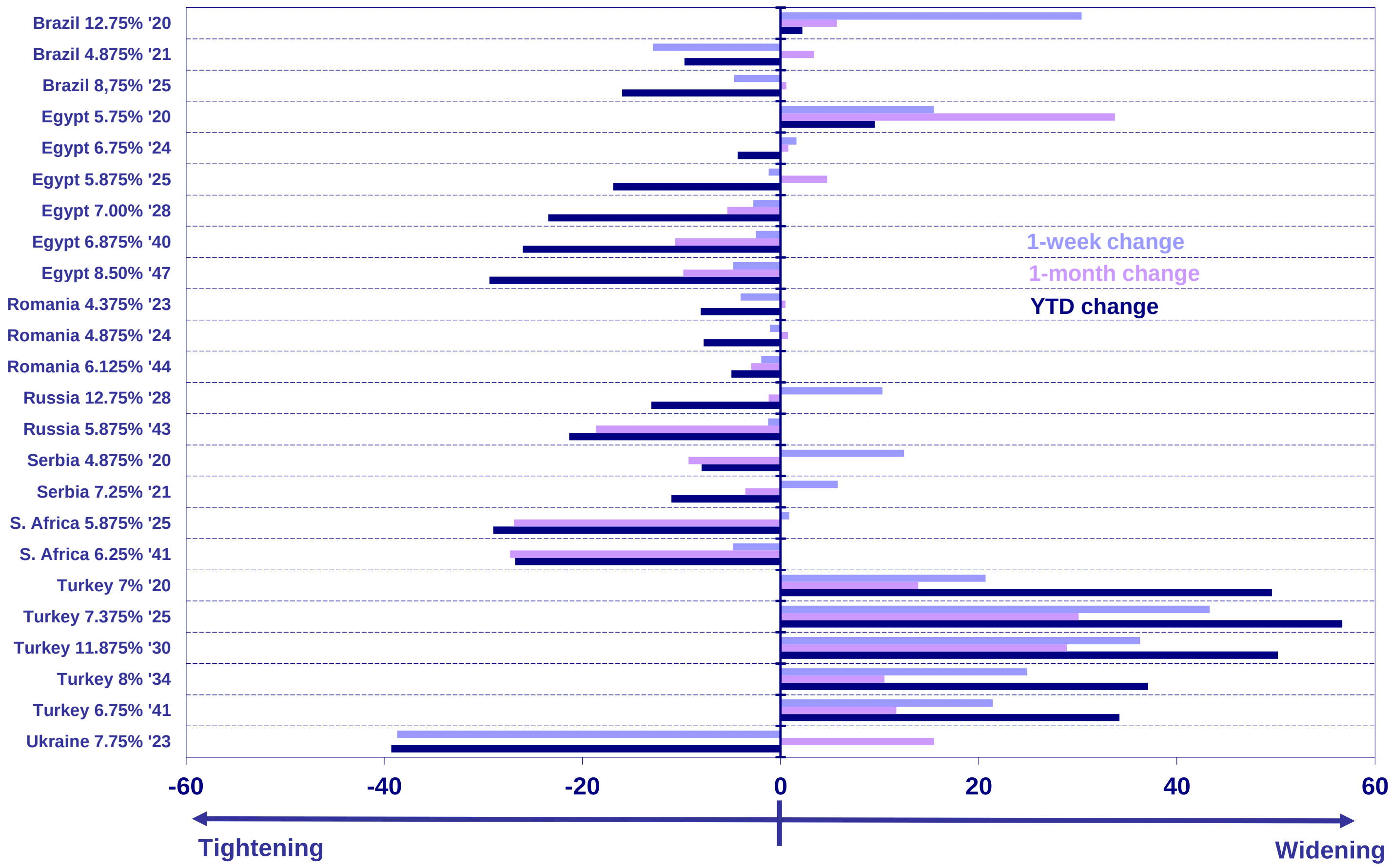
EUR-Denominated Eurobond Spreads (January 14th 2019)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY. JANUARY 14TH 2019

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	NA/Ba2	15/1/2020	87	3.4	79	66
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	3.6	106	91
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	4.5	187	204
Egypt 5.75% '20	USD	B/B3	29/4/2020	1,000	5.1	253	234
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.2	369	358
Egypt 5.875% '25	USD	B/B3	11/6/2025	500	7.5	493	457
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	8.0	533	499
Egypt 6.875% '40	USD	B/B3	30/4/2040	1,500	8.7	564	503
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	9.2	619	592
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	4.2	162	152
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	4.2	163	155
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	5.3	224	258
Russia 12.75% '28	USD	BBB-/Ba1	24/6/2028	2,500	4.8	211	280
Russia 5.875% '43	USD	BBB-/Ba1	16/9/2043	1,500	5.3	220	249
Serbia 4.875% '20	USD	BB/Ba3	25/2/2020	1,500	4.0	139	123
Serbia 7.25% '21	USD	BB/Ba3	28/9/2021	2,000	4.1	163	154
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	5.3	270	266
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	6.3	321	334
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	6.1	348	331
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	7.3	470	459
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	7.8	506	585
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	7.9	515	499
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	7.8	476	423
Ukraine 7.75% '23	USD	B-/Caa2	1/9/2023	1,355	10.1	758	699

USD-Denominated Eurobond Spreads (January 14th 2019)



STOCK MARKETS PERFORMANCE. JANUARY 14TH 2019

	2019								2018		2017	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	94,474	3.0	8.0	7.5	18.5	87,536	94,474	12.5	15.0	2.5	26.9	9.5
Bulgaria (SOFIX)	568	-1.6	-3.7	-4.4	-20.5	564	594	-4.4	-12.3	-12.3	15.5	15.5
China (SHCOMP)	2,536	0.1	-2.2	1.7	-25.6	2,441	2,574	3.0	-24.6	-25.2	6.6	-0.3
Cyprus (CSE GI)	65	-1.5	-0.1	-1.1	-6.1	65	67	-1.1	-3.9	-3.9	4.7	4.7
Egypt (HERMES)	1,300	0.0	2.2	2.4	-11.4	1,290	1,325	1.3	-11.1	-11.1	32.0	18.7
F,Y,R,O,M (MBI)	3,624	2.7	4.5	4.5	36.8	3,467	3,625	4.5	36.6	36.6	18.9	18.9
India (SENSEX)	35,854	0.0	-0.3	-0.6	2.9	32,484	38,990	-2.1	5.9	1.6	27.9	19.3
Romania (BET-BK)	1,394	-7.5	-14.2	-4.3	-20.0	1,394	1,510	-4.8	-11.6	-11.1	22.8	19.1
Russia (RTS)	4,369	2.5	3.2	5.1	-1.4	4,157	4,390	8.8	0.9	-12.3	-16.2	-21.9
Serbia (BELEX-15)	693	-5.2	-7.0	-9.0	-9.7	692	760	-9.1	0.2	0.5	5.9	10.3
South Africa (FTSE/JSE)	53,486	2.9	3.7	2.0	-11.2	50,907	53,932	6.6	-11.4	-20.1	17.5	14.3
Turkey (ISE 100)	92,054	2.3	1.7	1.8	-17.9	87,399	92,054	-1.8	-20.9	-40.5	47.6	20.5
Ukraine (PFTS)	559	1.3	0.0	0.0	67.3	551	565	-1.3	77.5	88.1	18.8	0.8
MSCI EMF	993	1.5	2.1	3.1	-18.0	946	1,003	2.8	-16.6	-12.8	34.3	17.7
MSCI EAFE	1,779	1.5	1.5	3.9	-17.1	1,709	1,787	3.6	-16.1	-12.3	21.8	6.7
Greece (ASE-General)	630	1.5	-2.4	4.3	-25.7	600	638	4.3	-23.6	-23.6	24.7	24.7
Germany (XETRA DAX)	10,856	1.0	-0.1	2.8	-17.8	10,387	10,962	2.8	-18.3	-18.3	12.5	12.5
UK (FTSE-100)	6,855	0.6	0.1	1.8	-11.8	6,599	7,002	2.9	-12.5	-13.5	7.6	3.2
USA (DJ INDUSTRIALS)	23,910	1.6	-0.8	3.7	-7.3	21,713	26,952	3.3	-5.6	-1.3	25.1	9.6
USA (S&P 500)	2,583	1.3	-0.7	3.9	-7.3	2,444	2,598	3.6	-6.2	-1.9	19.4	4.7

Equity Indices (January 14th 2019)