NATIONAL BANK OF GREECE

Economic Analysis Division
Emerging Markets Analysis

Bi-Weekly Report

1 – 14 May 2018

NBG - Economic Analysis Division
https://www.nbg.gr/en/the-group/press-office/e-spot/reports

Emerging Markets Analysis

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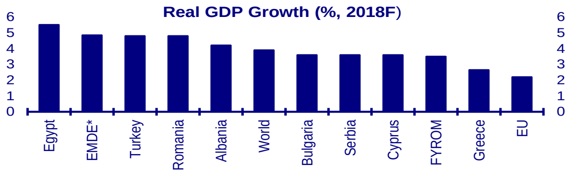
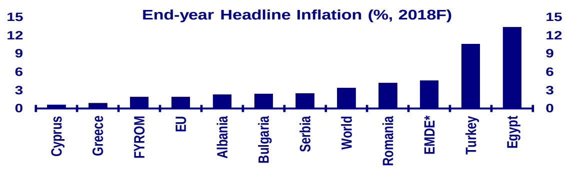


* EMDE: Emerging Market & Developing Economies



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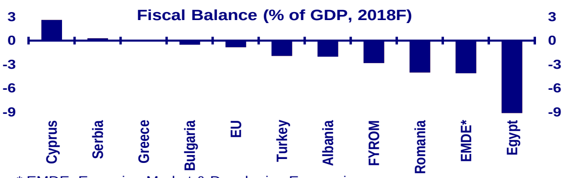

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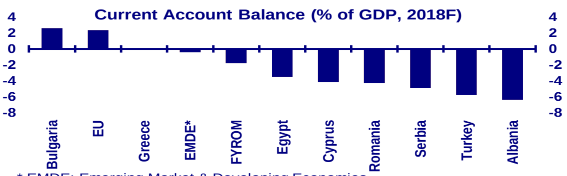

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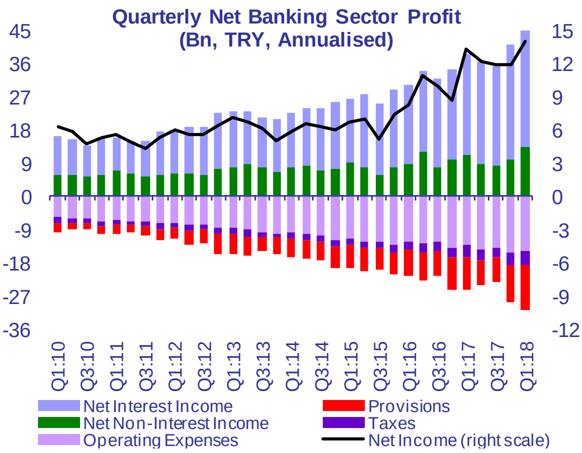
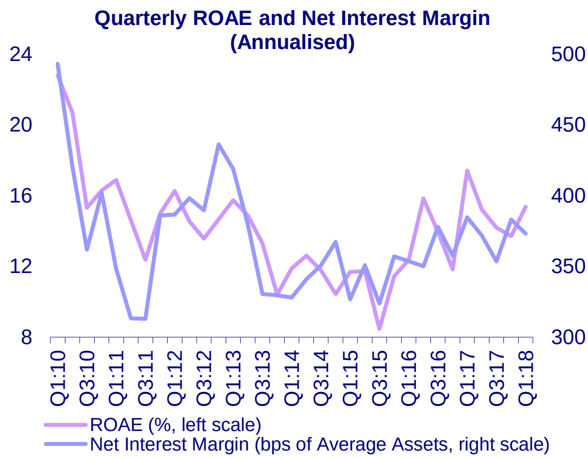
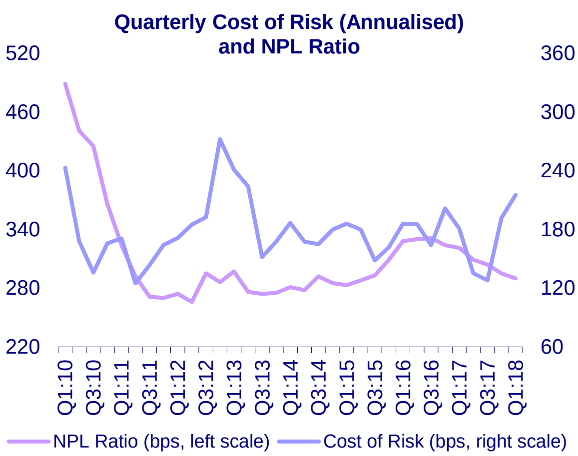
1 – 14 May 2018

Turkey

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







	14 May	3-M F	6-M F	12-M F
1-m TRIBOR (%)	14.8	14.0	13.5	12.5
TRY/EUR	5.21	5.15	5.12	5.10
Sov. Spread (2020, bps)	256	210	180	150

	14 May	1-W %	YTD %	2-Y %
ISE 100	103,370	2.5	-10.4	32.9

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	4.8	4.4
Inflation (eop, %)	8.8	8.5	11.9	10.6	9.0
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.5	-5.8	-5.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-1.9	-1.5

Banking sector profitability decelerated sharply in Q1:18, on the back of slowing credit activity, narrowing interest margins and rising provision charges. Banking sector net profits posted their weakest growth performance in 2½ years in Q1:18 – up 5.1% y-o-y to TRY 13.9bn (EUR 3.0bn or 0.4% of GDP) against increases of 61.6% in Q1:17 and 38.0% in FY:17. The slowdown reflects both decelerating pre-provision earnings and accelerating provision charges. As a result, (annualised) ROAA and ROAE declined to 1.7% and 15.2%, respectively, in Q1:18 from 1.8% and 17.4% a year ago.

Pre-provision earnings lost momentum in Q1:18 -- up 18.0% y-o-y against a rise of 44.0% a year earlier – due to a slowdown in the top line and an acceleration in operating expenses. Net interest income (NII) growth declined to 14.2% y-o-y in Q1:18 from 29.5% a year earlier, due to weaker average asset growth (up 17.8% y-o-y against a rise of 19.0% in Q1:17) and a lower net interest margin (NIM, over average assets, down 12 bps y-o-y to 373 bps annualised). Note that the deceleration in average gross loans was even sharper (up 19.6% y-o-y against a rise of 21.0% in Q1:17), reflecting a base effect. In fact, ahead of the April 2017 constitutional referendum, the BRSA relaxed some macro-prudential measures and the Government increased the amount allocated to the credit guarantee fund (CGF) -- established to stimulate lending to SMEs – in their efforts to boost economic activity, which had slowed sharply since the July 2016 failed coup.

The deterioration in NIM was largely driven by unfavourable funding costs, reflecting tighter liquidity conditions (total and local currency loans-to-deposits ratios rose to record highs of 122.4% and 147.0%, respectively, at end-Q1:18 from 119.5% and 142.5% in Q1:17) and a tighter monetary policy stance (the CBRT effective funding rate stood at a record high of 12.8% in Q1:18 – up from 10.1% a year earlier). Indeed, interest rates on TRY and USD deposits reached multi-year highs of 12.4% and 2.9%, respectively, in Q1:18 – up from 9.8% and 2.4% in Q1:17.

Net non-interest income (NNII) growth also declined, to 19.7% y-o-y in Q1:18 from 27.0% a year earlier, mainly due large losses from foreign currency trading.

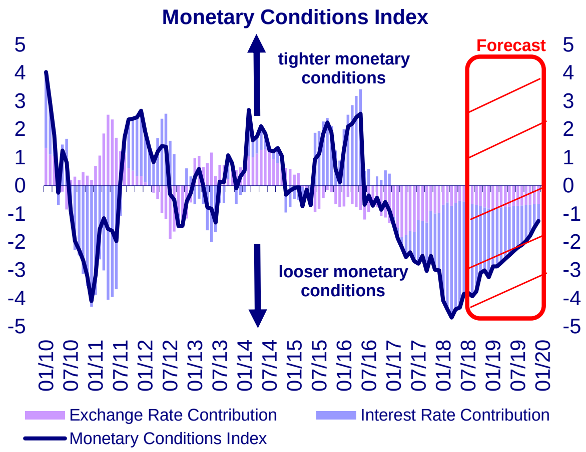
The deceleration in pre-provision earnings was also driven by an acceleration in operating expenses (up 11.8% y-o-y in Q1:18 against a rise of 7.6% in Q1:17), mainly due to personnel expenses. The latter rose by 13.1% y-o-y in Q1:18 against 4.7% in Q1:17, despite reductions in the headcount and the number of bank branches (down 1.3% and 1.6% y-o-y, respectively, to 208k and 11.5k in Q1:18).

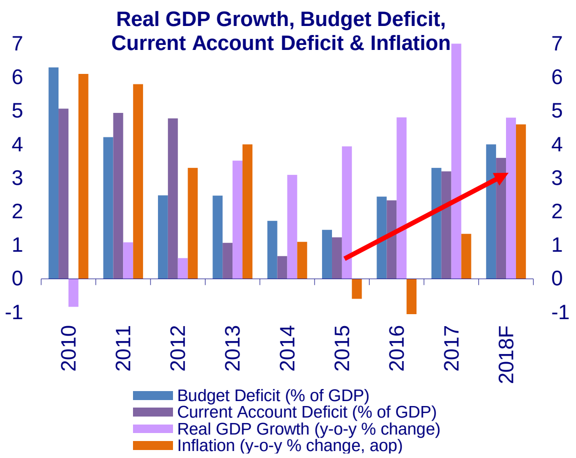
Provisions charges rose sharply in Q1:18 -- up 42.4% y-o-y against 17.8% in Q1:17 -- in view of the deteriorating operating environment and due to the implementation of IFRS 9. In addition to the negative impact from the implementation of IFRS 9 from January 1st, banks expect: i) a continued slowdown in credit activity; ii) a further narrowing of net interest margins; and iii) an imminent reversal of the downward trend in NPLs, due to a sharp weakening of the TRY (by c. 6.0% y-t-d and c. 15.0% y-o-y against the equally-weighted USD-EUR basket as at March 30th) and a significant slowdown in economic activity (we expect GDP growth to slow to 4.8% in FY:18 from 7.4% in FY:17). Note that several large Turkish companies have recently sought to restructure their debts, including the food giant Yildiz Holding -- seeking to restructure USD 6.5bn of its debt of USD 8.5bn (according to Reuters). As a result, the cost of risk rose by 34 bps to a 4-year high of 215 bps in Q1:18.

Romania

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

Composition of Parliament			
		Chamber of Deputies	Senate
	Party	Seats	Seats
Ruling Coalition	PSD	154	67
	ALDE	15	9
	PNL	67	29
	USR	28	13
	UDMR	21	9
	PMP	16	8
	Minorities	17	- - -
	Independent MPs	11	1
Total		329	136





	14 May	3-M F	6-M F	12-M F
1-m ROBOR (%)	2.7	2.7	2.8	3.0
RON/EUR	4.62	4.63	4.65	4.68
Sov. Spread (2024, bps)	106	107	108	110

	14 May	1-W %	YTD %	2-Y %
BET-BK	1,715	-0.7	3.8	44.5
	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	4.0	4.8	7.0	4.8	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	4.2	3.7
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.3	-4.2	-4.6
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-4.0	-4.3

Tensions escalate between the President and the Government. In early-May, the opposition-linked President K. Iohannis called for the resignation of PM V. Dancila, after the latter overstepped her powers on foreign policy by endorsing a deal to move the country's embassy in Israel to Jerusalem. Some days later, the President reiterated his call, citing, this time, the significant deterioration in the fiscal accounts in Q1:18. Note that a PM can only be removed through a vote of no confidence; however, in view of the comfortable majority of the ruling PSD-ALDE coalition in Parliament (see table), PM Dancila should easily survive such a vote.

At the same time, the President challenged a series of bills overhauling the judiciary at the Constitutional Court, on the basis that they "do not respect the rule of law". The main points of the proposed reform include granting control to the Ministry of Justice over the judicial inspection unit (currently managed by an independent watchdog) and depriving the President of the power to appoint senior judges. The Government's initiatives have drawn strong criticism both domestically and internationally and come at a time when the EU is considering a proposal to cut funding to countries where the rule of law is under threat. Worryingly, Romania has yet to comply with the benchmarks set 11 years ago by the EU's Cooperation and Verification Mechanism (mainly focusing on the reform of the judicial system and fight against corruption).

Concerns were also raised over the pending changes to the criminal code. These include, *inter alia*, the decriminalisation of several graft offenses. According to the opposition, the changes would benefit convicted PSD members, including the party leader and the "real power" behind PM Dancila's Government, L. Dragnea.

All said, we expect tensions between the Government and the President to escalate further, especially ahead of the next year's Presidential elections. As a result, political uncertainty is unlikely to subside soon, hindering policy implementation and hurting investor confidence.

The NBR hiked its key rate by a further 25 bps to 2.5%. In early-May, the NBR raised its 1-week repo rate by 25 bps to 2.5%, bringing total rate hikes to 75 bps since January. Importantly, the extent of the monetary policy tightening carried out is, in fact, much larger. It amounts to c. 150 bps, considering the hike in money market rates, following the absorption of excess liquidity in the market by the NBR in early-April, through deposit-taking operations. Nevertheless, monetary conditions still remain loose, with the *ex-post* real 1-month money market rate estimated at -2.5%, well below its 7-year average of 0.8%.

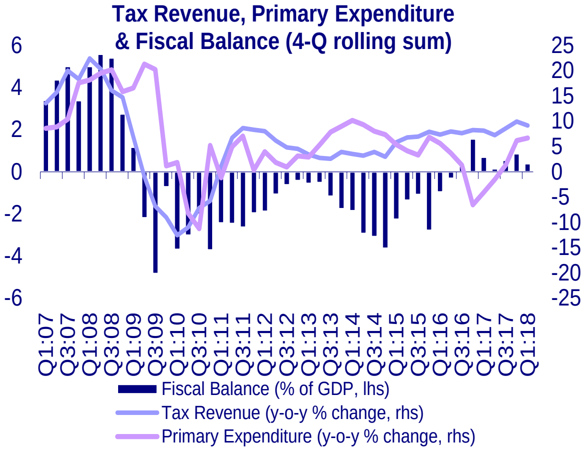
The NBR is set to continue to raise rates in an effort to attenuate overheating pressures. The economy appears to be overheating, with GDP growth (projected at 4.8% in FY:18 against 7.0% in FY:17) well above its long-term potential (of c. 3.0%), headline inflation at high levels (projected at 4.2% at end-2018, above the target of 2.5±1%) and the current account deficit up sharply (to a projected 4.2% of GDP in FY:18 from 3.3% in FY:17). At the same time, fiscal policy remains expansionary (the budget deficit is projected to rise to 4.0% of GDP in FY:18 from 2.8% in FY:17, well above the EU threshold of 3.0%).

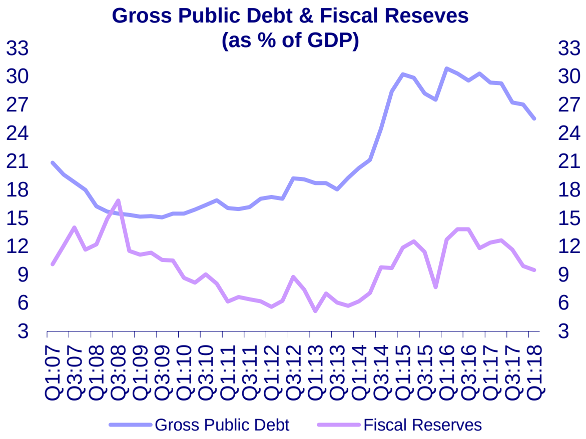
Against this backdrop, the NBR appears to be behind the curve. Our "Taylor rule" estimates suggest that the policy rate should be raised to 4.5% to address these challenges, from 2.5% currently. However, in view of the authorities' reluctance to proceed with aggressive rate hikes, especially in the context of limited or no tightening by other central banks in the region and still flat ECB rates, we believe the NBR will tighten its stance gradually. All said, we see the NBR raising its key rate by another 25 bps in FY:18 and by 75 bps in FY:19.

Bulgaria

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

Consolidated Budget (% of GDP)					
	2017 Outcome	Q1:17	Q1:18	2018 Budget	2018 NBG Forecast
Total Revenue	35.8	9.0	8.8	36.4	37.3
Tax Revenue	30.0	7.4	7.5	29.6	30.5
Non-Tax Rev.	4.3	1.2	1.2	4.5	4.5
Grants	1.5	0.4	0.1	2.3	2.3
Total Expenditure	34.9	7.9	8.2	37.4	37.8
Current Spending	31.1	7.6	7.7	31.5	31.9
o/w Wages	8.0	1.8	1.9	7.9	8.2
Goods & Services	4.0	0.8	0.9	4.4	4.4
Subsidies	2.0	0.5	0.5	2.0	2.0
Social Spending	15.4	3.8	3.7	15.5	15.6
Interest Payments	0.8	0.4	0.3	0.7	0.7
Capital Expend.	3.8	0.3	0.5	5.9	5.9
Contr. to the EU	0.9	0.2	0.3	1.1	1.1
Fiscal Balance	0.9	1.1	0.6	-1.0	-0.5





	14 May	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)	39	39	40	40

	14 May	1-W %	YTD %	2-Y %
SOFIX	644	-1.3	-4.9	46.1

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.6	3.8	3.5
Inflation (eop, %)	-0.4	0.1	2.8	2.4	2.6
Cur. Acct. Bal. (% GDP)	0.0	5.3	3.9	2.6	1.4
Fiscal Bal. (% GDP)	-2.8	1.6	0.9	-0.5	-0.3

Lower grants from the EU and higher budget spending pushed down the budget surplus to 0.4% of GDP on a 4-quarter rolling basis in Q1:18 from 0.9% in Q4:17. In Q1:18, the consolidated budget surplus narrowed markedly to 0.6% of GDP from 1.1% in the same period a year ago. Specifically, budget revenue declined in Q1:18 (by 0.2 pps of GDP y-o-y), driven by (temporarily) lower grants from the EU (down 0.3 pps of GDP y-o-y). Importantly, despite lower EU funding, public investment increased in Q1:18 (by 0.2 pps of GDP y-o-y). At the same time, primary current spending accelerated (up 0.2 pps of GDP y-o-y in Q1:18), on the back of higher personnel expenses (see below) and public consumption, as well as a larger contribution to the EU budget.

Fiscal policy is set to remain expansionary during the remainder of the year. The main driver behind the expected fiscal deterioration is public investment, which is projected to rise sharply in FY:18 (to an optimistic 3-year high of 5.9% of GDP from 3.8% in FY:17). Indeed, several major construction projects, which had been cancelled by the caretaker Government in office in early-2017 on procedural grounds, are set to be resumed during the remainder of the year.

At the same time, current spending is set to accelerate, fueled by the loose incomes policy and higher public consumption (mainly spending related to defense). Regarding the former, in addition to the targeted hikes in public sector wages (up 9.5% on average in the education and security and defense sectors) as well as the minimum wage (by 10.9% to BGN 510), and the social benefits linked to it in January, pensions are set to increase in July (by 3.8%).

However, the expected slippage in current spending should be more than offset by the overperformance in tax revenue. Indeed, with the FY:18 budget projections based on an underestimated FY:17 tax revenue (an outcome of 30.0% of GDP against a projection of 28.4% of GDP), and in view of the implementation of additional revenue-enhancing measures (including a hike in the excise duty on tobacco and a 1 pp rise in social security contributions for pensions, projected to yield a total of 0.4% of GDP in FY:18), strong consumption-driven economic growth and improving tax compliance, we expect tax revenue to be well above its FY:18 budget target.

Overall, assuming full implementation of the ambitious public investment programme, we see the fiscal balance turning into a deficit of 0.5% of GDP in FY:18 from a surplus of 0.9% in FY:17, overperforming, however, compared with its deficit target of 1.0% of GDP. The sizeable implied fiscal impulse (1.4 pps of GDP), if it were to occur, would help the Bulgarian economy maintain a solid pace of expansion (we see FY:18 GDP growth at 3.8%, above its long-term potential rate for a 4th consecutive year).

Bulgaria's already low public debt is set to decline further in FY:18. Bulgaria's gross financing needs are estimated at BGN 1.9 bn (1.8% of GDP) in FY:18, including domestic debt repayments worth BGN 1.2bn. Note that the FY:18 budget law allows for new debt issuance worth up to BGN 1.0bn. The remaining financing needs should be covered through the depletion of fiscal reserves (standing at EUR 5.0bn or 9.9% of GDP at end-2017). All said, gross public debt is projected to decline to c. 25.0% of GDP at end-2018 from 27.0% at end-2017, remaining among the lowest in the EU (where the average stands at c. 83% of GDP).

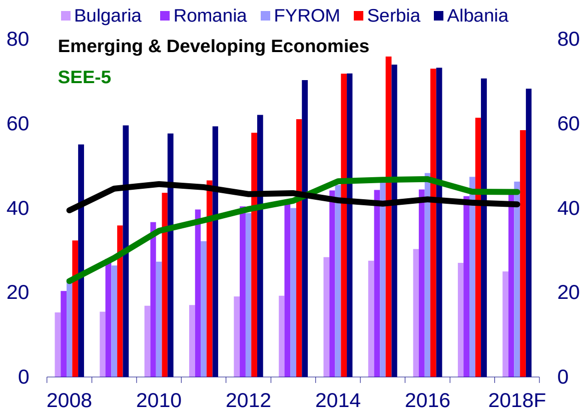
Contingent liabilities from state-owned enterprises (SOEs) pose a significant, albeit manageable, fiscal risk. Note that non-financial SOE debt stands at c. 8.5% of GDP. More worryingly, around 40% of SOEs are loss-making, highlighting the need for deep structural reforms.

Serbia

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

Consolidated Fiscal Balance (% of GDP)	2017	Q1:17	Q1:18	2018 Budget	2018F NBG
Revenue	44.2	10.1	10.1	42.7	43.2
Tax Revenue	38.5	8.7	8.9	37.7	37.9
PIT	3.8	0.8	0.9	3.6	3.6
CIT	2.5	0.4	0.5	2.0	2.1
VAT	10.7	2.5	2.3	10.7	10.7
Excises	6.3	1.5	1.6	6.1	6.1
Customs	0.9	0.2	0.2	0.9	0.9
Other taxes	1.6	0.4	0.4	1.6	1.6
Soc. Contrib.	12.7	2.9	3.0	12.8	12.9
Non-Tax Rev.	5.5	1.4	1.1	4.7	5.0
Grants	0.2	0.0	0.0	0.3	0.3
Expenditure	43.0	9.8	10.0	43.4	43.0
Current Exp.	39.1	9.3	9.2	39.2	38.8
Personnel	9.5	2.3	2.5	9.9	9.6
Goods & Services	6.8	1.4	1.4	7.0	6.9
Subsidies	2.5	0.4	0.4	2.4	2.5
Social Assist.	16.1	3.9	3.8	15.9	15.7
o/w Pensions	11.2	2.8	2.7	11.2	11.1
Other	1.4	0.3	0.2	1.5	1.5
Int. Payments	2.7	1.1	0.9	2.6	2.5
Capital Exp.	3.0	0.3	0.6	3.7	3.7
Activated Guarant.	0.6	0.2	0.1	0.4	0.4
Net Lending	0.3	0.0	0.1	0.1	0.1
Fiscal Balance	1.2	0.3	0.1	-0.7	0.3
Primary Balance	3.9	1.3	1.0	1.9	0.0

Gross Public Debt in SEE-5 (% of GDP)



	14 May	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.9	3.1	3.5
RSD/EUR	118.0	117.9	117.6	117.4
Sov. Spread (2021, bps)	154	145	135	120

	14 May	1-W %	YTD %	2-Y %
BELEX-15	737	-0.3	-2.9	19.1

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	0.8	2.8	1.9	3.6	3.6
Inflation (eop, %)	1.5	1.6	3.0	2.5	2.8
Cur. Acct. Bal. (% GDP)	-4.7	-3.1	-5.7	-5.0	-4.8
Fiscal Bal. (% GDP)	-3.7	-1.3	1.2	0.3	0.1

The fiscal policy stance turned expansionary in Q1:18, with the 4-quarter rolling fiscal surplus declining by 0.2 pps y-o-y to 1.0% of GDP. The cumulative consolidated fiscal surplus narrowed slightly by 0.2 pps y-o-y to 0.1% of GDP in Q1:18, reflecting higher expenditure (up 0.2 pps of GDP y-o-y) and unchanged revenue.

Indeed, overall revenue remained flat on an annual basis in Q1:18, as an improvement in tax revenue was offset by a deterioration in non-tax revenue. The positive tax revenue performance was mainly driven by higher excise duties on hydrocarbon oils, corporate income tax and social contributions (up 0.2 pps, 0.1 pp and 0.1 pp of GDP y-o-y, respectively, in Q1:18). This was in line with: i) a marked improvement in employment, wages and consumption, as well as corporate profitability in FY:17; and ii) a continued improvement in tax collection. The negative non-tax revenue performance reflects large once-offs throughout FY:17, including (unusually large) dividends from state-owned companies.

On the other hand, the rise in spending in Q1:18 resulted from: i) higher capital expenditure (up 0.2 pps of GDP y-o-y); and ii) personnel expenditure (up by 0.2 pps of GDP y-o-y), partly due to the targeted 5-10% rise in public sector wages (with a fiscal impact of 0.5 pps of GDP in FY:18). The rise in outlays in Q1:18 was, however, held back by lower interest payments (down 0.2 pps of GDP y-o-y), due to the decline in public debt and a stronger RSD (by 20.8% and 4.8% y-o-y, respectively, against the USD and the EUR, at end-Q1:18).

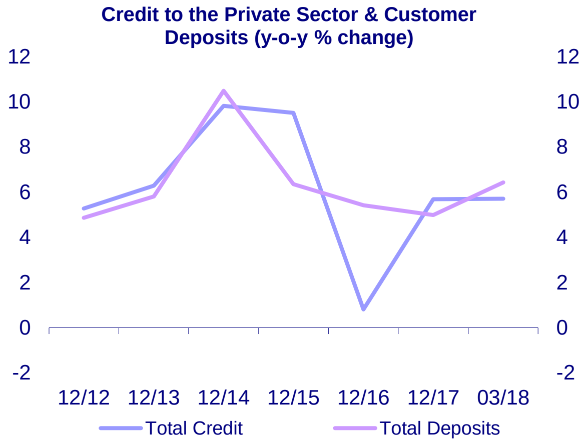
A weaker-than-budgeted expansionary fiscal stance in sight this year. The 2018 Budget envisages an expansionary fiscal stance, targeting a fiscal deficit of 0.7% of GDP -- 1.9 pps above the FY:17 outcome. In our view, the FY:18 deficit target is overly pessimistic, as it is based on both under-estimated FY:17 revenue (a budgeted 41.8% of GDP against an outcome of 44.2%) and over-estimated FY:17 expenditure (a budgeted 43.5% of GDP against an outcome of 43.0%). In fact, we expect the expansionary fiscal stance, initiated in Q1:18, to continue during the rest of the year (0.7 pps of GDP y-o-y in 4-12M:18).

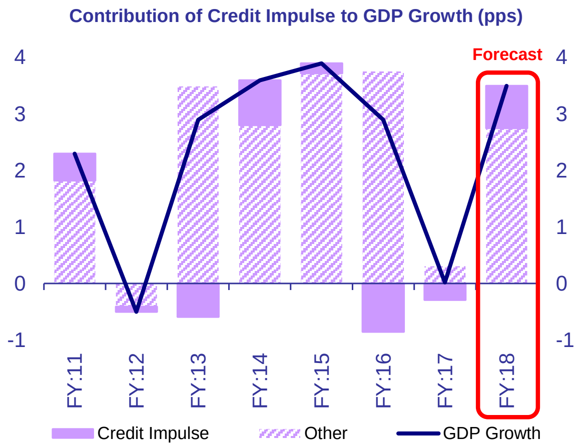
Specifically, we foresee overall revenue weakening (by 1.0 pp y-o-y in 4-12M:18), due to: i) a milder boost from collection efficiency (that supported the revenue performance in FY:17); ii) weaker non-tax revenue, reflecting large once-offs in 2017; and iii) weaker corporate income tax that reached a record high (mainly supported by lower funding costs). Note that the negative impact from the drop in the non-taxable salary (by 4.2k to RSD 11.8k as of January 2018, estimated at 0.3 pps of GDP) should broadly be offset by the positive impact on social contributions from the 10% rise in the minimum wage.

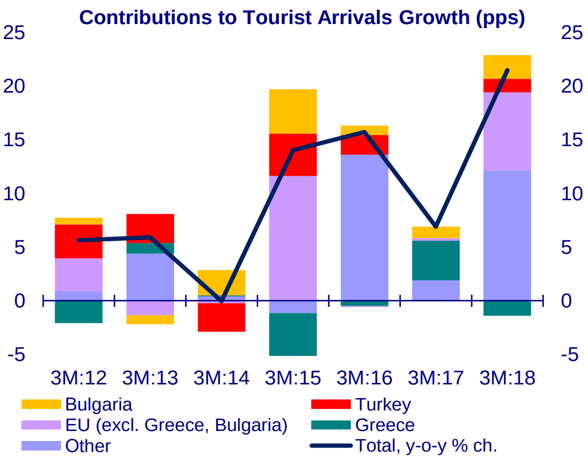
On the other hand, we expect expenditure to decline slightly (by 0.2 pps of GDP y-o-y in 4-12M:18), despite the above-mentioned hike in public sector wages, a 5% increase in pensions (with a fiscal impact of 0.4 pps of GDP in FY:18) and a strong increase in capital expenditure (set to rise by 0.4 pps y-o-y in 4-12M:18). The decline in expenditure in 4-12M:18 should result from lower net lending (reflecting the ongoing restructuring of SOEs), the continued public sector employment ban, as well as lower social assistance outlays (following the sharp decline in the unemployment rate). Overall, we see the FY:18 fiscal balance posting a surplus of 0.3% of GDP -- overperfoming its deficit target of 0.7% of GDP and resulting in a fiscal impulse of 0.9 pps of GDP (for the first time in 4 years). Should our FY:18 fiscal deficit forecast materialise, the public debt-to-GDP ratio should decline further for a 3rd successive year to c. 58.5% of GDP from 61.5% in FY:17 and a 13-year high of 76.0% at end-2015.

F.Y.R.O.M

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







	14 May	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.3	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	238	210	190	160

	14 May	1-W %	YTD %	2-Y %
MBI 100	2,937	-0.5	15.7	68.4

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.0	3.5	3.7
Inflation (eop. %)	-0.3	-0.2	2.4	1.9	2.0
Cur. Acct. Bal. (% GDP)	-1.9	-2.7	-1.3	-1.8	-2.2
Fiscal Bal. (% GDP)	-3.5	-2.7	-2.7	-2.8	-2.8

Credit to the private sector maintained momentum in Q1:18 (up 5.7% y-o-y), sustained by improving bank asset quality and easing liquidity conditions. Credit to the private sector increased by a solid 5.7% y-o-y at end-Q1:18, following a similar rise at end-2017. The robust credit growth in Q1:18 was supported, *inter alia*, by: i) easing liquidity conditions (the loan-to-deposit ratio reached a multi-year low of 92.0% in Q1:18); ii) favourable lending interest rates (with the blended interest rate declining by 45 bps y-o-y to a multi-year low of 5.7% in Q1:18); and iii) a further clean-up of banks' balance sheets. Indeed, the NPL ratio declined to a historical low of 5.1% in March from 6.2% a year earlier and a peak of 12.0% at end-2014, mainly on the back of the entry into force of the end-2015 Central Bank regulation, requiring banks to write off their fully-provisioned loans held in "loss" category for more than two years. Note that the sharp decline in the NPL ratio was almost exclusively driven by the corporate segment (the NPL ratio for corporates eased significantly to 7.8% in March from 9.7% a year earlier, while that for the retail sector declined slightly to 2.4% in March from 2.5% a year earlier).

Looking ahead, we expect credit activity to gain momentum, in view of improving confidence, following the normalization of the political environment, and strengthening economic activity (GDP growth is set to rebound to 3.5% in FY:18 from 0.0% in FY:17). According to our baseline scenario, projecting credit growth of 7% this year, the credit impulse (defined as the change in the flow of bank credit scaled by nominal GDP) should return to positive territory in FY:18 (to 1.7 pps from -0.6 pps in FY:17), contributing 0.8 pps to GDP growth, after having subtracted 0.3 pps from FY:17 GDP growth.

Customer deposits gained momentum in Q1:18, supported by strengthening confidence. Customer deposits rose by a solid 6.4% y-o-y at end-Q1:18 against 5.0% at end-2017, underpinned by strengthening confidence in the domestic economy following the Government's efforts to end its disputes with neighbouring countries, Greece and Bulgaria, which should open the way for the start of EU accession talks and NATO membership. The rebound was driven by both retail deposits and corporate deposits (up 7.3% and 4.6% y-o-y at end-Q:18, from 6.1% and 2.1% at end-2017). The rebound in deposits would have been sharper had deposit remuneration rates not continued to decline (the blended deposit interest rate fell by 16 bps y-o-y to 1.5% in Q1:18).

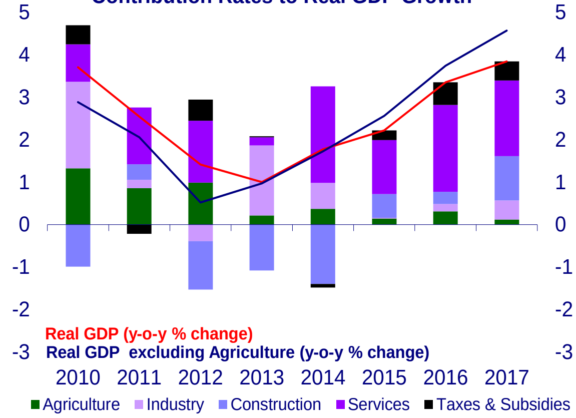
Tourism activity picked up significantly in Q1:18 (up 21.5% y-o-y), mainly due to the normalization of the political situation. Tourist arrivals increased sharply, by 21.5% y-o-y in Q1:18 against a rise of 6.9% a year earlier. The recovery reflects a favourable base effect from Q1:17, when heightening political uncertainly deterred a large number of foreign visitors. Recall that there was a political vacuum in the first 5 months of 2017, as the ruling SDSM-led coalition Government took office 6 months after the general elections. The strong Q1:18 performance was also supported by the Government's financial incentives towards low-cost airline companies to bring European tourists to the country. Importantly, the rebound in arrivals in Q1:18 was broad-based, with the number of visitors from Turkey, Bulgaria and the EU (excluding Greece and Bulgaria) rising by 13.5%, 21.4% and 29.0% y-o-y, respectively, against 0%, 10.7% and 0.9% in Q1:17.

Looking ahead, we expect tourist arrivals to lose momentum during the remainder of the year, as base effects will will turn unsupportive from June. Overall, we see tourist arrivals rising by c. 13.0% to an all-time high of 1.1mn in FY:18 -- the 2nd best growth performance in 10 years.

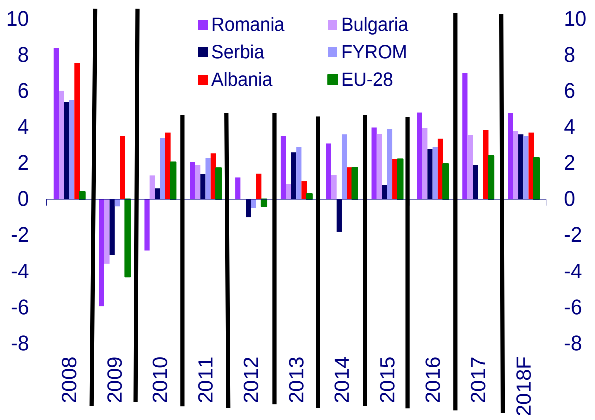
Albania

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

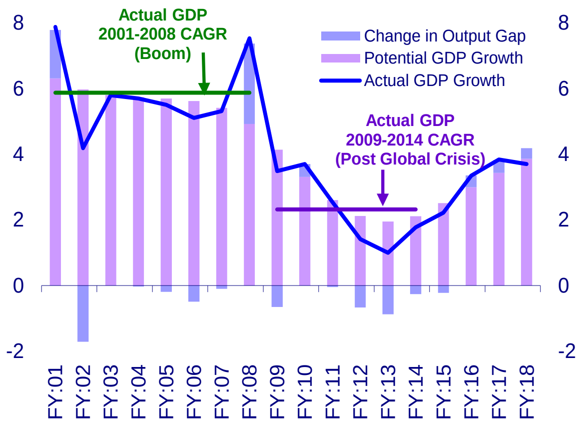
Contribution Rates to Real GDP Growth



Real GDP Growth in SEE-5 and EU-28 (%)



Contributions to Actual Real GDP Growth (pps)



	14 May	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	127.1	128.5	128.3.	128.0
Sov. Spread (bps)	183	180	175	170

	14 May	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.8	3.6	3.9
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.5	-6.9	-6.5	-5.5
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-2.0	-1.9

Economic growth reached a post-global crisis high of 3.8% in FY:17, supported by two large energy projects and their spill-over effects. GDP growth accelerated in 2017, for a fourth successive year, to a 10-year high of 3.8% from 3.4% in FY:16 and 2.2% in FY:15, despite political turbulence ahead of the June general elections.

The robust performance in FY:17 mainly reflects the strengthening in the construction sector (up sharply by 11.3% in FY:17, contributing 1.0 pp to overall GDP growth, against a rise of 3.1% in FY:16). The double-digit growth in the construction sector was underpinned by: i) the intensification in construction of two major energy projects (i.e. Trans-Adriatic Pipeline, TAP, and the two Statkraft/Devoll hydropower plants); as well as ii) capital expenditure (up sharply by 15.1% in FY:17 against a decline of 5.7% in FY:16).

Moreover, industrial output accelerated in FY:17, expanding by 3.6% (contributing 0.5 pps to GDP growth) compared with a rise of just 1.3% in FY:16. Industrial output was likely supported by stronger extraction output (especially the oil industry, following sharp declines in 2015-16). The latter reflects: i) the recovery in oil prices (up 19.2%, in EUR terms, in FY:17 against a decline of 15.7% in FY:16); and ii) the acquisition of the Canadian-based oil company, Bankers Petroleum, by China's Geo-Jade Petroleum Corporation at end-September 2016. Industrial output was also reinforced by the rebound in the textile and footwear subsector (its exports rose to 16.7%, in EUR terms, in FY:17 from 9.4% in FY:16, according to BoP data). A further boost to industrial output was likely provided by a rise in production of construction material and metals, in view of the large construction projects and high exports. Note that the strengthening in industrial production would have been even stronger in FY:17 had electricity generation (which is fully based on hydroelectric production) not declined sharply due to the summer drought (electricity production declined by 36.6% in FY:17 against a robust rise of 21.7% in FY:16 and is estimated to have subtracted 0.5 pps from GDP growth in FY:17 after having contributed 0.3 pps in FY:16).

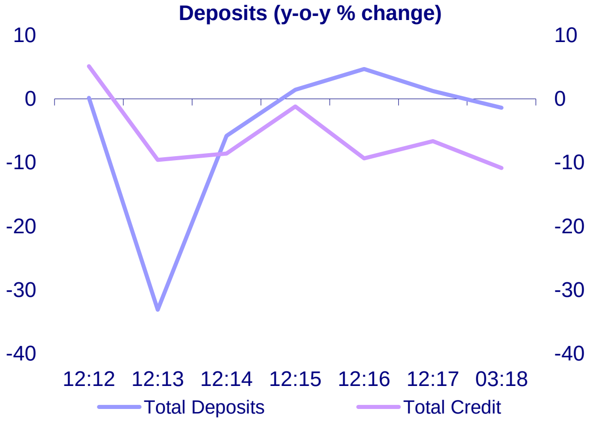
On a negative note, the adverse weather conditions (including winter floods and the summer drought) also hit the agricultural sector. Excluding agriculture, activity accelerated at a stronger pace, by 4.6% in FY:17 from 3.7% in FY:16.

Growth to moderate slightly to 3.6% in FY:18 as large energy projects fade. The slowdown in FY:18 should be driven by the large energy-related projects, as they approach their completion. This impact should by partly offset by: i) stronger agricultural output, following a weather-related weak performance in FY:17; ii) a rebound in electricity production, following a drought-induced sharp drop in FY:17; and iii) the continued strong performance in the oil industry (supported by a further increase in oil prices by an estimated 10.0%, in EUR terms, in FY:18). Activity in FY:18 should also be underpinned by the improved confidence in the domestic economy, the expected acceleration in structural reforms and strong commitment to economic reforms, in view of both the expected launch of EU accession talks and the continued engagement with the IMF under the Post-Programme Monitoring process. Growth should also be supported by the continued improvement in the labour market, the rebound in credit activity, and robust activity in the country's main trading partners, as well as an accommodative policy mix. Importantly, the output gap is set to turn positive (0.1% in FY:18 against -0.2% in FY:17) for the first time in 6 years in FY:18.

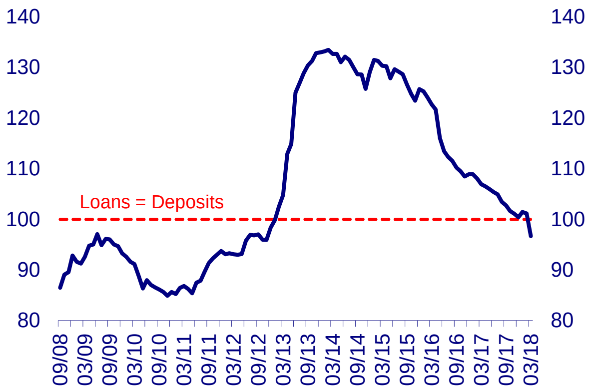
Cyprus

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

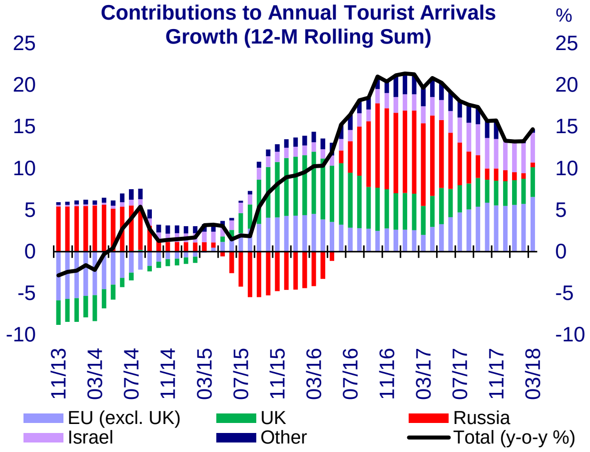
Credit to the Private Sector & Customer Deposits (y-o-y % change)



Loans-to-Deposits Ratio (%)



Contributions to Annual Tourist Arrivals Growth (12-M Rolling Sum)



	14 May	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.19	1.22	1.24	1.26
Sov. Spread (2020. bps)	113	55	52	50

	14 May	1-W %	YTD %	2-Y %
CSE Index	66	-2.8	-4.5	-2.0

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	3.4	3.9	4.2	4.0
Inflation (eop. %)	-1.0	-0.3	-0.6	0.6	1.0
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-6.7	-4.2	-4.5
Fiscal Bal. (% GDP)	-1.2	0.5	1.8	2.8	2.8

Customer deposits declined in Q1:18, as a result of temporary pressures on the customer base of Cyprus Cooperative Bank (CCB). Customer deposits posted a decline of 1.4% y-o-y at end-Q1:18 against a rise of 1.3% at end-2017, mainly due to heightened depositor uncertainty at end-March over the ongoing privatisation process of CCB -- the island's second largest credit institution. Depositor confidence was, however, immediately restored following an emergency deposit by the Government at the bank, worth EUR 2.5bn (12.5% of GDP). The negative deposit performance in Q1:18 was also driven by moderating deposit remuneration rates, reflecting easing liquidity conditions (the L/D ratio declined to 96.7% at end-Q1:18 from 100.4% at end-2017 and a peak of 133.5% in February 2014).

Credit deleveraging accelerated in Q1:18, mainly reflecting increased efforts by banks to reduce NPLs. Credit to the private sector fell by 10.8% y-o-y at end-Q1:18, compared with a decline of 6.6% at end-2017. The faster decline in lending activity in Q1:18 was driven by both households and corporates (down 8.2% y-o-y and 13.4% y-o-y, respectively, at end-Q1:18 against smaller declines of 5.3% and 8.0% in December).

The stronger pace of credit contraction was mainly due to banks' increased write-offs and debt-for-asset swaps, in response to supervisory pressure to reduce their stock of NPLs (standing at EUR 17.3bn or 86.4% of GDP or 35.8% of gross loans in January). A decline in new corporate loans (down 23.3% y-o-y to EUR 0.5bn in Q1:18) was also a drag on overall credit activity. Credit contraction would have been sharper had new retail loans not increased, in line with banks' eased credit conditions to households. Indeed, according to the Central Bank, new loan originations to households (pure new and renegotiated loans) rose by 17.6% y-o-y (to EUR 0.3bn) in Q1:18, following a mild decline of 0.6% (to EUR 1.3bn) in FY:17.

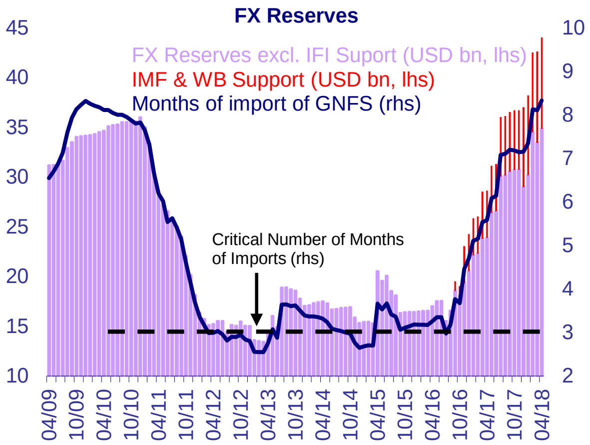
Tourist activity began the year on a strong footing, with the 12-month rolling arrivals' growth rising to 14.7% y-o-y in March from 13.3% in December. The acceleration in tourist arrivals was broad-based, with the 12-month rolling number of visitors from the UK and the EU (excl. UK) -- accounting for 35% and 25%, respectively, of total arrivals in FY:17 -- increasing by 10.0% y-o-y and 28.5% y-o-y in March, against smaller rises of 8.3% and 23.6% in December. The improvement was due to this year's early Easter holiday (Easter Sunday was on April 1st, compared with April 16th last year) and, to a lesser extent, continuous efforts to extend the tourism season beyond the summer.

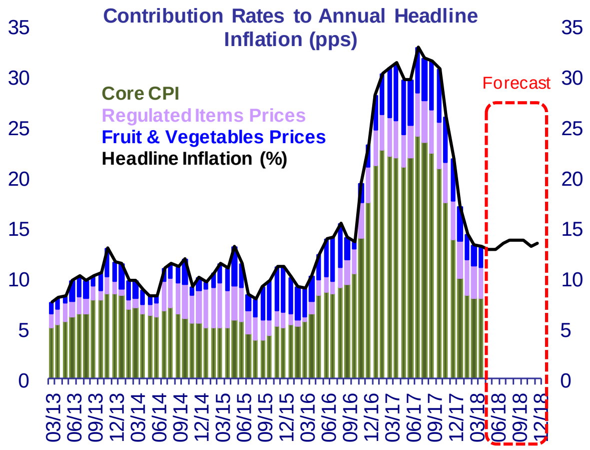
Looking ahead, we expect tourist arrivals to lose momentum during the remainder of the year. The deceleration will be driven by the gradual return of Russian and British visitors to neighbouring countries -- Turkey and Egypt -- due to improved domestic security conditions and more competitive prices. Note that direct flights between Russia and Egypt resumed on April 11th, following a cooperation agreement on civil aviation security between the two countries at end-December, aimed at removing Russia's travel ban imposed after the downing of a Russian passenger plane in the Sinai Peninsula in October 2015. All said, we see the number of tourist arrivals rising by c. 9.0% to a record high of 4.0mn in FY:18.

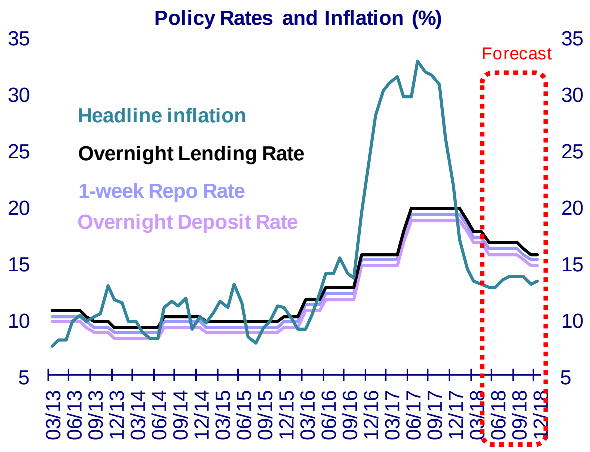
With tourism accounting for 22.3% of GDP and 22.7% of employment (according to the World Travel & Tourism Council -- 2018 report), we estimate that tourist activity will contribute c. 0.8 pps to FY:18 GDP growth (projected to accelerate to 4.2% from 3.9% in FY:17) and shave c. 0.5 pps off the FY:18 unemployment rate (projected to decline to 9.2% from 11.0% in FY:17).

Egypt

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







	14 May	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	17.1	18.0	17.0	15.0
EGP/USD	17.8	17.6	17.7	17.8
Sov. Spread (2020. bps)	214	188	162	140

	14 May	1-W %	YTD %	2-Y %
HERMES 100	1,626	-3.4	13.2	137.5

	14/15	15/16	16/17	17/18F	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	5.2	5.8
Inflation (eop. %)	11.4	14.0	29.8	12.8	14.2
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.6	-3.4	-3.6
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.8	-8.4

FX reserves rose by USD 7.0bn to a record high USD 44.0bn in the first four months of 2018, supported by the solid implementation of the loan agreement with the IMF (signed in November 2016). FX reserves rose to USD 44.0bn at end-April (covering 8.4 months of imports of GNFS) from USD 37.0bn at end-December, mainly on the back of the issuance of USD 6.0bn in Eurobonds (USD 4.0bn in February and USD 2bn in April) and the release of the third and final USD 1.2bn tranche from a USD 3.2bn WB loan in March.

Note that between November 2016 -- when the IMF-supported programme was signed -- and end-2017, FX reserves rose sharply by USD 18.0bn. The pick-up reflects: i) the disbursement of USD 6.0bn by the IMF as part of a USD 12.0bn loan; ii) the issuance of 2 Eurobonds totaling USD 7.0bn; iii) the disbursement of the second USD 1.0bn tranche from the USD 3.2bn WB loan; iv) large foreign investments in the high-yielding domestic debt market; v) a sharp recovery in the tourism sector; and vi) a significant rise in workers' remittances from abroad, propelled by the eradication of the parallel FX market following the flotation of the domestic currency (in November 2016).

Importantly, non-official sources were the main contributors to the foreign currency build-up. Since the start of the IMF-supported programme, non-official sources provided USD 16.8bn out of a total increase of USD 25.0bn, reflecting the return of foreign investor confidence. Excluding the IMF and WB support (USD 6.0bn and USD 2.2bn, respectively), FX reserves stood at USD 34.9bn at end-April (covering 6.6 months of imports of GNFS).

Headline inflation eased further to 13.1% y-o-y in April. Headline inflation declined for a 9th consecutive month in April – down to a 1½-year low of 13.1% y-o-y from a 3-decade high of 33.0% in July. Recall that the July peak resulted from: i) further adjustments in regulated prices (prices of fuel and electricity were increased by up to 50% and 42%, respectively, in July 2017); ii) a rise in the VAT rate (by 1 pp to 14% in July 2017); and iii) the flotation of the EGP in November 2016 (leading to a depreciation of the EGP against the USD by 50% y-o-y in July 2017).

The 19.8 pp decline in headline inflation between July and April had been largely supported by sharp policy rate hikes, the absorption of excess liquidity through open market operations, the increase in the bank reserve requirement ratio (up 4 pps to 14.0% in October 2017), as well as the fading direct and indirect impacts of the flotation of the EGP --- which has stabilised against the USD since March 2017 -- and the rise in energy prices.

Looking ahead, we expect headline inflation to reverse its downward trend in July, on the back of a new cycle of increases in regulated energy prices and taxes. Overall, we see headline inflation reaching a trough of 12.8% in June and ending the current calendar year at 13.4% y-o-y -- well within the CBE's end-2018 target range of 10%-16%.

As the deterioration in inflation in H2:18 is expected to result mainly from supply shocks and the domestic currency is set to remain stable, the CBE should continue with its new cycle of monetary policy loosening started in February. We expect the CBE to proceed with additional cuts to its key rates, totalling 200 bps, by December, bringing total cuts to 400 bps in FY:18. Should our forecasts materialise, the overnight deposit, 1-week repo, and overnight lending rates would reach 14.75%, 15.25%, and 15.75%, respectively, in December (or 2.2%, 2.7% and 3.3%, respectively, in *ex post*, real and compounded terms, compared with 4.5%, 5.0% and 5.6% in April).

FOREIGN EXCHANGE MARKETS, MAY 14TH 2018

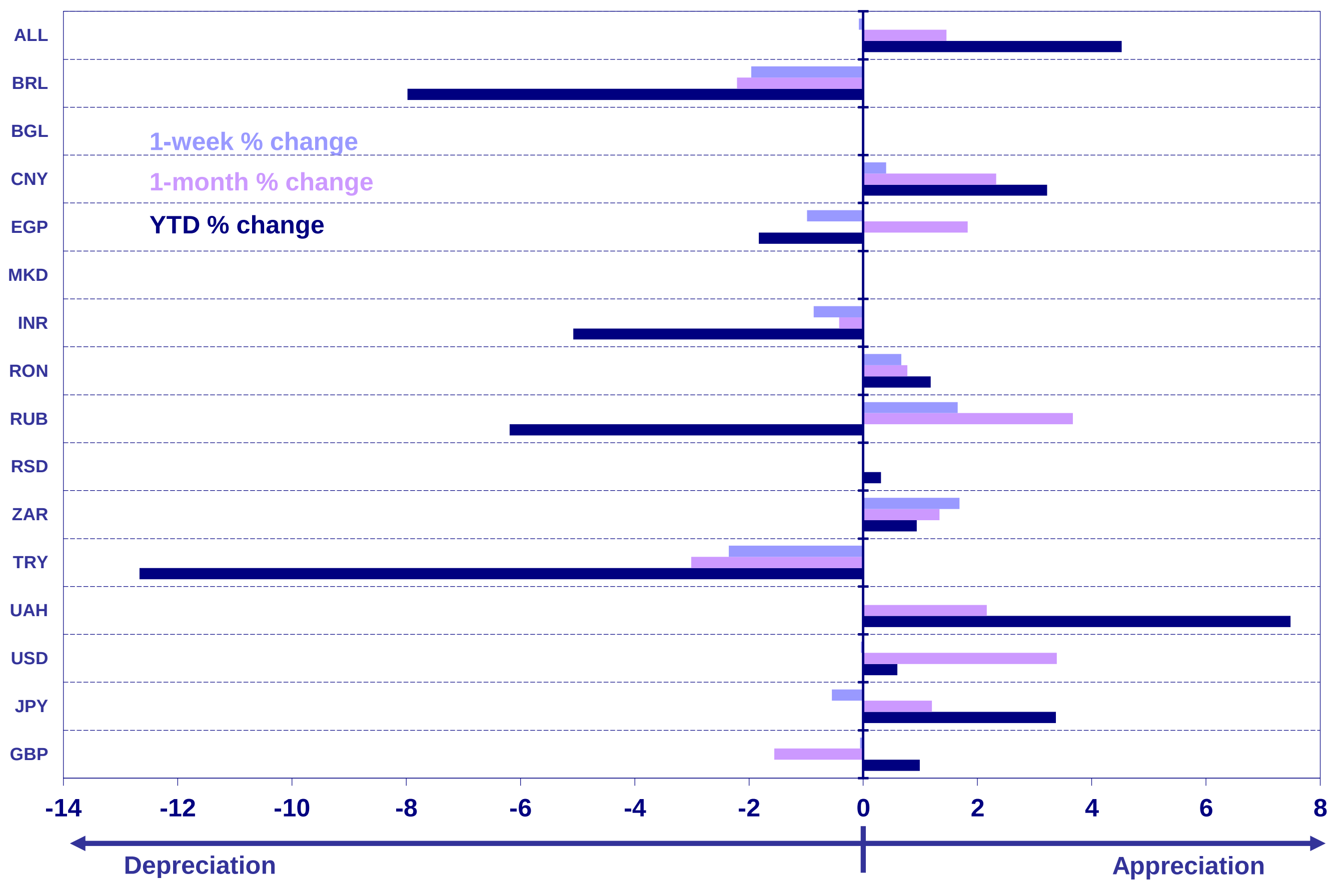
Against the EUR

	Currency	2018 SPOT	2018 1-week %change	2018 1-month %change	2018 YTD %change*	2018 1-year %change	2018 Year-Low	2018 Year-High	2018 3-month Forward rate**	2018 6-month Forward rate**	2018 12-month Forward rate**	2017 % change*	2016 % change*
Albania	ALL	127.1	-0.1	1.5	4.5	5.5	127.0	134.0	127.4	127.5	127.0	1.9	1.2
Brazil	BRL	4.32	-2.0	-2.2	-8.0	-21.0	3.85	4.36	4.60	4.60	4.61	-13.9	25.7
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	7.56	0.4	2.3	3.2	0.1	7.53	7.96	7.89	7.89	7.90	-6.0	-4.0
Egypt	EGP	21.22	-1.0	1.8	-1.8	-6.9	20.59	22.13	- - -	- - -	- - -	-9.4	-55.0
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	80.8	-0.9	-0.4	-5.1	-12.9	75.9	81.8	86.9	- - -	- - -	-6.7	0.4
Romania	RON	4.62	0.7	0.8	1.2	-1.6	4.62	4.68	4.66	4.70	4.78	-3.0	-0.4
Russia	RUB	73.8	1.7	3.7	-6.2	-16.1	67.7	80.5	74.9	76.2	78.8	-6.8	22.9
Serbia	RSD	118.0	0.0	0.0	0.3	4.2	117.6	119.1	118.3	118.6	- - -	4.2	-1.5
S. Africa	ZAR	14.7	1.7	1.3	0.9	-1.6	14.18	15.26	15.0	15.3	15.8	-2.7	16.2
Turkey	YTL	5.21	-2.4	-3.0	-12.7	-25.2	4.48	5.25	5.41	5.64	6.12	-18.4	-14.7
Ukraine	UAH	31.2	0.0	2.2	7.5	-7.1	31.04	36.11	37.0	- - -	- - -	-15.2	-8.6
US	USD	1.19	0.0	3.4	0.6	-8.0	1.2	1.3	1.20	1.21	1.23	-12.4	3.3
JAPAN	JPY	130.8	-0.6	1.2	3.4	-4.5	129.0	137.5	130.9	130.9	131.0	-8.9	6.0
UK	GBP	0.88	-0.1	-1.6	1.0	-3.3	0.9	0.9	0.88	0.88	0.89	-4.1	-13.5

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (May 14th 2018)



MONEY MARKETS, MAY 14TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	6.4	-0.2	2.6	- - -	17.1	- - -	- - -	2.7	7.1	- - -	14.1	6.8	16.6	- - -	1.7
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.7	7.2	2.3	- - -	6.5	- - -	- - -	- - -
S/W	1.4	6.4	-0.1	2.7	-0.4	- - -	1.1	- - -	- - -	6.5	2.3	- - -	6.8	16.9	-0.4	1.8
1-Month	1.6	6.2	-0.1	3.8	-0.4	- - -	1.3	6.7	2.7	7.3	2.6	14.8	7.4	17.8	-0.4	1.9
2-Month	- - -	6.2	-0.1	- - -	-0.3	- - -	- - -	- - -	- - -	7.3	2.7	15.1	7.3	- - -	-0.3	2.1
3-Month	2.0	6.2	0.0	4.1	-0.3	- - -	1.5	7.3	2.8	7.3	2.9	15.9	7.4	17.9	-0.3	2.3
6-Month	2.3	6.2	0.1	4.2	-0.3	- - -	1.8	- - -	2.9	7.6	3.1	16.6	7.4	- - -	-0.3	2.5
1-Year	2.7	6.6	0.5	4.4	-0.2	- - -	2.1	- - -	3.0	8.0	- - -	17.1	7.8	- - -	-0.2	2.8

LOCAL DEBT MARKETS, MAY 14TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	18.6	- - -	6.3	- - -	7.1	- - -	13.2	- - -	- - -	-0.6	1.9
6-Month	1.9	- - -	- - -	- - -	- - -	18.5	- - -	6.5	2.7	7.0	3.3	15.0	- - -	- - -	-0.6	2.1
12-Month	2.3	- - -	-0.1	2.9	- - -	17.9	1.2	6.9	2.8	6.4	3.1	14.0	- - -	17.2	-0.6	2.3
2-Year	3.0	- - -	- - -	3.1	- - -	- - -	1.6	7.5	3.0	6.5	- - -	15.6	7.2	- - -	-0.5	2.5
3-Year	- - -	- - -	0.2	3.2	0.9	- - -	1.8	7.7	3.7	6.9	- - -	15.4	7.4	16.2	-0.4	2.7
5-Year	5.5	9.3	- - -	3.1	1.2	15.2	- - -	7.9	4.4	6.9	4.0	14.9	7.7	- - -	0.0	2.9
7-Year	- - -	- - -	0.8	- - -	1.9	15.0	- - -	8.0	4.5	7.2	- - -	- - -	- - -	- - -	0.2	3.0
10-Year	- - -	10.0	1.3	3.7	- - -	15.0	- - -	7.8	4.8	7.3	- - -	13.5	8.3	- - -	0.6	3.0
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.2	8.0	- - -	7.6	- - -	- - -	9.9	- - -	0.9	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.3	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.0	- - -	- - -	- - -	- - -	9.3	- - -	1.3	3.1

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

CORPORATE BONDS SUMMARY, MAY 14TH 2018

		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	2.0	243	202
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.8	226	204
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	94	62
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	2.8	324	274
	Garanti Bank 5.25% '22	USD	NA/Ba1	13/9/2022	750	6.4	355	335
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	7.8	495	461
	Vakifbank 5.75% '23	USD	NA/Ba1	30/1/2023	650	7.4	450	419
	TSKB 5.5% '23	USD	NA/Ba1	16/1/2023	350	7.9	501	459
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.1	524	482
	KOC Holding 5.25% '23	USD	BBB-/Baa3	15/3/2023	750	6.1	324	306

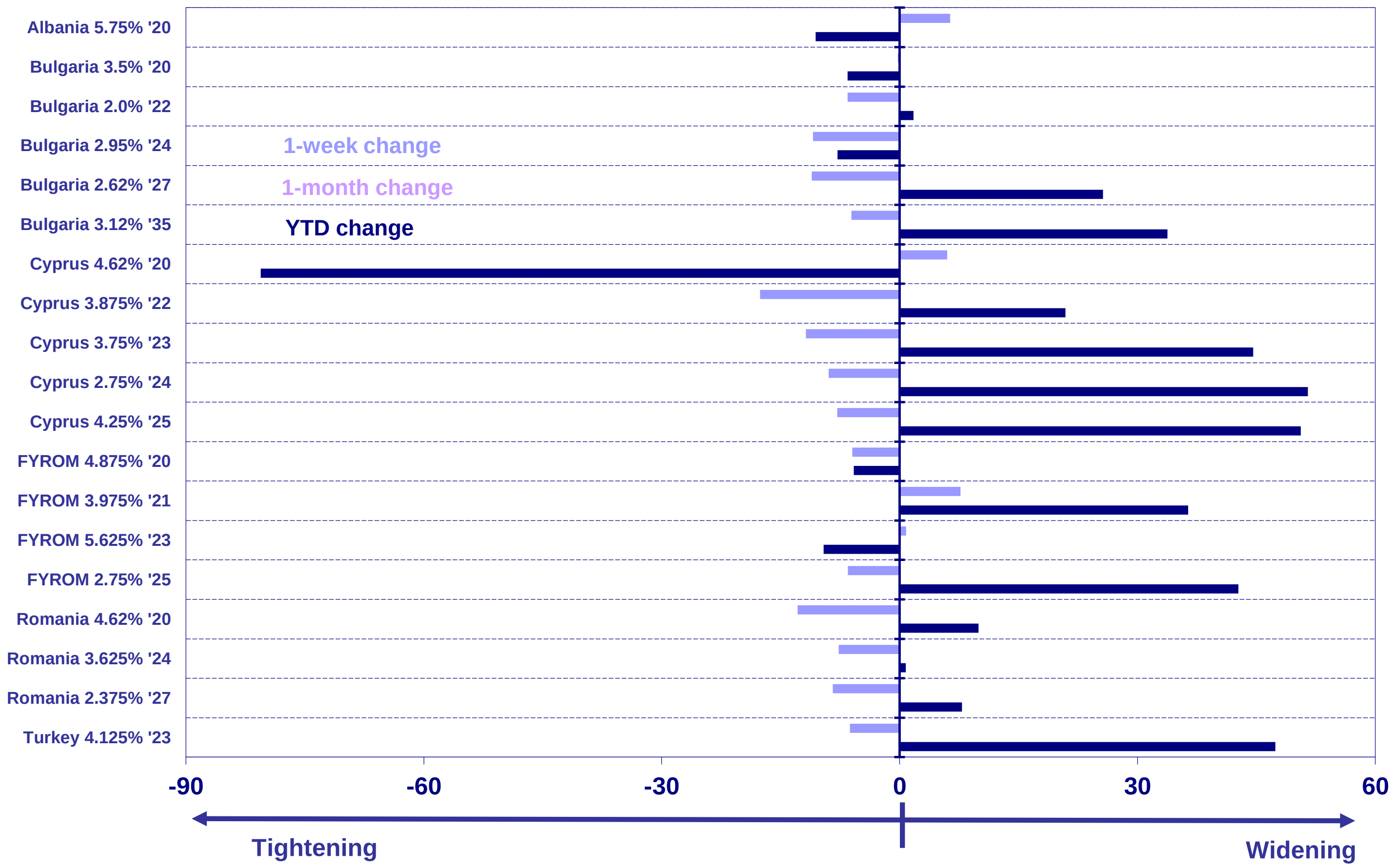
CREDIT DEFAULT SWAP SPREADS, MAY 14TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	183	66	59	144	277	- - -	80	90	129	120	234	158	397
10-Year	- - -	269	102	103	181	323	- - -	89	130	194	151	318	248	427

EUR-Denominated Sovereign Eurobond Summary, May 14th 2018

	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	183	155
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	61	29
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.2	39	-6
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.8	54	18
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.4	96	54
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.6	164	117
Cyprus 4.62% '20	EUR	BB+/Ba3	3/2/2020	668	0.6	113	83
Cyprus 3.875% '22	EUR	NA/Ba3	6/5/2022	1,000	1.2	146	106
Cyprus 3.75% '23	EUR	NA/Ba3	26/7/2023	1,000	1.7	170	127
Cyprus 2.75% '24	EUR	NA/Ba3	27/6/2024	850	1.9	180	133
Cyprus 4.25% '25	EUR	NA/Ba3	4/11/2025	1,000	2.3	194	164
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.5	188	157
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.0	238	412
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.6	260	231
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	3.0	280	230
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.1	61	13
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	106	65
Romania 2.375% '27	EUR	BBB-/Baa3	19/4/2027	2,000	2.2	172	125
Turkey 4.125% '23	EUR	NR/Ba1	11/4/2023	1,000	3.0	298	261

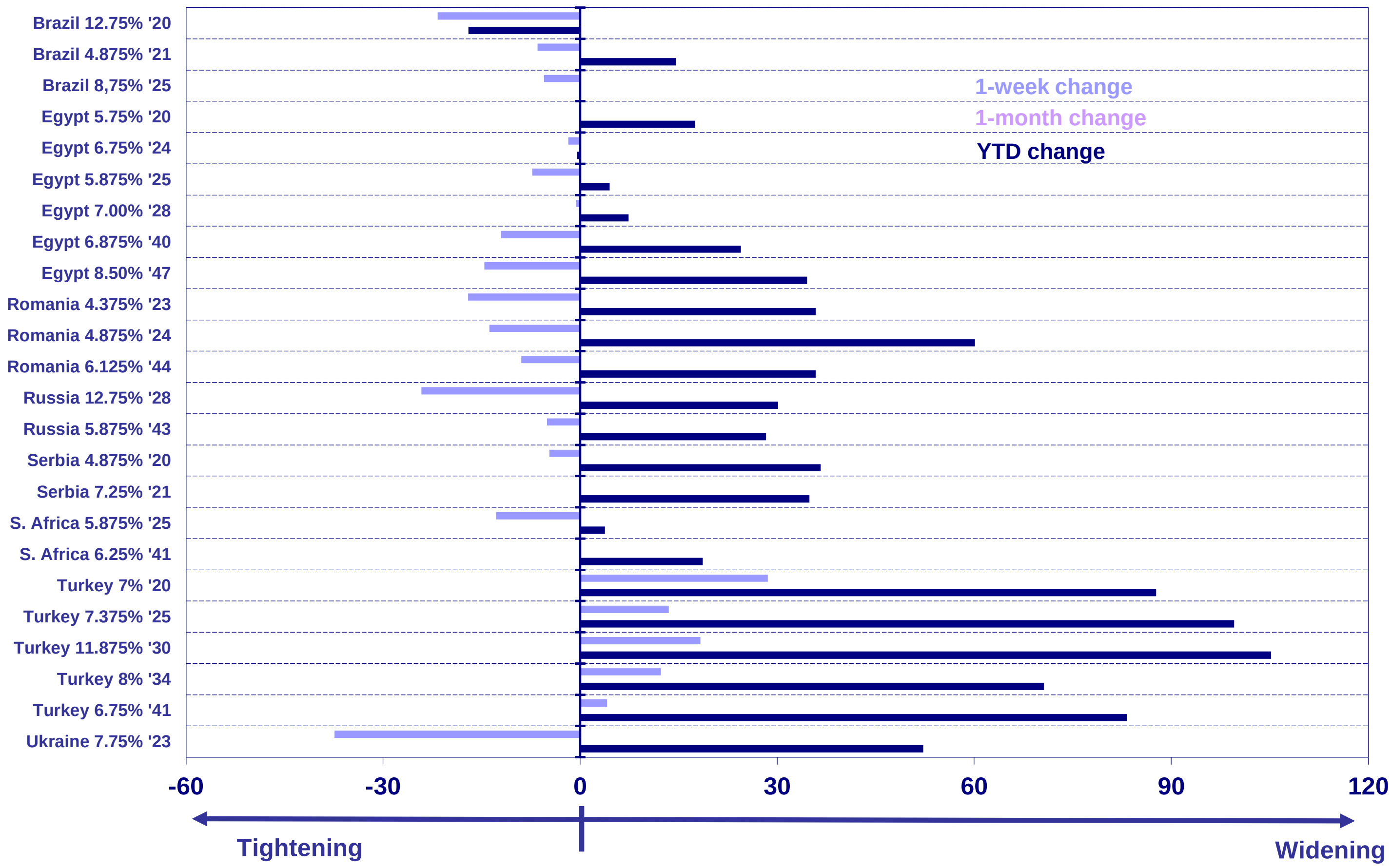
EUR-Denominated Eurobond Spreads (May 14th 2018)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MAY 14TH 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB-/NA	15/1/2020	87	2.3	-20	-35
Brazil 4.875% '21	USD	BB-/NA	22/1/2021	2,713	3.7	98	88
Brazil 8.75% '25	USD	BB-/NA	4/2/2025	688	4.5	154	174
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	4.7	214	197
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.3	333	332
Egypt 5.875% '25	USD	B-/B3	11/6/2025	500	6.4	346	333
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.7	375	370
Egypt 6.875% '40	USD	B-/B3	30/4/2040	1,500	7.4	432	412
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	8.0	485	507
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	4.1	120	112
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	4.2	133	125
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	5.0	188	212
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.9	194	259
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.4	232	244
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.1	152	137
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.2	154	143
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.2	223	224
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	6.0	284	292
Turkey 7.00% '20	USD	NR/Ba1	5/6/2020	2,000	5.1	256	240
Turkey 7.375% '25	USD	NR/Ba1	5/2/2025	3,250	6.4	344	349
Turkey 11.875% '30	USD	NR/Ba1	15/1/2030	1,500	7.0	399	482
Turkey 8.00% '34	USD	NR/Ba1	14/2/2034	1,500	7.0	404	414
Turkey 6.75% '41	USD	NR/Ba1	14/1/2041	3,000	7.1	398	363
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,355	7.6	475	461

USD-Denominated Eurobond Spreads (May 14th 2018)



STOCK MARKETS PERFORMANCE, MAY 14TH 2018

	2018								2017		2016	
	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)	85,232	3.0	1.1	11.6	24.5	76,403	88,318	2.2	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	644	-1.3	-2.9	-4.9	-1.8	643	721	-4.9	15.5	15.5	27.2	27.2
China (SHCOMP)	3,174	1.2	0.5	-4.0	2.7	3,042	3,587	-0.9	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	66	-2.8	0.1	-4.5	-14.9	66	71	-4.5	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,626	-3.4	-3.2	13.2	39.7	1,429	1,741	11.8	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	2,937	-0.5	6.0	15.7	32.8	2,536	2,958	15.7	18.9	18.9	16.5	16.5
India (SENSEX)	35,557	1.0	4.0	4.4	17.3	30,248	36,444	-0.8	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,715	-0.7	-2.8	3.8	6.5	1,675	1,802	5.1	22.8	19.1	0.2	0.0
Russia (RTS)	4,554	0.9	7.2	10.5	5.1	4,017	4,572	3.6	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	737	-0.3	-0.3	-2.9	1.2	728	785	-2.6	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	58,614	1.3	3.6	-1.5	8.4	53,027	61,777	-0.6	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	103,370	2.5	-5.7	-10.4	8.1	97,849	121,532	-21.7	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	473	-0.1	27.8	50.2	71.1	315	476	61.4	18.8	0.8	10.2	1.0
MSCI EMF	1,169	2.6	-0.1	0.9	15.7	1,131	1,279	1.5	34.3	17.7	8.6	12.2
MSCI EAFE	2,067	1.4	1.2	0.8	10.3	1,989	2,187	1.4	21.8	6.7	-1.9	1.4
Greece (ASE-General)	816	0.7	0.6	1.7	4.3	767	896	1.7	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,978	0.2	4.3	0.5	1.3	11,727	13,597	0.5	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,711	1.9	6.1	0.3	3.4	6,867	7,793	1.3	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	24,899	2.2	2.2	0.7	18.7	20,553	26,617	1.3	25.1	9.6	13.4	16.7
USA (S&P 500)	2,730	2.2	2.8	2.1	13.6	2,533	2,873	2.7	19.4	4.7	9.5	13.2

Equity Indices (May 14th 2018)