Economic Analysis Division
Emerging Markets Analysis

Bi-Weekly Report

10 – 23 July 2018

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

Emerging Markets Analysis

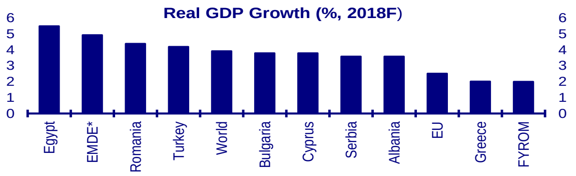
***Head:* Michael Loufir**
☎ : +30 210 33 41 211
🖂 : mloufir@nbg.gr

Analysts:

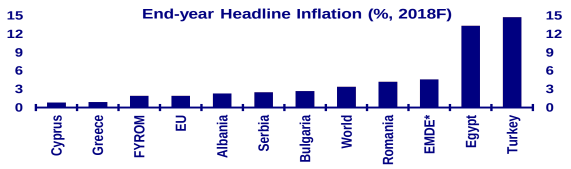
Konstantinos Romanos-Louizos
🖂 : romanos.louizos.k@nbg.gr

Louiza Troupi
🖂 : troupi.louiza@nbg.gr

Athanasios Lampousis
🖂 : lampousis.athanasios@nbg.gr



* EMDE: Emerging Market & Developing Economies



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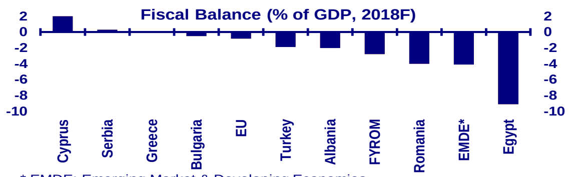

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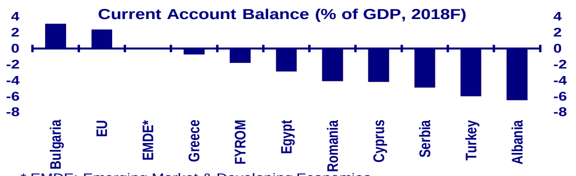
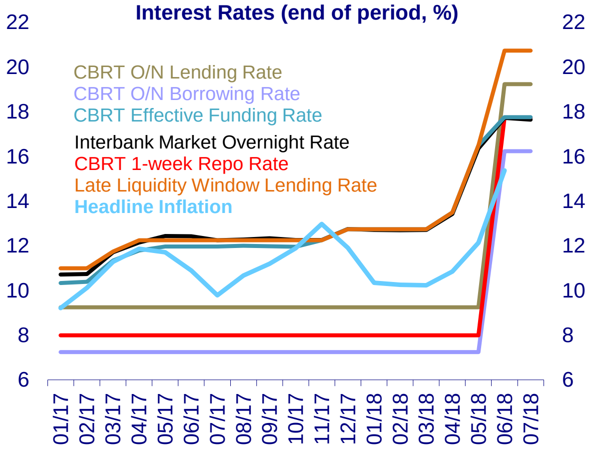
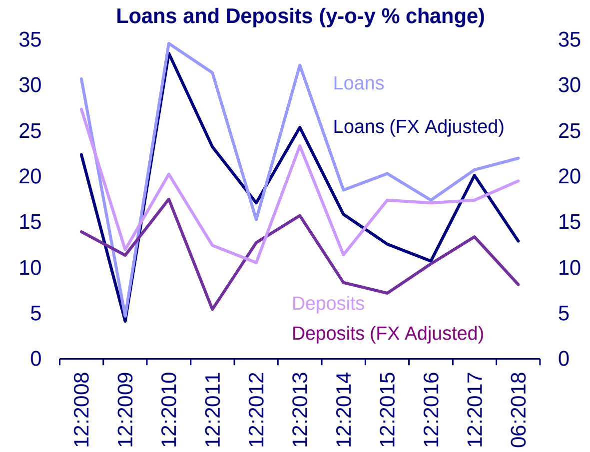


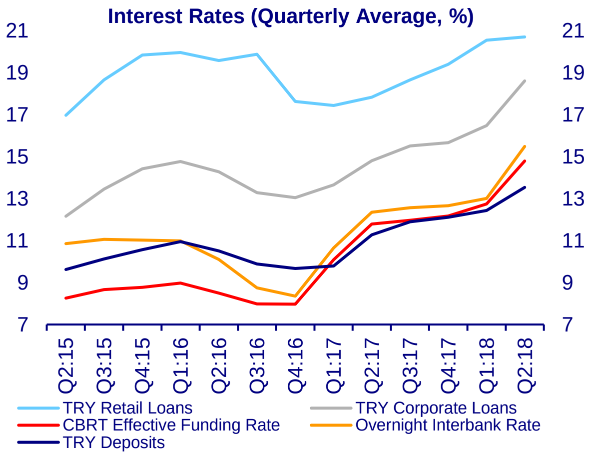
* EMDE: Emerging Market & Developing Economies

Turkey

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







	23 July	3-M F	6-M F	12-M F
1-m TRIBOR (%)	19.5	18.5	18.0	16.5
TRY/EUR	5.54	5.50	5.40	5.30
Sov. Spread (2020, bps)	306	280	250	180

	23 July	1-W %	YTD %	2-Y %
ISE 100	95,305	6.2	-17.4	32.9

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	4.2	4.4
Inflation (eop, %)	8.8	8.5	11.9	14.8	12.0
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.6	-6.0	-5.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-1.9	-1.5

The CBRT maintained unchanged its key rate – the 1-week repo rate – at 17.75%. Moreover, the CBRT's rates for late liquidity window lending, O/N lending and O/N borrowing also remained unchanged at 20.75%, 19.25% and 16.25%, respectively, following the normalization of the policy framework at the beginning of June.

The CBRT stressed that the recent sharp increase in inflation (which reached a 14-year high of 15.4% y-o-y in June) was mainly driven by food prices and cost factors. The CBRT also underlined that maintaining a tight monetary policy stance for an extended period could be necessary, as "*elevated levels of inflation and inflation expectations continue to pose risks on pricing behaviour*".

Looking ahead, provided that the new cabinet implements soon a consistent and comprehensive programme to rein the country's increasing macroeconomic imbalances and vulnerabilities, we expect the CBRT to keep its key policy rate on hold throughout the rest of the year. Indeed, according to our Taylor rule, projecting: i) a declining positive output gap (from 0.8% in Q2:18 to 0.4% in Q4:18); ii) moderating headline inflation (from 15.4% in June to 14.8% at end-Q4:18); iii) easing TRY depreciation (from 24.2% in June to 17.2% at end-Q4:18 against the equally-weighted USD/EUR basket – consensus forecast); and iv) a further rise in the FED rate (from 1.9% in June to 2.4% at end-Q4:18 – consensus forecast), the CBRT should maintain unchanged its key policy rate (1-week repo rate) at 17.75% at least until the end of the year.

Lending activity (FX-adjusted) slowed significantly in H1:18, mainly on the back of higher interest rates and the fading impact of the Credit Guarantee Fund (CGF) scheme. Lending growth, adjusted for FX variations, declined markedly to 12.9% y-o-y at end-H1:18 from a 4-year high of 20.1% at end-2017 – well below the CBRT's implicit reference level of 15.0%. The deceleration reflects mainly the dissipating boost from the CGF and more prohibitive lending interest rates.

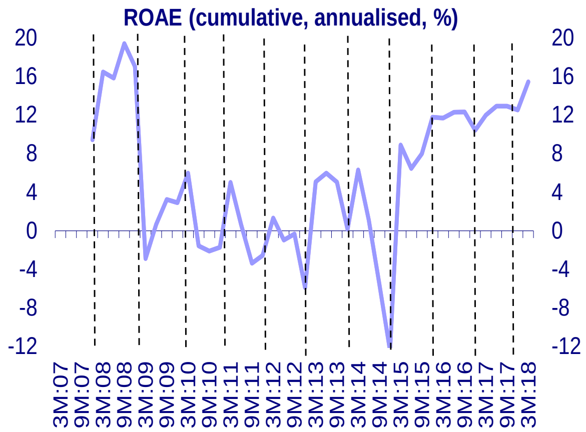
Indeed, in an effort to preserve economic and financial stability -- jeopardised by more visible signs of overheating and a weakening global appetite for Turkish assets -- the authorities refrained from raising the ceiling of the CGF this year, thus reducing the total amount of loans granted under State guarantee to TRY 50bn in FY:18 from TRY 200bn in FY:17 (12% of end-2016 banking sector loans).

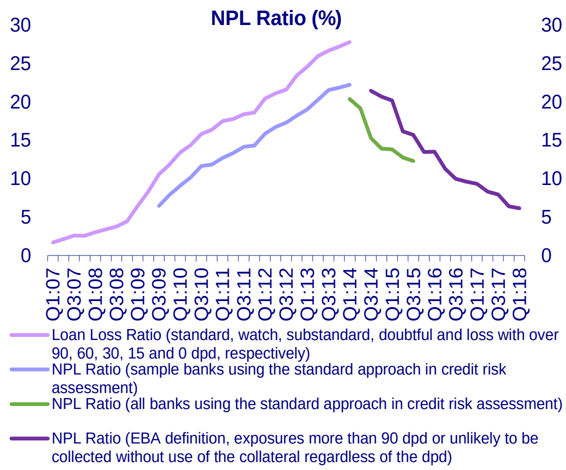
Moreover, lending interest rates increased significantly, due to tighter liquidity conditions and monetary policy stance (total and local currency loans-to-deposits ratios reached record highs of 122.3% and 147.0%, respectively, at end-December, while the CBRT's average effective funding rate rose by 2.9 pps y-o-y to 13.8% in H1:18). In fact, average interest rates on TRY retail loans, TRY corporate loans and USD corporate loans reached multi-year highs of 20.6%, 18.3% and 5.2%, respectively, in H1:18 – up from 17.6%, 15.2% and 4.4% in H1:17.

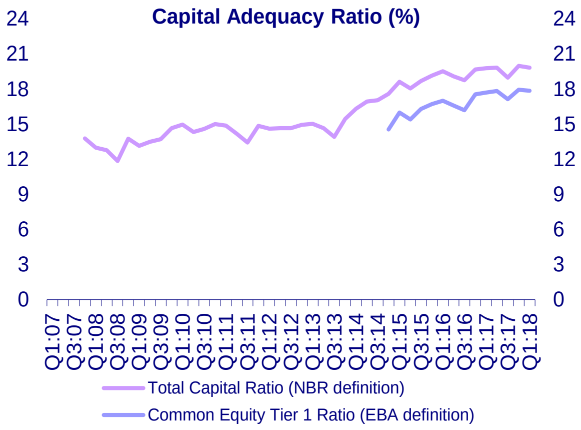
Customer deposits (FX-adjusted) decelerated in H1:18, hampered by heightened uncertainty ahead of the June 24th presidential and parliamentary elections. Growth in customer deposits, adjusted for FX variations, declined to 8.1% y-o-y at end-H1:18 from a 4-year high of 13.4% y-o-y at end-2017, hindered by mounting political and economic uncertainty following the surprise announcement in early-April of presidential and parliamentary elections on June 24th. 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 13.0% and 3.0%, respectively, in H1:18 – up from 10.5% and 2.5% in H1:17.

Romania

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







	23 July	3-M F	6-M F	12-M F
1-m ROBOR (%)	2.8	2.9	2.9	3.0
RON/EUR	4.64	4.64	4.65	4.68
Sov. Spread (2024, bps)	132	125	120	110

	23 July	1-W %	YTD %	2-Y %
BET-BK	1,619	-0.4	-2.0	37.9

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	4.8	7.0	4.4	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	4.2	3.7
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.3	-4.1	-4.5
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-4.0	-4.3

The banking sector's bottom line improved further in Q1:18, mainly due to a slowdown in provisioning. Net profit after tax rose by 41.0% y-o-y to RON 1.7bn (EUR 375mn or 0.2% of GDP) in Q1:18. As a result, the annualised ROAA and ROAE rose to post-crisis highs of 1.7% and 15.5%, respectively, from 1.3% and 12.0% in Q1:17.

The positive performance in Q1:18 can be largely attributed to a slowdown in provisioning, in line with the sharp decline in NPLs. Indeed, the NPL ratio (EBA definition) fell to 6.2% in Q1:18 from 9.4% in Q1:17, and a peak of 26.8% in early-2014, on the back of large (NBR-motivated) write-offs and NPL sales (amounting to a combined 2.5% of GDP over the past 3 years or 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 57.0%, among the highest in the EU.

At the same time, we estimate pre-provision income (PPI) to have strengthened in Q1:18. The main driver was net interest income (NNI), which rose strongly in Q1:18, in line with faster credit expansion (average balances rose by 5.9% y-o-y against a rise of 4.4% in FY:17). PPI would have been even higher had operating expenses not risen sharply, due to the upgrade of banks' IT systems and rising inflation (up 4.7% y-o-y on average in Q1:18 against 1.3% in FY:16). All said, the efficiency of the banking system improved significantly, with the cost-to-income ratio falling by 5 pps to 55.9% in Q1:18 -- better than the EU average (over 60%).

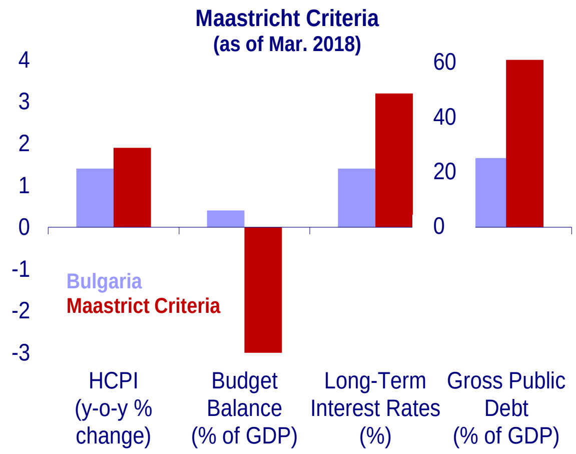
Profitability is set to remain strong throughout the year. Despite the ongoing tightening in monetary policy (we see the NBR raising its key rate to 2.75% at end-2018 from 2.5% currently and 1.75% at end-2017), NII should continue to grow at a solid pace, reflecting fast credit expansion against the backdrop of a favourable environment (as suggested by the country's low lending penetration rate -- 26.2% of GDP -- and the system's ample liquidity -- the loan-to-deposit ratio stands at 80.5%). This factor should more than compensate for elevated operating expenses, on the back, *inter alia*, of stubbornly high inflation. Importantly, in light of the high NPL coverage and the relatively low NPL ratio, we expect provisioning to remain subdued throughout the year. All said, we see ROAE rising to 15.0% in FY:18 from 12.5% in FY:17.

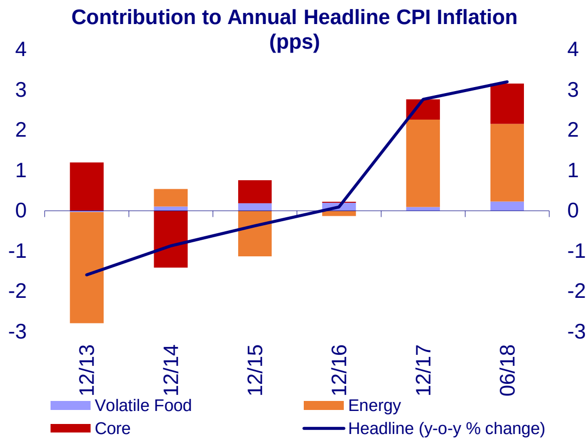
The banking system has strengthened significantly over the past few years; however, new vulnerabilities are emerging. Specifically, banks have a large exposure to sovereign risk through large positions in domestic debt (amounting to c. 22% of assets, which is one of the highest ratios in the EU) and state guarantees for First House loans. At the same time, the banking system is becoming increasingly exposed to real estate (mortgages currently account for 54% of retail loans against 21% in 2008). Moreover, albeit having reduced significantly since the global financial crisis, the share of FX-denominated loans still remains relatively high (currently accounting to 36%), with a large share of borrowers being unhedged.

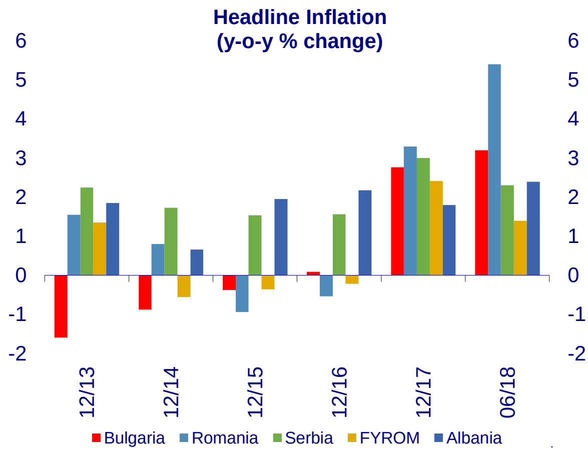
The findings of the stress tests carried out under the recent IMF's Financial Sector Assessment Programme appear to confirm these weaknesses. Indeed, under the baseline scenario, the CET1 ratio for the top 12 banks (accounting for 80% of total assets) would decline to 14.1% by 2020 from 17.1% in 2016, while under the adverse scenario, the ratio would fall even further to 8.2%, with several banks failing to meet regulatory minimum requirements (i.e. 8%).

Bulgaria

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







	23 July	3-M F	6-M F	12-M F
Base Interest Rate (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	62	44	42	40

	23 July	1-W %	YTD %	2-Y %
SOFIX	639	-1.1	-5.6	45.6

	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	2.7	2.6
Cur. Acct. Bal. (% GDP)	0.0	2.3	4.5	3.1	1.7
Fiscal Bal. (% GDP)	-2.8	1.6	0.9	-0.5	-0.3

Bulgaria moves closer to joining the euro area. Euro area members and the Bulgarian authorities agreed in the past week on a roadmap to euro adoption. According to the latter, Bulgaria will need to join the bloc's banking union (BU) in tandem with the Exchange Rate Mechanism (ERM-2), a precursor to the adoption of the euro. As a result, the BNB will be required to complete a series of supervisory reforms and banks will need to successfully pass a stress test and an asset quality review by the ECB before Bulgaria is accepted into the BU. According to the Bulgarian authorities, the entire process is expected to be completed within a year approximately (July 2019).

At the same time, euro area members called on Bulgaria to show material progress in conforming with the benchmarks set out in the EU's Cooperation and Verification Mechanism (CVM, mainly focusing on judicial reform and the fight against corruption), which is still in place 11 years after its initiation. According to the EU Commission Vice-President responsible for the euro, V. Dombrovskis, although ending the CVM is "not a formal precondition" for joining ERM-2, Bulgaria's progress under the mechanism will be an "important element" of the final assessment.

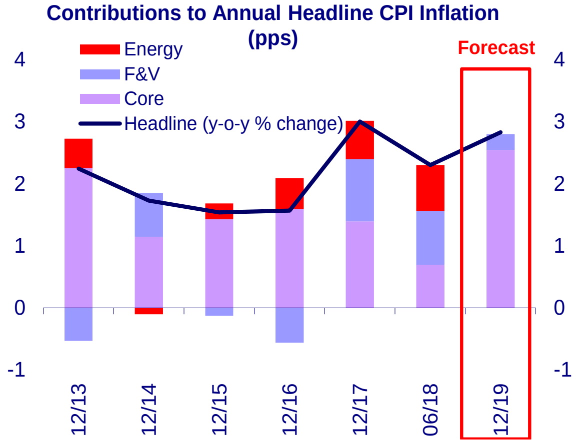
Once in the ERM-2, Bulgaria will need to maintain its currency within a ±15% fluctuation band around an agreed exchange rate for at least 2 years. This should not be a problem, since Bulgaria has successfully operated a currency board since 1997. Besides ERM-2, other convergence criteria for adopting the euro include: price stability, sound and sustainable public finances and low interest rates. Based on Bulgaria's current solid macroeconomic position (the budget remains broadly balanced, the debt-to-GDP ratio remains very low, and the inflation rate remains relatively contained -- see chart), we believe that the country will easily meet these criteria and eventually adopt the euro by end-2021.

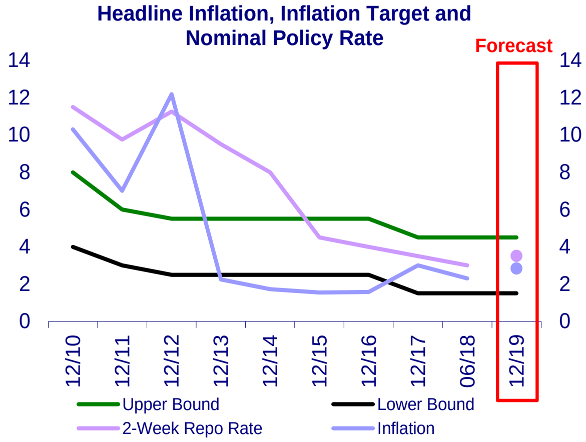
Headline inflation rose to a 5½-year high of 3.2% y-o-y in June from 2.8% at end-2017, mainly due stronger demand-side pressures. Indeed, core inflation (excluding volatile food and energy prices and accounting for 75% of the CPI basket) rose sharply in June (to 1.7% y-o-y from 0.9% at end-2017). It us worth noting that, despite the slowdown in employment and wage growth (according to the latest available data, up 2.1% and 7.1% y-o-y in Q1:18 against rises of 5.2% and 10.4%, respectively, in H2;17), private consumption continued to expand at a strong pace in H1:18, sustained by wealth effects (housing prices and the stock market gained 20% and 30%, respectively, over the past 2 years) and improved consumer confidence. Headline inflation would have been even higher had energy inflation (up 5.5% y-o-y in June against 6.2% at end-2017) not been held back by a significant positive base effect from the hikes in administered electricity, gas and heating prices in H1:17 (adding 0.4 pps to headline inflation).

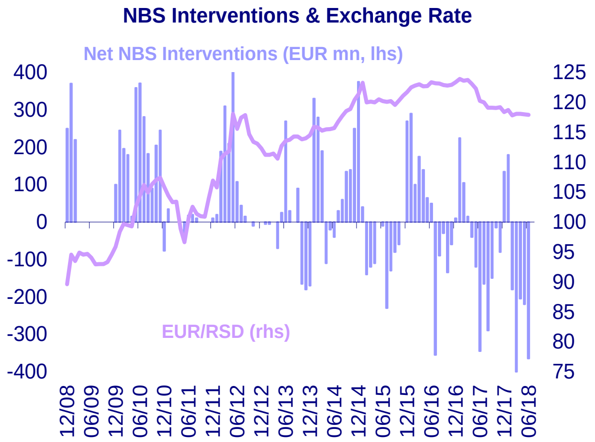
Headline inflation is set to moderate by end-year. The deceleration should be driven by lower energy inflation, in line with developments in global oil markets (the price of Brent is projected to remain broadly at current levels throughout the year, implying a growth rate of just 4% y-o-y in BGN terms at end-year against 54% y-o-y in June). Lower imported inflation from the EU should also help in moderating demand-side inflationary pressures, mainly stemming from the sizeable envisaged fiscal impulse (1.3 pps of GDP y-o-y in H2:18). All said, we see headline inflation ending the year at 2.7% y-o-y, almost unchanged compared with the end-2017 outcome and broadly in line with that of Bulgaria's peers. At the same time, core inflation should gradually converge towards headline inflation.

Serbia

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







	23 July	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.9	3.1	3.5
RSD/EUR	117.9	117.9	117.6	117.4
Sov. Spread (2021, bps)	132	132	126	120

	23 July	1-W %	YTD %	2-Y %
BELEX-15	727	-0.8	-4.4	19.0

	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)	-3.7	-3.1	-5.7	-4.9	-4.8
Fiscal Bal. (% GDP)	-3.7	-1.3	1.2	0.3	0.1

The IMF Executive Board approved a 30-month (non-financing) Policy Coordination Instrument (PCI) for Serbia. Following the completion of its 3-year EUR 1.1bn precautionary SBA (2.7% of 2018 GDP) in February 2018, Serbia remained engaged with the IMF through the (recently-introduced, non-financing) PCI. The agreed policies and reforms supported by the PCI programme aim mainly to:

i) boost growth and maintain macroeconomic and financial stability. In fact, strong fiscal position is expected to be maintained, while accommodating growth-enhancing measures and reducing the public debt-to-GDP ratio to c. 50% by the expiration of the programme (from 61.5% at end-2017).

ii) advance structural and institutional reforms, including public administration and financial sector reforms, the restructuring or resolution of SOEs, the fight against the grey economy and the improvement in the business climate.

Although the new 30-month arrangement with the IMF in the form of a PCI will not provide financial support to Serbia, it should: i) improve confidence in the domestic economy, by signalling a commitment to the agreed reform agenda under semi-annual reviews of economic policies; and ii) provide a buffer against external shocks, as it facilitates access to IMF funds.

Headline inflation declined to 2.3% y-o-y in June from 3.0% in December -- within the NBS' target range (of 3±1.5%). In fact, core inflation (that excludes prices of fruit & vegetables and energy, and accounts for 77.7% of the CPI basket) moderated to a low of 0.9% y-o-y in June from 1.9% in December, despite increasing demand-side pressures. This occurred due to: i) lower non-energy regulated prices (as the hike in telecommunication services prices in March 2017 -- that added 0.2 pps to CPI -- faded); ii) a stronger dinar (appreciating by 2.0% and 4.4% y-o-y against the EUR and the USD, respectively, in June) along with low international food prices; and iii) a tighter monetary policy stance (an *ex post* policy rate, in real and compounded terms, of 1.5% in H1:18 up from 0.7% in FY:17).

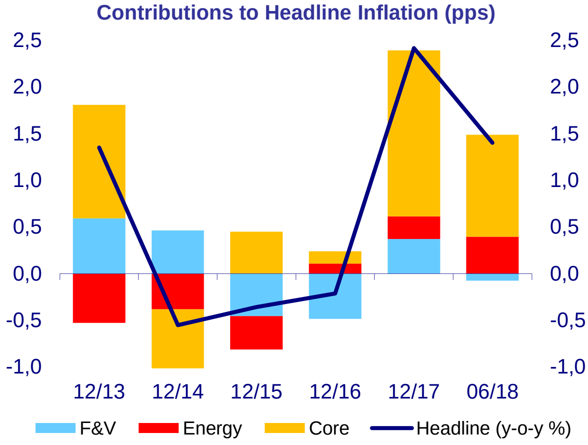
Inflation is set to pick up moderately, reaching 2.5% y-o-y at end-2018. Looking ahead, headline inflation is set to fluctuate around its current level in H2:18, ending the year at 2.5% y-o-y -- still well within its target band. Despite the slight rise, end-2018 inflation is set to remain 0.5 pps below its end-2017 outcome, solely due to the normalization in volatile prices of fruit & vegetables. Next year, inflation is set to embark on a mild upward path, increasing slightly to 2.8% y-o-y at end-2019, solely on the back of demand-side pressures.

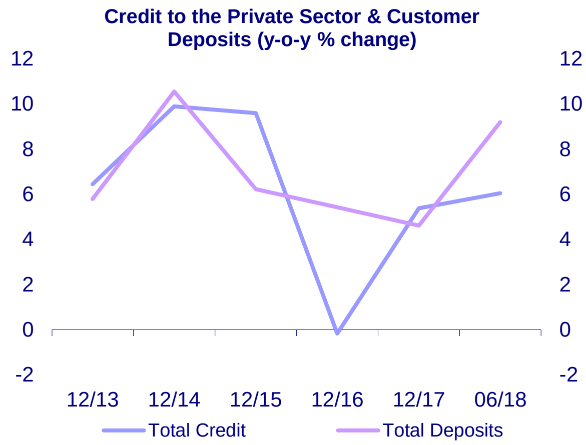
NBS to initiate a new cycle of monetary policy tightening in Q2:19. The NBS maintained its 2-week repo rate unchanged, for a 3rd successive month, at its July meeting, at a record low of 3.0%, following four (unexpected) cuts between September 2017 and April 2018 by a cumulative 100 bps. Recall that the NBS proceeded with the recent central rate cuts -- after a pause of more than a year -- due to the sharper-than-expected decline in headline and core inflation, and continued appreciation pressures on the RSD (prompted by the gradual return of confidence), despite NBS interventions (purchasing EUR 1.2bn in H1:18, equivalent to 12.0% of end-2017 FX reserves).

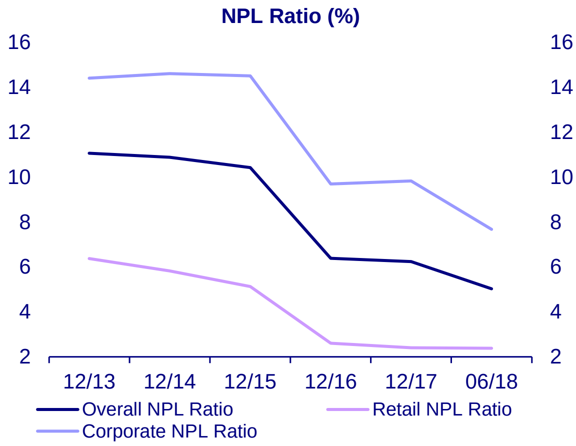
Going forward, in view of persistently subdued inflation and the ongoing appreciation pressures on the RSD, we expect the NBS to keep its key rate on hold until Q1:19. Thereafter, the NBS is set to initiate a new cycle of monetary policy tightening, in view of mounting inflationary pressures. We see the NBS hiking its key rate by a cumulative 50 bps to 3.5% (0.7% in *ex post*, real and compounded terms) between Q2:19 and Q4:19.

F.Y.R.O.M

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







	23 July	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)	203	210	190	160

	23 July	1-W %	YTD %	2-Y %
MBI 100	3,330	-0.4	31.1	81.2

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.0	2.0	3.8
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

Headline inflation declined to 1.4% y-o-y in June from a 5-year high of 2.4% at end-2017. The deceleration was driven by a moderation in core inflation (contributing 0.7 pps to the overall decline between end-2017 and June), despite accelerating wages stemming mainly from a rise in the minimum wage (up 19% to MKD 12k or EUR 200 -- effective from September 2017). The decline in headline inflation between end-2017 and June was also supported by a downside correction in volatile prices of fruit & vegetables (contributing 0.5 pps to the overall decline) and would have been sharper had it not been for higher energy prices.

Looking ahead, we expect inflationary pressures to strengthen by end-year, on the back of firming domestic demand, reflecting a rebound in economic activity (we project real GDP growth to accelerate to 3.3% y-o-y in H2:18 from an estimated 0.7% in H1:18). Inflationary pressures should, however, be tempered by lower energy inflation, in line with developments in global oil markets (we project the increase in the price of Brent to ease to c. 5.0% y-o-y by December from c. 54.0% y-o-y in June in MKD terms) and some reversal in volatile prices of fruit & vegetables. Overall, we see headline inflation ending 2018 at 1.9% y-o-y, below the end-2017 outcome of 2.4%.

Credit to the private sector continued to recover in H1:18 (up 6.0% y-o-y). Growth in credit to the private sector accelerated slightly to 6.0% y-o-y at end-H1:18 from a 1½-year high of 5.4% at end-2017, driven by both the retail and corporate segments (up 9.7% y-o-y and 2.7% y-o-y, respectively, at end-H1:18 from 9.2% and 2.1% at end-2017). The acceleration reflects increasing loan demand and easing credit conditions by banks. Indeed, demand for loans strengthened due to more favourable lending rates and a brighter economic outlook, following the dissipation of political uncertainty and progress towards securing a start date for EU membership talks.

Moreover, loan supply was boosted by: i) adequate domestic sources of funding (the LC loan-to-LC deposit ratio stood at 95.8% at end-H1:18); ii) brighter economic prospects (see above); and iii) improving bank asset quality. Indeed, the NPL ratio declined further, to 5.0% at end-H1:18 from 6.6% a year earlier and a peak of 11.9% in mid-2013, 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 7.7% at end-H1:18 from 10.4% a year earlier).

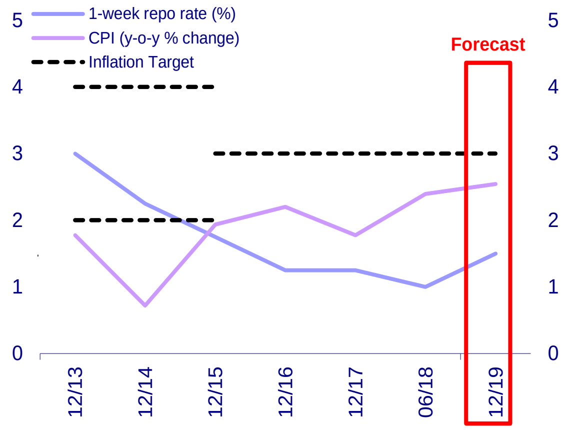
Customer deposit growth reached a 3½-year high of 9.2% y-o-y at end-H1:18, up from 4.6% at end-2017. The acceleration was driven by a strong rebound in corporate deposits (up 12.7% y-o-y at end-H1:18 from a 5-year low of 0.8% at end-2017), on the back of improving business confidence and, to a lesser extent, strengthening retail deposits (up 7.9% y-o-y at end-H1:18 from 6.1% at end-2017). The expansion in the retail deposit base was supported by stronger real disposable income, in line with tightening labour market conditions and low inflation (standing at 1.6% y-o-y on average in H1:18). Deposit growth would have been stronger, had it not been for a moderation in deposit remuneration rates (down 14 bps y-o-y to 1.5% in H1:18).

With deposits increasing at a faster pace than loans, the overall loan-to-deposit ratio declined to 92.8% at end-H1:18, from 93.6% at end-2017. Moreover, the denarisation continued on its upward trend, with the FC loans-to-total loans ratio easing to 41.8% at end-H1:18 from a peak of 57.9% at end-2011, and the FC deposits-to-total deposits ratio moderating to 43.7% at end-H1:18 from a peak of 61.1% at end-2009.

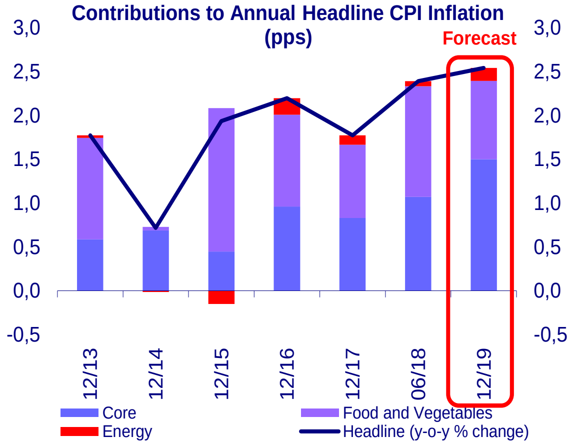
Albania

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

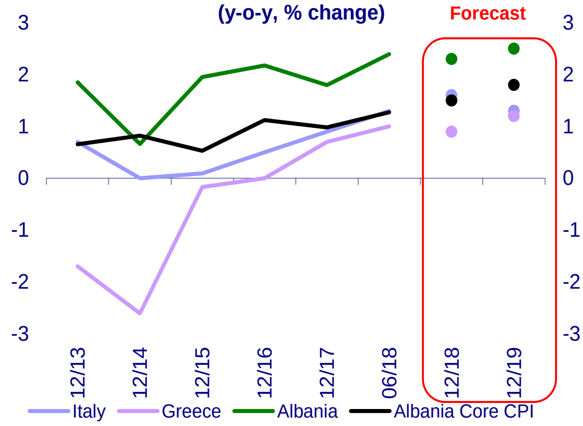
Inflation and Nominal Policy Rate



Contributions to Annual Headline CPI Inflation (pps)



Domestic and Imported Headline Inflation (y-o-y, % change)



	23 July	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.4	2.2	2.2	2.2
ALL/EUR	125.6	132.0	131.3	130.0
Sov. Spread (bps)	212	210	200	180

	23 July	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

Headline inflation rose to a 5½-year high of 2.4% y-o-y in June from 1.8% in December -- albeit remaining well below the BoA's target (of 3.0%) for almost seven successive years. The increase was mainly driven by the acceleration in the volatile prices of fruit & vegetables (contributing 1.3 pps to inflation in June against 0.8 pps in December), stemming from floods and heavy snowfalls in Q1:18.

The acceleration in the headline inflation was also due to higher core inflation (that excludes prices of fruit & vegetables and energy, and accounts for 85.7% of the CPI basket). Indeed, core inflation picked up to 1.3% y-o-y in June from 1.0% in December, due to increasing pressures from the gradual recovery in domestic demand (private consumption was up by 3.0% y-o-y in Q1:18 against a rise of 2.1% in Q1:17), the excise hike on tobacco and the 17.7% increase in tap water prices (adding 0.2 pps to June inflation). Importantly, albeit rising, core inflation remains low, on the back of: i) low imported inflation (supported by low international commodity prices and relatively low inflation in the main trading partners), combined with the appreciation of the ALL (by 5.0% y-o-y against the EUR in June); and ii) a still negative output gap.

Headline inflation to fluctuate around its current level in H2:18, ending the year at 2.3% y-o-y -- 0.5 pps y-o-y above its end-2017 outcome. The expected 0.5 pp y-o-y increase in end-year inflation should result almost exclusively from the pick-up in core inflation, due to mounting domestic demand pressures, while fruit & vegetable prices should normalize, following a sharp flood-induced rise in Q1:18. Inflationary pressures should, however, be held back by: i) low global food prices and still low inflation in the country's major trading partners, Greece and Italy; and ii) appreciation of the LEK (by c. 4.0% y-o-y against the EUR at end-2018). Despite its pick-up, end-year inflation should remain well anchored and far below the BoA's target throughout 2018 for an 8th successive year. Inflation is set to move closer to -- but still below -- the BoA's target next year, accelerating to 2.5% at end-2019, solely on the back of firming demand-side pressures.

The benign inflation outlook (with inflation significantly undershooting its target), amid strong appreciation pressures on the ALL, strengthened the BoA's hand to cut the policy rate by 25 bps in June. The BoA proceeded with a 25 bp cut in its key policy rate (1-week repo rate) in June, to a record low of 1.0%, after keeping it on hold for two years. The scope for the loosening was provided by the strong appreciation of the ALL and expectations of further strengthening in Q3:18, in view of a good summer season in tourism. According to the BoA, continued appreciation pressures on the ALL are set to delay the return of inflation to its target (the BoA expects inflation to steadily return to its target within 2020 from 2019 previously). Moreover, strong appreciation pressures could hamper exports and growth, and pose risks to financial stability (as unhedged FX borrowers account for ¼ of total loans according to the IMF).

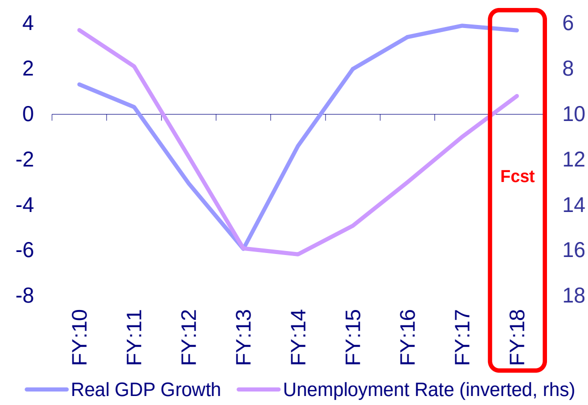
Note that, in its efforts to dampen pressures on the domestic currency, the BoA has also started, since June, purchases in the FX market (their amount will not be announced before end-Q3:18).

The BoA is set to initiate a new cycle of monetary policy tightening in Q2:19. Looking ahead, we expect the BoA to keep its key rate on hold until Q1:19, due to persistently subdued inflation (significantly undershooting its target). This should boost the stagnant credit activity (down 1.7% y-o-y in May) and, therefore, economic activity, which is set to slow following the completion of the bulk of the energy projects in FY:17. Thereafter, as inflation returns steadily to its target and the economy accelerates, we expect the BoA to hike its key rate gradually by a cumulative 50 bps to 1.5% in Q2-Q4:19.

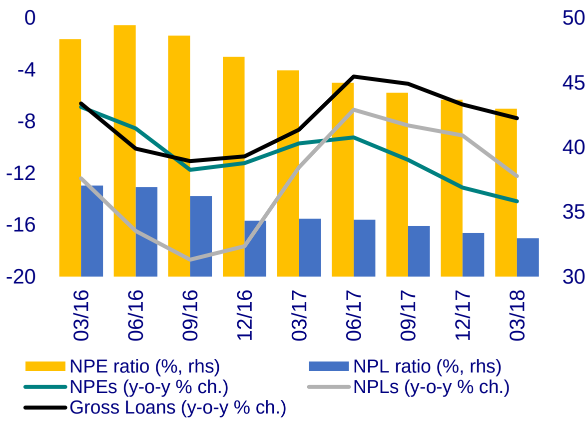
Cyprus

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

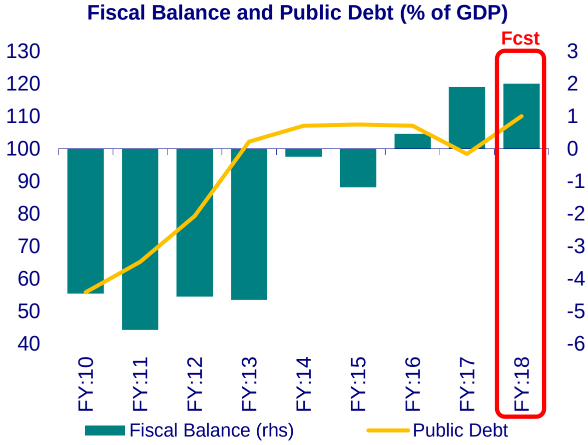
Real GDP Growth & Unemployment Rate (%)



Gross Loans, NPEs and NPLs



Fiscal Balance and Public Debt (% of GDP)



	23 July	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.17	1.22	1.24	1.26
Sov. Spread (2020. bps)	76	55	52	50

	23 July	1-W %	YTD %	2-Y %
CSE Index	76	2.9	9.0	13.1

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	3.4	3.9	3.8	3.6
Inflation (eop. %)	-1.0	-0.3	-0.6	0.8	1.0
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-6.7	-4.8	-4.5
Fiscal Bal. (% GDP)	-1.2	0.5	1.8	2.0	1.9

The EC's 4th Post-Programme Surveillance (PPS) mission stressed the need for continued fiscal discipline and enhanced reform momentum to reduce increasing downside risks to the "*very positive macroeconomic outlook*". Specifically, the mission:

i) commended the island's strong and sustained macroeconomic performance, while outlining risks to the outlook from the financial sector. Indeed, economic recovery has gained momentum, with GDP growth accelerating to 4.0% y-o-y in Q1:18 from 3.9% in FY:17 and 3.4% in FY:16, on the back of higher investment and stronger private consumption. The latter has been supported by higher real disposable income, benefiting from both subdued inflation and improving labour market conditions (the unemployment rate has continued on a firmly-declining path, from a peak of 17.6% in Q1:15 to 10.8% in Q1:18, while employment growth is solid -- 5.4% y-o-y in Q1:18). However, the mission noted the medium-term economic outlook is clouded by elevated vulnerabilities in the financial sector (see below).

ii) stressed the need to implement sustainable and comprehensive policy measures to reduce NPLs and improve debt payment discipline. According to the mission, improving payment discipline is essential for achieving a faster and sustainable reduction of banks' NPEs. Note that the NPE ratio has been on a downward trend since mid-2016 (49.7%) but remains excessively high (43.0% in March), weighing on bank profitability and new lending activity. To accelerate the reduction of NPEs, Parliament approved recently a number of measures, including:

a) targeted amendments in the insolvency and foreclosure frameworks (first-adopted in 2015) to strengthen borrowers' payment discipline and improve banks' collateral recovery performance;

b) a subsidy programme ("*Estia*") aimed at helping "vulnerable" borrowers (subject to income and wealth criteria), who are unable to pay loans secured with their primary residency, to start servicing their debt;

c) the adoption of a loan securitization framework and a secondary market for NPL sales to incentivize banks to pursue a faster clean-up of their balance sheets;

d) financial support (consisting of capital injection of EUR 3.2bn mainly in the form of government bonds and state guarantees of EUR 2.6bn) to Cyprus Cooperative Bank (CCB) -- the island's second largest bank -- to implement a sales agreement on its healthy assets with Hellenic Bank – the third largest, with the remaining assets staying in the CCB's "Residual Entity", to be owned and financed by the State. With the completion of the sale transaction of CCB, the banking sector's stock of NPEs (standing at EUR 20.0bn or 99.5% of GDP in March) will be reduced by c. EUR 6.0bn or 30.0% of GDP (equivalent to 8.5 pps of gross loans).

iii) warned against slippage risks stemming from fiscal support to CCB, the planned healthcare reform and increases in the public sector wage bill. However, according to the mission, a continued sizeable primary surplus and strong growth dynamics are expected to help the public debt-to-GDP ratio resume its downward trend in 2019, after reaching a peak of c. 110% at end-2018 from a 5-year low of 97.5% at end-2017.

iv) urged authorities to accelerate structural reforms to maintain growth and fiscal sustainability over the medium term. The mission underlined the need for: a) completing reforms in the judicial system and public administration, including governance of SOEs and tax administration; b) the establishment of an efficient title deeds issuance and transfer system; c) fostering privatizations; d) further progress in the implementation of the healthcare and energy reforms within fiscal limits; and e) improving the business environment to attract investments.

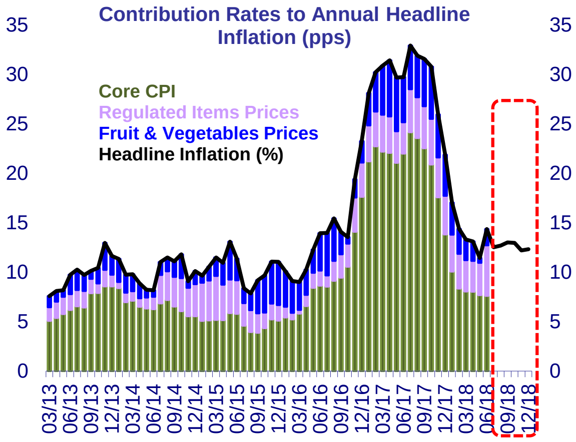
Egypt

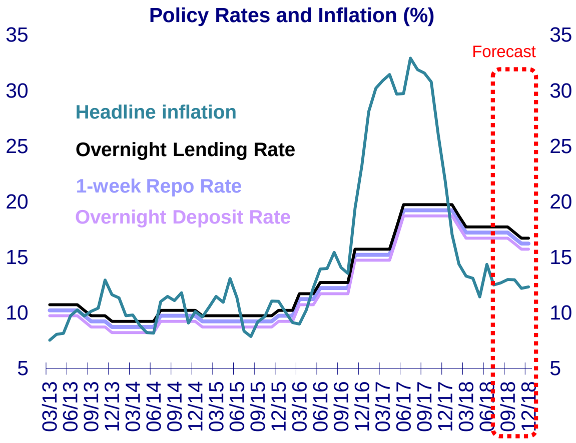
B / B3 / B (S&P / Moody's / Fitch)

Egypt: Selected Macroeconomic Indicators

	2016/17A	2017/18E	2018/19F
GDP Growth, %	4.2	5.2	5.5
Inflation, %, eop	29.8	12.6	13.1
Unemployment, %, aop	12.2	11.1	9.7
Fiscal Balance, % GDP	10.9	9.7	8.1
Current Account Balance, % GDP	6.0	2.8	2.6
FX Reserves, USD bn	30.7	44.4	44.8

A: Actual, E: Estimate, F: Forecast
Source: IMF Country Report, Number 18/213, July 2018





	23 July	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	17.0	18.0	17.0	15.0
EGP/USD	17.9	17.8	18.0	18.0
Sov. Spread (2020. bps)	210	168	152	140

	23 July	1-W %	YTD %	2-Y %
HERMES 100	1,490	-1.9	3.7	118.4

	14/15	15/16	16/17	17/18E	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	-6.5	-2.8	-3.0
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.8	-8.4

The IMF Executive Board completed the 3rd review of Egypt's economic reform programme -- supported by a 3-year USD 12bn Extended Fund Facility. The completion of the review allowed the authorities to draw the equivalent of USD 2bn, bringing total disbursements under the programme to c. USD 8bn.

The IMF Board commended the authorities' strong implementation of the programme, which has boosted growth, lowered inflation and unemployment, and reduced the fiscal and external gaps. The Board also noted that the country's large stock of foreign reserves and the flexible exchange rate regime, in place since November 2016, "*will help manage any volatility acceleration in capital flows outflows, should the recent tightening of global financial conditions lead investors to pull back from emerging markets*".

Headline inflation reversed its downward trend for the first time in 11 months in June, due to the implementation of a new series of subsidy cuts (through price increases). Headline inflation accelerated to 14.4% y-o-y in June after having eased for 10 consecutive months to a 26-month low of 11.5% in May from a 3-decade peak of 33.0% in July 2017. The latter 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 2.9 pp rise in headline inflation between May and June was driven by regulated prices and volatile fruit and vegetable prices (contributing 1.8 pps and 1.2 pps, respectively, to the overall rise). Indeed, in the context of the ongoing 3-year IMF-supported economic reform programme, prices of fuel, butane gas cylinders, water and public transportation were increased by up to 53%, 66%, 63% and 20%, respectively, in mid-June, resulting in a sharp increase in regulated prices (up 31.4% y-o-y in June against 19.9% in May).

Headline inflation is set to end the year at 12.4% y-o-y -- within the CBE's target range of 10%-16%. Looking ahead, despite the hike in regulated electricity prices by 26% on July 1st and second-round effects, we expect headline inflation to moderate to around 13.0% y-o-y in July, on the back of a strong base effect (last year, headline inflation rose sharply to 33.0% in July from 29.8% in June) and ease further to 12.4% in December -- well within the CBE's end-2018 target range of 10%-16% -- due to a tight monetary policy stance and stable exchange rate.

Despite a positive inflation outlook, the CBE is set to remain cautious and keep key rates on hold until November or December. Although headline inflation is expected to fall within its target range by end-year, the CBE is set to remain cautious, keeping its key rates on hold until November or December, in its efforts to dampen depreciation pressures on the EGP and anchor inflation expectations. Note that since April, amid a broader global sell-off in emerging markets, foreign investment in the Egyptian domestic debt market is estimated to have declined by USD 5bn to USD 18bn and the EGP has lost c. 2% of its value against the USD. Overall, we expect the CBE to resume its cycle of monetary policy loosening, started last February, either at its November 15th MPC meeting or the December 27th meeting, with a 100-bp cut of its key interest rates – bringing total cuts to 300 bps. Should our forecasts materialise, the overnight deposit, 1-week repo, and overnight lending rates would reach 15.75%, 16.25%, and 16.75%, respectively, in December (or 4.2%, 4.7% and 5.2%, respectively, in *ex post*, real and compounded terms).

FOREIGN EXCHANGE MARKETS, JULY 23RD 2018

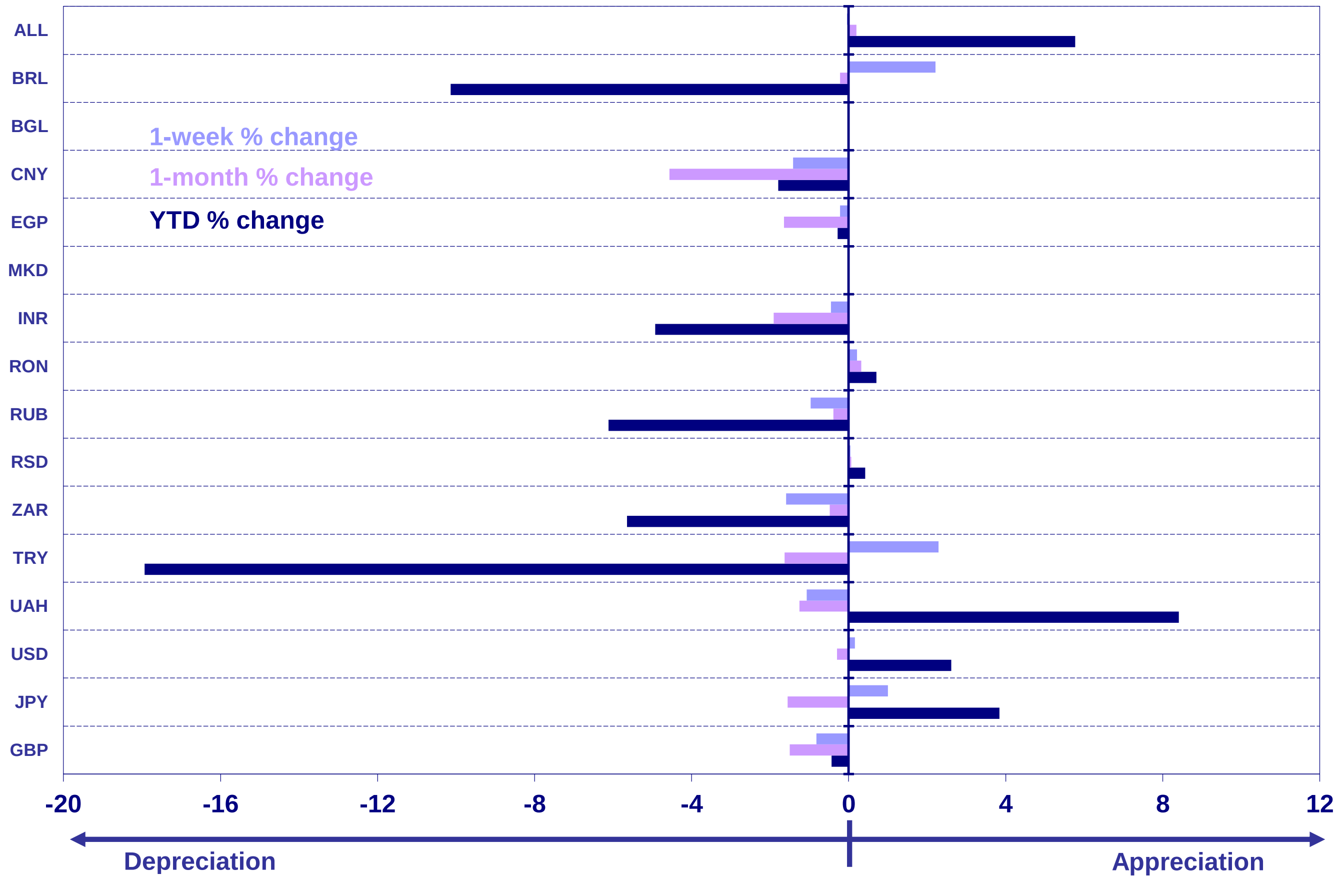
Against the EUR

	Currency	2018										2017	2016
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	125.6	0.0	0.2	5.8	5.4	124.5	134.0	125.9	125.9	125.2	1.9	1.2
Brazil	BRL	4.42	2.2	-0.2	-10.1	-17.2	3.85	4.68	4.72	4.73	4.76	-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	7.94	-1.4	-4.6	-1.8	-1.3	7.39	7.98	8.25	8.26	8.27	-6.0	-4.0
Egypt	EGP	20.89	-0.2	-1.6	-0.3	-2.2	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	80.6	-0.4	-1.9	-4.9	-7.1	75.9	81.8	86.7	- - -	- - -	-6.7	0.4
Romania	RON	4.64	0.2	0.3	0.7	-1.8	4.62	4.68	4.70	4.75	4.85	-3.0	-0.4
Russia	RUB	73.7	-1.0	-0.4	-6.1	-5.3	67.7	80.5	74.9	76.1	78.6	-6.8	22.9
Serbia	RSD	117.9	0.0	0.1	0.4	2.2	117.6	119.1	118.2	118.4	- - -	4.2	-1.5
S. Africa	ZAR	15.7	-1.6	-0.5	-5.6	-4.1	14.18	16.17	16.0	16.3	17.0	-2.7	16.2
Turkey	YTL	5.54	2.3	-1.6	-17.9	-25.3	4.48	5.77	5.81	6.11	6.72	-18.4	-14.7
Ukraine	UAH	31.0	-1.1	-1.3	8.4	-3.0	30.18	36.11	36.8	- - -	- - -	-15.2	-8.6
US	USD	1.17	0.2	-0.3	2.6	-0.4	1.2	1.3	1.18	1.19	1.21	-12.4	3.3
JAPAN	JPY	130.2	1.0	-1.6	3.8	-0.7	124.6	137.5	130.2	130.2	130.3	-8.9	6.0
UK	GBP	0.89	-0.8	-1.5	-0.4	0.1	0.9	0.9	0.89	0.90	0.90	-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 (July 23rd 2018)



MONEY MARKETS, JULY 23RD 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.2	6.4	-0.2	2.4	- - -	17.0	- - -	- - -	1.9	7.4	- - -	18.5	6.8	16.7	- - -	1.9
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	3.4	7.3	2.3	- - -	6.6	- - -	- - -	- - -
S/W	1.2	6.4	-0.2	2.7	-0.4	- - -	1.1	- - -	- - -	6.6	2.3	- - -	6.8	17.2	-0.4	1.9
1-Month	1.4	6.4	-0.1	3.2	-0.4	- - -	1.3	6.9	3.4	7.6	2.6	19.5	6.9	18.0	-0.4	2.1
2-Month	- - -	6.4	-0.1	- - -	-0.3	- - -	- - -	- - -	- - -	7.7	2.7	19.7	7.3	- - -	-0.3	2.2
3-Month	1.7	6.5	0.0	3.5	-0.3	- - -	1.5	7.2	3.4	7.7	2.9	20.0	7.2	18.3	-0.3	2.3
6-Month	2.0	6.8	0.1	3.7	-0.3	- - -	1.8	- - -	3.5	6.6	3.1	20.6	7.5	- - -	-0.3	2.5
1-Year	2.3	7.5	0.5	3.9	-0.2	- - -	2.2	- - -	3.6	7.7	- - -	21.5	7.8	- - -	-0.2	2.8

LOCAL DEBT MARKETS, JULY 23RD 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.7	- - -	6.6	- - -	7.1	- - -	17.6	- - -	- - -	-0.6	2.0
6-Month	- - -	- - -	- - -	- - -	- - -	19.7	- - -	6.9	3.4	7.1	3.3	17.3	- - -	- - -	-0.6	2.2
12-Month	1.9	- - -	-0.5	3.1	- - -	19.5	1.0	7.2	3.5	6.9	3.0	19.2	- - -	17.3	-0.7	2.4
2-Year	2.4	- - -	- - -	3.2	- - -	- - -	- - -	7.6	4.1	7.2	- - -	19.3	7.5	- - -	-0.6	2.6
3-Year	- - -	- - -	0.1	3.3	0.4	- - -	- - -	7.7	4.4	7.4	- - -	19.2	7.8	16.1	-0.5	2.7
5-Year	5.3	10.3	- - -	3.3	1.3	17.8	- - -	8.0	4.9	7.3	3.9	17.9	8.2	- - -	-0.2	2.8
7-Year	- - -	- - -	0.8	- - -	1.8	17.8	- - -	8.1	4.9	7.6	- - -	- - -	- - -	- - -	0.0	2.9
10-Year	6.8	11.0	1.3	3.5	- - -	17.7	- - -	7.8	5.1	7.7	- - -	16.2	8.8	- - -	0.4	3.0
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	8.1	- - -	7.9	- - -	- - -	9.9	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.7	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.1	- - -	- - -	- - -	- - -	9.7	- - -	1.1	3.1

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

CORPORATE BONDS SUMMARY, JULY 23RD 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	2.2	267	229
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.4	173	152
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.2	181	144
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	3.4	391	341
	Garanti Bank 5.25% '22	USD	NA/Ba1	13/9/2022	750	7.4	459	420
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	10.2	735	650
	Vakifbank 5.75% '23	USD	NA/Ba1	30/1/2023	650	8.7	590	530
	TSKB 5.5% '23	USD	NA/Ba1	16/1/2023	350	9.1	630	558
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.5	567	513
	KOC Holding 5.25% '23	USD	BBB-/Baa3	15/3/2023	750	6.7	398	365

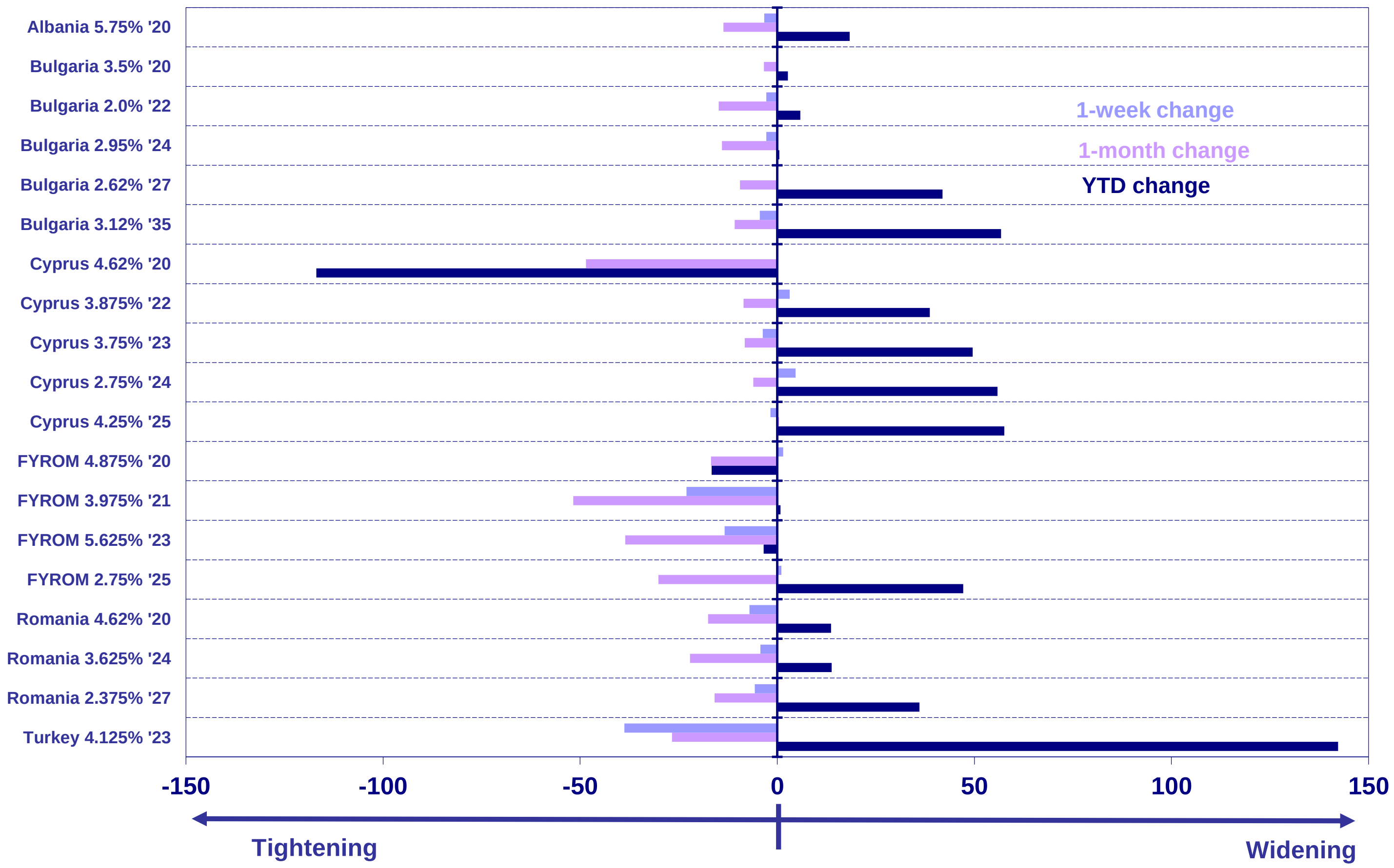
CREDIT DEFAULT SWAP SPREADS, JULY 23RD 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	223	66	64	144	350	- - -	80	92	133	110	298	186	498
10-Year	- - -	313	102	110	167	394	- - -	89	131	198	146	380	276	527

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JULY 23RD 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	1.5	212	172
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.0	70	32
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.1	43	-2
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.5	62	12
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.4	112	67
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.6	187	126
Cyprus 4.62% '20	EUR	BB+/Ba3	3/2/2020	668	0.2	76	43
Cyprus 3.875% '22	EUR	NA/Ba3	6/5/2022	1,000	1.3	164	124
Cyprus 3.75% '23	EUR	NA/Ba3	26/7/2023	1,000	1.5	175	131
Cyprus 2.75% '24	EUR	NA/Ba3	27/6/2024	850	1.8	184	137
Cyprus 4.25% '25	EUR	NA/Ba3	4/11/2025	1,000	2.0	201	156
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.1	177	130
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.6	203	434
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.4	266	232
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.8	284	222
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	64	19
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.1	119	78
Romania 2.375% '27	EUR	BBB-/Baa3	19/4/2027	2,000	2.3	200	149
Turkey 4.125% '23	EUR	NR/Ba1	11/4/2023	1,000	3.7	393	344

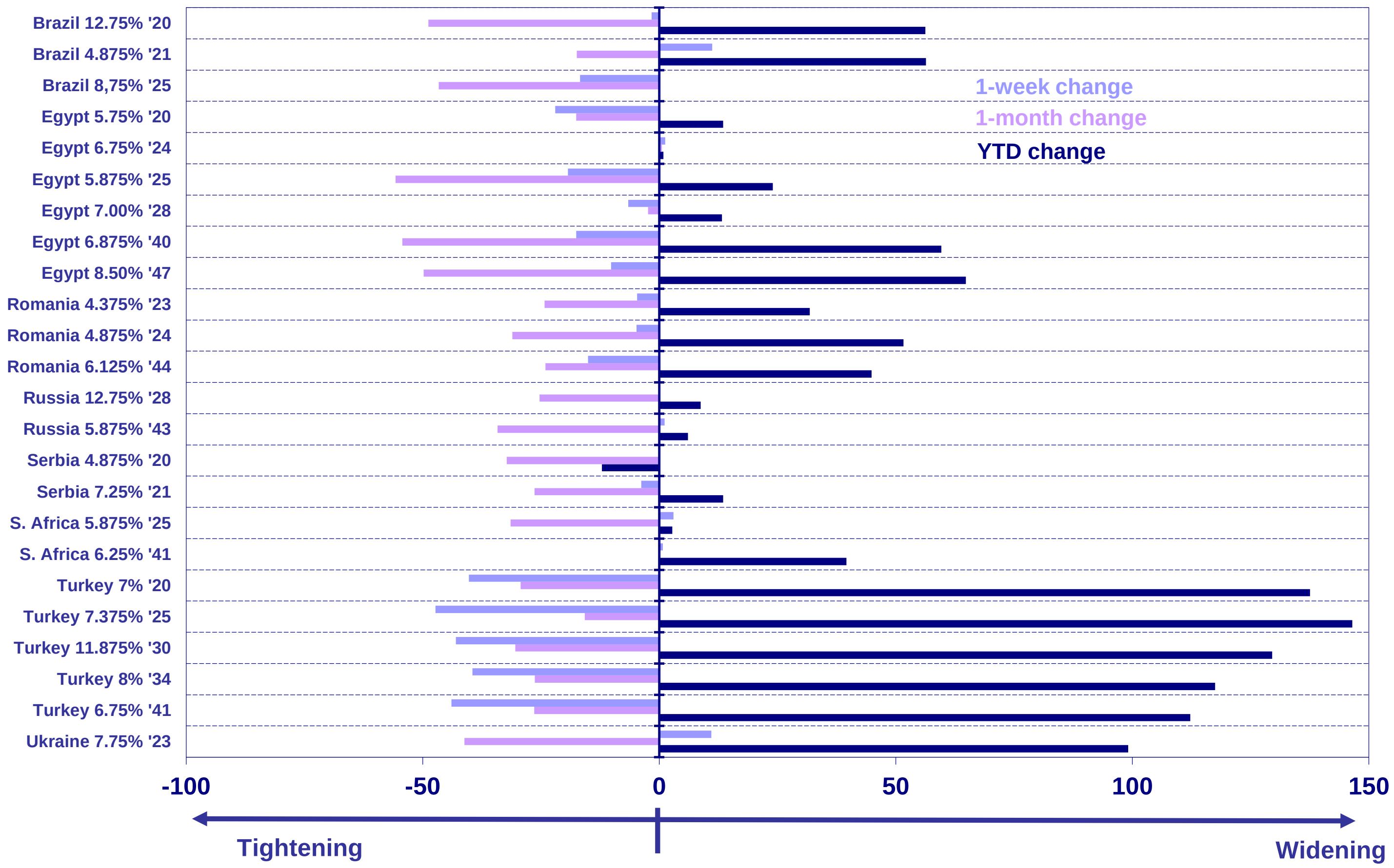
EUR-Denominated Eurobond Spreads (July 23rd 2018)



USD-Denominated Sovereign Eurobond Summary, July 23rd 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	3.1	53	42
Brazil 4.875% '21	USD	BB-/NA	22/1/2021	2,713	4.1	140	124
Brazil 8.75% '25	USD	BB-/NA	4/2/2025	688	4.9	203	218
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	4.7	210	191
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.3	335	328
Egypt 5.875% '25	USD	B-/B3	11/6/2025	500	6.6	365	345
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.7	381	373
Egypt 6.875% '40	USD	B-/B3	30/4/2040	1,500	7.8	467	434
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	8.2	516	524
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	4.0	116	103
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	4.1	125	112
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	5.1	197	221
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.7	172	227
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.2	209	226
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	3.6	103	86
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.0	132	118
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.1	222	217
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	6.1	305	308
Turkey 7.00% '20	USD	NR/Ba1	5/6/2020	2,000	5.7	306	286
Turkey 7.375% '25	USD	NR/Ba1	5/2/2025	3,250	6.8	391	385
Turkey 11.875% '30	USD	NR/Ba1	15/1/2030	1,500	7.2	424	501
Turkey 8.00% '34	USD	NR/Ba1	14/2/2034	1,500	7.5	451	448
Turkey 6.75% '41	USD	NR/Ba1	14/1/2041	3,000	7.4	427	381
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,355	8.1	522	496

USD-Denominated Eurobond Spreads (July 23rd 2018)



STOCK MARKETS PERFORMANCE, JULY 23RD 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)	77,996	1.8	10.4	2.1	19.8	69,069	88,318	-8.7	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	633	1.5	0.4	-6.5	-11.1	621	721	-6.5	15.5	15.5	27.2	27.2
China (SHCOMP)	2,860	1.6	-1.0	-13.5	-12.0	2,691	3,587	-15.0	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	76	2.9	10.0	9.0	0.4	65	77	9.0	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,490	-1.9	-6.0	3.7	19.9	1,429	1,741	4.3	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	3,330	-0.4	-1.7	31.1	29.2	2,536	3,494	31.1	18.9	18.9	16.5	16.5
India (SENSEX)	36,719	1.1	2.9	7.8	13.9	31,082	36,750	2.6	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,582	-0.4	-1.6	-4.2	-2.1	1,573	1,802	-3.5	22.8	19.1	0.2	0.0
Russia (RTS)	4,313	-3.9	-2.5	4.6	3.0	4,017	4,617	-1.8	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	727	-0.8	-0.5	-4.4	1.2	725	785	-4.0	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	56,557	2.0	-0.5	-5.0	4.0	53,027	61,777	-10.3	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	95,305	6.2	-0.6	-17.4	-10.7	88,169	121,532	-32.2	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	502	1.1	10.0	59.3	76.5	315	504	72.6	18.8	0.8	10.2	1.0
MSCI EMF	1,070	-0.1	-1.7	-7.7	0.5	1,039	1,279	-5.3	34.3	17.7	8.6	12.2
MSCI EAFE	1,981	0.4	0.0	-3.4	3.2	1,930	2,187	-0.9	21.8	6.7	-1.9	1.4
Greece (ASE-General)	752	-1.9	-2.6	-6.3	-11.5	736	896	-6.3	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,549	-0.1	-0.2	-2.9	2.8	11,727	13,597	-2.9	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,656	0.7	-0.3	-0.4	3.8	6,867	7,904	-0.9	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	25,044	-0.1	1.9	1.3	16.4	21,496	26,617	4.0	25.1	9.6	13.4	16.7
USA (S&P 500)	2,807	0.3	1.9	5.0	13.6	2,533	2,873	7.7	19.4	4.7	9.5	13.2

Equity Indices (July 23rd 2018)