NATIONAL BANK OF GREECE

Economic Analysis Division
Emerging Markets Analysis
Bi-Weekly Report

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Emerging Markets Analysis

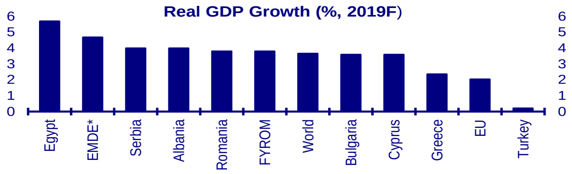
***Head:* Michael Loufir**
☎ : +30 210 33 41 211
✉ : mloufir@nbg.gr

Analysts:

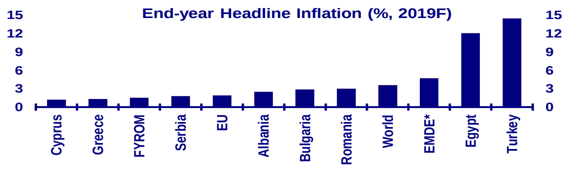
Konstantinos Romanos-Louizos
✉ : romanos.louizos.k@nbg.gr

Louiza Troupi
✉ : troupi.louiza@nbg.gr

Athanasios Lampousis
✉ : lampousis.athanasios@nbg.gr



* EMDE: Emerging Market & Developing Economies



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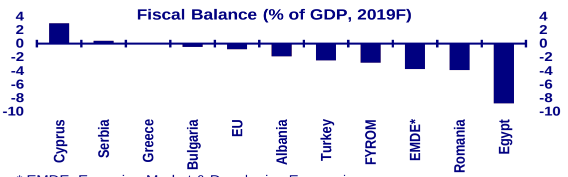

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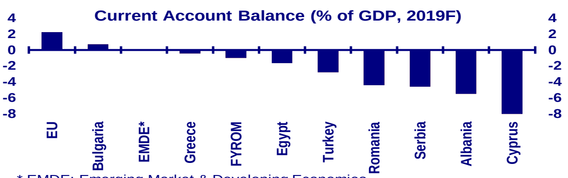


* EMDE: Emerging Market & Developing Economies

The 2018 Budget achieved its target -- a deficit of 1.9% of GDP – mainly on the back of one-off non-tax revenue

The current account deficit is estimated to have narrowed by 2.0 pps to a 9-year low of 3.6% of GDP in FY:18

The capital and financial account is estimated to have not contributed, for the first time since the 2001 liquidity crisis, to the financing of the current account deficit in FY:18

Favourable food and energy prices contained end-year headline inflation -- up 3.3% y-o-y, unchanged compared with end-2017, and within the NBR's target range (2.5±1%)

The NBR will likely maintain its key rate on hold, but tighten market liquidity to ease pressure on the RON

Headline inflation stood at 2.7% y-o-y at end-2018, broadly unchanged compared with end-2017, as favourable energy prices offset the impact of stronger domestic demand and higher volatile food prices

Tourism activity weakened in FY:18, mainly due to a negative base effect

End-year headline inflation moderated to 2.0% y-o-y in 2018 from 3.0% in 2017, due to lower core inflation and favourable prices of fruits and vegetables

The NBS is set to keep its central rate (the 2-week repo rate) on hold at an all-time low of 3.0% this year

Credit growth reached a 3-year high of 7.2% y-o-y at end-2018, mainly on the back of higher lending to corporates

Customer deposit growth almost doubled in FY:18 (up 9.5% y-o-y), due to improving confidence in the domestic economy

Residential real estate prices recovered in FY:18 (up 1.8%), due to improving economic activity and accelerating mortgage lending

Headline inflation ended 2018 at 1.8% y-o-y -- well below its target for an 8th successive year

The BoA is set to maintain its key rate on hold this year

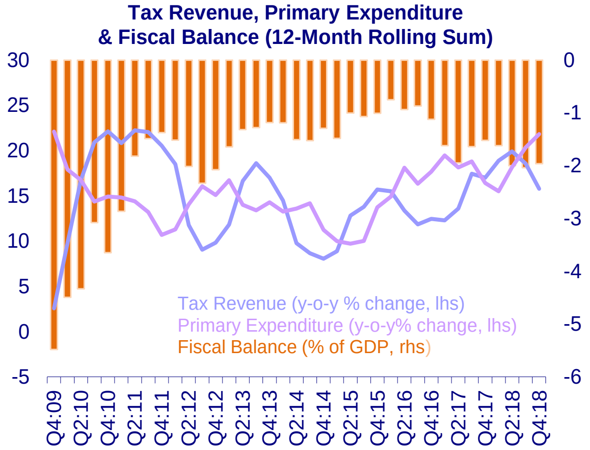
Banking sector returns to the black in 9M:18, due to lower provisioning and an exceptional accounting gain related to Hellenic Bank's acquisition of Cyprus Cooperative Bank's operations

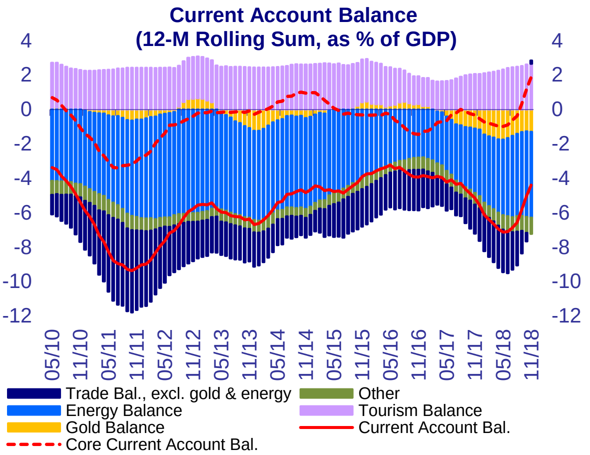
The sizeable fiscal consolidation planned for this fiscal year -- 1.8 pps of GDP – is on track

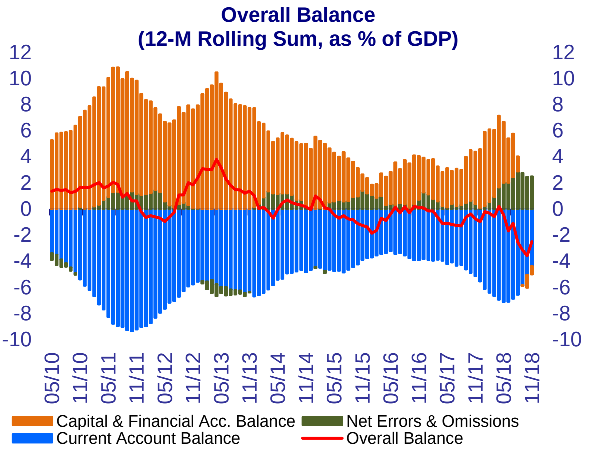
FX reserves increased by USD 5.5bn to an all-time high of USD 42.6bn (7.2 months of imports of GNFS) in 2018, underpinned by solid implementation of the loan agreement with the IMF (signed in November 2016)

Turkey

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







	28 Jan.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	24.5	23.5	22.0	18.5
TRY/EUR	6.09	6.30	6.60	6.80
Sov. Spread (2020, bps)	289	285	275	260

	28 Jan.	1-W %	YTD %	2-Y %
ISE 100	101,290	3.4	12.0	20.8

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	3.2	7.4	2.5	0.2	3.0
Inflation (eop, %)	8.5	11.9	21.0	14.5	11.5
Cur. Acct. Bal. (% GDP)	-3.8	-5.6	-3.6	-2.8	-3.6
Fiscal Bal. (% GDP)	-1.1	-1.5	-1.9	-2.5	-2.5

The 2018 Budget achieved its target of a deficit of 1.9% of GDP – mainly on the back of one-off non-tax revenue. Following a deterioration of 0.4 pps of GDP y-o-y in H1:18, stemming mostly from the June presidential and parliamentary elections, the fiscal balance remained unchanged on an annual basis in H2:18, reflecting the Government's efforts to attenuate investor concerns over the country's alarming economic imbalances amid a challenging global backdrop.

The neutral fiscal stance in H2:18 was achieved through a sharp rise in non-tax revenue (up 0.8 pps of GDP y-o-y), stemming from large one-off revenue and, to a lesser extent, lower capital expenditure (down 0.2 pps of GDP y-o-y). The one-off non-tax revenue is estimated to have reached 1.4% of GDP in FY:18, following the entry into force of a tax amnesty and an illegal construction amnesty at end-May and the paid military service law in August (yielding 0.7%, 0.4% and 0.3% of GDP, respectively).

The sharp rise in non-tax revenue in H2:18 compensated for lower tax revenue (down 0.5 pps of GDP y-o-y in H2:18), primarily reflecting tax cuts in Q4:18, higher current primary expenditure (up 0.4 pps of GDP y-o-y in H2:18), mainly on the back of a larger wage bill and social transfers, and higher interest payments (up 0.1 pp of GDP y-o-y in H2:18), in line with tighter monetary policy stance.

With the negative performance of H1:18, the budget deficit stood at 1.9% of GDP in FY:18 – in line with its target but above the FY:17 outcome of 1.5%. For this year, despite the recently-announced higher-than-budgeted transfer of CBRT profits to the Treasury (0.8% rather than 0.5% of GDP), the fiscal deficit target of 1.8% of GDP should be difficult to meet, as the strong FY:18 non-tax revenue performance is unlikely to be repeated even if the tax and illegal construction amnesties, which expired at end-December, are extended. Overall, in the absence of new revenue-enhancing and expenditure-saving measures, we see the FY:19 deficit at around 2.5% of GDP – above its target of 1.8% and the FY:18 outcome of 1.9%.

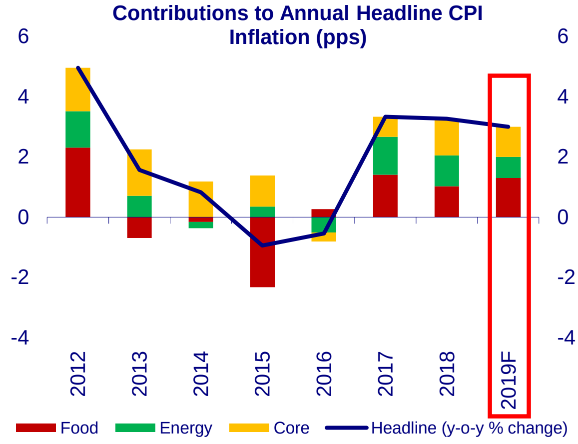
The current account deficit (CAD) is estimated to have narrowed by 2.0 pps to a 9-year low of 3.6% of GDP in FY:18. External rebalancing continued for a fifth consecutive month in November, with the 12-month rolling CAD declining to 4.4% of GDP, after having widened to a 6-year high of 7.1% in June from 5.6% in December 2017. The decline in the 12-month rolling CAD between June and November (by 2.7 pps of GDP y-o-y) was driven by a stronger underlying current account balance (excluding energy and gold, up 2.8 pps of GDP y-o-y), reflecting decelerating domestic demand, more competitive Turkish goods in global markets, as well as buoyant tourism activity, and to a lesser extent, the favourable gold balance (up 0.4 pps of GDP y-o-y), stemming from a normalization in gold imports. Not surprisingly, the energy balance deteriorated (by 0.5 pps of GDP y-o-y), due to higher global oil prices.

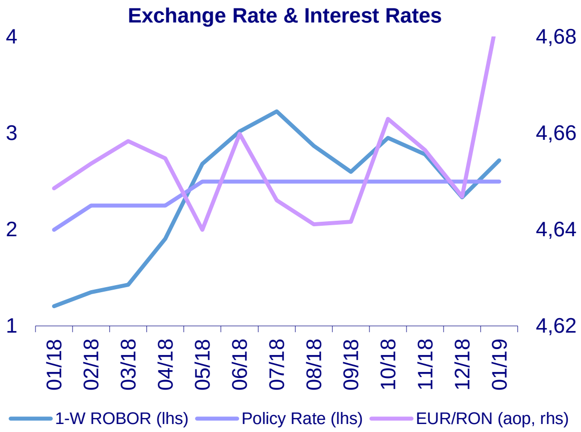
Based on preliminary December trade statistics, we estimate that the CAD narrowed by 0.8 pps of GDP y-o-y in December and reached a 9-year low of 3.6% of GDP in FY:18. For this year, we expect the CAD to narrow to 2.8% of GDP, mainly on the back of a lower energy bill.

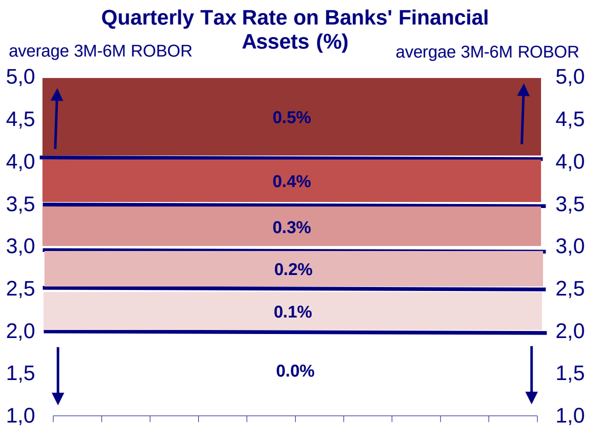
The capital and financial account (CFA) is estimated to have not contributed, for the first time since the 2001 liquidity crisis, to the financing of the CAD in FY:18. The CFA balance deteriorated sharply, by 5.1 pps y-o-y to a deficit of 0.5% of GDP in 11M:18, due to protracted uncertainty (June snap elections and the August currency crisis). The 11M:18 CAD and the CFA deficit were financed through large non-identified inflows (net errors and omissions, 2.5% of GDP) and a drawdown in FX reserves (1.4% of GDP).

Romania

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







	28 Jan.	3-M F	6-M F	12-M F
1-m ROBOR (%)	3.3	3.0	3.0	3.0
RON/EUR	4.77	4.80	4.82	4.85
Sov. Spread (2024, bps)	139	130	120	110

	28 Jan.	1-W %	YTD %	2-Y %
BET-BK	1,424	-0.9	-2.2	-0.4

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	4.8	7.0	4.2	3.8	3.4
Inflation (eop, %)	-0.5	3.3	3.3	3.0	2.8
Cur. Acct. Bal. (% GDP)	-2.1	-3.2	-4.0	-4.4	-4.7
Fiscal Bal. (% GDP)	-2.4	-2.8	-2.9	-3.3	-3.6

Favourable food and energy prices contained end-year headline inflation -- up 3.3% y-o-y, unchanged compared with end-2017, within the NBR's target range (2.5±1%). Food inflation declined (to 3.1% y-o-y at end-2018 from 4.1% at end-2017), due to positive supply-side effects from the bumper summer harvest. Similarly, energy inflation moderated (to 5.5% y-o-y at end-2018 from 6.9% at end-2017), in line with developments in global oil markets. Adjusted for food and energy prices, core inflation picked up, however (to 1.6% y-o-y at end-2018 from 0.9% at end-2017), reflecting stronger domestic demand, on the back of a loose incomes policy (public wages rose by up to 45% in certain sectors and pensions were up 10%). Note that the latter's impact on disposable income was tempered by the shift in the bulk of social security contributions' burden onto employees.

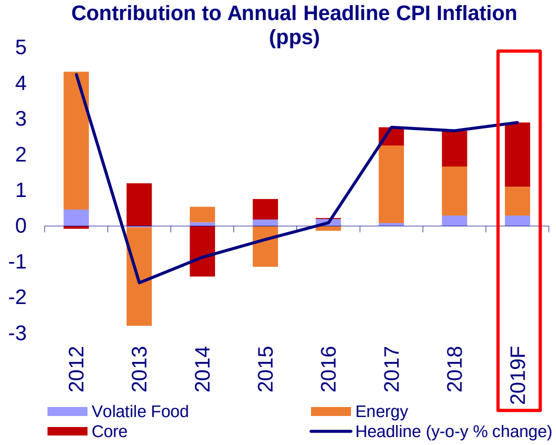
Headline inflation to ease slightly in FY:19, on weaker domestic demand and tighter monetary conditions. Softer demand-side pressures, on the back of a less expansionary incomes policy, combined with tighter monetary conditions, in the aftermath of the implementation of the new banking tax, should keep core inflation subdued (up 1.3% at year-end). Favourable global oil prices, together with a positive base effect (of c. 0.6 pps) from the hike in gas and electricity prices in FY:18, should also sustain the disinflation process. Note that the Government plans to keep energy prices frozen in 2019-21, breaching, however, the relevant EU law. All said, we see headline inflation falling as low as 2.2% y-o-y by mid-2019, and thereafter rebounding to 3.0% at end-year, still within the NBR's target range.

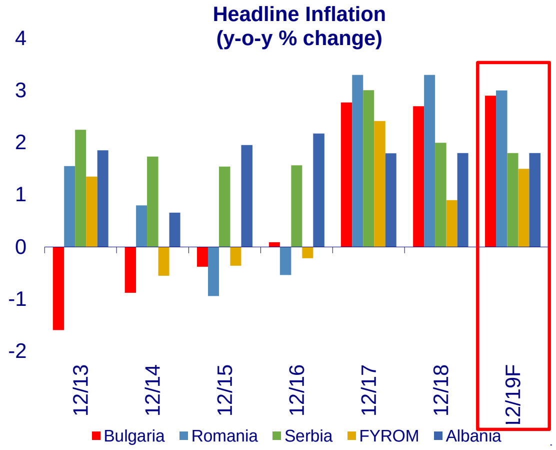
The NBR will likely maintain its key rate on hold, but tighten market liquidity to ease pressure on the RON. In view of the uncertainty surrounding the implementation of the banking tax, the NBR maintained its 2-week repo rate unchanged at 2.5% at its first meeting for FY:19. Recall that the NBR raised its key rate by 75 bps in 6M:18 and has remained on hold since then. At the same time, however, it has engaged in active liquidity management (conducted through deposit-taking operations and FX interventions), mainly with a view to keeping the RON contained. In this context, and in view of the underlying pressure on the RON (down 2.3% y-t-d against the EUR), in the aftermath of the announcement of the tax changes, the NBR has significantly tightened liquidity conditions, with the premium of the 1-week ROBOR over the policy rate currently standing at 100 bps against 25 bps at end-2017. Overall, monetary conditions remain loose, with the *ex-post* real 1-week ROBOR at -0.3%, well below its 7-year average of 0.5%.

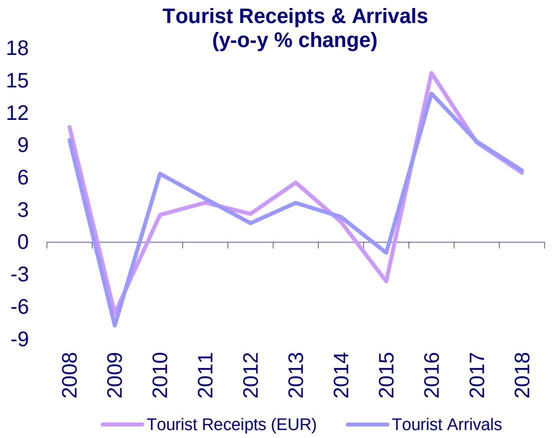
The new banking tax affects the course of monetary policy. In a bid to contain the widening budget deficit, the Government announced a tax on banks' financial assets. The tax varies based on the upward deviation of the average 3-6M ROBOR from the reference rate, set at 2.0% (see chart). Besides its sizeable impact on bank profitability (down 70%, *ceteris paribus*), the tax implies a significant tightening in monetary conditions. Indeed, in face of the tax shock, banks will be urged to reduce their balance sheets and/or pass on its cost to customers. At the same time, banks could shift towards (riskier) external funding. In any case, lending interest rates are set to rise and the pace of credit expansion should slow, affecting economic growth. As a result, we expect the NBR to be more dovish going forward and remain on hold throughout FY:19 (instead of hiking its key rate by 50 bps as initially projected). In the meantime, it will continue to rely on liquidity operations to manage pressures on the RON. Indeed, such operations, leading to temporary rises in ROBOR rates, would have a smaller impact on bank profitability compared with a policy rate hike.

Bulgaria

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







	28 Jan.	3-M F	6-M F	12-M F
Base Interest Rate (%)	0.0	0.0	0.0	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	55	52	45	40

	28 Jan.	1-W %	YTD %	2-Y %
SOFIX	574	1.1	-3.5	-6.0

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

Headline inflation stood at 2.7% y-o-y at end-2018, broadly unchanged compared with end-2017, as favourable energy prices offset the impact of stronger domestic demand and higher volatile food prices. Core inflation (comprising 75% of the CPI basket) strengthened to 1.7% y-o-y at end-2018 from 0.9% at end-2017, on the back of solid private consumption. The latter was sustained by the pick-up in consumer lending (up 13.9% y-o-y at end-2018 against 4.0% at end-2017), wealth effects (house prices gained 20% over the past 2 years) and improved consumer confidence. At the same time, volatile food inflation accelerated (to 5.0% y-o-y at end-2018 from 1.5% at end-2017), due to negative supply-side effects from a poor summer harvest. These factors were offset, however, by the slowdown in energy inflation (to 3.8% y-o-y at end-2018 from 6.2% at end-2017), in line with developments in global oil markets.

Headline inflation is set to remain broadly at current levels until end-2019, while at the same time, core inflation should pick up. The envisaged normalization in volatile food prices, combined with favourable global oil prices and a positive base effect from the hikes in regulated energy and tobacco prices in FY:18 (adding 0.4 and 0.2 pps to headline inflation, respectively), should broadly compensate for stronger demand-side pressures. The latter could be fueled by the loose incomes policy (public sector wages rose 10% in January) and its spillover to the private sector, amid particularly tight labour market conditions (unemployment is estimated to have fallen to a historical low of 5.3% in FY:18). All said, we see headline inflation at 2.9% y-o-y at end-2019, broadly unchanged compared with its end-2018 outcome, but higher than that of most of Bulgaria's peers. At the same time, core inflation is set to converge towards that level, albeit from a lower starting point (up 1.7% at end-2018).

Tourism activity weakened in FY:18, mainly due to a negative base effect. Tourist arrivals rose by 6.7% y-o-y in FY:18, by a slower pace compared with that in FY:17 -- up 9.4%. At the same time, tourist receipts are estimated to have increased by 6.5% y-o-y against 9.3% in FY:17, suggesting broadly stable spending per tourist.

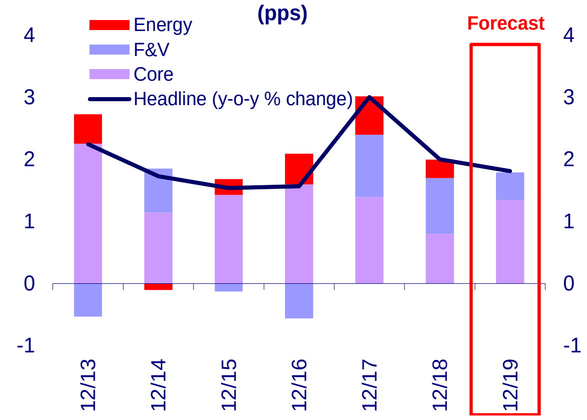
The slowdown in tourist arrivals in Bulgaria in FY:18 was mainly due to a negative base effect from the return of EU tourists to Turkey and Egypt, on the back of cheaper domestic currencies and improved security conditions. Indeed, growth in tourist arrivals from the EU to Bulgaria (accounting for 59% of total arrivals in FY:17) decelerated in FY:18 (to 5.6% y-o-y from 10.6% in FY:17). Tourism activity would have been weaker had arrivals from non-EU countries, especially Serbia (accounting for 4.7% of total arrivals in FY:17 -- up 16.9% y-o-y in FY:18 against 10.3% in FY:17) and Ukraine (accounting for 3.4% of total arrivals in FY:18 -- up 25.4% y-o-y in FY:18 against 13.6% in FY:17) not improved. Note that Bulgaria's FY:18 performance in terms of tourist arrivals was broadly in line with that of its neighbouring competitors.

Looking ahead, we expect tourism activity to strengthen, sustaining economic growth (the tourism sector contributes c. 13.0% and 12.0%, respectively, to GDP and employment) and the current account surplus. The increase in the number of direct low-cost flights to the capital Sofia and the summer resorts Varna and Burgas, and the launch of a promotion campaign targeted (for the first time) to Chinese tourists should help to this end. Importantly, Bulgaria remains the most price-competitive destination in the region (World Economic Forum, 2017). All said, we see tourist arrivals rising by 9.0% in FY:19 to a high of 13.5mn, with receipts growing at a similar pace to EUR 4.2bn (7.1% of GDP).

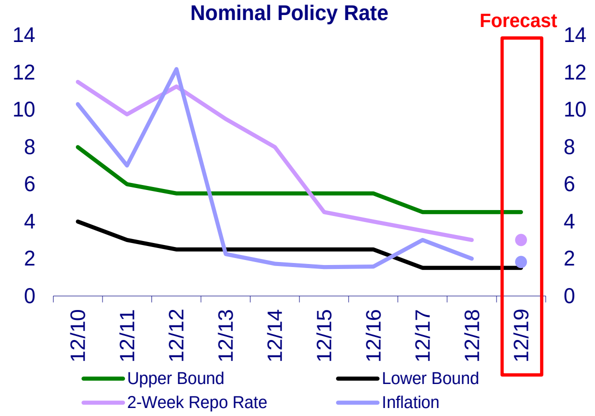
Serbia

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

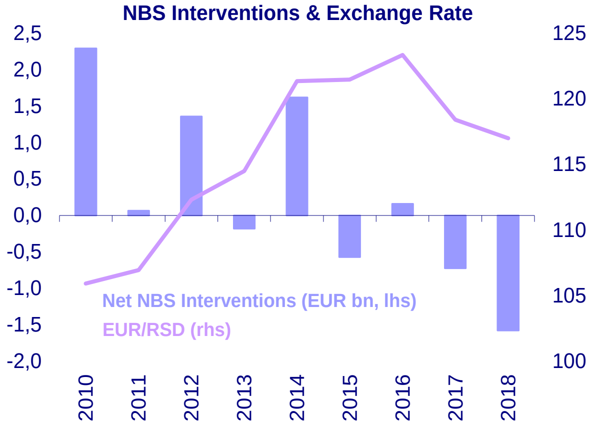
Contributions to Annual Headline CPI Inflation (pps)



Headline Inflation, Inflation Target and Nominal Policy Rate



NBS Interventions & Exchange Rate



	28 Jan.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.8	2.9	3.1	3.5
RSD/EUR	118.4	116.5	116.0	115.0
Sov. Spread (2021, bps)	134	132	130	120

	28 Jan.	1-W %	YTD %	2-Y %
BELEX-15	699	-0.1	-8.2	0.4

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	3.3	2.0	4.3	4.0	3.8
Inflation (eop, %)	1.6	3.0	2.0	1.8	2.0
Cur. Acct. Bal. (% GDP)	-2.9	-5.3	-4.9	-4.6	-4.1
Fiscal Bal. (% GDP)	-1.2	1.1	0.6	0.4	-0.2

End-year headline inflation moderated to 2.0% y-o-y in 2018 from 3.0% in 2017, due to lower core inflation and favourable prices of fruits & vegetables. Note that, albeit standing below its target midpoint, end-year inflation remained within the NBS target range of 3±1.5%, for a 2nd successive year in 2018, after persistently undershooting the NBS lower bound (for 4 successive years).

The easing in end-year headline inflation was mainly due to lower core inflation (that excludes prices of fruit & vegetables and energy, and accounts for c. 78.0% of the CPI basket). Core inflation moderated to a record low of 1.0% y-o-y at end-2018 from 1.9% at end-2017, despite increasing demand-side pressures (with private consumption accelerating to 3.2% y-o-y in 9M:18 from 2.0% in FY:17). This occurred due to: i) lower non-energy regulated prices (as the impact of the hike in telecommunication services prices in March 2017 -- that added 0.2 pps to CPI -- faded); ii) low international food prices, along with a stronger dinar (appreciating by 1.2% against the EUR at end-2018); and iii) a tighter monetary policy stance (an *ex post* policy rate, in real and compounded terms, of 1.2% in FY:18 up from 0.7% in FY:17).

In addition, energy prices moderated (contributing 0.3 pps to end-2018 inflation against 0.6 pps at end-2017), in line with the drop in global oil prices (falling by 6.9% y-o-y, in RSD terms, at end-2018 against a rise of 0.3% in December 2017).

Inflation is set to decline slightly, to a 3-year low of 1.8% y-o-y at end-2019 from 2.0% a year earlier -- remaining within its target band. Looking ahead, headline inflation is set to remain on a downward path, reaching a trough of 1.1% y-o-y in August -- temporarily falling below the lower bound of the NBS target band -- mainly due to a normalization in volatile prices of fruit & vegetables following a pick-up in H1:18. We expect inflation to increase gradually, thereafter, due to higher regulated prices (contributing an expected 0.8 pps to end-2019 inflation compared with 0.4 pps at end-2018) and increasing demand-side pressures, ending the year at 1.8% y-o-y -- below the end-2018 outcome of 2.0% and within its target range.

The NBS is set to keep its central rate (the 2-week repo rate) on hold at an all-time low of 3.0% this year. The NBS maintained its 2-week repo rate unchanged, for a 9th successive month, at its January meeting, at a record low of 3.0% (remaining above that of peer countries), following four (unexpected) cuts between September 2017 and April 2018, by a cumulative 100 bps. Recall that the NBS proceeded with these cuts -- after a pause of more than a year -- despite higher-than-expected growth in 2018 (the highest in past 10 years), due to the sharper-than-expected decline in headline and core inflation, and the continued appreciation pressures on the RSD, reflecting *inter alia* improved fundamentals. Appreciation pressures on the RSD were, however, dampened through sizeable NBS interventions in the FX market (purchasing EUR 1.6bn in FY:18, equivalent to 16.1% of end-2017 FX reserves, see chart). Note that, in view of the large interventions aimed at dampening the EUR/RSD fluctuations, the IMF reclassified Serbia's exchange rate regime as a *de facto* crawl-like arrangement in 2018.

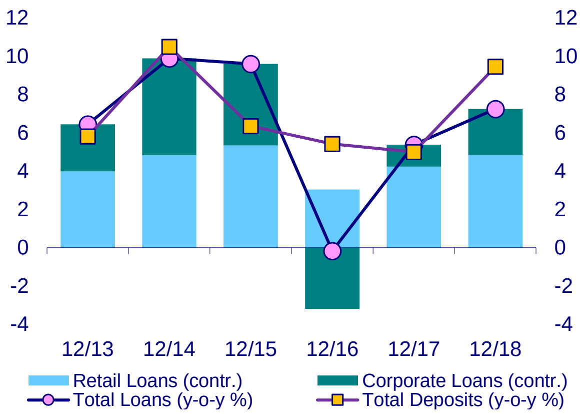
Going forward, in view of persistently subdued inflation (set to fluctuate close to the lower bound of the NBS target band) and moderating economic activity (to 4.0% in FY:19 from 4.3% in FY:18), we expect the NBS to maintain its key rate on hold until end-year.

Should our forecast materialise, the monetary policy will become slightly less accommodative, with the *ex post* policy rate, in real and compounded terms, standing at 1.2% at end-2019 up from 1.0% at end-2018.

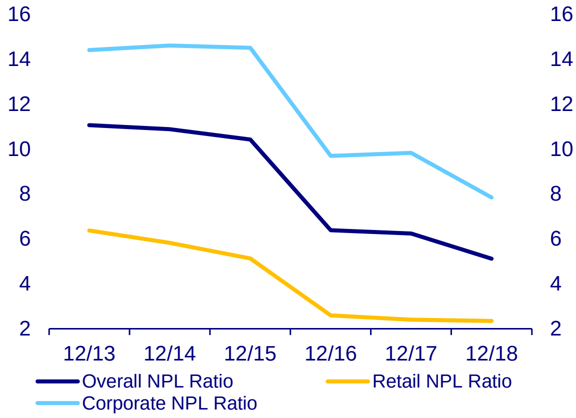
F.Y.R.O.M

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

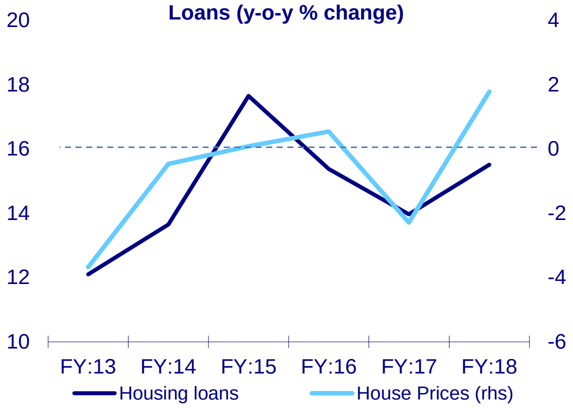
Credit to the Private Sector & Customer Deposits



NPL Ratio (%)



Residential Real Estate Prices and Mortgage Loans (y-o-y % change)



	28 Jan.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.2	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	223	210	190	160

	28 Jan.	1-W %	YTD %	2-Y %
MBI 100	3,634	1.3	4.7	62.5

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

Credit growth reached a 3-year high of 7.2% y-o-y at end-2018, mainly on the back of higher lending to corporates. Growth of credit to the private sector accelerated, for a second consecutive year, reaching 7.2% y-o-y at end-2018 – up from 5.4% at end-2017 and 0% at end-2016. As a result, the credit impulse (defined as the change in the flow of credit scaled by nominal GDP) turned positive for the first time in 3 years in FY:18 (1.8 pps from -0.7 pps in FY:17 and -2.2 pps in FY:16). The improved performance was mainly driven by the corporate segment (up 4.6% from a subdued rise of 2.1% at end-2017, contributing 1.2 pps to the overall increase), benefiting from both higher supply and demand for loans. The strong demand for corporate loans was supported by stronger business confidence, in view of the finalisation of the name agreement with Greece in early-Q1:19 – set to pave the way for the start of EU accession talks and NATO membership -- as well as more favourable lending rates. The strong supply of corporate loans resulted from strengthening economic activity and a further moderation in the non-performing corporate loans ratio. Indeed, the latter eased to 7.8% at end-2018 from 9.8% at end-2017 and a peak of 14.6% at end-2014.

On the other hand, growth in retail loans reached double digits at end-2018 (up 10.2% y-o-y from 9.2% at end-2017), sustained by solid demand and strong supply of loans, stemming from low credit risk (the non-performing retail loans ratio was broadly unchanged on an annual basis at a low of 2.3% at end-2018). Note that the sharp decline in the overall NPL ratio from a peak of 11.1% at end-2013 to 5.1% at end-2018 was largely due to 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.

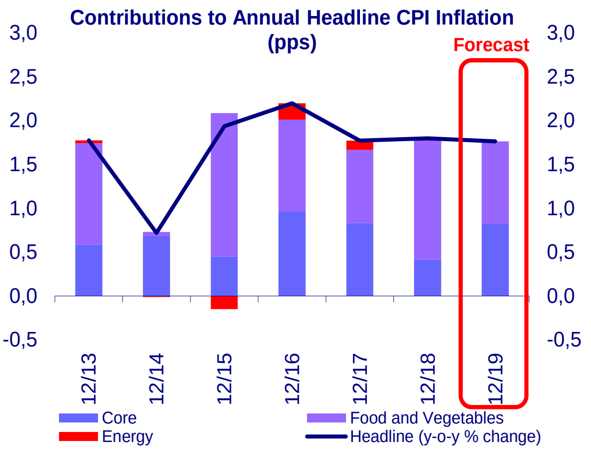
Customer deposit growth almost doubled in FY:18 (up 9.5% y-o-y), due to improving confidence in the domestic economy. Deposit growth accelerated to 9.5% y-o-y in December from 5.0% at end-2017, supported by both the retail and corporate segments (up 9.5% each), despite more unfavourable deposit remuneration rates. The expansion in the retail deposit base was supported by stronger real disposable income, in line with higher employment and wages and low inflation, while that of corporates was sustained by improving confidence and rising profitability.

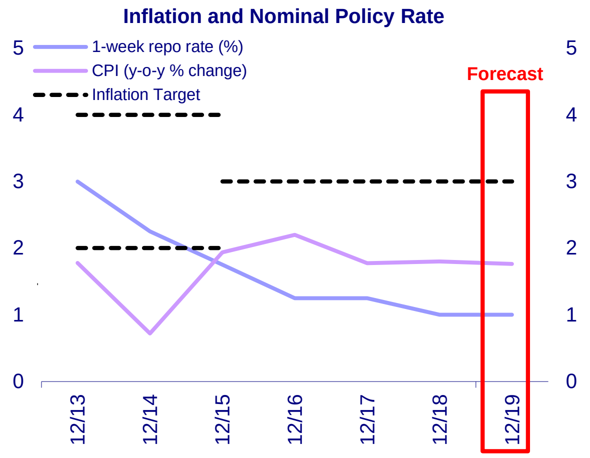
With deposits increasing at a faster pace than loans, the overall loan-to-deposit ratio declined to 91.1% at end-2018 from 93.0% at end-2017. Moreover, the denarisation continued on its upward trend, with the FC loans-to-total loans ratio easing to 40.4% at end-2018 from a peak of 57.9% at end-2011, and the FC deposits-to-total deposits ratio moderating to 42.3% at end-2018 from a peak of 61.1% at end-2009.

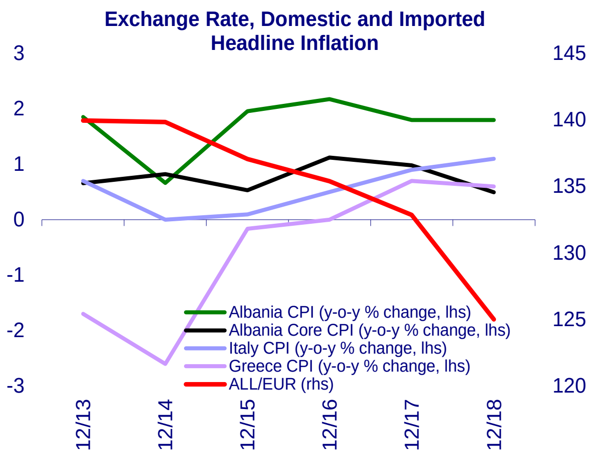
Residential real estate prices recovered in FY:18 (up 1.8%), due to improving economic activity and accelerating mortgage lending. The Central Bank's House Price Index (HPI) rose by 1.8% in FY:18, following a decline of 2.3% in FY:17, underpinned by strengthening economic growth (see Table) and double-digit mortgage lending growth (up 15.5%). The latter was supported by moderating interest rates amid bank competition for market shares and relaxed bank lending standards due to households' low indebtedness (c. 24.0% of GDP at end-2018) and rising real disposable income. Banks' supply of mortgage loans was also sustained by a low credit risk. Indeed, the non-performing retail loans ratio is low and banks' recovery of real estate collateral has improved sharply, as pointed by banks' record low stock of foreclosed property assets (with a net book value of 1.6% of equity at end-September compared with 3.3% at end-2017 and a peak of 18.6% at end-2011).

Albania

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







	28 Jan.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.3	2.2	2.2	2.2
ALL/EUR	124.5	123.8	123.5	122.0
Sov. Spread (bps)	215	215	200	180

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

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

Headline inflation ended 2018 at 1.8% y-o-y -- well below its target for an 8th successive year. Headline inflation stood at 1.8% y-o-y at end-2018, unchanged from its end-2017 level, and well below the BoA's target (of 3.0%) for 8 successive years. The end-year inflation was contained by low core inflation (that excludes prices of fruit & vegetables and energy, and accounts for c. 86.0% of the CPI basket) that offset pressures from higher prices of fruit & vegetables.

Indeed, core inflation declined to just 0.5% y-o-y at end-2018 from 1.0% at end-2017, despite: i) increasing pressures from the gradual recovery in domestic demand (private consumption was up 3.4% y-o-y in 9M:18 against a rise of 2.6% in 9M:17); ii) the 17.6% increase in tap water prices (adding 0.2 pps to end-2018 inflation); and iii) the excise hike on tobacco (contributing 0.1 pp to end-2018 inflation against zero at end-2017). The decline in core inflation occurred on the back of low imported inflation, supported by: i) low international food prices; and ii) low inflation in the country's major trading partners -- Italy and Greece (1.1% and 0.6% y-o-y, respectively, at end-2018, broadly unchanged from their end-2017 level, see chart) combined with the appreciation of the ALL (by 6.3% y-o-y against the EUR at end-2018, reaching a 10-year high).

Lower core inflation more than offset the impact from the pick-up in volatile prices of fruit & vegetables (contributing 1.4 pps to inflation at end-2018 against 0.8 pps at end-2017), stemming from floods and heavy snowfall in early-2018.

Headline inflation to remain below the BoA's target throughout 2019, ending the year at 1.8% y-o-y -- unchanged from its end-2018 outcome. Headline inflation is set to embark on a mild downward trend, fluctuating around 1.3% y-o-y until September, due to: i) low global food prices and still low inflation in the country's major trading partners, Greece and Italy, in 2019; ii) the appreciation of the LEK (by an expected 2.6% y-o-y against the EUR at end-2019); and iii) the normalization in fruit & vegetable prices, following a sharp flood-induced rise. We expect inflation to pick up slightly thereafter, ending 2019 at 1.8% y-o-y, driven by higher core inflation, due to base effects and firming demand-side pressures. Despite its pick-up in Q4:19, end-year inflation should remain well anchored and far below the BoA's target for a 9th successive year.

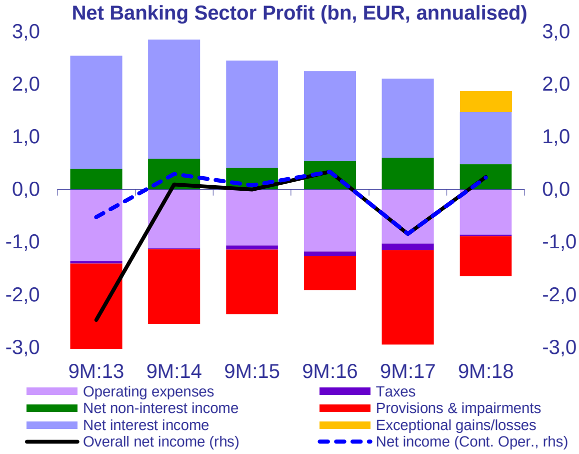
The BoA is set to maintain its key rate on hold this year. The BoA has maintained its key policy rate unchanged, at a record low of 1.0%, since its last 25 bp rate cut in June 2018. Recall that scope for the latest policy rate cut, following a pause of 2 years, was provided by: i) the benign inflation outlook (with inflation significantly undershooting its target); and ii) persisting appreciation pressures on the ALL.

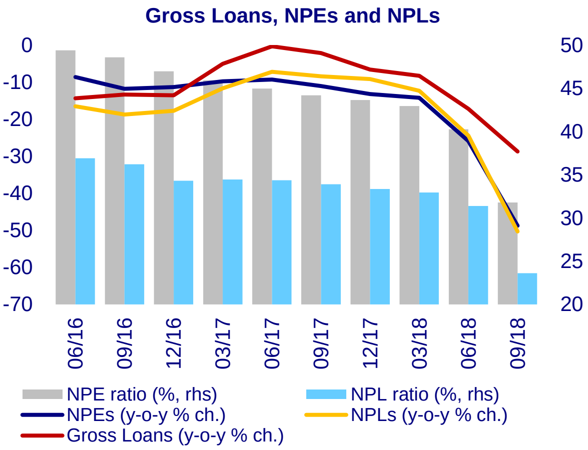
Note that, in its efforts to dampen appreciation pressures on the domestic currency, the BoA: i) bought EUR 78.1mn in 9M:18 in order to increase FX reserves (more than the FY:17 purchases of EUR 71.2mn); ii) launched, in June, purchases in the FX market (amounting to EUR 179.9mn in 9M:18, or 6.0% of end-2017 FX reserves); and iii) converted into ALL the EUR 118mn loan disbursed in June to the state-owned energy company, KESH, by the EBRD.

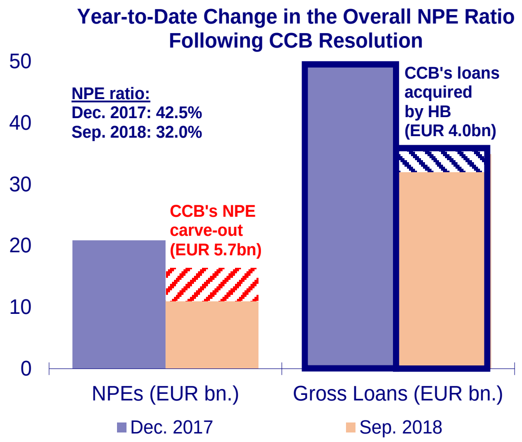
Looking ahead, we expect the BoA to maintain its key rate on hold throughout the rest of the year, due to persistently subdued inflation (significantly undershooting its target), in an effort to support the stagnant credit activity (at -2.2% y-o-y in November 2018, remaining negative for a 2nd successive year). Should our forecasts materialise, monetary policy will remain very accommodative, with the *ex post* policy rate, in real and compounded terms, at -0.8% at end-2019 -- unchanged from its end-2018 and well below that of peer countries.

Cyprus

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







	28 Jan.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.14	1.22	1.24	1.26
Sov. Spread (2020. bps)	59	55	52	50

	28 Jan.	1-W %	YTD %	2-Y %
CSE Index	62	-2.2	-5.5	-10.0

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

Banking sector returns to the black in 9M:18, due to lower provisioning and an exceptional accounting gain related to the Hellenic Bank's (HB) acquisition of Cyprus Cooperative Bank's (CCB) operations. The banking sector bottom line turned into a surplus of EUR 178mn (0.9% of GDP) in 9M:18 from a loss of EUR 632mn (3.2% of GDP) in 9M:17. This positive development was mainly due to a sharp decline in banks' provisions (down 58% y-o-y) and an exceptional accounting gain ("negative goodwill") amounting to EUR 298mn, related to the HB's acquisition of CCB in early-September. The latter resulted from the transfer of CCB's performing assets and liabilities (worth EUR 9.3bn) to HB's books at an 80% discount on their net fair value. Recall that, last July, in an effort to reduce sharply the banking sector's stock of (NPEs), Parliament approved *inter alia* the transfer of CCB's NPEs (EUR 5.7bn) to a publicly-owned "residual entity", the sale of CCB's remaining assets and liabilities to HB and the provision of state guarantees amounting to EUR 2.3bn (covering 58.0% of CCB's acquired loans). As a result, (annualised) ROAE and ROAA improved to estimated 4.8% and 0.4%, respectively, in 9M:18 from -12.5% and -0.3% in 9M:17.

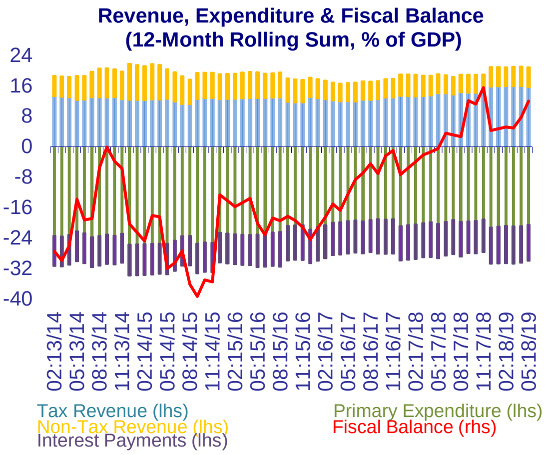
The NPE ratio dropped to a low of 32.0% at end-9M:18, prompting banks to cut sharply loan loss provisions. Banks' stock of NPEs contracted by 48.8% y-o-y to EUR 34.9bn at end-September -- their lowest level since the inception of the database by the EBA in December 2014. This positive performance was due to the carve-out of CCB's NPEs (accounting for more than half of the annual decline at end-September) and, to a lesser extent, sales of bad loans, write-offs and debt-for-asset swaps. Note that the country's largest bank – Bank of Cyprus – recently announced sales of NPEs worth EUR 2.7bn in the coming months (c. 6.0% of the end-2017 stock of total gross loans or c. 14.0% of the end-2017 stock of NPEs). As a result, the overall NPE ratio declined to 32.0% at end-September from 43.2% a year earlier and a peak of 49.0% in May 2016. Against the backdrop of negative NPE formation, and despite increased impairment requirements due to IFRS-9 first-time adoption, banks lowered loan loss provisions. As a result, the (4-quarter rolling) cost of risk declined by 202 bps y-o-y to a low of 174 bps in Q3:18.

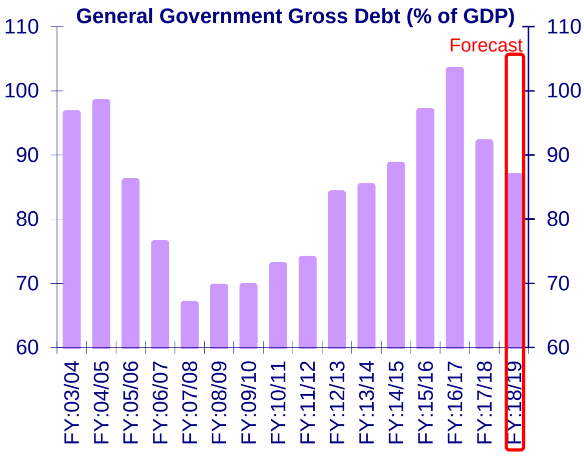
A drop in operating expenses attenuated the negative impact of the weaker top line on pre-provision earnings in 9M:18 (down 6.0% y-o-y). Net interest income (NII) declined by 33.8% y-o-y in 9M:18 due to lower average interest-earning assets (down 7.7% y-o-y to 282% of GDP) and a weaker NIM (down 70 bps y-o-y to 170 bps), stemming mainly from large sales of NPEs, write-offs and continued deleveraging. Net non-interest income (NNII) also declined in 9M:18 (down 20.4% y-o-y), reflecting, *inter alia*, losses from the revaluation and disposal of banks' investment properties, lower net fees & commission income (down 16.2% y-o-y) and a base effect from a once-off gain (EUR 19.0mn) from HB's divesture of its arrears management unit last year.

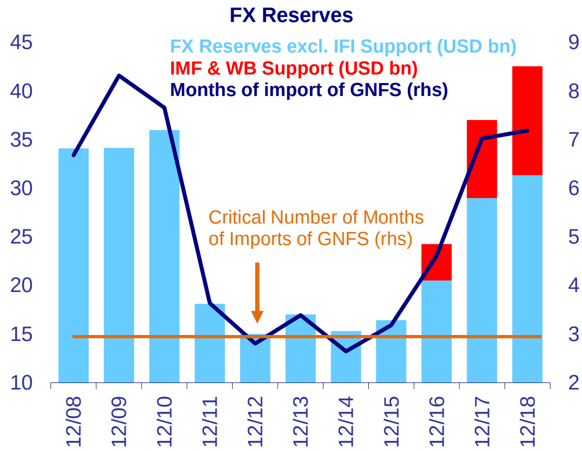
The deterioration in pre-provision earnings in 9M:18 was tempered by the decline in operating expenses (down 16.5% y-o-y), reflecting mainly lower staff costs (down 18.3% y-o-y). The latter resulted mainly from the voluntary early exit scheme of HB at end-Q4:17 (c. 230 employees) and the transfer of the remaining CCB staff (excluding those absorbed by HB -- c. 1,100 employees) in early-September. As a result, the cost-to-income ratio increased by 9.3 pps y-o-y to an estimated 58.1% in 9M:18 -- nevertheless, lower than the EU-average of 63.2%.

Egypt

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







	28 Jan.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	16.9	15.5	14.0	12.0
EGP/USD	17.6	17.9	18.0	18.0
Sov. Spread (2020. bps)	251	230	210	180

	28 Jan.	1-W %	YTD %	2-Y %
HERMES 100	1,340	2.4	5.5	15.5

	15/16	16/17	17/18E	18/19F	19/20F
Real GDP Growth (%)	4.3	4.2	5.3	5.6	5.8
Inflation (eop. %)	14.0	29.8	14.4	12.5	9.0
Cur. Acct. Bal. (% GDP)	-6.0	-6.0	-2.4	-1.8	-1.5
Fiscal Bal. (% GDP)	-12.5	-10.9	-9.7	-8.8	-8.2

The sizeable fiscal consolidation planned for this fiscal year -- 1.8 pps of GDP – is on track. The primary balance turned into a surplus of 0.3% of GDP in 5M:18/19 (July-November 2018) from a deficit of 0.3% in 5M:17/18, on the back of higher revenue (up 0.4 pps of GDP y-o-y) and lower primary expenditure (down 0.2 pps of GDP y-o-y).

Specifically, the strong revenue performance in 5M:18/19 was mainly driven by taxes on income and goods & services (up 0.2 pps and 0.1 pp of GDP y-o-y, respectively), reflecting stronger economic activity and better collection. On the other hand, the decline in primary expenditure resulted from lower food and energy subsidies (down 0.4 pps of GDP y-o-y) and would have been sharper had purchases of goods & services and capital expenditure not increased (each up 0.1 pp of GDP y-o-y).

Looking ahead, we expect the primary balance to improve at a more rapid pace during the rest of the fiscal year (1.2 pps of GDP y-o-y in 6-12M:18/19), mainly on the back of a faster decline in subsidies (by c. 0.8 pps of GDP y-o-y in 6-12M:18/19), following the recent correction in global oil prices. Note that, the average price of Brent for FY:18/19 is set to be in line with the Budget projection of USD 67.0, as its sharp rise of c. 35.0% y-o-y in 5M:18/19 is expected to be followed by a decline of c. 15.0% y-o-y in 6-12/18/19 (consensus forecast).

Overall, we expect the primary balance to improve by 1.8 pps to a surplus of 2.0% of GDP this fiscal year, meeting its target and leading to a cumulative fiscal consolidation of 5.5 pps of GDP since 2015/16 – as envisaged in the 3-year IMF-supported programme. On the other hand, we see the overall fiscal balance improving, albeit at a slower pace, by 1.6 pps to a deficit of 8.8% of GDP this fiscal year – missing its target of 8.4% -- due to a higher-than-budgeted interest bill (by c. 0.4 pps of GDP), in line with the persistent tight monetary policy stance.

Importantly, the expected fiscal consolidation this financial year (1.8 pps of GDP), along with high nominal GDP growth, will help reduce further the general government debt to 86.5% of GDP from 92.5% in 2017/18 and an all-time high of 103.0% in 2016/17.

FX reserves increased by USD 5.5bn to an all-time high of USD 42.6bn (7.2 months of imports of GNFS) in 2018, underpinned by solid implementation of the loan agreement with the IMF (signed in November 2016). The rise was supported by: i) the disbursement of USD 2.0bn by the IMF as part of a USD 12.0bn loan; ii) the successful issuance of USD 6.0bn in Eurobonds (USD 4.0bn in February and USD 2.0bn in April); and iii) the disbursement of the third and final USD 1.2bn tranche from a USD 3.2bn WB loan. The pick-up in FX reserves in 2018 was also underpinned by a strong recovery in the tourism sector, a significant rise in workers' remittances from abroad and higher Suez Canal receipts.

The rise in FX reserves in 2018 would have been sharper had foreign holdings of T-Bills not declined (down to USD 11.8bn in November 2018 from USD17.9bn in December 2017) amid a broader global sell-off in emerging markets. Encouragingly, foreign holdings of T-Bills showed the first sign of stabilisation in November.

For 2019, the country's external position is set to strengthen further, underpinned by the continued strong implementation of the IMF-supported economic programme. The release of the fifth tranche of the IMF loan of USD 2.0bn in late-January-early-February and the expected issuance of a Eurobond worth USD 5.0bn by end-Q1:19 will help increase FX reserves to a record high of USD 44.5bn at end-2019 from USD 42.6bn at end-2018.

FOREIGN EXCHANGE MARKETS, JANUARY 28TH 2019

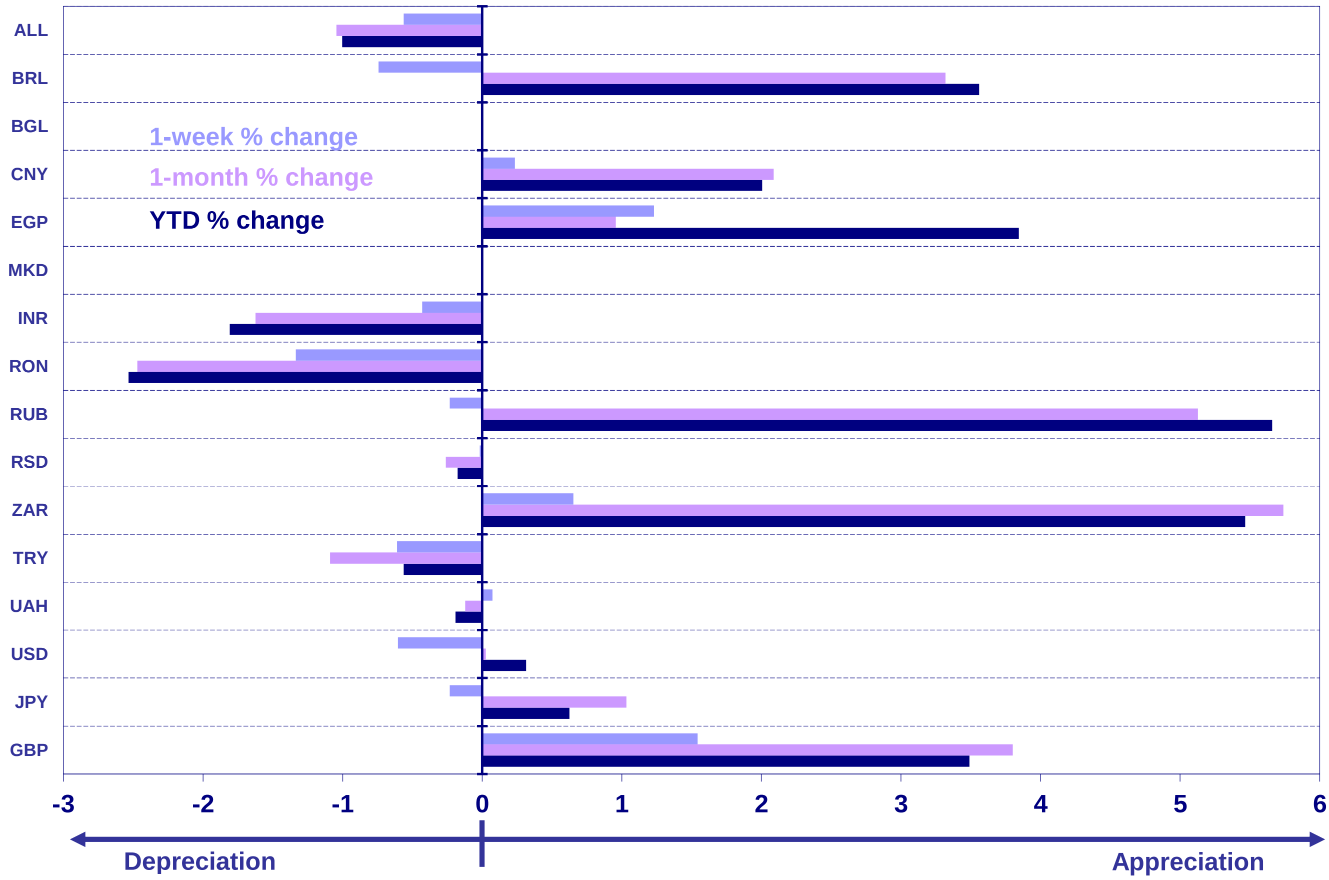
Against the EUR

	Currency	2019										2018	2017
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	124.5	-0.6	-1.0	-1.0	7.0	123.6	125.5	124.8	124.6	123.1	7.8	1.9
Brazil	BRL	4.30	-0.7	3.3	3.6	-9.1	4.22	4.46	- - -	- - -	4.58	-10.7	-13.9
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.71	0.2	2.1	2.0	1.8	7.65	7.88	- - -	- - -	7.97	-0.8	-6.0
Egypt	EGP	20.06	1.2	1.0	3.8	8.8	19.66	21.16	- - -	- - -	- - -	0.0	-9.4
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	81.3	-0.4	-1.6	-1.8	-3.1	79.3	81.5	- - -	- - -	- - -	-3.9	-6.7
Romania	RON	4.77	-1.3	-2.5	-2.5	-2.5	4.66	4.78	4.82	4.87	4.97	0.6	-3.0
Russia	RUB	75.6	-0.2	5.1	5.7	-7.9	74.2	80.1	77.2	78.7	82.0	-13.4	-6.8
Serbia	RSD	118.4	0.0	-0.3	-0.2	0.2	118.3	118.5	118.7	119.0	- - -	0.2	4.2
S. Africa	ZAR	15.6	0.7	5.7	5.5	-5.3	15.46	16.66	15.9	16.2	16.8	-9.9	-2.7
Turkey	YTL	6.09	-0.6	-1.1	-0.6	-22.9	5.95	6.47	6.43	6.78	7.43	-24.9	-18.4
Ukraine	UAH	31.7	0.1	-0.1	-0.2	10.0	31.19	32.66	- - -	- - -	- - -	6.0	-15.2
US	USD	1.14	-0.6	0.0	0.3	8.3	1.1	1.2	1.15	1.16	1.18	4.6	-12.4
JAPAN	JPY	124.9	-0.2	1.0	0.6	8.0	118.8	125.8	125.0	125.0	125.0	7.5	-8.9
UK	GBP	0.87	1.5	3.8	3.5	1.3	0.9	0.9	0.87	0.87	0.88	-1.1	-4.1

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (January 28th 2019)



MONEY MARKETS, JANUARY 28TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	6.4	- - -	2.2	- - -	16.9	- - -	- - -	3.5	7.7	- - -	24.2	6.3	17.6	- - -	2.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	3.5	7.8	2.5	- - -	6.4	- - -	- - -	- - -
S/W	1.2	6.4	- - -	2.7	-0.4	- - -	1.0	- - -	- - -	7.9	2.5	- - -	6.7	17.9	-0.4	2.4
1-Month	1.3	6.4	0.0	2.8	-0.4	- - -	1.2	7.0	3.3	8.5	2.8	24.5	7.0	19.5	-0.4	2.5
2-Month	- - -	6.4	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.7	2.9	24.5	7.1	- - -	- - -	2.6
3-Month	1.5	6.4	- - -	2.9	- - -	- - -	1.5	7.6	3.1	8.2	3.1	24.5	7.2	19.9	- - -	2.8
6-Month	1.6	6.4	- - -	3.0	- - -	- - -	1.7	- - -	3.3	8.3	3.3	24.6	7.4	- - -	- - -	2.8
1-Year	1.6	6.5	- - -	3.3	-0.1	- - -	2.0	- - -	3.5	8.9	- - -	24.6	8.3	- - -	-0.1	3.0

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

LOCAL DEBT MARKETS, JANUARY 28TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	18.3	- - -	6.6	- - -	7.8	- - -	21.3	- - -	- - -	-0.6	2.4
6-Month	- - -	- - -	- - -	- - -	- - -	18.4	- - -	6.7	3.4	8.0	3.3	20.7	- - -	- - -	-0.5	2.5
12-Month	1.3	- - -	-0.1	2.4	- - -	18.9	0.9	6.8	3.6	7.5	2.8	18.7	- - -	20.0	-0.5	2.6
2-Year	- - -	- - -	- - -	2.6	- - -	- - -	1.3	7.0	4.0	7.8	- - -	17.6	6.4	- - -	-0.6	2.6
3-Year	- - -	- - -	0.1	2.7	0.8	- - -	- - -	7.0	4.4	8.0	- - -	17.0	7.1	- - -	-0.5	2.6
5-Year	3.8	8.3	- - -	3.0	0.8	18.1	- - -	7.3	4.8	8.1	3.7	16.0	7.9	- - -	-0.3	2.6
7-Year	- - -	- - -	0.6	- - -	1.5	18.0	- - -	7.5	5.1	8.2	- - -	- - -	- - -	- - -	-0.1	2.7
10-Year	5.9	9.1	0.9	3.2	- - -	17.8	- - -	7.5	5.2	8.3	- - -	14.8	8.8	- - -	0.2	2.7
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	7.7	- - -	8.4	- - -	- - -	9.9	- - -	0.4	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.7	- - -	- - -	- - -	- - -	9.8	- - -	0.8	3.1

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

CORPORATE BONDS SUMMARY, JANUARY 28TH 2019

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.875% '21**	EUR	NA/NA	2/8/2021	550	2.1	261	221
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.0	139	121
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	149	108
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	3.7	422	370
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	6.7	413	388
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	9.8	719	651
	Vakifbank 5.75% '23	USD	NA/Ba3	30/1/2023	650	8.3	575	531
	TSKB 5.5% '23	USD	NA/Ba3	16/1/2023	350	9.4	687	617
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	7.8	521	487
	KOC Holding 5.25% '23	USD	BB+/Ba1	15/3/2023	750	6.2	357	338

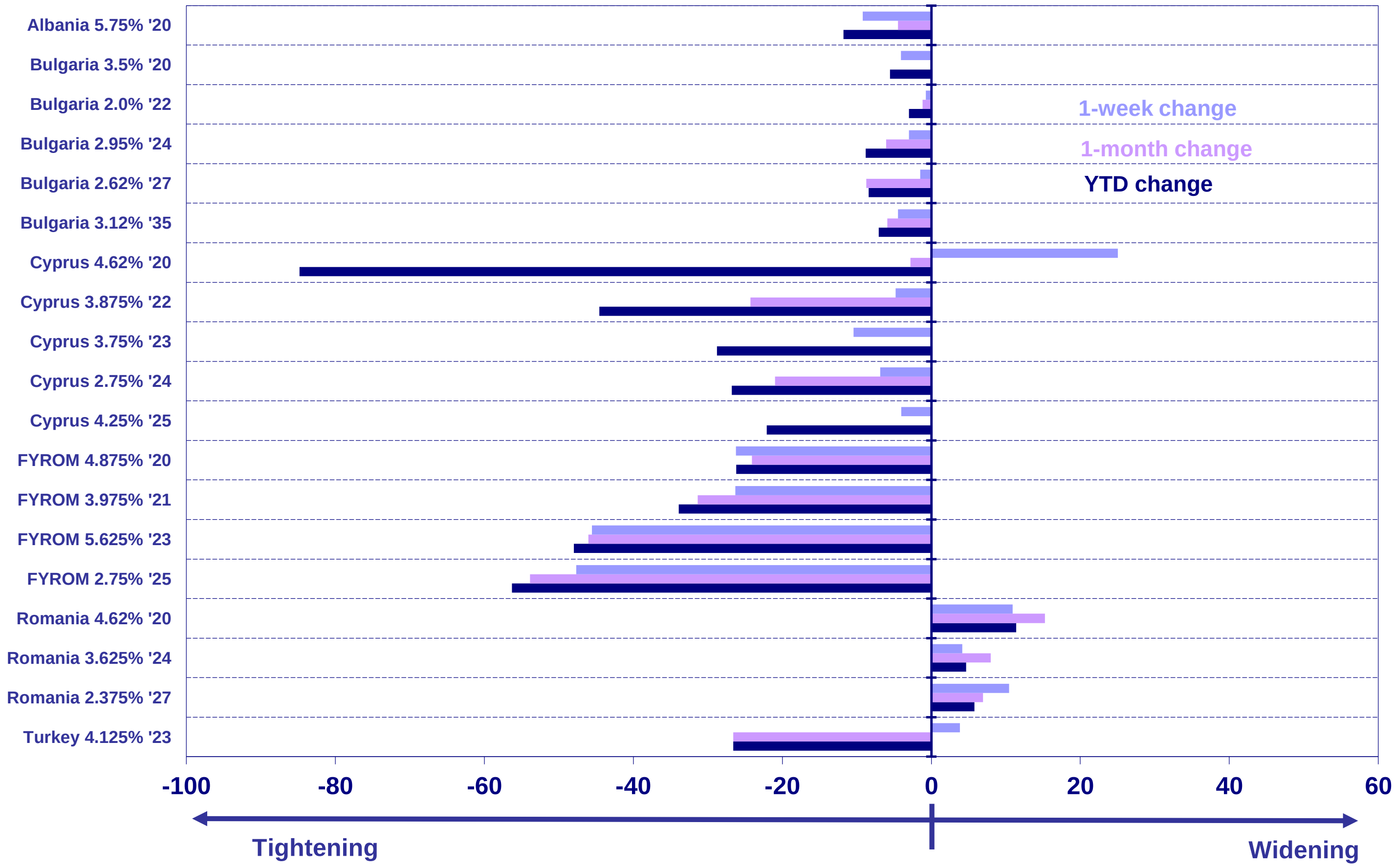
CREDIT DEFAULT SWAP SPREADS. JANUARY 28TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	171	71	58	139	376	- - -	80	103	131	116	324	190	647
10-Year	- - -	245	103	102	154	424	- - -	89	144	190	147	378	256	672

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY. JANUARY 28TH 2019

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.6	215	181
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.0	53	17
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.0	55	4
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.4	62	16
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.1	107	59
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.5	207	141
Cyprus 4.62% '20	EUR	BBB-/Ba2	3/2/2020	668	0.1	59	25
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	0.4	90	41
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	0.8	111	71
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	1.2	151	98
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	1.5	166	126
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	0.9	149	110
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.7	223	492
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.4	268	239
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.6	285	229
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.2	75	37
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	1.1	139	91
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.4	240	184
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	3.9	439	379

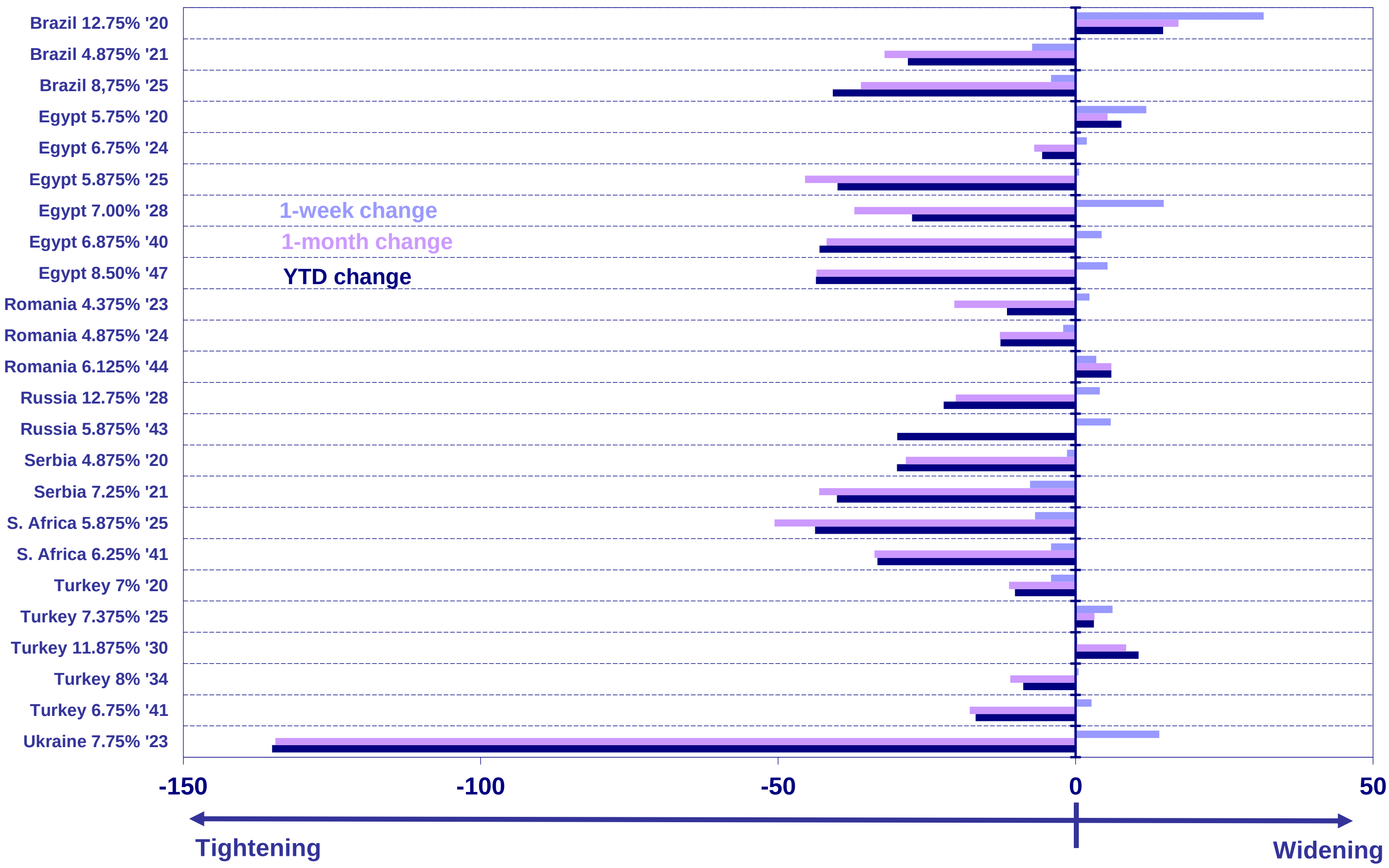
EUR-Denominated Eurobond Spreads (January 28th 2019)



USD-Denominated Sovereign Eurobond Summary. January 28th 2019

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	NA/Ba2	15/1/2020	87	3.5	91	81
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	3.5	88	76
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	4.3	162	179
Egypt 5.75% '20	USD	B/B3	29/4/2020	1,000	5.1	251	234
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.3	368	357
Egypt 5.875% '25	USD	B/B3	11/6/2025	500	7.3	470	439
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	8.0	529	496
Egypt 6.875% '40	USD	B/B3	30/4/2040	1,500	8.5	547	492
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	9.1	605	583
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	4.2	159	151
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	4.2	158	152
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	5.4	235	265
Russia 12.75% '28	USD	BBB-/Ba1	24/6/2028	2,500	4.8	201	268
Russia 5.875% '43	USD	BBB-/Ba1	16/9/2043	1,500	5.2	212	240
Serbia 4.875% '20	USD	BB/Ba3	25/2/2020	1,500	3.8	117	102
Serbia 7.25% '21	USD	BB/Ba3	28/9/2021	2,000	3.9	134	127
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	5.2	256	253
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	6.2	314	327
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	5.5	289	274
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	6.8	416	414
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	7.4	467	547
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	7.4	469	465
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	7.3	425	392
Ukraine 7.75% '23	USD	B-/Caa2	1/9/2023	1,355	9.2	662	624

USD-Denominated Eurobond Spreads (January 28th 2019)



STOCK MARKETS PERFORMANCE. JANUARY 28TH 2019

	2019								2018		2017	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	95,444	-0.6	8.6	8.6	12.7	87,536	97,937	12.2	15.0	2.5	26.9	9.5
Bulgaria (SOFIX)	574	1.1	-3.5	-3.5	-19.2	560	594	-3.5	-12.3	-12.3	15.5	15.5
China (SHCOMP)	2,597	-0.5	4.1	4.1	-26.3	2,441	2,630	6.3	-24.6	-25.2	6.6	-0.3
Cyprus (CSE GI)	62	-2.2	-5.5	-5.5	-10.2	62	67	-5.5	-3.9	-3.9	4.7	4.7
Egypt (HERMES)	1,340	2.4	5.5	5.5	-11.4	1,290	1,345	6.5	-11.1	-11.1	32.0	18.7
F,Y,R,O,M (MBI)	3,634	1.3	4.7	4.7	30.4	3,467	3,634	4.7	36.6	36.6	18.9	18.9
India (SENSEX)	35,657	-2.5	-1.2	-1.2	-1.7	32,484	38,990	-2.6	5.9	1.6	27.9	19.3
Romania (BET-BK)	1,424	-0.9	-2.2	-2.2	-21.0	1,394	1,510	-4.6	-11.6	-11.1	22.8	19.1
Russia (MOEX)	2,477	0.3	4.5	5.0	8.4	2,350	2,503	10.4	0.9	-12.3	-16.2	-21.9
Serbia (BELEX-15)	699	-0.1	-8.2	-8.2	-9.2	692	760	-8.4	0.2	0.5	5.9	10.3
South Africa (FTSE/JSE)	53,767	-0.7	2.5	2.5	-11.6	50,907	54,238	8.4	-11.4	-20.1	17.5	14.3
Turkey (ISE 100)	101,290	3.4	12.0	12.0	-16.2	87,399	102,807	10.8	-20.9	-40.5	47.6	20.5
Ukraine (PFTS)	550	-1.1	-1.6	-1.6	64.5	550	565	-1.7	77.5	88.1	18.8	0.8
MSCI EMF	1,028	0.9	6.8	6.8	-18.9	946	1,034	6.8	-16.6	-12.8	34.3	17.7
MSCI EAFE	1,805	0.0	5.4	5.4	-16.9	1,709	1,814	5.5	-16.1	-12.3	21.8	6.7
Greece (ASE-General)	631	1.8	4.4	4.4	-28.9	600	638	4.4	-23.6	-23.6	24.7	24.7
Germany (XETRA DAX)	11,210	0.7	6.2	6.2	-15.9	10,387	11,322	6.2	-18.3	-18.3	12.5	12.5
UK (FTSE-100)	6,747	-3.2	0.2	0.2	-12.1	6,599	7,002	4.0	-12.5	-13.5	7.6	3.2
USA (DJ INDUSTRIALS)	24,528	-0.7	6.4	6.4	-7.2	21,713	26,952	6.4	-5.6	-1.3	25.1	9.6
USA (S&P 500)	2,644	-1.0	6.4	6.4	-7.3	2,444	2,675	6.4	-6.2	-1.9	19.4	4.7

Equity Indices (January 28th 2019)