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Economic Analysis Division
Emerging Markets Analysis

Bi-Weekly Report

15 – 28 May 2018

NBG - Economic Analysis Division
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Emerging Markets Analysis

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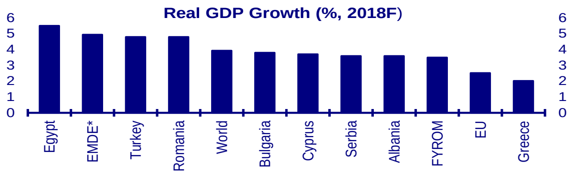
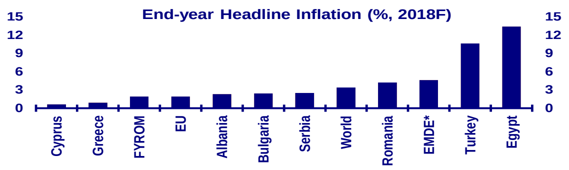


* EMDE: Emerging Market & Developing Economies



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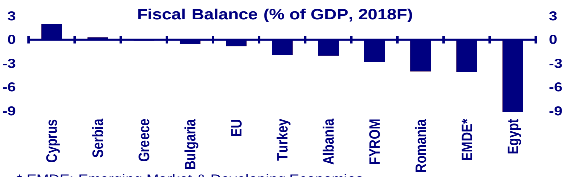

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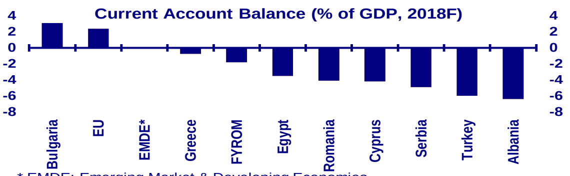
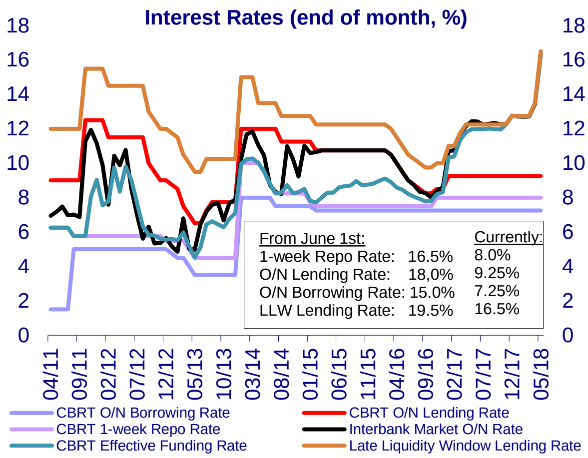
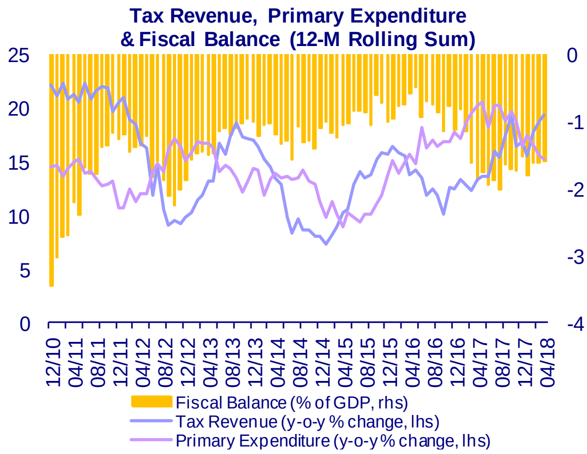


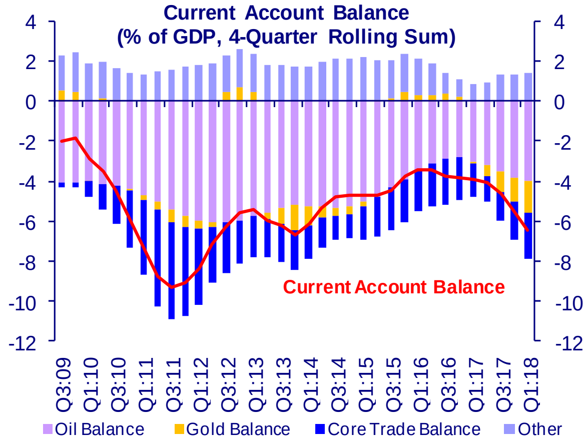
* EMDE: Emerging Market & Developing Economies

Turkey

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







	28 May	3-M F	6-M F	12-M F
1-m TRIBOR (%)	17.5	16.5	14.5	12.5
TRY/EUR	5.33	5.30	5.20	5.30
Sov. Spread (2020, bps)	304	280	200	150

	28 May	1-W %	YTD %	2-Y %
ISE 100	106,525	4.2	-7.6	36.5

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	4.8	4.4
Inflation (eop, %)	8.8	8.5	11.9	10.6	9.0
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.6	-6.0	-5.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-1.9	-1.5

The CBRT hiked its key policy rate sharply, by 300 bps to 16.5% at an extraordinary MPC meeting, and announced the simplification of its monetary policy framework from June 1st. The CBRT raised its key policy rate -- the late liquidity window (LLW) lending rate – by 300 bps to 16.5% and kept the other policy rates unchanged.

The CBRT justified its decision by the current elevated levels of inflation and inflation expectations and the deteriorating pricing behaviour, following the recent sharp depreciation of the TRY (by 11.8% against the equally-weighted EUR-USD basket since the last MPC meeting on April 24th). The recent weakening of the TRY reflects mainly an inadequate policy response to the widening of the twin deficits (see below), stubbornly high inflation and a more precarious external financing position amid tightening global liquidity conditions.

In another market-friendly move, the CBRT announced the simplification of its monetary policy framework from June 1st. According to the new framework: i) the 1-week repo rate will be the key policy rate and stand at the current level of the effective funding rate (16.5%); ii) the O/N borrowing and lending rates are put symmetrically at 1.5 pps around the 1-week repo rate; and iii) the LLW lending rate will be 1.5 pps higher than the O/N lending rate (see Box in Chart 1).

In our view, these moves could prove sufficient to stabilise or even strengthen the TRY, anchor inflation expectations and restore investor confidence, provided that corrective fiscal and structural measures are implemented by the new Government after the June 24th elections.

The fiscal stance became more expansionary in 4M:18. The fiscal balance deteriorated by 0.2 pps y-o-y to a deficit of 0.7% of GDP in 4M:18, following 2 consecutive quarters of improvement. The 4M:18 negative performance was driven by primary expenditure (up 1.2 pps y-o-y to 7.4% of GDP), primarily reflecting higher capital expenditure, a higher wage bill and increased military spending. The Q1:18 fiscal performance would have been even worse had tax revenue not improved (up 1.0 pp y-o-y to 6.1% of GDP). The improvement was broad based, mainly reflecting still strong economic activity. With the 4M:18 outturn, the 12-month rolling budget deficit widened to 1.7% of GDP in April from 1.5% in December.

Looking ahead, the latest pre-election package, including *inter alia* bonus payments to pensioners (c. 0.4% of GDP), should widen the fiscal deficit further. However, after the June 24th dual presidential and parliamentary elections, the authorities are set to tighten the fiscal stance to help monetary policy in its efforts to stabilize the TRY and restore confidence in the Turkish economy. Overall, we see the FY:18 fiscal deficit near its target of 1.9% of GDP.

The current account deficit (CAD) reached a 4-year high of 6.4% of GDP on a 4-quarter rolling basis in Q1:18. The CAD widened significantly, by 0.9 pps y-o-y to 1.9% of GDP in Q1:18, on the back of an across-the-board deterioration of its key components (see chart). The capital and financial account (CFA) strengthened by 0.4 pps to a surplus of 1.4% of GDP in Q1:18 but fell short of covering the CAD. The positive performance of the CFA was supported by higher net currency & deposit inflows to banks and net borrowing by non-financial corporates. The resulting financing gap in Q1:18 was covered by positive (net) errors & omissions (0.4% of GDP) and a slight drawdown in FX reserves (0.1% of GDP).

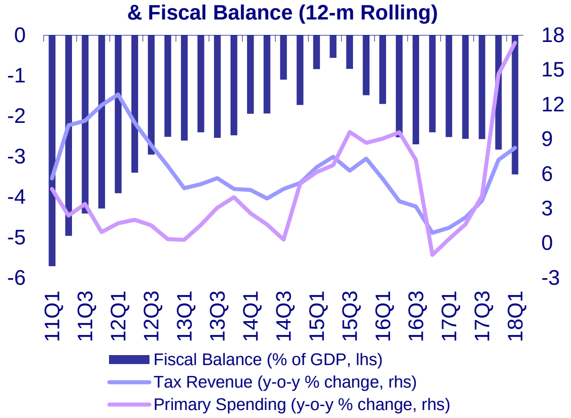
Looking ahead, despite the expected gradual normalization in the gold balance and the slowdown in domestic demand, the CAD is set to narrow only moderately during the remainder of the year, due to a persistently unfavourable energy bill. Overall, we see the CAD rising by 0.5 pps to a 5-year high of 6.0% of GDP in FY:18.

Romania

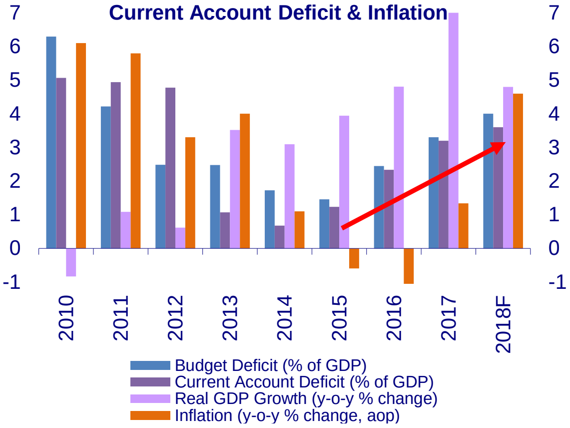
BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)					
	2017 Outcome	Q1:17	Q1:18	2018 Budget	2018 NBG Forecast
Total Revenue	29.3	7.0	7.1	30.4	30.1
Tax Revenue	24.7	6.2	6.1	25.1	24.7
o/w PIT/CIT	5.2	1.8	1.5	3.8	3.8
VAT	6.2	1.5	1.4	6.5	6.3
Excise Duties	3.1	0.6	0.6	3.2	3.2
Soc. Sec. Contr.	8.4	2.0	2.3	9.7	9.5
Non-Tax Revenue	4.6	0.8	1.0	5.4	5.4
o/w EU Grants	2.0	0.3	0.4	3.0	3.0
Total Expenditure	32.2	6.8	7.6	33.3	34.1
Current Spending	27.6	6.3	6.7	27.6	28.4
o/w Wages	8.1	1.9	2.1	8.6	8.8
Social Spending	10.8	2.5	2.6	10.5	11.0
Goods & Services	4.7	0.9	0.9	4.2	4.5
Interest Paym.	1.2	0.3	0.3	1.4	1.4
Capital Expend.	4.6	0.5	0.9	5.7	5.7
Fiscal Balance	-2.8	0.2	-0.5	-2.9	-4.0

Tax Revenue, Primary Expenditure & Fiscal Balance (12-m Rolling)



Real GDP Growth, Budget Deficit, Current Account Deficit & Inflation



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

	28 May	1-W %	YTD %	2-Y %
BET-BK	1,619	-0.4	-2.0	37.9

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

The 4-quarter rolling budget deficit reached 3.4% of GDP in Q1:18, breaching the critical 3% threshold for the first time since end-2012. In Q1:18, the consolidated budget posted a deficit of 0.5% of GDP against a surplus of 0.2% in the same period in 2017. Higher current spending and public investment were the main factors behind this deterioration. Specifically, current spending increased markedly in Q1:18 (up 0.4 pps of GDP y-o-y), mainly due to a looser incomes policy. Indeed, in addition to a 9.0% rise in pensions in July 2017, the authorities hiked public sector wages by 25% in January, with the education and healthcare sectors receiving a further 20% increase in March. Note that the budget impact of the wage hikes is curtailed, however, by an increase in social security contributions (SSCs) of employees by 18.5 pps (and a reduction in that of employers by 20.5 pps). Moreover, public investment rose sharply in Q1:18 (up 0.4 pps of GDP y-o-y), partly financed by higher grants from the EU (up 0.1 pp of GDP y-o-y).

On a negative note, tax revenue fell marginally in Q1:18 (down 0.1 pp of GDP y-o-y). Indeed, revenue from PIT declined in Q1:18 (by 0.2 pps of GDP y-o-y), following the cut in the PIT rate by 6 pps to 10%, as did revenue from indirect taxes (down 0.2 pps of GDP y-o-y), despite unchanged tax rates. These factors were almost offset, however, by higher revenue from SSCs (up 0.3 pps of GDP y-o-y), notwithstanding the reduction in the underlying tax rate by 2 pps (see above).

The FY:18 budget deficit could reach excessive levels. The FY:18 budget envisages a neutral stance, targeting a deficit of 2.9% of GDP. Without additional measures, we believe this target is not attainable.

Indeed, current spending should continue to expand rapidly during the remainder of the year, fueled by the loose incomes policy. Note that, in addition to the aforementioned measures, pensions are set to rise by another 10% in July (equivalent to more than 0.3 pps of GDP). Moreover, the authorities will also find it difficult to implement the planned large cut in public consumption (down 0.5 pps of GDP against its FY:17 outcome). Overall, we see current spending overshooting its FY:18 budget target and the FY:17 outcome by 1.2 pps of GDP.

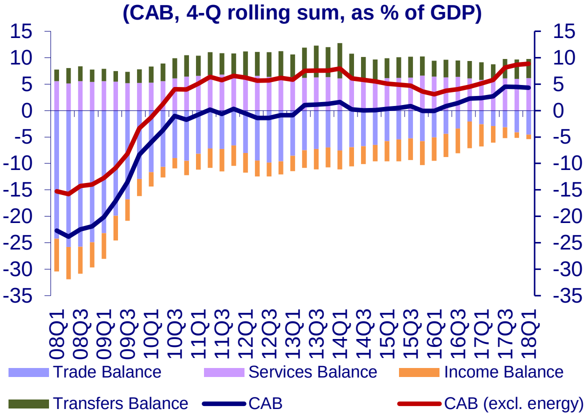
At the same time, tax revenue is set to remain under pressure, reflecting the impact of the implemented tax cuts. Worryingly, the FY:18 budget is based on highly optimistic macroeconomic assumptions (i.e. employment and real wages rising by 4.2% and 7.5%, respectively, against our forecasts of 2.0% and 5.0%) making its projections difficult to reach. Furthermore, the authorities appear to have overestimated the impact of the measures taken to improve VAT collection (incl. a split-payment mechanism, assumed to yield 0.4 pps of GDP). As a result, we see tax revenue remaining broadly unchanged with respect to its FY:17 outcome, thus underperforming its FY:18 budget target by 0.4 pps of GDP.

Overall, unless corrective measures are adopted and/or the public investment programme is under-executed, we see the FY:18 budget deficit at 4.0% of GDP, surpassing both its target and the EU threshold of 3.0% and providing a sizeable fiscal impulse of 1.3 pps of GDP. The latter will complicate policy, in view of the overheating of the economy, thus necessitating significant monetary policy tightening. In fact, our "Taylor rule" estimates suggest that the policy rate must be raised to 4.5% from 2.5% currently. Nevertheless, the NBR appears reluctant to hike its rate aggressively, especially in the context of limited or no tightening by other central banks in the region and still flat ECB rates. All said, we expect the NBR to tighten its stance in a gradual manner, raising its key rate by another 25 bps in FY:18 and 75 bps in FY:19.

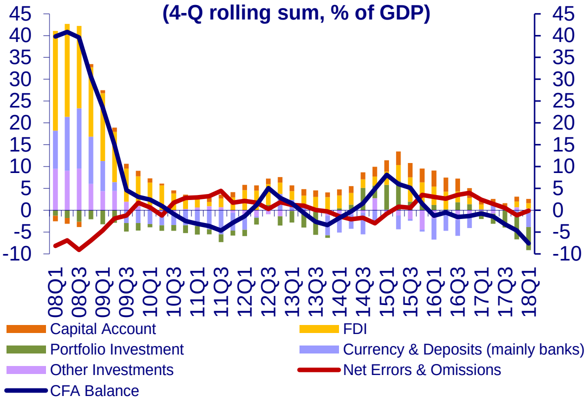
Bulgaria

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

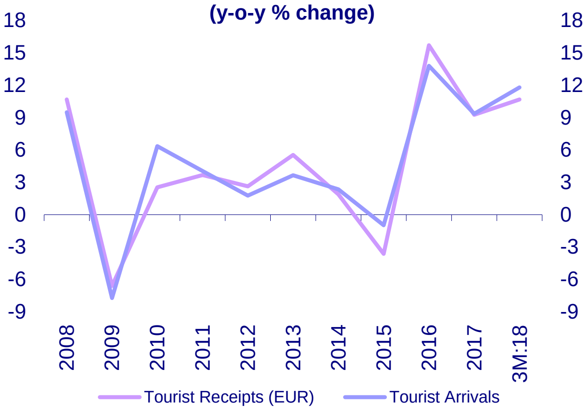
Current Account Balance (CAB, 4-Q rolling sum, as % of GDP)



Capital & Financial Account (CFA) and Net Errors & Omissions (4-Q rolling sum, % of GDP)



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



	28 May	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	-0.1	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	62	56	48	40

	28 May	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	2.4	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

Lower income outflows almost compensated for the deterioration of the trade deficit, keeping the 4-quarter rolling current account surplus (CAS) high at 4.3% of GDP in Q1:18. In Q1:18, the current account balance deteriorated marginally, by 0.1 pp y-o-y to a deficit of 0.3% of GDP. Specifically, the trade deficit widened further in Q1:18 (up 0.4 pps y-o-y of GDP), on the back of stronger domestic demand and an unfavourable energy trade deficit (up 0.2 pps of GDP y-o-y in Q1:18). This deterioration was almost offset, however, by the narrowing in the income deficit (down 0.2 pps of GDP y-o-y in Q1:18), on the back of lower profit and dividend outflows.

The capital & financial account balance (CFA) deteriorated in Q1:18. The main factor was the acceleration in capital outflows from banks (reaching 2.0% of GDP in Q1:18 against inflows of 0.3% in Q1:17). In our view, the bulk of these outflows is related to the placement of domestic banks' excess liquidity abroad (mostly at their parent banks) and does not suggest weaker confidence in the Bulgarian banking system. Note that, following strong deposit growth over recent years, the banking system's loan-to-deposit ratio has declined to 76.4% from its peak of c. 150% at end-2008. Adjusted for capital flows to banks, the CFA and net errors & omissions improved in Q1:18 (up 0.3 pps of GDP y-o-y). All said, the overall balance deteriorated in Q1:18 (by 2.1 pps y-o-y) to a deficit of 1.9% of GDP.

Bulgaria is set to remain the best performer in the region in FY:18, despite the easing of the CAS to 3.1% of GDP. The trade deficit is likely to remain under pressure during the remainder of the year, in view of unfavourable global oil prices and strong domestic demand. The latter should be supported by a significant fiscal stimulus (0.9 pps of GDP y-o-y in Q2-Q4:18). With the current account in surplus, covering external financing needs should not be an issue. Projecting that: i) the maturing debt rollover rate drops (to 90% in FY:18 from 96% in FY:17), in line with tighter global liquidity conditions; and ii) capital transfers rise (to 1.8% of GDP in FY:18 from 1.0% in FY:17), due to the better absorption of EU funds, we see FX reserves rising to EUR 24.3bn at end-2018 (covering 10 months of GNFS imports) from EUR 22.3bn at end-2017.

Importantly, sustained current account surpluses will continue to drive external deleveraging, pushing the country's gross external debt down further -- currently standing 65% of GDP, down from its peak of c. 100% at end-2008.

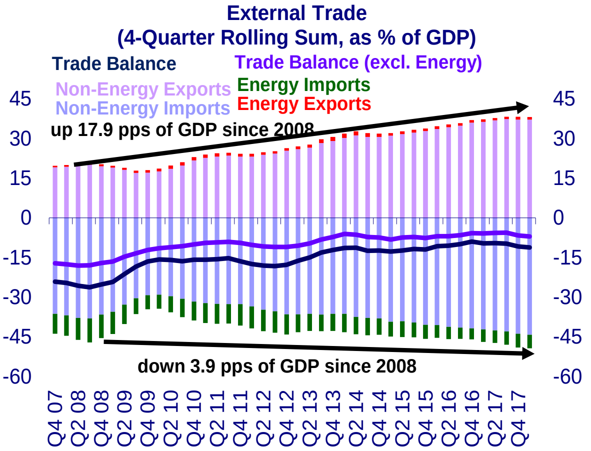
Tourism activity strengthened in Q1:18, sustaining economic growth and the CAS. Tourist arrivals rose by 11.8% y-o-y in Q1:18 against 9.4% in FY:17. At the same time, tourist receipts increased by 10.7% y-o-y against 9.3% in FY:17, suggesting a slight decline in spending per tourist. The pick-up in tourism activity in Q1:18 should be attributed, *inter alia*, to abundant snow, especially towards the end of the winter season, which boosted skiing tourism.

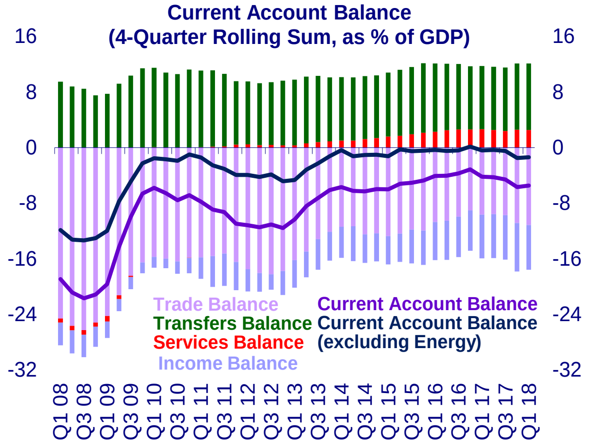
Regarding tourist arrivals, the improved performance was mainly driven by non-EU countries, especially Turkey (which climbed into 2nd place in terms of arrivals in FY:17, with a share of 12.4% of total -- up 16.1% y-o-y in Q1:18) and Serbia (accounting for 4.7% of total arrivals in FY:17 -- up 18.9% y-o-y in Q1:18).

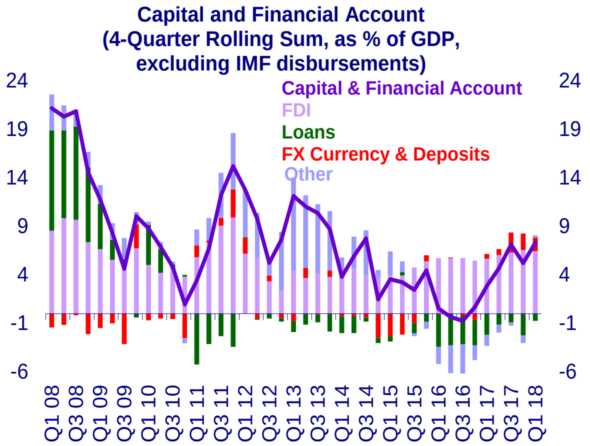
In view of the country's price competitiveness, we expect tourism activity to remain strong throughout the year, sustaining economic growth and the CAS. The increase in the number of direct flights in the summer season, mostly low-cost charters from northwestern Europe, will also support tourism. All said, we see tourist arrivals rising by 10.0% (to a record high of 12.8mn) in FY:18, with receipts growing at a slightly slower pace of 9.0% to EUR 3.9bn (7.3% of GDP).

Serbia

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







	28 May	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.9	3.1	3.5
RSD/EUR	118.0	117.3	117.6	117.4
Sov. Spread (2021, bps)	164	145	135	120

	28 May	1-W %	YTD %	2-Y %
BELEX-15	744	0.0	-2.0	22.4

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

The current account deficit (CAD) reversed its upward trend, moderating to 5.4% of GDP, on a 4-quarter rolling basis, in Q1:18 from 5.7% in Q4:17. The CAD narrowed by 0.3 pps y-o-y to 2.8% of GDP in Q1:18, after having widened by an average of 0.6 pps y-o-y per quarter in FY:17. The external adjustment was driven by the normalization in the income deficit (narrowing by 0.5 pps of GDP y-o-y in Q1:18), following large FDI-related repatriation of dividends and profits in FY:17.

The decline in the CAD would have been larger had the trade deficit not widened (by 0.3 pps of GDP y-o-y in Q1:18), due to higher non-energy imports. In fact, non-energy imports rose by 14.0% y-o-y, in EUR terms, in Q1:18, mainly on the back of large intermediate imports (mainly electrical equipment), reflecting investment and export-related imports, as well as the gradual recovery in consumption. Moreover, energy imports remained broadly unchanged (up just 0.2% y-o-y in Q1:18 after rising sharply by 31.2% in FY:17 and 55.0% in Q1:17), shaving 0.1 pp of GDP from Q1:18 CAD, due to lower energy import volumes (that were boosted in FY:17 due to weather-related domestic supply disruptions and stronger demand from the industrial sector). As a result, the underlying CAD (excluding energy) also narrowed, but at a slower pace, to 1.4% of GDP, on a 4-quarter rolling basis, in Q1:18 from 1.5% in Q4:17. On the other hand, exports posted robust growth of 9.0% y-o-y in Q1:18, despite a drought-induced drop in agricultural exports (subtracting 2.0 pps from overall exports growth).

As a result, the 4-quarter rolling CAD reversed course in Q1:18, falling to 5.4% of GDP from a 3-year high of 5.7% in Q4:17.

The capital and financial account (CFA) improved markedly and more than covered the CAD in Q1:18. The CFA surplus rose to 2.2% of GDP in Q1:18 from just 0.1% in Q1:17. The improvement was mainly driven by: i) large portfolio inflows (c. 0.8% of GDP in Q1:18 against outflows of -0.6% of GDP in Q1:17), due to large investment in RSD-denominated long-term government paper by non-residents, reflecting improved confidence and attractive yields (at 4.3% and 5.3%, respectively, in Q1:18 for the recently launched 5-year and 10-year bonds); and ii) lower (net) loan outflows (virtually zero in Q1:18 against outflows of -0.9% of GDP in Q1:17), reflecting increased government (net) borrowing and lower bank (net) repayments.

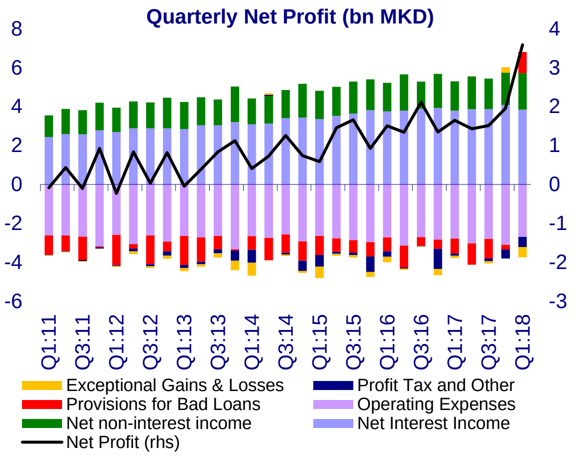
Reflecting CAD and CFA developments in Q1:18, as well as large positive (net) errors & omissions (of 0.5% of GDP), the overall balance turned positive at 1.0% of GDP. However, due to negative FX valuation effects (depreciation of the USD against the EUR), the y-t-d increase in FX reserves was limited at 0.7% of GDP (EUR 274mn). As a result, FX reserves reached EUR 10.2bn (covering 5.3 months of imports).

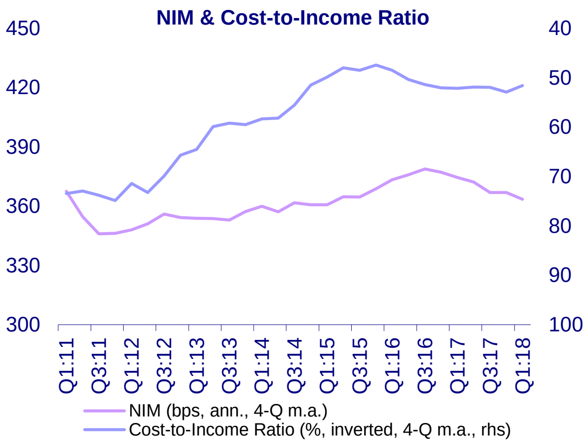
The CAD is set to continue to decline in Q2-Q4:18, ending 2018 at c. 5.0% of GDP -- down from 5.7% in FY:17. The CAD is set to narrow by 0.5 pps y-o-y in Q2-Q4:18, reflecting a more favourable energy bill (that added 0.5 pps of GDP to the CAD in Q2-Q4:17), due to the fading of the impact of electricity production disruptions in FY:17 on imports and lower oil import volumes. The anticipated improvement in the CAD in Q2-Q4:18 should also reflect still high exports, supported by the rebound in agricultural exports, as well as the still strong external demand and the past years' FDIs.

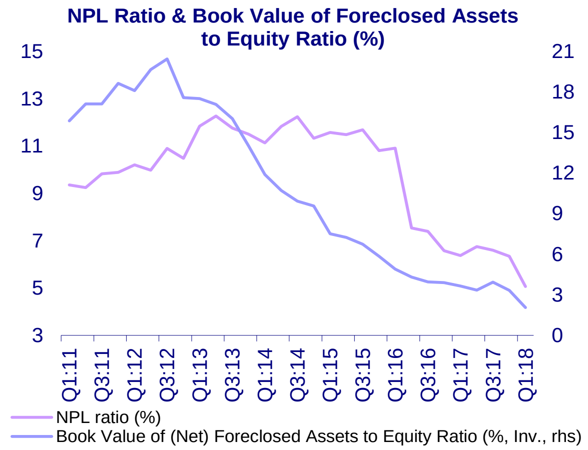
Covering this year's financing needs should not be a problem. In view of large FDI inflows and despite negative (net) capital inflows (c. -1.9% of GDP in Q2-Q4:18), largely due to the repayment of a USD 1.0bn Eurobond (or 2.0% of GDP), we see FX reserves remaining broadly unchanged at their end-2017 level.

F.Y.R.O.M

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







	28 May	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.3	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	260	210	190	160

	28 May	1-W %	YTD %	2-Y %
MBI 100	2,924	-0.8	15.2	69.2

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

Banking sector net profit more than doubled in Q1:18, mainly due to sizeable income from a reversal of provisions. Banking sector net profit rose sharply by 118% y-o-y to an all-time high of MKD 3.6bn (EUR 58.5mn or 0.6% of GDP) in Q1:18 against mild increases of 9.1% in Q1:17 and 3.6% in FY:17. The rise was mainly driven by large-scale reversals of NPL provisions (contributing 80 pps to the increase of net profits). As a result, (annualised) ROAE and ROAA rose to 28.0% and 3.1%, respectively, in Q1:18, from 13.8% and 1.5% a year ago.

The cost of risk declined significantly in Q1:18, mainly due to sizeable reversals of loan loss provisions. The cost of risk declined to 46 bps, on a 4-quarter rolling basis, in Q1:18 from 110 bps in Q4:17, on the back of a large reversal in NPL provisions and, to a lesser extent, a further decline in the NPL ratio.

The sharp reversal in provisions reflects sales of fully-provisioned bad corporate loans and a base effect from a sharp rise in provisions a year earlier, when the domestic political crisis culminated.

The NPL ratio eased to a multi-year low of 5.1% in Q1:18 from 6.2% in Q1:17 and a peak of 12.0% at end-2014, mainly on the back 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. The decline was almost exclusively driven by the corporate segment, with the NPL ratio for corporates easing significantly to 7.8% in Q1:18 from 9.7% in Q1:17, while that for the retail sector declining marginally to 2.4% in Q1:18 from 2.5% in Q1:17.

Pre-provision income (PPI, before tax) rose significantly (up 19.8% y-o-y) in Q1:18, due to stronger non-core income as well as deferred payments of deposit insurance premiums. Net interest income (NII) remained broadly unchanged in Q1:18 (up 1.1% y-o-y), as the rise in average interest-earning assets (AIEA, up 5.2% y-o-y) was almost offset by the compression of the net interest margin (NIM, down 14 bps to 344 bps). The strong AIEA performance was driven by credit activity (up 5.7% y-o-y in Q1:18). The weak NIM reflects a drop in both: i) core NIM, as the decline in the blended lending rate (down 43 bps y-o-y to 5.7%) outpaced that of the blended deposit rate (down 16 bps y-o-y to 1.5%); and ii) non-core NIM, in line with lower domestic debt yields (the 6-month T-bill declined to 0.6% in Q1:18 from 1.9% a year earlier).

The improved PPI (before tax) performance in Q1:18 was supported by both higher net non-interest income (NNII) and lower operating expenses. NNII rose sharply by 24.4% y-o-y in Q1:18, underpinned by higher net income from fees & commissions (up 8.4% y-o-y) and "other income", likely reflecting, *inter alia*, gains from trading securities amid a benign stock market environment. On the other hand, operating expenses fell by 3.2% y-o-y in Q1:18, on the back of deferred payments of deposit insurance premiums.

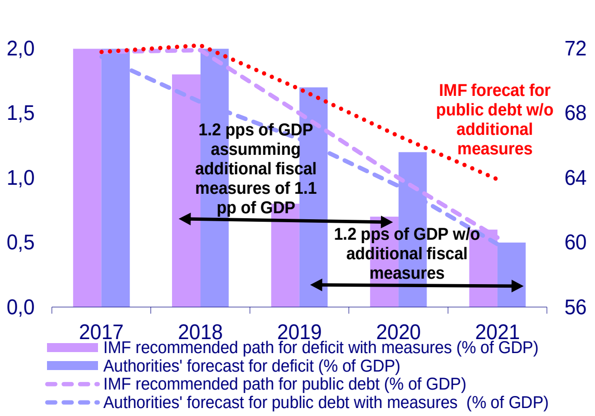
As a result, the efficiency of the banking sector improved significantly, with the cost-to-income ratio down by 5.3 pps y-o-y to a 3-year low of 47.0% in Q1:18.

The rise in the banking sector bottom line would have been shaper in Q1:18 had extraordinary losses (linked to banks' foreclosed assets) not occurred. Exceptional losses rose significantly in Q1:18 -- shaving c. 25 pps off the rise in net profits -- mainly due to a CB regulation, introduced in 2013, requiring banks to dispose of their stock of foreclosed non-financial assets by end-2017 or reduce their net value to zero in early 2018. As a result, banks' book value of (net) foreclosed assets-to-equity ratio declined further to 2.1% in Q1:18 from 3.3% at end-2017 and a peak of 18.6% at end-2011.

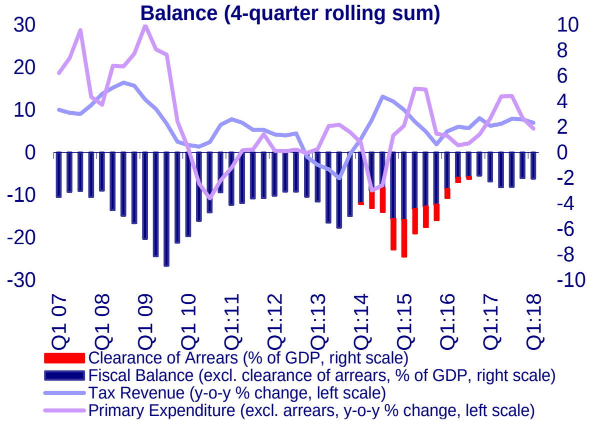
Albania

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

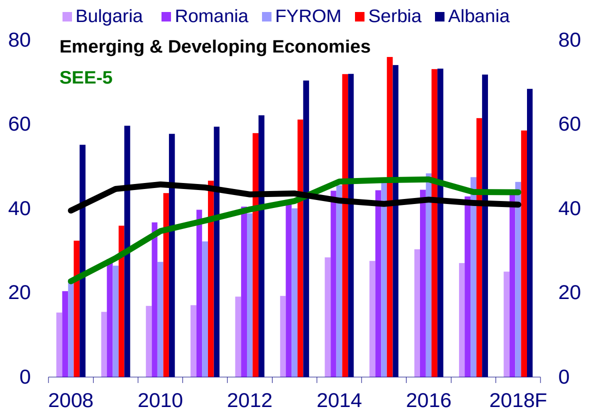
Fiscal Performance



Tax Revenue, Primary Expenditure & Fiscal Balance (4-quarter rolling sum)



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



	28 May	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	126.4	132.0	131.3	130.0
Sov. Spread (bps)	198	210	200	180

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

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.8	3.6	3.9
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.5	-6.9	-6.4	-5.4
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-2.0	-1.9

The IMF concludes Albania's first Post-Programme Monitoring (PPM) review, recommending larger and front-loaded fiscal adjustment. According to the IMF, the authorities' plan to bring down the public debt-to-GDP ratio to below 60% by end-2021, is unrealistic in the absence of significant tax policy measures. In fact, the plan envisages a gradual fiscal adjustment by end-2021 (0.3 pps of GDP in 2018-19 and 1.2 pps of GDP in 2020-21) relying exclusively on tax efficiency gains. The mission recommended larger and front-loaded fiscal consolidation (1.2 pps of GDP in 2018-19 and 0.2 pps in 2020-21) and stressed that additional permanent fiscal measures (of 1.1 pp of GDP in 2018-19 and 0.3 pps in 2020-21), would be needed to achieve the public debt target of 59.9% of GDP by end-2021.

In view of Albania's limited room for expenditure savings, the staff recommended the introduction of revenue-enhancing measures. These include: i) the indexation of excise rates to inflation; ii) the broadening of the tax base; iii) the introduction of environmental taxes; and iv) the reduction of the zero-tax threshold to the minimum wage level. In the absence of these measures, the staff project the public debt at 63.9% of GDP at end-2021 (see chart). The IMF also urged Albania to prevent the build-up of new arrears. Accumulated arrears (mainly pending VAT refunds and local government arrears) had reached 1.7% of GDP at end-2017.

A broadly neutral fiscal stance in Q1:18. The fiscal balance deteriorated slightly by 0.1 pp y-o-y to a surplus of 0.3% of GDP in Q1:18, due to lower revenue (down 0.1 pp of GDP y-o-y). The weak revenue performance resulted from lower grants and CIT (that was boosted by the second phase of the Government's campaign against tax evasion in FY:17). The revenue performance would have been worse in Q1:18 if: i) revenue-enhancing measures had not been introduced (c. 0.2 pps of GDP in FY:18, including an increase in cigarette excises); and ii) VAT, PIT and social contributions had not improved, on the back of strong economic activity and tightening labour market conditions. On the other hand, expenditure remained broadly flat on an annual basis in Q1:18, as higher local government spending (up 0.2 pps of GDP y-o-y in Q1:18) was offset by lower expenses for property compensation (related to the communist era).

Fiscal prudence to be observed in 2018. The 2018 Budget envisages a neutral fiscal stance, targeting a deficit of 2.0% of GDP, unchanged from the FY:17 outcome -- yet implying a structural fiscal impulse of 0.1 pp of GDP.

In view of the y-t-d performance and recent trends, the FY:18 deficit target of 2.0% of GDP should be attained. In fact, we expect a slightly tighter fiscal stance during the rest of the year (0.1 pp of GDP y-o-y in Q2-Q4:18), offsetting the expansionary stance in Q1:18. Specifically, we foresee overall revenue remaining unchanged on an annual basis in Q2-Q4:18, as the positive impact from the adopted tax measures (see above) should be offset by lower gains from the anti-informality campaign.

On the other hand, we expect expenditure to decline slightly (by 0.1 pp of GDP y-o-y in Q2-Q4:18), despite a strong increase in capital expenditure (set to rise by 0.6 pps y-o-y in Q2-Q4:18). The decline in outlays in Q2-Q4:18 should result from lower net lending for energy (reflecting high energy imports in FY:17 following a prolonged drought that limited hydropower production) and the containment in public sector wages (except targeted increases in health and education). Importantly, even with a neutral fiscal stance, the public debt-to-GDP ratio is set to narrow further, to a 7-year low of 68.4% of GDP in FY:18 – still the highest in SEE-5 (see chart).

Cyprus

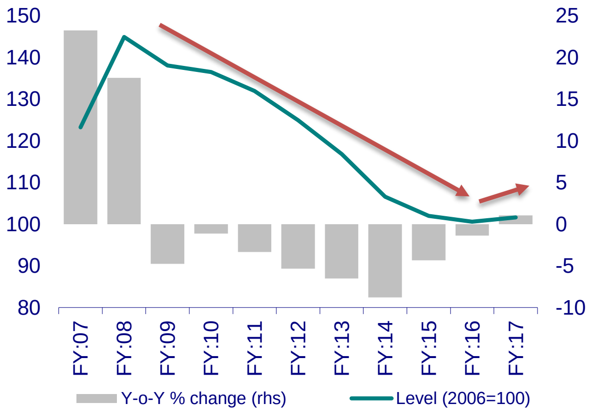
BB+ / Ba3 / BB+ (S&P / Moody's / Fitch)

General Government Fiscal Balance (% of GDP)

	2017	Q1:17	Q1:18	2018 Target*	NBG 2018 Forecast
Revenue	39.7	8.9	9.4	39.1	39.6
Tax Revenue	34.3	7.8	8.3	34.0	34.5
Indirect Taxes	15.8	3.5	3.9	15.7	16.0
Direct Taxes	9.6	2.1	2.2	9.4	9.6
Soc. Contrib.	8.9	2.2	2.2	8.9	8.9
Non-Tax revenue	5.4	1.1	1.1	5.1	5.1
Expenditure	37.9	7.9	7.8	37.4	37.6
Cur. Expenditure	34.9	7.6	7.5	n.a.	34.6
G. & Services	3.7	0.7	0.6	3.6	3.6
Wag. &Salaries	12.2	2.7	2.8	12.0	12.1
Soc. Transfers	13.6	3.1	3.0	13.3	13.4
Int. Payments	2.6	0.5	0.5	2.8	2.8
Subsidies	0.3	0.0	0.0	n.a.	0.3
Other	2.4	0.6	0.6	n.a.	2.4
Capital Expend.	3.0	0.3	0.3	n.a.	3.0
Fiscal Balance	1.8	1.0	1.6	1.7	2.0
Primary Balance	4.4	1.5	2.1	4.5	4.8

*According to Government's 2018-21 Stability Programme (April 2018)

Real Estate Prices



	28 May	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.16	1.22	1.24	1.26
Sov. Spread (2020. bps)	157	55	52	50

	28 May	1-W %	YTD %	2-Y %
CSE Index	66	0.4	-4.7	-1.8

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	3.4	3.9	3.7	3.5
Inflation (eop. %)	-1.0	-0.3	-0.6	0.6	1.0
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-6.7	-4.2	-4.5
Fiscal Bal. (% GDP)	-1.2	0.5	1.8	2.0	1.9

Buoyant tax revenue and strict spending control brought the fiscal surplus up to 2.4% of GDP, on a 4-quarter rolling basis, in Q1:18 from 1.8% in Q4:17. The fiscal balance improved significantly, by 0.6 pps y-o-y to a surplus of 1.6% of GDP in Q1:18, due to strong tax revenue and, to a lesser extent, continued spending discipline. Indeed, tax revenue rose by 0.5 pps of GDP y-o-y in Q1:18, mainly due to higher indirect taxes (up 0.4 pps of GDP y-o-y), reflecting improved tax collection efficiency and solid economic activity. On the other hand, strict spending control continued in Q1:18, with primary expenditure declining by 0.1 pp of GDP y-o-y, due to lower goods & services spending and less generous transfers (each down 0.1 pp of GDP y-o-y). The decline in expenditure in Q1:18 would have been even sharper had it not been for a higher wage bill (up 0.1 pp of GDP y-o-y), mainly attributed to the recruitment of additional personnel in the education and health sectors and in security forces in Q3:17.

Looking ahead, we foresee the fiscal surplus narrowing during the rest of the year, due to the expected slowdown in economic activity and the Government's support to vulnerable borrowers (with strict criteria) -- which is set to help banks reduce their non-performing exposures by 40% by end-year (NPEs stood at EUR 20.9bn or 108.8% of GDP or 42.5% of gross loans at end-2017). Overall, we see the fiscal balance deteriorating by 0.4 pps of GDP y-o-y in 4-12M:18 (against a rise of 0.6 pps y-o-y in Q1:18), still resulting in a sizeable FY:18 fiscal surplus of 2.0% of GDP -- surpassing its target of 1.7% of GDP in the 2018-21 Stability Programme (released in April) and the FY:17 outcome of 1.8% of GDP.

Importantly, the expected large primary balance this year will help contain the deterioration in the public debt-to-GDP ratio, following the Government's issuance of several bonds, worth EUR 2.35bn (11.8% of GDP) at end-March. The latter was prompted by the need to deposit EUR 2.5bn (12.5% of GDP) at the island's second largest financial institution -- the Cyprus Cooperative Bank – to allay depositor fears about its solvency. Should our full-year forecast of a primary surplus of 4.8% of GDP materialise, the public debt-to-GDP ratio would moderate to c. 104.0% at end-2018, after having risen sharply to c. 110.0% at end-Q1:18, from a 5-year low of 97.5% at end-2017.

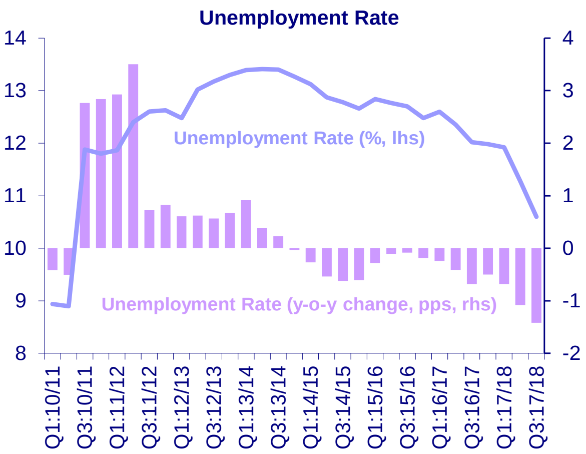
Real estate prices posted their first increase in 9 years in FY:17 (up 1.1%). The Central Bank's Residential Property Price Index (RPPI) rose by 1.5% y-o-y in Q4:17, following a milder increase of 0.9% y-o-y in 9M:17. With the Q4:17 outturn, residential property prices posted positive growth in FY:17 (up 1.1%), following eight consecutive years of decline (totalling c. 30%).

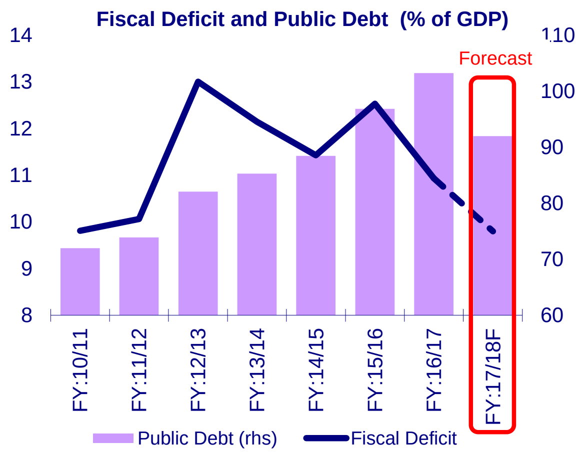
The positive performance in FY:17 was supported by a sharp rise in property sales to both domestic and overseas buyers (up 20.5% and 32.7%, respectively), reflecting a brighter economic outlook and government incentives. The latter include the postponed imposition of VAT (19%) on the disposal of undeveloped building land intended for the construction of buildings as part of business activity (in effect since January 2nd, 2018) and the reduction of the immovable property tax by 75% since mid-2016 -- fully abolished from January 2017.

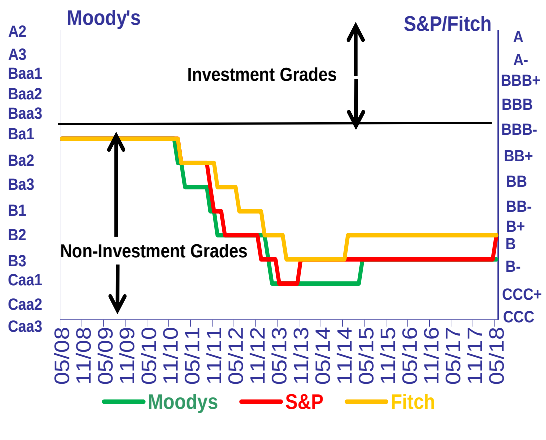
The strong rise in property sales to overseas investors was also supported by a government investment scheme providing: a) permanent residence for property purchases exceeding EUR 300k; and b) citizenship for property purchases exceeding EUR 2mn. The contribution of this scheme to the recovery of real estate prices is set to weaken this year, following a recently-introduced amendment limiting the number of beneficiaries to 700 per year – down from over 1,000 in FY:17 (according to press reports).

Egypt

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







	28 May	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)	186	168	152	140

	28 May	1-W %	YTD %	2-Y %
HERMES 100	1,633	0.1	13.7	136.5

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

The unemployment rate is on track to reach an 8-year low of 11.2% in FY:17/18. The unemployment rate continued on its downward trend in Q3:17/18 (January-March 2018), reaching a multi-quarter low of 10.6%. Importantly, the pace of decline accelerated to -1.4 pps y-o-y in Q3:17/18 from -0.9 pps in H1:17/18 and -0.5 pps in FY:16/17, reflecting strengthening confidence in the domestic economy, on the back of the steady implementation of the ongoing IMF-supported programme (see below). The acceleration in the annual decline in the unemployment rate was in line with developments in economic activity. Indeed, GDP growth rose to an estimated 5.4% y-o-y in Q3:17/18 from 5.2% in H1:17/18 and 4.2% in FY:16/17.

The sharp contraction in the unemployment rate in Q3:17/18 (by 1.4 pps y-o-y) reflects the fact that the rise in the number of employees (up 445k y-o-y or 1.7% y-o-y) largely exceeded that in the labour force (up 36k y-o-y or 0.1% y-o-y).

Looking ahead, we expect the recent positive trends to continue in Q4:17/18, bringing the FY:17/18 unemployment rate to an 8-year low of 11.2% -- down from 12.2% in FY:16/17 and a peak of 13.4% in FY:13/14 but still above the pre-Revolution level of 9.0% (end-2010).

Based on the IMF's estimate of the employment-growth elasticity (58.0%) and long-term projections of GDP growth (a CAGR of 5.8% for the next 4 fiscal years) and taking into account the fact that around 700k people will join the labour market every year in the coming years, our simulations show that the unemployment rate will fall below its pre-Revolution level in 4 years (to 8.5% in FY:21/22).

The IMF and the Egyptian authorities reached a staff-level agreement on the 3rd review of Egypt's economic reform programme -- supported by a 3-year USD 12bn Extended Fund Facility. The completion of the review by the IMF's Executive Board is expected in mid-June. It will allow the authorities to draw the equivalent of USD 2bn, bringing total disbursements under the programme to c. USD 8bn.

According to the mission, the Government's *"ambitious and politically difficult economic reform programme"* has started to bear fruit. Specifically, economic growth is accelerating, inflation is easing, the fiscal deficit is narrowing, the general government debt-to-GDP ratio is expected to decline for the first time in a decade, the current account deficit is declining, and FX reserves have reached a record high.

S&P upgrades Egypt's sovereign credit rating by one notch to B (5 notches below investment grade). The move was prompted by:

Strengthening economic growth. Indeed, S&P expects GDP growth to average 5.4% over the next 4 years, reflecting "*a more broad-based recovery and a slight move away from consumption*" towards greater investment and net exports;

Easing inflation. S&P cited headline inflation falling to 13.3% in March – the lowest level in two years – reflecting not only base effects but also increasing effectiveness of the monetary policy framework; and

Rising foreign exchange reserves. Indeed, since the switch from a fixed to a free-floating foreign exchange regime in November 2016, FX reserves have risen sharply by USD 25bn to an all-time high of USD 44.0bn in April (covering 8.4 months of imports of GNFS).

According the Agency, a further upgrade will hinge on higher-than-projected economic growth, lower-than-expected external financing needs and public debt, while a negative rating action will be prompted by an unexpected rise in public debt and/or a worsening of security conditions.

FOREIGN EXCHANGE MARKETS, MAY 28TH 2018

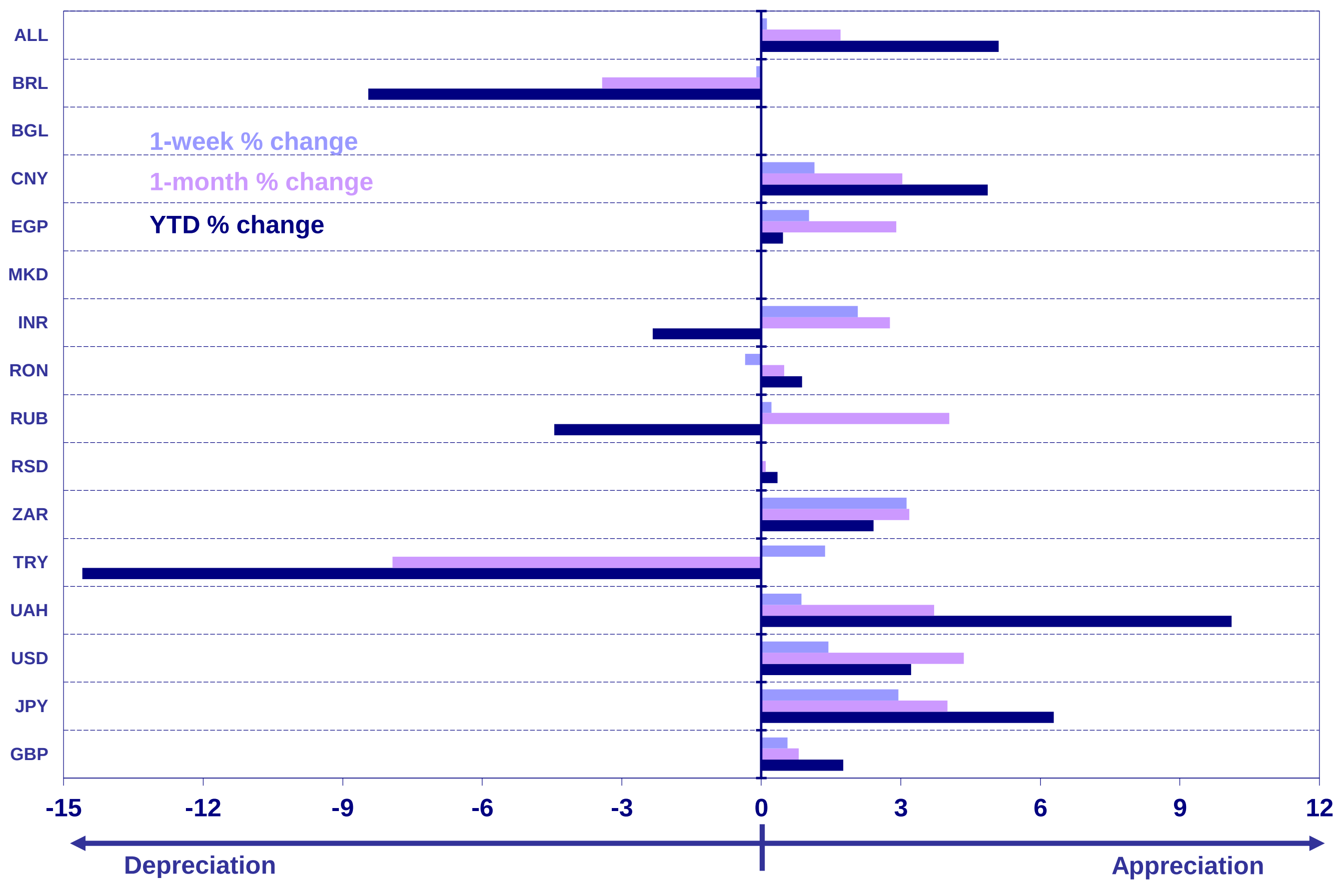
Against the EUR

	Currency	2018 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**	2017 % change*	2016 % change*
Albania	ALL	126.4	0.1	1.7	5.1	6.1	126.7	134.0	126.7	126.8	126.3	1.9	1.2
Brazil	BRL	4.34	-0.1	-3.4	-8.4	-16.3	3.85	4.44	4.64	4.64	4.65	-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	7.44	1.1	3.0	4.9	2.9	7.43	7.96	7.78	7.77	7.78	-6.0	-4.0
Egypt	EGP	20.73	1.0	2.9	0.5	-3.1	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	78.5	2.1	2.8	-2.3	-8.0	75.9	81.8	84.8	- - -	- - -	-6.7	0.4
Romania	RON	4.64	-0.3	0.5	0.9	-1.6	4.62	4.68	4.68	4.72	4.80	-3.0	-0.4
Russia	RUB	72.4	0.2	4.0	-4.4	-12.9	67.7	80.5	73.6	74.8	77.3	-6.8	22.9
Serbia	RSD	118.0	0.0	0.1	0.3	3.9	117.6	119.1	118.3	118.5	- - -	4.2	-1.5
S. Africa	ZAR	14.5	3.1	3.2	2.4	-0.1	14.18	15.26	14.8	15.0	15.6	-2.7	16.2
Turkey	YTL	5.33	1.4	-7.9	-14.6	-25.0	4.48	5.76	5.56	5.81	6.34	-18.4	-14.7
Ukraine	UAH	30.5	0.9	3.7	10.1	-3.3	30.38	36.11	36.0	- - -	- - -	-15.2	-8.6
US	USD	1.16	1.4	4.4	3.2	-3.9	1.2	1.3	1.17	1.18	1.20	-12.4	3.3
JAPAN	JPY	127.2	2.9	4.0	6.3	-2.4	126.3	137.5	127.2	127.3	127.4	-8.9	6.0
UK	GBP	0.87	0.6	0.8	1.8	-0.4	0.9	0.9	0.88	0.88	0.88	-4.1	-13.5

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (May 28th 2018)



MONEY MARKETS, MAY 28TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	6.4	-0.2	2.5	- - -	17.0	- - -	- - -	3.0	7.4	- - -	17.2	7.8	16.6	- - -	1.7
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.9	7.4	2.3	- - -	6.5	- - -	- - -	- - -
S/W	1.4	6.4	-0.2	2.8	-0.4	- - -	1.1	- - -	- - -	6.6	2.3	- - -	7.2	17.0	-0.4	1.8
1-Month	1.6	6.4	-0.1	3.8	-0.4	- - -	1.3	6.8	2.8	7.3	2.6	17.5	7.4	17.8	-0.4	2.0
2-Month	- - -	6.4	-0.1	- - -	-0.3	- - -	- - -	- - -	- - -	7.3	2.7	17.7	7.0	- - -	-0.3	2.1
3-Month	2.0	6.5	0.0	4.2	-0.3	- - -	1.5	7.7	2.8	7.3	2.9	17.7	7.5	17.8	-0.3	2.3
6-Month	2.3	6.6	0.1	4.2	-0.3	- - -	1.8	- - -	2.9	7.3	3.0	18.4	7.4	- - -	-0.3	2.5
1-Year	2.7	7.0	0.5	4.4	-0.2	- - -	2.2	- - -	3.0	7.0	- - -	18.8	8.5	- - -	-0.2	2.7

LOCAL DEBT MARKETS, MAY 28TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.2	- - -	6.4	- - -	7.1	- - -	14.2	- - -	- - -	-0.6	1.9
6-Month	1.9	- - -	- - -	- - -	- - -	19.1	- - -	6.8	2.6	7.0	3.3	15.6	- - -	- - -	-0.6	2.1
12-Month	2.2	- - -	-0.1	3.2	- - -	18.6	1.2	7.1	3.0	6.6	3.1	16.0	- - -	17.2	-0.7	2.3
2-Year	2.9	- - -	- - -	3.2	- - -	- - -	1.6	7.5	3.0	6.8	- - -	16.5	7.3	- - -	-0.7	2.5
3-Year	- - -	- - -	0.2	3.3	1.2	- - -	1.8	7.6	3.8	6.9	- - -	16.1	7.5	16.0	-0.6	2.6
5-Year	5.5	10.2	- - -	3.4	1.7	16.3	- - -	7.8	4.4	6.9	3.9	14.8	7.8	- - -	-0.3	2.8
7-Year	- - -	- - -	0.8	- - -	2.6	15.7	- - -	7.9	4.6	7.1	- - -	- - -	- - -	- - -	0.0	2.9
10-Year	- - -	11.0	1.3	3.6	- - -	15.3	- - -	7.7	4.9	7.3	- - -	13.7	8.4	- - -	0.3	2.9
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.2	8.0	- - -	7.5	- - -	- - -	9.9	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.3	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.0	- - -	- - -	- - -	- - -	9.3	- - -	1.1	3.1

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

CORPORATE BONDS SUMMARY, MAY 28TH 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	1.9	247	201
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.2	168	146
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	101	59
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	3.6	416	352
	Garanti Bank 5.25% '22	USD	NA/Ba1	13/9/2022	750	6.8	400	372
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	8.4	561	515
	Vakifbank 5.75% '23	USD	NA/Ba1	30/1/2023	650	8.2	539	492
	TSKB 5.5% '23	USD	NA/Ba1	16/1/2023	350	8.5	578	519
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.2	540	494
	KOC Holding 5.25% '23	USD	BBB-/Baa3	15/3/2023	750	6.6	378	350

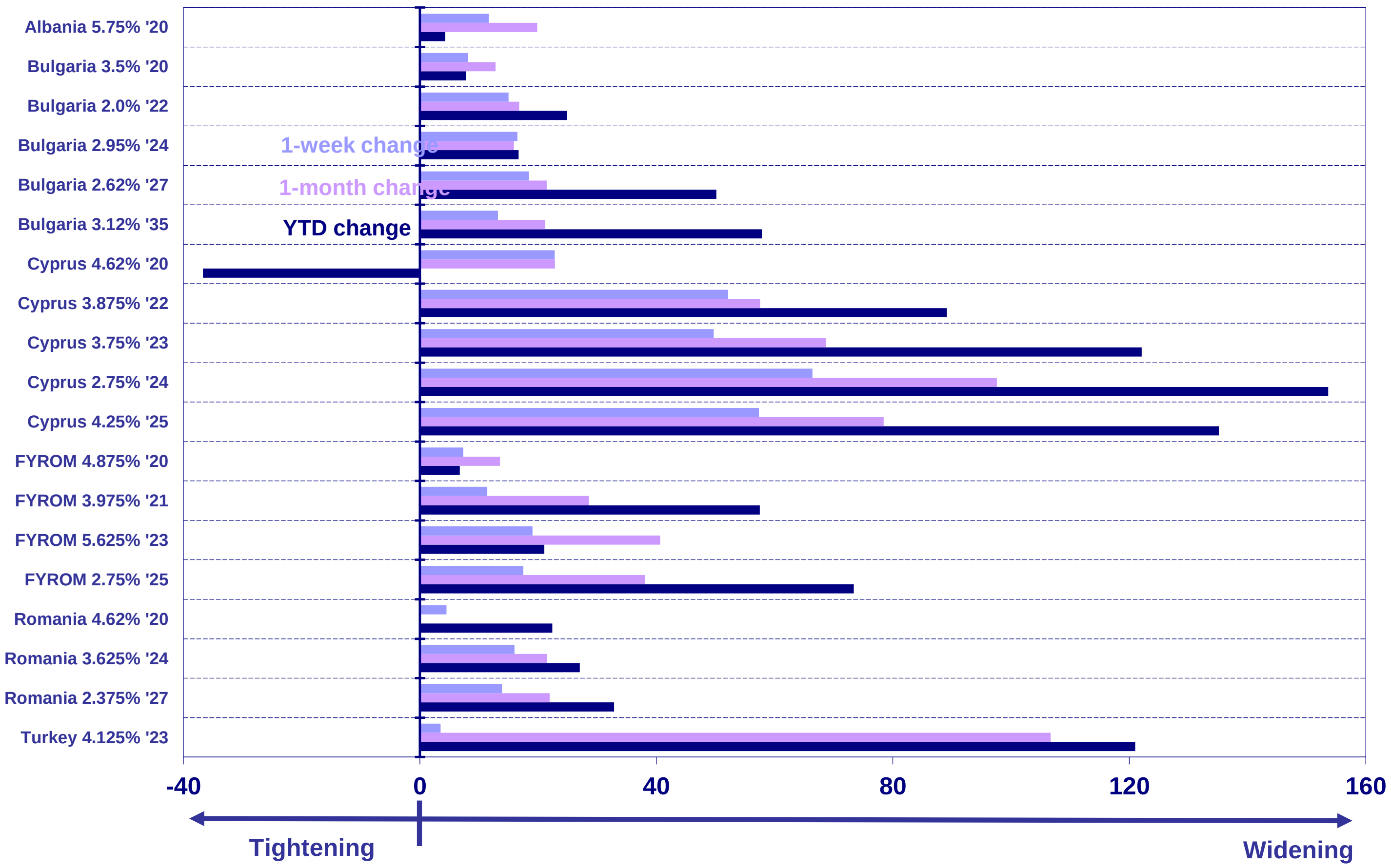
CREDIT DEFAULT SWAP SPREADS, MAY 28TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	190	66	56	144	268	- - -	80	90	128	110	263	165	390
10-Year	- - -	276	102	98	181	314	- - -	89	131	193	146	346	255	420

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MAY 28TH 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.4	198	155
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	75	30
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.1	62	5
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.8	78	33
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.4	120	67
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.6	188	129
Cyprus 4.62% '20	EUR	BB+/Ba3	3/2/2020	668	0.8	157	111
Cyprus 3.875% '22	EUR	NA/Ba3	6/5/2022	1,000	1.7	214	163
Cyprus 3.75% '23	EUR	NA/Ba3	26/7/2023	1,000	2.2	248	193
Cyprus 2.75% '24	EUR	NA/Ba3	27/6/2024	850	2.7	282	219
Cyprus 4.25% '25	EUR	NA/Ba3	4/11/2025	1,000	2.9	278	236
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.4	200	155
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.0	260	410
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.6	290	250
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	3.1	310	248
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	73	13
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.1	132	80
Romania 2.375% '27	EUR	BBB-/Baa3	19/4/2027	2,000	2.2	197	139
Turkey 4.125% '23	EUR	NR/Ba1	11/4/2023	1,000	3.4	371	318

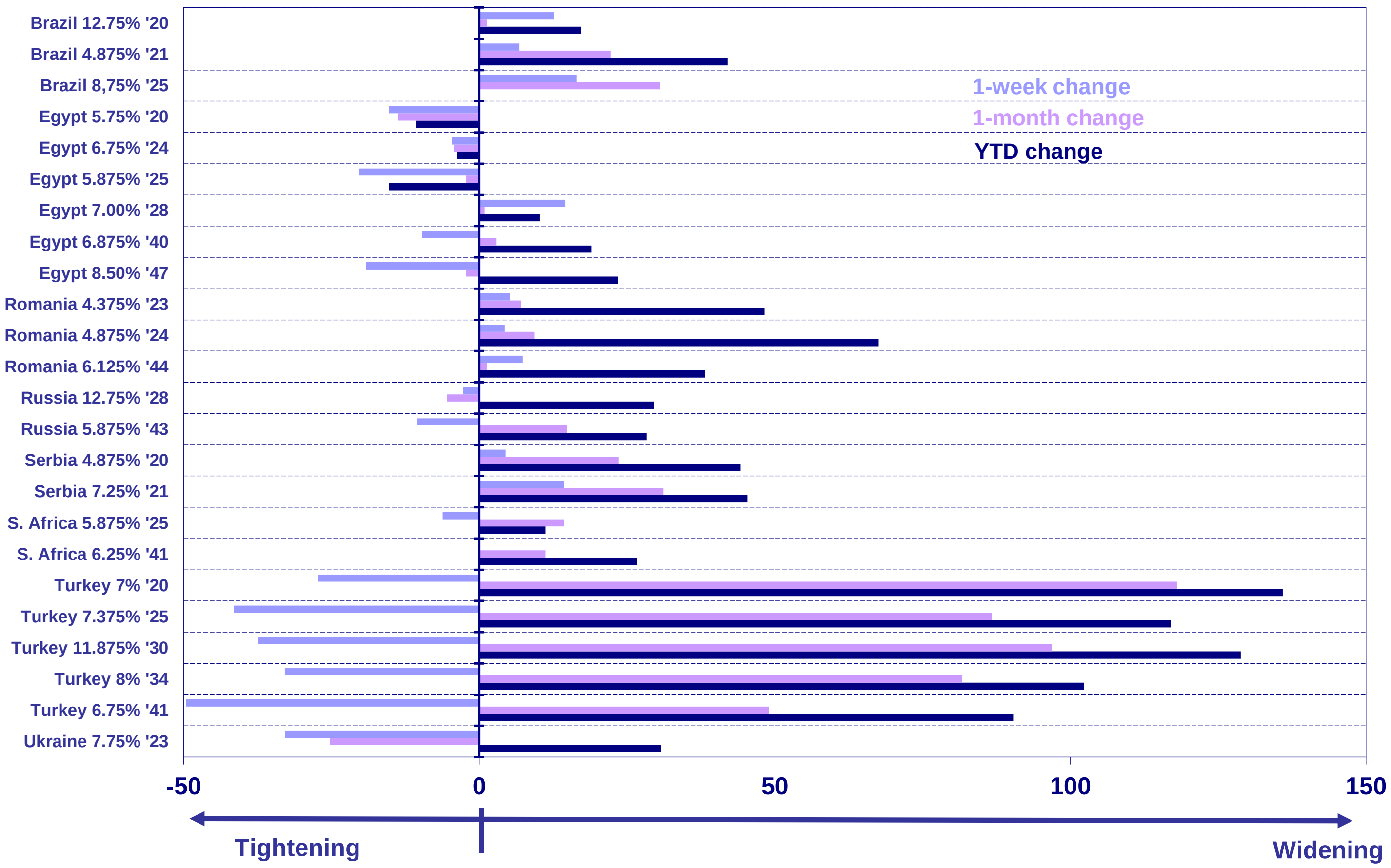
EUR-Denominated Eurobond Spreads (May 28th 2018)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MAY 28TH 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB-/NA	15/1/2020	87	2.6	14	-1
Brazil 4.875% '21	USD	BB-/NA	22/1/2021	2,713	3.9	126	110
Brazil 8.75% '25	USD	BB-/NA	4/2/2025	688	4.7	183	202
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	4.3	186	166
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.2	330	328
Egypt 5.875% '25	USD	B-/B3	11/6/2025	500	6.2	326	315
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.7	378	372
Egypt 6.875% '40	USD	B-/B3	30/4/2040	1,500	7.4	426	410
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	7.8	474	501
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	4.1	133	122
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	4.2	141	130
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	5.0	190	216
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.9	193	257
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.4	232	245
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.1	160	141
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.3	164	150
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.2	230	229
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	6.0	292	298
Turkey 7.00% '20	USD	NR/Ba1	5/6/2020	2,000	5.5	304	283
Turkey 7.375% '25	USD	NR/Ba1	5/2/2025	3,250	6.5	361	363
Turkey 11.875% '30	USD	NR/Ba1	15/1/2030	1,500	7.2	423	504
Turkey 8.00% '34	USD	NR/Ba1	14/2/2034	1,500	7.3	436	438
Turkey 6.75% '41	USD	NR/Ba1	14/1/2041	3,000	7.1	405	369
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,355	7.3	454	440

USD-Denominated Eurobond Spreads (May 28th 2018)



STOCK MARKETS PERFORMANCE, MAY 28TH 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)	75,356	-7.9	-12.8	-1.4	18.2	76,403	88,318	-10.1	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	639	-1.1	-2.9	-5.6	-2.5	637	721	-5.6	15.5	15.5	27.2	27.2
China (SHCOMP)	3,135	-2.5	1.7	-5.2	0.8	3,042	3,587	-0.5	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	66	0.4	-2.8	-4.7	-14.0	65	71	-4.7	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,633	0.1	-6.2	13.7	36.8	1,429	1,741	15.0	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	2,924	-0.8	1.1	15.2	29.9	2,536	2,966	15.2	18.9	18.9	16.5	16.5
India (SENSEX)	35,165	1.6	0.6	3.3	13.0	30,681	36,444	0.9	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,619	-0.4	-6.9	-2.0	-1.6	1,619	1,802	-0.9	22.8	19.1	0.2	0.0
Russia (RTS)	4,492	-0.9	0.0	9.0	8.3	4,017	4,579	4.1	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	744	0.0	0.9	-2.0	3.7	728	785	-1.7	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	56,857	-1.7	-1.0	-4.4	5.4	53,027	61,777	-2.1	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	106,525	4.2	-1.0	-7.6	9.0	97,849	121,532	-21.7	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	448	-5.7	-5.6	42.1	61.0	315	478	56.4	18.8	0.8	10.2	1.0
MSCI EMF	1,137	0.0	-1.7	-1.9	12.0	1,131	1,279	1.3	34.3	17.7	8.6	12.2
MSCI EAFE	2,006	-2.1	-1.8	-2.2	6.5	1,989	2,187	1.0	21.8	6.7	-1.9	1.4
Greece (ASE-General)	756	-3.7	-11.0	-5.8	-2.8	755	896	-5.8	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,863	-1.6	2.2	-0.4	1.9	11,727	13,597	-0.4	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,730	-1.6	3.0	0.6	2.4	6,867	7,904	2.0	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	24,753	-1.0	1.8	0.1	17.4	20,934	26,617	3.1	25.1	9.6	13.4	16.7
USA (S&P 500)	2,721	-0.4	1.9	1.8	12.6	2,533	2,873	4.8	19.4	4.7	9.5	13.2

Equity Indices (May 28th 2018)