Economic Analysis Division

Emerging Markets Research

Bi-Weekly Report *19 December 2017 – 8 January 2018*

NBG - Economic Analysis Division
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Paul Mylonas, PhD
✉ : pmylonas@nbg.gr

Emerging Markets Research

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

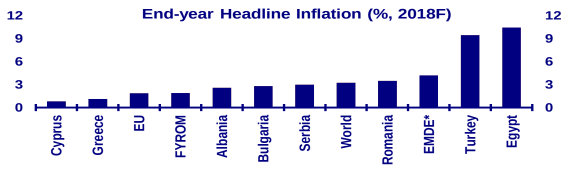
Analysts:

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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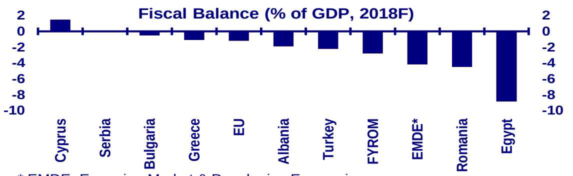

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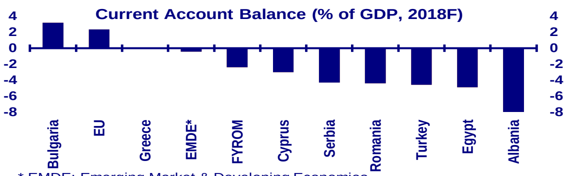

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End-year headline inflation to ease from a 14-year high of 11.9% y-o-y in 2017 to a still elevated level of 9.5% at end-2018

The CBRT to keep its key monetary policy instrument on hold at 12.75% throughout 2018

Controversial judicial reform would weaken the rule of law and provides a negative signal regarding the direction of the Government's reform drive

Economic growth is estimated to have reached a post-global crisis high of 6.8% in 2017

Political risk should remain low, at least in H1:18

Economic growth is estimated to have maintained momentum in 2017 (3.8%)

The IMF Executive Board completed the 8th and final review, concluding Serbia's 3-year EUR 1.1bn precautionary SBA

Fitch and S&P upgraded Serbia's long-term sovereign debt rating to BB

Coalition government lost its parliamentary majority as its junior partner -- the Alliance for Albanians -- left; yet, political tensions are unlikely to resurface

The FY:17 Budget is estimated to have met its target deficit of 2.9% of GDP

Albania's chances to secure a non-conditional recommendation from the EC in April to open EU accession talks increased due to progress on judicial reforms

Economic growth is estimated to have reached a post-global crisis high of 4.0% in FY:17 up from 3.4% in FY:16

Inflation to pick up in 2018 due to tightening output gap as well as higher energy prices

The unemployment rate is estimated to have declined to a 5-year low of 11.4% in 2017

FX reserves increased by USD 12.8bn to an all-time high of USD 37.0bn in 2017, following the solid implementation of the loan agreement with the IMF (signed in November 2016)

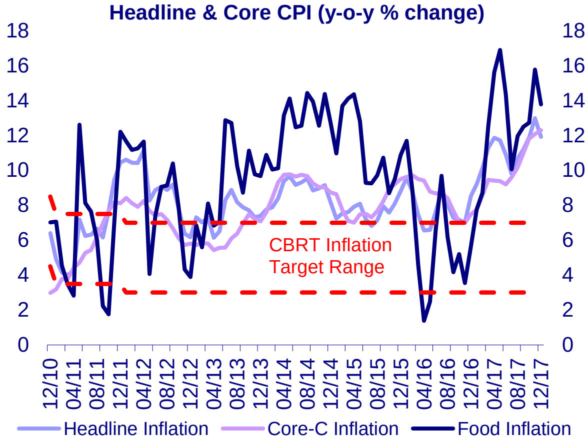
Customer deposits (FX-adjusted) gained momentum in 9M:17, underpinned by strengthening confidence in the Egyptian economy and higher EGP remuneration rates

Credit to the private sector (FX-adjusted) maintained momentum in 9M:17, supported by ample liquidity for banks, improved asset quality and a strong capital base

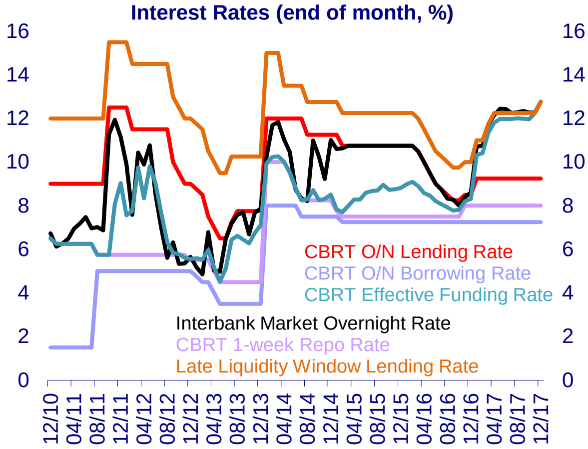
Turkey

BB / Ba1 / BB+ (S&P/ Moody's / Fitch)

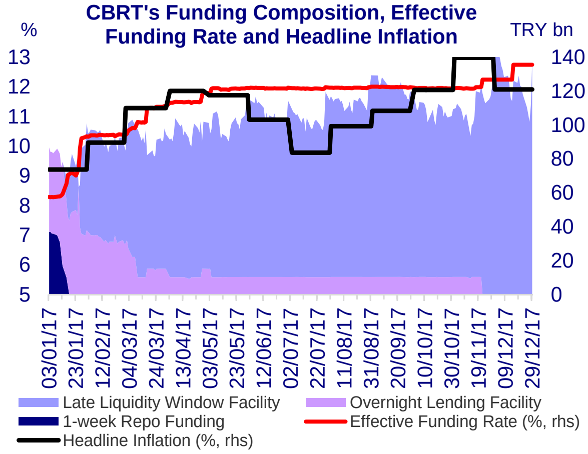
Headline & Core CPI (y-o-y % change)



Interest Rates (end of month, %)



CBRT's Funding Composition, Effective Funding Rate and Headline Inflation



	8 Jan.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.8	13.5	13.0	12.0
TRY/EUR	4.48	4.45	4.40	4.36
Sov. Spread (2020, bps)	153	165	160	150

	8 Jan.	1-W %	YTD %	2-Y %
ISE 100	110,248	1.0	41.1	52.1

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	6.1	3.2	6.8	4.2	3.8
Inflation (eop, %)	8.8	8.5	11.9	9.5	8.2
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.5	-4.8	-4.6
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-2.0	-2.2

End-year headline inflation to ease from a 14-year high of 11.9% y-o-y in 2017 to a still elevated level of 9.5% at end-2018. Headline inflation moderated to 11.9% y-o-y in December from a high of 13.0% in November. The improvement was due to a very strong base effect.

During the year, headline inflation accelerated from 8.5% y-o-y at end-2016 to a 14-year high of 11.9% at end-2017, mainly due to a sharp acceleration in food prices and a significant rise in core inflation. Indeed, food prices (comprising 21.8% of the CPI basket) rose by 13.8% y-o-y in December (the highest rate since the start of this time series in January 2014) compared with 5.7% in the same month a year earlier. The rise in food prices would have been even sharper had the Government not intervened several times throughout the year through the "Food Committee" to keep food inflation in check.

Moreover, core inflation reached a 14-year high in December, on the back of a strong pass-through from a weaker TRY and a significant rebound in economic activity. The CBRT's favourite core inflation measure, i.e., CPI-C surged to 12.3% y-o-y in December from 7.5% in the same month a year earlier.

For 2018, we expect headline inflation to ease slowly throughout the year and return to below 10% only in November. The deceleration should be driven mainly by: i) a normalization in agricultural production, set to bring down food inflation to its long-term average of 9% from 13.8% at end-2017; ii) a milder depreciation of the TRY; iii) a slowdown in economic activity (we see real GDP growth moderating significantly to 4.2% in FY:18 from an estimated 6.8% in FY:17); and iv) a tight monetary policy stance. Overall, we see headline inflation ending 2018 at 9.5% y-o-y -- below the end-2017 outcome of 11.9% but well above the upper bound of the CBRT's target range of 3.0%-7.0% and the CBRT's upwardly-revised forecast of 7.0% (from 6.4%).

The CBRT to keep its key monetary policy instrument on hold at 12.75% throughout 2018. Under our baseline scenario projecting the return of headline inflation to below 10% only in November, we expect the CBRT to maintain all its rates on hold at least until end-2018, in a bid to contain eventual depreciation pressures on the TRY (stemming from external and/or domestic shocks) and reverse the recent sharp deterioration in inflation expectations (12-month ahead and 24-month ahead inflation expectations stood at record-highs of 9.3% and 8.5%, respectively, in December, well above the upper bound of the CBRT's target range of 3.0%-7.0%). Recall that in December, the CBRT raised its key policy rate, the late liquidity window (LLW) lending rate (a facility available between 4:00 pm and 5:00 pm, designed for banks that need a lender of last resort) by 50 bps to 12.75%. Recall that the LLW has effectively become the only funding source since the CBRT ceased financing through the 1-week repo facility on January 18th 2017 and the overnight facility on November 22nd 2017.

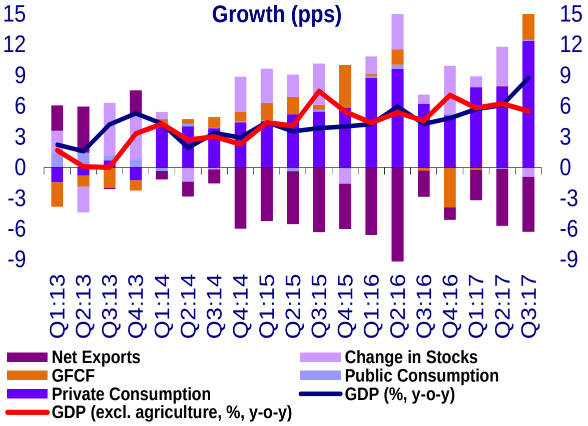
Provided that the CBRT continues to cover bank needs exclusively through the LLW facility, the *ex post*, real and compounded effective funding rate would fluctuate within the 2.5%-3.7% range during 2018 (not seen since 2009) after having risen to 1.5% in December from a low of 0% in November.

However, should global liquidity conditions be better than initially expected and/or economic growth be worse than initially anticipated, we expect the CBRT to proceed with "measured" reductions in its effective funding rate (to around 2.0% in real terms). The latter should be carried out through the resumption of the less expensive overnight lending and/or 1-week repo facilities and not the cut of policy rates, so as to leave room to the CBRT to tighten its policy stance if need while preserving its hard-won credibility.

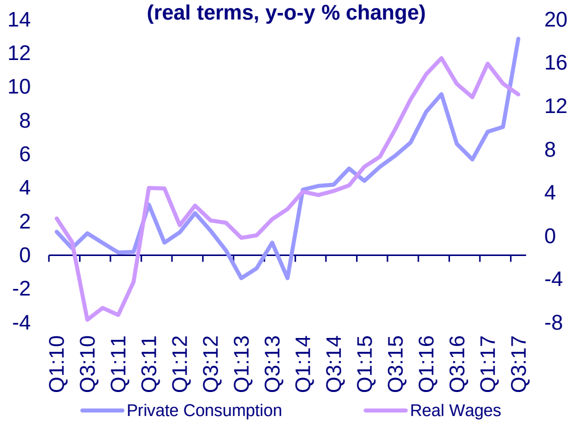
Romania

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

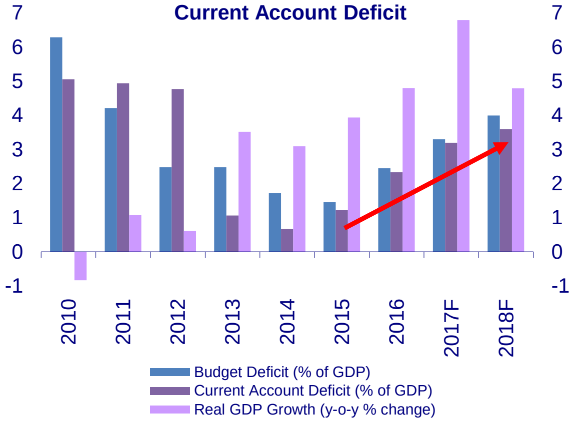
Contribution Rates to Annual Real GDP Growth (pps)



Private Consumption & Wages (real terms, y-o-y % change)



Real GDP Growth, Budget Deficit & Current Account Deficit



	8 Jan.	3-M F	6-M F	12-M F
1-m ROBOR (%)	1.6	2.4	2.6	2.8
RON/EUR	4.65	4.63	4.62	4.60
Sov. Spread (2024, bps)	104	114	112	110

	8 Jan.	1-W %	YTD %	2-Y %
BET-BK	1,699	2.9	2.9	30.8

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.9	4.8	6.8	4.8	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	3.8	3.4
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.6	-4.4	-4.7
Fiscal Bal. (% GDP)	-1.5	-2.4	-3.3	-4.5	-4.8

Controversial judicial reform would weaken the rule of law and provides a negative signal regarding the direction of the Government's reform drive. The Parliament approved a series of judicial reform bills, giving, the Ministry of Justice control over the judicial inspection unit (currently managed by an independent watchdog) and depriving the President of the power to appoint senior judges and prosecutors.

At the same time, the Government is proposing amendments to the criminal code that would decriminalise several graft offenses. According to the opposition, the amendments would benefit PSD members convicted or corruption, including the leader of the party and the "real power" behind PM Tudose's Government, L. Dragnea. The latter has received a suspended sentence for voter manipulation and is currently under investigation on suspicion of forming a "criminal group" to siphon off EU funds during his tenure as President of a county council in 2001.

The Government's initiatives have drawn strong criticism both domestically and internationally, including from the EU. Moreover, the country's Supreme Court and the opposition challenged the bills in the Constitutional Court. Note that the bills have not yet been endorsed by the President.

Worryingly, Romania has yet to comply with the benchmarks set in the EU's Cooperation and Verification Mechanism (mainly focusing on the reform of the judicial system and fight against corruption), 11 years after their initiation. All said, political uncertainty is unlikely to subside soon, hindering policy implementation and hurting investor confidence.

Economic growth is estimated to have reached a post-global crisis high of 6.8% in 2017. The pace of economic expansion jumped to 8.8% y-o-y in Q3:17 (up 2.6% q-o-q s.a.) -- the highest in the EU -- bringing 9M:17 growth to 7.1% y-o-y against 4.8% in 9M:16. Private consumption remained the main growth driver in Q3:17 (up 12.9% y-o-y following a rise of 7.6% in Q2:17), reflecting: i) a looser incomes policy and spillover effects to the private sector; and ii) higher agricultural income (the sector added 4.9 pps of GDP to overall growth).

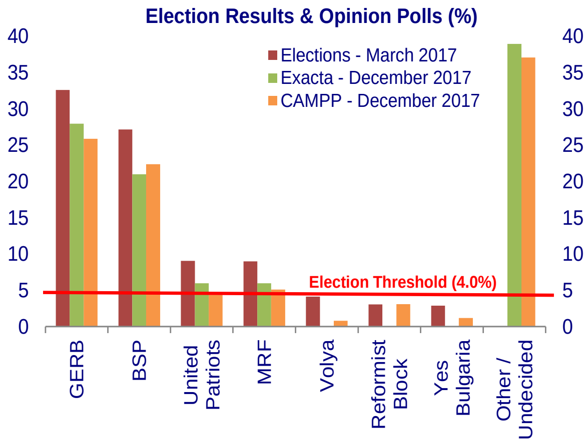
Although it is expected to ease, real GDP growth is set to remain well above its long-term potential (of 3.0%) in FY:18, supported by a pro-cyclical fiscal stance. The budget deficit is expected to widen further in FY:18 (to 4.5% of GDP from an estimated 3.3% in FY:17). The two main policy changes are a looser incomes policy (public sector wages are set to rise by 25% in January, with the education and health sectors receiving another 20% raise in March) and a tax overhaul (including a 6% pp cut to the PIT rate to 10% combined with a 2 pp cut in social security contributions). The change in social security contributions also includes a shift in the bulk of 20.5 pps onto the employees (18.5 pps), thus curtailing the budgetary impact of the aforementioned public sector wage hikes, but, at the same time, reducing net wages in the private sector *ceteris paribus*.

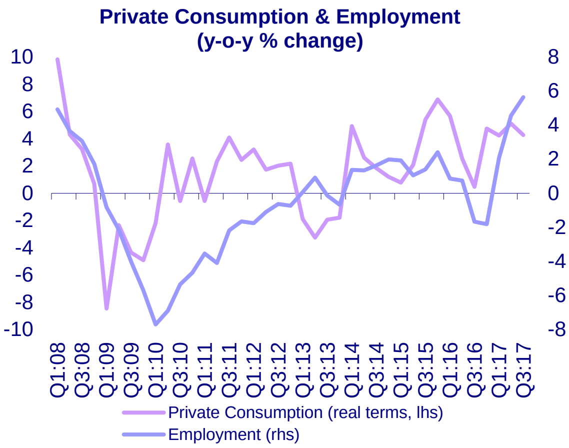
In this context, private consumption is set to remain the engine of economic growth, with its pace of expansion moderating, however, due to base effects and higher inflation (up 4.4% on average in FY:18 against 1.3% in FY:17). Importantly, fixed investment should pick up, assisted by better absorption of EU funds. Assuming normalization of agricultural production, we see real GDP growth easing to 4.8% in FY:18 from an estimated post-crisis high of 6.8% in FY:17.

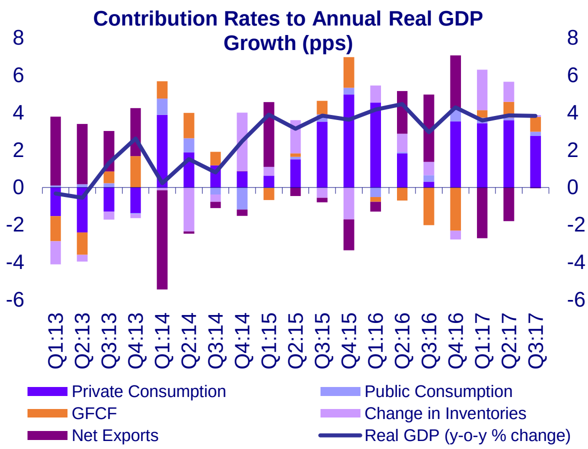
Visible overheating pressures should prompt the NBR to tighten its stance. In fact, our "Taylor" rule estimates suggest that the policy rate must be raised to 4.5% from 2.0 % currently. In fact the last week, in its first interest rate move since May 2015, the NBR raised its policy rate by 25 bps.

Bulgaria

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







	8 Jan.	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)	41	42	41	40

	8 Jan.	1-W %	YTD %	2-Y %
SOFIX	689	1.7	1.7	50.7

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.8	3.8	3.2
Inflation (eop, %)	-0.4	0.1	2.6	2.8	3.0
Cur. Acct. Bal. (% GDP)	0.0	5.3	4.5	3.2	2.0
Fiscal Bal. (% GDP)	-2.8	1.6	0.8	-0.5	-0.3

Political risk should remain low, at least in H1:18. The centre-right GERB, the leading party in the coalition that emerged from the March 2017 elections, remains the dominant force on the political stage, despite a retreat of its popularity in the opinion polls (down to 26.0-28.0% from the 32.7% in the elections). Support for the nationalist United Patriots alliance, GERB's coalition partner, has also declined (to 4.0-6.0% in the polls from 9.1% gained in the elections), while that for the Volya party, which had occasionally backed the Government, has fallen below the election threshold (4.0%). Regarding the opposition, support for the socialist BSP has also dropped (to 21.0-23.0% from the 27.2% in the elections), as has for the Turkish minority party, MRF (to 5.0-6.0% from the 9.0% in the elections).

All said, the opinion polls suggest no changes in the relative positions of the parties compared with the March 2017 elections except for a large increase in the undecided vote, suggesting that no party would benefit from snap elections. At the same time, in view of the public support for Bulgaria's EU presidency, which started in January 2018, and the tacit agreement between parties to avoid political turbulence during that 6-month term, we expect that political stability will be maintained at least until mid-2018 (a no-confidence motion pending to be submitted by the BSP and the MRF since end-2017 has virtually no chance to succeed). From H2:18, however, disagreements between the GERB and the highly-fragmented United Patriots alliance, especially over the long-awaited reform of the electoral code and the judiciary, could arise, undermining the unity of the Government.

Economic growth is estimated to have maintained momentum in 2017 (3.8%). Real GDP growth stayed at 3.8% y-o-y (up 0.9% q-o-q s.a.) in Q3:17, broadly unchanged since the beginning of the year and the same period a year ago.

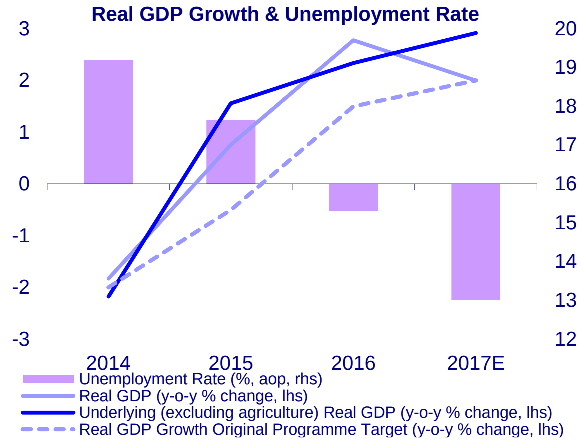
Stronger net exports compensated for the slowdown in private consumption in Q3:17. Despite tighter labour market conditions (employment surged by 5.6% y-o-y in Q3:17), growth in private consumption eased in Q3:17 (to a still strong 4.3% y-o-y from 5.1% in Q2:17). This moderation should be attributed to base effects from lower agricultural income (the sector subtracted 0.1 pp of GDP from overall growth in Q3:17 against a positive contribution of 0.6 pps in Q3:16). At the same time, fixed investment maintained its momentum (up 4.2% y-o-y for a 2nd consecutive quarter in Q3:17).

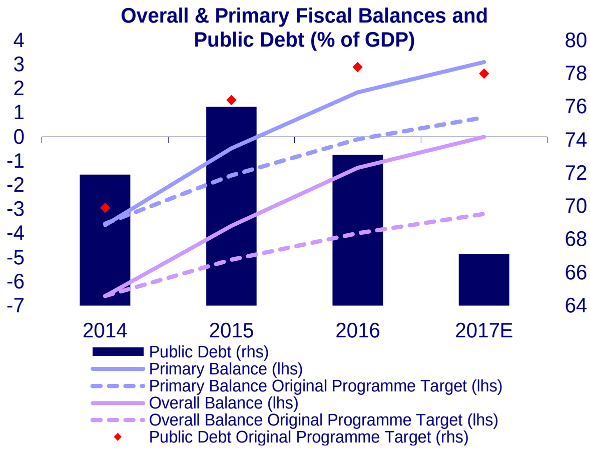
Importantly, net exports' drag on overall growth moderated in Q3:17 (to 0.1 pp of GDP from 1.8 pps in Q2:17), in line with weaker domestic absorption. Despite deteriorating competitiveness (real wage growth -- currently at 8.0% y-o-y -- has been surpassing by far productivity gains over the past years -- c. 2.5%), Bulgaria's export base has kept on widening (reaching at 67% of GDP against 50% in FY:10).

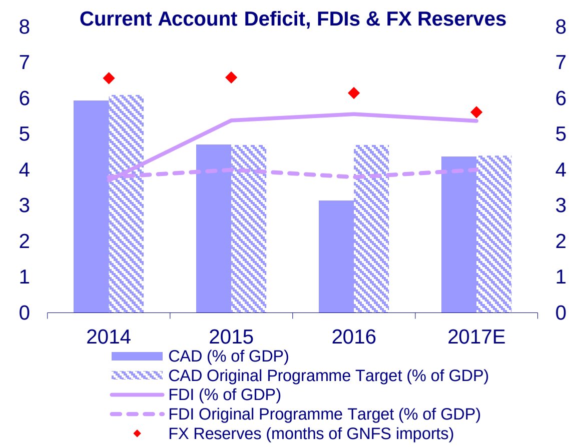
GDP growth is set to maintain steam in FY:18, but become more balanced. Against the backdrop of the lower investment-to-GDP ratio (19.0% against a pre-crisis high of 32.0%) and the increasing capacity utilization rate in the industrial sector (74.8% against a historical average of 69.0%), we expect fixed investment to strengthen, in line with favourable domestic liquidity conditions (the loan-to-deposit ratio stands at 78.5%) and better absorption of EU funds. At the same time, albeit easing slightly due to structural problems in the labour market, private consumption should remain strong. On a positive note, net exports will continue to sustain overall growth, reflecting the recovery in the EU and still favourable terms of trade (total hourly costs in Bulgaria are one-sixth of the EU-28 average). Overall, we see real GDP growth at 3.8% in FY:18, broadly unchanged compared with FY:17, and still above the economy's long-term potential of c. 3.0%.

Serbia

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







	8 Jan.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.8	3.2	3.4	3.8
RSD/EUR	118.4	119.8	120.0	120.3
Sov. Spread (2021, bps)	107	114	112	110

	8 Jan.	1-W %	YTD %	2-Y %
BELEX-15	768	1.0	1.0	21.3

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	0.8	2.8	2.0	3.6	3.6
Inflation (eop, %)	1.5	1.6	2.8	3.0	3.0
Cur. Acct. Bal. (% GDP)	-4.7	-3.1	-4.4	-4.3	-4.1
Fiscal Bal. (% GDP)	-3.7	-1.3	0.0	0.0	0.7

The IMF Executive Board completed the 8th and final review, concluding Serbia's 3-year EUR 1.1bn precautionary SBA (2.7% of 2018 GDP). The programme, approved in February 2015, managed to strengthen economic growth and correct large imbalances during the past 3 years -- overperforming the original programme targets. Serbia's strong performance since the signing of the SBA is reflected in:

i) the significant strengthening in (underlying) economic activity -- exceeding pre-crisis levels. In fact, GDP growth is estimated to have eased temporarily to 2.0% in FY:17 from the past year's post-global crisis high of 2.8%, due to the negative impact of adverse weather conditions on energy and agricultural productions. However, excluding agriculture, GDP growth is estimated to have strengthened to a post-crisis high of 2.9% in FY:17 from 2.3% in FY:16 (contributing to a sharp fall in the unemployment rate from 19.2% in 2014 to 13.1% in 9M:17).

ii) a sizeable and faster-than-expected fiscal consolidation. The Budget is estimated to have been in balance in FY:17 -- comparing very favourably with its target deficit of 1.7% of GDP and surpassing markedly the programme targets for a 3rd successive year -- down from 3.7% in FY:15. According to the IMF, this implies a sizable structural adjustment of 6.0 pps of GDP under the SBA in 2015-17 (exceeding the programme target of 4.0 pps).

Importantly, the strong fiscal tightening has helped put public debt on a rapid and faster-than-expected downward trend, with the public debt-to-GDP ratio estimated to have narrowed to a 4-year low of 67.1% in 2017 from its peak of 76.0% in 2015.

iii) a well-anchored inflation. Headline inflation has remained subdued since the start of the programme, on the back of a prudent monetary policy and a tight fiscal stance. It had fluctuated within the NBS' target band of 3±1.5% in 2017 (and stood at 2.8% y-o-y in December according to our estimate).

iv) large (non-debt generating) FDI inflows fully covering the current account deficit (CAD). The CAD narrowed to an average 4.0% in 2015-17 from 8.0% in 2009-14, due to the expanding export base, and was fully covered by robust FDIs (of 5.5% of GDP in 2015-17).

v) a significant progress in structural reforms. In fact, Serbia implemented reforms in SOEs, albeit at a slower pace than expected, including in large utilities (railways, the gas company Srbijagas, and the electricity company, EPS) through important restructuring, regulatory price adjustments, improved revenue collection and the reduction in the number of employees. Under the SBA, progress was made in improving business climate (including efforts to address the grey economy and the ongoing tax administration reform), reducing the public sector employment, and reforming the financial sector (prompting a sharp decline in NPLs, through sizeable write-offs and sales, to 12.2% in Q3:17 from a peak of 23.0% in Q3:14).

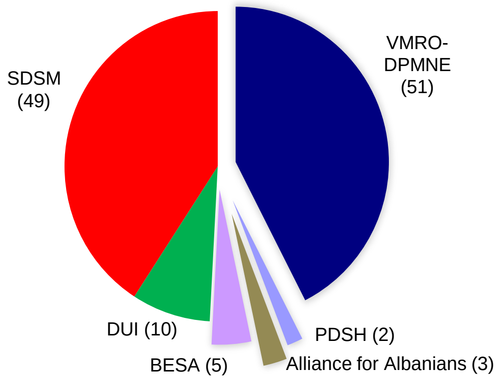
Fitch and S&P upgraded Serbia's long-term sovereign debt rating to BB. Fitch and S&P raised Serbia's long-term sovereign debt rating by one notch to BB (2 notches below investment grade) -- bringing it one notch above Moody's. The moves mainly reflect the marked fiscal overperformance that brought public debt back to a sustainable path amid steady economic recovery and improved external position.

Serbia opened two additional Chapters in EU accession talks. Negotiations were opened on Chapter 6-Company Law and Chapter 30-External Relations. This brought the number of opened Chapters of the *acquis* to 12 (out of a total of 35 chapters) since the formal launch of accession talks in January 2014, with two having been provisionally completed. However, Serbia has still a long and bumpy road ahead before joining the EU -- its membership is not expected before 2022.

F.Y.R.O.M.

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

Results of December 2016 Elections (Number of Seats)



Consolidated Fiscal Balance (% of GDP)					
	2016	11M:16	11M:17	2017 Rev. Budget	NBG 2017 Estimate
Revenue	28.3	25.7	26.4	30.3	29.2
Tax Revenue	25.1	22.8	23.4	26.2	25.8
Personal Inc.	2.4	2.1	2.2	2.5	2.5
Corporate Inc.	1.8	1.6	1.7	1.9	2.0
VAT	7.7	7.2	7.1	8.1	7.7
Excises	3.7	3.4	3.5	3.8	3.7
Import Duties	0.8	0.7	0.8	0.8	0.8
Other Taxes	0.1	0.1	0.1	0.1	0.1
Soc. Contrib.	8.4	7.5	7.8	8.7	8.7
Non-Tax revenue	3.2	2.8	3.0	4.1	3.4
Expenditure	31.0	27.9	28.5	33.2	32.1
Cur. Expenditure	28.1	25.6	26.3	29.5	29.3
Personnel	4.3	4.0	3.9	4.4	4.4
G. & Services	2.8	2.4	2.2	2.9	2.7
Transfers	19.9	18.2	18.8	20.9	20.9
Int. Payments	1.1	1.1	1.3	1.3	1.3
Capital Expend.	2.8	2.3	2.3	3.7	2.8
Fiscal Balance	-2.7	-2.3	-2.2	-2.9	-2.9
Primary Balance	-1.5	-1.2	-0.8	-1.6	-1.6

	8 Jan.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	199	190	180	160

	8 Jan.	1-W %	YTD %	2-Y %
MBI 100	2,607	2.7	2.7	43.0

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.5	3.5	3.7
Inflation (eop. %)	-0.3	-0.2	1.2	1.6	2.0
Cur. Acct. Bal. (% GDP)	-1.9	-2.7	-2.2	-2.4	-2.5
Fiscal Bal. (% GDP)	-3.5	-2.7	-2.9	-2.8	-2.8

Coalition government lost its parliamentary majority as its junior partner -- the Alliance for Albanians -- left; yet, political tensions are unlikely to resurface. Following a dispute with the senior coalition partner SDSM on retaining the Health ministry position, the Alliance for Albanians -- the smaller of the two ethnic Albanian parties in the coalition and controlling 3 seats in Parliament -- left the cabinet, depriving the government of parliamentary majority (59 out of 120 seats). However, this departure is unlikely to initiate a new round of political uncertainty in the country, as the government still hinges on the support from the third ethnic Albanian party, BESA which holds 5 seats but has abstained from joining the coalition government.

Overall, the government remains geared towards implementing a set of reforms identified by the European Commission (EC) to launch EU accession talks. More importantly, unlike its predecessor, the new Government is determined to reach a solution with Greece to the long-standing "name issue" in the first half of this year, which has been the stumbling block to the previous EC recommendations for the start of EU membership talks and NATO membership.

The FY:17 Budget is estimated to have met its target deficit of 2.9% of GDP. The fiscal deficit narrowed slightly by 0.1 pp y-o-y to 2.2% of GDP in 11M:17, despite weak economic activity. This positive performance was due to a broad-based improvement in tax revenue and, to a lesser extent, higher non-tax revenue, which more than offset a sharp rise in current expenditure. The latter reflected mainly higher social transfers and subsidies and would have been worse had spending on goods and services not been scaled back (down 0.3 pps y-o-y). As a result, the 12-month rolling fiscal deficit narrowed to 2.6% of GDP in November from 2.7% of GDP in December -- below the revised FY:17 budget target of 2.9%.

Recall that in view of fiscal pressures stemming from the payment of accumulated arrears (including postponed farm subsidies and blocked VAT refunds over the 5-month period between the December 2016 general elections and the formation of the new Government in late-May) and weaker-than-expected economic activity, the new Government revised the FY:17 Budget in early-August. In the supplementary Budget, both target revenue and expenditure were revised downwards (by 0.5 pps each), leaving unchanged the FY:17 fiscal deficit target at 2.9% of GDP.

In our view, in light of the positive y-t-d performance and recent trends, we estimate that the (revised) FY:17 fiscal target of 2.9% of GDP was attained. In fact, despite revenue underperformance (up 4.9% against a downwardly-revised target of 9.1%, from 10.8% previously), we estimate that the implied revenue shortfall (1.2% of GDP) was offset by lower-than-budgeted overall expenditure (up 5.4% against a downwardly-revised target of 9.7%, from 11.2% previously).

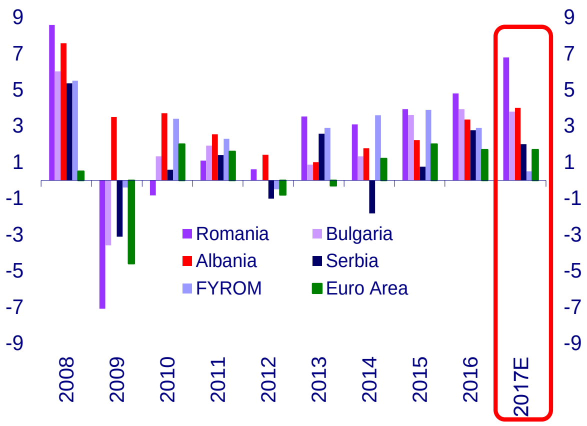
For 2018, the Budget envisages a neutral fiscal stance, targeting a deficit of 2.8% of GDP -- 0.1 pp of GDP lower than the Government's and our forecasts for FY:17. Based on our FY:17 revenue and expenditure estimates and in view of the Budget's realistic macroeconomic assumptions (a GDP growth of 3.2% and an average inflation rate of 1.7%) and the Government's commitment to fiscal discipline, the FY:18 Budget deficit appears to be within reach.

Should our fiscal deficit estimate for FY:17 and forecast for FY:18 materialise, the general government debt-to-GDP ratio would embark on a downward trend for the first time in 10 years at end-2018 -- moderating to 39.0% from an estimated peak of 39.4% at end-2017 -- still comparing favourably with that of "Emerging market and developing economies" (calculated by the IMF), estimated at 49.9%.

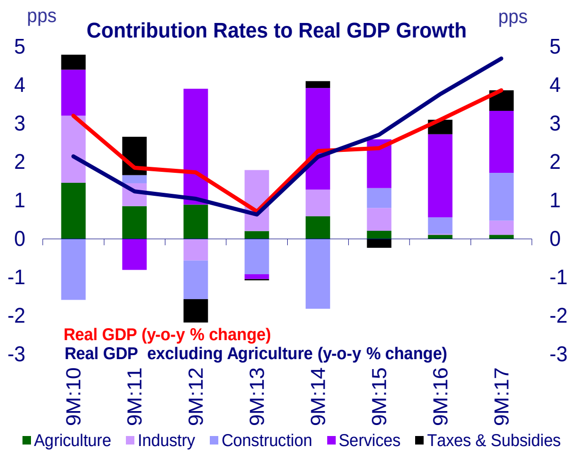
Albania

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

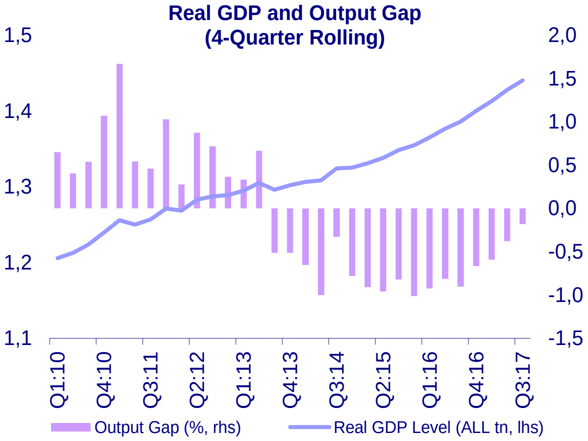
Real GDP Growth in SEE-5 and Euro-Area (%)



Contribution Rates to Real GDP Growth



Real GDP and Output Gap (4-Quarter Rolling)



	8 Jan.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	133.2	132.3	131.7	130.7
Sov. Spread (bps)	185	180	170	150

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

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	2.2	3.4	4.0	4.3	4.2
Inflation (eop, %)	2.0	2.2	2.0	2.6	2.8
Cur. Acct. Bal. (% GDP)	-8.6	-7.6	-8.5	-8.0	-6.9
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-1.9	-1.8

Albania's chances to secure a non-conditional recommendation from the EC in April to open EU accession talks increased due to progress on judicial reforms. Under EU pressure to fight corruption and organised crime, the ruling Socialist Party elected an interim prosecutor general, following the expiration of the previous prosecutor's term. The appointment by the ruling party -- backed by both the EU and the US -- is temporary, until the creation of a permanent independent council (as part of the judicial reform), that has yet to be formed. Nevertheless, the opposition boycotted the vote and protested against the interim appointment by the ruling MPs, calling it unconstitutional, while it has threatened to intensify protests. Equally important, the assessment of property holdings and professional efficiency of 800 judges and prosecutors ("vetting") has been currently implemented -- key moves for the enactment of the judiciary reform.

These positive developments have increased Albania's chances (a candidate country since mid-2014) to secure, in April, a non-conditional recommendation from the EC for the launch of EU membership talks.

Economic growth is estimated to have reached a post-global crisis high of 4.0% in FY:17 up from 3.4% in FY:16. GDP growth accelerated to 3.9% y-o-y in 9M:17 from 3.1% in 9M:16, despite the political deadlock (due to a 3-month boycott of Parliament by the opposition party and its refusal to participate in the June elections).

The robust performance in 9M:17 mainly reflects the strengthening in the construction sector (up sharply by 14.9% y-o-y in 9M:17, contributing 1.2 pps to overall GDP growth, against a rise of 5.3% in 9M:16). This was underpinned by the intensification in construction of two major energy projects (i.e. TAP and the two Statkraft/Devoll hydropower plants) as well as capital expenditure (up sharply by 35.1 y-o-y in 9M:17 against a decline of 10.1% in 9M:16).

Moreover, industrial output rebounded in 9M:17, expanding by 2.8% y-o-y (contributing 0.4 pps to GDP growth in 9M:17) compared with a rise of just 0.2% in 9M:16. Industrial output was supported by stronger extraction output (especially the oil industry), reflecting: i) the recovery in oil prices (up 23.0% y-o-y, in EUR terms, in 9M:17 against a decline of 24.2% in 9M:16); and ii) the acquisition of the Canadian-based oil company, Bankers Petroleum, by China's Geo-Jade Petroleum Corporation at end-September 2016. Industrial output was also supported by the rebound in the textile and footwear subsector (its exports accelerated to 15.0% y-o-y, in EUR terms, in 9M:17 from 9.3% in 9M:16, according to BoP data). Note that the strengthening in industrial production would have been even stronger in 9M:17 had electricity generation (which is fully based on hydroelectric production) not declined sharply due to drought (electricity production declined by 25.9% y-o-y in H1:17 against a robust rise of 8.2% in H1:16).

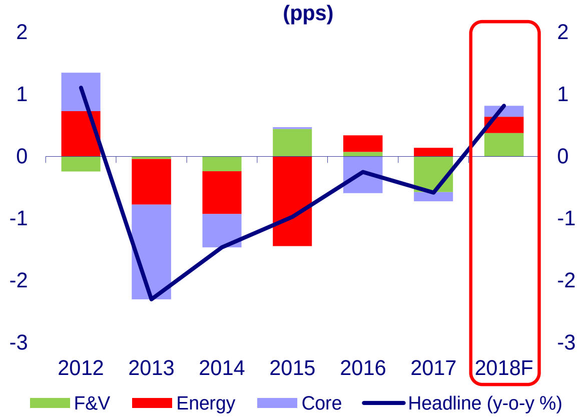
For Q4:17, we estimate that activity remained strong, having grown by 4.0% y-o-y, as the negative impact, especially on the agricultural output, of heavy rainfalls in early December, that led to massive floods, was likely more than offset by a rebound in electricity production. Activity in Q4:17 was also supported by the energy projects and their spill-overs. Overall, we estimate that Albania had experienced the second largest FY:17 GDP growth in SEE-5 of 4.0% (after Romania).

Growth is set to gather further pace in 2018, reaching a 10-year high of 4.3%, despite the slowdown in the large energy-related projects. Activity is set to be underpinned by the improved confidence in the domestic economy, the expected acceleration in structural reforms in view of the start of EU accession talks and strong commitment to economic reforms. Growth should also be supported by the rebound in credit activity, and the recovery in activity in the main trading partners.

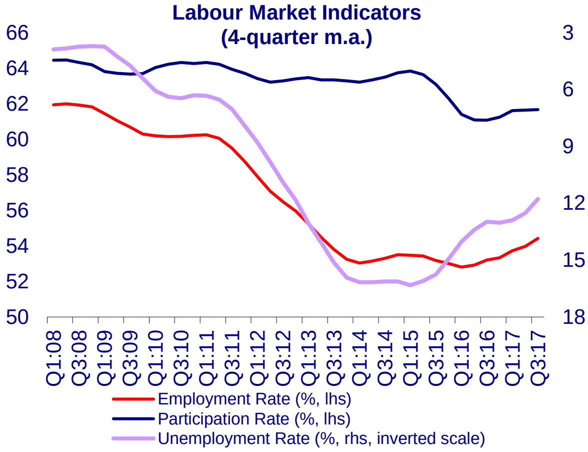
Cyprus

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

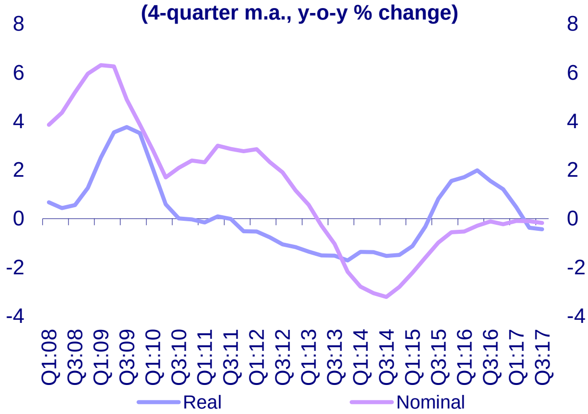
Contributions to End-Year Headline Inflation (pps)



Labour Market Indicators (4-quarter m.a.)



Overall Economy Nominal/Real Wages (4-quarter m.a., y-o-y % change)



	8 Jan.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.20	1.22	1.25	1.30
Sov. Spread (2020. bps)	112	105	95	80

	8 Jan.	1-W %	YTD %	2-Y %
CSE Index	69	-1.1	-1.1	4.9

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	2.0	3.0	3.7	3.4	3.2
Inflation (eop. %)	-1.0	-0.3	-0.6	0.8	1.2
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-3.8	-3.0	-3.2
Fiscal Bal. (% GDP)	-1.2	0.4	1.5	1.5	1.8

Inflation to pick up in 2018 due to tightening output gap as well as higher energy prices. Headline inflation eased moderately to -0.6% y-o-y in December from -0.3% y-o-y in the same month a year earlier, on a sharp decline in the prices of volatile fruit & vegetables, and, to a lesser extent, a milder increase in energy prices (contributing 0.7 pps and 0.2 pps, respectively, to the overall decline), in line with developments in global oil price markets. The decline in headline inflation would have been even sharper had core inflation (which excludes volatile food and energy prices) not eased to -0.2% y-o-y at end-2017 from -0.7% at end-2016 (shaving 0.4 pps off the overall decline), reflecting strengthening economic activity and higher imported inflation.

Looking ahead, we foresee headline inflation moving further in 2018 to 0.8% y-o-y by end-year. Core inflation is set to continue on its upward trend, in line with the widening of the positive output gap (to 0.9% in FY:18 from 0.4% in FY:17). Overall, headline inflation will also be positively affected by increases in prices of fruit & vegetables due to base effects as well as energy prices due to global oil price developments.

The unemployment rate is estimated to have declined to a 5-year low of 11.4% in 2017. Against the backdrop of solid economic growth (3.8% y-o-y in Q3:17), the unemployment rate fell sharply by 3.0 pps y-o-y to a post-crisis low of 10.0% in seasonally strong Q3:17. This positive development was mainly due to the continued recovery in employment, which helped pushed the employment rate up by 1.2 pps y-o-y to a 5-year high of 55.7%. Indeed, the number of new jobs rose by a solid 3.4% y-o-y in Q3:17 (up 12.6k y-o-y), on the back of higher employment in services and industry sectors (representing c. 80% and 9% of total employment, respectively, and up 5.5% and 4.1% y-o-y). The improvement in employment would have been even stronger had the performance of the labour-intensive tourism and construction sectors not been subdued, reflecting base effects from a strong recovery in Q3:16. The strong rise in employment in Q3:17 reflects also Government's measures against undeclared labour (employers had to report unregistered workers by end-August or face fines up to EUR 3.5k per person).

Importantly, despite the fact that the employment rate embarked on an upward trend in Q2:16, nominal wages have remained broadly unchanged on an annual basis for a 5th consecutive quarter in Q3:17, following 3 successive years of decline. However, with inflation rising, real wage growth eased sharply over the past six quarters (to 0.3% y-o-y in Q3:17).

Looking ahead, we expect labour market conditions to continue to improve in Q4:17 and FY:18, albeit at a slower pace, due to a slowdown in economic activity. Indeed, we estimate GDP growth to have moderated to 3.2% y-o-y in Q4:17 from 3.9% y-o-y in 9M:17, on a strong base effect (3.7% in Q4:16 against 2.8% in 9M:16).

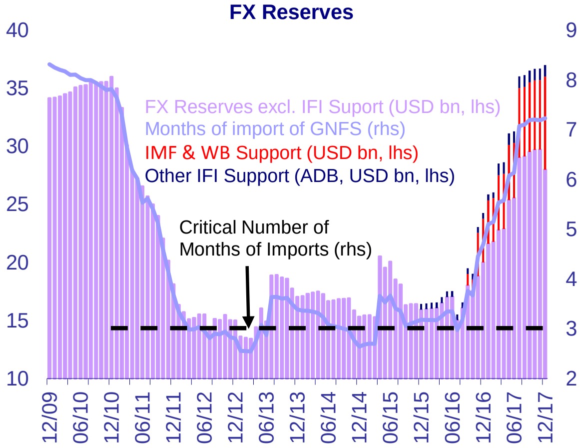
For FY:18, tourism activity is expected to contribute largely to the economic slowdown (we see GDP growth moderating to 3.4% in FY:18 from an estimated 3.7% in FY:17). The tourism sector is set to be hindered this year by a slowdown in tourist arrivals from the UK and Russia -- the main source countries (representing c. 60% of total) -- due to the resumption of direct flights from Russia and the UK to neighbouring Egypt after a ban of more than 2 years.

All said, we estimate the unemployment rate to have eased by 1.4 pps y-o-y to 11.5% in Q4:17, bringing FY:17 unemployment rate to 11.4% -- down from 13.0% in FY:16. We also see FY:18 down to a 7-year low of 10.3%.

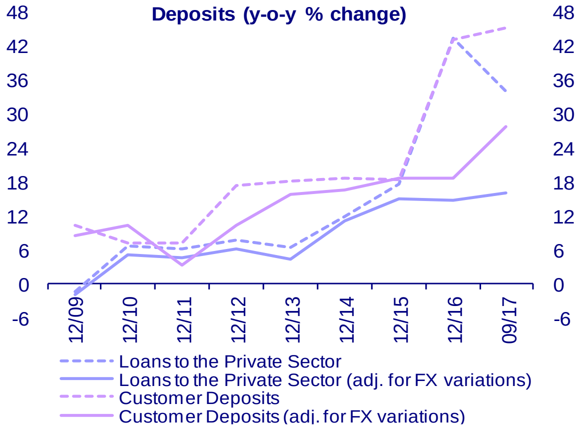
Egypt

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

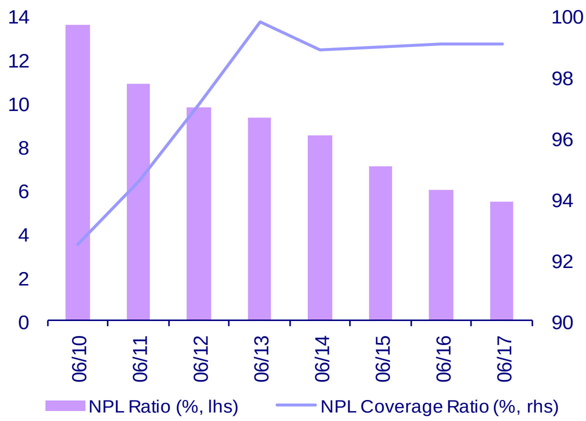
FX Reserves



Loans to the Private Sector and Customer Deposits (y-o-y % change)



NPL Ratio and NPL Coverage Ratio (%)



	8 Jan.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	19.0	18.0	17.0	15.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	160	155	150	140

	8 Jan.	1-W %	YTD %	2-Y %
HERMES 100	1,442	0.3	0.4	131.1

	14/15	15/16	16/17E	17/18F	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	4.6	5.2
Inflation (eop. %)	11.4	14.0	29.8	13.5	9.8
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.6	-5.4	-4.4
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.5	-8.2

FX reserves increased by USD 12.8bn to an all-time high of USD 37.0bn in 2017, following the solid implementation of the loan agreement with the IMF (signed in November 2016). The sharp rise in 2017 was supported by: i) the disbursement of USD 3.3bn by the IMF as part of a USD 12.0bn loan; ii) the successful issuance of USD 7.0bn in Eurobonds; iii) the release of the 2nd USD 0.5bn tranche from a USD 1.5bn loan package from the African Development Bank; and iv) the disbursement of the 2nd USD 1.0bn tranche from a USD 3.0bn WB loan. The pick-up in FX reserves was also underpinned by large foreign investments in the high-yielding domestic debt market, a sharp recovery in the tourism sector and a significant rise in workers' remittances from abroad (see next section).

With the sharp rise in 2017, FX reserves not only reversed the post January-2011 revolution losses but also reached an all-time high of USD 37.0bn (covering 7.2 months of imports of GNFS). Without the IMF and WB support (USD 3.3bn and USD 1.0bn, respectively), FX reserves would have stood at USD 28.5bn at end-2017 (still comfortably covering 5.5 months of imports of GNFS).

Customer deposits (FX-adjusted) gained momentum in 9M:17, underpinned by strengthening confidence in the Egyptian economy and higher EGP remuneration rates. Adjusted for FX fluctuations, growth in customer deposits accelerated to a multi-year high of 27.8% y-o-y in September from 18.5% at end-2016.

From a segment perspective, the acceleration in (FX-adjusted) overall deposits was driven by the retail segment. The latter increased by 35.4% y-o-y in September compared with a rise of 21.2% at end-2016, supported by strengthening confidence in the domestic economy following the solid implementation of the loan agreement with the IMF and a more attractive remuneration of EGP-denominated deposits.

A recovery in workers' remittances from abroad and tourist receipts also contributed to the acceleration in overall deposits (FX-adjusted). Indeed, following the flotation of the domestic currency in November 2016, remittances reversed a 7-quarter long negative trend in Q4:16 and rose by 13.2% y-o-y in USD terms 9M:17. Moreover, tourist receipts soared by 198.0% y-o-y in USD terms in 9M:17, after 6 consecutive quarters of decline averaging 45.0% y-o-y, not only on the back of more competitive prices but also the removal of travel bans and/or warnings by key source countries – with the exception of Russia and the UK -- following a significant improvement in security conditions.

Credit to the private sector (FX-adjusted) maintained momentum in 9M:17, supported by ample liquidity for banks, improved asset quality and a strong capital base. Adjusted for FX movements, lending growth rose to 16.0% y-o-y in September from 14.7% at end-2016. The ample liquidity, the significant improvement in asset quality metrics during the past 7 years (see below) and the strong capital base appear to have encouraged banks to ease further their credit conditions. In fact, with the return of foreign investors to the domestic debt market, domestic banks ceased to be the only investor in that market. Note that that (net) foreign investments in Egyptian securities rose sharply to USD 16bn in 9M:17 (from near zero a year earlier) and the domestic bank share of investment in securities in total deposits declined significantly to a 5½-year low of 54.7% in September from 65.2% at end-2016.

Moreover, the NPL ratio declined by 8.1 pps to 5.5% and the provision coverage of NPLs rose by 6.6 pps to 99.1% between June 2010 and June 2017, while the capital base strengthened, with the capital adequacy ratio reaching a multi-year high of 14.5% in June 2017 -- well above the CBE-mandated 10.0%.

FOREIGN EXCHANGE MARKETS, JANUARY 8TH 2018

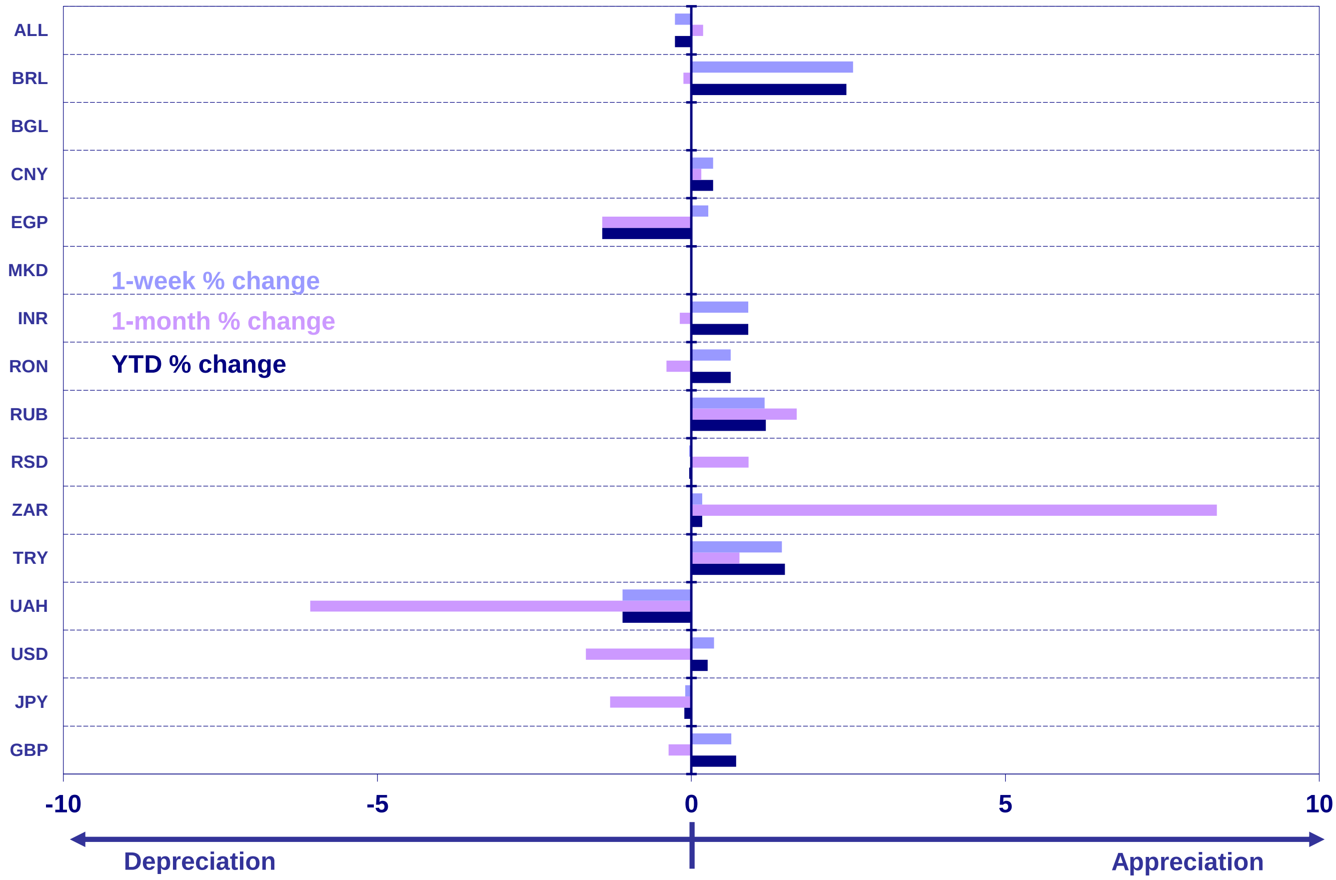
Against the EUR

	Currency	2018										2017	2016
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	133.2	-0.3	0.2	-0.3	1.9	133.0	133.4	133.6	133.5	133.0	1.9	1.2
Brazil	BRL	3.88	2.6	-0.1	2.5	-12.8	3.86	4.00	4.15	4.15	4.15	-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	7.77	0.3	0.2	0.3	-6.0	7.77	7.85	8.16	8.16	8.15	-6.0	-4.0
Egypt	EGP	21.13	0.3	-1.4	-1.4	-9.2	20.95	21.32	- - -	- - -	- - -	-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	76.0	0.9	-0.2	0.9	-5.3	75.9	76.7	81.2	- - -	- - -	-6.7	0.4
Romania	RON	4.65	0.6	-0.4	0.6	-3.4	4.62	4.66	4.68	4.71	4.80	-3.0	-0.4
Russia	RUB	68.4	1.2	1.7	1.2	-7.1	68.1	69.5	69.5	70.8	73.3	-6.8	22.9
Serbia	RSD	118.4	0.0	0.9	0.0	4.3	118.4	119.1	118.8	119.1	- - -	4.2	-1.5
S. Africa	ZAR	14.8	0.2	8.4	0.2	-2.5	14.73	15.07	15.1	15.4	16.0	-2.7	16.2
Turkey	YTL	4.48	1.4	0.8	1.5	-12.5	4.48	4.56	4.63	4.78	5.12	-18.4	-14.7
Ukraine	UAH	33.9	-1.1	-6.1	-1.1	-16.1	33.49	34.02	34.1	- - -	- - -	-15.2	-8.6
US	USD	1.20	0.4	-1.7	0.3	-11.6	1.2	1.2	1.20	1.21	1.23	-12.4	3.3
JAPAN	JPY	135.3	-0.1	-1.3	-0.1	-9.4	134.7	136.6	135.4	135.5	135.6	-8.9	6.0
UK	GBP	0.88	0.6	-0.4	0.7	-1.5	0.9	0.9	0.88	0.89	0.89	-4.1	-13.5

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (January 8th 2018)



MONEY MARKETS, JANUARY 8TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	6.9	-0.1	2.5	- - -	19.0	- - -	- - -	1.0	7.2	- - -	13.3	8.3	13.4	- - -	1.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.0	6.5	2.5	- - -	8.1	- - -	- - -	- - -
S/W	1.4	6.9	-0.1	2.7	-0.4	- - -	1.2	- - -	- - -	6.5	2.5	- - -	7.3	14.2	-0.4	1.5
1-Month	1.6	6.9	-0.1	4.3	-0.4	- - -	1.5	6.3	1.6	6.7	2.8	13.8	7.5	16.1	-0.4	1.6
2-Month	- - -	6.8	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	7.7	3.0	14.1	7.3	- - -	-0.3	1.6
3-Month	2.1	6.7	0.0	4.7	-0.3	- - -	1.7	6.6	2.0	7.7	3.1	14.6	7.5	17.0	-0.3	1.7
6-Month	2.5	6.6	0.2	4.7	-0.3	- - -	2.0	- - -	2.2	7.9	3.2	14.8	7.4	- - -	-0.3	1.9
1-Year	3.1	6.8	0.6	4.7	-0.2	- - -	2.4	- - -	2.3	8.0	- - -	15.1	7.8	- - -	-0.2	2.2

LOCAL DEBT MARKETS, JANUARY 8TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	1.5	- - -	- - -	- - -	- - -	19.2	- - -	6.3	- - -	7.7	3.3	12.5	- - -	- - -	-0.7	1.4
6-Month	2.0	- - -	- - -	- - -	- - -	19.2	1.5	6.3	1.8	7.7	3.3	13.1	- - -	- - -	-0.7	1.6
12-Month	2.7	- - -	-0.1	3.5	- - -	18.2	1.9	6.6	2.0	7.1	3.5	13.5	- - -	14.7	-0.7	1.8
2-Year	3.1	- - -	- - -	3.6	- - -	- - -	- - -	6.8	2.7	7.1	- - -	13.0	7.3	- - -	-0.6	2.0
3-Year	- - -	- - -	0.1	3.7	0.8	- - -	2.4	7.0	3.4	7.1	- - -	12.7	7.6	14.9	-0.5	2.1
5-Year	- - -	9.4	- - -	3.8	0.9	15.9	- - -	7.2	3.8	7.2	4.8	11.9	7.9	- - -	-0.2	2.3
7-Year	- - -	- - -	0.4	- - -	- - -	15.8	- - -	7.3	4.1	7.4	- - -	- - -	- - -	- - -	0.0	2.4
10-Year	- - -	10.0	1.4	3.9	- - -	16.0	- - -	7.3	4.1	7.6	- - -	11.4	8.6	- - -	0.4	2.5
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.6	- - -	7.8	- - -	- - -	9.9	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.6	- - -	- - -	- - -	- - -	9.8	- - -	1.3	2.8

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

CORPORATE BONDS SUMMARY, JANUARY 8TH 2018

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	1.1	171	136
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	6.8	766	701
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	8.2	171	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.1	206	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.7	179	156
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	102	56
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	1.8	242	209
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	0.9	151	117
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.0	230	192
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.6	337	331

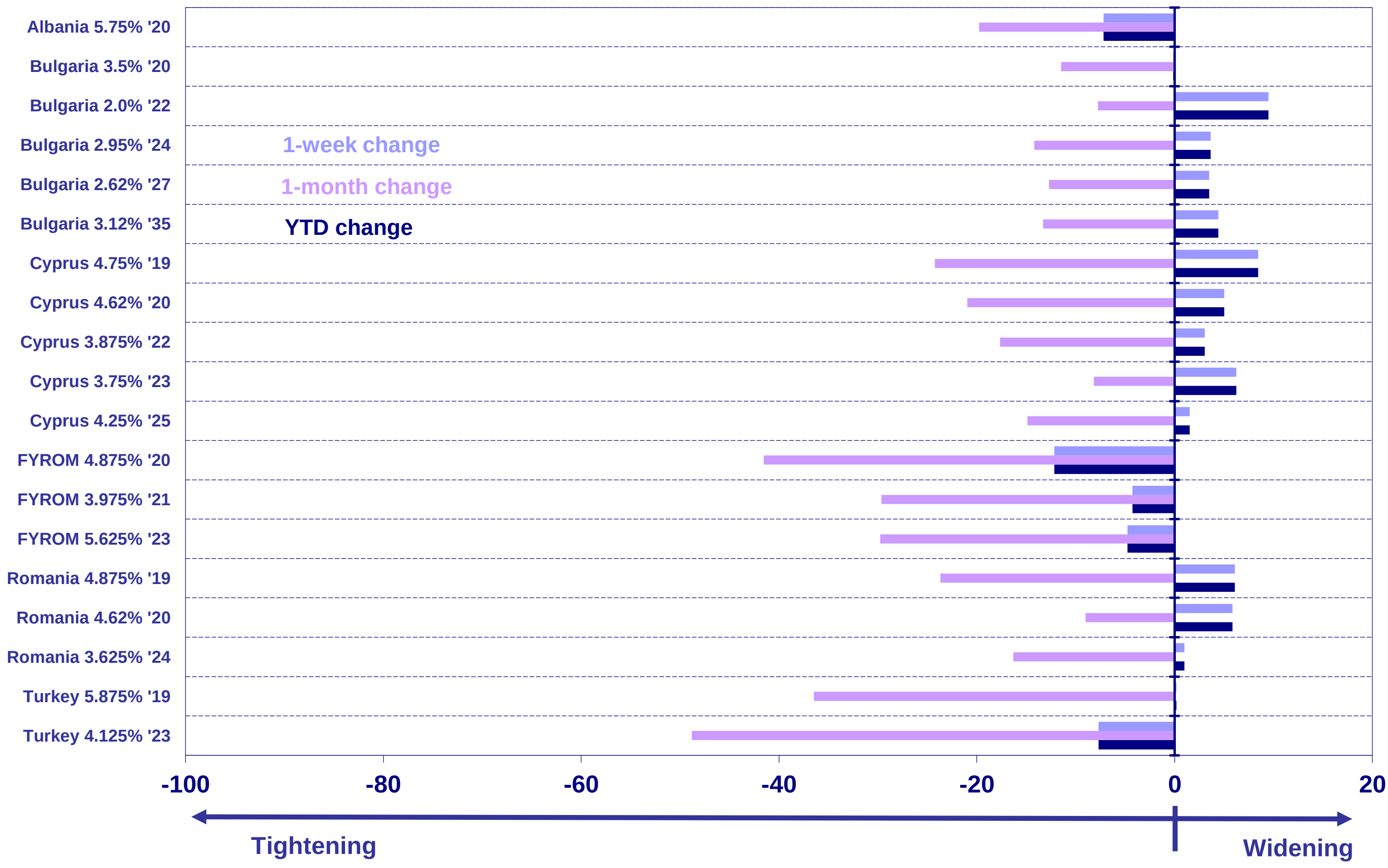
CREDIT DEFAULT SWAP SPREADS, JANUARY 8TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	145	90	46	115	333	- - -	80	94	117	129	161	149	- - -
10-Year	- - -	233	129	83	162	383	- - -	89	131	187	164	249	240	- - -

EUR-Denominated Sovereign Eurobond Summary, January 8th 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	185	149
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	72	28
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.1	41	-11
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	0.6	60	17
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.1	70	38
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.2	130	98
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	199	0.2	85	51
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	668	0.5	112	69
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	0.9	124	75
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	1.2	129	87
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	1.6	143	106
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	1.3	180	141
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.6	199	406
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.5	263	236
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	-0.1	54	14
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	55	12
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.1	104	69
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.5	118	85
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.3	238	205

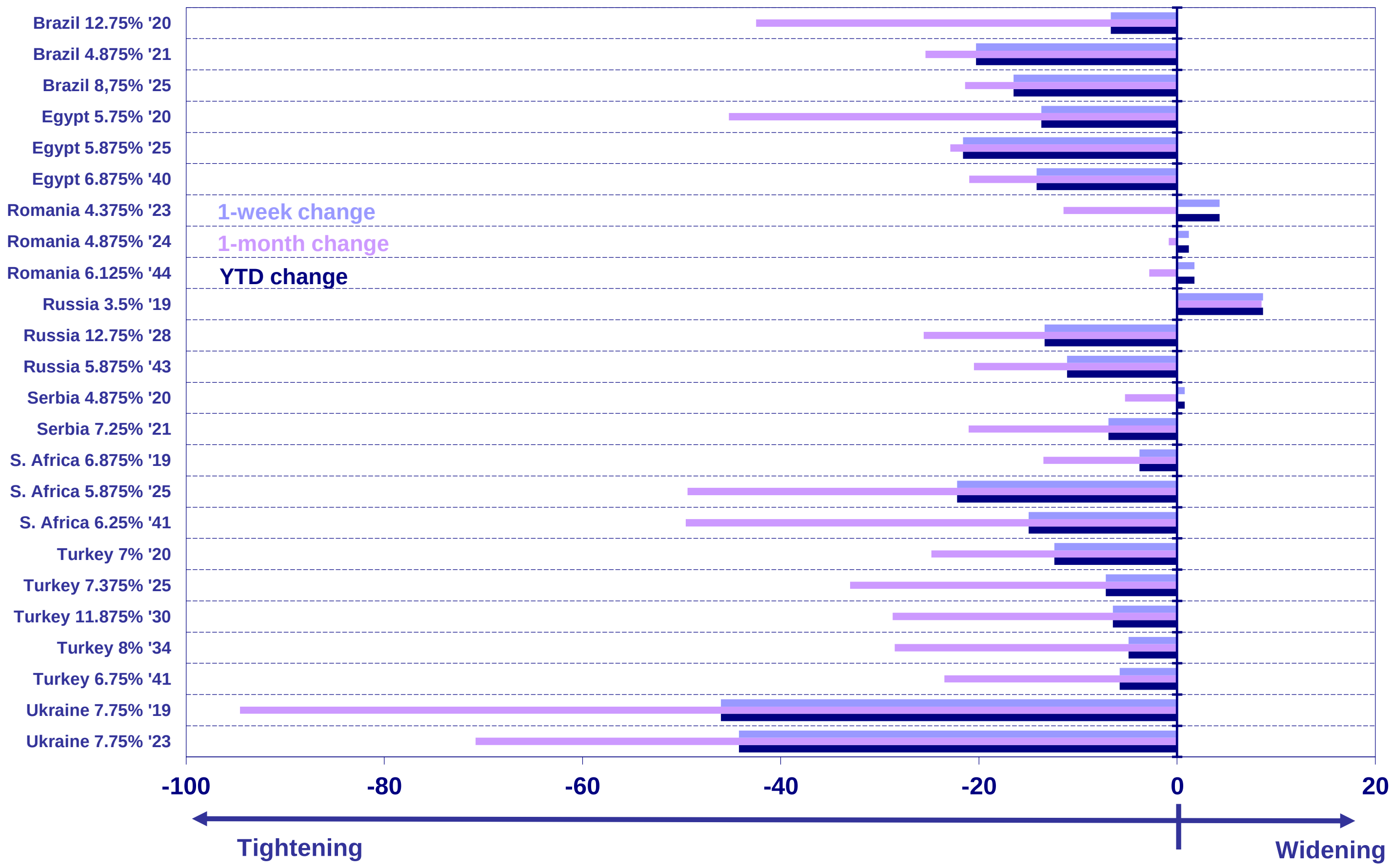
EUR-Denominated Eurobond Spreads (January 8th 2018)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JANUARY 8TH 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/Ba2	15/1/2020	87	1.8	-19	-40
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,713	2.7	62	45
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	688	3.9	151	177
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	3.6	160	140
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	5.5	313	313
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	6.7	387	406
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.1	78	74
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.1	72	81
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.3	147	196
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.7	89	71
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	3.9	145	209
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.7	186	227
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.1	114	95
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.1	107	91
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.9	115	93
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.3	188	196
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.2	242	281
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.5	153	135
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	4.7	232	252
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.3	280	370
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.7	321	354
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	5.8	301	321
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	661	4.1	213	203
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	6.0	367	373

USD-Denominated Eurobond Spreads (January 8th 2018)



STOCK MARKETS PERFORMANCE, JANUARY 8TH 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)	79,379	3.9	9.1	3.9	28.7	76,403	79,395	6.0	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	689	1.7	3.5	1.7	15.6	677	695	1.7	15.5	15.5	27.2	27.2
China (SHCOMP)	3,409	3.1	3.6	3.1	7.5	3,314	3,413	3.5	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	69	-1.1	-3.6	-1.1	0.8	68	70	-1.1	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,442	0.3	5.5	0.4	27.7	1,429	1,442	-0.4	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	2,607	2.7	4.0	2.7	19.6	2,536	2,608	2.7	18.9	18.9	16.5	16.5
India (SENSEX)	34,353	1.6	3.3	0.9	28.5	26,964	34,386	1.7	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,699	2.9	3.6	2.9	22.1	1,675	1,699	3.5	22.8	19.1	0.2	0.0
Russia (RTS)	4,338	5.2	3.9	5.2	-11.1	4,128	4,343	6.2	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	768	1.0	3.5	1.0	6.9	743	778	1.0	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	60,038	0.9	3.5	0.9	17.6	59,009	60,151	1.1	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	116,305	0.8	7.8	0.8	50.3	115,152	118,395	2.3	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	317	0.5	4.2	0.5	19.4	315	317	-0.6	18.8	0.8	10.2	1.0
MSCI EMF	1,207	4.3	8.6	4.2	37.4	1,158	1,202	4.4	34.3	17.7	8.6	12.2
MSCI EAFE	2,099	2.3	4.7	2.4	22.9	2,051	2,101	2.6	21.8	6.7	-1.9	1.4
Greece (ASE-General)	837	4.3	13.0	4.3	27.0	802	838	4.3	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	13,368	3.5	1.6	3.5	15.6	12,745	13,408	3.5	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,697	0.1	4.1	0.1	6.3	7,624	7,733	0.8	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	25,283	2.3	3.9	2.3	27.1	19,678	25,300	2.5	25.1	9.6	13.4	16.7
USA (S&P 500)	2,748	2.8	3.6	2.8	21.1	2,682	2,743	3.0	19.4	4.7	9.5	13.2

Equity Indices (January 8th 2018)