Economic Analysis Division

Emerging Markets Research

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NATIONAL BANK OF GREECE

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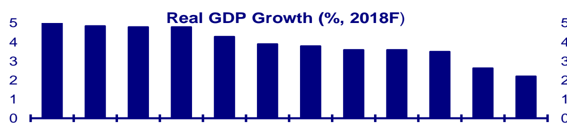
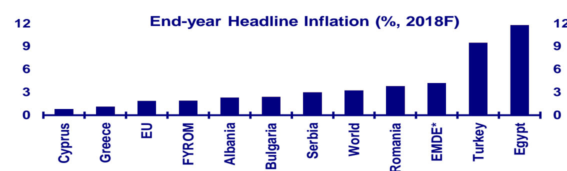


* EMDE: Emerging Market & Developing Economies



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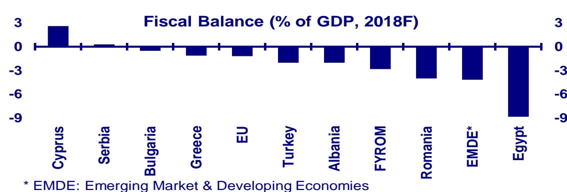

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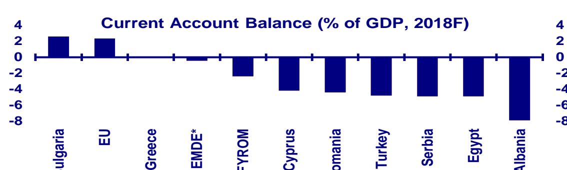


* EMDE: Emerging Market & Developing Economies

TURKEY 1

The CBRT keeps its key monetary policy instrument on hold at 12.75%

The current account deficit widened by 1.7 pps to a 4-year high of 5.5% of GDP in FY:17, due to a sharp rise in gold imports and an unfavourable energy bill

ROMANIA 2

Political uncertainty heightened following the Government's bid to remove the head of the anti-corruption authority

The current account deficit rose to 3.6% of GDP in FY:17 from 2.1% in FY:16, on the back of stronger domestic demand

BULGARIA 3

Stronger domestic demand and a higher energy bill reduced the current account surplus to a still impressive 3.9% of GDP in FY:17 from 5.3% in FY:16

Tourism activity remained strong in FY:17, sustaining economic growth and the current account surplus

SERBIA 4

Impressive fiscal consolidation of 2.5% of GDP in FY:17, with the Budget turning from a deficit into a surplus.

The 2018 Budget is set to overperform its deficit target of 0.7% of GDP -- for a 4th successive year -- by a wide margin

FYROM 5

The current account deficit narrowed sharply by 1.4 pps to a 3-year low of 1.3% of GDP in FY:17

ALBANIA 6

The banking sector's bottom line strengthened markedly in FY:17, with ROAE returning to double digits

CYPRUS 7

Fiscal consolidation continued for a 3rd consecutive year, with the fiscal surplus rising to 1.9% of GDP in FY:17 from 0.5% in FY:16

The 2018 Budget is set to overperform its target of a surplus of 1.3% of GDP by an estimated 1.3 pps of GDP

EGYPT 8

The unemployment rate fell below 12%, for the first time in 6½ years, in H1:17/18 (11.6%)

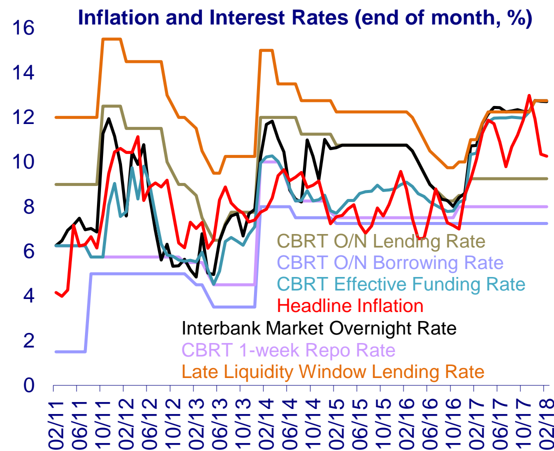
FX reserves rose by USD 5.5bn to a record high of USD 42.5bn in the first two months of 2018, supported by the solid implementation of the loan agreement with the IMF (signed in November 2016)

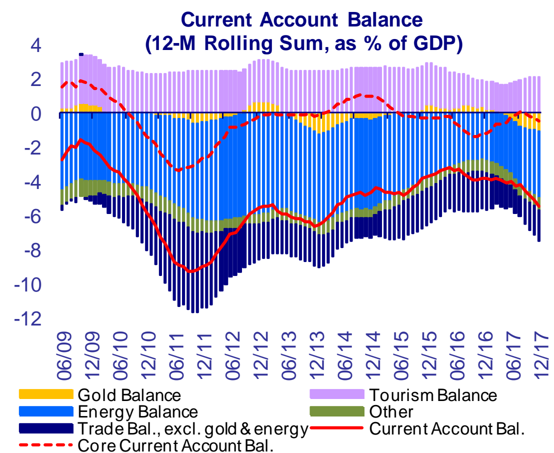
APPENDIX: FINANCIAL MARKETS 9

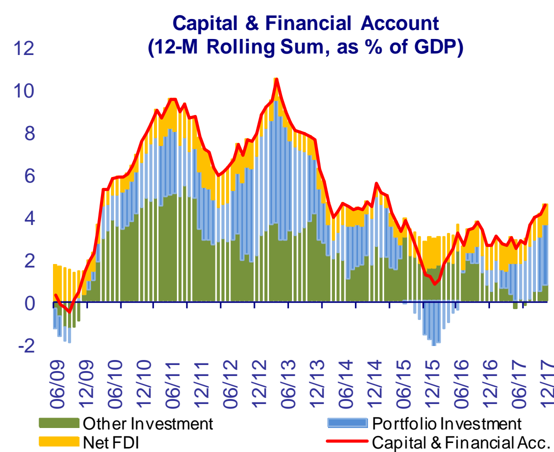
Please see disclosures in page 14

Turkey

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







	5 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.6	13.5	13.0	12.0
TRY/EUR	4.70	4.75	4.80	5.00
Sov. Spread (2020, bps)	184	180	160	150

	5 Mar.	1-W %	YTD %	2-Y %
ISE 100	116,946	-1.6	1.4	51.5

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.0	4.8	4.2
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	-2.4

The CBRT keeps its key monetary policy instrument on hold at 12.75%. The CBRT maintained its key policy rate unchanged, as well as the more relevant late liquidity window (LLW) lending rate, at 12.75%. Note that the latter instrument has become the only central bank funding source since the CBRT ceased access to the 1-week repo facility (8%) in January 2017 and the overnight facility (9.25%) in November 2017.

The CBRT's decision was in line with its latest policy guidance, according to which a tight policy stance will be maintained "*in a decisive manner*" until the inflation outlook displays a significant improvement "*independent of base effects and temporary factors*". In that direction, headline inflation declined from 11.9% y-o-y in December to 10.3% in January, mainly due to favourable unprocessed food prices, and remained flat in February.

Looking ahead, under our baseline scenario, we project the return of inflation to below 10% not to occur before November. Thus, we expect the CBRT to maintain policy on hold at least until end-2018, in a bid to contain depreciation pressures on the TRY. In the event, 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 3.2%-3.7% range during the remainder of the year, after having risen to 3.0% in February from a low of 0% last November.

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, through the resumption of the less expensive overnight lending and/or 1-week repo facilities. Thus, the CBRT would not need to loosen its policy stance and put at risk its hard-won credibility.

The current account deficit (CAD) widened by 1.7 pps to a 4-year high of 5.5% of GDP in FY:17. The CAD posted the sharpest annual rise in 6 years in FY:17 – up 1.7 pps to a 4-year high of 5.5% of GDP. Importantly, there was a significant improvement in the underlying (core) current account balance (excluding gold and energy, by 0.8% of GDP), which was more than offset by the deterioration in gold and energy balances (by 1.4 pps and 1.1 pp of GDP y-o-y, respectively). The deterioration in the energy balance was in line with global oil price developments and buoyant domestic demand, while that of the gold balance was driven by a sharp rise in gold imports.

The underlying current account balance improved for the first time in 3 years, to a deficit of 0.5% of GDP in FY:17, mainly on the back of the continued recovery in exports (up 13.7% in USD terms), reflecting the stronger competitiveness of Turkish goods and stronger global growth.

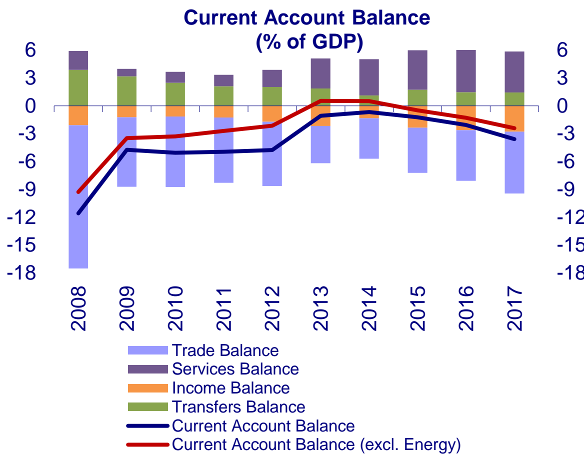
The capital and financial account (CFA) surplus strengthened but fell short of covering the CAD in 2017. The CFA balance improved significantly, by 1.9 pps to a surplus of 4.6% of GDP in FY:17, supported by the dissipation of political uncertainty after the mid-April referendum, the tightening of the monetary policy stance, and the rebound in economic activity. Worryingly, the improvement was exclusively driven by (net) portfolio investments, which rose sharply by 2.1 pps to 2.9% of GDP and became the main source of financing of the CAD in FY:17.

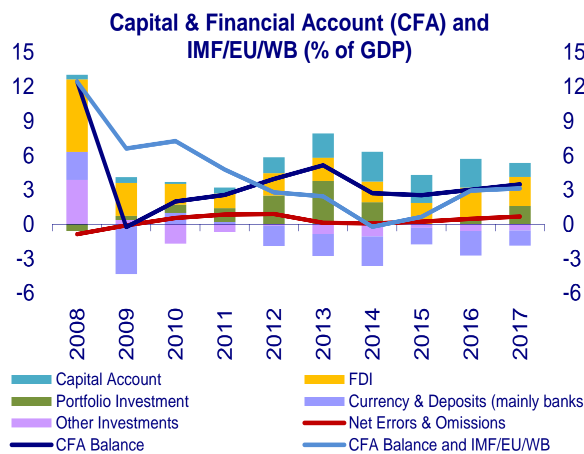
Reflecting current account and CFA developments, FX reserves (excl. gold) declined by 0.9 pps of GDP or USD 7.9bn to a 6-year low of USD 84.1bn in FY:17. As a result, FX coverage of imports of GNFS reached a 6-year low of 4.1 months in FY:17 – down from 5.2 in FY:16.

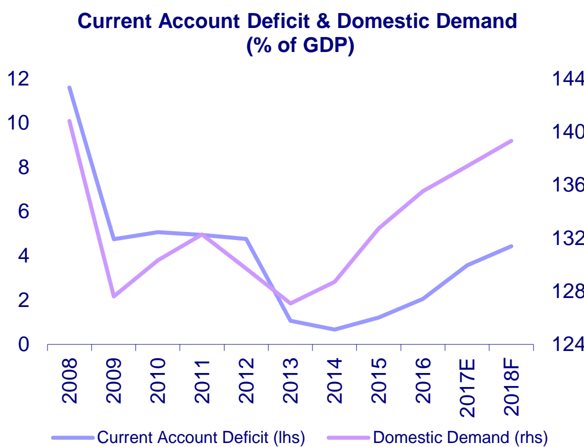
For this year, we expect the CAD to narrow to 4.8% of GDP, supported by a gradual normalization in the gold balance, buoyant external demand and a slowdown in domestic demand.

Romania

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







	5 Mar.	3-M F	6-M F	12-M F
1-m ROBOR (%)	1.6	2.4	2.6	2.8
RON/EUR	4.66	4.63	4.62	4.60
Sov. Spread (2024, bps)	106	106	108	110

	5 Mar.	1-W %	YTD %	2-Y %
BET-BK	1,758	0.9	6.5	41.4

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.9	4.8	7.0	4.8	3.8
Inflation (eop, %)	-0.9	-0.5	3.5	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	-2.9	-4.0	-4.3

Political uncertainty heightened following the Government's bid to remove the head of the anti-corruption authority (DNA). Following a negative review of the DNA's activity by the Ministry of Justice (MJ), the Government initiated procedures to dismiss the DNA's head, L. Kovesi. The latter is allegedly accused of "excess of authority" and "defying the Parliament and the Constitutional Court (CCR)". The judicial watchdog (CSM) has advised against Kovesi's dismissal, while the opposition-linked President, who has the final say, is openly backing her.

The ruling PSD has made several attempts over the past year to reform the judiciary. The main points of the reform include giving the MJ control over the judicial inspection unit (currently managed by CSM) and depriving the President of the power to appoint senior judicial officers. The bills have been challenged in the CCR, with the latter ruling that certain provisions need to be modified. At the same time, the Government has also proposed amendments to the criminal code that would decriminalise several graft offenses. According to the opposition, the amendments would benefit PSD members convicted of corruption, including its leader and the "real power" behind the Government, L. Dragnea. All said, the Government's initiatives have drawn criticism both domestically and internationally, leading to the departure of two PMs in less than a year.

In our view, political uncertainty is unlikely to ease soon. In fact, depending on the President's ruling on Kovesi's case, we could see political tensions escalating between the President and the Government. At the same time, the EC is set to press for the revocation of the controversial judicial reform. Against this backdrop, we expect economic sentiment to deteriorate, threatening macroeconomic and financial stability.

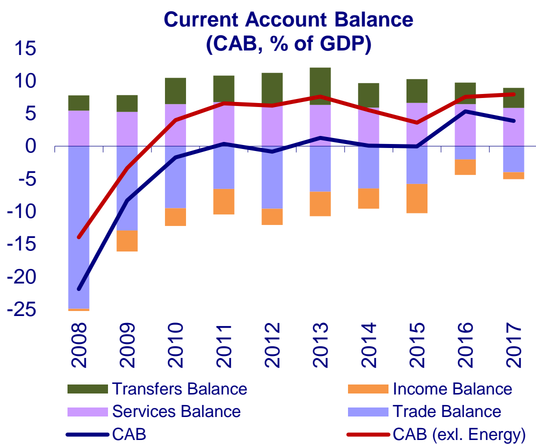
The current account deficit (CAD) rose to 3.6% of GDP FY:17 from 2.1% in FY:16, on the back of stronger domestic demand. The main driver was the trade deficit, which rose sharply in FY:17 (up 1.2 pps y-o-y to 6.7% of GDP), in line with stronger private consumption. The latter was mainly due to a looser incomes policy and its spillover to the private sector.

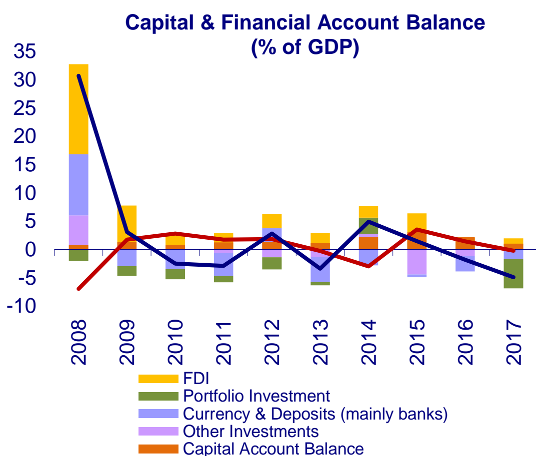
The overall balance (excl. IFIs) ended FY:17 marginally "in the black", despite the larger CAD. Capital outflows from banks slowed in FY:17 (to 1.3% of GDP from 2.2% in FY:16) and net portfolio investment rose (to 1.6% of GDP from 0.6% in FY:16, including net proceeds from sovereign Eurobond issuance worth 1.5% of GDP). These factors were partly offset by a decline in capital transfers (mainly from the EU, to 1.2% of GDP in FY:17 from 2.5% in FY:16), at the onset of the new EU funding cycle. All said, the overall balance deteriorated (by 0.7 pps y-o-y) to a narrow surplus of 0.2% of GDP in FY:17. The latter, together with the loan granted by the World Bank (0.3% of GDP), fell short of debt repayments to the EU (0.7% of GDP).

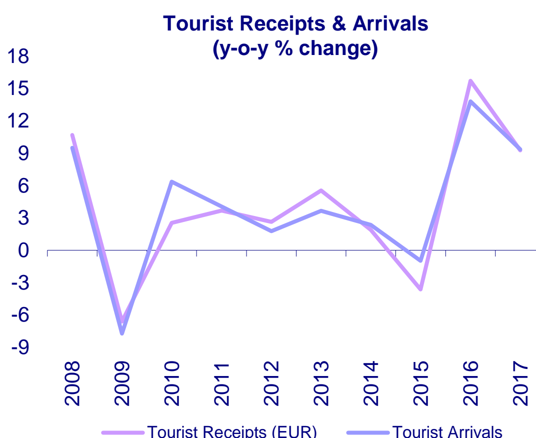
The CAD is set to widen further to 4.4% of GDP in FY:18, in line with a sizeable fiscal policy stimulus. Pressures on the trade deficit are set to persist in FY:18, in view of buoyant domestic demand. The latter could be further reinforced by a large fiscal impulse (1.3 pps of GDP in FY:18 following one equivalent to 1.1 pp in FY:17). The larger CAD, combined with the continuing net debt repayments to IFIs (0.8% of GDP in FY:18), should lead to a further depletion in FX reserves. Projecting that: i) the maturing external debt rollover rate declines (to 85% in FY:18 from 95% in FY:17), due to tightening global liquidity conditions and domestic uncertainty; and ii) capital transfers rise (to 2.2% of GDP in FY:18 from 1.2% in FY:17) on better absorption of EU funds, we see FX reserves falling by EUR 1.2bn to a still acceptable level of EUR 32.3bn at end-2018 (4 months of GNFS imports).

Bulgaria

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







	5 Mar.	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)	53	48	45	40

	5 Mar.	1-W %	YTD %	2-Y %
SOFIX	683	-0.4	0.8	52.9

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.8	3.8	3.3
Inflation (eop, %)	-0.4	0.1	2.8	2.4	2.6
Cur. Acct. Bal. (% GDP)	0.0	5.3	3.9	2.6	1.4
Fiscal Bal. (% GDP)	-2.8	1.6	0.8	-0.5	-0.3

Stronger domestic demand and a higher energy bill reduced the current account surplus (CAS) to a still impressive 3.9% of GDP in FY:17 from 5.3% in FY:16. The trade deficit rebounded sharply in FY:17 (up 2.0 pps y-o-y to 4.0% of GDP), on the back of stronger domestic demand and an unfavourable energy trade deficit (up 1.7 pps of GDP y-o-y in FY:17). The deterioration would have been sharper had non-energy exports not improved in FY:17 (up 2.7 pps of GDP y-o-y). Importantly, Bulgaria's non-energy export base has continued to widen (to 45.6% GDP in FY:17 from 31.6% in FY:10), despite deteriorating competitiveness (real wage growth -- currently at 8.0% y-o-y -- has surpassed by far productivity gains in recent years -- c. 2.5%). This phenomen reflects still favourable base effects (total hourly costs in Bulgaria are one-sixth of the EU-28 average). Moreover, the services surplus narrowed in FY:17 (by 0.6 pps y-o-y to 5.8% of GDP), reflecting weaker net exports of outsourced manufactured goods (which are classified as services). On a positive note, the income deficit narrowed (down 1.3 pps y-o-y to 1.0% of GDP in FY:17) on the back of lower outflows from profits and dividends.

The capital & financial account balance deteriorated sharply in FY:17, but mainly due to base effects. Net portfolio investment fell sharply in FY:17 (recording outflows of 5.1% of GDP against inflows of 1.3% in FY:16, with the latter, however, including proceeds from the issuance of a sovereign Eurobond worth 4.2% of GDP and the former including debt repayments worth 1.9% of GDP). Capital transfers also declined in FY:17 (to 1.0% of GDP from 2.2% in FY:16), due to slower absorption of EU funds at the onset of the new EU programming period. All said, the overall balance deteriorated in FY:17 (by 7.3 pps y-o-y) to a marginal deficit of 0.2% of GDP.

Bulgaria is set to have the best external sector performance in the region in FY:18, despite the easing of the CAS to 2.6% of GDP. The trade deficit is likely to remain under pressure in FY:18, in view of strong domestic demand. The latter should be supported by a significant fiscal stimulus (1.4 pps of GDP in FY:18 following 0.7 pps in FY:17). 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 by EUR 2.0bn to EUR 24.3bn at end-2017 (9 months of GNFS imports).

Tourism activity remained strong in FY:17, sustaining economic growth and the CAS. Tourist arrivals rose by 9.4% y-o-y in FY:17 against 13.8% in FY:16. The slowdown is attributed to the gradual return of tourists from the EU to Turkey and Egypt, mainly due to easing domestic security concerns. Indeed, tourist arrivals from the EU (accounting for 59% of total arrivals in FY:16) increased by 10.6% y-o-y in FY:17 against an increase of 18.4% in FY:16.

Moreover, tourism receipts rose by 9.3% y-o-y in FY:17 against 15.7% in FY:16, suggesting that spending per tourist had stabilized. Note that strong tourism activity led to a significant staff shortage in the sector, forcing the Government to relax employment regulations so as to attract workers from neighboring non-EU countries.

In view of the country's price competitiveness, we expect tourism activity to remain strong in FY:18, sustaining economic growth and the CAS. The increase in the number of direct flights, mostly low-cost charters from northwestern Europe, will also support tourism. All said, we see tourist arrivals rising by 7.0% (to 12.4mn) in FY:18, with receipts growing at a similar pace, to EUR 3.8bn (7.1% of GDP).

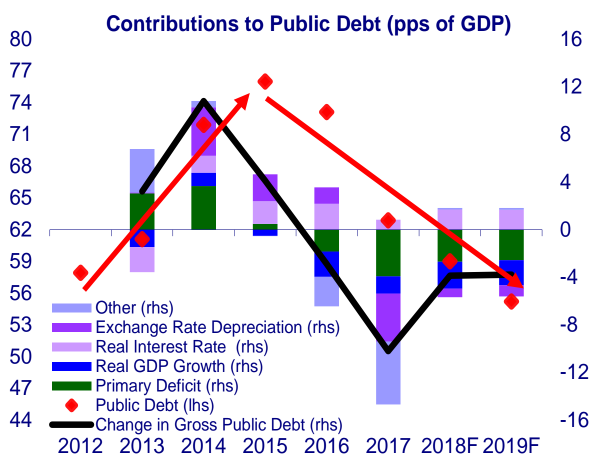
Serbia

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

Consolidated Fiscal Balance (% of GDP)				
	2016*	2017	2018 Budget	2018F NBG
Revenue	43.9	44.7	43.1	43.6
Tax Revenue	37.8	38.9	38.0	38.2
PIT	3.7	3.8	3.6	3.7
CIT	1.9	2.5	2.1	2.1
VAT	10.8	10.8	10.8	10.8
Excises	6.3	6.3	6.1	6.2
Customs	0.9	0.9	0.9	0.9
Other taxes	1.6	1.6	1.6	1.6
Soc. Contrib.	12.6	12.8	12.9	13.0
Non-Tax Rev.	5.9	5.6	4.8	5.0
Grants	0.2	0.2	0.3	0.3
Expenditure	45.2	43.5	43.8	43.3
Current Exp.	40.8	39.5	39.5	39.1
Personnel	9.9	9.6	10.0	9.7
Goods & Services	6.8	6.8	7.1	6.9
Subsidies	2.7	2.6	2.4	2.6
Social Assist.	17.0	16.3	16.0	15.9
o/w Pensions	11.8	11.3	11.3	11.2
Other	1.3	1.4	1.5	1.6
Int. Payments	3.1	2.7	2.6	2.5
Capital Exp.	3.3	3.0	3.7	3.7
Activated Guarant.	0.9	0.7	0.4	0.4
Net Lending	0.1	0.3	0.1	0.1
Fiscal Balance	-1.3	1.2	-0.7	0.3
Primary Balance	1.8	3.9	1.9	0.0
Fiscal Bal. excl. once-off	-0.6	-0.3	0.0	0.0

* Once-off expenses in December 2016 (0.6% of GDP) entail: i) the repayment of arrears of the state-owned petrochemical producer, Petrohemija, to its oil-supplier, NIS, by the Government (0.3 pps of GDP); and ii) the payment of a bonus for pensioners (0.2 pps of GDP).

Contributions to Public Debt (pps of GDP)



	5 Mar.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.9	3.2	3.4	3.8
RSD/EUR	117.9	118.6	118.6	118.5
Sov. Spread (2021, bps)	146	145	135	120

	5 Mar.	1-W %	YTD %	2-Y %
BELEX-15	752	-0.3	-1.1	27.0

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	0.8	2.8	1.9	3.6	3.6
Inflation (eop, %)	1.5	1.6	3.0	3.0	3.0
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

Impressive fiscal consolidation of 2.5% of GDP in FY:17, with the Budget turning from a deficit into a surplus. The consolidated fiscal balance swung into a surplus -- for the 1st time since 2005 -- of a sizeable 1.2% of GDP compared with a deficit of 1.3% in FY:16 -- significantly outperforming its FY:17 target, for a 3rd successive year. Almost ⅔ of the improvement reflects a decline in expenditure (by 1.7 pps of GDP y-o-y), while the remainder was driven by a rise in revenue (up 0.8 pps of GDP y-o-y in FY:17).

Indeed, overall revenue increased by 7.1% y-o-y in FY:17, significantly overperforming its FY:17 growth target (of an increase of 1.3%), largely supported by stronger tax revenue. The impressive tax revenue performance was mainly driven by higher corporate income tax and social contributions (up 0.6 pps, and 0.3 pps of GDP y-o-y, respectively, in FY:17). This was in line with: i) a stronger-than-expected increase in corporate profitability (mainly supported by lower interest rates); ii) a marked improvement in employment, wages and consumption in FY:17; and iii) continued improvement in tax collection.

Moreover, expenditure restraint continued, with spending increasing by 1.3% y-o-y in FY:17, compared with the FY:17 growth target of 2.3%. The rise in outlays was held back despite heavy headwinds: i) the early-April presidential election; ii) the moderate 1.5% increase in pensions and a targeted 3-6% rise in public sector wages (with a fiscal impact of 0.5 pps of GDP in FY:17); and iii) once-off (unbudgeted) payments of RSD 13.6bn (0.3% of GDP), entailing a once-off pension bonus and a targeted public sector wage bonus. Indeed, the main drivers of expenditure restraint were: i) contained personnel and pension expenditure (together declining by 0.8 pps of GDP y-o-y in FY:17); ii) lower interest payments (down by 0.4 pps of GDP y-o-y in FY:17), due to the faster-than-expected decline in public debt in FY:17 (see below) and the RSD appreciation; and iii) under-execution of capital expenditure (falling by 0.3 pps of GDP y-o-y in FY:17).

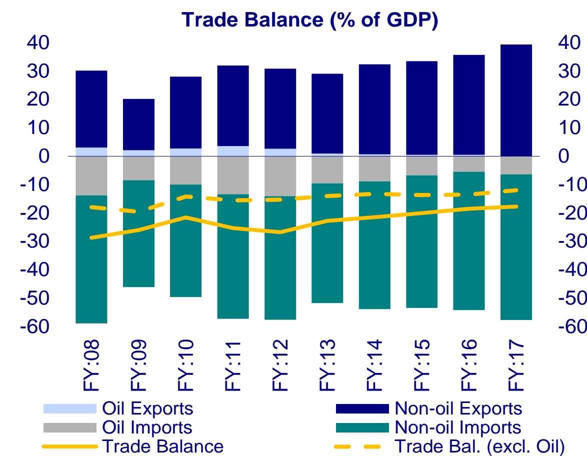
The improvement in the fiscal performance is estimated to have led to a faster-than-initially-expected decline in the public debt-to-GDP to 63.2% of GDP in FY:17 from 73.1% in FY:16 and a peak of 76.0% in FY:15. The c. 10 pp drop in public debt in 2017 was driven by: i) a large primary surplus of 3.9% of GDP; ii) the appreciation of the RSD (by 18.9% and 4.2%, respectively, against the USD and the EUR), subtracting an estimated 4.0 pps from the public debt-to-GDP ratio; iii) strong nominal GDP growth of 4.8%; and iv) declining funding costs (average effective interest rate of 4.0% in FY:17 vs 4.7% in FY:16.

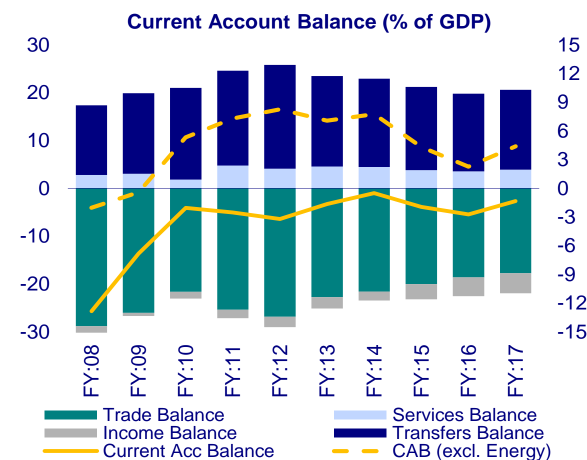
The 2018 Budget is set to overperform its deficit target of 0.7% of GDP -- for a 4th successive year -- by a wide margin. The 2018 Budget envisages an expansionary fiscal stance. It targets a fiscal deficit of 0.7% of GDP -- 1.9 pps above the FY:17 outcome. In our view, the FY:18 deficit target is overly pessimistic, as it is based on both under-estimated revenue and over-estimated expenditure.

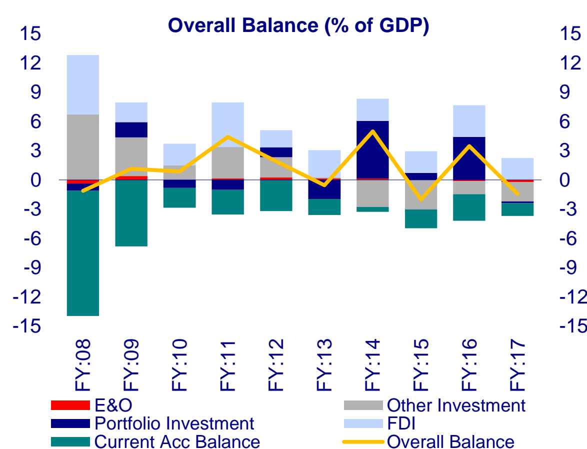
We expect revenue to rise by 3.5% compared with the budgeted increase of 2.0% (an overperformance of 0.5 pps of GDP). On the other hand, we expect expenditure to rise by 5.5% in FY:18 -- below the budgeted increase of 6.5% (another positive impact of 0.5 pps of GDP). Note that the rise in spending this year includes a 5% increase in pensions and a targeted 5-10% rise in public sector wages (with a fiscal impact of 0.4% of GDP and 0.5% of GDP, respectively, in FY:18). Overall, we expect an expansionary fiscal stance this year (after 4 consecutive years of significant fiscal tightening), with the fiscal surplus declining to 0.3% of GDP, compared with 1.2% of GDP in FY:17. Importantly, the public debt-to-GDP ratio is set to ease further, albeit at a slower pace, to c. 60% of GDP in FY:18.

F.Y.R.O.M

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







	5 Mar.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.4	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	191	170	165	160

	5 Mar.	1-W %	YTD %	2-Y %
MBI 100	2,800	1.1	10.3	55.2

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.5	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

The current account deficit (CAD) narrowed sharply by 1.4 pps to a 3-year low of 1.3% of GDP in FY:17. The CAD narrowed to 1.3% of GDP in FY:17, from 2.7% of GDP in FY:16. The improvement was due to a lower trade deficit (0.8 pps of GDP) and, to a lesser extent, higher surpluses for transfers and services.

The improved trade balance in FY:17 reflects a sharp rise in exports (up 17.1%, led by exports of machinery and chemicals to the country's main trading partner, the EU-28), which outpaced a relatively smaller rise in imports (up 11.0%). The former was supported by increased production in the country's technological and industrial development zones, while the latter was tempered by a slowdown in economic activity (GDP growth is estimated to have decelerated to 0.5% in FY:17 from 2.9% in FY:16). The narrowing in the FY:17 trade deficit would have been larger had energy imports not increased significantly (by 0.9 pps of GDP), in line with global oil price developments. Indeed, the underlying (core) trade deficit (excl. oil) narrowed by 1.6 pps to 12.0% of GDP, bringing the current account balance (excl. oil) to a surplus of 4.4% of GDP (from 2.3% of GDP in FY:16).

Moreover, the positive CAD performance in FY:17 was supported by: i) a higher transfers surplus (up 0.4 pps of GDP) reflecting, however, mainly base effects from a sharp decline in private transfers in early-Q2:16, when the domestic political crisis escalated (mainly purchases of foreign currency by residents, accounted as transfers' outflows by the Central Bank); and ii) a higher services surplus (up 0.4 pps of GDP), due to stronger (net) receipts in tourism and construction.

The improvement in the CAD would have been sharper had the income deficit not widened (by 0.2 pps of GDP), due to higher profits and dividends outflows.

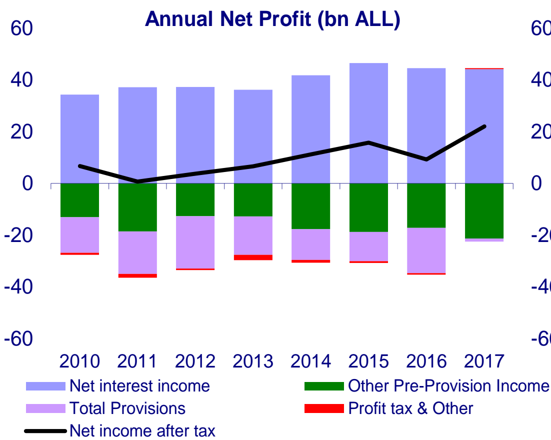
The capital and financial account (CFA) balance deteriorated sharply in FY:17, mainly due to an unfavourable base effect. The capital and financial account (CFA) balance turned into a deficit of 0.1% of GDP in FY:17 from a surplus of 6.2% of GDP in FY:16. The deterioration was, however, mainly due to a sharp decline in portfolio investment (by 4.6 pps of GDP), reflecting base effects from the placement of a 7-year Eurobond in July 2016 (EUR 450mn or 4.5% of GDP). Lower net FDI inflows, due to the prolonged political and economic uncertainty, also contributed to the deterioration in the FY:17 CFA balance (down 1.0 pp to 2.3% of GDP).

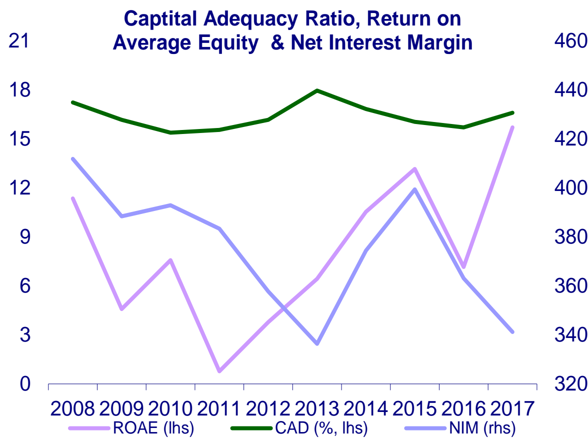
Reflecting CAD and CFA developments and negative (net) errors and omissions (-0.2% of GDP), the overall balance turned negative to -1.4% of GDP in FY:17. As a result, and accounting for valuation effects, FX reserves declined by EUR 277mn to EUR 2.3bn at end-2017 (covering 4.0 months of imports).

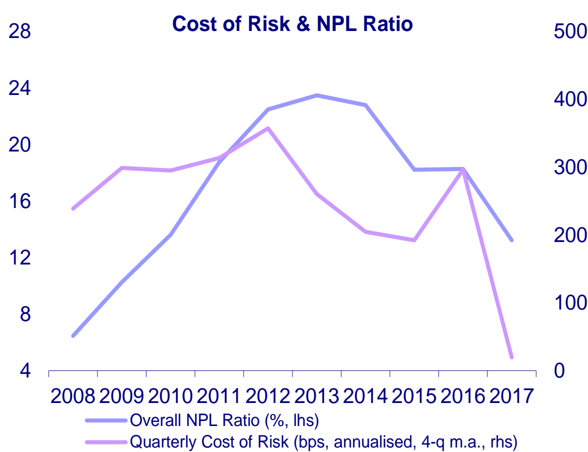
For this year, a build-up in domestic demand stemming from the return of political stability and strengthening economic activity (see Table) is expected to push the CAD higher (by 0.5 pps to 1.8% of GDP). Despite the expected deterioration in the CAD, external financing should be manageable in view of a strong rebound in investor confidence, reflecting a brighter economic outlook stemming from the Government's reform drive and the expected launch of EU accession talks by end-year. Projecting that: i) net FDI inflows rise to 2.8% of GDP in FY:18 (from 2.3% in FY:17); ii) net portfolio investment increases (to 4.2% of GDP in FY:18 from -0.2% of GDP in FY:17, mainly due to a 7-year Eurobond issue of EUR 500mn or 4.7% of GDP in early-January); and iii) the maturing external debt rollover rate improves (to 93% in FY:18 from an estimated 88% in FY:17), we see FX reserves increasing by EUR 420mn to EUR 2.8bn at end-2018 (covering 4.5 months of imports).

Albania

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







	5 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	131.9	132.0	131.3	130.0
Sov. Spread (bps)	171	210	200	180

	5 Mar.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.9	4.2	4.3
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.6	-8.5	-7.9	-7.0
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-2.0	-1.9

The banking sector's bottom line strengthened markedly in FY:17, with ROAE returning to double digits. Net profit (after tax) increased to a record high ALL 22.1bn (1.4% of GDP) in FY:17, more than double its level of ALL 9.3bn in FY:16. The strong performance was exclusively due to lower provisions, following a sharp rise in FY:16, prompted by the bankruptcy of two large corporates and the sharp decline in NPLs during the past 4 years. As a result, ROAE and ROAA returned to double digits, up to a 10-year high of 15.7% and 1.5%, respectively, in FY:17, from the corresponding levels of 7.2% and 0.7% in FY:16.

P/L provisions decreased markedly as a result of the marked drop in the NPL ratio over the past 4 years and a strong base effect. P/L provisions declined sharply in FY:17, amounting to just 7% of their level in FY:16 (absorbing just 5.2% of pre-provision earnings in FY:17, well below the 63.8% in FY:16). This occurred due to the normalization in provisioning, following a once-off sharp rise in FY:16, that reflected: i) the bankruptcy of two large companies (namely, Albania's only steelmaker, Turkey's Kurum, and the 15% state-owned oil refiner, ARMO), and the concomitant pressure on related companies; and ii) strengthened supervision by the BoA that led to NPL reclassifications in FY:16. The decline in provisions also reflects a lower NPL ratio.

In fact, the NPL ratio declined sharply by 5.0 pps y-o-y to an 8-year low of 13.2% in Q4:17 (returning to its end-2010 level -- well below its post-crisis peak of 25.0% in Q3:14). This was supported by: i) strengthening economic activity and improved collection; ii) credit restructuring, as well as large write-offs (the latter are estimated to have amounted to c. ALL 15bn in FY:17, or 13.8% of end-2016 NPLs). Recall that the sharp decline in NPLs between end-2014 and 2017 was also supported by the 2015 regulation, mandating the obligatory write-off of loans held in "loss" category for more than three years, as well as the mandatory build-up in provisions, in line with the duration a loan is past due. The Government's clearance of a large part of its accumulated arrears in 2014-15 was another impetus for NPL reduction.

As a result, the cost of risk fell sharply, to just 20 bps in FY:17 -- its lowest level on record -- from 296 bps in FY:16. Moreover, the NPL coverage ratio rose to an estimated 73.6% in FY:17 from 72.5% in FY:16, as the stock of NPLs fell at a faster pace than that of provisions.

Pre-provision earnings weakened in FY:17. Pre-provision income (PPI) was down by 16.3% y-o-y in FY:17, mainly due to a weaker (net) non-interest income (NNII), likely reflecting securities revaluation. PPI was also dragged down by the continued fall in net interest income (NII) and higher operating expenses. Indeed, NII (c. 80% of gross operating income) fell by 0.8% y-o-y in FY:17, albeit at a slower pace compared with a decline of 4.1% in FY:16, as higher average interest earning assets (up 4.1% in FY:17) were more than offset by the compression of the NIM (down 22 bps y-o-y to 345 bps in FY:17 from 384 bps in FY:16). The compression of the NIM is estimated to have occurred on the back of the drop in both: i) core NIM, as the loan spreads declined at a faster pace than deposit spreads in an environment of falling interest rates and strong competition for lending market share; and ii) non-core NIM, in line with the drop in public domestic debt yields.

Furthermore, operating expenses are estimated to have increased slightly (including a 2.1% rise in personnel expenditure in FY:17, in line with the 2.0% y-o-y average inflation in FY:17). With operating income declining and operating expenses rising, the cost-to-income ratio is estimated to have deteriorated.

On a positive note, the banking sector remains well capitalized (CAD at 16.6% -- above the regulatory floor of 12% -- up from 15.7% in FY:16). Moreover, its liquidity is solid, with little reliance on foreign financing.

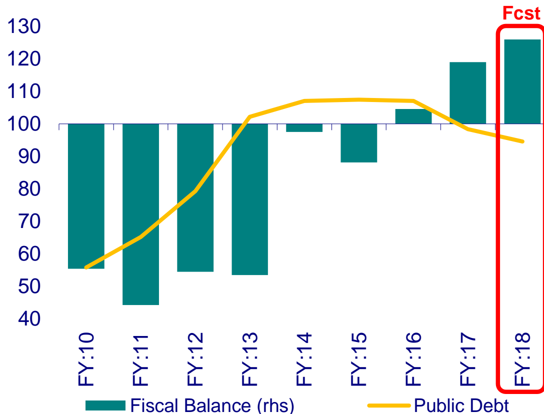
Cyprus

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

General Government Fiscal Balance (% of GDP)

	2016A	2017A	2018 Budget	NBG 2018 Forecast
Revenue	38.8	40.2	39.6	40.5
Tax Revenue	33.3	34.7	34.2	35.0
Indirect Taxes	15.1	16.0	15.8	16.1
Direct Taxes	9.7	9.7	9.4	9.8
Soc. Contrib.	8.5	9.0	8.9	9.1
Non-Tax revenue	5.5	5.5	5.4	5.5
Expenditure	38.3	38.3	38.3	37.9
Cur. Expenditure	35.5	35.3	n.a.	35.1
G. & Services	3.6	3.8	n.a.	3.8
Wag.& Salaries	12.4	12.4	n.a.	12.4
Soc. Transfers	14.1	13.8	n.a.	13.7
Int. Payments	2.6	2.5	2.5	2.5
Subsidies	0.5	0.3	n.a.	0.3
Other	2.2	2.4	n.a.	2.4
Capital Expend.	2.9	3.1	n.a.	2.8
Fiscal Balance	0.5	1.9	1.3	2.6
Primary Balance	3.0	4.4	3.8	5.1

Fiscal Balance and Public Debt (% of GDP)



	5 Mar.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.23	1.22	1.25	1.30
Sov. Spread (2020. bps)	69	55	52	50

	5 Mar.	1-W %	YTD %	2-Y %
CSE Index	70	0.7	0.0	2.7

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	2.0	3.0	3.9	3.6	3.3
Inflation (eop. %)	-1.0	-0.3	-0.6	0.8	1.2
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-4.8	-4.2	-4.5
Fiscal Bal. (% GDP)	-1.2	0.5	1.9	2.6	2.8

Fiscal consolidation continued for a 3rd consecutive year, with the fiscal surplus rising to 1.9% of GDP in FY:17 from 0.5% in FY:16. The fiscal balance posted a sizeable surplus of 1.9% of GDP in FY:17, surpassing its (revised) target of 1.0% of GDP (in the 2018-20 Medium Term Programme issued in October) and the FY:16 outcome of 0.5% of GDP.

The improvement was mainly due to a strong tax revenue performance (up 9.0% or 1.5 pps to 40.2% of GDP against a weaker rise of 3.9% or 0.3 pps of GDP in FY:16), reflecting strengthening economic activity (GDP growth is estimated to have reached a post global-crisis high of 3.9% in FY:17 from 3.0% in FY:16) and better collection. The rise in tax revenue was driven by significant increases in indirect taxes (including VAT, excise taxes and taxes on imports -- up 0.9 pps of GDP) and social security contributions (up 0.5 pps of GDP), in line with solid economic growth and improving labour market conditions (employment rose by 3.3% y-o-y in 9M:17).

Note that the fiscal surplus in FY:17 would have been larger had it not been for: i) the expiration of tax measures (estimated at 0.5 pps of GDP) -- the abolition of the temporary contribution on emoluments of private sector employees (levied in response to the crisis) and the partial abolition of the immovable property tax; and ii) a supplementary budget approved by Parliament in December ahead of the February Presidential elections (resulting in additional spending of 0.5 pps of GDP, including tax refunds, social benefits, defense expenditure and compensation to farmers).

Importantly, the resulting improvement in the primary balance (to a surplus of 4.4% of GDP in FY:17 from 3.0% of GDP in FY:16) helped reduce the public debt-to-GDP ratio to below 100% for the first time in 5 years -- 98.4% at end-2017 from 107.1% at end-2016 and a peak of 107.5% at end-2015. The debt reduction was dominated by an early payment of a domestic loan to the CBC in November (EUR 0.6bn (equivalent to 3.2 pps of GDP) against outstanding debt obligations of EUR 1.1bn or 5.8% of GDP).

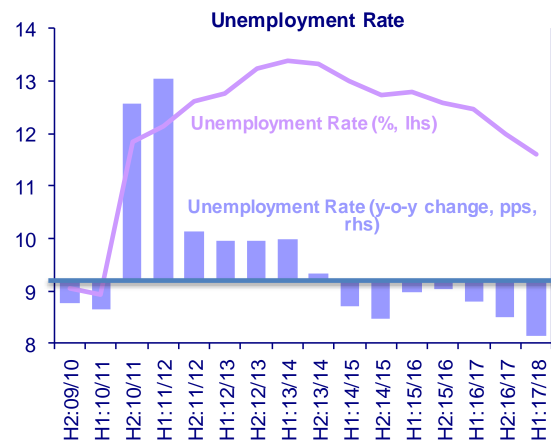
The 2018 Budget is set to overperform its target of a surplus of 1.3% of GDP by an estimated 1.3 pps of GDP. The FY:18 Budget envisages a slight fiscal tightening of 0.3 pps of GDP compared with the (revised) FY:17 fiscal surplus target of 1.0% of GDP (and a significant loosening of 0.6 pps of GDP compared with the FY:17 fiscal surplus outcome of 1.9% of GDP).

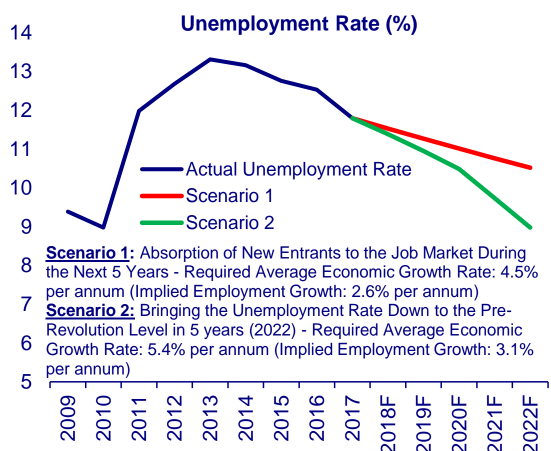
Based on the (revised) FY:17 Budget, the 2018 Budget projects that the fiscal consolidation (0.3 pps of GDP) will result exclusively from continued spending control. Indeed, total expenditure is projected to rise by a modest 3.0% in FY:18, mainly due to larger outlays on infrastructure and public governance and continued suspension of public sector hiring (following the approval by the House of Parliament of a law regulating exemptions in July 2017). With the official nominal GDP growth projection set at 4.0% (reflecting a slowdown in real growth to 3.0% in FY:18), the 2018 Budget projects a decline of total spending to 38.3% of GDP from the revised FY:17 target of 38.7%.

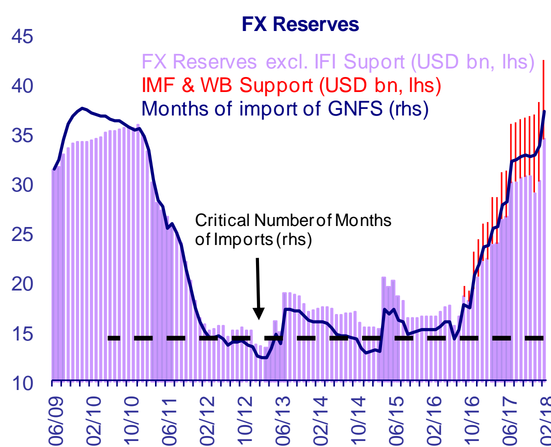
In our view, the FY:18 fiscal surplus target is overly pessimistic, as it is based on both underestimated FY:17 revenue target (by 0.5 pps of GDP) and overestimated FY:17 expenditure target (by 0.4 pps of GDP). Overall, we see the FY:18 primary surplus and overall surplus at 5.1% and 2.6% of GDP, respectively, well above their respective FY:18 targets of 3.8% and 1.3%. Should our forecasts materialise, the public debt-to-GDP ratio would continue on its downward path, moderating further to a 6-year low of 93.2% by end-year.

Egypt

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







	5 Mar.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	17.9	18.0	17.0	15.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	210	168	152	140

	5 Mar.	1-W %	YTD %	2-Y %
HERMES 100	1,539	0.9	7.1	175.2

	14/15	15/16	16/17E	17/18F	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	4.8	5.5
Inflation (eop. %)	11.4	14.0	29.8	13.5	10.2
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

The unemployment rate fell below 12%, for the first time in 6½ years, in H1:17/18 (11.6%). The pace of decline in the unemployment rate accelerated to -0.9 pps y-o-y in H1:17/18 (July-December 2017) from -0.6 pps in H2:16/17 and -0.3 pps in H1:16/17. The acceleration reflects strengthening confidence in the domestic economy, on the back of the steady implementation of the ongoing IMF-supported programme (endorsed by the IMF Board in early-November 2016), as well as the strong recovery in the labour-intensive tourism sector. Note that, on December 20th, the IMF Executive Board completed the second review of Egypt's economic reform programme, supported by a 3-year USD 12bn IMF Extended Fund Facility. The completion of the review allowed the authorities to draw the equivalent of USD 2bn, bringing total disbursements under the programme to c. USD 6bn.

The acceleration in the annual decline in the unemployment rate over the past 6 quarters was in line with developments in economic activity. Indeed, GDP growth rose to an estimated 5.1% y-o-y in H1:17/18 from 4.6% in H2:16/17 and 3.7% in H1:16/17.

The 0.9 pp y-o-y contraction in the unemployment rate in H1:17/18 also reflects the fact that the number of jobs created (635k or 2.5% y-o-y) exceeded the number of new entrants to the labour force (426k or 1.5% y-o-y). The significant rebound in tourism activity likely contributed to the sharp rise in employment in H1:1718. Indeed, tourist arrivals and overnights rose sharply by c. 54.0% and c. 170.0% y-o-y, respectively, in H1:17/18 after having declined by c. 32.0% and c. 50.0% y-o-y in H1:16/17 and c. 4.0% and c. 2.0% in FY:16/17.

Looking ahead, in view of the consensus forecast of strong growth over the coming years, we expect the unemployment rate to continue on its downward trend. Based on the historical employment-growth elasticity of 58.0% (IMF estimate) and the fact that around 700k people will join the labour market every year in the coming years, our simulations show that: i) absorbing new entrants to the job market during the next 5 years (while keeping the number of unemployed at the current level of 3.5mn) requires an average economic growth rate of 4.5% per annum; and ii) bringing the unemployment rate down to its pre-Revolution level of 9.0% in 5 years (2022) necessitates an average economic growth rate of 5.4% per annum (see chart).

FX reserves rose by USD 5.5bn to a record high USD 42.5bn in the first two months of 2018, supported by the solid implementation of the loan agreement with the IMF (signed in November 2016). FX reserves rose to USD 42.5bn at end-February (covering 8.2 months of imports of GNFS) from USD 37.0bn at end December, mainly on the back of the issuance of a USD 4.0bn Eurobond in mid-February.

Note that between November 2016 -- when the IMF-supported programme was signed -- and end-2017, FX reserves rose sharply by USD 18bn. The pick-up reflects mainly: i) the disbursement of USD 6.0bn by the IMF as part of a USD 12.0bn loan; ii) the issuance of 2 Eurobonds totaling USD 7.0bn; iii) large foreign investments in the high-yielding domestic debt market; iv) a sharp recovery in the tourism sector; and v) a significant rise in workers' remittances from abroad, propelled by the eradication of the parallel FX market following the flotation of the domestic currency.

Importantly, non-official sources were the main contributors to the foreign currency build-up. Since the start of the IMF-supported programme, non-official sources provided USD 16.5bn out of a total increase of USD 23.5bn, reflecting the return of foreign investor confidence. Excluding the IMF and WB support (USD 6.0bn and USD 1.0bn, respectively), FX reserves stood at USD 34.5bn at end-February (covering 6.7 months of imports of GNFS).

FOREIGN EXCHANGE MARKETS, MARCH 5TH 2018

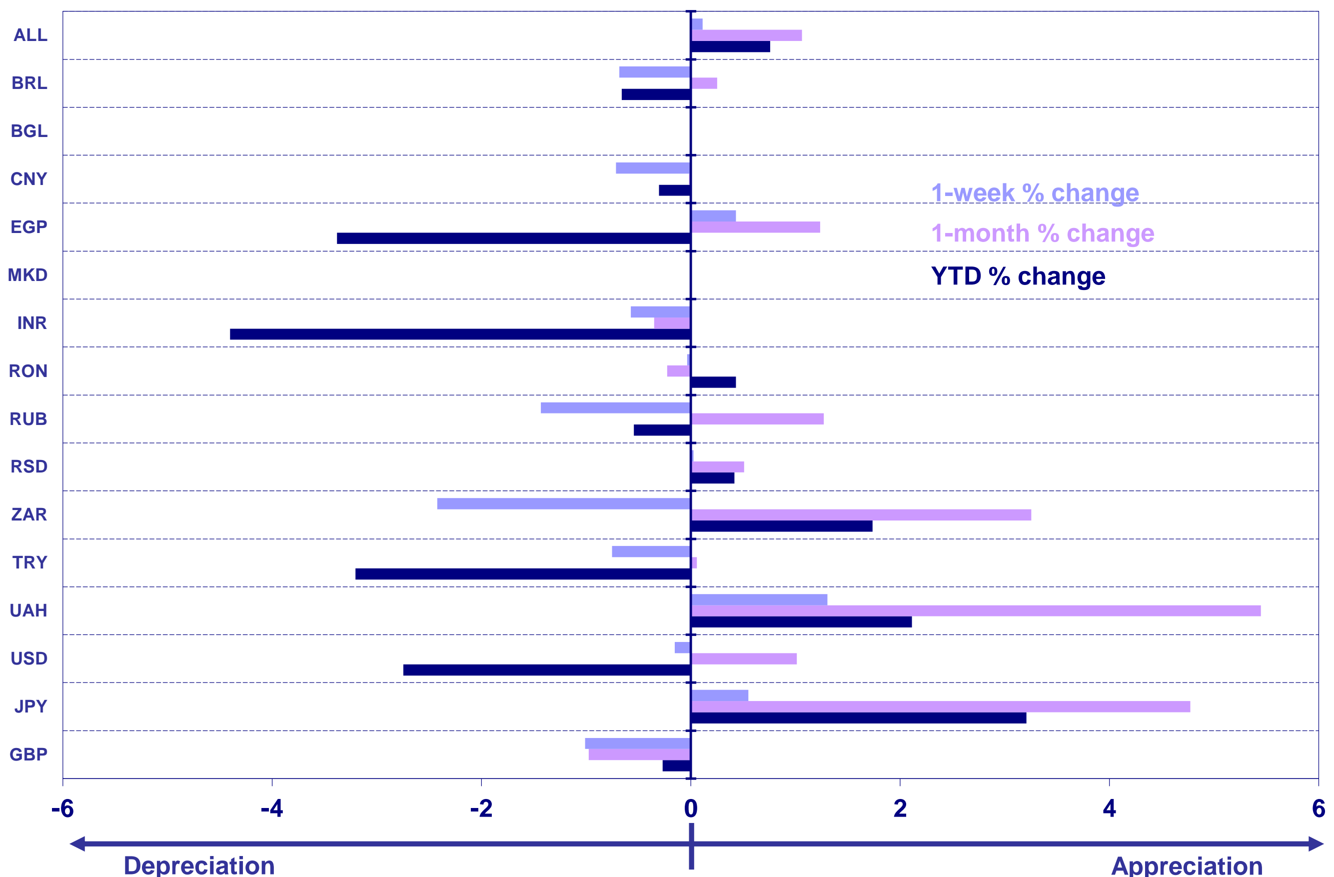
Against the EUR

	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	131.9	0.1	1.1	0.8	2.4	131.9	134.0	132.2	132.5	132.4	1.9	1.2
Brazil	BRL	4.00	-0.7	0.3	-0.7	-17.0	3.85	4.08	4.27	4.27	4.27	-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	7.82	-0.7	0.0	-0.3	-6.8	7.69	7.96	8.22	8.22	8.21	-6.0	-4.0
Egypt	EGP	21.56	0.4	1.2	-3.4	-17.6	20.59	22.13	- - -	- - -	- - -	-9.4	-55.0
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	80.2	-0.6	-0.3	-4.4	-12.0	75.9	80.5	86.3	- - -	- - -	-6.7	0.4
Romania	RON	4.66	0.0	-0.2	0.4	-2.7	4.62	4.68	4.68	4.70	4.82	-3.0	-0.4
Russia	RUB	69.6	-1.4	1.3	-0.5	-11.5	67.7	71.8	70.7	71.9	74.1	-6.8	22.9
Serbia	RSD	117.9	0.0	0.5	0.4	4.9	117.6	119.1	118.3	118.6	- - -	4.2	-1.5
S. Africa	ZAR	14.6	-2.4	3.3	1.7	-5.6	14.18	15.16	14.9	15.2	15.8	-2.7	16.2
Turkey	YTL	4.70	-0.8	0.1	-3.2	-16.4	4.48	4.73	4.86	5.02	5.38	-18.4	-14.7
Ukraine	UAH	32.9	1.3	5.4	2.1	-13.2	32.47	36.11	38.8	- - -	- - -	-15.2	-8.6
US	USD	1.23	-0.2	1.0	-2.7	-14.2	1.2	1.3	1.24	1.25	1.27	-12.4	3.3
JAPAN	JPY	131.0	0.5	4.8	3.2	-8.0	129.4	137.5	131.0	131.1	131.1	-8.9	6.0
UK	GBP	0.89	-1.0	-1.0	-0.3	-2.9	0.9	0.9	0.89	0.90	0.90	-4.1	-13.5

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (March 5th 2018)



Money Markets, March 5th 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	6.6	-0.1	2.7	- - -	17.9	- - -	- - -	1.4	7.4	- - -	13.3	7.1	16.4	- - -	1.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.4	6.6	2.6	- - -	7.1	- - -	- - -	- - -
S/W	1.3	6.6	-0.1	2.9	-0.4	- - -	1.2	- - -	- - -	6.5	2.6	- - -	7.1	16.5	-0.4	1.5
1-Month	1.6	6.6	-0.1	4.1	-0.4	- - -	1.4	6.8	1.6	7.0	2.9	13.6	7.7	17.4	-0.4	1.7
2-Month	- - -	6.5	-0.1	- - -	-0.3	- - -	- - -	- - -	- - -	8.5	3.1	13.8	7.3	- - -	-0.3	1.8
3-Month	2.1	6.5	0.0	4.7	-0.3	- - -	1.7	7.3	2.1	7.1	3.2	13.9	7.5	17.8	-0.3	2.0
6-Month	2.7	6.5	0.2	4.7	-0.3	- - -	2.0	- - -	2.4	7.1	3.3	14.4	7.5	- - -	-0.3	2.2
1-Year	3.2	6.6	0.6	4.7	-0.2	- - -	2.4	- - -	2.5	7.1	- - -	15.0	7.8	- - -	-0.2	2.5

Local Debt Markets, March 5th 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	18.0	- - -	6.3	- - -	6.9	0.0	12.7	- - -	- - -	-0.8	1.7
6-Month	2.0	- - -	- - -	- - -	- - -	17.9	1.5	6.5	2.3	6.8	3.3	12.8	- - -	- - -	-0.7	1.8
12-Month	2.6	- - -	-0.1	3.3	- - -	16.9	1.9	6.7	2.5	6.2	3.5	13.2	- - -	16.4	-0.7	2.1
2-Year	3.3	- - -	- - -	3.4	- - -	- - -	- - -	6.9	3.0	6.4	- - -	12.8	6.8	- - -	-0.5	2.2
3-Year	- - -	- - -	0.2	3.6	0.5	- - -	2.4	7.2	3.5	6.6	- - -	12.7	7.1	15.8	-0.4	2.4
5-Year	- - -	8.9	- - -	3.7	0.8	14.9	- - -	7.5	4.1	6.7	4.3	12.3	7.6	- - -	0.0	2.6
7-Year	5.9	- - -	0.8	- - -	1.6	14.9	- - -	7.8	4.4	6.9	- - -	- - -	- - -	- - -	0.3	2.8
10-Year	- - -	9.5	1.3	3.9	- - -	14.8	- - -	7.8	4.6	7.1	- - -	11.8	8.2	- - -	0.6	2.9
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	8.1	- - -	7.3	- - -	- - -	9.9	- - -	0.9	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.3	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.0	- - -	- - -	- - -	- - -	9.2	- - -	1.3	3.2

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

Corporate Bonds Summary, March 5th 2018

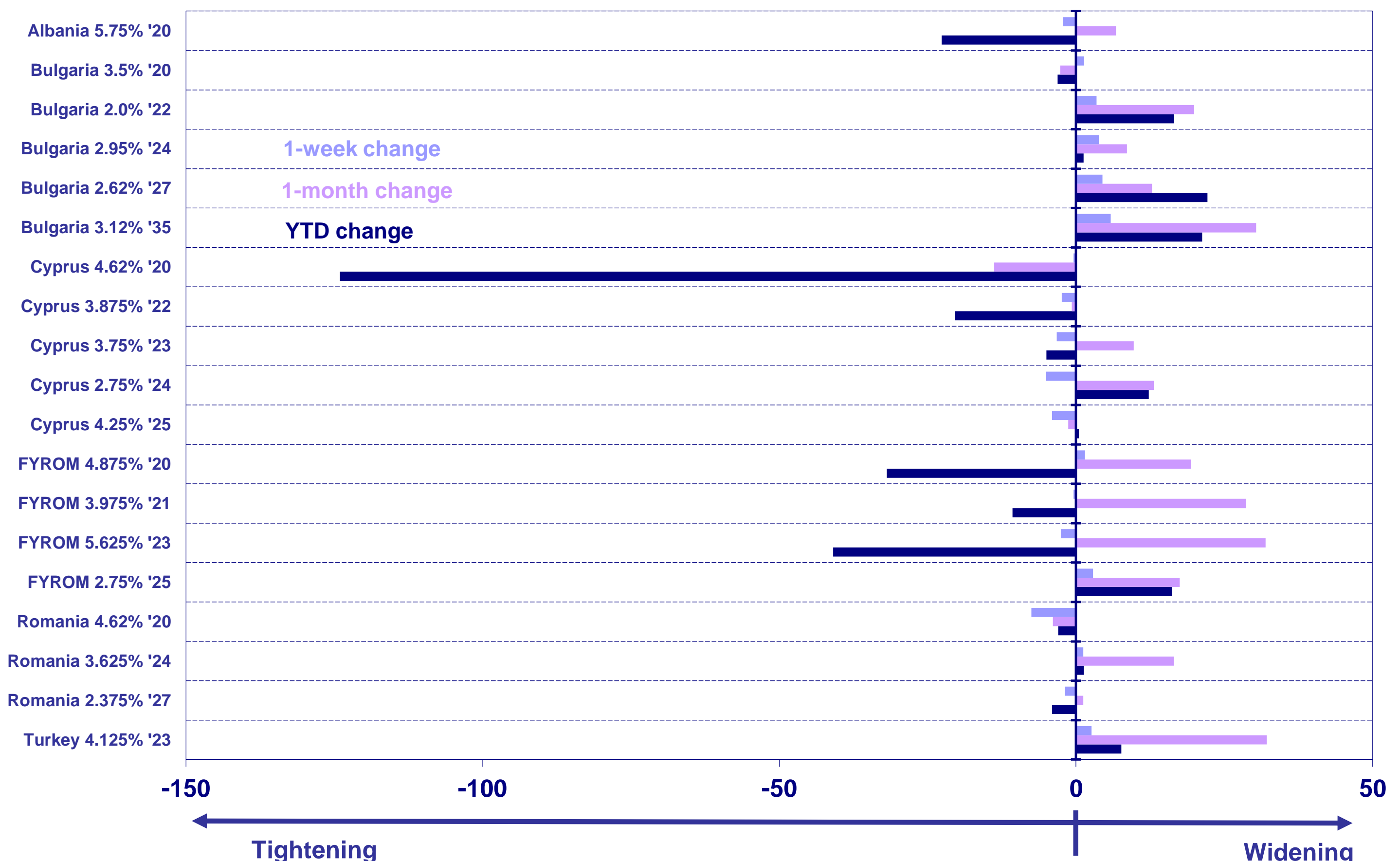
		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	2.1	231	202
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.1	189	159
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	96	59
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	2.0	223	188
	Garanti Bank 5.25% '22	USD	NA/Ba1	13/9/2022	750	5.2	255	243
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.2	358	342
	Vakifbank 5.75% '23	USD	NA/Ba1	30/1/2023	650	6.1	350	331
	TSKB 5.5% '23	USD	NA/Ba1	16/1/2023	350	6.0	337	318
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	5.8	320	306
	KOC Holding 5.25% '23	USD	BBB-/Baa3	15/3/2023	750	4.6	199	190

Credit Default Swap Spreads, March 5th 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	151	66	57	115	262	- - -	80	85	107	119	172	146	- - -
10-Year	- - -	249	110	97	162	310	- - -	89	129	178	155	260	239	- - -

EUR-Denominated Sovereign Eurobond Summary, March 5TH 2018

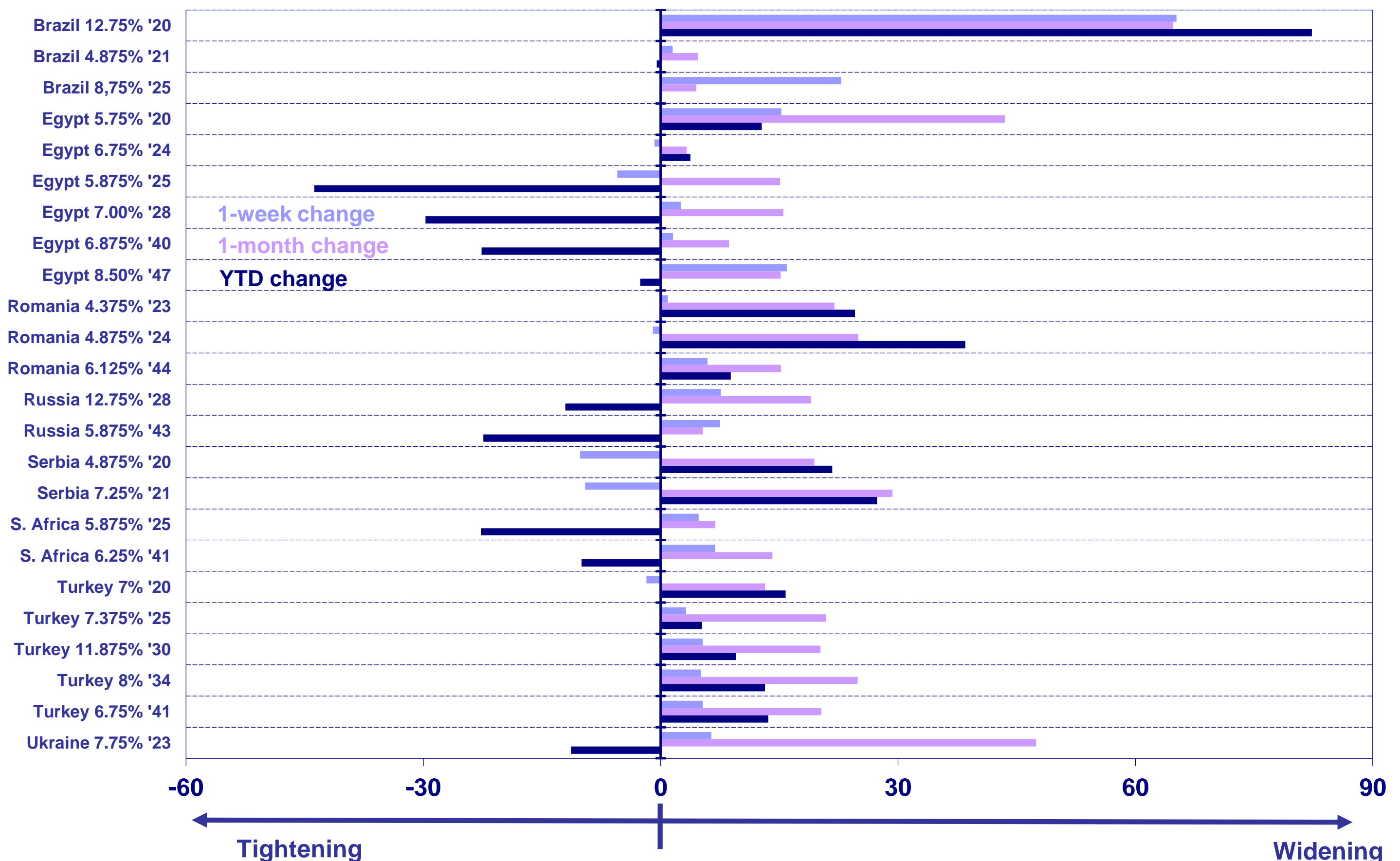
	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.3	171	137
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	64	28
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.3	53	2
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.9	63	27
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.4	92	50
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.5	152	104
Cyprus 4.62% '20	EUR	BB+/Ba3	3/2/2020	668	0.2	69	33
Cyprus 3.875% '22	EUR	NA/Ba3	6/5/2022	1,000	0.8	105	56
Cyprus 3.75% '23	EUR	NA/Ba3	26/7/2023	1,000	1.2	121	79
Cyprus 2.75% '24	EUR	NA/Ba3	27/6/2024	850	1.6	141	94
Cyprus 4.25% '25	EUR	NA/Ba3	4/11/2025	1,000	1.9	144	114
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.2	162	124
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.7	191	391
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.3	228	198
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.8	253	205
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	48	8
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	106	65
Romania 2.375% '27	EUR	BBB-/Baa3	19/4/2027	2,000	2.1	160	114
Turkey 4.125% '23	EUR	NR/Ba1	11/4/2023	1,000	2.6	258	221



USD-Denominated Sovereign Eurobond Summary, March 5th 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB-/NA	15/1/2020	87	3.0	79	63
Brazil 4.875% '21	USD	BB-/NA	22/1/2021	2,713	3.2	83	64
Brazil 8.75% '25	USD	BB-/NA	4/2/2025	688	4.3	156	178
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	4.3	210	183
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.2	337	338
Egypt 5.875% '25	USD	B-/B3	11/6/2025	500	5.8	297	292
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.2	338	342
Egypt 6.875% '40	USD	B-/B3	30/4/2040	1,500	7.0	385	391
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	7.6	448	493
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.7	109	99
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	3.8	112	101
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.8	161	200
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.4	151	211
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.0	181	213
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	3.6	137	113
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	3.9	146	127
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.8	196	199
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.7	255	282
Turkey 7.00% '20	USD	NR/Ba1	5/6/2020	2,000	4.1	184	159
Turkey 7.375% '25	USD	NR/Ba1	5/2/2025	3,250	5.3	249	263
Turkey 11.875% '30	USD	NR/Ba1	15/1/2030	1,500	5.9	303	387
Turkey 8.00% '34	USD	NR/Ba1	14/2/2034	1,500	6.3	347	368
Turkey 6.75% '41	USD	NR/Ba1	14/1/2041	3,000	6.5	328	327
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,355	6.8	412	404

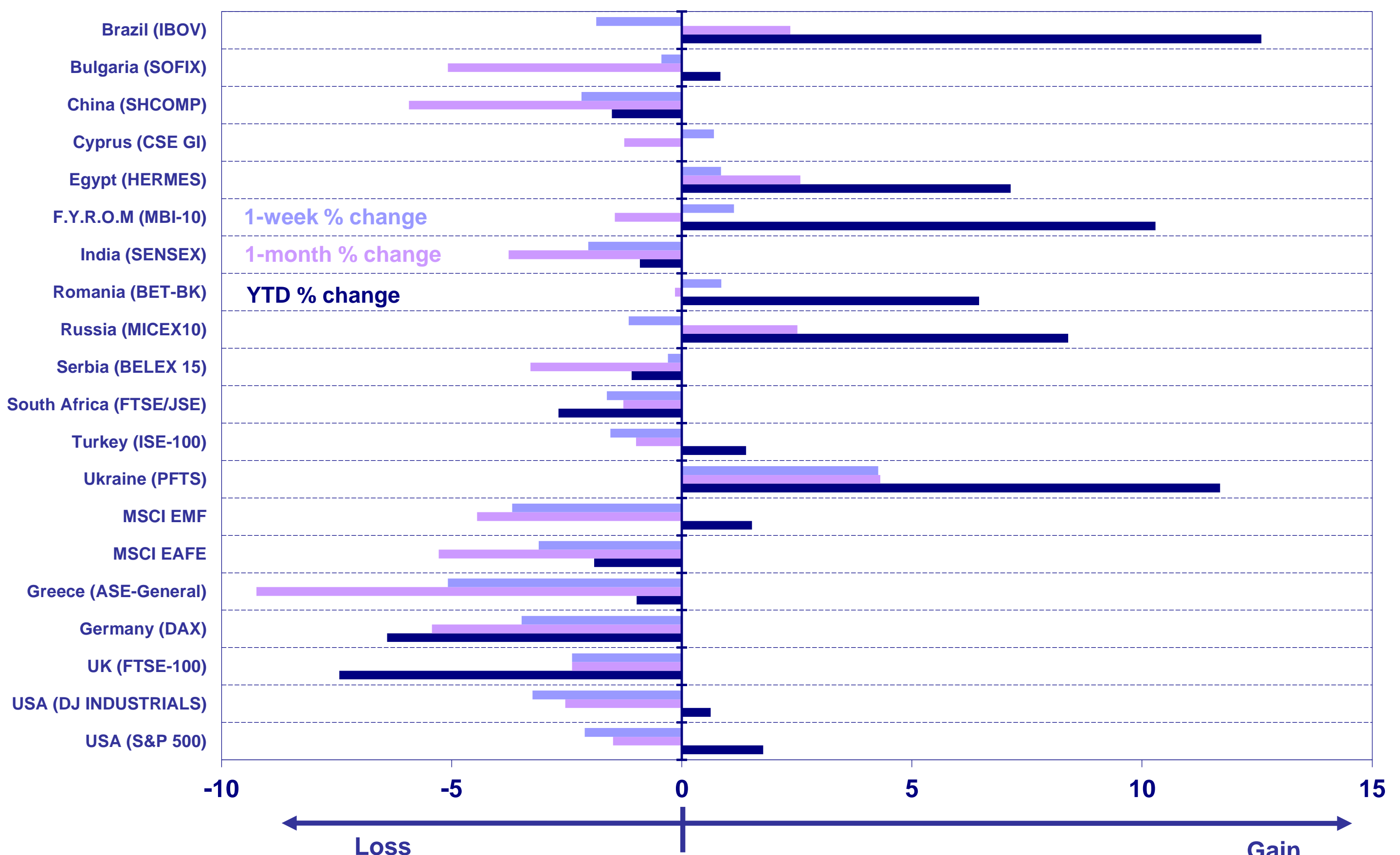
USD-Denominated Eurobond Spreads (March 5th 2018)



STOCK MARKETS PERFORMANCE, MARCH 5TH 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)	86,023	-1.9	2.4	12.6	29.7	76,403	88,318	11.3	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	683	-0.4	-5.1	0.8	11.1	677	721	0.8	15.5	15.5	27.2	27.2
China (SHCOMP)	3,257	-2.2	-5.9	-1.5	0.7	3,063	3,587	-1.9	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	70	0.7	-1.3	0.0	5.4	68	71	0.0	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,539	0.9	2.6	7.1	35.9	1,429	1,539	4.2	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	2,800	1.1	-1.5	10.3	21.5	2,536	2,848	10.3	18.9	18.9	16.5	16.5
India (SENSEX)	33,747	-2.0	-3.8	-0.9	16.2	28,851	36,444	-5.4	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,758	0.9	-0.1	6.5	18.8	1,675	1,802	6.9	22.8	19.1	0.2	0.0
Russia (RTS)	4,468	-1.2	2.5	8.4	0.4	4,128	4,561	7.8	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	752	-0.3	-3.3	-1.1	3.5	743	785	-0.7	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	57,912	-1.6	-1.3	-2.7	12.5	55,090	61,777	-1.0	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	116,946	-1.6	-1.0	1.4	28.4	111,107	121,532	-1.9	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	352	4.3	4.3	11.7	28.1	315	352	14.1	18.8	0.8	10.2	1.0
MSCI EMF	1,176	-3.7	-4.4	1.5	25.9	1,136	1,279	-1.3	34.3	17.7	8.6	12.2
MSCI EAFE	2,012	-3.1	-5.3	-1.9	14.5	1,992	2,187	-4.6	21.8	6.7	-1.9	1.4
Greece (ASE-General)	795	-5.1	-9.2	-1.0	23.5	794	896	-1.0	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,091	-3.5	-5.4	-6.4	1.1	11,831	13,597	-6.4	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,116	-2.4	-4.4	-7.4	-3.2	7,062	7,793	-7.7	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	24,875	-3.2	-2.5	0.6	18.7	20,380	26,617	-2.1	25.1	9.6	13.4	16.7
USA (S&P 500)	2,721	-2.1	-1.5	1.8	14.6	2,533	2,873	-1.0	19.4	4.7	9.5	13.2

Equity Indices (March 5th 2018)



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