Economic Analysis Division
Emerging Markets Analysis

Bi-Weekly Report 20 November – 3 December 2018

NBG - Economic Analysis Division
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Emerging Markets Analysis

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

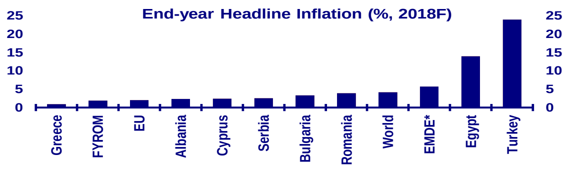
Analysts:

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

Louiza Troupi
✉ : troupi.louiza@nbg.gr

Athanasios Lampousis
✉ : lampousis.athanasios@nbg.gr

* EMDE: Emerging Market & Developing Economies



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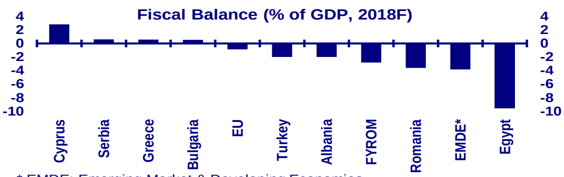

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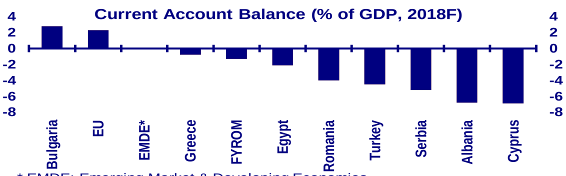

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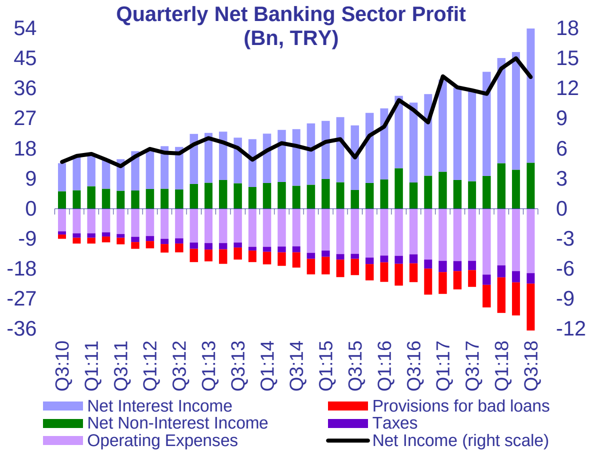
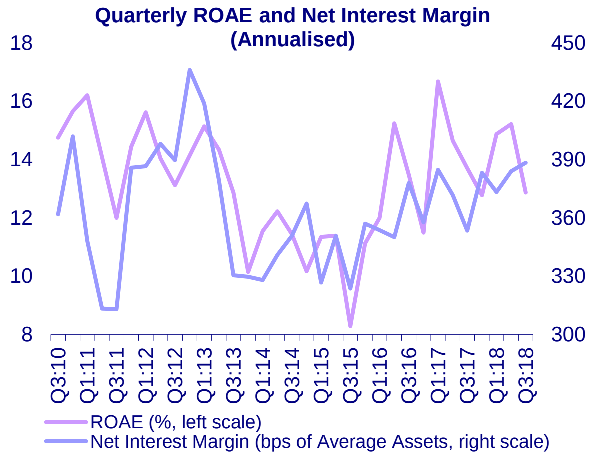
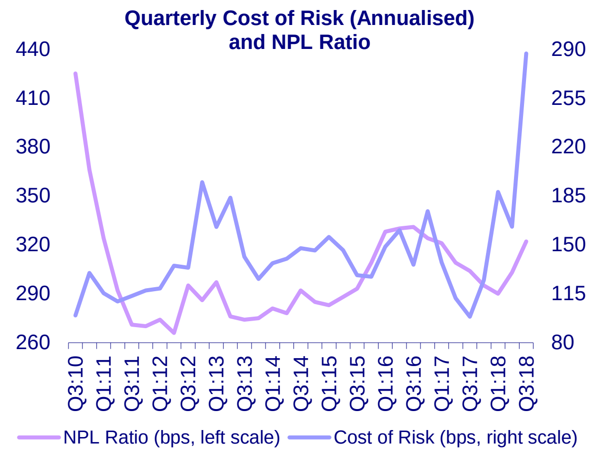
Turkey

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







	3 Dec.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	24.7	23.5	22.0	20.0
TRY/EUR	5.96	6.30	6.60	6.80
Sov. Spread (2020, bps)	374	340	310	280

	3 Dec.	1-W %	YTD %	2-Y %
ISE 100	94,974	1.1	-17.7	29.4

	2016	2017	2018F	2019F	2020F
Real GDP Growth (%)	3.2	7.4	3.2	1.0	3.7
Inflation (eop, %)	8.5	11.9	24.0	16.5	13.2
Cur. Acct. Bal. (% GDP)	-3.8	-5.6	-4.5	-3.0	-3.4
Fiscal Bal. (% GDP)	-1.1	-1.5	-2.0	-2.0	-2.0

Banking sector bottom line posts double digit growth in Q3:18 (11.3% y-o-y), despite strong headwinds. Despite the August currency crisis, banking sector net profit (after tax) increased by 11.3% y-o-y to TRY 13.2bn in Q3:18 (EUR 2.0bn or 0.4% of projected 2018 GDP), following a rise of 14.4% y-o-y in H1:18. The increase was driven by a significant improvement in pre-provision earnings (PPE), which more than compensated for a sharp rise in NPL provisions. As a result, ROAA and ROAE (annualised) stood at 12.9% and 1.3%, respectively, in Q3:18.

PPE (before tax) rose by c. 80.0% y-o-y to TRY 35.5bn in Q3:18, due to a sharp increase in the top line and strict cost control. Net interest income (NII) rose significantly by 51.5% y-o-y to TRY 40.9bn in Q3:18, supported by both stronger average asset growth and the higher net interest margin (NIM). Specifically, average assets increased by 37.9% y-o-y in Q3:18, largely inflated by the sharp depreciation of the TRY (c. 38.0% y-o-y against the USD in Q3:18). On the other hand, the NIM (over average assets) strengthened by 35 bps y-o-y to 388 in Q3:18, as the negative impact from increasingly unfavourable funding costs was more than offset by higher gains from inflation-linked bonds (average inflation rose by 8.8 pps y-o-y to 19.4% in Q3:18) and, to a lesser extent, banks' loan repricing.

Note that the CBRT's average effective funding rate and the overnight money market rate rose by 7.3 pps and 6.9 pps y-o-y, respectively, to 19.3% and 19.5% in Q3:18, while average interest rates on new TRY and USD deposits reached multi-year highs of 18.7% and 3.9%, respectively, in Q3:18 – up from 11.9% and 2.8% in Q3:17 – in line with a tighter monetary policy stance and liquidity conditions (total and local currency loans-to-deposits ratios reached record highs of 122.8% and 149.1%, respectively, at end-H1:18). On the other hand, in an effort to dampen the negative impact of sharply increasing domestic and external funding costs on their margins, banks increased significantly their lending rates (average interest rates on new TRY retail loans, TRY corporate loans and USD corporate loans reached multi-year highs of 26.7%, 28.8% and 6.0%, respectively, in Q3:18 – up from 18.6%, 16.6% and 4.5% in Q3:17.

Moreover, net non-interest income (NNII) rose sharply, by 67.5% y-o-y to TRY 13.8bn in Q3:18, largely supported by a reversal of losses from securities trading.

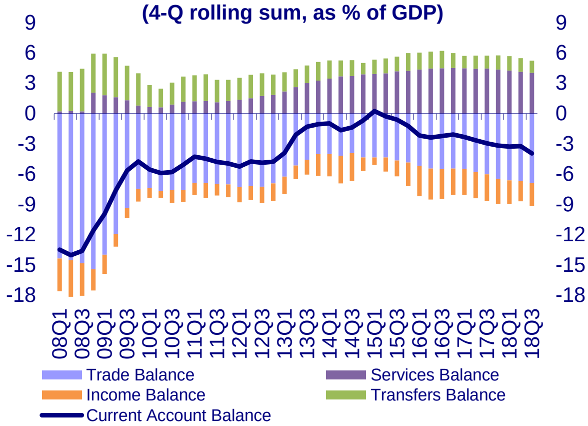
The strong performance of PPE in Q3:18 was also supported by strict cost control, with operating expenses excluding other provisions rising by c. 15. 5% y-o-y compared with average inflation of 19.4% in the same quarter.

Provisions charges rose sharply in Q3:18 -- up c. 278.0% y-o-y to TRY 19.2bn -- due to the expected sharp rise in NPLs in the coming quarters, and, to a lesser extent, the implementation of IFRS 9. Although the reported NPL ratio rose by only 13 bps y-o-y to 3.2% in Q3:18, banks increased sharply provision charges due to: i) expectations of a significant rise in NPLs in the coming quarters, reflecting a sharp weakening of the TRY (the TRY depreciated by c. 28.0% y-o-y in 11M:18) and a significant slowdown in economic activity (we expect GDP growth to slow sharply this year and next -- from 7.4% in FY:17 to 3.2% in FY:18 and 1.0% in FY:19); ii) the increase in "stage 2 exposures" ("Watch" loans), due to the implementation of IFRS 9 from January 1st; and iii) the understatement of the NPL ratio, due to recent large restructurings, especially Bereket (energy), Dogus (diversified), Gama (diversified), OTAS (telecom) and Yildiz (consumer). As a result, the cost of risk (annualised) rose sharply, by 188 bps y-o-y to a 9½-year high of 287 bps.

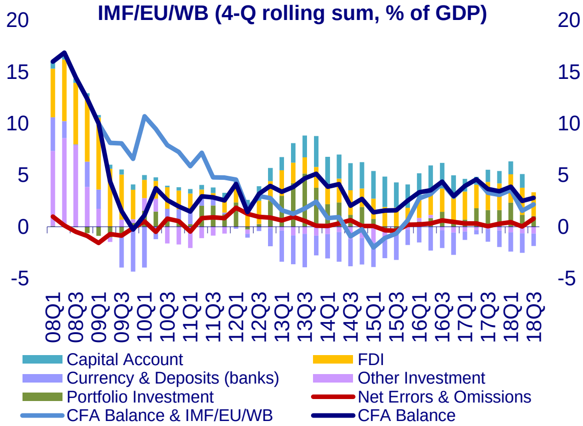
Romania

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

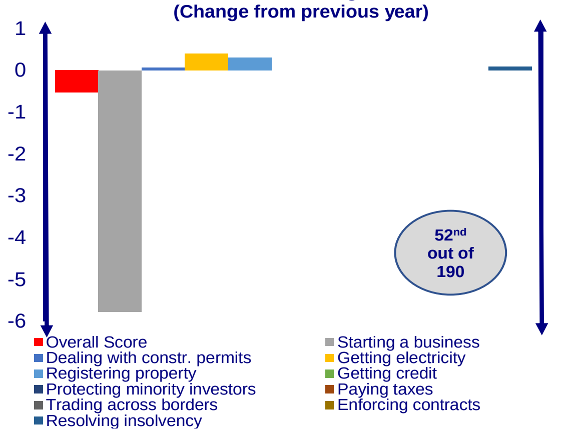
Current Account Balance (4-Q rolling sum, as % of GDP)



Capital & Financial Account (CFA) and IMF/EU/WB (4-Q rolling sum, % of GDP)



World Bank - Ease of Doing Business Index (Change from previous year)



	3 Dec.	3-M F	6-M F	12-M F
1-m ROBOR (%)	2.9	3.0	3.1	3.2
RON/EUR	4.65	4.67	4.68	4.68
Sov. Spread (2024, bps)	130	130	120	110

	3 Dec.	1-W %	YTD %	2-Y %
BET-BK	1,661	2.4	0.6	26.5

	2016	2017	2018F	2019F	2020F
Real GDP Growth (%)	4.8	7.0	4.2	3.8	3.4
Inflation (eop, %)	-0.5	3.3	3.9	3.3	3.0
Cur. Acct. Bal. (% GDP)	-2.1	-3.2	-4.0	-4.4	-4.7
Fiscal Bal. (% GDP)	-2.4	-2.8	-3.6	-3.9	-4.1

The current account deficit (CAD) widened to 3.9% of GDP on a 4-quarter rolling basis in Q3:18 from 3.2% in Q4:17, on the back of stronger domestic demand. In 9M:18, the CAD rose by 0.7 pps y-o-y to 3.3% of GDP. Specifically, the trade deficit widened markedly in 9M:18 (up 0.5 pps of GDP y-o-y), mainly in line with stronger private consumption. The latter was fueled by the loose incomes policy (public wages rose to 45% in certain sectors and pensions were up by 10%) and its spillover to the private sector. Note that the impact of the loose incomes policy was tempered by the shift in the bulk of the social security contributions' burden onto employees.

Lower net capital inflows, combined with the widening CAD, put pressure on FX reserves. Net portfolio investment declined in 9M:18 (to 0.6% of GDP from 1.2% in 9M:17), solely due to lower net sovereign Eurobond issuance (0.3% of GDP in 9M:18 against 1.0% in 9M:17), amid tighter global liquidity conditions. In the same context, net lending to the private sector deteriorated slightly in 9M:18 (with net repayments of 1.3% of GDP against 1.0% in 9M:17). Net FDI inflows were also down in 9M:18 (to 1.7% of GDP from 2.0% in 9M:17), due to higher FDI abroad. All said, the overall balance deteriorated (by 1.0 pp y-o-y) to a deficit of 0.5% of GDP in 9M:18. The latter, combined with a debt repayment to the EU (worth 0.6% of GDP), led FX reserves to decline to EUR 31.4bn at end-Q3:18 from EUR 33.5bn at end-2017.

The CAD is set to widen further to a still manageable – albeit alarming -- 4.4% of GDP in FY:19 from a projected 4.0% in FY:18. Looking ahead, the trade deficit is set to continue to widen, albeit at a slower pace, in view of a further build-up in domestic demand (real GDP growth is projected to slow to a still strong 3.8% in FY:19 from 4.2% in FY:18, above its long-term potential of c. 3.0%). This deterioration should be tempered, however, by lower profit outflows.

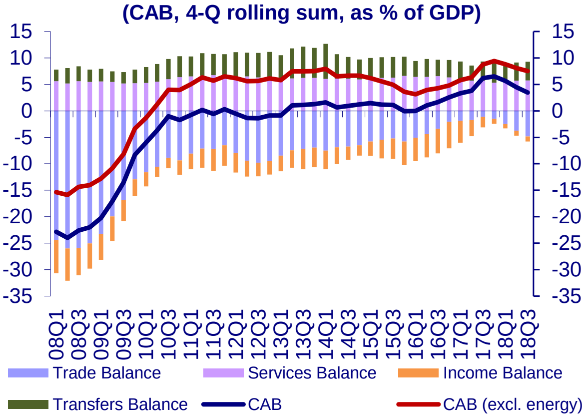
The larger CAD, combined with the continuing net debt repayments to IFIs (0.5% of GDP in FY:19 following 0.6% in FY:18), should, however, put further pressure on FX reserves. Under our baseline scenario, projecting that: i) net FDI inflows remain at their FY:18 level (2.3% of GDP); ii) the maturing external debt rollover rate declines (to 83% in FY:19 from 90% in FY:18), due to tighter global liquidity conditions and domestic uncertainty; and iii) capital transfers rise (to 2.2% of GDP in FY:19 from 1.4% in FY:18) on the back of better absorption of EU funds, we see FX reserves falling by EUR 1.8bn in FY:19 -- following an expected decline of EUR 1.7bn in FY:18 -- to a still satisfactory level of EUR 30.0bn (3.5 months of GNFS imports). All said, with the CAD approaching the critical level of 5.0% of GDP and FX reserves depleting, pressure is building on the NBR to tighten further its stance (we expect the NBR to raise its key rate by another 75 bps to 3.25% by end-2019, following the 75 bp rate hike in FY:18).

Romania fell 7 places to 52nd in the World Bank's Ease of Doing Business Ranking 2019. This deterioration is solely attributed to the increase in the time required to register as a VAT payer, following the introduction of fiscal risk assessment criteria. Indeed, the time required to start a business was raised to 35 days (from just 12 days before), with the relevant cost remaining, however, unchanged at a low 0.4% of income per capita. On a positive note, the authorities reduced slightly the cost to obtain an electricity connection (to a still high 449.7% of income per capita) and the time required to register a property (to 14.5 days). Importantly, Romania was praised for the lack of trade barriers, ranking 1st among 190 countries. All said, Romania remained the 3rd best ranked economy in SEE-5, well below FYROM (10th), but close to Serbia (48th), and 4th last in the EU.

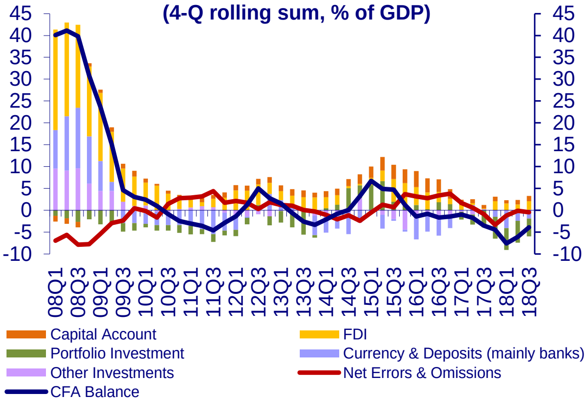
Bulgaria

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

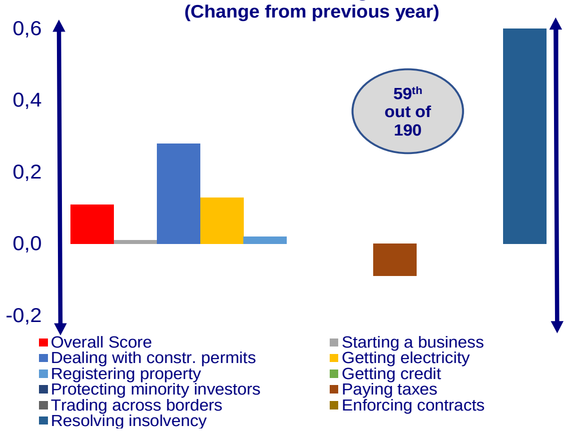
Current Account Balance (CAB, 4-Q rolling sum, as % of GDP)



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



World Bank - Ease of Doing Business Index (Change from previous year)



	3 Dec.	3-M F	6-M F	12-M F
Base Interest Rate (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	63	56	45	40

	3 Dec.	1-W %	YTD %	2-Y %
SOFIX	599	2.4	-11.6	6.3

	2016	2017	2018F	2019F	2020F
Real GDP Growth (%)	3.9	3.8	3.3	3.6	3.2
Inflation (eop, %)	0.1	2.8	3.3	3.0	2.8
Cur. Acct. Bal. (% GDP)	2.6	6.5	2.8	0.7	-0.6
Fiscal Bal. (% GDP)	1.6	0.8	0.5	-0.5	-0.5

Stronger domestic demand and higher global oil prices pushed down the current account surplus (CAS) to 3.5% of GDP on a 4-quarter rolling basis in Q3:18 from 6.5% in Q4:17. In 9M:18, the CAS narrowed sharply by 3.1 pps to 3.9% of GDP. The main driver was the trade deficit, which widened markedly in 9M:18 (by 3.3 pps y-o-y to 3.7% of GDP), in line with: i) stronger domestic demand, reflecting a loose incomes policy and tight labour market conditions; ii) higher global oil prices (the energy trade deficit widened by 1.1 pp of GDP y-o-y); and, to a lesser extent, iii) the plunge in the country's exports to its non-EU partners (down 21.3% y-o-y in 9M:18), mainly due to the appreciation of the EUR (to which the BGN is pegged) against the USD (up 5.5% y-o-y in real terms on average in 9M:18).

Net capital outflows continued in 9M:18, albeit at a slower pace compared with the previous year. Indeed, net portfolio investment outflows were contained in 9M:18 (to 1.7% of GDP from 2.5% in 9M:17) and net lending to the non-financial sector improved slightly (with no net inflows in 9M:18 against net repayments of 0.3% in 9M:17). At the same time, capital outflows from banks accelerated in 9M:18 (to 1.5% of GDP from 1.1% in 9M:17); in our view, however, the bulk of these outflows is related to the placement of domestic banks' excess liquidity abroad (mostly at their parent banks) and does not suggest weaker confidence in Bulgarian banks.

Importantly, the relative improvement in the capital & financial account may have been larger than suggested by the above figures, as net errors & omissions (the bulk of which is historically related to unrecorded capital flows) dropped sharply in 9M:18 (to -0.6% of GDP from -3.4% in 9M:17). All said, the overall balance improved in 9M:18 (by 0.4 pps y-o-y) to a surplus of 1.8% of GDP, with FX reserves reaching EUR 23.2bn in September against EUR 22.3bn at end-2017.

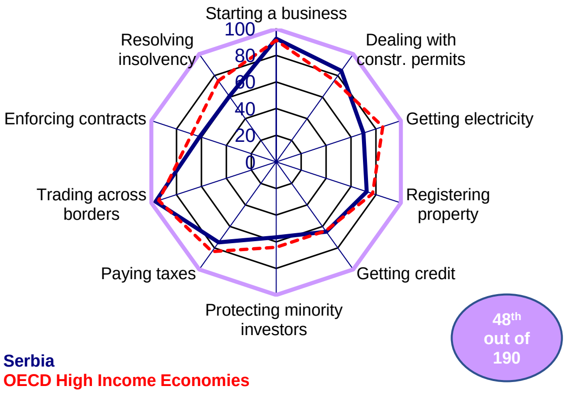
Bulgaria is set to remain the best performer in the region, despite the expected sharp decline in the CAS to 0.7% of GDP in FY:19 from a projected 2.8% in FY:18. Looking ahead, pressures on the trade deficit are set to persist, in view of strong domestic demand. The latter should be supported by a larger fiscal stimulus (1 pp of GDP in FY:19 against just 0.3 pps in FY:18).

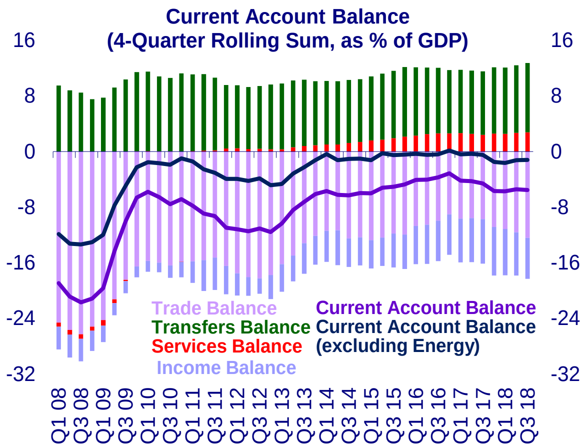
With the current account still in surplus, however, covering external financing needs should not be an issue. Projecting that: i) net FDI inflows remain at FY:18 levels (c. 2.0% of GDP); ii) the maturing debt rollover rate drops slightly (to 86% in FY:19 from 90% in FY:18), in line with tighter global liquidity conditions; and iii) capital transfers improve (to 2.0% of GDP in FY:19 from 1.3% in FY:18), due to the better absorption of EU funds, we see FX reserves rising further by EUR 0.8bn -- following a projected rise of EUR 0.9bn in FY:18 -- to EUR 24.0bn at end-2019 (9 months of GNFS imports).

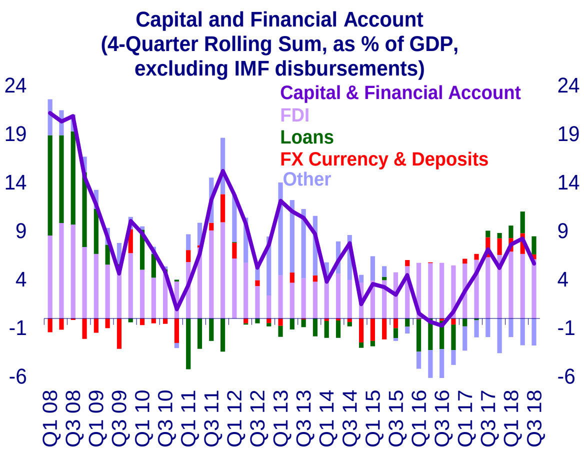
Bulgaria falls 4 places to 59th in the World Bank's Ease of Doing Business Ranking (EDBR) 2019. Although its score improved marginally compared with the previous year, Bulgaria fell in the EDBR 2019, suggesting a slower reform momentum compared with its peers. Indeed, no progress was recorded in reforming the complex and time-consuming processes for business start-ups (taking 23 days but costing just 1.1% of income per capita) and tax payments (amounting to 27.1% of profit). At the same time, the cost of connecting to the electricity grid remains high, notwithstanding its slight reduction in FY:18 (to 429% of income per capita). Similarly, access to credit information is limited, while significant gaps remain in the insolvency framework, despite the improvement in the recovery rate (to 40%). All said, Bulgaria lags behind its peers in terms of ease of doing business, ranking second last both in SEE-5 and the EU.

Serbia

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







	3 Dec.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.7	2.9	3.1	3.5
RSD/EUR	118.1	117.9	117.6	117.4
Sov. Spread (2021, bps)	163	150	130	120

	3 Dec.	1-W %	YTD %	2-Y %
BELEX-15	744	-0.7	-2.1	5.3

	2016	2017	2018F	2019F	2020F
Real GDP Growth (%)	2.8	1.9	4.3	4.0	3.8
Inflation (eop, %)	1.6	3.0	2.5	2.8	3.0
Cur. Acct. Bal. (% GDP)	-3.1	-5.7	-5.2	-4.9	-4.4
Fiscal Bal. (% GDP)	-1.3	1.2	0.6	0.4	-0.2

Serbia's competitiveness deteriorated in the World Bank Ease of Doing Business Report for 2019. Serbia fell 6 places to 48th among 190 economies, as only 1 of the 10 areas covered by the index displayed a significant improvement (i.e. "dealing with construction permits"). The improvement resulted from the reduction of the number of days needed to obtain a construction permit (to 106, well below the OECD high-income economies average of 153 days) through the launch of an electronic application system. Note that, despite this year's negative performance, Serbia remained the 2nd best ranked economy among SEE-5 countries, behind FYROM, and ahead of Romania (52nd), Bulgaria (59th), and Albania (63rd).

The current account deficit (CAD) reversed its upward trend in 9M:18. The CAD narrowed by 0.2 pps y-o-y to 2.9% of GDP in 9M:18, after having widened by 2.6 pps y-o-y in FY:17, largely reflecting the normalization in the income deficit (narrowing by 1.1 pp of GDP y-o-y in 9M:18, following large FDI-related repatriation of dividends and profits in FY:17). The improvement was also supported by higher remittances (up 0.7 pps of GDP y-o-y), reflecting a recovery in Western Europe in 2017 (mainly Germany, Austria and France, hosting a large share of Serbian migrants).

The decline in the CAD would have been larger had the trade deficit not widened (by a sizeable 1.6 pps of GDP y-o-y in 9M:18), due to higher imports. In fact, imports rose by 13.0% y-o-y, in EUR terms, in 9M:18, reflecting: i) investment and export-related imports; ii) higher energy imports, on the back of higher global oil prices (up 38.2% y-o-y in 9M:18 in EUR terms); and iii) the gradual recovery in consumption.

On the other hand, exports grew by 7.7% y-o-y in 9M:18, supported by the still robust external demand and past years' FDIs.

The capital and financial account (CFA) improved slightly and more than covered the CAD in 9M:18. The CFA balance improved by 0.3 pps to a surplus 5.5% of GDP in 9M:18, mainly on the back of: i) large (net) borrowing (of 1.3% of GDP in 9M:18 against net repayments of 0.1% of GDP in 9M:17); and ii) net portfolio inflows (0.3% of GDP in 9M:18 against outflows of 0.3% of GDP in 9M:17), due to large investment in RSD-denominated long-term government paper by non-residents, reflecting improved confidence and attractive yields. Note that portfolio inflows would have been larger had the Government not proceeded with the (early) repayment of the EUR 138.8mn (0.3% of GDP) London Club debt in June. This positive performance was partly offset by lower repatriation of domestic banks' deposit holdings abroad (0.5% of GDP in 9M:18 against 1.8% of GDP in 9M:17). Importantly, (net) FDIs remained robust in 9M:18 (4.6% of GDP), more than covering the CAD.

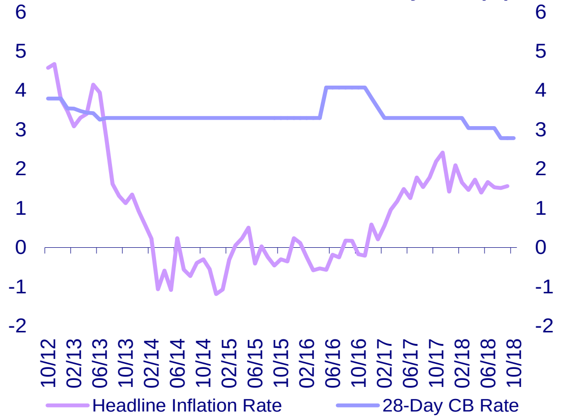
Reflecting CAD and CFA developments, large positive (net) errors & omissions (1.0% of GDP) and valuation effects, FX reserves increased by a sizeable EUR 1.2bn (3.0% of GDP) in 9M:18, reaching a high of EUR 11.2bn and covering 5.5 months of imports.

The CAD is set to continue on its downward trend in Q4:18, ending 2018 at c. 5.2% of GDP -- from 5.7% in FY:17. The CAD is set to narrow further by 0.4 pps y-o-y in Q4:18, mainly reflecting a more favourable energy bill, due to the fading-out of the impact of electricity production disruption on imports and lower-than-initially-expected global oil prices. We see the CAD narrowing to 5.2% of GDP in FY:18 from 5.7% in FY:17. Covering this year's financing needs should not be a problem. Indeed, despite large capital outflows in Q4:18 (c. 1.8% of GDP), largely due to the repayment of a USD 1.0bn Eurobond (or 2.0% of GDP) that is not expected to be rolled over, FX reserves should rise by EUR 0.5bn to EUR 10.4bn in FY:18.

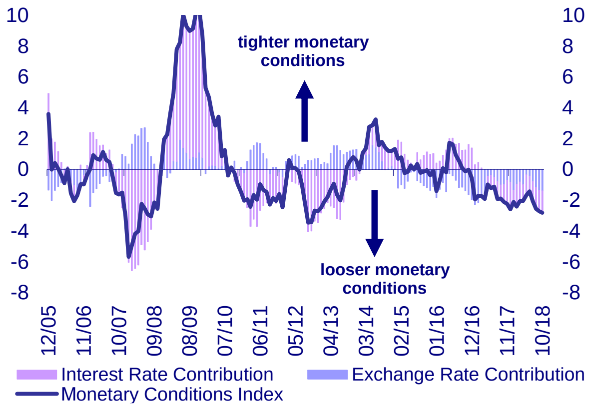
F.Y.R.O.M

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

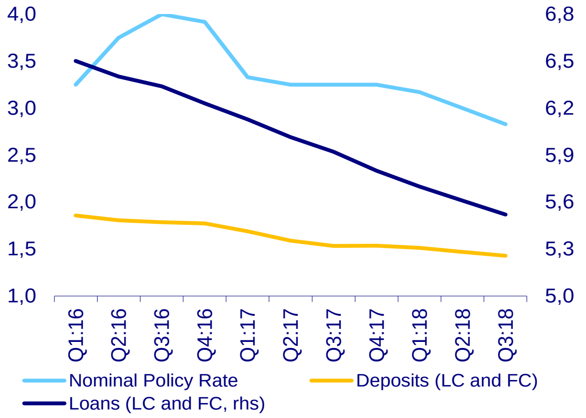
Headline Inflation & Nominal Policy Rate (%)



Monetary Conditions Index



Interest Rates (Quarterly Average, %)



	3 Dec.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.2	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	264	210	190	160

	3 Dec.	1-W %	YTD %	2-Y %
MBI 100	3,475	-0.5	36.9	58.1

	2016	2017	2018F	2019F	2020F
Real GDP Growth (%)	2.8	0.2	2.5	3.8	4.0
Inflation (eop. %)	-0.2	2.4	1.9	2.0	2.0
Cur. Acct. Bal. (% GDP)	-2.8	-1.0	0.3	-1.0	-2.2
Fiscal Bal. (% GDP)	-2.7	-2.7	-2.8	-2.8	-2.7

Significant progress towards the finalisation of the revision of the Constitution – needed for joining NATO and starting EU accession talks. Lawmakers passed, with a required simple majority (i.e. at least 61 votes in the 120-seat parliament), all four draft constitutional amendments submitted by the Government. The amendments, envisaged in the Prespa Agreement, consist of: i) the addition of the adjective "North" to the name of the country; ii) changes in the Constitution's introductory statement through the removal of any Greek concern about possible irredentism and the addition of the Ohrid Framework peace treaty; iii) the guarantee of territorial integrity, sovereignty and political independence of neighbouring countries; and iv) the country's relations vis-à-vis its diaspora.

To finalise the revision of the Constitution, expected by end-January, PM Zaev will once more have to secure a two thirds majority in parliament (i.e. gain support from at least 8 opposition MPs). In the event and for the country to start EU accession talks and join NATO, the name agreement will have to be ratified by the Greek parliament.

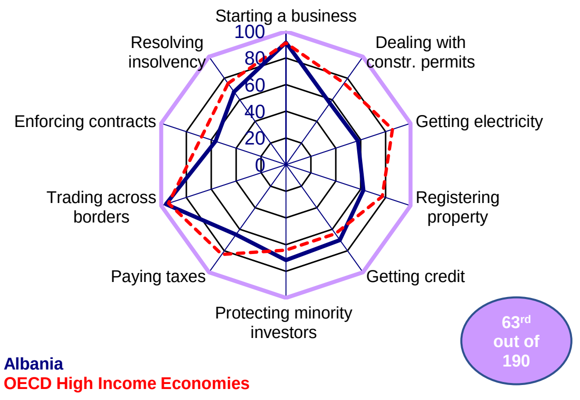
The Central Bank maintained its key rate -- the 28-day CB bill rate -- on hold at a record low of 2.75% at its November MPC meeting. Recall that the CB has lowered its policy rate by a total of 125 bps since the initiation of the cycle of monetary policy easing in December 2016. The decision is motivated by the fact that the monetary policy stance is currently appropriately accommodative following two rate cuts this year and against a background of: i) a benign inflation outlook (headline inflation has remained broadly unchanged at 1.6% y-o-y since the beginning of the year is projected to rise to 1.9% at end-2018 -- still below the end-2017 outcome of 2.4% y-o-y); ii) a negative output gap at end-year (-1.0% on a 4-quarter rolling basis in Q4:18); iii) expectations of continued fiscal prudence; and iv) the absence of pressures on external accounts (FX reserves are expected to increase by EUR 0.4bn to EUR 2.8bn at end-2018). In fact, our Monetary Conditions Index (see chart) shows that monetary conditions have become more accommodative since August due to the depreciation of the domestic currency in real terms.

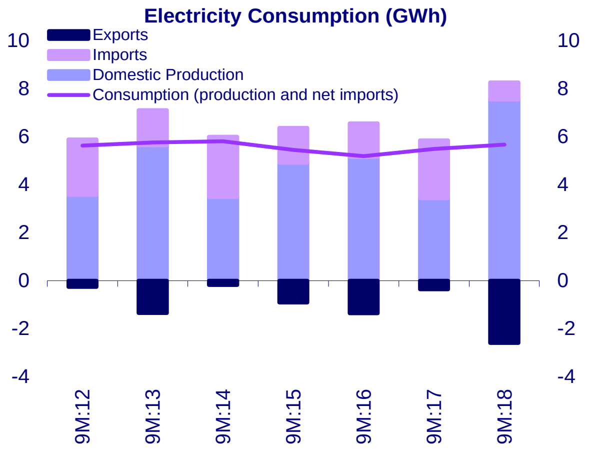
Importantly, lower bank lending rates following the 125 bp cut of the central rate over the past 22 months (see chart), along with bank improved asset quality (the NPL ratio stood at a record low of 5.0% at end-9M:18) and adequate sources of funding (the loan-to-deposit ratio stood at 92.6% at end-9M:18), have contributed to the pick-up in credit activity. Indeed, credit expansion accelerated to 8.1% y-o-y at end-September from 5.4% at end-2017 and a multi-year low of -0.2% at end-2016, driven by both the retail and corporate segments. Projecting continued positive trends, the credit impulse (defined as the change in the flow of bank credit scaled by nominal GDP) should return to positive territory this year (to an estimated 3.1 pps from -0.7 pps in FY:17), supporting the recovery of economic activity. Our model shows that the credit impulse should contribute 0.4 pps to GDP growth in FY:18 after having subtracted 0.2 pps in FY:17.

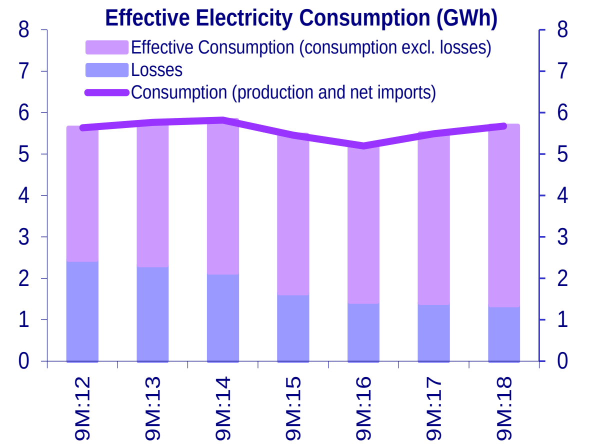
The Central Bank is likely to keep its key rate unchanged until the initiation of a new cycle of monetary policy tightening in Q3:19. In view of a persistently negative, albeit closing, output gap, the absence of pressures on fiscal and external accounts and relatively benign external environment, we expect the CB to maintain its policy rate unchanged at least until Q3:19, when the ECB and most neighbouring countries are set to embark on a new cycle of monetary policy tightening. Overall, we expect the CB to hike the policy rate by 25-50 bps to 3.0%-3.25% in Q4:19.

Albania

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







	3 Dec.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.3	2.2	2.2	2.2
ALL/EUR	124.0	123.8	123.5	122.0
Sov. Spread (bps)	238	215	200	180

	3 Dec.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2016	2017	2018F	2019F	2020F
Real GDP Growth (%)	3.4	3.8	4.2	4.0	4.2
Inflation (eop, %)	2.2	1.8	2.3	2.5	2.8
Cur. Acct. Bal. (% GDP)	-7.5	-7.5	-6.8	-5.7	-5.3
Fiscal Bal. (% GDP)	-1.8	-2.0	-2.0	-1.9	-1.8

Albania's competitiveness deteriorated slightly in the World Bank Ease of Doing Business Report 2019. Albania slipped 2 places to 63rd among 190 economies in this year's World Bank's report on the ease of doing business, as reforms in its business regulations slowed following the June 2017 parliamentary elections. Albania made only one significant regulatory change, making easier "enforcing contracts", through amendments to the code of civil procedure which: i) simplified the procedure for small claims; and ii) introduced time standards for certain court events. As a result, Albania continues to lag behind other SEE-5 countries: FYROM (10th), Serbia (48th), Romania (52nd) and Bulgaria (59th).

Looking ahead, key challenges remain in order to improve the country's business climate and strengthen its competitiveness, according to the report. In fact, Albania significantly underperforms in:

i) "getting electricity" (ranking at a low 140th), with 134 days needed to receive an electricity connection (well above the 77 days in OECD high-income economies), at a high cost (of 505% of the per capita income compared with an average 64% in OECD high-income economies) and with notably unreliable energy supply (fully based on weather-dependant hydroelectric production, see below), resulting in recurrent power outages;

ii) "paying taxes" (ranking 122nd), with 252 hours required to comply with tax obligations, well above the 159 hours in OECD high-income economies; as well as

iii) "dealing with construction permits" (ranking 151st), with 299 days needed for obtaining a permit -- almost double the 153 days in OECD high-income economies.

Albania's electricity generation more than doubled in 9M:18, as a result of abundant rainfall and favourable base effects. Domestic electricity production -- totally dependent on hydroelectric power – rose sharply in 9M:18 (up 120% y-o-y to a record high 7.5 GWh), following heavy rainfall this year. This performance also reflects a supportive base effect, as electricity generation declined markedly throughout FY:17 (by 36.6% y-o-y), due to low rainfall and several months of summer drought.

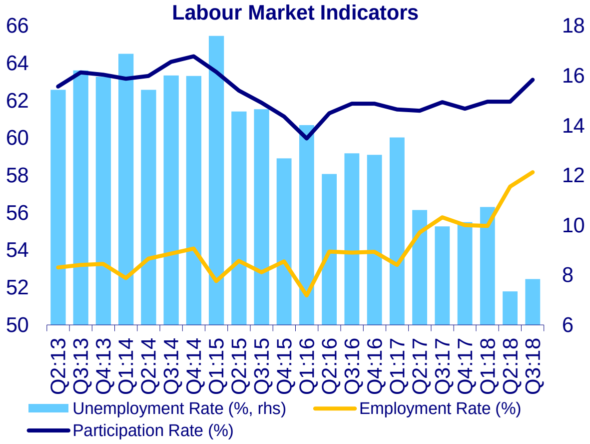
The considerable increase in domestic electricity production in 9M:18 led to a sharp rise in electricity exports (more than 7 times their level in the same period a year ago), and a large drop in imports (by 70.2% y-o-y in 9M:18). As a result, imports covered just 12.7% of total consumption in 9M:18 (after covering almost half of total consumption in FY:17 and an average ⅓ of total consumption in 2012-16), while Albania turned into a net exporter of electricity.

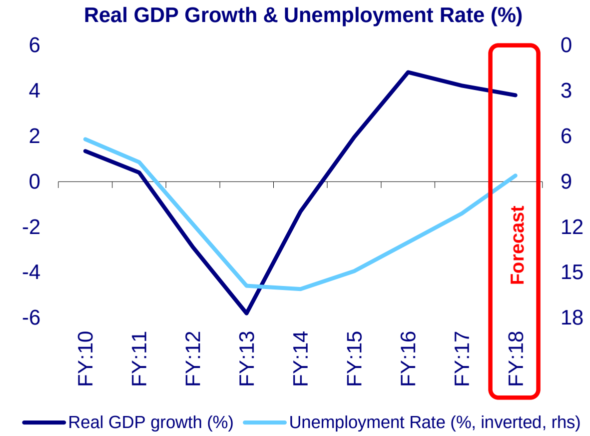
Moreover, the implementation of the electricity sector reform (a 5-year plan was launched at end-2014 with the support of the World Bank), continues to bring about good results. As a result, large unbilled electricity, reflecting not only technical losses (due to the low quality of the electricity network), but most importantly large non-technical losses, due to extensive electricity theft, continues to be gradually reduced. Indeed, (unbilled) distribution losses fell to 20.2% of total consumption in 9M:18 from 23.1% FY:17 and a peak of 40.4% in FY:12, with non-technical losses declining further to 24.7% of total losses in 9M:18 from 25.1% in FY:17 and a high 62.8% in FY:12.

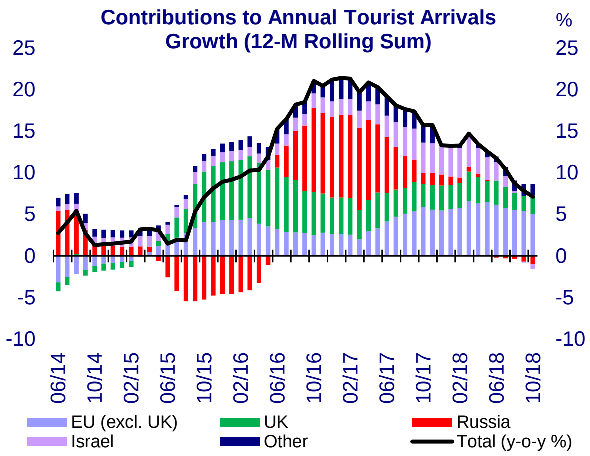
The impressive rebound in electricity production should have a strong positive impact on: i) GDP growth (with a contribution of c. 1.8 pps after subtracting an estimated 0.5 pps in FY:17; ii) the current account balance (with an improvement of 0.8 pps of GDP y-o-y in FY:18); and iii) the fiscal balance (with an improvement of 0.4 pps of GDP y-o-y, as there would be no need for energy subsidies).

Cyprus

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







	3 Dec.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.14	1.22	1.24	1.26
Sov. Spread (2020. bps)	91	55	52	50

	3 Dec.	1-W %	YTD %	2-Y %
CSE Index	67	1.2	-3.3	5.0

	2016	2017	2018F	2019F	2020F
Real GDP Growth (%)	4.8	4.2	3.8	3.6	3.2
Inflation (eop. %)	-0.3	-0.6	2.4	2.0	2.0
Cur. Acct. Bal. (% GDP)	-5.1	-8.4	-6.9	-8.1	-7.4
Fiscal Bal. (% GDP)	0.3	1.8	2.8	3.0	3.0

The unemployment rate is on track to reach a post-crisis low of 8.6% this year, underpinned by strong economic activity and active labour market policies. The unemployment rate fell by 2.2 pps y-o-y to 7.8% in Q3:18, supported by continued strong economic activity (output growth stood at 3.6% y-o-y in Q3:18, according to the GDP flash estimate -- down slightly from 3.9% y-o-y in H1:18). This positive development was due to a significant rise in the employment rate (up 2.4 pps y-o-y to a multi-quarter high of 58.2% in Q3:18), reflecting the continuing recovery in employment, which outpaced that of the participation rate (up 1.2 pps y-o-y). Indeed, employment growth maintained its strong momentum in Q3:18 (up 5.5% y-o-y -- unchanged from H1:18), mainly on the back of a stronger hiring in the services sector. The improvement in employment reflected not only buoyant economic activity, but also government-subsidized employment programmes, including subsidies for young and long-term unemployed.

Looking ahead, we expect the unemployment rate to continue on its downward trend in Q4:18, albeit at a slower pace (down 1.5 pps y-o-y, against a decline of 2.7 pps y-o-y in 9M:18), due to a further slowdown in economic activity. Overall, we see the unemployment rate reaching a 7-year low of 8.6% in FY:18 -- down from 11.1% in FY:17 and a peak of 16.1% in FY:14.

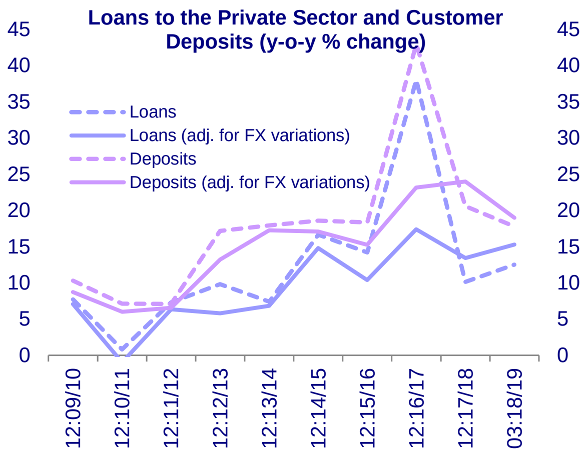
Tourist arrivals are set to rise by c. 6.0% to a record high of 3.9mn in FY:18, despite declining support from the island's main source countries -- the UK, Russia and Israel. Tourist arrivals' growth slowed to a still strong 7.1% y-o-y on a 12-month rolling basis in October from 13.3% in December. The deceleration was mainly due to a decline in arrivals from Russia and Israel (together shaving 6.4 pps off total arrivals' growth) and a slowdown in arrivals from the UK (the main source country, subtracting 0.7 pps from overall growth). The weaker support from Russian and British visitors can largely be attributed to their gradual return to neighbouring countries -- Turkey and Egypt -- due to more competitive prices (the TRY and EGP depreciated against the EUR by c. 42.0% and c. 53.0%, respectively, in the past 2 years) and eased domestic security concerns. Note that direct flights between Russia and Egypt resumed on April 11th, following a cooperation agreement on civil aviation security between the two countries at end-December, aimed at removing Russia's travel ban imposed after the downing of a Russian passenger plane in the Sinai Peninsula in October 2015.

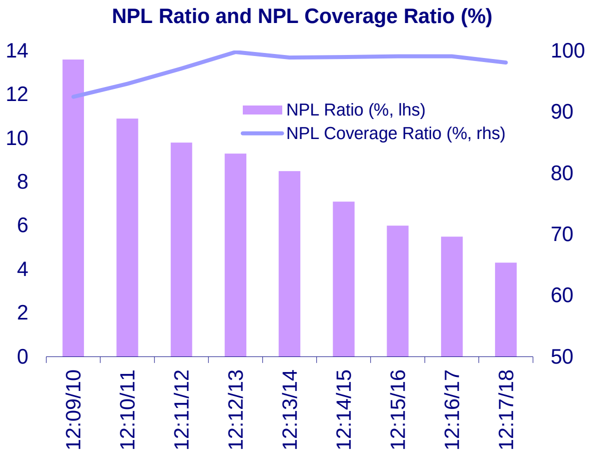
On the other hand, the number of Israeli visitors fell for the first time in 7 years (down 8.9% y-o-y on a 12-month rolling basis in October against a sharp rise of 76.1% in December). The deterioration reflects a normalization following years of strong growth (a CAGR of c. 45.0% during 2012-17), making Israel Cyprus' third largest source country (after the UK and Russia, accounting for 7.2% of total visitors in FY:17 compared with 1.6% of total arrivals in FY:12).

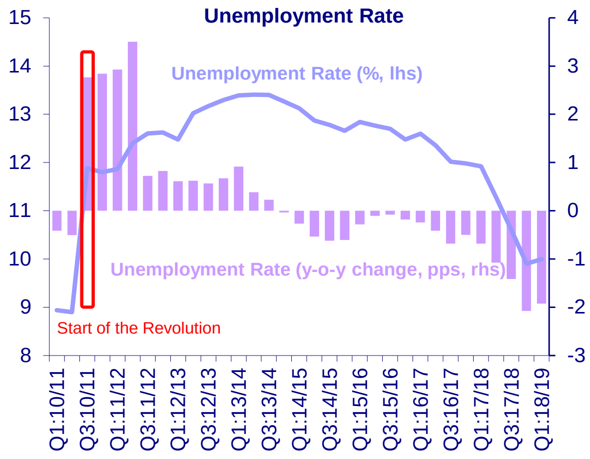
On a negative note, tourist receipts slowed (up 2.8% y-o-y in September on a 12-month rolling basis from 11.7% in December) at a faster pace than arrivals in 9M:18, due to a decline in expenditure per tourist, reflecting almost exclusively lower spending per tourist per day. Looking ahead, we expect the gradual return of Russian and British visitors to Turkey and Egypt and the normalization in arrivals from Israel to continue in the coming months. Overall, for this year, we foresee tourist arrivals rising by c. 6.0% to a record high of 3.9mn and tourist receipts remaining almost unchanged from last year at EUR 2.8bn (c. 13.6% of GDP), due to weaker daily spending per tourist.

Egypt

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







	3 Dec.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	16.8	18.0	17.0	15.0
EGP/USD	17.9	17.8	18.0	18.0
Sov. Spread (2020. bps)	241	188	162	140

	3 Dec.	1-W %	YTD %	2-Y %
HERMES 100	1,258	-1.0	-12.4	22.6

	15/16	16/17	17/18E	18/19F	19/20F
Real GDP Growth (%)	4.3	4.2	5.3	5.6	5.8
Inflation (eop. %)	14.0	29.8	14.4	14.8	12.0
Cur. Acct. Bal. (% GDP)	-6.0	-6.0	-2.4	-1.8	-1.5
Fiscal Bal. (% GDP)	-12.5	-10.9	-9.7	-9.4	-8.2

Credit to the private sector (FX-adjusted) picked up for a second consecutive quarter in Q1:18/19, underpinned by lower lending rates. Adjusted for FX movements, lending growth accelerated to 15.3% y-o-y at end-Q1:18/19 from 13.4% at end-Q4:17/18 and a 7-quarter low of 11.6% at end-Q3:17/18. The strong performance of (FX-adjusted) overall lending was mainly due to a decline in lending rates from prohibitive levels (average rates on up to 12 months EGP-denominated loans declined by 2.1 pps to 17.5% between Q3:17/18 and Q1:18/19). The acceleration in lending activity was also sustained by banks' ample liquidity (the total loan-to-total deposit ratio stood at 45.9% at end-Q4:17/18), good asset quality metrics (see the section below) and a strong capital base (the capital adequacy ratio reached a multi-year high of 15.6% at end-2017/18), as well as a brighter economic outlook (GDP growth is expected to accelerate to 5.6% in FY:18/19 from a 10-year high of 5.3% in FY:17/18).

Customer deposits (FX-adjusted) lost momentum for a second successive quarter in Q1:18/19, due to lower EGP remuneration rates and strong base effects. Adjusted for FX fluctuations, growth in customer deposits decelerated to a still strong 19.0% y-o-y at end-Q1:18/19 from 24.0% at end-Q4:17/18 and a multi-year high of 28.5% at end-Q3:17/18. The deceleration is attributed to less attractive remuneration of deposits (average interest rates on 1 to 3 months, 4 to 6 months and 7 to 12 months EGP-denominated deposits declined by 1.4 pps, 1.1 pp and 0.8 pps, respectively, to 11.9%, 12.7% and 12.6% between Q3:17/18 and Q1:18/19) and unsupportive base effects (FX adjusted deposits grew at a CAGR of 24% between Q2:16/17, when Egypt secured the IMF financial support, and Q2:17/18).

The NPL ratio declined further to a multi-year low of 4.9%, while the NPL coverage remained close to the 100% threshold in 2017/18. The NPL ratio continued on its downward trend for an eighth consecutive year in 2017/18 –to 4.9% from 5.5% at end-2016/17 and a peak of 13.6% at end-2009/10. The improvement in 2017/18 was supported by the acceleration in economic activity (GDP growth rose to 5.3% y-o-y in FY:17/18 from 4.2% in FY:16/17), the stabilisation of the domestic currency and tight credit standards. Furthermore, the NPL coverage ratio has remained close to the 100% threshold since end-2012/13.

The unemployment rate declined by 1.9 pps y-o-y to 10.0% in Q1:18/19. Importantly, the annual pace of decline accelerated to -1.9 pps y-o-y in Q1:18/19 (July-September 2018) from -0.7 pps in Q1:17/18 and -1.3 pps in FY:17/18, reflecting strengthening confidence in the domestic economy, on the back of the steady implementation of the ongoing IMF-supported programme. Recall that in early-Q1:18/19, the IMF Executive Board completed the 3rd review of Egypt's economic reform programme – supported by the 3-year USD 12bn Extended Fund facility – allowing the authorities to draw the equivalent of USD 2bn, bringing total disbursements under the programme to c. USD 8bn. The sharp contraction in the unemployment rate in Q1:18/19 (by 1.9 pps y-o-y) reflects the fact that the number of employees rose by 336k y-o-y (or 1.3% y-o-y), while the labour force declined by 257k y-o-y (or -0.9% y-o-y).

Looking ahead, projecting continued strong implementation of the IMF-supported programme, we expect the recent positive trends to continue throughout the rest of the fiscal year, bringing the FY:18/19 unemployment rate to a 9-year low of 9.8% -- down from 10.9% in FY:17/18 and a peak of 13.4% in FY:13/14, but still above the pre-Revolution level of 9.0% (end-2010).

FOREIGN EXCHANGE MARKETS, DECEMBER 3RD 2018

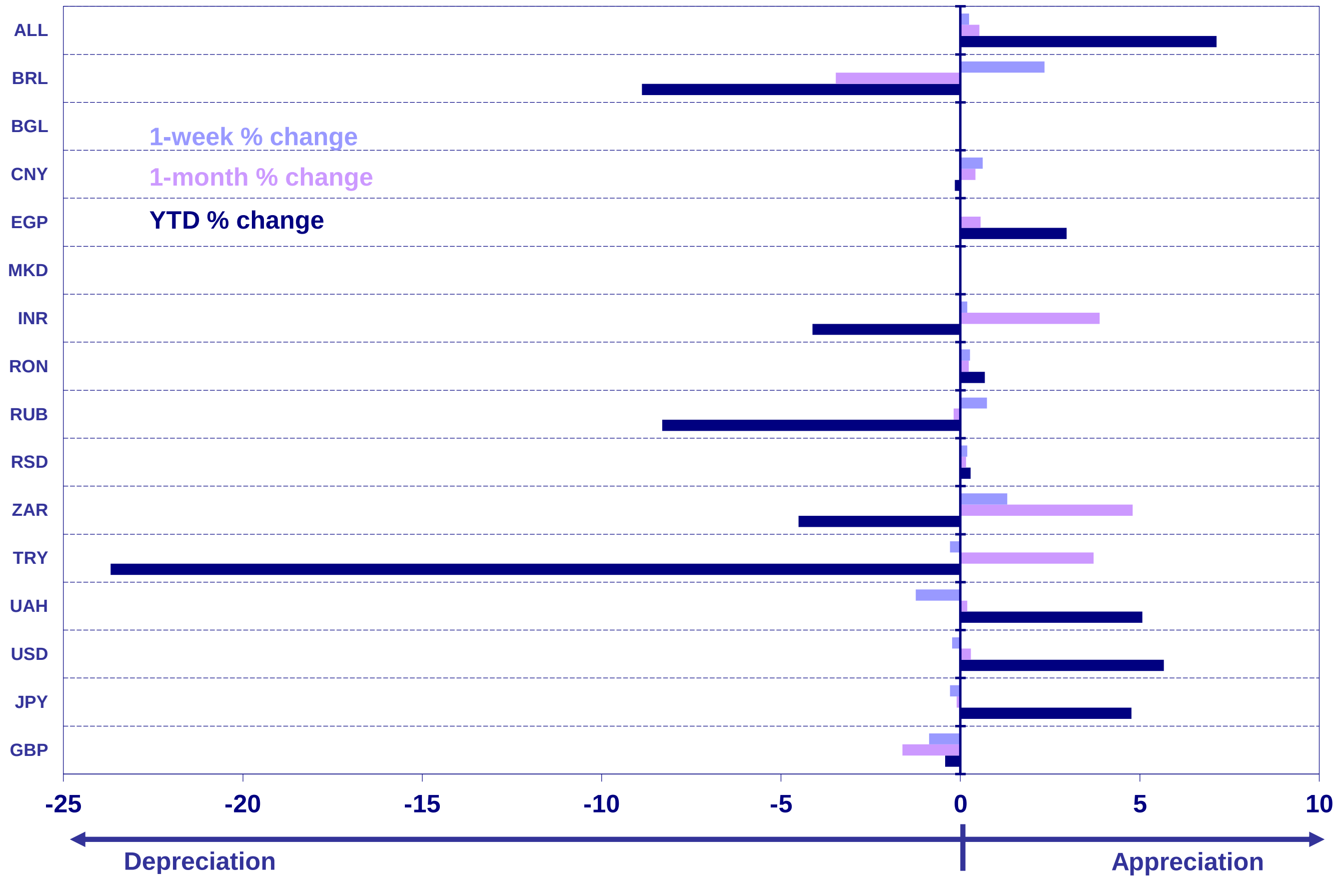
Against the EUR

	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	124.0	0.2	0.5	7.1	7.7	124.2	134.0	124.3	124.2	123.4	1.9	1.2
Brazil	BRL	4.36	2.3	-3.5	-8.9	-11.7	3.85	4.93	- - -	- - -	- - -	-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	7.81	0.6	0.4	-0.2	0.3	7.39	8.11	- - -	- - -	- - -	-6.0	-4.0
Egypt	EGP	20.23	0.0	0.6	3.0	3.0	19.50	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	80.0	0.2	3.9	-4.1	-4.6	75.9	86.0	- - -	- - -	- - -	-6.7	0.4
Romania	RON	4.65	0.3	0.2	0.7	-0.4	4.62	4.68	4.68	4.72	4.83	-3.0	-0.4
Russia	RUB	75.5	0.7	-0.2	-8.3	-7.6	67.7	81.9	76.9	78.4	81.8	-6.8	22.9
Serbia	RSD	118.1	0.2	0.2	0.3	1.1	117.6	119.1	118.4	118.6	- - -	4.2	-1.5
S. Africa	ZAR	15.5	1.3	4.8	-4.5	3.1	14.18	18.12	15.8	16.2	16.8	-2.7	16.2
Turkey	YTL	5.96	-0.3	3.7	-23.7	-22.9	4.48	8.21	6.30	6.67	7.31	-18.4	-14.7
Ukraine	UAH	32.0	-1.2	0.2	5.1	0.8	30.18	36.11	- - -	- - -	- - -	-15.2	-8.6
US	USD	1.14	-0.2	0.3	5.7	4.5	1.1	1.3	1.14	1.15	1.17	-12.4	3.3
JAPAN	JPY	129.0	-0.3	-0.1	4.8	3.3	124.6	137.5	129.0	129.0	129.0	-8.9	6.0
UK	GBP	0.89	-0.9	-1.6	-0.4	-1.3	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 (December 3rd 2018)



MONEY MARKETS, DECEMBER 3RD 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	6.4	- - -	2.5	- - -	16.8	- - -	- - -	2.3	7.6	- - -	24.4	6.3	19.3	- - -	2.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.3	7.2	2.5	- - -	6.3	- - -	- - -	- - -
S/W	1.2	6.4	- - -	2.6	-0.4	- - -	1.1	- - -	- - -	7.3	2.5	- - -	6.6	19.5	-0.4	2.2
1-Month	1.3	6.4	0.0	2.7	-0.4	- - -	1.2	7.2	2.9	8.0	2.7	24.7	7.0	20.2	-0.4	2.4
2-Month	- - -	6.4	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.1	2.8	24.8	7.1	- - -	- - -	2.5
3-Month	1.6	6.4	- - -	3.1	- - -	- - -	1.5	7.5	3.1	7.4	3.0	24.8	7.3	20.5	- - -	2.8
6-Month	1.8	6.6	- - -	3.3	- - -	- - -	1.7	- - -	3.4	8.4	3.2	24.9	7.8	- - -	- - -	2.9
1-Year	2.1	6.9	- - -	3.5	-0.1	- - -	2.0	- - -	3.5	8.5	- - -	24.9	8.4	- - -	-0.1	3.1

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

LOCAL DEBT MARKETS, DECEMBER 3RD 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.5	- - -	6.8	- - -	7.6	- - -	20.2	- - -	- - -	-0.8	2.3
6-Month	1.3	- - -	- - -	- - -	- - -	19.9	- - -	7.0	3.0	7.8	3.3	19.5	- - -	- - -	-0.7	2.5
12-Month	1.5	- - -	0.0	2.7	- - -	19.9	1.0	7.2	3.4	7.7	2.8	20.8	- - -	18.9	-0.6	2.7
2-Year	2.0	- - -	- - -	2.9	- - -	- - -	- - -	7.3	3.6	7.9	- - -	19.3	6.2	- - -	-0.6	2.8
3-Year	- - -	- - -	0.1	3.0	0.8	- - -	- - -	7.3	3.7	8.2	- - -	17.4	7.2	18.5	-0.5	2.8
5-Year	4.4	9.1	- - -	3.1	1.3	18.4	- - -	7.5	4.4	8.3	3.7	16.6	8.2	- - -	-0.2	2.8
7-Year	5.0	- - -	0.7	- - -	1.9	18.1	- - -	7.6	4.6	8.5	- - -	- - -	- - -	- - -	0.0	2.9
10-Year	6.5	10.0	0.9	3.4	- - -	17.9	- - -	7.6	5.0	8.6	- - -	16.1	8.9	- - -	0.3	3.0
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	7.8	- - -	8.7	- - -	- - -	9.9	- - -	0.6	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.9	- - -	- - -	- - -	- - -	9.8	- - -	1.0	3.3

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

CORPORATE BONDS SUMMARY, DECEMBER 3RD 2018

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	Bulgaria Energy Hld 4.875% '21	EUR	NA/NA	2/8/2021	550	2.1	262	223
South Africa	FirstRand Bank Ltd 4.25% '20	USD	BBB-/Baa2	30/4/2020	500	4.6	174	155
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	152	116
Turkey	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4.3	485	430
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	7.7	480	436
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	11.8	897	773
	Vakifbank 5.75% '23	USD	NA/Ba3	30/1/2023	650	10.2	738	647
	TSKB 5.5% '23	USD	NA/Ba3	16/1/2023	350	10.8	797	687
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.6	575	520
	KOC Holding 5.25% '23	USD	BB+/Ba1	15/3/2023	750	7.2	435	397

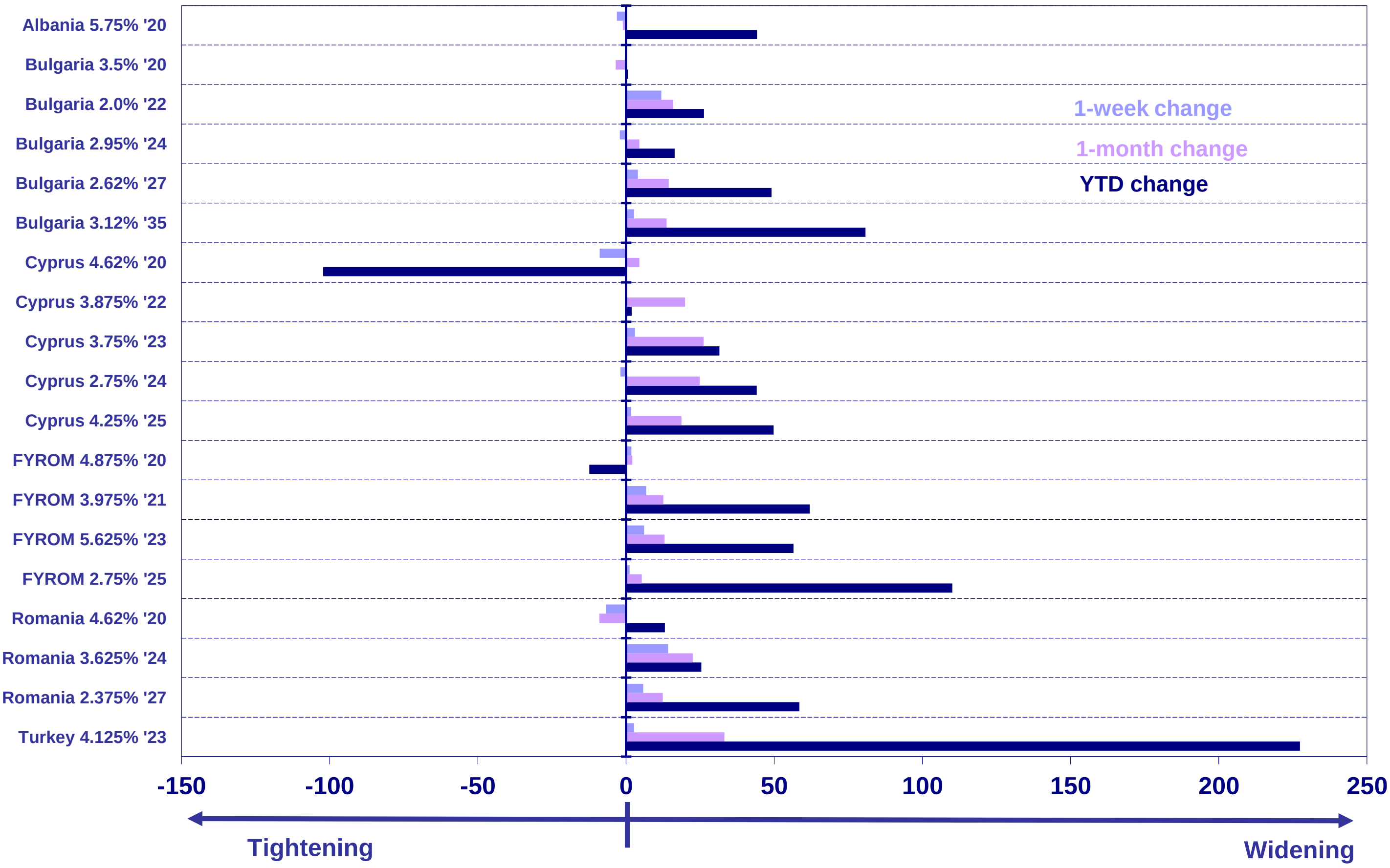
CREDIT DEFAULT SWAP SPREADS. DECEMBER 3RD 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	207	71	70	139	363	- - -	80	104	164	116	387	228	598
10-Year	- - -	280	103	114	154	407	- - -	89	144	220	147	416	289	623

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY. DECEMBER 3RD 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	1.8	238	204
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.0	68	30
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.1	63	10
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.7	78	31
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.4	119	71
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.7	211	146
Cyprus 4.62% '20	EUR	BBB-/Ba2	3/2/2020	668	0.3	91	60
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	0.9	127	87
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	1.3	157	120
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	1.6	172	129
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	1.9	193	153
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.2	181	144
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.1	264	469
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	3.0	326	295
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	3.3	347	281
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.0	64	27
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	1.0	130	78
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.4	223	167
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	4.5	478	424

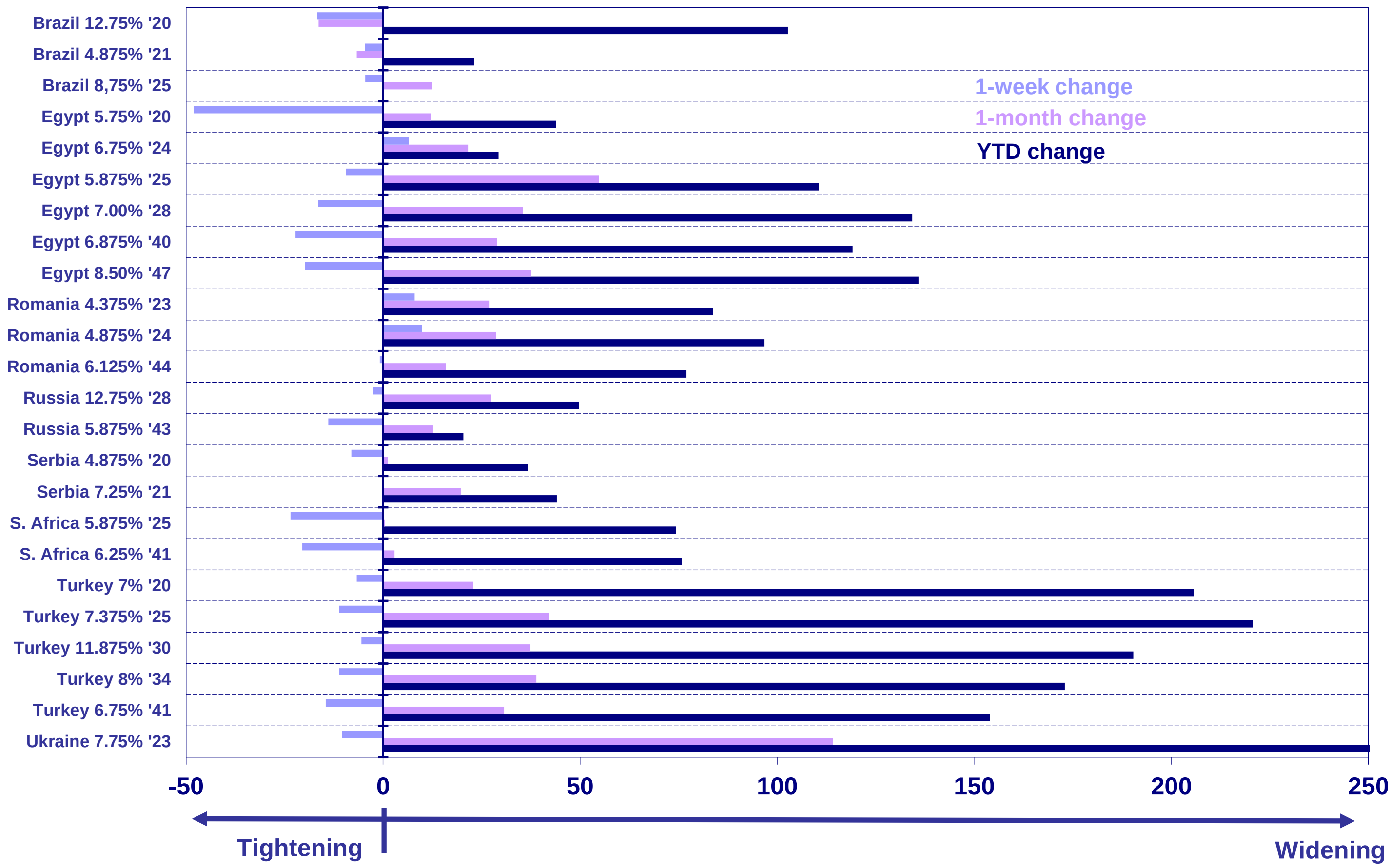
EUR-Denominated Eurobond Spreads (December 3rd 2018)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY. DECEMBER 3RD 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	NA/Ba2	15/1/2020	87	3.7	100	81
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	3.9	107	89
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	4.8	185	196
Egypt 5.75% '20	USD	B/B3	29/4/2020	1,000	5.1	241	211
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.5	363	343
Egypt 5.875% '25	USD	B/B3	11/6/2025	500	7.4	452	414
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	8.0	502	467
Egypt 6.875% '40	USD	B/B3	30/4/2040	1,500	8.5	527	469
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	9.1	587	561
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	4.5	168	151
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	4.5	170	154
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	5.6	229	251
Russia 12.75% '28	USD	BBB-/Ba1	24/6/2028	2,500	5.1	213	275
Russia 5.875% '43	USD	BBB-/Ba1	16/9/2043	1,500	5.5	224	241
Serbia 4.875% '20	USD	BB/Ba3	25/2/2020	1,500	4.2	152	126
Serbia 7.25% '21	USD	BB/Ba3	28/9/2021	2,000	4.5	163	151
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	5.9	293	281
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	6.7	341	336
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	6.6	374	353
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	7.6	465	447
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	7.8	484	555
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	8.1	506	483
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	8.0	469	406
Ukraine 7.75% '23	USD	B-/Caa2	1/9/2023	1,355	10.0	713	653

USD-Denominated Eurobond Spreads (December 3rd 2018)



STOCK MARKETS PERFORMANCE. DECEMBER 3RD 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)	89,820	5.0	1.6	17.6	22.9	69,069	91,242	6.6	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	599	2.4	0.4	-11.6	-10.5	582	721	-11.6	15.5	15.5	27.2	27.2
China (SHCOMP)	2,655	3.1	-0.8	-19.7	-19.8	2,449	3,587	-19.8	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	67	1.2	0.7	-3.3	-4.5	65	77	-3.3	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,258	-1.0	-0.6	-12.4	-9.2	1,236	1,741	-9.2	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	3,475	-0.5	-3.0	36.9	37.3	2,536	3,692	36.9	18.9	18.9	16.5	16.5
India (SENSEX)	36,241	2.5	3.5	6.4	10.3	32,484	38,990	1.9	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,661	2.4	3.8	0.6	0.4	1,573	1,802	1.3	22.8	19.1	0.2	0.0
Russia (RTS)	4,364	5.2	2.6	5.9	3.6	4,017	4,617	-2.9	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	744	-0.7	0.2	-2.1	-0.1	719	785	-1.8	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	52,079	0.8	-4.0	-12.5	-12.6	50,033	61,777	-16.4	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	94,974	1.1	0.9	-17.7	-9.7	84,655	121,532	-37.2	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	578	-0.2	0.5	83.4	89.7	315	609	92.7	18.8	0.8	10.2	1.0
MSCI EMF	1,017	4.1	2.0	-12.2	-9.4	930	1,279	-7.2	34.3	17.7	8.6	12.2
MSCI EAFE	1,836	1.7	-0.1	-10.5	-8.7	1,778	2,187	-5.4	21.8	6.7	-1.9	1.4
Greece (ASE-General)	660	9.3	6.5	-17.8	-11.1	593	896	-17.8	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	11,465	1.0	-0.5	-11.2	-12.2	11,009	13,597	-11.2	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,062	0.4	-0.4	-8.1	-3.8	6,852	7,904	-8.5	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	25,826	4.8	2.2	4.5	6.3	23,345	26,952	10.4	25.1	9.6	13.4	16.7
USA (S&P 500)	2,790	4.4	2.5	4.4	5.7	2,533	2,941	10.3	19.4	4.7	9.5	13.2

Equity Indices (December 3rd 2018)