Economic Analysis Division

Emerging Markets Research

Bi-Weekly Report

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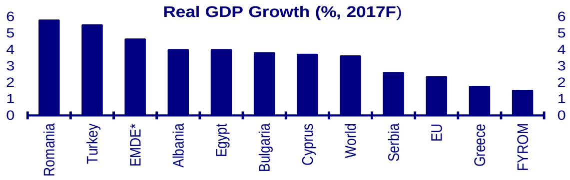
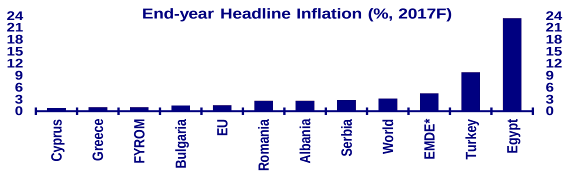


* EMDE: Emerging Market & Developing Economies



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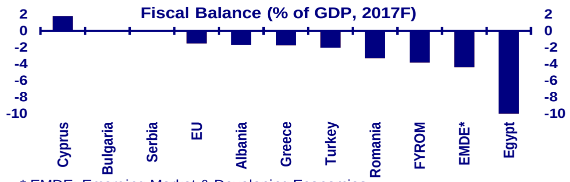

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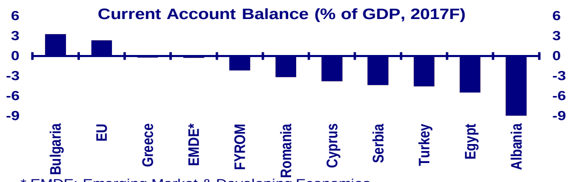
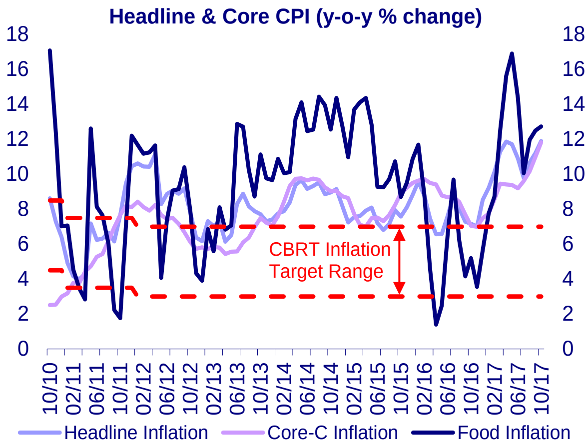
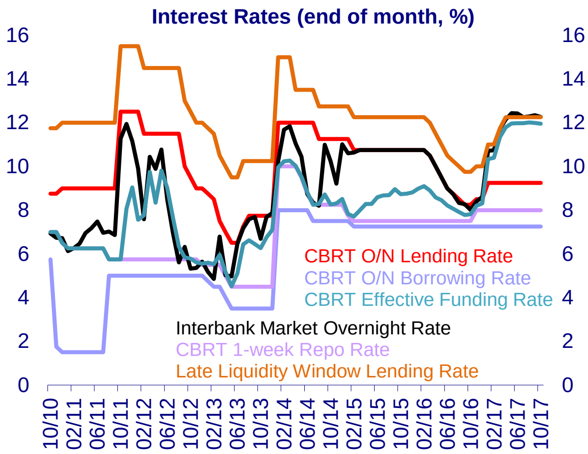


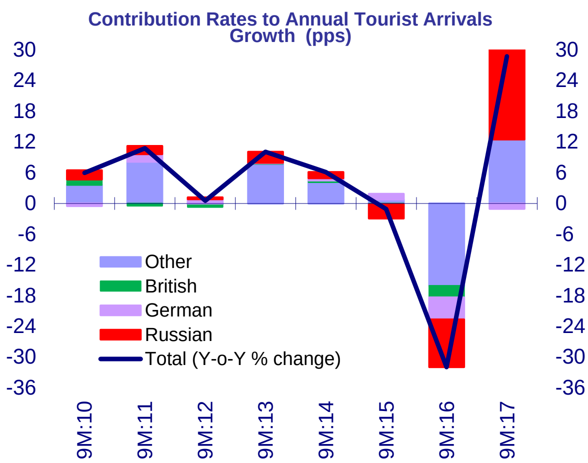
* EMDE: Emerging Market & Developing Economies

Turkey

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







	6 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.1	12.5	12.0	11.0
TRY/EUR	4.45	4.40	4.37	4.36
Sov. Spread (2020, bps)	211	182	170	150

	6 Nov.	1-W %	YTD %	2-Y %
ISE 100	114,166	5.3	46.1	39.3

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	5.2	6.1	3.2	5.5	4.0
Inflation (eop, %)	8.2	8.8	8.5	10.5	9.0
Cur. Acct. Bal. (% GDP)	-4.7	-3.7	-3.8	-4.6	-4.4
Fiscal Bal. (% GDP)	-1.1	-1.0	-1.1	-2.0	-2.3

Headline and core inflation reached multi-year highs of 11.9% and 11.8% y-o-y, respectively, in October. Headline inflation rose for a third consecutive month, reaching a 9-year high of 11.9% y-o-y in October, up from 11.2% in September. The increase was mainly driven by core inflation. Indeed, core inflation picked up sharply, with the CBRT's favourite measure, i.e., CPI-C reaching its highest level since January 2004 – 11.8% y-o-y in October compared with 11.0% September. The acceleration in core inflation reflects robust domestic demand, a stronger FX pass-through to prices (the depreciation of the TRY against the basket of "50%*TRY/USD+50%*TRY/EUR" rose to 19.3% y-o-y in October from 17.3% in September) and the expiry of tax cuts on furniture and consumer durables at end-September. As a result, inflation expectations picked up (end-year, 1-year ahead and 2-year ahead inflation expectations rose to 9.9%, 8.5% and 8.0%, respectively, in October, from 9.5%, 8.4% and 7.9% in September).

Looking ahead, barring renewed depreciation pressures on the exchange rate and the implementation of further fiscal and quasi-fiscal stimulus measures, we expect headline inflation to ease from a peak of 12.0% y-o-y in November to a cyclical low of 8.6% in April, on the back of strong base effects, before embarking on a steady upward trend. We see headline inflation ending 2017 and 2018 at 10.5% and 9.0% y-o-y, respectively, above the corresponding CBRT's (recently-revised) forecasts of 9.8% and 7.0% and the end-2016 outcome of 8.5%.

No monetary easing expected before end-2018. In view of the inflation outlook for the coming 14 months and the CBRT's latest change in policy guidance, we expect the CBRT to refrain from reducing its effective funding rate (EFR) at least until January 2019. Note that the EFR has been maintained at 12.0% since May, after having been increased sharply by 3.7 pps from end-2016. According to the MPC's latest forward guidance, policy loosening from hereon will depend on a significant improvement in the inflation outlook, towards its target range of 5%-7%.

The tourism sector emerged from a deep crisis, due to the return of Russian tourists, as well as easing domestic security concerns and competitive prices. Tourist arrivals rose sharply by 28.7% y-o-y in 9M:17, following declines of 32.0% y-o-y in 9M:16 and 30.1% in FY:16. Specifically, the number of Russian tourists in 9M:17 was up c. 660.0% y-o-y compared with a decline of 83.6% y-o-y in 9M:16, following the resumption of charter flights from Russia in September 2016. Furthermore, arrivals from other countries rebounded in 9M:17 (up 11.3% y-o-y compared with a decline of 25.5% y-o-y in 9M:16), reflecting easing domestic security concerns (the number of terrorist incidents fell significantly to 45 in 9M:17 from 80 in 9M:16 and 102 in FY:16) and more competitive prices (the TRY depreciated by c. 19% y-o-y against the "50%*TRY/EUR+50%*TRY/USD" basket in 9M:17).

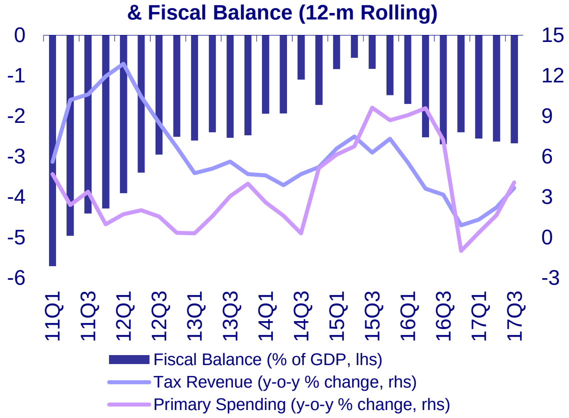
For the year as a whole, barring renewed domestic security concerns and based on recent trends, we expect tourist arrivals to increase by c. 28.0% in FY:17 following a decline of 30.0% in FY:16. In absolute terms, tourist arrivals should reach 32.5mn in 2017, up from 25.4mn in 2016 and a pre-crisis peak of 36.8mn in FY:14. Moreover, in view of recent trends of spending per tourist, we expect tourist receipts to increase by c. 15.0% or USD 3.0bn or 0.4 pps of GDP to USD 21.6bn this year. Overall, the tourism sector is set to: i) turn into a driver of growth this year (adding c. 0.9 pps to overall GDP growth in FY:17 -- projected at 5.5% -- after having subtracted 1.0 pp in FY:16); and ii) be supportive of external accounts this year (the expected improvement in tourist receipts should contain the widening of the current account deficit to 4.6% of GDP, albeit still up on 3.8% of GDP in FY:16).

Romania

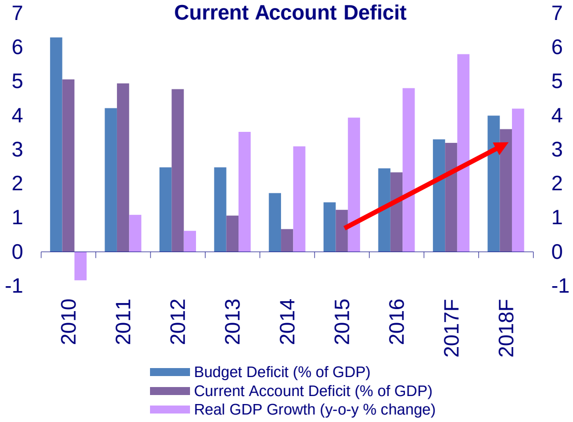
BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)	2016 Outcome	9M:16	9M:17	2017 Revised Budget	2017 NBG Forecast
Total Revenue	29.4	21.8	22.1	31.5	31.1
Tax Revenue	26.0	19.4	19.1	25.9	25.9
o/w PIT/CIT	5.7	4.2	4.1	5.5	5.8
VAT	6.8	5.1	4.8	6.5	6.4
Excise Duties	3.5	2.7	2.4	3.3	3.2
Soc. Sec. Contr.	8.0	5.9	6.4	8.8	8.7
Non-Tax Revenue	3.4	2.3	3.0	5.5	5.1
o/w EU Grants	1.0	0.4	0.9	2.7	2.3
Total Expenditure	31.8	22.3	23.0	34.5	34.5
Current Spending	27.9	20.0	20.9	29.1	29.1
o/w Wages	7.5	5.5	6.2	8.5	8.5
Social Spending	10.7	8.0	8.3	11.3	11.1
Goods & Services	5.4	3.5	3.4	4.8	5.0
Interest Paym.	1.3	1.1	1.0	1.3	1.3
Capital Expend.	3.9	2.2	2.1	5.4	5.0
Fiscal Balance	-2.4	-0.5	-0.9	-3.0	-3.3

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



Real GDP Growth, Budget Deficit & Current Account Deficit



	6 Nov.	3-M F	6-M F	12-M F
1-m ROBOR (%)	1.8	2.0	2.2	2.5
RON/EUR	4.59	4.57	4.55	4.55
Sov. Spread (2024, bps)	127	120	116	110

	6 Nov.	1-W %	YTD %	2-Y %
BET-BK	1,630	-0.2	21.3	18.3

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.1	3.9	4.8	5.8	4.2
Inflation (eop, %)	0.8	-0.9	-0.5	2.6	3.2
Cur. Acct. Bal. (% GDP)	-0.7	-1.2	-2.3	-3.2	-3.6
Fiscal Bal. (% GDP)	-1.7	-1.5	-2.4	-3.3	-4.5

The 4-quarter rolling budget deficit widened to 2.7% of GDP in Q3:17 from 2.4% in Q4:16, due to tax cuts and a looser incomes policy. In 9M:17, the budget deficit widened by 0.4 pps y-o-y to 0.9% of GDP. The main driver was current spending (up 0.9 pps of GDP y-o-y in 9M:17), due to a looser incomes policy (incl. wage hikes of up to 20% in some sectors and a 14.8% rise in pensions). At the same time, tax revenue declined (down 0.3 pps of GDP y-o-y in 9M:17), reflecting tax cuts (the VAT rate was reduced by 1 pp -- to 19% -- and the special excise duty on fuels was abolished in January).

Note that non-tax revenue increased in 9M:17 (up 0.7 pps of GDP y-o-y), mostly due to higher grants from the EU, which, however, have not yet been translated into higher public investment (down 0.1 pp of GDP y-o-y). In fact, excluding EU grants and public investment, the fiscal slippage is much larger (up 1.0 pp of GDP y-o-y in 9M:17).

The deficit target of 3.0% of GDP will be difficult to meet, despite the curtailment of public investment in the revised budget. The underlying fiscal pressures prompted the Government to revise the FY:17 budget in September so as to keep its deficit at 3% of GDP. Following previous years' practices, public investment was cut sharply (down 0.8 pps of GDP compared with the original budget) so as to help compensate for the rise in current spending (up 1 pp of GDP, with the bulk of the increase spent on personnel expenses and social spending). Moreover, the authorities reinstated the special excise duty on fuels, which had been abolished in January, and forced the collection of a special dividend by state enterprises (together yielding 0.3 pps of GDP).

In our view, the revised budget still poses challenges, especially regarding tax revenue. Indeed, the authorities appear to have overestimated the size of the second-round effects of the tax cuts on consumption and employment (the Budget sees nominal GDP growth at 10.0% against our forecast of 7.0%). On the other hand, we are comfortable with the FY:17 current spending target; we recognize, however, that the envisaged cut in public consumption in Q4:17 (by 0.5 pps of GDP y-o-y) appears ambitious. The latter could be offset by lower-than-budgeted social spending (up 0.3 pps of GDP y-o-y in 9M:17 compared with FY:17 target increase of 0.6 pps). Overall, we see the FY:17 budget deficit widening to 3.3% of GDP, from 2.4% of GDP in FY:16, providing a fiscal impulse of 0.9 pps to GDP growth.

The FY:18 budget deficit could reach unsustainable levels, due to a looser incomes policy and a tax overhaul. Under no policy change, we see the FY:18 budget deficit widening to an unsustainable 4.5% of GDP from a projected 3.3% in FY:17. Indeed, the unified pay scheme of the public sector envisages a 25% hike in all public sector wages in January 2018, with the education and health sectors receiving a further 20% raise in March. Pensions are also set to rise by 10% in July.

Further complicating the fiscal outlook are the measures adopted by the Government this week to overhaul taxation in FY:18. These measures include: i) a 6 pp cut to the PIT rate to 10%; and ii) a 2 pp cut in social security contributions (SCCs) to 37.25%. Note that SCCs are currently jointly paid by employers and employees; the Government, however, plans to shift the burden solely to employees, so as to curtail the budgetary impact of the aforementioned wage hikes. In the event, provision must be made for private sector employees, who will see their net income dropping sharply, unless gross wages are adjusted accordingly.

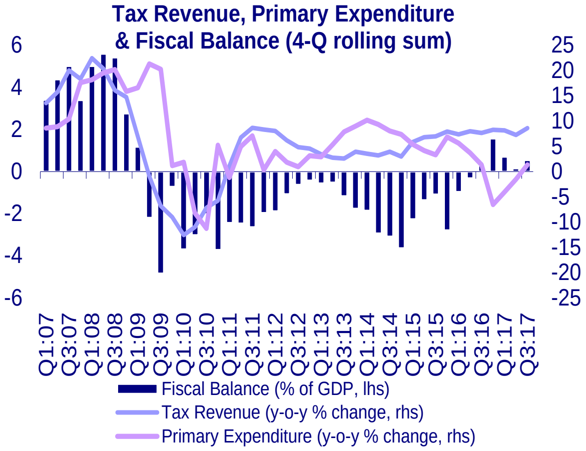
Worryingly, the ongoing fiscal easing is set to exacerbate overheating pressures in the short term, but also affect the country's fiscal position in the long term, threating macroeconomic and financial stability.

Bulgaria

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

Consolidated Budget (% of GDP)	2016 Outcome	9M:16	9M:17	2017 Budget	2017 NBG Forecast
Total Revenue	36.1	27.3	26.3	35.6	35.1
Tax Revenue	28.6	21.4	22.0	28.2	29.4
Non-Tax Rev.	4.4	3.4	3.3	4.8	4.2
Grants	3.1	2.5	1.1	2.7	1.5
Total Expenditure	34.5	23.7	23.9	37.0	35.1
Current Spending	30.4	22.1	22.5	30.8	31.1
o/w Wages	7.6	5.5	5.7	7.4	7.8
Goods & Services	4.0	2.5	2.5	4.5	4.2
Subsidies	1.7	1.3	1.5	1.9	1.9
Social Spending	15.4	11.4	11.3	15.2	15.4
Interest Payments	0.8	0.7	0.7	0.8	0.8
Capital Expend.	4.1	1.6	1.4	6.2	4.0
Contr. to the EU	0.9	0.7	0.7	1.0	1.0
Fiscal Balance	1.6	3.6	2.4	-1.4	0.0

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



Consolidated Budget (% of GDP)	2016 Outcome	2017 NBG Forecast	2018 Draft Budget	2018 NBG Forecast
Total Revenue	36.1	35.1	36.7	36.8
Tax Revenue	28.6	29.4	29.9	30.0
Non-Tax Rev.	4.4	4.2	4.5	4.5
Grants	3.1	1.5	2.3	2.3
Total Expenditure	34.5	35.1	37.7	37.8
Current Spending	30.4	31.1	31.8	31.9
o/w Wages	7.6	7.8	8.0	8.1
Goods & Services	4.0	4.2	4.4	4.5
Subsidies	1.7	1.9	2.0	2.0
Social Spending	15.4	15.4	15.6	15.5
Interest Payments	0.8	0.8	0.7	0.7
Capital Expend.	4.1	4.0	5.9	5.9
Contr. to the EU	0.9	1.0	1.1	1.1
Fiscal Balance	1.6	0.0	-1.0	-1.0

	6 Nov.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	53	54	52	50

	6 Nov.	1-W %	YTD %	2-Y %
SOFIX	673	0.4	14.7	50.0

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.3	3.6	3.9	3.8	3.6
Inflation (eop, %)	-0.9	-0.4	0.1	1.4	1.8
Cur. Acct. Bal. (% GDP)	0.1	-0.1	4.1	3.2	2.4
Fiscal Bal. (% GDP)	-3.7	-2.8	1.6	0.0	-1.0

Lower grants from the EU and higher current spending pushed down the 4-quarter rolling budget surplus to 0.5% of GDP in Q3:17 from 1.6% in Q4:16. In 9M:17, the budget surplus narrowed by 1.1 pp y-o-y to 2.4% of GDP. Specifically, budget revenue declined in 9M:17 (down 1.0 pps of GDP y-o-y), due to lower grants from the EU (down 1.4 pps of GDP y-o-y, mainly due to a negative base effect from the substantial reimbursements received in early-2016 for projects financed under the previous EU programming period). However, the latter was partly offset by a significant increase in tax revenue (up 0.6 pps of GDP y-o-y in 9M:17), supported by revenue-enhancing measures (incl. a hike in the excise duty on tobacco and a 1 pp rise in social security contributions for pensions) and strong employment and wage figures (up 1.3% and 7.5% y-o-y in real terms, respectively, in H1:17). On the other hand, primary current spending rose in 9M:17 (up 0.4 pps of GDP y-o-y), due to higher personnel expenses and subsidies.

The FY:17 budget should overperform its deficit target of 1.4% of GDP, despite underlying fiscal pressures. Current spending (up 7.6% y-o-y in 9M:17 against a FY:17 budget target of 10.2%) should accelerate in Q4:17, in line with: i) higher personnel expenses, following the (unbudgeted) hike in wages in the education sector by 15% in September; and ii) a boost in social spending, on the back of the (unbudgeted) hike in the minimum pension in October (up 11.1%, bringing the y-t-d increase to 24%) and the need to close the financing gap of the pension and healthcare systems.

Importantly, tax collection (up 8.7% y-o-y in 9M:17 against a FY:17 budget target of just 4.2%) should, however, continue to overperform, partly compensating for the envisaged slippage in current spending. Indeed, the sustained economic recovery, combined with improving tax compliance (as a result of enforced collection of overdue liabilities, tax inspections and electronic tax reporting), should support tax revenue.

At the same time, the public investment programme is unlikely to be fully executed. Recall that the caretaker Government that was in office in 5M:17 cancelled, on procedural grounds, several major construction projects. The new Government has committed to revive these projects; nevertheless, following the delay, many of them will be moved to the FY:18 budget (see below). All said, we see the budget turning into balance in FY:17 from a -- once-off supported -- surplus of 1.6% in FY:16, overperforming compared with its deficit target of 1.4% of GDP.

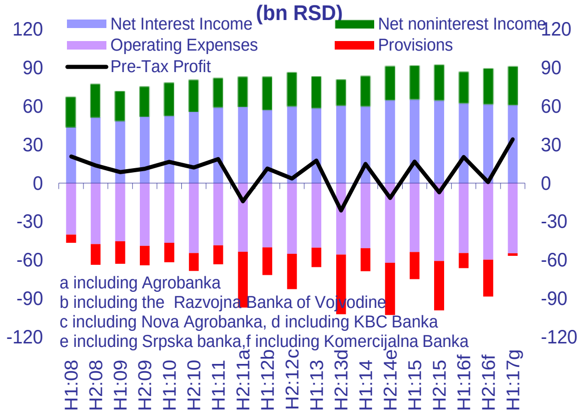
Fiscal policy is set to remain expansionary in FY:18. The Parliament approved the draft budget for FY:18, targeting a deficit of 1.0% of GDP. Specifically, next year's budget foresees current spending rising markedly (up 0.7 pps of GDP against our FY:17 forecast), mainly due to a looser incomes policy and higher public consumption. The former includes an 11% hike in the minimum wage (to BGN 510, the lowest in the EU), a 9.5% (on average) increase in wages for employees in the education and security and defense sectors, and a 3.8% rise in pensions in July. Regarding public consumption, the bulk of the additional funds allocated will be directed to the country's rearmament programme (defense spending is set to rise by 0.3 pps of GDP each year until 2020).

Higher current spending should, however, be partly offset by a boost in tax revenue. Indeed, additional revenue-enhancing measures (incl. a hike in the excise duty on tobacco and a further 1 pp rise in social security contributions for pensions, yielding a total of 0.4% of GDP), combined with improved tax compliance, should push tax revenue up in FY:18 (to 30% of GDP, still far lower than the EU average -- c. 40%). Overall, the FY:18 budget is consistent with its target of 1.0% of GDP, implying a fiscal impulse of 1.0 pp of GDP.

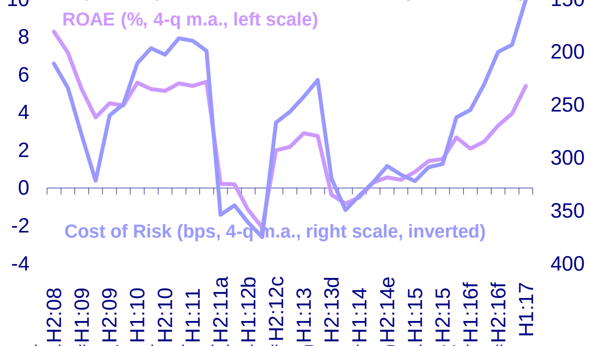
Serbia

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

Semi-Annual Net Banking Sector Profit (bn RSD)

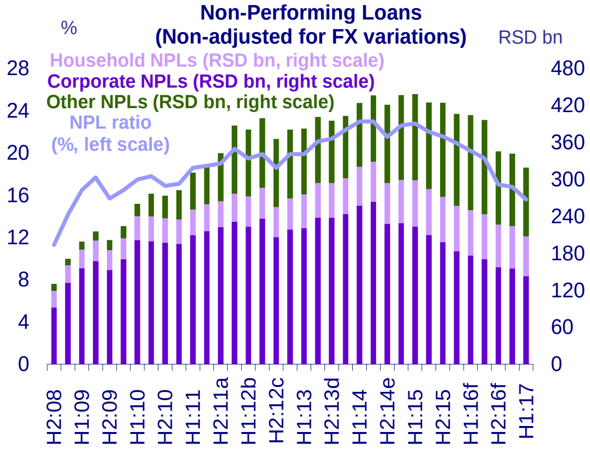


Quarterly Cost of Risk and ROAE (Annualised)



a including Agrobanka, b including Razvojna Banka Vojvodine,
c including Nova Agrobanka, d including KBC Banka,
e including Srpska banka, f including Komercijalna Banka

Non-Performing Loans (Non-adjusted for FX variations)



	6 Nov.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.8	3.2	3.4	3.8
RSD/EUR	118.4	119.8	120.0	120.3
Sov. Spread (2021, bps)	140	112	110	100

	6 Nov.	1-W %	YTD %	2-Y %
BELEX-15	730	0.5	1.7	20.7

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.8	0.8	2.8	2.0	3.6
Inflation (eop, %)	1.7	1.5	1.6	2.8	3.0
Cur. Acct. Bal. (% GDP)	-6.0	-4.7	-4.0	-4.4	-4.4
Fiscal Bal. (% GDP)	-6.6	-3.7	-1.3	0.0	0.0

The profitability of the banking system improved markedly in H1:17. Pre-tax profits in the banking sector rose by 67.4% y-o-y to a record high of RSD 34.1bn (0.8% of GDP) in H1:17 -- exceeding the FY:16 gains of RSD 21.3bn. As a result, (annualised) ROAE and ROAA rose to a post-crisis high of 10.6% and 2.1%, respectively, in H1:17 from 6.5% and 1.3% in H1:16, and 3.4% and 0.7% in FY:16.

P/L provisions were reduced significantly in H1:17. P/L provisions recorded a sharp drop in H1:17, amounting to just ⅕ of their level in H1:16 (absorbing just 5.6% of net operating income in H1:17 compared with a sizeable 36.8% in H1:16 and 65.6% in FY:16).

The decline in P/L provisions was partly due to base effects stemming from large provisions in H1:16 by two state-owned banks (namely Komercijalna and Postanka Banka, accounting for 66.3% of total provisions in H1:16). Even excluding this once-off, provisions declined in line with a steady decrease in the NPL ratio. In fact, the NPL ratio declined, for a 6th successive quarter, by a sizeable 4.6 pps y-o-y in Q2:17 to a 7-year low of 15.6% from a peak of 23.0% in Q3:14. This positive development reflects lower NPL formation (supported by the rebound in activity), restructuring, large write-offs (c. RSD 6.4bn in H1:17) and the sale of NPLs to non-banking sector entities (c. RSD 9.2bn, prompting a decline in the NPL ratio by 0.4 pps). As a result, the cost of risk declined sharply by 104 bps y-o-y to a record low of 150 bps, on a 4-quarter rolling basis, in Q2:17 from 203 bps in Q4:16.

Pre-provision income (PPI) improved in H1:17. PPI increased by a strong 12.0% y-o-y in H1:17 -- after declining throughout FY:16 -- boosted by higher (net) non-interest income. The latter rose by 22.6% y-o-y, with: i) a third of the increase reflecting a once-off increase in "other operating income" (exceptional gain), reflecting the partial write-off of RSD 2.0bn of Marfin Bank's debt in Q1:17 by Cyprus Popular Bank, in view of Marfin's sale to the Czech Expobank; and ii) a quarter of the improvement reflecting higher income from fees & commissions. Even excluding the once-off item, PPI rose by 5.8% y-o-y in H1:17.

On a negative note, PPI continued to be dragged down by lower net interest income (NII). In fact, NII (67.1% of gross operating income) continued to decline by 2.1% y-o-y in H1:17 -- for a 7th successive quarter -- albeit at a slower pace compared with a decline of 4.6% in FY:16. This negative performance reflects the continued sharp compression in NIM (down by 28 bps y-o-y to a low of 389 bps annualised in H1:17, below the FY:16 outcome of 406 bps) that more than offset the robust rise in average interest earning assets (up 4.8% y-o-y in H1:17). The decline in NIM is estimated to have been mainly driven by tighter lending-deposit spreads (the drop in interest rates on loans is more pronounced than that on deposits), exacerbated by a faster pace of deposit growth than loan growth.

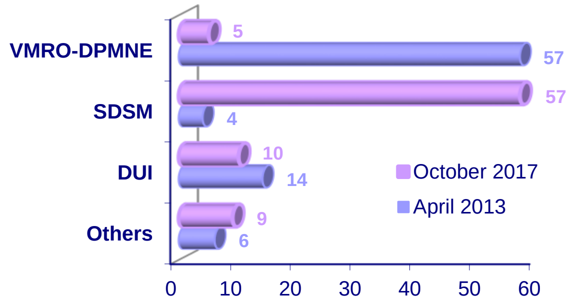
Operating expenses rose marginally by 0.5% y-o-y in H1:17, well below average inflation of 3.4%. As a result, banking sector efficiency improved, with the cost-to-income ratio declining by 2.6 pps y-o-y to 60.2% from a high of 64.8% in FY:16.

The banking sector bottom line is set to strengthen further in H2:17. Profitability is set to improve on an annual basis in H2:17, with the ROAE rising to an estimated 7.0% from 0.3% in H2:16. Profitability is expected to be supported by lower provisioning, reflecting not only a strong base effect (large provisions in H2:16 by the two state-owned banks mentioned above), but also the continued improvement in the NPL ratio, supported by the recent NBS regulation obliging banks to transfer the NPLs that are 100% provisioned to off-balance sheets by end-Q3:17. Overall, we expect ROAE to reach a post-global crisis high of c. 8.6% in FY:17, yet still below the pre-crisis high of 9.7% in FY:06.

F.Y.R.O.M.

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

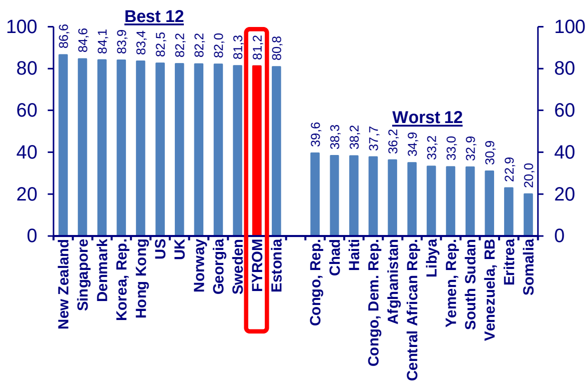
Results of Local Elections



Consolidated Fiscal Balance (as % of GDP)					
	2016	9M:16	9M:17	Revised 2017 Budget	NBG 2017 Forecast
Revenue	28.3	21.0	21.4	30.2	28.8
Tax Revenue	25.1	18.7	19.0	26.0	25.5
Personal Inc.	2.4	1.7	1.8	2.5	2.5
Corporate Inc.	1.8	1.4	1.5	1.9	2.0
VAT	7.7	5.8	5.8	8.0	7.6
Excises	3.7	2.8	2.8	3.8	3.7
Import Duties	0.8	0.6	0.6	0.8	0.8
Other Taxes	0.1	0.1	0.1	0.1	0.1
Soc. Contrib.	8.4	6.2	6.3	8.6	8.6
Non-Tax revenue	3.2	2.3	2.4	4.1	3.3
Expenditure	31.0	22.5	23.2	33.2	31.8
Cur. Expenditure	28.1	20.7	21.3	29.4	29.1
Personnel	4.3	3.2	3.2	4.3	4.3
G. & Services	2.8	1.9	1.7	2.9	2.7
Transfers	19.9	14.8	15.3	20.8	20.8
Int. Payments	1.1	0.8	1.0	1.3	1.3
Capital Expend.	2.8	1.8	1.9	3.8	2.7
Fiscal Balance	-2.7	-1.5	-1.8	-3.0	-3.0
Primary Balance	-1.5	-0.7	-0.8	-1.7	-1.7

WB's Ease of Doing Business Score - 2018

FYROM Ranks 11th out of 190 Countries



	6 Nov.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	264	260	250	240

	6 Nov.	1-W %	YTD %	2-Y %
MBI 100	2.608	-0.5	22.2	51.4

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.6	3.9	2.9	1.5	3.7
Inflation (eop. %)	-0.5	-0.3	-0.2	1.0	2.0
Cur. Acct. Bal. (% GDP)	-0.5	-2.1	-3.1	-2.2	-1.9
Fiscal Bal. (% GDP)	-4.2	-3.5	-2.6	-3.0	-2.8

The ruling coalition secured a landslide victory in the October local elections, strengthening its hand versus the opposition. The senior party of the ruling coalition, the Social Democrats (SDSM), led by PM Zaev, was the victor, securing a total of 57 out of 81 mayoral seats including the capital Skopje, against only 4 seats in 2013. The junior party of the ruling coalition, the Democratic Union for Integration (DUI), emerged once again as the second political force in the local elections, despite a poor performance compared with 4 years ago -- gaining 10 mayoral seats against 14 in 2013. The main opposition party, the nationalist VMRO-DPMNE, led by former PM Gruevski -- who was ousted from power after 10 years due to criminal investigations over a wiretapping scandal -- suffered a heavy defeat, securing only 5 mayoral seats against 57 in 2013.

Overall, the outcome of the local elections is investor-friendly. It should strengthen domestic political stability and provide a boost to the new coalition Government to proceed with its ambitious reform programme to secure the country's EU and NATO membership.

The fiscal performance deteriorated in 9M:17, mainly due to higher social transfers and subsidies. The fiscal deficit widened by 0.3 pps y-o-y to 1.8% of GDP in 9M:17, as a sharp rise in current expenditure (up 0.6 pps y-o-y) more than offset a modest rise in tax revenue (up 0.3 pps y-o-y). The negative performance in current expenditure was mainly due to higher social transfers and subsidies (up 0.5 pps y-o-y) and would have been worse had spending on goods & services not been scaled back (down 0.2 pps y-o-y). As a result, the 12-month rolling fiscal deficit widened to 3.0% of GDP in September from 2.7% in December -- in line with the revised FY:17 budget target.

Meeting the FY:17 and FY:18 fiscal targets of 3.0% of GDP requires lower-than-planned spending. Recall that the new Parliament adopted a supplementary 2017 budget in early-August, revising down both revenue and expenditure growth targets (to 9.1% and 9.7%, respectively, from 10.8% and 11.2%) and leaving unchanged the fiscal deficit target at 3.0% of GDP.

The revised revenue growth target is out of reach, in view of the y-t-d performance, recent trends and the absence of new tax measures. We expect FY:17 revenue to post a rise of 4.7% (against 4.1% y-o-y in 9M:17), implying a shortfall of 0.4% of GDP. However, the new pro-reform coalition Government is expected to make up for this shortfall through capital under-execution and/or the postponement of some of the pre-election pledges. We see expenditure rising by 4.9% y-o-y in 10-12M:17 against an implied growth target of 21.3%, bringing FY:17 expenditure growth to 5.2%.

For 2018, the envisaged fiscal deficit target of 2.85 of GDP is unattainable in our view, as it is based on an overly-optimistic revenue growth target of 9.5% (with respect to our FY:17 revenue estimate). Therefore, meeting the FY:18 deficit target will require the implementation of corrective fiscal measures.

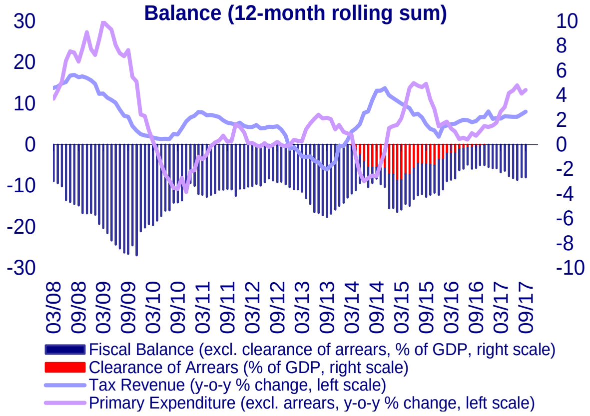
FYROM maintained a leading position in this year's World Bank's Ease of Doing Business rankings. Despite an adverse political and economic environment, FYROM dropped only two places to 11th this year among 190 countries -- maintaining a leading position in its income category and among SEE-5 countries, well ahead of Serbia (43th), Romania (45th), Bulgaria (50th), and Albania (65th). Its overall assessment would have been better had the indicator related to "getting electricity" not deteriorated significantly, due to higher "*total duration and frequency of outages per customer a year*" – more than offsetting modest improvements in the areas of "dealing with construction permits, "registering property" and "resolving insolvency".

Albania

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

Consolidated Fiscal Balance (% of GDP)					
	2016	9M:16	9M:17	2017 Revised Budget	NBG 2017F
Revenue	27.6	20.3	20.5	28.1	27.9
Tax Revenue	25.1	18.6	19.1	25.6	25.7
PIT	2.1	1.7	1.6	2.3	2.1
CIT	2.0	1.5	1.5	1.9	2.0
VAT	8.9	6.5	6.5	9.0	8.9
Excises	2.8	2.1	2.2	3.0	2.9
Customs	0.4	0.3	0.3	0.4	0.4
Other taxes	8.8	6.6	7.0	9.0	9.3
Grants	1.0	0.4	0.4	0.9	0.9
Non-Tax Rev.	1.5	1.2	1.1	1.6	1.3
Expenditure	29.4	19.5	20.6	30.1	29.9
Current Exp.	25.0	17.2	17.8	24.8	25.1
Personnel	4.6	3.4	3.4	4.8	4.7
Operational	3.0	1.7	1.8	2.9	2.9
Subsidies	0.1	0.1	0.1	0.1	0.1
Social Insur.	10.4	7.4	7.6	10.3	10.7
Local Budget	3.0	1.8	2.4	2.7	2.7
Other Exp.	1.5	1.1	1.0	1.5	1.5
Int. Payments	2.5	1.7	1.4	2.4	2.4
Capital Exp.	4.0	2.1	2.6	4.7	4.5
Net Lending	0.4	0.2	0.2	0.3	0.3
Contingency Reser.	0.0	0.0	0.0	0.2	0.0
Fiscal Bal.	-1.8	0.8	-0.2	-2.0	-2.0
Primary Bal.	0.7	2.6	1.2	0.4	0.4

Tax Revenue, Primary Expenditure & Fiscal Balance (12-month rolling sum)



	6 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	133.2	132.3	131.7	130.7
Sov. Spread (bps)	218	210	200	180

	6 Nov.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.8	2.2	3.4	4.0	4.4
Inflation (eop, %)	0.7	2.0	2.2	2.2	2.6
Cur. Acct. Bal. (% GDP)	-10.8	-8.6	-7.6	-9.0	-8.4
Fiscal Bal. (% GDP)	-5.2	-4.1	-1.8	-2.0	-1.9

The fiscal balance deteriorated in 9M:17, due to pre-election expenditure slippage. The cumulative fiscal balance turned into a deficit of 0.2% of GDP in 9M:17 from a surplus of 0.8% in 9M:16, due to higher expenditure (up 1.2 pps of GDP y-o-y). On a 12-month rolling basis, the budget deficit is 2.7% of GDP versus 1.8% of GDP at end-2016.

Specifically, spending increased markedly (up 12.5% y-o-y in 9M:17, above the FY:17 (revised) growth target of 8.3%). The slippage was driven by higher local government and capital expenditure (up 0.7 pps and 0.6 pps of GDP y-o-y, respectively), as spending was brought forward to H1:17 ahead of the June 25th legislative elections. The increase in spending would have been even stronger had interest payments not declined (down 0.4 pps of GDP y-o-y in 9M:17), due to the falling stock of public debt (see below).

On the other hand, revenue rose by a robust 7.2% y-o-y in 9M:17 (up 0.2 pps of GDP y-o-y), slightly below the FY:17 (revised) target of 7.7%. The improvement was driven by tax revenue (up 0.5 pps of GDP y-o-y in 9M:17), supported by revenue-enhancing measures (of 0.7 pps of GDP in FY:17). The latter includes once-off revenue (0.5 pps of GDP), consisting of the collection of excise debt on diluent for oil extraction and higher income tax payments on the back of incentives for compliance (each yielding 0.2 pps of GDP, according to the IMF).

The FY:17 deficit target of 2.0% of GDP would be met if spending slows sharply in Q4:17, after having been significantly front-loaded ahead of end-H1:17 elections. The 2017 (revised) Budget envisages a slightly expansionary fiscal stance, targeting a deficit of 2.0% of GDP compared with a deficit of 1.8% in FY:16. In our view, despite the negative y-t-d performance, the FY:17 deficit target is within reach, due to the new Government's commitment to fiscal discipline (recall that the Socialist Party of PM E. Rama secured an outright majority in the elections).

In fact, despite an expected slight improvement in revenue in Q4:17 (up 7.4% y-o-y compared with a rise of 7.2% y-o-y in 9M:17), the FY:17 revenue growth target of 7.7% will not be reached, implying a revenue shortfall of 0.2 pps of GDP this year.

The resulting revenue shortfall should, however, be offset through spending restraint in Q4:17. This will not be a difficult task for the pro-reform Government, as spending had been significantly front-loaded ahead of end-H1:17 general elections. We expect spending to be cut by 1.2% y-o-y in Q4:17 (compared with the implied target of flat spending growth for Q4:17) after having increased by 12.5% y-o-y in 9M:17. Expenditure under-execution should result solely from lower-than-budgeted capital spending (by 0.2 pps of GDP).

Overall, we see the FY:17 fiscal deficit at 2.0% of GDP -- implying a fiscal impulse of 0.2 pps of GDP.

Should our fiscal deficit forecast materialise, the public debt-to-GDP ratio would continue on its downward trend, initiated in 2016, narrowing by 2.2 pps to 71.0% in 2017 following a decline by 0.9 pps in FY:16 and a cumulative rise of 14.7 pps of GDP in 2012-15.

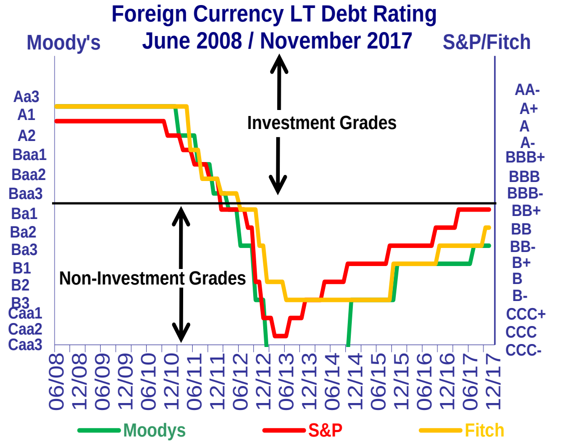
Fiscal prudence to be observed in 2018. The 2018 Draft Budget targets a deficit of 1.9% of GDP -- 0.1 pp of GDP lower than the Government's and our forecasts for FY:17.

Based on realistic FY:17 revenue and expenditure estimates, as well as an achievable FY:18 revenue growth target of 6.3% (in line with our nominal GDP growth of 6.8%), the FY:18 deficit target of 1.9% of GDP should be easily attained. Importantly, even with a broadly neutral fiscal stance, the public debt-to-GDP ratio is set to narrow further, to c. 68.2% of GDP in FY:18.

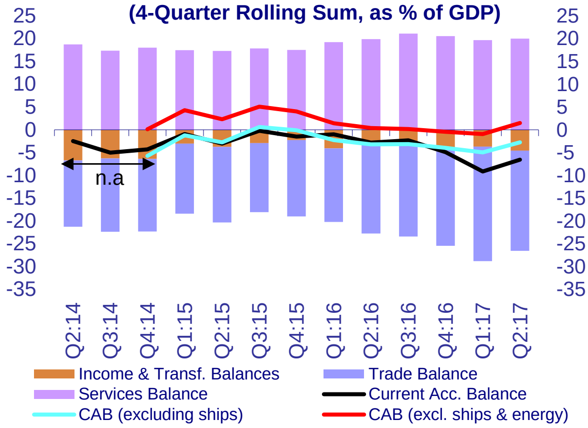
Cyprus

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

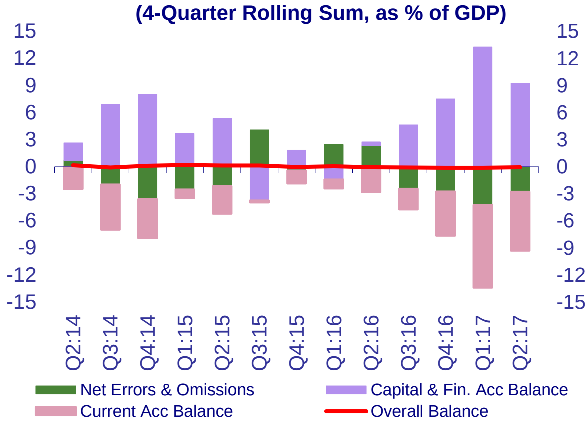
Foreign Currency LT Debt Rating
June 2008 / November 2017



Current Account Balance
(4-Quarter Rolling Sum, as % of GDP)



Overall Balance
(4-Quarter Rolling Sum, as % of GDP)



	6 Nov.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.16	1.19	1.18	1.20
Sov. Spread (2020 bps)	123	110	100	80

	6 Nov.	1-W %	YTD %	2-Y %
CSE Index	74	0.7	11.0	-0.5

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.4	2.0	3.0	3.7	3.4
Inflation (eop. %)	-1.5	-1.0	-0.3	0.8	1.5
Cur. Acct. Bal. (% GDP)	-4.3	-1.5	-4.9	-3.8	-3.0
Fiscal Bal. (% GDP)	-8.8	-1.2	0.4	1.8	1.8

Fitch upgraded Cyprus' long-term sovereign debt rating by one notch to BB, maintaining a positive outlook. Fitch upgraded the island's long-term sovereign debt rating by one notch to BB -- 2 notches below investment grade. As a result, the agency currently rates Cyprus 1 notch above Moody's (Ba3) and 1 below S&P (BB+). The move reflects primarily the agency's view of a "*strong improvement in the performance of and outlook for its public finances*" and, to a lesser extent, the country's broad-based economic recovery. Specifically, Fitch expects: i) a stronger fiscal surplus in FY:17 (1.0% of GDP up from 0.4% in FY:16); ii) public debt to decline to below 100% of GDP at end-2017 from 107.8% at end-2016; and iii) the economy to expand by 3.5% in 2017-18. However, it stressed that the most significant weakness to its credit rating profile is banks' high stock of non-performing exposures (NPEs at EUR 22.8bn or 120.2% of GDP or 44.1% of total loans in June).

Fitch also maintained the country's "positive" outlook, suggesting a further rating upgrade within the next 12 months. The latter will hinge on: i) a reduction of private sector debt and stock of NPEs; ii) a decline in public debt; and iii) an improvement in the external accounts.

The current account deficit (CAD) widened by 1.6 pps y-o-y to 3.8% of GDP in H1:17, mainly due to a large ship trade deficit. Indeed, the ship trade balance turned into a deficit of 1.9% of GDP in H1:17 from a surplus of 1.0% of GDP in H1:16, reflecting both lower exports (down 2.1 pps y-o-y) and higher imports (up 0.8 pps y-o-y).

The negative performance of the CAD in H1:17 was also driven by: i) a wider energy trade deficit (up 0.7 pps y-o-y to 2.2% of GDP) in line with global oil developments; ii) a weaker services surplus (down 0.5 pps y-o-y to 9.2% of GDP), mainly attributed to a deterioration in the balances for financial and other business services, which outweighed a more modest improvement in tourism; and iii) a larger income deficit (by 0.4 pps y-o-y to 1.1% of GDP), due to higher profit and income outflows.

The deterioration in the CAD in H1:17 would have been sharper had the core trade deficit (excluding ships and energy) not narrowed (down 2.9 pps y-o-y to 6.7% of GDP), exclusively on the back of lower imports. Excluding ship transactions, the CAD eased by 1.2 pps y-o-y to 2.0% of GDP in H1:17. Excluding ship transactions and energy, the current account balance improved by 1.9 pps y-o-y to a surplus of 0.2% of GDP in H1:17.

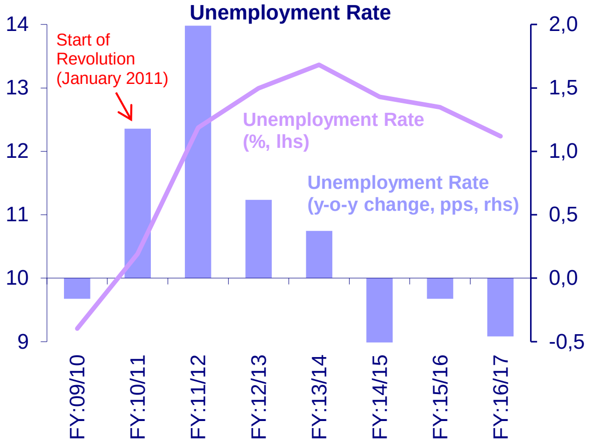
A stronger capital & financial account (CFA) surplus in H1:17, in line with improved investor confidence, helped finance the bulk of the current account gap. The CFA surplus improved by 1.8 pps y-o-y to 3.3% of GDP in H1:17, as higher "other investment inflows" more than offset a mild deterioration in net FDI (down 0.4 pps of GDP y-o-y). The CFA surplus, along with positive (net) errors and omissions inflows (0.5% of GDP), fully covered the H1:17 CAD.

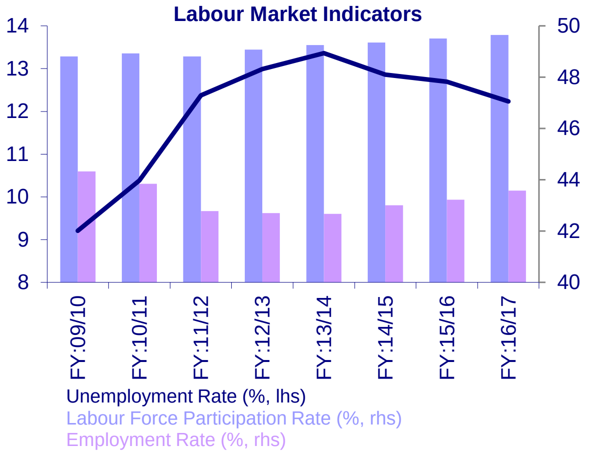
The CAD should ease by 1.1 pp in FY:17 to 3.8% of GDP, assuming a normalization in ship transactions in H2:17. Looking ahead, we expect the CAD excluding ship transactions to widen by 1.1 pp of GDP y-o-y in H2:17, almost offsetting the 1.2 pps of GDP y-o-y gains H1:17. The expected negative CAD performance in H2:17 should be driven by firming domestic demand pressures, the normalization in non-ship and non-energy imports and, to a lesser extent, a modest rise in the energy bill.

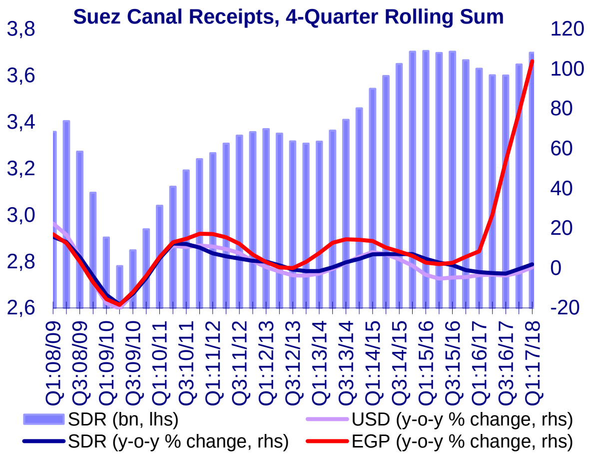
Assuming a normalization in ship transactions (a 2.9% of GDP surplus in H2:17, leading to a balanced ship trade in FY:17 against a deficit of 1.0% of GDP in FY:16), we see the CAD narrowing by 1.1 pp to 3.8% of GDP this year.

Egypt

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







	6 Nov.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	18.8	19.0	18.0	17.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	246	250	240	220

	6 Nov.	1-W %	YTD %	2-Y %
HERMES 100	1,331	-0.8	22.2	97.2

	13/14	14/15	15/16	16/17E	17/18F
Real GDP Growth (%)	2.9	4.4	4.3	3.5	4.5
Inflation (eop. %)	8.2	11.4	14.0	29.8	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-6.0	-6.6	-5.4
Fiscal Bal. (% GDP)	-12.2	-11.5	-12.5	-10.9	-9.5

The unemployment rate declined to a 6-year low of 12.2% in 2016/17. Importantly, the pace of decline in the unemployment rate accelerated to -0.5 pps y-o-y in FY:16/17 (July 2016-June 2017) from -0.2 pps in FY:15/16. 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 recovery in the labour-intensive tourism sector.

Note that the IMF Board completed the first review of Egypt's economic programme in early-July, allowing the authorities to draw the equivalent of USD 1.25bn, bringing total disbursements to about USD 4.0bn so far. Moreover, the number of tourist overnights posted positive growth of c. 10.0% in FY:16/17 after having declined by 48.0% a year earlier, mainly supported by more competitive prices (the EGP has depreciated by c. 50% to EGP 18.0 per USD since early-November) and a significant improvement in security conditions at Egyptian airports.

The 0.5 pp decline in the unemployment rate in FY:16/17 reflects the fact that the number of jobs created (768k or 3.1%) surpassed the number of new entrants to the labour force (727k or 2.6%). Note that the labour participation rate reached a record high of 49.6%, while the employment rate stood at a 7-year high of 43.4% in FY:16/17.

However, the unemployment rate remained well above its pre-Revolution level of 9.2% (December 2010) in FY:16/17, despite a positive performance in the past three fiscal years (a cumulative decline of 1.1 pp from a record high of 13.4% in 2013/14). Under the IMF and our long-term growth projections, implying an average economic growth rate of 5% per annum during the next 4 years, the unemployment rate could decline to the pre-Revolution level in 2020/21 (c. 9.0%).

SDR-denominated Suez Canal receipts (SCR) set to post positive growth for the first time in 3 years in 2017/18, on the back of recovering global trade. SCR improved for a second consecutive quarter in Q1:17/18 (July-September 2017) on a 4-quarter rolling basis (up 1.9% y-o-y compared with declines of 0.5% and 2.8% y-o-y, respectively, in Q4:16/17 and Q3:16/17), on the back of the ongoing recovery in global trade (growth of world trade volume of goods & services is projected to rebound to 4.2% in 2017 after having moderated to 2.4% in 2016 from 2.8% in 2015, according to the latest IMF WEO Update -- October 2017). Recall that the SDR (which is a basket of currencies) is the currency unit used by the Canal Authority to collect transit fees in order to avoid sharp fluctuations in its revenue.

Looking ahead, we expect SCR to improve further during the rest of the fiscal year (ending in June 2018), in view of the continued strength in global trade in 2018 (according to the latest IMF forecasts, the world trade volume of goods & services is set to rise by 4.0% in 2018). We see SCR increasing by c. 4.0% to SDR 3.8bn in FY:17/18, following declines of 0.5% and 1.0% in FY:15/16 and FY:16/17, respectively.

Importantly, due to currency valuation effects (the SDR is set to appreciate by c. 3% and 20%, respectively, against the USD and the EGP in FY:17/18, according to consensus forecasts), SCR should post a stronger increase in USD and EGP terms – c. 7.0% and c. 28.0%, respectively. As a result, SCR should contribute 0.1 pp of GDP to the expected narrowing of the current account deficit to 5.4% of GDP in FY:17/18 from 6.6% in FY:16/17 and see their contribution to budget revenue stabilising in FY:17/18 at the previous fiscal year's level of 1.5 pps of GDP (through corporate income tax and dividends).

FOREIGN EXCHANGE MARKETS, NOVEMBER 6TH 2017

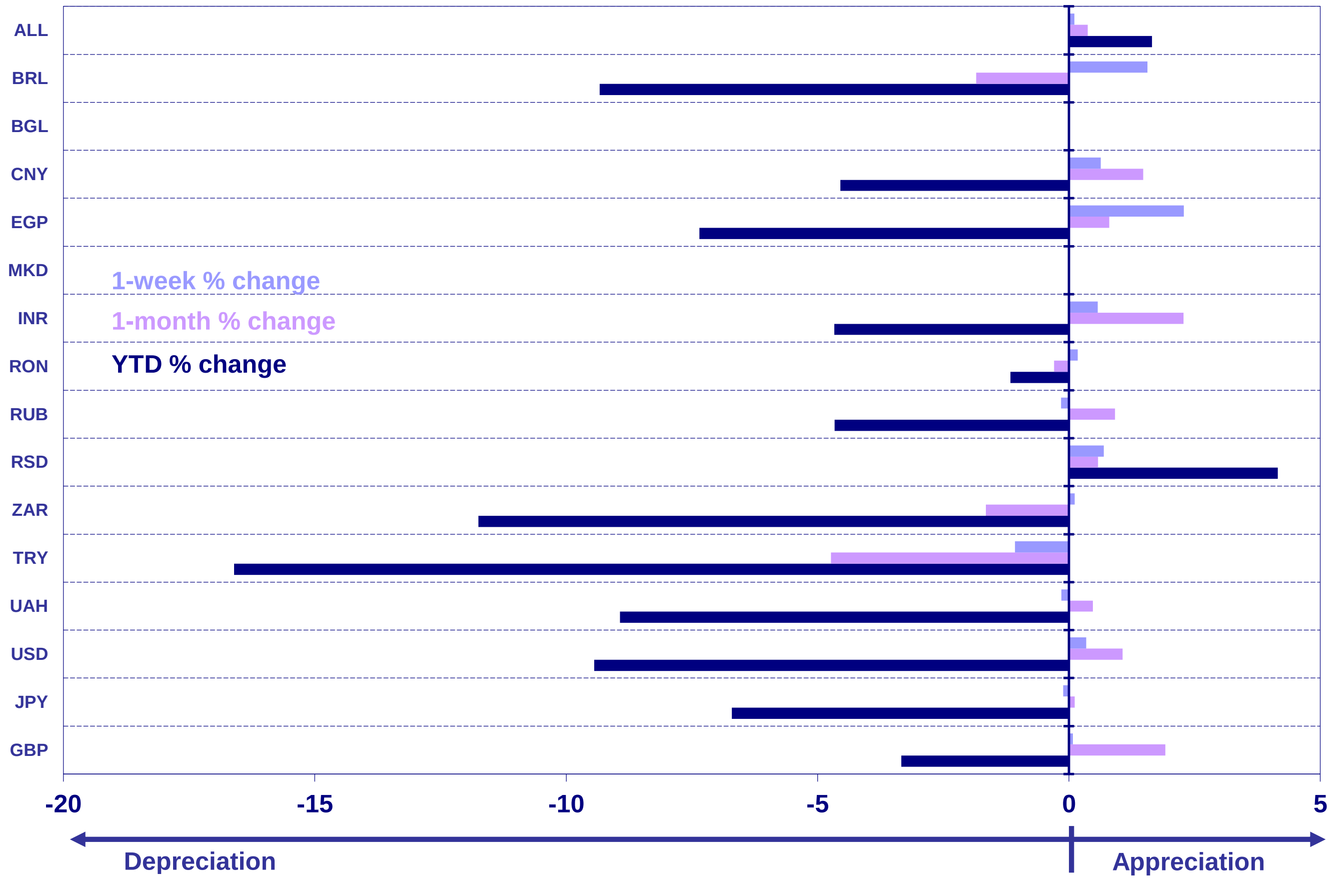
Against the EUR

	Currency	2017										2016	2015
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	133.2	0.1	0.4	1.7	2.5	132.1	137.3	133.6	133.5	133.1	1.2	2.0
Brazil	BRL	3.77	1.6	-1.8	-9.3	-6.3	3.23	3.87	4.05	4.05	4.05	25.7	-25.2
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	7.68	0.6	1.5	-4.5	-2.7	7.20	7.99	8.05	8.04	8.04	-4.0	6.7
Egypt	EGP	20.36	2.3	0.8	-7.3	-11.9	16.62	21.29	- - -	- - -	- - -	-55.0	2.1
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	75.0	0.6	2.3	-4.7	-1.8	68.2	77.8	80.1	- - -	- - -	0.4	6.6
Romania	RON	4.59	0.2	-0.3	-1.2	-2.0	4.49	4.61	4.61	4.64	4.71	-0.4	-0.8
Russia	RUB	67.6	-0.2	0.9	-4.7	3.8	59.5	72.1	69.1	70.4	73.0	22.9	-15.1
Serbia	RSD	118.4	0.7	0.6	4.2	3.9	0.1	124.1	118.8	119.1	- - -	-1.5	-0.1
S. Africa	ZAR	16.4	0.1	-1.7	-11.7	-9.9	13.38	16.87	16.7	17.0	17.8	16.2	-16.6
Turkey	YTL	4.45	-1.1	-4.7	-16.6	-21.4	3.70	4.52	4.61	4.77	5.10	-14.7	-10.8
Ukraine	UAH	31.3	-0.2	0.5	-8.9	-9.7	27.22	32.03	36.7	- - -	- - -	-8.6	-27.5
US	USD	1.16	0.3	1.1	-9.4	-4.9	1.0	1.2	1.17	1.17	1.19	3.3	11.4
JAPAN	JPY	132.0	-0.1	0.1	-6.7	-12.6	114.9	134.5	132.2	132.2	132.3	6.0	11.0
UK	GBP	0.88	0.1	1.9	-3.3	1.0	0.8	0.9	0.88	0.89	0.89	-13.5	5.3

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (November 6th 2017)



MONEY MARKETS, NOVEMBER 6TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	7.4	-0.1	2.5	- - -	18.8	- - -	- - -	1.3	8.5	- - -	12.9	7.3	13.3	- - -	1.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.3	7.5	2.5	- - -	7.5	- - -	- - -	- - -
S/W	1.4	7.4	-0.1	2.8	-0.4	- - -	1.2	- - -	- - -	7.5	2.5	- - -	8.1	13.8	-0.4	1.2
1-Month	1.6	7.4	0.0	4.0	-0.4	- - -	1.5	6.2	1.8	7.7	2.8	13.1	7.7	15.3	-0.4	1.2
2-Month	- - -	7.2	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	8.3	2.9	13.1	8.0	- - -	-0.3	1.3
3-Month	1.9	7.1	0.1	4.4	-0.3	- - -	1.7	6.4	1.9	8.3	3.1	13.4	7.5	17.0	-0.3	1.4
6-Month	2.2	7.0	0.2	4.4	-0.3	- - -	2.0	- - -	2.0	8.3	3.3	13.9	8.1	- - -	-0.3	1.6
1-Year	2.9	7.2	0.7	4.4	-0.2	- - -	2.4	- - -	2.1	8.5	- - -	14.2	8.4	- - -	-0.2	1.9

LOCAL DEBT MARKETS, NOVEMBER 6TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	18.4	- - -	6.1	- - -	7.9	3.3	12.1	- - -	- - -	-0.8	1.2
6-Month	1.8	- - -	- - -	- - -	- - -	18.3	1.5	6.2	1.9	7.9	3.4	12.6	- - -	- - -	-0.8	1.3
12-Month	2.5	- - -	-0.2	3.6	- - -	17.7	1.9	6.3	2.1	7.5	3.7	13.1	- - -	14.1	-0.7	1.5
2-Year	2.8	- - -	- - -	3.7	- - -	- - -	- - -	6.5	2.3	7.5	- - -	13.0	7.6	- - -	-0.8	1.6
3-Year	- - -	- - -	0.1	3.6	0.7	- - -	- - -	6.5	2.6	7.4	- - -	12.9	8.0	15.0	-0.7	1.7
5-Year	- - -	9.7	- - -	3.9	0.7	15.8	- - -	6.7	3.2	7.5	5.1	12.8	8.3	- - -	-0.4	2.0
7-Year	- - -	- - -	1.1	- - -	- - -	15.8	- - -	6.9	3.9	7.6	- - -	- - -	- - -	- - -	-0.1	2.2
10-Year	- - -	10.1	1.5	3.9	- - -	15.7	- - -	6.9	4.3	7.6	- - -	11.8	9.3	- - -	0.3	2.3
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.4	- - -	7.8	- - -	- - -	9.9	- - -	0.6	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.2	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.4	- - -	- - -	- - -	- - -	10.3	- - -	1.2	2.8

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

CORPORATE BONDS SUMMARY, NOVEMBER 6TH 2017

		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	0.5	122	80
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	6.4	400	827
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	8.5	106	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	8.5	105	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.7	206	178
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	113	56
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.2	300	254
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.4	220	174
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.1	265	218
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.4	438	420

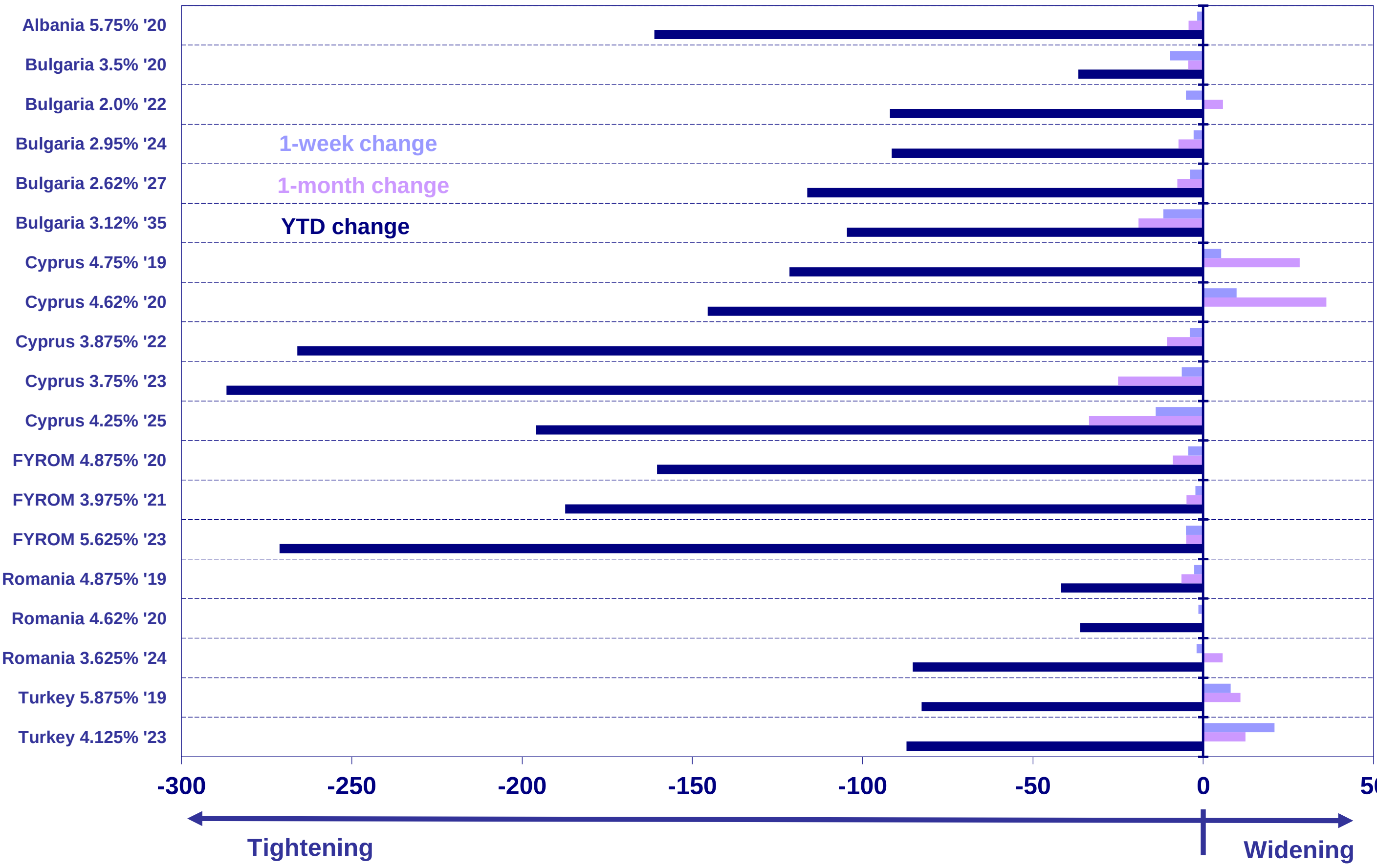
CREDIT DEFAULT SWAP SPREADS, NOVEMBER 6TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	169	100	55	231	349	- - -	80	99	134	129	196	189	- - -
10-Year	- - -	265	138	94	248	396	- - -	89	138	200	164	282	281	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, NOVEMBER 6TH 2017

	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	1.5	218	174
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	86	29
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.0	53	-6
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	0.7	79	30
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.3	92	56
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.3	142	105
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	199	0.3	102	57
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	668	0.5	123	68
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	0.7	118	62
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	1.0	125	79
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	1.5	147	105
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	1.9	252	205
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.1	264	430
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	3.1	333	300
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.0	75	21
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	67	15
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	127	86
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.9	164	124
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.8	308	266

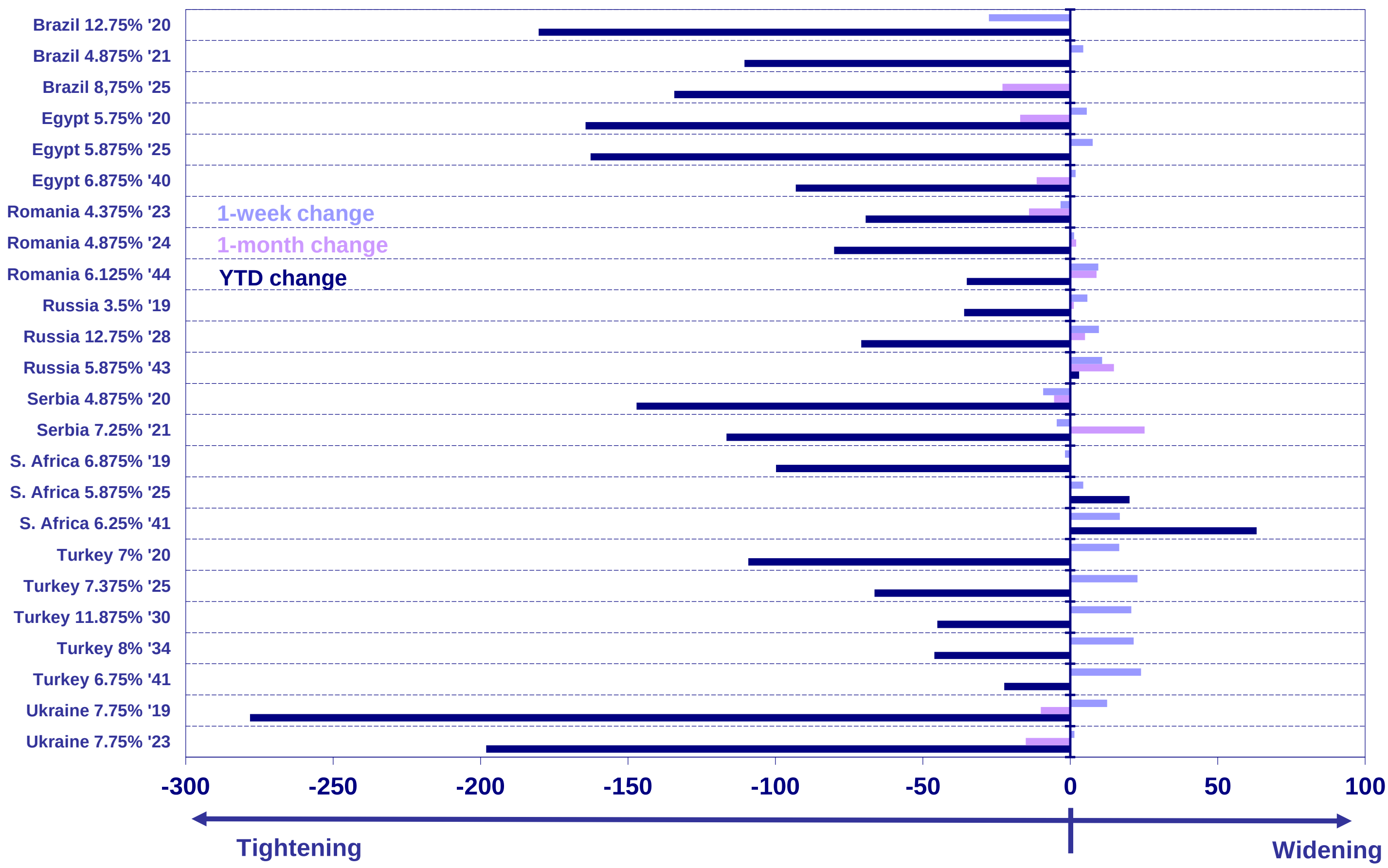
EUR-Denominated Eurobond Spreads (November 6th 2017)



USD-Denominated Sovereign Eurobond Summary, November 6th 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	87	2.0	38	18
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,713	2.7	102	82
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	688	3.9	172	201
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.2	246	232
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	5.6	338	335
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	6.9	411	430
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.0	100	91
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.1	89	99
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.4	158	216
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.5	105	82
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.0	170	246
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.9	210	256
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	2.9	133	110
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.1	140	122
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.7	110	98
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.9	269	272
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.9	310	343
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.8	211	201
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	5.1	296	315
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.7	337	437
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	6.0	372	399
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	6.1	335	353
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	661	4.9	328	312
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	6.5	449	445

USD-Denominated Eurobond Spreads (November 6th 2017)



STOCK MARKETS PERFORMANCE, NOVEMBER 6TH 2017

	2017								2016		2015	
	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)	74,311	-0.7	-2.3	23.4	16.0	59,371	78,024	11.6	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	673	0.4	-1.0	14.7	22.0	583	733	14.7	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,388	-0.1	1.2	9.2	8.1	3,017	3,421	3.5	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	74	0.7	1.3	11.0	10.6	65	79	11.0	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,331	-0.8	2.3	22.2	54.8	1,071	1,355	12.5	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,608	-0.5	-0.8	22.2	24.5	2,135	2,706	22.2	16.5	16.5	-0.6	-0.6
India (SENSEX)	33,731	1.4	6.0	26.7	22.8	25,718	33,848	20.6	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,630	-0.2	-1.1	21.3	26.2	1,365	1,666	19.9	0.2	0.0	2.6	1.6
Russia (RTS)	4,326	-0.3	-2.5	-12.0	0.1	3,838	5,089	-17.3	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	730	0.5	0.5	1.7	10.3	694	753	5.9	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	59,976	1.9	4.8	18.4	19.2	50,338	60,140	4.5	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	114,166	5.3	9.6	46.1	50.8	75,657	115,093	21.8	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	299	-0.5	0.3	12.9	11.6	265	302	2.8	10.2	1.0	-37.8	-54.8
MSCI EMF	1,131	1.4	2.5	31.2	26.4	858	1,133	18.8	8.6	12.2	-17.0	-6.9
MSCI EAFE	2,007	0.3	1.8	19.2	21.8	1,677	2,014	7.9	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	762	2.5	2.2	18.4	31.2	602	860	18.4	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	13,469	1.8	4.0	17.3	28.8	11,415	13,505	17.3	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,562	1.0	0.5	5.9	11.1	7,094	7,599	2.3	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	23,548	0.9	3.4	19.2	29.0	17,995	23,557	7.9	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,591	0.7	1.6	15.7	21.6	2,245	2,588	4.8	9.5	13.2	-0.7	10.6

Equity Indices (November 6th 2017)