Economic Analysis Division
Emerging Markets Analysis

Bi-Weekly Report *25 September – 8 October 2018*

NBG - Economic Analysis Division
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Emerging Markets Analysis

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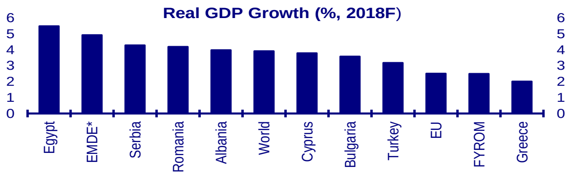
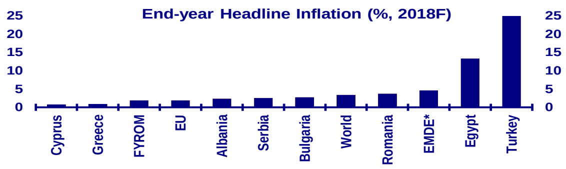


* EMDE: Emerging Market & Developing Economies



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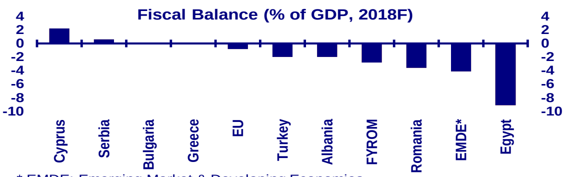

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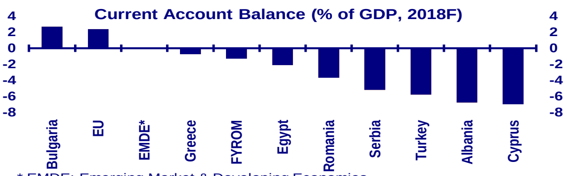

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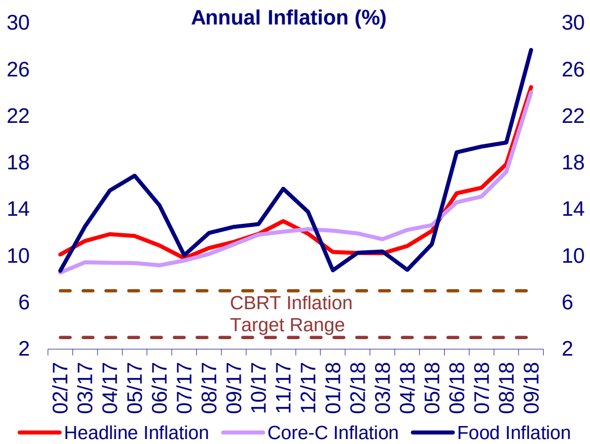
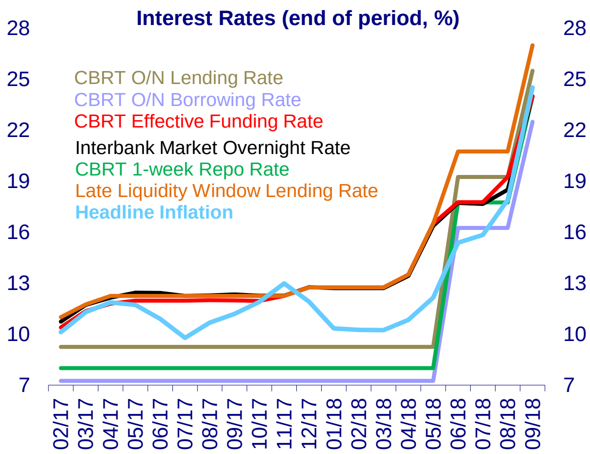
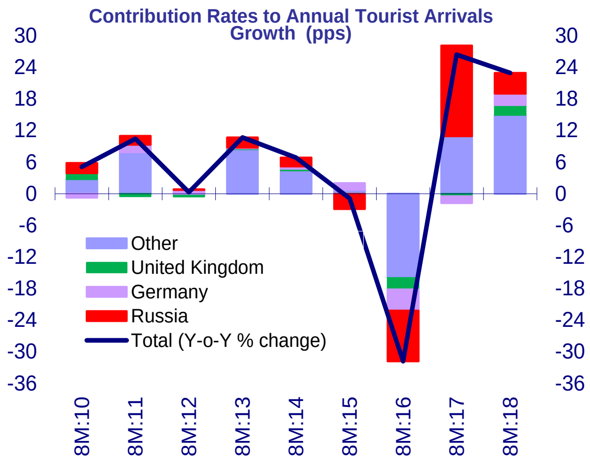
Turkey

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







	8 Oct.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	27.6	25.0	22.0	20.0
TRY/EUR	7.03	6.85	6.82	6.80
Sov. Spread (2020, bps)	419	380	340	280

	8 Oct.	1-W %	YTD %	2-Y %
ISE 100	96,087	-2.5	-16.7	23.2

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	3.2	1.0
Inflation (eop, %)	8.8	8.5	11.9	25.0	16.5
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.6	-5.8	-3.8
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-2.0	-2.0

Further monetary policy tightening in sight, as inflation surprised on the upside in September. Headline inflation reached a 16-year high of 24.5% y-o-y in September – far surpassing the consensus estimate of 21.0% and the August outcome of 17.9%. The sharp rise in was mainly driven by food inflation (up to a multi-year high of 27.7% y-o-y in September from 19.7% in August) and core inflation. The latter reached an all-time high, since the inception of the series in 2003, mainly on the back of a further weakening of the domestic currency, as well as deteriorating expectations and pricing behaviour, with the CBRT's favourite measure, CPI-C, rising sharply to 24.0% y-o-y in September from 17.2% in August.

Looking ahead, according to our baseline scenario, projecting the Government's resolve to rein in the country's increasing macroeconomic imbalances and vulnerabilities, headline inflation is set to slow in the last two months of the year. This should be driven mainly by: i) a gradual normalization in food inflation; ii) a milder depreciation of the TRY; iii) a sharp slowdown in economic activity; and iv) a tighter fiscal and monetary policy stance. Overall, we see headline inflation reaching a peak of 26.0% y-o-y in October and ending 2018 at 25.0% y-o-y -- well above the end-2017 outcome of 11.9%, the upper bound of the CBRT's target range of 3.0%-7.0%.

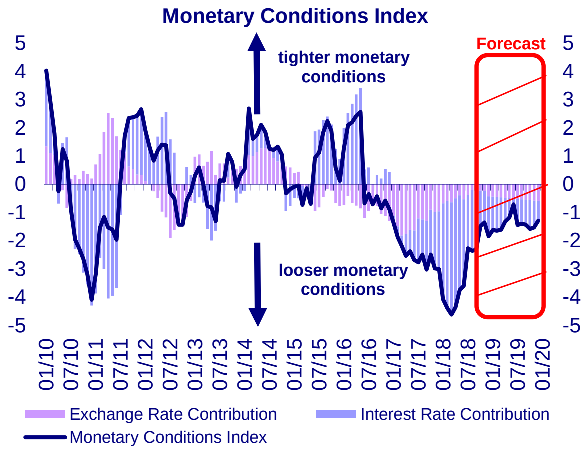
In view of the unexpected poor September inflation outcome, the sharp hike by 6.25 pps to the 1-week repo rate to 24.0% at the September 14th MPC meeting now appears insufficient to reverse the negative trend of headline inflation and inflation expectations. Indeed, against a backdrop of less friendly global markets towards vulnerable emerging economies, like Turkey, and in view of the country's alarming domestic and external imbalances and vulnerabilities, we expect the CBRT to proceed with another aggressive hike to its key policy rate at its October 26th MPC meeting. A hike to the 1-week repo by around 4.0 pps bps to 28.0%, implying an *ex post* compounded real rate of 5.0%-6.0% at end-2018, could prove sufficient to strengthen the TRY, anchor inflation expectations and restore investor confidence. However, should depreciation pressures on the TRY increase prior to the October MPC meeting, the CBRT would tighten its monetary policy stance through liquidity management (as happened in mid-August when the currency crisis culminated) by temporarily halting the 1-week repo auctions and, therefore, forcing banks to use the overnight lending facility (at a rate of 25.5%).

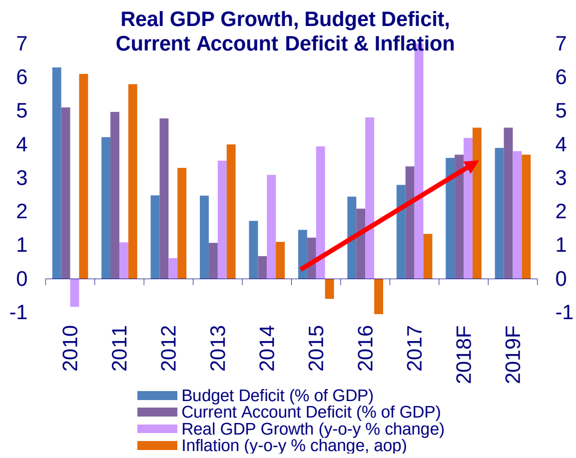
Buoyant tourist activity to contribute significantly to the much-needed external adjustment this year. Tourist arrivals rose sharply by c. 23.0% y-o-y to 27.0mn in 8M:18, on the back of more competitive prices (the TRY depreciated against the equally-weighted EUR and USD basket by c. 22.0% y-o-y in 8M:18 and c. 42.0% since the start of the year) and easing domestic security concerns (the number of terrorist incidents fell significantly to 13 in 8M:18 from 55 in 2017 and 102 in 2016). Importantly, arrivals from Germany and the UK, two key source countries, rose sharply in 8M:18 (c. 22.0% and c. 37.0% y-o-y, respectively), following two consecutive years of decline.

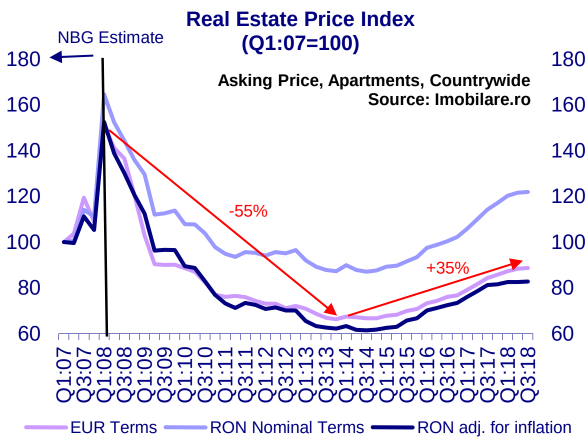
Looking ahead, barring renewed domestic security concerns, we expect tourist arrivals' recent positive trends to continue during the rest of the year, resulting in an increase of c. 25.0% in the number of foreign visitors to a record high of 40.5mn in FY:18. Importantly, based on recent trends of spending per tourist, we see tourist receipts rising by c. 27.0% or USD 6.0bn or 1.1 pp of GDP to USD 28.5bn this year -- contributing significantly to the much-needed reduction of the current account deficit.

Romania

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







	8 Oct.	3-M F	6-M F	12-M F
1-m ROBOR (%)	3.1	3.2	3.0	3.0
RON/EUR	4.67	4.64	4.65	4.68
Sov. Spread (2024, bps)	99	130	120	110

	25 Oct.	1-W %	YTD %	2-Y %
BET-BK	1,617	0.5	-2.1	23.5

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	4.8	7.0	4.2	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	3.7	3.4
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.3	-3.7	-4.5
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-3.6	-3.9

The NBR maintained its key rate at 2.5% in October. Recall that the NBR has raised its 1-week repo rate by 75 bps since the beginning of the year. However, the extent of the monetary policy tightening carried out is larger. It amounted to c. 190 bps between January and July, considering the hike in money market rates (MMRs), following the absorption of excess liquidity in the market by the NBR, in April, through deposit taking operations and, later, through FX interventions (estimated at EUR 3.5bn in May-June). Note, however, that the NBR has eased its stance since then and has restarted the provision of liquidity via repo operations, with MMRs falling by c. 50 bps from their early-August peak (still up 140 bps from their January lows). All said, the *ex-post* real 1-month MMR is estimated at -1.0%, below its 7-year average of 0.8%, suggesting that monetary conditions remain loose.

The NBR needs to raise rates further to attenuate overheating pressures. The economy appears to be overheating, with GDP growth projected above its long-term potential (of 3.0%) for a 4th consecutive year in FY:18, headline inflation struggling to fall within the NBR's target range (2.5±1%) and the current account deficit up sharply. At the same time, fiscal policy remains expansionary, with the budget deficit projected to surpass the EU threshold of 3.0% in FY:18 (see table).

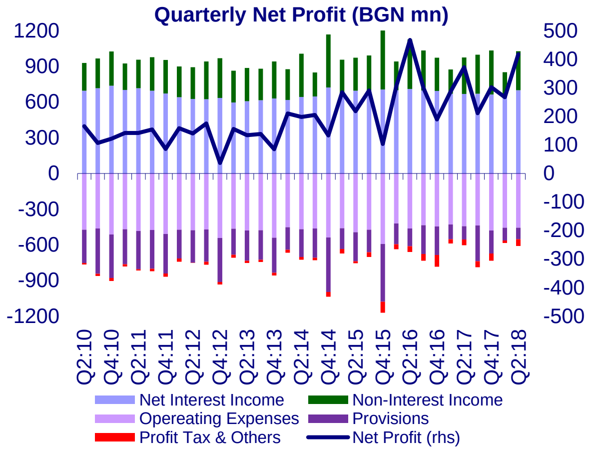
Against this backdrop, the NBR appears to be behind the curve. Our "Taylor rule" estimates suggest that rates should be raised to 4.5% to address these challenges. However, in view of the authorities' reluctance to proceed with aggressive rate hikes, especially in the context of limited or no tightening by other central banks in the region, we expect the NBR to tighten its stance gradually. Overall, we see the NBR hiking its key rate by another 25 bps in FY:18 and by 75 bps in FY:19. At the same time, the NBR could proceed with the implementation of macroprudential measures, aimed at curbing (unhedged) RON-denominated consumer lending, which is currently overperforming (up c. 15.0% y-o-y compared with a growth rate of just 6.5% y-o-y for overall credit to the private sector).

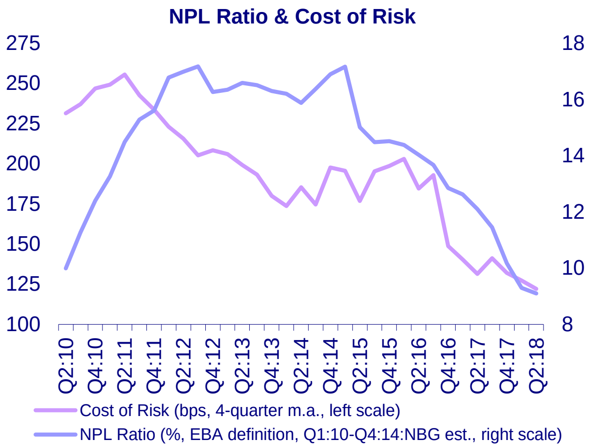
The real estate market "cools off" slightly. The index for the price of apartments rose by 5.3% y-o-y in EUR terms in Q3:18, which is markedly slower than the pace observed over recent quarters (up 8.2% y-o-y in Q2:18 and 10.3% in Q1:18 -- up 10.1% in FY:17). The "cooling-off" in the real estate market is attributed to the slowdown in disposable income growth (according to the latest data, to a still solid 7.0% y-o-y in EUR terms in H1:18 from 11.0% in FY:17), on the back of the depreciation of the RON (down 2.5% y-o-y against the EUR in H1:18) and the shift in the bulk of the social security contributions' burden onto employees as of January 2018. The latter moderated the impact of the ongoing easing in incomes policy (including public wage hikes of more than 20% in FY:17 and FY:18) on disposable income.

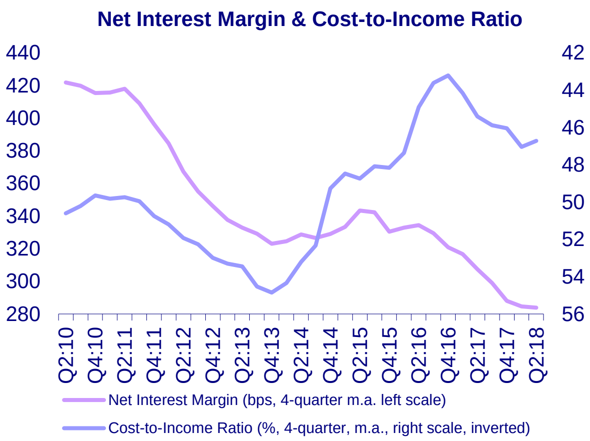
Looking ahead, the outlook for the real estate market remains positive, reflecting, *inter alia*, the attractiveness of the sector as an asset class (rental yields stand at 6.0% in Romania, above the 10-year bond yields -- 4.8% -- and are the highest in the region, together with those in Bulgaria). Importantly, demand for real estate should be sustained by solid mortgage lending activity. Indeed, in view of lending under-penetration (a mortgage loan-to-GDP ratio of just 7.5%) and ample liquidity in the system (the loan-to-deposit ratio stands at 80.0%) on the one hand, and the extension of the *Prima Casa* programme, under which the state guarantees mortgage loans for first-time buyers, on the other, mortgage lending should continue to grow at double-digit rates in the period ahead, albeit slightly lower compared with the past (up by a CAGR of c. 15.0% in 2015-17). All said, we see real estate prices rising by c. 6.0% in FY:18 and FY:19, still above headline inflation.

Bulgaria

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







	8 Oct.	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)	33	44	42	40

	8 Oct.	1-W %	YTD %	2-Y %
SOFIX	619	-1.1	-8.7	21.9

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.6	3.6	3.4
Inflation (eop, %)	-0.4	0.1	2.8	2.7	2.6
Cur. Acct. Bal. (% GDP)	0.0	2.3	4.5	2.7	1.4
Fiscal Bal. (% GDP)	-2.8	1.6	0.9	0.0	0.2

The profitability of the banking system improved in Q2:18, mainly on the back of lower provisioning. Adjusted for large once-off gains made by one of the leading banks in the sector through its subsidiary, the banking system's net profit (after tax) increased by 12.2% y-o-y in Q2:18 to BGN 418mn (EUR 214mn or 0.4% of GDP). As a result, annualised ROAA and ROAE stood at 1.4% and 11.1% in H1:18, broadly unchanged compared with the same period in FY:17.

A further decline in the NPL ratio prompted banks to cut provisioning in Q2:18. The NPL ratio continued to decline, reaching 9.1% in Q2:18 (still double the EU average) against 12.1% in Q2:17. As a result, provisioning declined further in Q2:18 (down 11.7% y-o-y following a drop of 14.6% in Q1:18 – down 9.6% in FY:17), pushing down the cost of risk to 68 bps (down 13 bps y-o-y) at the same time (122 bps on a 4-quarter rolling basis against 132 bps in Q4:17). Importantly, the NPL coverage ratio rose further to 62.8% in Q2:18 from 61.9% in Q1:18 and just 53.2% in Q2:17. The sharp improvement in the ratio compared with the previous year is mainly due to the implementation of the new tighter IFRS-9 accounting standards. Recall that under IFRS-9 -- a move from the concept of incurred loss to that of expected loss – banks are required to increase provisions significantly. Note, however, that the IFRS-9 move affects only the capital, through equity (with the IMF estimating the impact at up to 5 pps), and not profits.

Pre-provision net operating income strengthened in Q2:18, following the rebound in net interest income (NII). After declining for 6 consecutive quarters (down 3.7% y-o-y in Q1:18 and 4.6% in FY:17), NII rebounded in Q2:18 (up 4.8% y-o-y) as the expansion in average interest earning assets (up 7.0% y-o-y) more than offset by the impact of lower net interest rate margin (278 bps in Q2:18 -- down 20 bps y-o-y -- against 288 bps in FY:17). The latter can be mainly attributed to the sharp decline in lending rates, reflecting tighter competition among banks for market shares against the backdrop of increased liquidity in the system (the loan-to-deposit ratio fell to 76.7% in Q2:18 from 80.0% in Q2:17 and its peak of 146.7% in mid-2009).

At the same time, net non-interest income (NNII) remained broadly flat for a 2nd consecutive quarter in Q2:18 (against a rise of 13.3% in FY:17), as the rise in income from net fees and commissions offset the decline in trading gains.

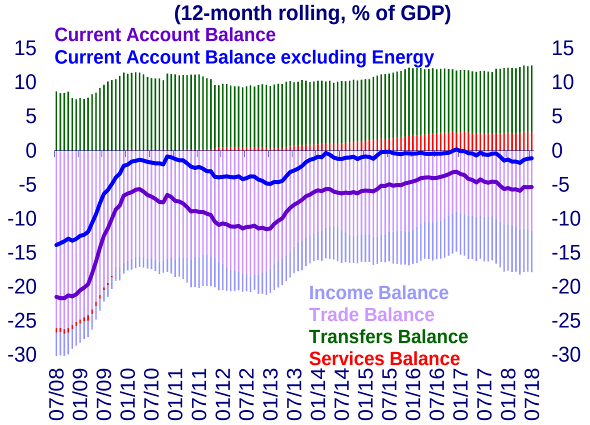
On a negative note, operating expenses posted a relatively solid increase in Q2:18 (up 2.7% y-o-y, which is lower than in Q1:18 -- up by a sizeable 6.6% -- but still higher than in FY:17 -- up 1.5%), due to higher general & administrative costs, as well as personnel expenses. Indeed, against the backdrop of a very tight labour market, gross wage growth in the sector remained strong (up 5.8% y-o-y in Q2:18 and 6.8% in Q1:18 against 3.9% in FY:17). Overall, the efficiency of the banking system improved, with the cost-to-income ratio falling by 110 bps to 44.3% in Q2:18, much lower than the EU average (over 60.0%).

Stronger pre-provision income, together with lower provisioning, is set to sustain profitability during the rest of the year. Looking ahead, we expect pre-provision income to strengthen, driven by the pick-up in credit activity (up 5.0% on average in FY:18 against 3.5% in FY:17). Indeed, against the backdrop of increased liquidity in the system, the pace of credit expansion should pick up, reflecting solid economic growth and strong demand for real estate (prices are currently up 7.5% y-o-y). At the same time, in light of the high NPL coverage and in view of the continuing drop in NPLs (to 7.5% by end-2018), we expect provisioning to decelerate further. All said, we see ROAE improving to slightly above 10.0% in FY:18 from 9.5% in FY:17.

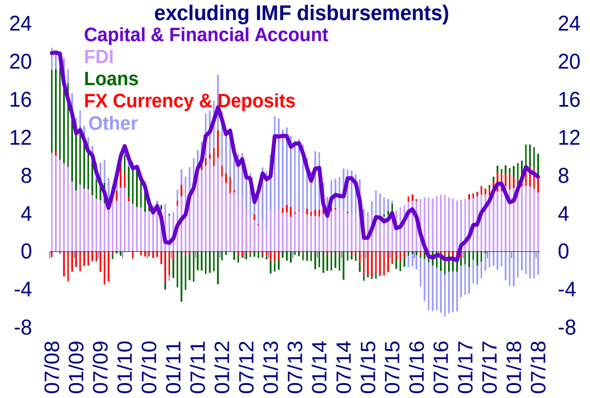
Serbia

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

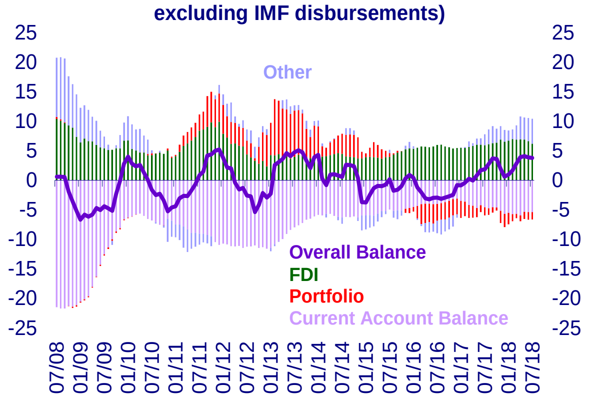
Current Account Balance (12-month rolling, % of GDP)



Capital and Financial Account (12-month rolling, % of GDP, excluding IMF disbursements)



Overall Balance (12-month rolling, % of GDP, excluding IMF disbursements)



	8 Oct.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.9	3.1	3.5
RSD/EUR	118.5	117.9	117.6	117.4
Sov. Spread (2021, bps)	108	132	126	120

	8 Oct.	1-W %	YTD %	2-Y %
BELEX-15	728	0.1	-4.2	13.8

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	0.8	2.8	1.9	4.3	4.0
Inflation (eop, %)	1.5	1.6	3.0	2.5	2.8
Cur. Acct. Bal. (% GDP)	-3.7	-3.1	-5.7	-5.2	-4.9
Fiscal Bal. (% GDP)	-3.7	-1.3	1.2	0.6	0.4

The IMF reached a staff-level agreement with the Serbian authorities on the completion of the 1st review of the 30-month (non-financing) Policy Coordination Instrument (PCI). Following a 10-day visit that ended on October 4th, the IMF mission commended:

i) the continued strong macroeconomic performance. In fact, the IMF expects real GDP growth to be stronger than expected, reaching a post-crisis high of 4.2% this year (revised up by 0.7 pps). Moreover, a fiscal surplus of 0.6% of GDP is expected this year, including the reversal (as of November 2018) of the pension cuts imposed under the 2015-17 SBA, while reducing the public debt-to-GDP ratio to 55% (lower than the initially expected 58.4%). Note that a small fiscal deficit (of 0.5% of GDP) was agreed for 2019, accommodating growth-enhancing measures (including higher capital spending, public sector wage increases and tax reductions on labour), while ensuring the continued reduction of the public debt-to-GDP ratio.

ii) the continued implementation of structural reforms, including the privatisation of the (state-owned) copper mine company RTB Bor and the PKB agricultural company. The approval of the (non-financing) PCI by the IMF Board is expected in mid-December, and it should signal Serbia's continued commitment to the agreed reform agenda.

The current account deficit (CAD) reversed its upward trend in 7M:18. The CAD narrowed by 0.3 pps y-o-y to 2.9% of GDP in 7M:18, after having widened by 2.6 pps y-o-y in FY:17. The external adjustment was driven by the normalization in the income deficit (narrowing by 0.8 pps of GDP y-o-y in 7M:18), following large FDI-related repatriation of dividends and profits in FY:17. The improvement was also supported by higher remittances (up 0.4 pps of GDP y-o-y in 7M:18), reflecting a recovery in Western Europe in 2017 (mainly Germany, Austria and France, accounting for a large share of Serbian migrants).

The capital and financial account (CFA) improved markedly and more than covered the CAD in 7M:18. The CFA surplus rose to 5.6% of GDP in 7M:18 from 3.0% in 7M:17. The improvement was mainly driven by: i) large (net) borrowing (of 1.5% of GDP in 7M:18 against net repayments of 0.3% of GDP in 7M:17), reflecting increased Government and bank access to international capital markets; and ii) net portfolio inflows (0.4% of GDP in 7M:18 against outflows of 0.4% of GDP in 7M: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. Importantly, (net) FDIs remained robust in 7M:18 (3.5% of GDP), more than covering the CAD.

Reflecting CAD and CFA developments, large positive (net) errors & omissions (0.8% of GDP) and valuation effects, FX reserves increased by a sizeable EUR 1.4bn (3.6% of GDP) in 7M:18, reaching a 5-year high of EUR 11.4bn, covering 5.7 months of imports.

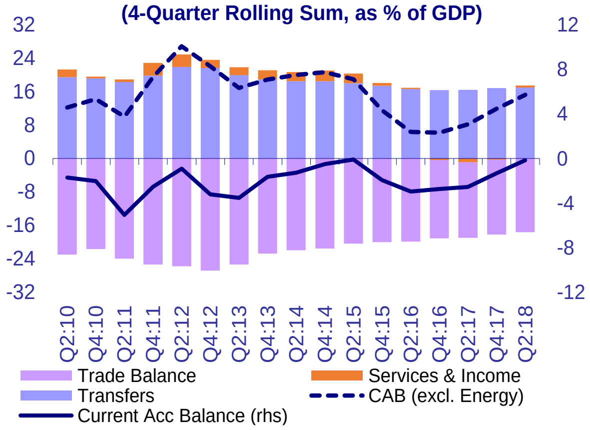
The CAD to continue on its downward trend in 8-12M:18, ending 2018 at c. 5.2% of GDP -- from 5.7% in FY:17. The CAD is set to narrow further by 0.2 pps y-o-y in 8-12M:18, reflecting a more favourable energy bill, mainly due to the fading-out of the impact of electricity production disruption in FY:17 on imports.

Covering this year's financing needs should not be a problem. Despite large capital outflows in 8-12M:18 (c. 2.6% 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 0.6bn to EUR 10.5bn in FY:18.

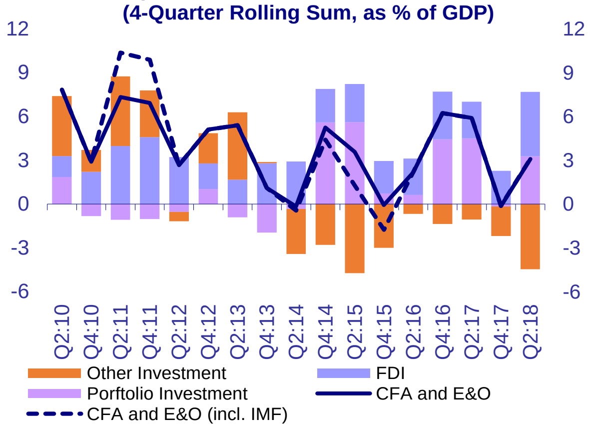
F.Y.R.O.M

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

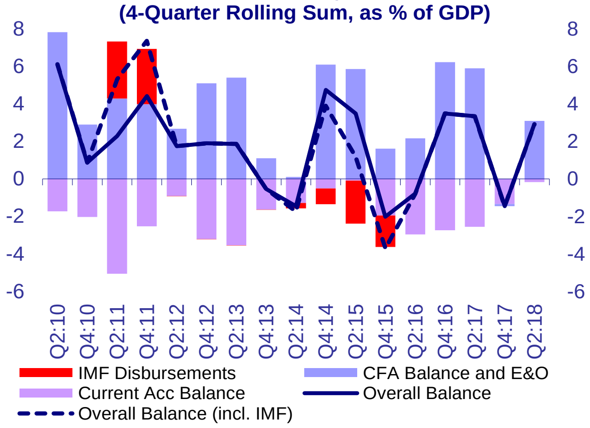
Current Account Balance (4-Quarter Rolling Sum, as % of GDP)



Capital and Financial Account Balance (4-Quarter Rolling Sum, as % of GDP)



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



	8 Oct.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.3	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	234	210	190	160

	8 Oct.	1-W %	YTD %	2-Y %
MBI 100	3,267	-5.3	28.7	65.8

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	2.8	0.2	2.5	3.8
Inflation (eop. %)	-0.3	-0.2	2.4	1.9	2.0
Cur. Acct. Bal. (% GDP)	-1.9	-2.7	-1.3	-1.3	-1.8
Fiscal Bal. (% GDP)	-3.5	-2.7	-2.7	-2.8	-2.8

The "name" agreement was overwhelmingly endorsed by voters in the September 30th referendum, but a low turnout raises uncertainty about its timely implementation. An overwhelming majority (91.5%) voted in favour of changing the country's name to "*the Republic of North Macedonia*"; however, the turnout of eligible voters (c. 37.0%) was well below the threshold of the 50%-plus-one-vote needed for the validation of the outcome. Despite the setback, PM Zaev decided to push constitutional changes through Parliament, on the grounds that the referendum was advisory.

The failure to get the support of at least 9 MPs from the opposition party (the nationalist VMRO-DPMNE) will deprive Zaev from securing the constitutional majority (80 out of 120 MPs) needed for the parliamentary approval of constitutional changes and lead him to call snap parliamentary elections -- to be held in late-November. In the event of early elections, there is a risk that the country will enter a new period of uncertainty, as happened in the first 5 months of 2017 when none of the Albanian parties accepted to join a VMRO-DPMNE-led coalition after the end-2016 elections. Should the ruling SDSM-led coalition (supported by ethnic Albanian parties) win a constitutional majority in the new Parliament, the implementation of the "name" agreement would, at best, be postponed by 45-60 days.

External adjustment continued in the first half of the year, with the 4-quarter rolling current account deficit (CAD) shrinking to a 3-year low of 0.2% of GDP in Q2:18 from 1.3% in Q4:17. The current account balance improved by 1.2 pps y-o-y to a deficit of 1.2% of GDP in H1:18. The improvement was across the board, led by a higher services surplus (up 0.7 pps of GDP y-o-y) and a lower trade deficit (down 0.3 pps of GDP y-o-y).

The positive services performance in H1:18 mainly reflected stronger (net) receipts in manufacturing, tourism and other business services. On the other hand, the softer trade deficit in H1:18 resulted from a sharp rise in exports (up 14.4% y-o-y), which outweighed a milder rise in imports (up 10.1% y-o-y). The former was supported by increased production in the country's industrial zones, while the latter reflected firming domestic demand, the high import content of exports and higher energy imports (up 0.1 pp of GDP y-o-y).

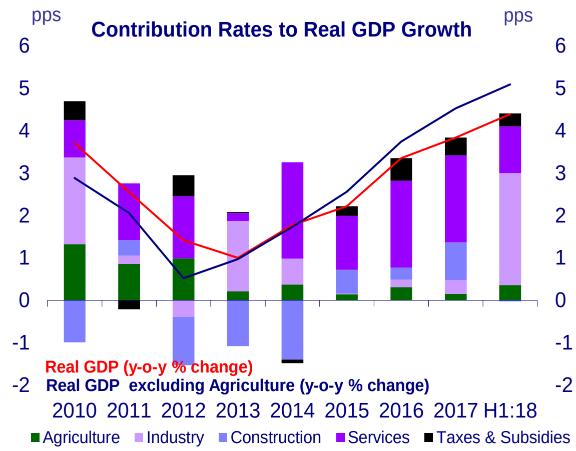
As a result, the 4-quarter rolling CAD moderated to a 3-year low of 0.2% of GDP in Q2:18, down from 1.3% in Q4:17.

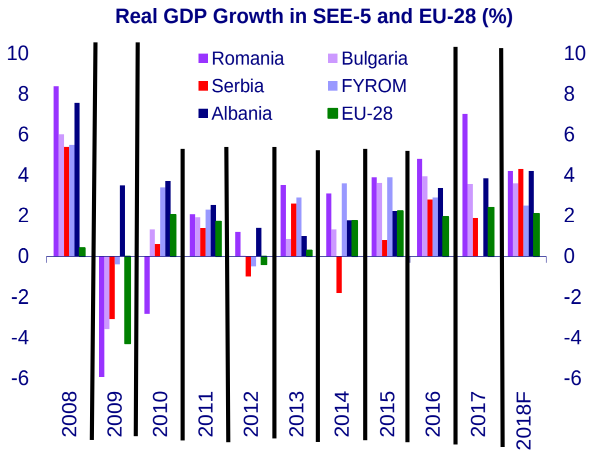
The capital and financial account (CFA) balance strengthened in H1:18, fully covering the CAD and boosting FX reserves. The CFA balance improved significantly, by 3.0 pps y-o-y to a surplus of 4.3% of GDP, mainly due to a sharp increase in (net) portfolio investments (up 3.4 pps of GDP y-o-y), following the placement of a 7-year sovereign Eurobond in January (EUR 500mn or 4.8% of GDP) and a significant rise in net FDI inflows (up 2.1 pps of GDP y-o-y). The latter was supported by strengthening investor confidence stemming from the country's commitment to improve "*good neighbouring relations*" with Greece and Bulgaria and implement structural reforms to secure a starting date for EU accession. As a result, and accounting for valuation effects, FX reserves increased by EUR 306mn y-t-d (2.9% of GDP) to EUR 2.6bn in June (covering 4.4 months of imports).

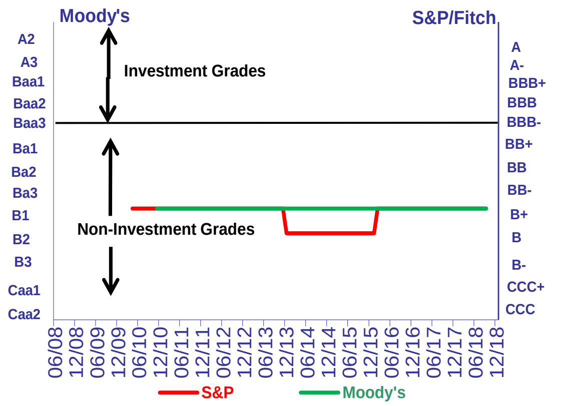
Looking ahead, we expect the CAD to reverse course during the rest of the year, broadly offsetting the gains in H1:18 (a deterioration of 1.2 pps of GDP y-o-y in H2:18). This negative development should reflect a widening trade deficit mainly due to a rebound in domestic demand (we see GDP growth accelerating to 3.4% y-o-y in H2:18 from 1.6% in H1:18). Overall, we see the CAD at 1.3% of GDP in FY:18 -- unchanged from FY:17.

Albania

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







	8 Oct.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.4	2.2	2.2	2.2
ALL/EUR	125.3	132.0	131.3	130.0
Sov. Spread (bps)	219	210	200	180

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

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.8	4.2	4.0
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.5	-7.5	-6.8	-5.8
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-2.0	-1.9

GDP growth surprised on the upside for a second successive quarter in Q2:18 (up 4.3% y-o-y). GDP grew by a strong 4.3% y-o-y in Q2:18 -- well above expectations -- broadly unchanged from a high of 4.5% y-o-y in Q1:18, mainly due to buoyant electricity production. This outcome brought H1:18 GDP growth to a post-crisis high of 4.4% y-o-y from 4.1% in H1:17 and (a 9-year high of) 3.8% in FY:17.

The robust performance in H1:18 mainly reflects the strengthening in industrial output, expanding by (a record high of) 20.5% y-o-y (contributing a sizeable 2.6 pps to GDP growth in H1:18) compared with increases of 4.1% in H1:17 and 2.6% in FY:17. The improvement is estimated to have been largely driven by the strong rebound in electricity generation (which is fully based on hydroelectric production), following a drought-induced decline throughout FY:17 and strong rainfall this year. In fact, electricity production reached a record high of 5.9GWh in H1:18 -- almost double its level in H1:17 -- after having declined sharply by 25.9% y-o-y in H1:17 and 36.6% in FY:17 (it is estimated to have contributed 1.8 pps to overall GDP growth in H1:18 after subtracting 0.5 pps in H1:17).

The expansion in activity in H1:18 was, however, held back by the negative performance in the construction sector (its growth turned marginally negative, declining by 0.3% y-o-y in H1:18 against a strong rise of 16.5% in H1:17, with a virtually zero contribution to overall GDP growth in H1:18 compared with 1.3 pps in H1:17). This occurred due to: i) the completion of the largest part of two major energy projects (i.e. TAP and the Statkraft/Devoll hydropower plant) in FY:17; and ii) lower capital expenditure (up 12.6% y-o-y in H1:18 against a pre-election sharp rise of 58.5% in H1:17).

GDP growth on track to reach a post-global crisis high of 4.2% this year. GDP growth is set to strengthen to 4.0% y-o-y in H2:18 compared with 3.6% y-o-y in H2:17. In fact, the negative impact from the completion of large energy projects is set to be more than offset by: i) stronger agricultural output, following a weather-related weak performance in FY:17; and ii) a continued rebound in electricity production. Activity in FY:18 should also be underpinned by strengthening confidence in the domestic economy, reflecting political stability, and the authorities' strong commitment to economic reforms, in view of both the expected approval of a starting date for the launch of EU accession talks in June 2019 and the continued engagement with the IMF under the Post-Programme Monitoring (PPM) process.

Overall, we see FY:18 GDP growth rising to a 10-year high of 4.2% (the 2nd best performance in SEE-5 after Serbia, and exceeding its long-term potential of 4.0%) -- upwardly revised by 0.6 pps, in view of the stronger-than-initially-expected H1:18 performance and recent trends.

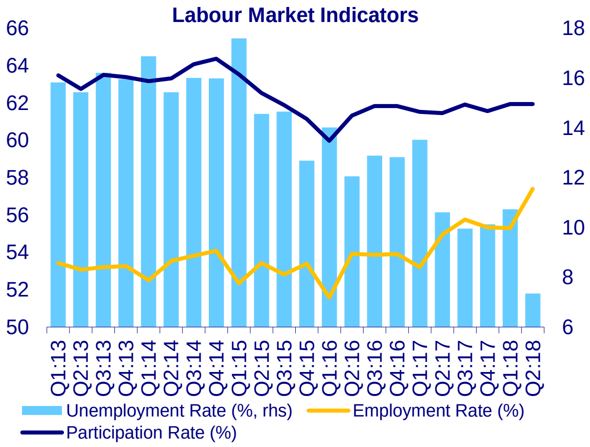
Albania successfully issued a 7-year EUR 500mn Eurobond (3.9% of GDP). Albania returned to the Eurobond market, raising EUR 500mn at a coupon price of 3.5% (at around mid-swaps plus 291 bps and 323 bps over the German benchmark). The issue was more than two times oversubscribed. Note that Albania is rated B1 by Moody's and B+ by S&P (4 notches below investment grade).

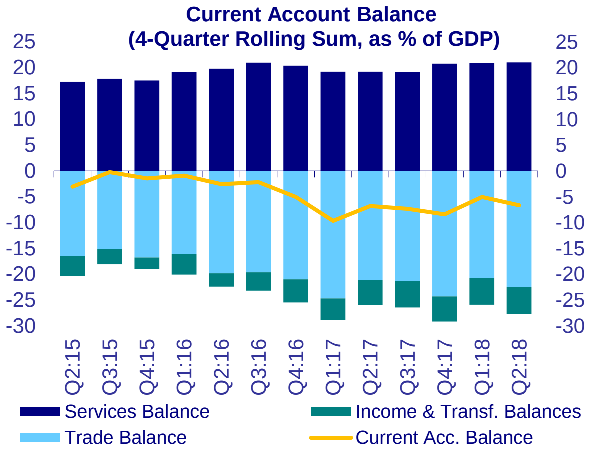
Despite increasingly weakening investor appetite for emerging market assets, Albania's successful return to international capital markets was supported by: i) continued strong GDP growth; ii) fiscal discipline underpinned by the IMF PPM; iii) ongoing external adjustment; and iv) reinvigoration of reforms to secure a starting date for EU accession talks in June 2019.

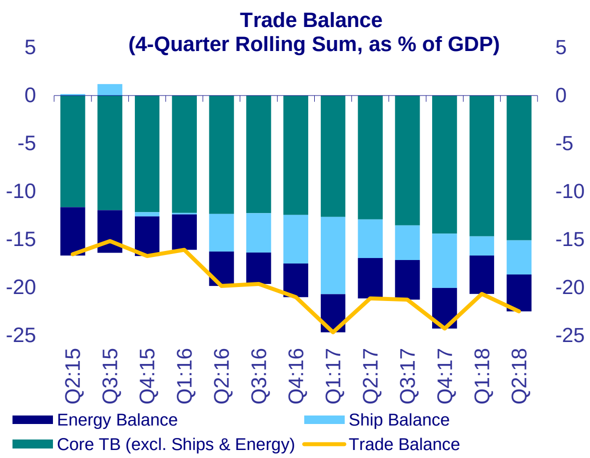
The Government already used EUR 200mn for the early repayment of the expensive EUR 450mn Eurobond maturing in 2020. The remainder should be used as a buffer to mitigate domestic financing pressures.

Cyprus

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







	8 Oct.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.15	1.22	1.24	1.26
Sov. Spread (2020. bps)	73	55	52	50

	8 Oct.	1-W %	YTD %	2-Y %
CSE Index	70	-3.5	0.8	6.0

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	4.8	4.2	3.8	3.6
Inflation (eop. %)	-1.0	-0.3	-0.6	0.8	1.0
Cur. Acct. Bal. (% GDP)	-1.5	-5.1	-8.4	-7.0	-8.2
Fiscal Bal. (% GDP)	-1.2	0.5	1.8	2.2	1.9

The unemployment rate moderated to a post-crisis low of 7.3% in Q2:18, underpinned by continued strong economic activity. Against the background of buoyant economic activity (GDP growth stood at a sharp 3.9% y-o-y in Q2:18 -- unchanged from Q1:18 and down slightly from 4.2% in FY:17), the unemployment rate continued on its downward path, declining by a sizeable 3.3 pps y-o-y to 7.3% in Q2:18 from 10.7% in Q1:18, 11.1% in FY:17 and a peak of 16.1% in FY:14. This positive development was mainly due to the continued recovery in employment, which pushed up the employment rate by 2.5 pps y-o-y to a multi-quarter high of 57.4% in Q2:18. Importantly, employment continued to rise at a solid pace in Q2:18 (up 5.7% y-o-y against 5.4% in Q1:18), mainly due to a stronger services sector.

Importantly, in line with strengthening employment growth, the average nominal wage rose by a post-crisis high of 1.2% y-o-y in H1:18 following a milder increase of 0.7% in FY:17. Moreover, with still subdued inflationary pressures, average real wages rose by 0.9% y-o-y in H1:18 against 0.2% in FY:17.

Looking ahead, in view of a slowdown in economic activity during the remainder of the year, reflecting unsupportive base effects, we expect the unemployment rate to moderate at a smaller pace (down 1.8 pps y-o-y in H2:18, against a decline of 3.0 pps y-o-y in H1:18). We see the unemployment rate reaching a 7-year low of 8.6% in FY:18 -- down from 11.1% in FY:17. Moreover, the average nominal wage is set to accelerate to c. 2.0% this year from 0.7% in FY:17, mainly on the back of payroll rises in the public sector, reflecting, *inter alia*, a gradual reversal of payroll cuts imposed in the wake of the 2012-13 financial crisis (effective since July).

The current account deficit (CAD) almost halved in H1:18, due to an improvement in the ship trade balance. The CAD moderated by a sizeable 1.7 pps y-o-y to 1.9% of GDP in H1:18. The improvement was mainly driven by the volatile ship trade balance, which turned into a surplus of 0.4% of GDP in H1:18 from a deficit of 1.7% of GDP in H1:17, as the rise in exports of ships outweighed that in imports.

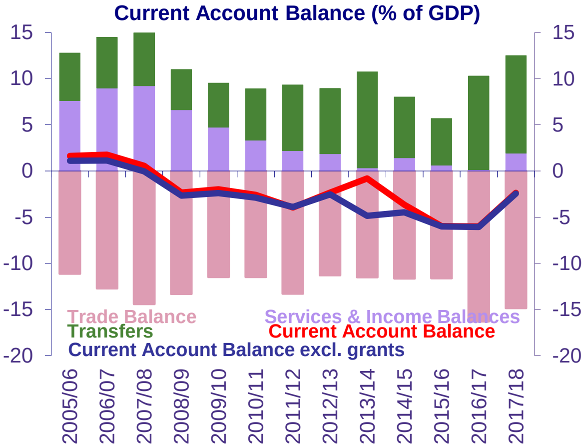
The positive CAD performance in H1:18 was also underpinned by a smaller energy deficit (down 0.3 pps of GDP y-o-y) and a larger services surplus (up 0.3 pps of GDP y-o-y), despite unsupportive tourist receipts (unchanged on an annual basis as percentage of GDP, as they increased in line with nominal GDP by a modest 3.8% y-o-y). The moderation in the CAD in H1:18 would have been stronger had the primary deficit not widened (up 0.3 pps of GDP y-o-y), on the back of higher profits and dividend outflows.

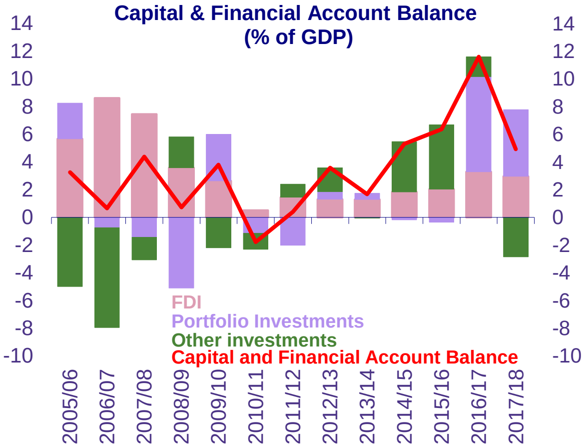
Furthermore, the underlying (core) trade balance (excluding ship transactions and energy) deteriorated by 0.6 pps of GDP y-o-y in H1:18, mainly due to a sharp decline in exports of goods (down c. 16.0% y-o-y). As a result, the 4-quarter rolling CAD eased to 6.6% of GDP in Q2:18 from an upwardly-revised 8.4% of GDP in Q4:17 (from 6.7%). However, excluding ships and energy, the 4-quarter rolling current account balance deteriorated but remained in surplus – down to 0.8% of GDP in Q2:18 from 1.4% in Q4:17.

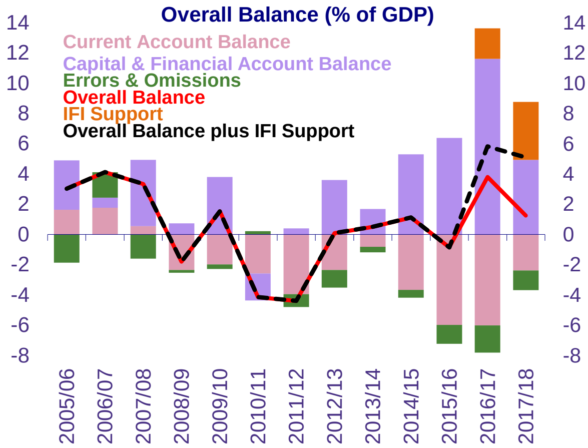
Looking ahead, we expect the deterioration in the underlying (core) current account balance to continue, albeit at a slower pace, during the remainder of the year. The latter should reflect an improvement in the core trade balance stemming from softer domestic demand, in line with a projected slowdown in private consumption. Overall, we see the core current account balance deteriorating by 0.3 pps of GDP y-o-y in H2:18 (following a deterioration of 0.6 pps of GDP y-o-y in H1:18), resulting in a full-year (core) surplus of 0.5% of GDP -- down from 1.4% of GDP in FY:17.

Egypt

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







	8 Oct.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	16.9	18.0	17.0	15.0
EGP/USD	17.9	17.8	18.0	18.0
Sov. Spread (2020. bps)	228	168	152	140

	8 Oct.	1-W %	YTD %	2-Y %
HERMES 100	1,284	-6.0	-10.6	73.1

	14/15	15/16	16/17	17/18E	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	5.2	5.8
Inflation (eop. %)	11.4	14.0	29.8	12.8	14.2
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.0	-2.4	-1.8
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.8	-8.4

The current account deficit (CAD) narrowed sharply to 2.4% of GDP in FY:17/18 from a 2½-decade high of 6.0% a year earlier. The CAD declined significantly, by 3.6 pps y-o-y to 2.4% of GDP in FY:17/18 (July 2017-June 2018), largely supported by the flotation of the domestic currency in mid-Q2:16/17 ahead of the signing of the IMF-supported 3-year economic programme, a rebound in hydrocarbon production and improved security conditions.

The significant improvement in the current account in FY:17/18 was broad-based. Specifically, tourist receipts rose by 2.1 pps y-o-y to a post-January 2011 Revolution high of 3.9% of GDP, due not only to more competitive prices (the EGP had depreciated against the USD by c. 17.0% y-o-y in FY:17/18 and c. 50.0% since the flotation), but also to the removal of travel bans and/or warnings by key source countries following a significant improvement in security conditions. The tourism balance improved further on the back of a decline in Egyptian tourists' spending abroad (down 0.2 pps of GDP y-o-y), due to the sharp depreciation of the EGP and restricted e-card payments abroad.

Moreover, the energy trade deficit declined, for the first time in 3 years, by 0.9 pps y-o-y to 1.5% of GDP in FY:17/18, mainly supported by the start of production in the giant Zohr natural gas field last December.

On another positive note, reflecting a more competitive domestic currency, the non-energy trade deficit narrowed by 0.5 pps y-o-y to 13.4% of GDP in FY:17/18, with exports rising (up 12.7%) at a faster pace than imports (up 5.7%).

Workers' remittances from abroad and Suez Canal receipts also contributed to the significant external adjustment in FY:17/18. The former increased by 0.4 pps y-o-y to an all-time high of 10.5% of GDP, continuing on the upward trend started in Q2:16/17, when the Central Bank decided to float the EGP. In fact, before the flotation, remittances through the banking sector had been hindered by the attractive rates offered in the flourishing parallel FX market (where the USD was traded at a premium of c. 40.0% over its official rate of EGP 8.88 in early-Q2:16/17). The latter rose by 0.2 pps y-o-y to a 9-year high of 2.3% of GDP in FY:17/18, mainly due to a rebound in global trade.

The capital and financial account (CFA), excluding IFI support, covered the CAD comfortably and boosted FX reserves in FY:17/18. The CFA balance, excluding IFI support, posted a surplus of 4.9% of GDP in FY:17/18, underpinned by the return of foreign investor confidence in the Egyptian economy following the solid implementation of the loan agreement with the IMF. Indeed, despite tighter global liquidity conditions, net portfolio investment inflows and net FDI inflows stood at 4.8% and 3.0% of GDP, respectively, in FY:17/18.

As a result and accounting for (negative) net errors & omissions (NEO, -1.3% of GDP), the overall balance recorded a surplus of 1.3% of GDP in FY:17/18. This, combined with IFI support (USD 3.3bn from the IMF and USD 1.2bn from the WB) and valuation effects, brought FX reserves to an all-time high of USD 44.3bn at end-2017/18 (7.9 months of imports of GNFS) – well above the pre-Revolution high of USD 36.0bn (in December 2010). Importantly, the solid level of FX reserves and the flexible exchange rate regime should help the authorities manage the increasingly less-friendly global environment for emerging markets.

For the current fiscal year (2018/19), we expect the external adjustment to continue, albeit at a slower pace, as a further improvement in both energy and non-energy trade balances should be partly offset by higher interest payments and repatriation of profits and dividends. Overall, we see the CAD easing further to 1.8% of GDP in FY:18/19 from 2.4% in FY:17/18 and 6.0% in FY:16/17.

FOREIGN EXCHANGE MARKETS, OCTOBER 8TH 2018

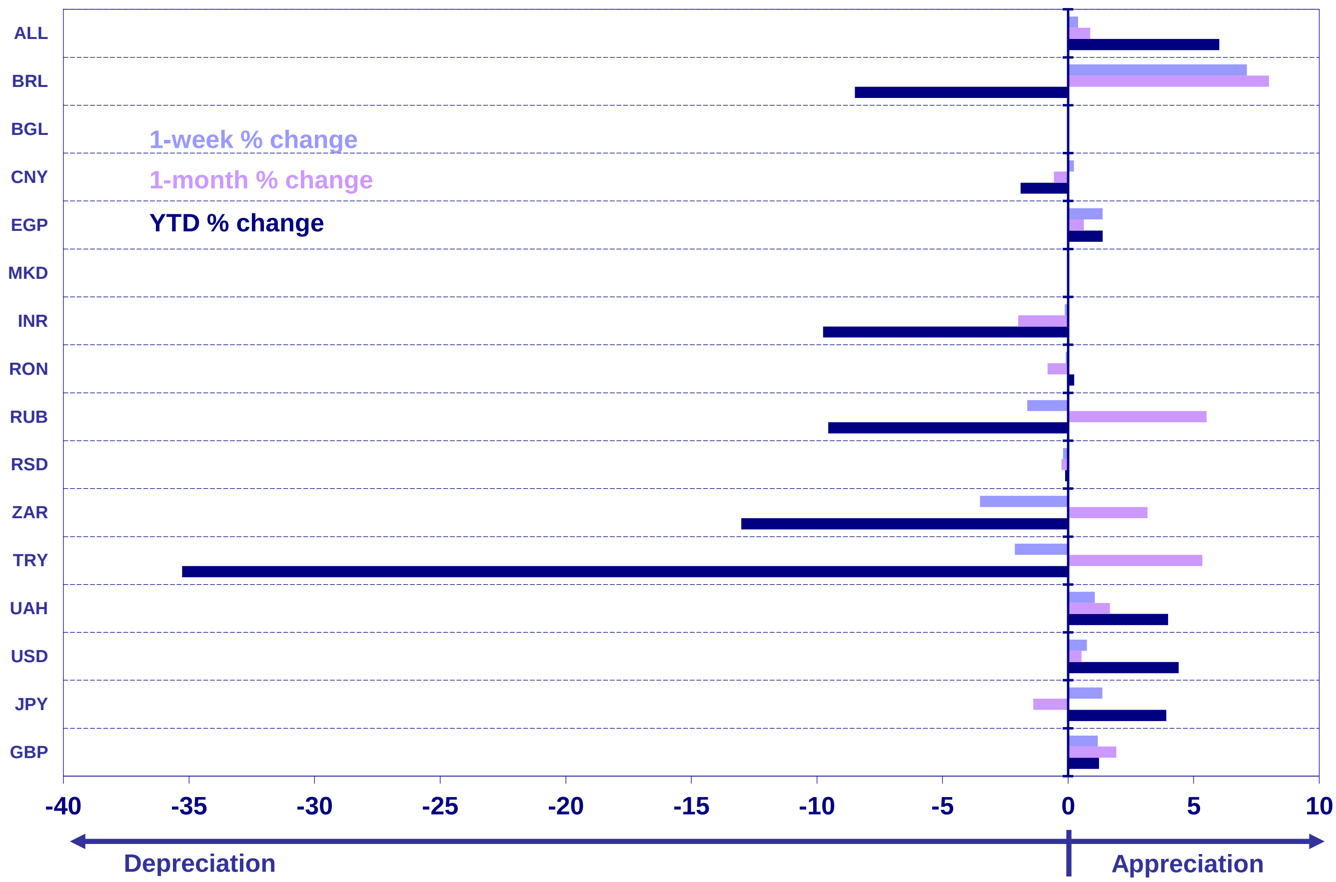
Against the EUR

	Currency	SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	2017 % change*	2016 % change*
		2018										2017	2016
Albania	ALL	125.3	0.4	0.9	6.0	6.7	124.5	134.0	125.6	125.5	124.9	1.9	1.2
Brazil	BRL	4.34	7.1	8.0	-8.5	-13.8	3.85	4.93	4.65	4.66	4.69	-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	7.95	0.2	-0.6	-1.9	-2.1	7.39	8.11	8.20	8.23	8.24	-6.0	-4.0
Egypt	EGP	20.55	1.4	0.6	1.4	0.4	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	84.9	-0.1	-2.0	-9.8	-9.6	75.9	85.8	91.6	- - -	- - -	-6.7	0.4
Romania	RON	4.67	-0.1	-0.8	0.2	-2.1	4.62	4.68	4.71	4.76	4.85	-3.0	-0.4
Russia	RUB	76.5	-1.6	5.5	-9.5	-10.6	67.7	81.9	77.9	79.4	82.9	-6.8	22.9
Serbia	RSD	118.5	-0.2	-0.3	-0.1	0.5	117.6	119.1	118.9	119.1	- - -	4.2	-1.5
S. Africa	ZAR	17.1	-3.5	3.2	-13.0	-5.0	14.18	18.12	17.4	17.8	18.5	-2.7	16.2
Turkey	YTL	7.03	-2.1	5.3	-35.3	-38.2	4.48	8.21	7.55	8.14	9.53	-18.4	-14.7
Ukraine	UAH	32.3	1.1	1.7	4.0	-2.6	30.18	36.11	38.5	- - -	- - -	-15.2	-8.6
US	USD	1.15	0.7	0.5	4.4	2.2	1.1	1.3	1.16	1.17	1.19	-12.4	3.3
JAPAN	JPY	130.1	1.4	-1.4	3.9	1.7	124.6	137.5	130.1	130.1	130.2	-8.9	6.0
UK	GBP	0.88	1.2	1.9	1.2	1.8	0.9	0.9	0.88	0.88	0.89	-4.1	-13.5

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (October 8th 2018)



MONEY MARKETS, OCTOBER 8TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.2	6.4	- - -	2.5	- - -	16.9	- - -	- - -	2.6	7.5	- - -	25.2	7.2	17.7	- - -	2.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.6	7.5	2.3	- - -	7.6	- - -	- - -	- - -
S/W	1.3	6.4	- - -	2.7	-0.4	- - -	1.1	- - -	- - -	6.9	2.3	- - -	7.6	18.1	-0.4	2.2
1-Month	1.4	6.4	0.0	2.8	-0.4	- - -	1.3	7.1	3.1	7.8	2.6	27.6	7.6	18.6	-0.4	2.3
2-Month	- - -	6.5	- - -	- - -	-0.3	- - -	- - -	- - -	- - -	7.8	2.8	28.2	7.6	- - -	-0.3	2.3
3-Month	1.6	6.7	- - -	2.8	-0.3	- - -	1.5	7.5	3.1	6.8	2.9	28.9	7.9	18.8	-0.3	2.4
6-Month	1.9	7.1	- - -	3.3	-0.3	- - -	1.7	- - -	3.4	8.0	3.1	29.1	8.2	- - -	-0.3	2.6
1-Year	2.2	7.9	- - -	3.5	-0.2	- - -	2.0	- - -	3.5	8.0	- - -	30.2	8.6	- - -	-0.2	3.0

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

LOCAL DEBT MARKETS, OCTOBER 8TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.7	- - -	6.9	- - -	7.6	- - -	24.3	- - -	- - -	-0.6	2.2
6-Month	1.3	- - -	- - -	- - -	- - -	19.8	- - -	7.3	2.4	8.0	3.3	25.6	- - -	- - -	-0.6	2.4
12-Month	1.7	- - -	-0.1	2.9	- - -	19.6	1.0	7.6	3.6	7.2	3.3	27.4	- - -	18.5	-0.6	2.6
2-Year	2.2	- - -	- - -	3.2	- - -	- - -	- - -	7.7	4.1	7.8	- - -	25.0	7.5	- - -	-0.6	2.8
3-Year	- - -	- - -	0.1	3.3	0.8	- - -	- - -	7.8	4.2	8.2	- - -	23.1	8.0	- - -	-0.4	2.9
5-Year	4.5	10.0	- - -	3.4	1.0	18.6	- - -	7.9	4.9	8.5	3.7	23.2	8.7	- - -	-0.1	3.0
7-Year	- - -	- - -	0.7	- - -	1.7	18.5	- - -	8.1	4.9	8.7	- - -	- - -	- - -	- - -	0.2	3.0
10-Year	6.5	10.9	1.0	3.6	- - -	18.4	- - -	8.0	5.1	8.9	- - -	19.8	9.3	- - -	0.5	3.1
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	8.3	- - -	8.9	- - -	- - -	9.9	- - -	0.8	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.2	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.3	- - -	- - -	- - -	- - -	10.2	- - -	1.2	3.2

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

CORPORATE BONDS SUMMARY, OCTOBER 8TH 2018

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.875% '21**	EUR	NA/NA	2/8/2021	550	2.2	263	223
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.6	172	158
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	147	111
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	5.2	557	489
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	8.4	537	485
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	14.1	1,100	910
	Vakifbank 5.75% '23	USD	NA/Ba3	30/1/2023	650	10.8	771	670
	TSKB 5.5% '23	USD	NA/Ba3	16/1/2023	350	11.6	849	722
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.4	530	483
	KOC Holding 5.25% '23	USD	BB+/Ba1	15/3/2023	750	7.2	415	380

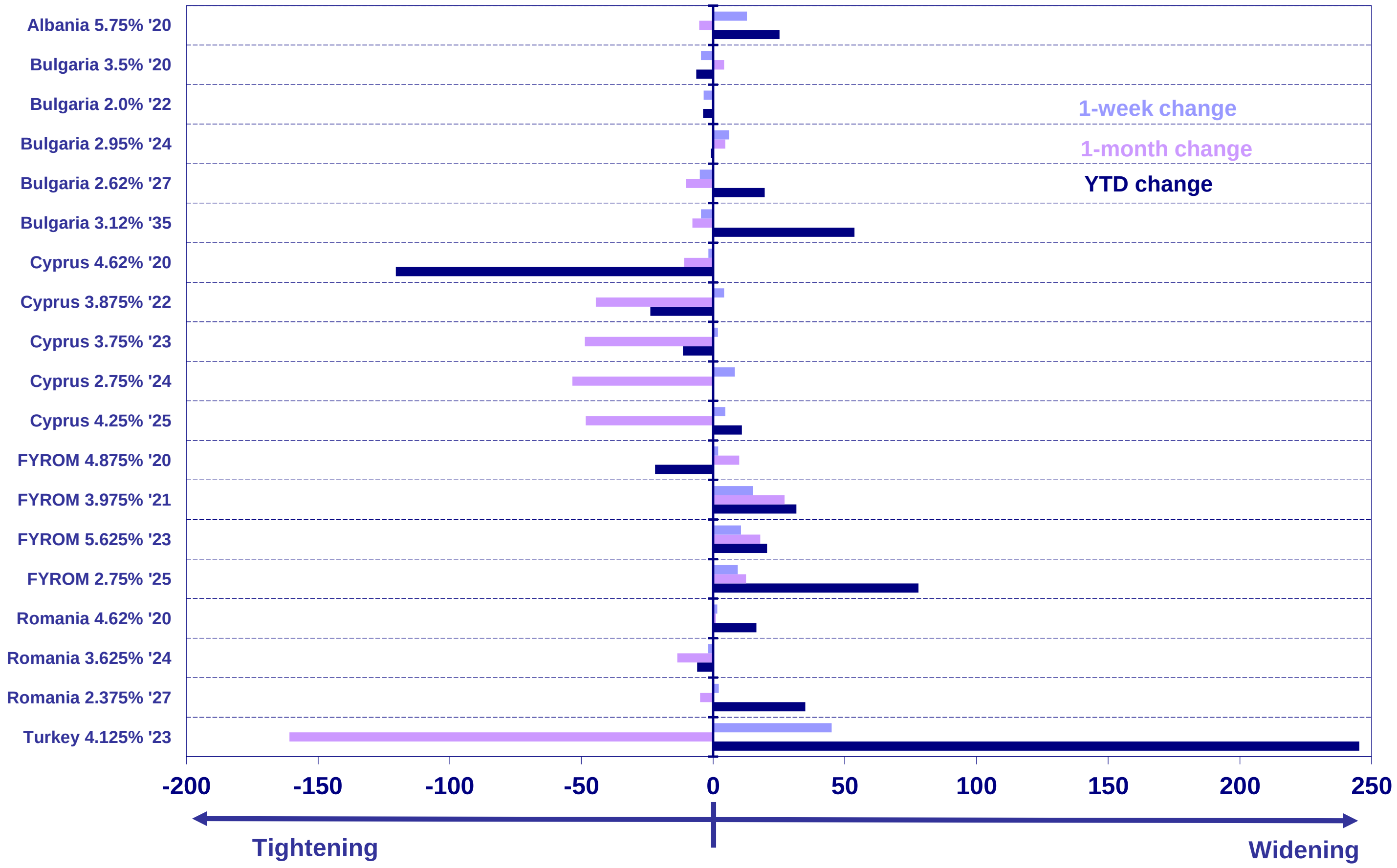
CREDIT DEFAULT SWAP SPREADS. OCTOBER 8TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	232	71	64	139	352	- - -	80	97	152	116	417	225	514
10-Year	- - -	312	103	107	158	394	- - -	89	135	214	147	440	288	540

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY. OCTOBER 8TH 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.6	219	180
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.0	61	25
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.1	33	-10
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.7	61	11
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.3	89	45
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.6	184	122
Cyprus 4.62% '20	EUR	BBB-/Ba2	3/2/2020	668	0.1	73	38
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	0.8	101	60
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	1.0	114	61
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	1.3	128	82
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	1.7	154	109
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.2	172	129
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.9	234	448
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.8	290	255
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	3.2	315	248
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.1	67	24
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	1.0	99	57
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.4	199	148
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	4.9	496	435

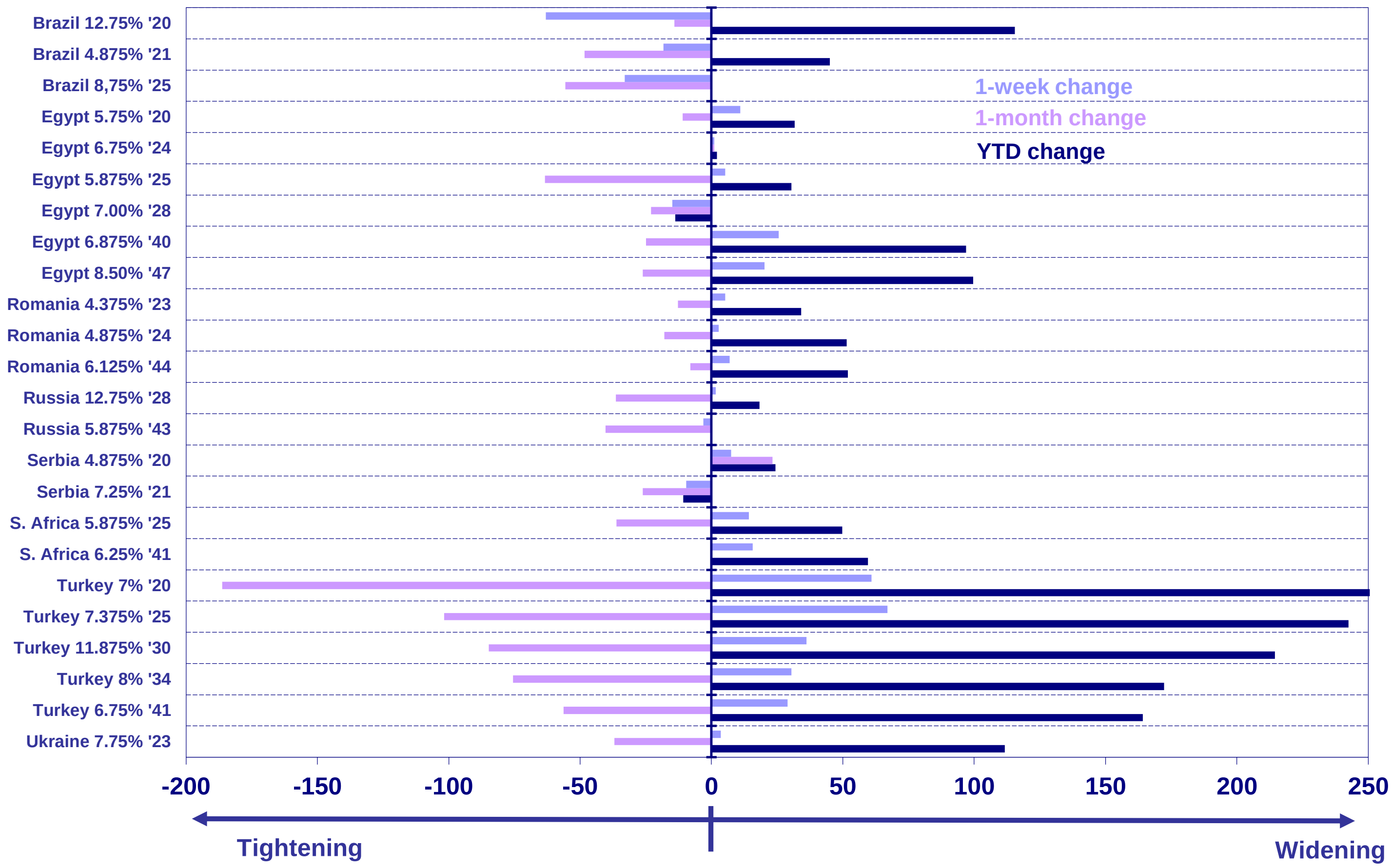
EUR-Denominated Eurobond Spreads (October 8th 2018)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY. OCTOBER 8TH 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	NA/Ba2	15/1/2020	87	3.7	112	89
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	4.2	129	108
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	5.1	190	205
Egypt 5.75% '20	USD	B/B3	29/4/2020	1,000	5.2	228	216
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.5	336	329
Egypt 5.875% '25	USD	B/B3	11/6/2025	500	6.9	371	350
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.8	354	347
Egypt 6.875% '40	USD	B/B3	30/4/2040	1,500	8.4	504	448
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	8.9	551	533
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	4.3	119	106
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	4.3	125	113
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	5.4	204	223
Russia 12.75% '28	USD	BBB-/Ba1	24/6/2028	2,500	5.0	182	237
Russia 5.875% '43	USD	BBB-/Ba1	16/9/2043	1,500	5.4	203	217
Serbia 4.875% '20	USD	BB/Ba3	25/2/2020	1,500	4.0	140	106
Serbia 7.25% '21	USD	BB/Ba3	28/9/2021	2,000	4.1	108	96
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	5.9	269	260
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	6.6	325	317
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	7.1	419	399
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	8.0	487	465
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	8.3	508	574
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	8.3	506	480
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	8.1	479	403
Ukraine 7.75% '23	USD	B-/Caa2	1/9/2023	1,355	8.4	534	506

USD-Denominated Eurobond Spreads (October 8th 2018)



STOCK MARKETS PERFORMANCE. OCTOBER 8TH 2018

	2018								2017		2016	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	86,084	9.5	12.7	12.7	13.7	69,069	88,318	2.6	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	619	-1.1	-1.3	-8.7	-9.0	618	721	-8.7	15.5	15.5	27.2	27.2
China (SHCOMP)	2,717	-3.7	0.5	-17.9	-19.5	2,644	3,587	-19.5	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	74	0.0	-1.0	5.8	0.4	65	77	5.8	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,284	-6.0	-15.6	-10.6	-2.3	1,284	1,741	-8.8	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	3,267	-5.3	-4.4	28.7	23.7	2,536	3,531	28.7	18.9	18.9	16.5	16.5
India (SENSEX)	34,474	-5.6	-10.2	1.2	8.3	31,769	38,990	-8.9	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,617	0.5	-0.3	-2.1	-1.8	1,573	1,802	-1.8	22.8	19.1	0.2	0.0
Russia (RTS)	4,414	-1.3	4.5	7.1	-0.6	4,017	4,617	-3.1	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	728	0.1	0.4	-4.2	0.1	719	785	-4.3	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	54,219	-2.8	-5.0	-8.9	-5.8	53,027	61,777	-20.7	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	94,348	0.0	1.2	-18.2	-6.9	84,655	121,532	-46.1	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	550	2.2	4.0	74.6	85.1	315	550	81.5	18.8	0.8	10.2	1.0
MSCI EMF	996	-4.9	-2.7	-14.1	-9.5	998	1,279	-10.3	34.3	17.7	8.6	12.2
MSCI EAFE	1,910	-3.1	0.2	-6.9	-3.3	1,905	2,187	-2.8	21.8	6.7	-1.9	1.4
Greece (ASE-General)	642	-7.2	-6.7	-20.0	-14.4	641	896	-20.0	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	11,947	-3.2	-0.1	-7.5	-7.9	11,727	13,597	-7.5	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,233	-3.5	-0.6	-5.9	-3.7	6,867	7,904	-4.8	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	26,487	-0.6	2.2	7.2	16.4	22,739	26,952	11.9	25.1	9.6	13.4	16.7
USA (S&P 500)	2,884	-1.4	0.4	7.9	13.3	2,533	2,941	12.6	19.4	4.7	9.5	13.2

Equity Indices (October 8th 2018)