NATIONAL BANK OF GREECE

Economic Analysis Division

Emerging Markets Research

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NBG - Economic Analysis Division
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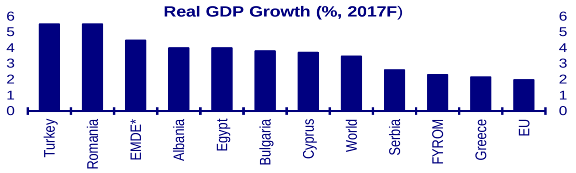
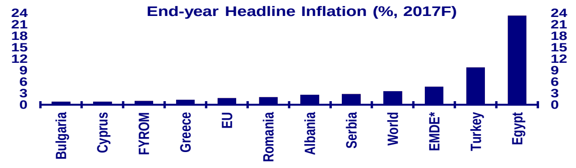


* EMDE: Emerging Market & Developing Economies



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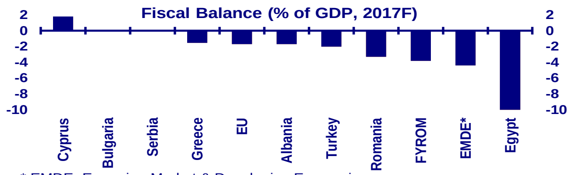

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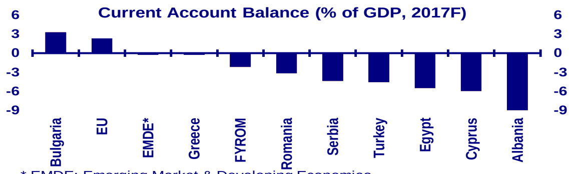

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The new Medium-Term Programme aims to maintain economic growth at a high 5.5%

The NBR signaled its tightening bias by narrowing its interest rate corridor, while keeping its key rate on hold

Romania falls to 68th place in the World Economic Forum's Global Competitiveness Index

Leading indicators point to solid economic growth in Q3:17, with stronger support from investment

Bulgaria rose to 49th place in the World Economic Forum's Global Competitiveness Index

Serbia's competitiveness improved in 2017-18 for a 4th successive year

The fiscal performance improved markedly in 8M:17

The current account deficit reversed course in Q2:17, narrowing by a sizeable 1.3 pps y-o-y to 0.9% of GDP on the back of strong exports

Headline inflation declined to 1.5% y-o-y in September from its peak of 1.8% in August, but remained well above the end-2016 level of -0.2%

Albania's competitiveness improved for a 3rd successive year in 2017-18

Economic growth strengthened in H1:17 (up 4.0% y-o-y), on the back of buoyant mining and construction sectors

Positive EC/ECB Post-Programme Review

Cyprus' global competitiveness ranking improved for the first time in 8 years

Egypt's global competitiveness ranking improved significantly this year

Customer deposits (FX-adjusted) gained momentum in FY:16/17, underpinned by strengthening confidence in the Egyptian economy and higher EGP remuneration rates

Credit to the private sector (FX-adjusted) accelerated in FY:16/17, supported by ample liquidity for banks, improved asset quality and a strong capital base

Turkey

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

2018-20 Medium-Term Programme (MTP)	2016 [a]	2017 [b]	2018 [b]	2019 [b]	2020 [b]
Nominal GDP (TRY bn)	2,609	3,035	3,446	3,872	4,321
GDP Growth (%)	3.2	5.5	5.5	5.5	5.5
Inflation (%, eop)	8.5	9.5	7.0	6.0	5.0
Current Account Balance (CAB, USD bn)	-32.6	-39.2	-40.0	-40.9	-41.9
CAB (% of GDP)	-3.8	-4.6	-4.3	-4.1	-3.9
Central Government (CG) Balance (% of GDP)	-1.1	-2.0	-1.9	-1.9	-1.6
CG Expenditure (% of GDP)	22.4	22.2	22.1	21.7	21.1
CG Revenue (% of GDP)	21.3	20.2	20.2	19.8	19.5
CG Primary Balance (% of GDP)	0.8	-0.1	0.2	0.3	0.6
CG Interest Payments (% of GDP)	1.9	1.9	2.1	2.2	2.2
EU-Defined General Gov. Debt (% of GDP)	28.1	28.5	28.5	28.0	27.5
Unemployment Rate (%)	10.9	10.8	10.5	9.9	9.6

Source: Ministry of Development
a: 2016 Outcomes
b: 2018-2020 MTP Forecasts (September 2017)
c: 2018-2020 MTP Projections (September 2017)

2018-20 MTP Forecasts versus NBG Forecasts for 2017

	New MTP	NBG
GDP Growth (%)	5.5	5.5
Inflation (%, eop)	9.5	10.5
Central Government (CG) Deficit (% of GDP)	2.0	2.0
Current Account Deficit (% of GDP)	4.6	4.6
Unemployment Rate (%)	10.8	11.2

2018-20 MTP Forecasts versus NBG Forecasts for 2018

	New MTP	NBG
GDP Growth (%)	5.5	4.0
Inflation (%, eop)	7.0	9.5
Central Government (CG) Deficit (% of GDP)	1.9	2.0
Current Account Deficit (% of GDP)	4.3	4.4
Unemployment Rate (%)	10.5	11.4

	9 Oct.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.1	12.5	12.0	11.0
TRY/EUR	4.34	4.30	4.33	4.36
Sov. Spread (2020, bps)	177	175	165	150

	9 Oct.	1-W %	YTD %	2-Y %
ISE 100	101,298	-2.5	29.6	27.9

	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	9.5
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

The new Medium-Term Programme (MTP) aims to maintain economic growth at a high 5.5%. The MTP for the period 2018-20 aims primarily to keep economic growth at a high and stable level, while envisaging a slower disinflation process and a small decline of the twin deficits over the next three years. Specifically:

Growth is projected to remain unchanged at the high level of 5.5% until 2020. In our view, the forecast is reasonable for this year but too optimistic for the 2018-2020. Indeed for 2017, we expect economic growth to accelerate to 5.5% from 3.2% in FY:16, mainly underpinned by supportive fiscal measures (tax cuts) and quasi-fiscal measures (credit guarantee fund loans), a benign external backdrop combined with a much more competitive currency (the CPI-based REER depreciated by c.13.0% over the past 5 years), and a weak base (growth eased in the past year due to the failed coup in mid-July 2016). For 2018, as no fiscal and quasi-fiscal stimulus is envisaged, the 5.5% growth target is unattainable unless the external backdrop becomes more favourable than currently expected. The triple elections in 2019 will be an obstacle to structural reforms, but may lead to fiscal slippage. We expect GDP growth to moderate to 4.0% in FY:18.

Inflation is envisaged to decline gradually from 9.5% y-o-y at end-2017 to 5.0% at end-2020. In our view, the end-2017 inflation forecast of 9.5% y-o-y is not too unrealistic, while the end-2018 inflation target of 7.0% y-o-y is far too optimistic, despite our lower GDP forecast. For this year, we see headline inflation moderating from 11.2% y-o-y in September to 10.5% y-o-y in December, supported by a tight monetary policy stance, and lower fiscal and quasi-fiscal stimulus. Note that the CBRT's effective funding rate rose steadily from 8.2% in December 2016 to c. 12.0% in June and is expected to remain unchanged at this level until Q1:18. Moreover, the tax cuts expired in September and the impact of the credit guarantee fund is fading.

For 2018, the end-year inflation target of 7.0% appears inconsistent with the projected FY:18 growth rate of 5.5%. Under a continued tight monetary policy stance next year, we foresee headline inflation moderating to 9.5% at end-2018 from our forecast of 10.5% for end-2017, mainly on the back of a slowdown in economic activity and a milder depreciation of the TRY.

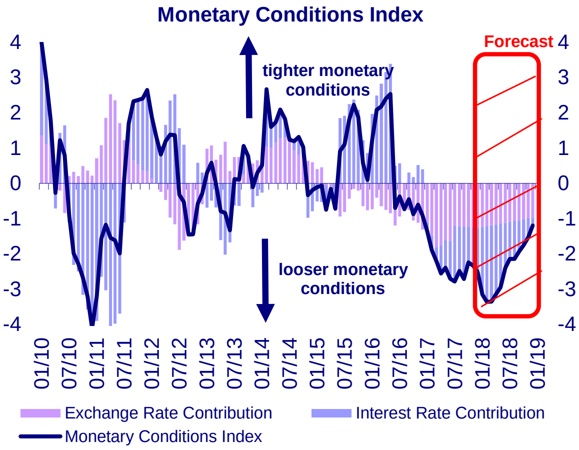
The current account deficit (CAD) is projected to narrow slowly from 4.6% of GDP this year to 3.9% in 2020. The CAD forecast for FY:17 (of 4.6% of GDP) appears realistic in view of developments so far this year (4.3% in August on a 12-month rolling basis), while the envisaged narrowing in FY:18 to 4.3% appears very optimistic in view of the projected strong GDP growth of 5.5%. Under our assumption of 4% GDP growth, we see the FY:18 CAD at 4.4% of GDP.

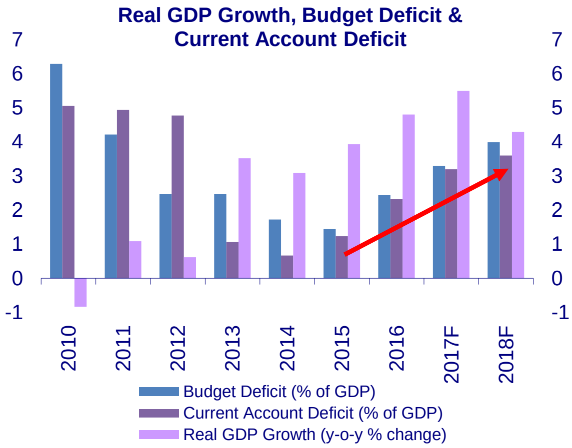
The budget is projected to remain broadly unchanged at around 2.0% of GDP until 2019 – and decline to 1.6% of GDP in 2020. In our view, the official fiscal deficit target of 2.0% of GDP for this year is attainable based on the performance so far this year (2% on a 12-month rolling basis in August), while the 2018 target of 1.9% is out of reach. For this year, we expect the fiscal prudence observed in the wake of the mid-April referendum to continue until December, supported by the expiry of some stimulus measures (see above) and stronger-than-initially-expected tax collection (on the back of higher-than-projected economic growth).

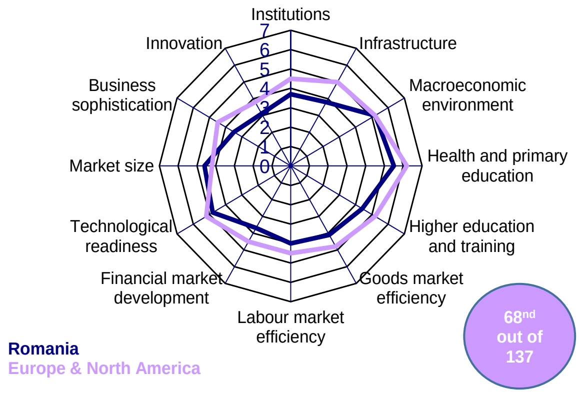
For 2018, despite a set of revenue-enhancing and expenditure-saving measures (totaling 0.8 pps of GDP), the fiscal deficit target of 1.9% of GDP should be exceeded, as it is based on an optimistic growth forecast. In the absence of additional corrective measures, we see the FY:18 fiscal deficit at 2.3% of GDP.

Romania

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







	9 Oct.	3-M F	6-M F	12-M F
1-m ROBOR (%)	1.8	2.0	2.2	2.5
RON/EUR	4.57	4.57	4.55	4.55
Sov. Spread (2024, bps)	121	120	116	110

	9 Oct.	1-W %	YTD %	2-Y %	
BET-BK	1,647	0.0	22.5	21.6	
	2014	**2015**	**2016**	**2017F**	**2018F**
Real GDP Growth (%)	3.1	3.9	4.8	5.5	4.3
Inflation (eop, %)	0.8	-0.9	-0.5	2.0	2.6
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	-4.0

The NBR signaled its tightening bias by narrowing its interest rate corridor (IRC), while maintaining its key rate on hold. At its October meeting, the NBR Board kept its 1-week repo rate unchanged at a low of 1.75% for a 28th consecutive month. At the same time, it narrowed its IRC (set by the overnight deposit rate and the Lombard rate) to ±1.25 pps around the key interest rate from ±1.5 pps previously, signaling a tightening bias. Note that the overnight deposit rate was the effective policy rate until recently, as money market rates (MMR) were very low, reflecting excess liquidity in the system. Their subsequent increase (the 1-month MMR currently stands at 1.8% against 0.7% in mid-September) was mainly the result of large interventions by the NBR in the FX market (estimated at EUR 1.6bn or 0.9% of GDP over the past 2 months) to sustain the RON (see below). The decline in deposits of state-owned enterprises with banks, after the Government forced the payment of a special once-off dividend (worth EUR 390mn or 0.2% of GDP), also tightened liquidity conditions.

Nevertheless, effective monetary conditions still remain loose (see our MCI), reflecting low interest rates (the *ex-post* 1-month real MMR is estimated at 0.2%, below its historical average of 0.9%) and a weak RON (the CPI-based REER is by down by an estimated 2.0% y-o-y), with the latter mainly due to fiscal worries.

The NBR is likely to refrain from any policy rate hikes at least until Q1:18, but to continue with tight liquidity management. Overheating pressures are increasing rapidly in the economy, with GDP growth (projected at 5.5% in FY:17) running above its long-term potential (of 3.0%) for a 3rd consecutive year, and the current account deficit (projected at 3.2% of GDP in FY:17) more than quadrupling from its FY:14 low (0.7% of GDP). At the same time, fiscal imbalances are widening rapidly, due to tax cuts and a loose incomes policy (we see the budget deficit at 3.3% of GDP in FY:17 against 2.4% in FY:16, above the EU threshold of 3.0%).

Against this backdrop, the NBR appears to be significantly behind the curve. However, as Governor Isarescu has hinted, the NBR is unlikely to embark on an aggressive rate hiking cycle anytime soon, but rather wait for the ECB and other regional central banks, so as to prevent an inflow of "hot money".

All said, we expect the NBR to continue its tight liquidity management, so as to keep MMRs close to the policy rate. To this end, we see a further tightening of the IRC by 25-50 bps over the next few meetings. In our view, the first hike in the policy rate will only come in Q1:18. The policy rate could reach 3.5% by end-2018 (1.0% in real and compounded terms against 0.0% currently).

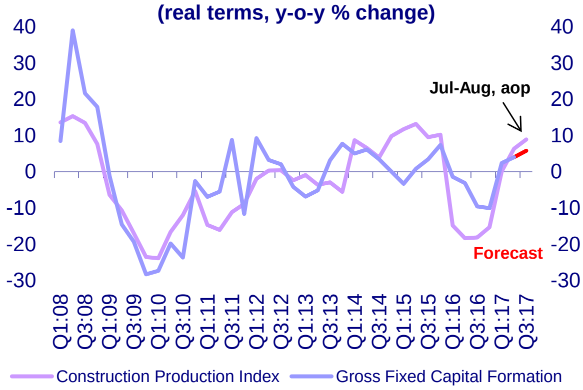
Romania falls to 68th place in the World Economic Forum's Global Competitiveness Index. Romania's ranking deteriorated for a 2nd consecutive year in 2017, slipping 6 places from last year -- the worst performance in the region. The deterioration in the country's macroeconomic environment, as reflected in widening fiscal imbalances and the declining gross savings rate (to 23.0% of GDP in FY:16 from 24.4% in FY:15), was the main driver behind this performance. Other factors include low goods market efficiency, mainly due to high taxation, and low business sophistication in the economy's supply and distribution networks.

All said, Romania still remains the 2nd most competitive economy in the region -- after Bulgaria (ranking 49th) but ahead of Albania and Serbia (in 75th and 78th place, respectively). Key challenges to competitiveness are the upgrade of the country's infrastructure and the improvement of its institutional framework, which is mired by bureaucracy and corruption (WEF, Executive Opinion Survey, 2016).

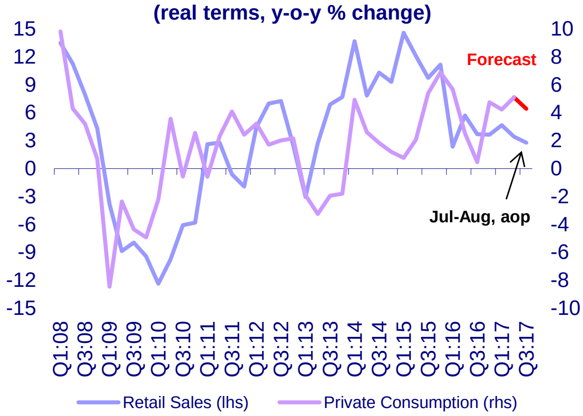
Bulgaria

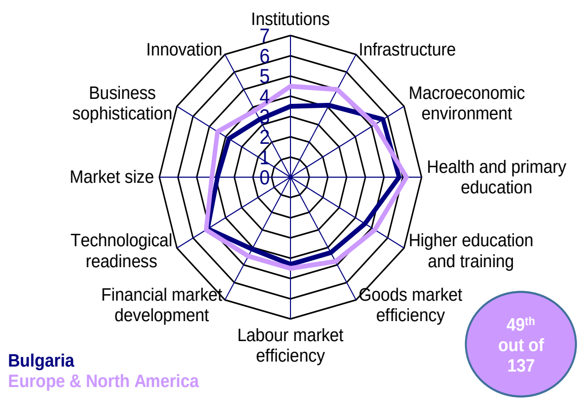
BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Gross Fixed Capital Formation & Construction Production Index (real terms, y-o-y % change)



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





	9 Oct.	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)	48	53	52	50

	9 Oct.	1-W %	YTD %	2-Y %
SOFIX	679	-1.2	15.9	52.7

	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	0.8	1.4
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

Leading indicators point to solid economic growth in Q3:17, with stronger support from investment. Industrial production rose by a strong 4.8% y-o-y in real terms in July-August, broadly the same pace as in Q2:17, underpinned by robust external demand, mainly from the EU. Note that, despite deteriorating competitiveness (real wage growth – currently at 7.5% y-o-y -- has far surpassed productivity gains in recent years -- c. 3.0% y-o-y), the Bulgarian economy continues to benefit from very low production costs (total hourly costs are one-sixth of the EU-28 average).

At the same time, domestic demand remains solid, with stronger fixed investment compensating for weaker private consumption. Indeed, construction activity accelerated in July-August (up 8.9% y-o-y in real terms following a rise of 6.4% in Q2:17), due to rapidly rising real estate prices (up 9.0% y-o-y). Note that investment activity would have been stronger if there had not been poor absorption of EU funds at the onset of the new EU programming period (EU transfers are down 1.4 pps of GDP y-o-y in 8M:17 according to budget data). On the other hand, retail sales slowed in July-August (up 2.8% y-o-y in real terms in July-August against 3.4% in Q2:16), pointing to slightly weaker private consumption. The latter should be mainly attributed to a slowdown in job creation (data for employment have not yet been released, but those for unemployment show a deceleration in the pace of decline of the underlying rate -- down 130 bps y-o-y on average in July-August against 175 bps in Q2:17).

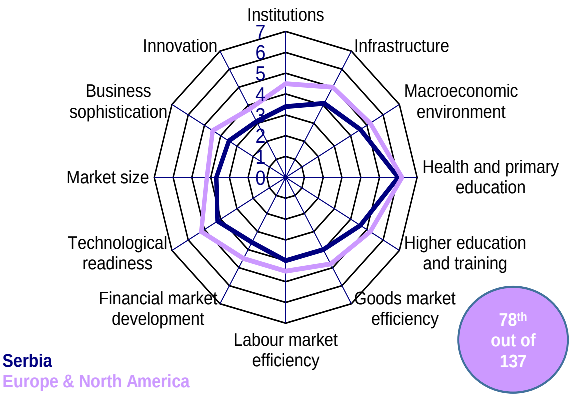
All said, we expect the annual pace of economic expansion to have picked up slightly to 4.0% y-o-y in Q3:17, bringing 9M:17 GDP growth to 3.8%, broadly unchanged compared with the same period in 2016.

GDP growth is set to ease slightly in the coming quarters, but become more balanced. Against the backdrop of increasing capacity utilization in the industrial sector (currently at 74.6% against a historical average of c. 70.0%) we expect fixed investment to strengthen, reflecting, *inter alia*, favourable domestic liquidity conditions (the loan-to-deposit ratio stands at 80.0%) and better absorption of EU funds. At the same time, private consumption should lose further momentum, in line with slower employment growth, due to structural problems in the labour market (high long-term unemployment, skills mismatches, poor active labour market policies). Importantly, net exports will continue to sustain overall growth -- albeit marginally -- reflecting the recovery in the EU. Overall, we expect FY:18 GDP growth to ease slightly to 3.6% from 3.8% in FY:17, still above its long-term potential of c. 3.0%. Fiscal policy will be supportive of growth in FY:18 (a fiscal impulse of 1 pp of GDP) in contrast to this year (a fiscal contraction of 1.6 pps of GDP).

Bulgaria rose to 49th place in the World Economic Forum's Global Competitiveness Index. Specifically, the country's ranking improved for a 6th consecutive year in 2017, climbing 1 place from last year. Indeed, despite its small market size, Bulgaria's competitiveness improved further, mainly reflecting a sharp improvement in the macroeconomic environment, especially the fiscal position. Recall that Bulgaria recorded a sizeable budget surplus of 1.6% of GDP in FY:16 against a deficit of 2.8% in FY:15, with gross public debt remaining subdued at c. 30% of GDP at the same time -- 3rd lowest in the EU. The improvement in the quality of the country's infrastructure, mostly in terms of air connectivity, also helped. Note, however, that Bulgaria's infrastructure still lags significantly behind that of the EU. All said, Bulgaria remains the most competitive economy in the region, followed by Romania, Albania and Serbia (ranking 68th, 75th and 78th, respectively)..

Serbia

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



Consolidated Fiscal Balance (% of GDP)	2016*	8M:16	8M:17	2017 Budget	2017F NBG
Revenue	43.9	28.7	30.3	42.1	43.8
Tax Revenue	37.8	24.8	26.4	37.0	38.4
PIT	3.7	2.4	2.5	3.7	3.8
CIT	1.9	1.3	2.0	1.8	2.5
VAT	10.8	7.1	7.4	10.5	10.7
Excises	6.3	4.3	4.2	6.1	6.1
Customs	0.9	0.6	0.6	0.9	0.9
Other taxes	1.6	1.1	1.1	1.5	1.5
Soc. Contrib.	12.6	8.1	8.6	12.5	12.9
Non-Tax Rev.	5.9	3.8	3.8	4.8	5.3
Grants	0.2	0.1	0.1	0.3	0.2
Expenditure	45.2	28.5	28.4	43.8	43.7
Current Exp.	40.8	26.0	26.2	39.7	39.5
Personnel	9.9	6.5	6.6	9.8	9.8
Goods & Services	6.8	4.1	4.3	6.8	6.9
Subsidies	2.7	1.3	1.4	2.4	2.4
Social Assist.	17.0	11.1	11.0	16.4	16.2
o/w Pensions	11.8	7.8	7.8	11.5	11.3
Other	1.3	0.8	0.9	1.2	1.4
Int. Payments	3.1	2.2	2.1	3.1	2.8
Capital Exp.	3.3	1.8	1.5	3.3	3.1
Activated Guarant.	0.9	0.6	0.4	0.8	0.7
Net Lending	0.1	0.1	0.2	0.1	0.2
Fiscal Balance	-1.3	0.2	1.9	-1.7	0.0
Primary Balance	1.8	2.5	4.0	1.4	2.8
Fiscal Bal. excl. once-off	-0.7	2.5	4.0	-1.7	0.0

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

	9 Oct.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.0	3.2	3.4	3.8
RSD/EUR	119.1	119.8	120.0	120.3
Sov. Spread (2021, bps)	115	112	110	100

	9 Oct.	1-W %	YTD %	2-Y %
BELEX-15	727	1.1	1.4	15.2

	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	-4.3
Fiscal Bal. (% GDP)	-6.6	-3.7	-1.3	0.0	0.0

Serbia's competitiveness improved in 2017-18 for a 4th successive year. According to the WEF Global Competitiveness Index, Serbia rose 12 places in 2017-18 (ranking 78th among 137 economies). Serbia was by far the best performer among regional peers, recording an across-the-board improvement in all 12 indicators of the index. The improved macroeconomic performance was the main driver of Serbia's rise in the competitiveness index, especially due to the significant fiscal consolidation and the decline in the public-debt-to GDP ratio. The impressive competitiveness trend was also supported by: i) enhanced trust in public institutions, reflecting the Government's commitment to reforms and efforts to fight the grey economy; as well as ii) a more favourable business environment, following the strong reform momentum prompted by the opening of EU-membership talks and the ongoing IMF programme.

The fiscal performance improved markedly in 8M:17. The cumulative consolidated fiscal balance recorded a sizeable surplus of 1.9% of GDP in 8M:17 compared with a surplus of only 0.2% in 8M:16. The improvement was driven by a marked and stronger-than-expected rise in revenue (by 1.6 pps of GDP y-o-y in 8M:17). Indeed, overall revenue increased considerably by 7.1% y-o-y in 8M:17, significantly overperforming its FY:17 target (of 1.3%), largely supported by stronger tax revenue. The impressive tax revenue performance was mainly driven by higher-than-expected corporate income tax, social contributions and VAT revenue (up 0.6 pps, 0.5 pps and 0.3 pps of GDP y-o-y, respectively, in 8M:17). This performance was in line with a stronger-than-expected increase in corporate profitability in FY:16 (supported by lower interest rates), as well as a marked improvement in employment, wages and consumption in H1:17. Moreover, expenditure restraint continued, with spending increasing by 1.2% y-o-y in 8M:17, below the FY:17 growth target of 2.3%. As a result, the 12-month rolling budget balance turned positive -- for the 1st time since 2006 -- to 0.4% of GDP in August from a deficit of 1.3% at end-2016.

The 2017 Budget is set to overperform its deficit target of 1.7% of GDP by a wide margin. The 2017 Budget envisages an expansionary fiscal stance. It targets a fiscal deficit of 1.7% of GDP -- 0.4 pps above the FY:16 outcome. In addition to the y-t-d performance, we expect revenue to rise by 1.6% y-o-y in 9-12M:17, performing better than the (implied) budgeted decline of 9.8% in 9-12M:17 (an overperformance of 1.6 pps of GDP). About ⅔ of the overperformance should reflect higher tax revenue, in line with the stronger-than-expected y-t-d performance and the recent trends. The remainder should be driven by higher-than-expected non-tax revenue reflecting (unusually large) dividends from state-owned companies.

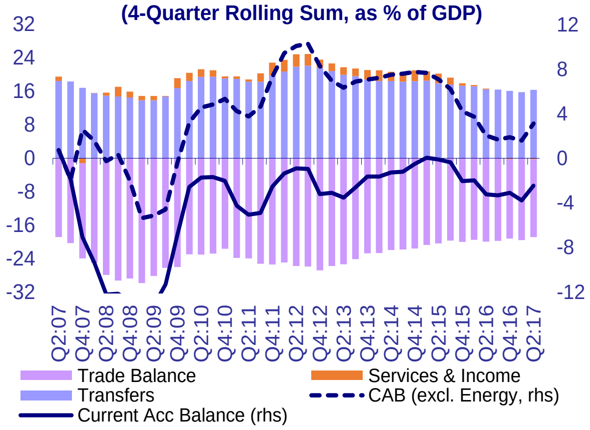
Moreover, we expect expenditure to rise by 3.1% y-o-y in 9-12M:17, slightly below the (implied) budgeted rise of 4.3% in 9-12M:17 (a positive impact of 0.2 pps of GDP). The slight under-execution of spending should mainly reflect lower interest payments (due to the faster-than-expected decline in public debt this year, reinforced by the recent dinar appreciation). Our forecast includes the payment of RTB Bor's debt by the Government to Greece's Mitilineos (RSD 4bn, or 0.1% of GDP), following a recent International Arbitration Court ruling.

Overall, we expect significant fiscal tightening this year, with a balanced FY:17 budget (well below our previous forecast for a deficit of 1.2% of GDP), against a deficit of 1.3% of GDP in FY:16 and a FY:17 deficit target of 1.7%. Should our FY:17 budget balance forecast materialise, the public debt-to-GDP ratio would decline for a 2nd successive year, and at a faster-than-initially expected pace, to 68.5% of GDP from 74.1% in FY:16 and a 13-year high of 76.0% in FY:15.

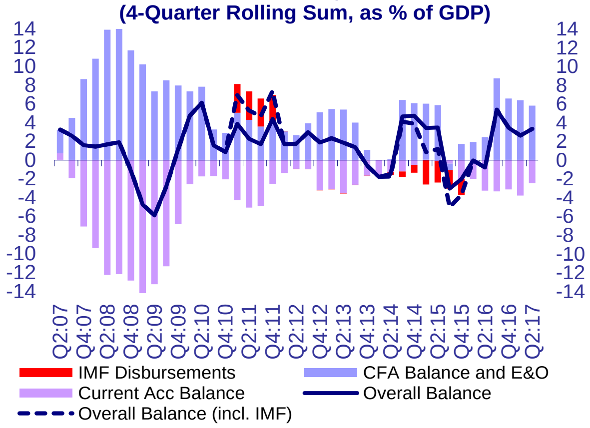
F.Y.R.O.M

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

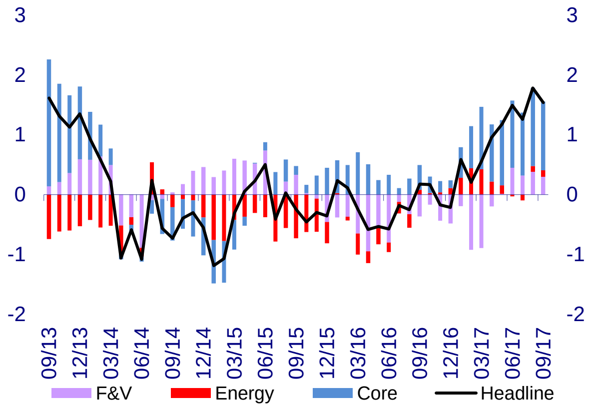
Current Account Balance (4-Quarter Rolling Sum, as % of GDP)



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



Contributions to Headline CPI Inflation (pps)



	9 Oct.	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)	269	260	250	240

	9 Oct.	1-W %	YTD %	2-Y %
MBI 100	2,641	-1.5	23.7	54.4

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.5	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	-3.8	-2.8

The current account deficit (CAD) reversed course in Q2:17, narrowing by a sizeable 1.3 pps y-o-y to 0.9% of GDP on the back of strong exports. The CAD narrowed sharply by 1.3 pps of GDP y-o-y in Q2:17, more than offsetting a deterioration of 0.6 pps of GDP y-o-y in Q1:17. This positive development was due to a significant improvement in the trade balance and, to a lesser extent, a stronger transfers surplus. As a result, the 4-quarter rolling CAD declined to 2.4% of GDP in Q2:17 from 3.7% in Q1:17 and 3.1% in Q4:16.

The trade deficit shrunk by 1.0 pp of GDP y-o-y, as export growth (up 20.2% y-o-y) exceeded that of imports (up 6.1% y-o-y). The sharp rise in exports was, however, supported by base effects from disruptions in export channels during Q2:16 -- when the domestic political crisis escalated -- while import growth was tempered by the contraction in economic activity (down 1.8% y-o-y in Q2:17).

On the other hand, the transfers balance improved by 0.5 pps of GDP y-o-y in Q2:17, more than offsetting a deterioration of 0.3 pps y-o-y in Q1:17, on the back of a favourable base effect from a sharp decline in private transfers during Q2:16 (mainly purchases of foreign currency by residents accounted as transfers' outflows by the Central Bank). Recall that deposit outflows reached MKD 8.9bn in April-May 2016 (3.1% of the March 2016 stock of deposits), after President Ivanov pardoned 56 officials prosecuted over their involvement in a wiretapping scandal -- violating the terms of EU-mediated Przino agreement set to end the 14-month domestic political impasse.

Although weakening, the capital and financial account (CFA) remained in surplus (0.5% of GDP) in Q2:17, but fell short of covering the CAD. Due to protracted political uncertainty, lower net FDI inflows (down 0.7 pps y-o-y) were partly offset by higher repatriations of deposit holdings abroad by non-financial corporates and trade credits (each up 0.2 pps of GDP y-o-y). Reflecting CAD and CFA developments and negative (net) errors and omissions (-0.2% of GDP), the overall balance was negative at -0.6% of GDP in Q2:17. As a result, and accounting for valuation effects, FX reserves declined by EUR 213mn since the beginning of the year to EUR 2.4bn in June (covering 4.4 months of imports).

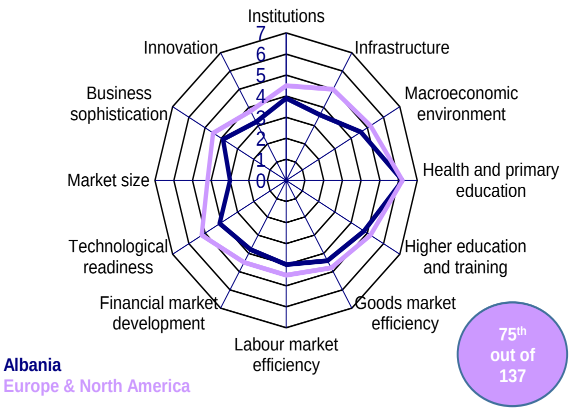
Looking forward, we expect the external adjustment to continue, albeit at a slower pace, during the rest of the year (we see the CAD narrowing by 0.2 pps y-o-y in H2:17 following a decline of 0.7 pps y-o-y in H1:17). The milder narrowing in the CAD in H2:17 should reflect a recovery in domestic demand, following the easing of political tensions at end-H1:17, which would, however, be outweighed by a strong export performance (reflecting new export facilities and firmer growth in the EU -- the main trading partner), a further normalization in transfers and a favourable energy bill. Overall, we see the CAD narrowing to 2.2% of GDP in FY:17 from 3.1% in FY:16.

Headline inflation declined to 1.5% y-o-y in September from its peak of 1.8% in August, but remained well above the end-2016 level of -0.2%. The deceleration was due to a moderation in core inflation (to 1.4% y-o-y from its peak of 1.6% in August) and, to a lesser extent, a slowdown in volatile fruit & vegetables inflation (to 4.1% y-o-y from 5.3% in August).

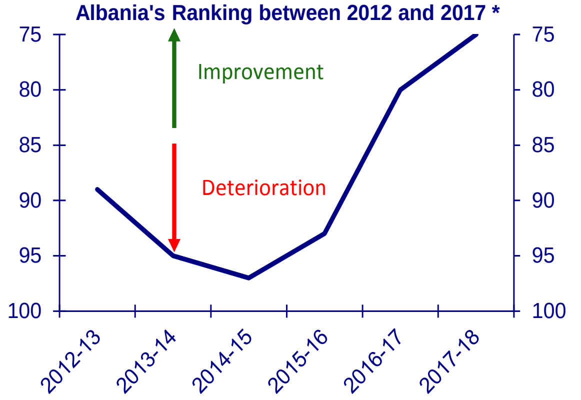
For the rest of the year, we expect stronger domestic demand to put upward pressure on inflation, on the back of a recovery in economic activity. This pressure should, however, be more than offset by the normalization in volatile food prices and the slowdown in energy inflation, in line with global oil price developments. Overall, we see headline and core inflation ending FY:17 at 1.0% and 0.8%, respectively, up from -0.2% and 0.2% at end-2016.

Albania

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

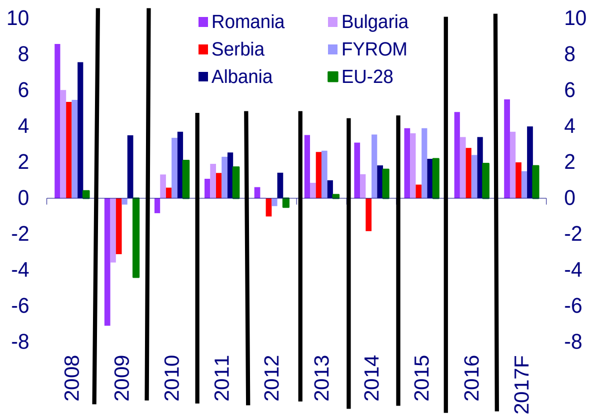


Global Competitiveness Index
Albania's Ranking between 2012 and 2017 *



* Inverted Scale

Real GDP Growth in SEE-5 and EU-28 (%)



	9 Oct.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	133.8	132.3	131.7	130.7
Sov. Spread (bps)	222	220	210	200

	9 Oct.	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	2.6	2.8
Cur. Acct. Bal. (% GDP)	-10.8	-8.6	-7.6	-9.0	-8.3
Fiscal Bal. (% GDP)	-5.2	-4.1	-1.8	-1.7	-1.6

Albania's competitiveness improved for a 3rd successive year in 2017-18. According to the WEF Global Competitiveness Index, Albania rose 5 places to 75th among 137 economies in 2017-18. The positive performance reflects: i) the improved macroeconomic environment, supported by a marked fiscal consolidation; ii) strengthened trust in public institutions, supported by the campaign against informality, significant progress in the judicial reform (adopted in mid-2016) and the fight against organized crime; and iii) an improvement in the business environment, on the back of strong reform momentum. Moreover, the transfer of foreign technology (through large energy-related FDIs) improved the assessment of its innovation.

Bottlenecks to Albania's competitiveness remain in the following areas: i) an underdeveloped financial market (including the lack of a stock exchange); ii) infrastructure gap -- the largest in the region; iii) its small market size; and iv) technological readiness.

Economic growth strengthened in H1:17 (up 4.0% y-o-y), on the back of buoyant mining and construction sectors. GDP growth accelerated slightly to 4.1% y-o-y in Q2:17 from an upwardly-revised 4.0% in Q1:17 (from 3.9%). This outcome brought H1:17 GDP growth to 4.0% y-o-y from 3.4% in H2:16 and 3.3% in H1:16, despite the political deadlock (due to a 3-month boycott of Parliament by the opposition party and its refusal to participate in the June elections).

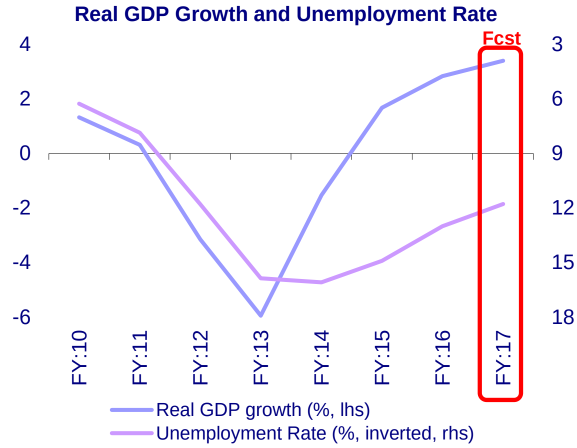
The robust performance in H1:17 mainly reflects the strengthening in the construction sector (up sharply by 19.1% y-o-y in H1:17 and contributing 1.5 pps to overall GDP growth, against rises of 6.6% in H2:16 and 4.2% in H1:16). This was underpinned by the intensification in construction of two major energy projects (i.e. TAP and the Statkraft/Devoll hydropower plant) and higher capital expenditure (rising sharply by 46.2% y-o-y in H1:17 against a weak increase of 0.9% in H2:16 and a decline of 18.9% in H1:16).

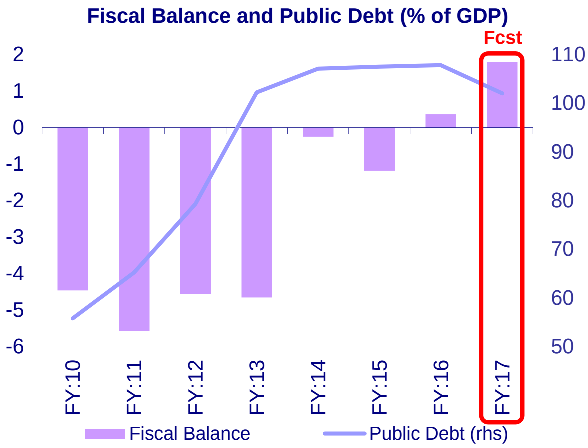
Moreover, industrial output rebounded in H1:17, expanding by 5.1% y-o-y (contributing 0.7 pps to GDP growth in H1:17) compared with rises of just 1.3% in H2:16 and 1.7% in H1:16), despite the drought-induced decline in electricity generation. In fact, industrial output was supported by stronger extraction output (especially the oil industry). The improved performance in oil production reflects the recovery in oil prices (up 33.0% y-o-y, in EUR terms, in H1:17 against a rise of 3.0% in H2:16 and a decline of 31.0% in H1:16) and the acquisition of the Canadian-based oil company, Bankers Petroleum, by China's Geo-Jade Petroleum Corporation at end-September 2016.

Economic growth is set to reach a 9-year high of 4.0% this year -- its long-term potential -- up from 3.4% in FY:16. We expect activity to remain strong, growing by 4.0% y-o-y in H2:17 compared with 3.4% y-o-y in H2:17, on the back of the continued rebound in the extraction sector and in construction, due to large energy and infrastructure projects and their spill-overs. Activity should also be supported by the improved confidence in the domestic economy, reflecting strengthened political stability following the re-election of the socialist government of E. Rama with an outright majority in the June 25th general elections, and the expected acceleration in structural reforms in view of the start of EU accession talks and strong commitment to economic reforms. Growth should also be underpinned by the rebound in credit activity, pension and public sector wage increases and their spill-over to the private sector, the recovery in activity in the country's main trading partners, as well as a less contractionary fiscal policy (see table) and a still accommodative monetary policy. Overall, we see Albania experiencing the second largest FY:17 GDP growth in SEE-5 (after Romania) -- 4.0%, up from the FY:16 outcome of 3.4%.

Cyprus

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





	9 Oct.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.17	1.19	1.18	1.20
Sov. Spread (2020. bps)	87	80	75	70

	9 Oct.	1-W %	YTD %	2-Y %
CSE Index	73	-0.1	10.3	-1.5

	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	-2.9	-5.3	-6.0	-5.8
Fiscal Bal. (% GDP)	-8.8	-1.2	0.4	1.8	1.8

Positive EC/ECB Post-Programme Review. At the end of the third Post Programme Surveillance (PPS) mission to Cyprus, the EC and ECB commended the island's year-to-date economic performance, highlighting higher-than-expected GDP growth, a better-than-projected fiscal performance and a declining stock of NPLs. However, it stressed that maintaining robust growth over the medium term requires continued fiscal prudence, a faster resolution of NPLs and an acceleration of structural reforms.

i) GDP growth on track to beat expectations this year. GDP growth accelerated to 3.6% y-o-y in H1:17 from a post-crisis high of 3.0% in FY:16, benefiting from a strong recovery in domestic demand and, to a lesser extent, a buoyant tourism sector (tourist arrivals and receipts each rose by c. 15% y-o-y during the first seven months of the year). In view of year-to-date performance and recent trends, we expect GDP growth to reach 3.7% this year.

ii) Further fiscal consolidation in sight. The fiscal performance has been impressive so far this year, with a fiscal surplus of 2.3% of GDP in 8M:17 against a surplus of 0.1% of GDP during the same period last year. This performance was supported by buoyant tax revenue and, so far, strict spending control ahead of the upcoming presidential elections in February 2018. While the mission expects this year's fiscal surplus to surpass that of last year (of 0.2% of GDP), it underlined the risks of slippages in the medium term. The latter could result from a net-negative rather than a planned net-neutral fiscal impact of the new National Health Service (NHS, that was recently voted into law and will start on March 1st 2019) and the lack of a mechanism to contain increases in the public wage bill beyond 2018. The mission recommends the use of eventual fiscal overperformances in the medium term to scale back the public sector debt (107.8% of GDP at end-2016) and reinforce public investment in productivity-boosting projects to increase the long-term growth potential.

iii) The reduction of stock of NPLs is underway; but should be accelerated. The mission underlined the need for a faster reduction of the high stock of NPLs (standing at EUR 18.3bn or 97.7% of GDP or 35.2% of total gross loans in May for the whole banking system), which weigh on bank profitability and new lending activity. According to the mission, NPL recovery is hindered by: i) difficulties in restructuring retail and SMEs loans; ii) weak payment discipline; iii) uneven efforts among banks to tackle NPLs; iv) not sufficiently-efficient insolvency and foreclosure-related legal proceedings; and v) lack of a secondary market for problematic loans.

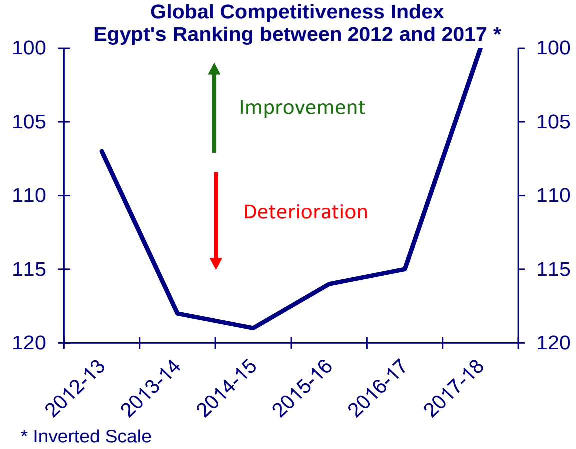
iv) The acceleration of structural reforms is key to maintaining robust growth in the medium term. Specifically, the mission underlined the need to: a) strengthen safeguards against eventual cost overruns in the recently-reformed national healthcare system; b) complete the reform of the judicial system and public administration; c) privatise major state-owned enterprises; d) reform the electricity market; and e) create a sovereign wealth fund.

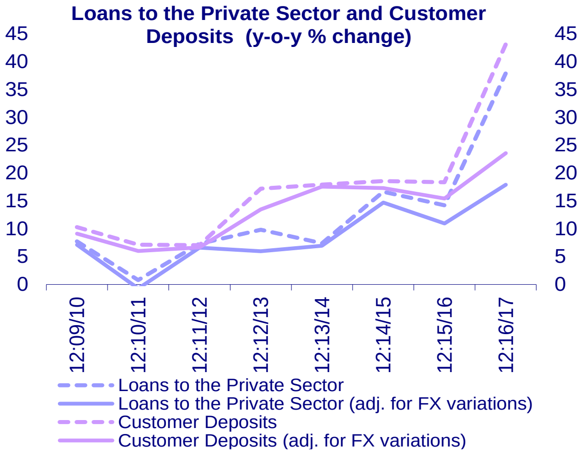
Cyprus' global competitiveness ranking improved for the first time in 8 years. Cyprus rose 19 places from last year to 64th among 137 economies in the 2017-18 World Economic Forum's Global Competitiveness Index -- posting its first improvement in 8 years.

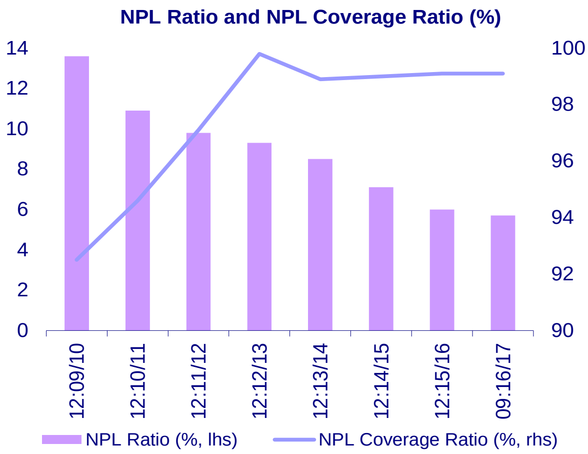
The improvement is mainly attributed to the island's strengthening economic performance following its "clean exit" from the 3-year adjustment programme in Q1:16. Other factors that contributed to the improvement are: i) better infrastructure, especially in air transport and the tourism sector, as well as ii) higher absorption of latest technologies.

Egypt

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







	9 Oct.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	19.0	19.0	18.0	17.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	263	250	240	220

	9 Oct.	1-W %	YTD %	2-Y %
HERMES 100	1,315	1.5	20.7	98.6

	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	-5.8	-6.5	-5.0
Fiscal Bal. (% GDP)	-12.2	-11.5	-12.5	-10.5	-9.5

Egypt's global competitiveness ranking improved significantly this year. Egypt rose by 15 places to 100th among 137 economies in the 2017/18 Global Competitiveness Report (GCR) of the World Economic Forum – the country's best ranking since 2012. The improvement is largely attributed to the launch of a 3-year adjustment programme in July 2016, supported by a 3-year USD 12bn loan from the IMF, aimed at restoring confidence in the domestic economy, reviving growth, putting public finances on a strong footing, strengthening official foreign currency reserves, and reducing inflation to single digits.

Customer deposits (FX-adjusted) gained momentum in FY:16/17, underpinned by strengthening confidence in the Egyptian economy and higher EGP remuneration rates. Growth in customer deposits rose sharply to 43.1% y-o-y at end-2016/17 (June 2017) from 18.3% y-o-y a year earlier. Importantly, adjusted for the sharper depreciation of the EGP against the USD (by c. 50.0% y-o-y at end-2016/17 versus c. 14.0% at end-2015/16), deposit growth accelerated to a multi-year high of 23.6% y-o-y at end-2016/17 from 15.7% a year earlier. Recall that, ahead of the signing of the USD 12bn loan agreement with the IMF in early-November 2016 (mid-Q2:16/17), the Central Bank switched from a fixed to a flexible exchange rate regime.

From a segment perspective, the acceleration in (FX-adjusted) overall deposits was driven by the retail segment. The latter (representing c. 76.0% of total deposits at end-2015/16) increased by 29.4% y-o-y at end-2016/17 compared with a rise of 16.1% at end-2015/16, supported by strengthening confidence in the domestic economy following the signing of the loan agreement with the IMF and a more attractive remuneration of EGP-denominated deposits (interest rates on 1 to 3 months, 4 to 6 months and 7 to 12 months EGP-denominated deposits rose by 3.7 pps, 4.4 pps and 3.3 pps, respectively, to 11.2%, 12.6% and 12.2% between end-2015/16 and end-2016/17).

Credit to the private sector (FX-adjusted) accelerated in FY:16/17, supported by ample liquidity for banks, improved asset quality and a strong capital base. Lending growth increased sharply to 37.9% y-o-y at end-2016/17 from 14.2% at end-2015/16. Adjusting for FX movements, it accelerated to a 9-year high of 17.9% y-o-y at end-2016/17 from 10.9% at end-2015/16.

The ample liquidity, the significant improvement in asset quality metrics during the past 7 years (see below) and the strong capital base appear to have encouraged banks to ease their credit conditions. In fact, with the return of foreign investors to the domestic debt market (following the signing of the loan agreement with the IMF), domestic banks ceased to be the only investor in that market. Note that that (net) foreign investments in Egyptian T-Bills rose sharply to USD 10bn in FY:16/17 (from near zero a year earlier) and the domestic bank share of investment in securities in total deposits declined for the first time in 9 years to 57.2% at end-2016/17 from an all-time high of 69.5% at end-2015/16.

Moreover, the NPL ratio declined by 7.9 pps to 5.7% and the provision coverage of NPLs rose by 6.6 pps to 99.1% between June 2010 and March 2017, while the capital base strengthened, with the capital adequacy ratio reaching a multi-year high of 14.7% at end-2016/17 – well above the CBE-mandated 10.0%.

Importantly, the credit impulse reached a record high of 2.9 pps in FY:16/17 – up from 0.5 pps in FY:15/16 – tempering the negative impact from the estimated FY:16/17 fiscal contraction of minus 2.0 pps of GDP on FY:16/17 GDP growth (estimated at 3.5%).

FOREIGN EXCHANGE MARKETS, OCTOBER 9TH 2017

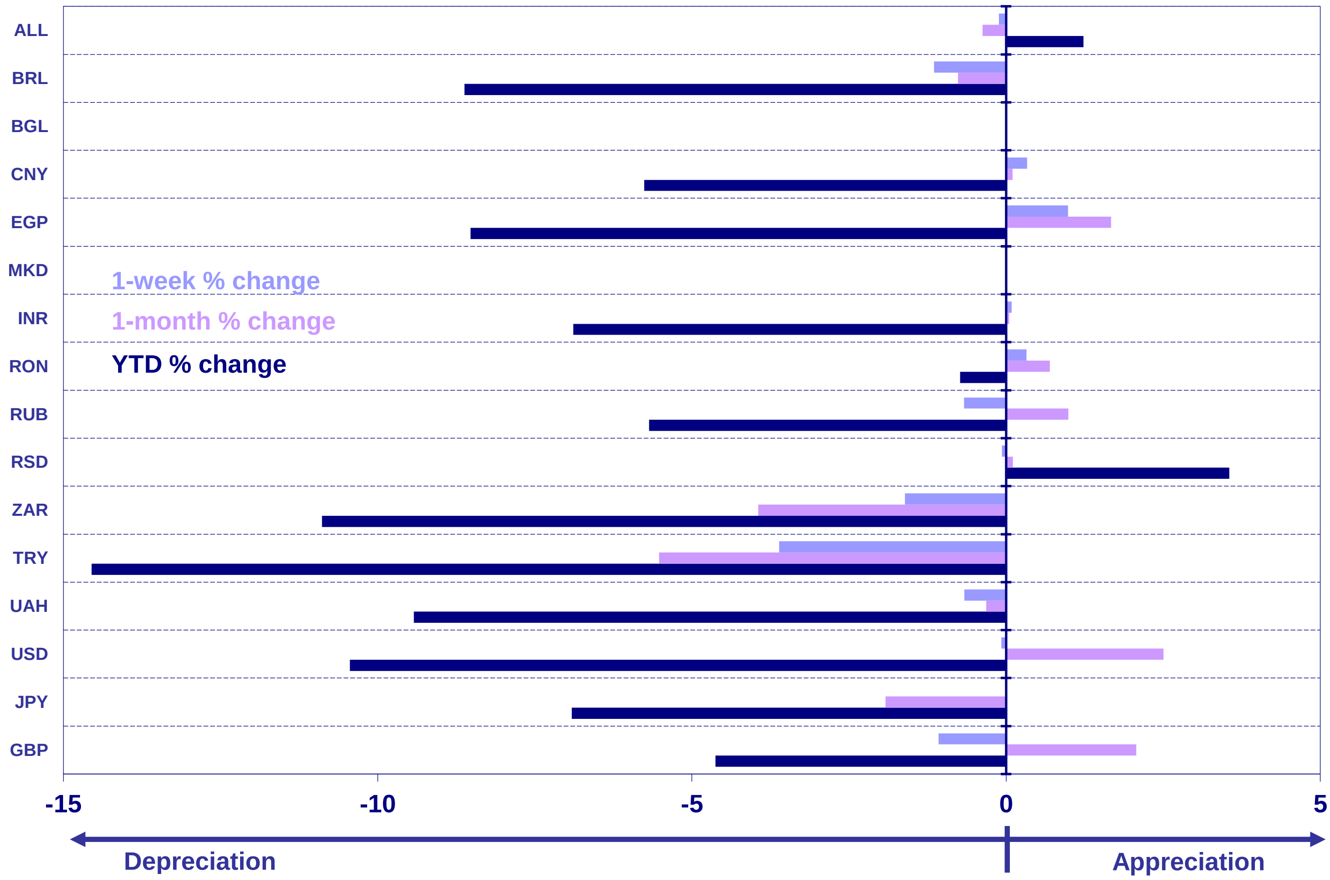
Against the EUR

	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	133.8	-0.1	-0.4	1.2	2.4	132.1	137.3	134.1	134.1	133.6	1.2	2.0
Brazil	BRL	3.74	-1.1	-0.8	-8.6	-4.6	3.23	3.82	4.03	4.02	4.02	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	7.78	0.3	0.1	-5.8	-4.1	7.20	7.99	8.15	8.14	8.14	-4.0	6.7
Egypt	EGP	20.63	1.0	1.7	-8.5	-52.2	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	76.8	0.1	0.1	-6.9	-3.4	68.2	77.8	81.9	- - -	- - -	0.4	6.6
Romania	RON	4.57	0.3	0.7	-0.7	-1.7	4.49	4.61	4.59	4.60	4.62	-0.4	-0.8
Russia	RUB	68.4	-0.7	1.0	-5.7	1.0	59.5	72.1	69.8	71.2	73.9	22.9	-15.1
Serbia	RSD	119.1	-0.1	0.1	3.6	3.3	0.1	124.1	119.5	119.8	- - -	-1.5	-0.1
S. Africa	ZAR	16.2	-1.6	-3.9	-10.9	-5.1	13.38	16.26	16.5	16.9	17.5	16.2	-16.6
Turkey	YTL	4.34	-3.6	-5.5	-14.6	-21.3	3.70	4.39	4.49	4.64	4.93	-14.7	-10.8
Ukraine	UAH	31.5	-0.7	-0.3	-9.4	-8.6	27.22	31.55	36.7	- - -	- - -	-8.6	-27.5
US	USD	1.17	-0.1	2.5	-10.4	-5.1	1.0	1.2	1.18	1.19	1.20	3.3	11.4
JAPAN	JPY	132.3	0.0	-1.9	-6.9	-12.8	114.9	134.4	132.3	132.3	132.4	6.0	11.0
UK	GBP	0.89	-1.1	2.1	-4.6	0.8	0.8	0.9	0.90	0.90	0.90	-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 (October 9th 2017)



MONEY MARKETS, OCTOBER 9TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	8.1	0.0	2.7	- - -	19.0	- - -	- - -	1.9	8.5	- - -	12.9	7.3	12.8	- - -	1.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.9	8.5	2.7	- - -	7.3	- - -	- - -	- - -
S/W	1.4	8.1	-0.1	2.9	-0.4	- - -	1.2	- - -	- - -	8.0	2.7	- - -	7.3	13.3	-0.4	1.2
1-Month	1.6	7.9	0.0	4.1	-0.4	- - -	1.5	6.2	1.8	8.7	3.0	13.1	6.9	14.7	-0.4	1.2
2-Month	- - -	7.6	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	8.7	3.2	13.1	7.4	- - -	-0.3	1.3
3-Month	1.9	7.4	0.0	4.4	-0.3	- - -	1.7	6.3	1.8	8.5	3.3	13.1	7.3	16.3	-0.3	1.4
6-Month	2.2	7.1	0.2	4.4	-0.3	- - -	2.0	- - -	1.9	8.5	3.5	13.2	7.6	- - -	-0.3	1.5
1-Year	2.9	7.2	0.5	4.4	-0.2	- - -	2.4	- - -	1.9	8.5	- - -	13.3	7.7	- - -	-0.2	1.8

LOCAL DEBT MARKETS, OCTOBER 9TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.1	- - -	6.1	- - -	8.2	3.3	12.3	- - -	- - -	-0.8	1.1
6-Month	1.8	- - -	- - -	- - -	- - -	19.1	- - -	6.2	1.8	8.2	3.4	12.0	- - -	- - -	-0.8	1.2
12-Month	2.5	- - -	-0.1	3.5	- - -	18.5	1.9	6.3	1.8	7.6	3.6	12.5	- - -	14.3	-0.7	1.3
2-Year	2.6	- - -	- - -	3.6	- - -	- - -	- - -	6.4	2.2	7.5	- - -	12.1	7.2	- - -	-0.7	1.5
3-Year	- - -	- - -	0.0	3.6	0.6	- - -	- - -	6.5	2.5	7.5	- - -	12.0	7.5	14.5	-0.6	1.6
5-Year	- - -	9.5	- - -	3.6	1.0	15.3	- - -	6.7	3.2	7.5	5.2	11.7	7.7	- - -	-0.3	2.0
7-Year	- - -	- - -	0.6	- - -	- - -	15.5	- - -	6.9	3.8	7.7	- - -	- - -	- - -	- - -	0.0	2.2
10-Year	- - -	9.8	1.5	3.7	- - -	15.7	- - -	6.8	4.3	7.6	- - -	11.2	8.8	- - -	0.4	2.4
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.2	- - -	7.7	- - -	- - -	9.4	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.3	- - -	- - -	- - -	- - -	9.9	- - -	1.2	2.9

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

CORPORATE BONDS SUMMARY, OCTOBER 9TH 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	1.1	183	139
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	6.2	367	343
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	8.0	24	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.0	131	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.2	166	133
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	155	99
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.0	269	225
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.3	197	153
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.1	257	206
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.7	369	358

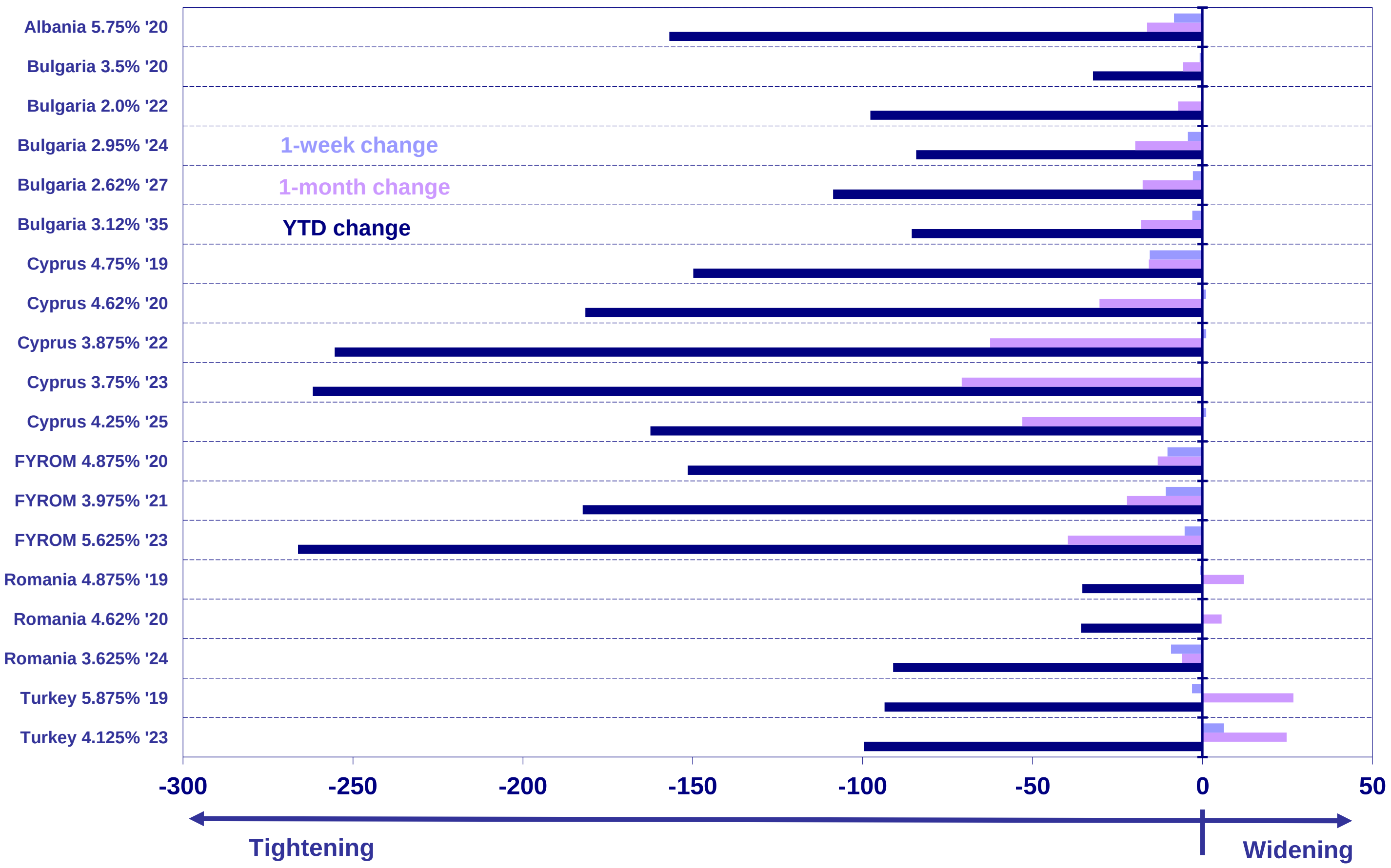
CREDIT DEFAULT SWAP SPREADS, OCTOBER 9TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	184	105	59	231	347	- - -	80	100	133	129	186	177	- - -
10-Year	- - -	281	143	101	248	393	- - -	89	136	198	164	272	251	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, OCTOBER 9TH 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	1.6	222	174
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.3	90	35
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.2	48	5
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	0.8	86	39
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.4	100	66
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.6	161	122
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	0.0	74	29
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	0.2	87	32
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	1.0	128	91
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	1.3	150	105
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	1.9	181	141
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	2.0	261	210
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.2	269	440
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	3.2	338	307
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.1	81	30
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	68	11
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	121	82
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.8	153	115
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.8	295	256

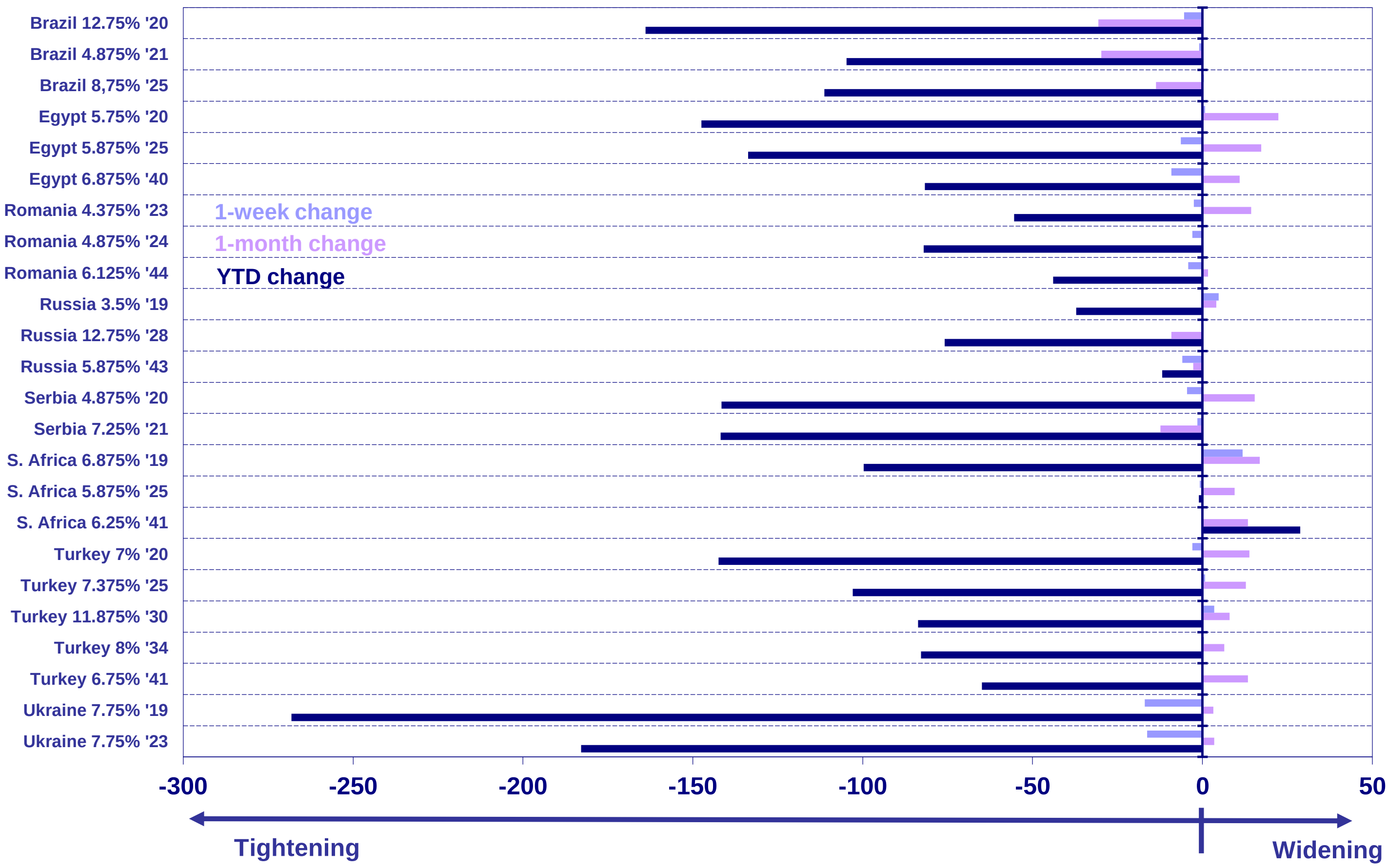
EUR-Denominated Eurobond Spreads (October 9th 2017)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, OCTOBER 9TH 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	234	2.1	55	30
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	2.7	107	83
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.1	195	226
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.3	263	245
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	5.9	367	360
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	7.1	422	440
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.1	114	103
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.1	87	98
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.4	149	213
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.4	104	72
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.0	165	243
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.8	195	248
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	2.9	139	109
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.1	115	123
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.6	110	92
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.7	248	253
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.7	276	321
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.4	177	163
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	4.8	260	280
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.3	298	396
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.7	335	367
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	5.8	292	326
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	4.9	338	317
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	6.6	464	457

USD-Denominated Eurobond Spreads (October 9th 2017)



STOCK MARKETS PERFORMANCE, OCTOBER 9TH 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)	75,727	1.8	3.6	25.7	22.8	59,371	78,024	14.6	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	679	-1.2	-3.7	15.9	33.8	583	733	15.9	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,374	0.8	0.3	8.7	10.7	3,017	3,410	2.1	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	73	-0.1	-3.0	10.3	10.7	65	79	10.3	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,315	1.5	8.4	20.7	78.0	1,071	1,318	9.7	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,641	-1.5	-0.6	23.7	33.5	2,135	2,706	23.7	16.5	16.5	-0.6	-0.6
India (SENSEX)	31,847	1.8	0.5	19.6	13.4	25,718	32,686	11.4	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,647	0.0	1.5	22.5	26.0	1,365	1,666	21.6	0.2	0.0	2.6	1.6
Russia (RTS)	4,443	0.8	2.2	-9.7	-2.6	3,838	5,089	-14.8	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	727	1.1	0.0	1.4	13.2	694	753	5.0	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	57,530	3.1	3.2	13.6	11.3	50,338	57,751	1.2	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	101,298	-2.5	-6.6	29.6	30.1	75,657	110,531	10.8	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	297	1.0	2.0	12.1	22.3	265	298	1.5	10.2	1.0	-37.8	-54.8
MSCI EMF	1,100	1.6	0.8	27.6	19.8	858	1,114	14.3	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,976	0.2	1.2	17.4	16.7	1,677	1,981	5.1	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	750	0.5	-6.5	16.6	28.6	602	860	16.6	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	12,976	0.6	5.5	13.0	22.1	11,415	12,997	13.0	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,508	0.9	1.8	5.1	5.8	7,094	7,599	0.3	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	22,761	0.9	4.4	15.2	24.2	17,884	22,777	3.1	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,545	0.6	3.4	13.7	17.6	2,245	2,553	1.8	9.5	13.2	-0.7	10.6

Equity Indices (October 9th 2017)