NATIONAL BANK OF GREECE

Economic Analysis Division

Emerging Markets Research

Bi-Weekly Report

3 – 16 April 2018

NBG - Economic Analysis Division
https://www.nbg.gr/en/the-group/press-office/e-spot/reports

Emerging Markets Research

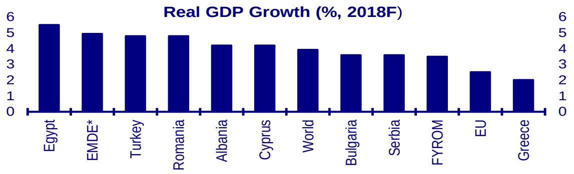
***Head:* Michael Loufir**
☎ : +30 210 33 41 211
✉ : mloufir@nbg.gr

Analysts:

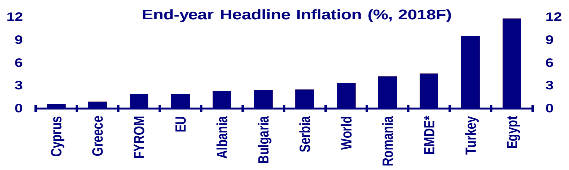
Konstantinos Romanos-Louizos
✉ : romanos.louizos.k@nbg.gr

Louiza Troupi
✉ : troupi.louiza@nbg.gr

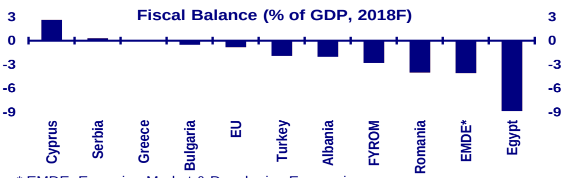
Athanasios Lampousis
✉ : lampousis.athanasios@nbg.gr



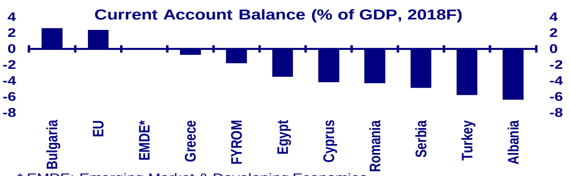
* EMDE: Emerging Market & Developing Economies



* EMDE: Emerging Market & Developing Economies



* EMDE: Emerging Market & Developing Economies

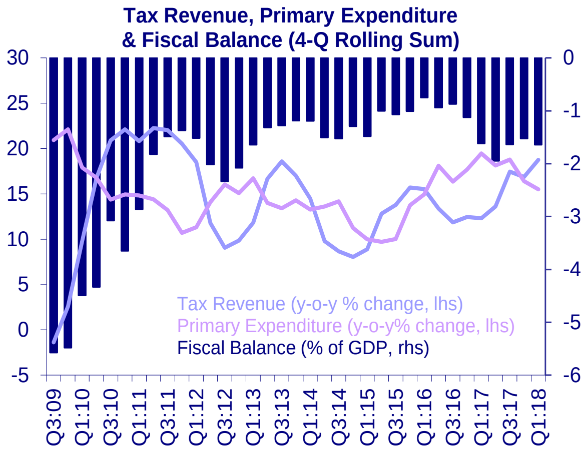


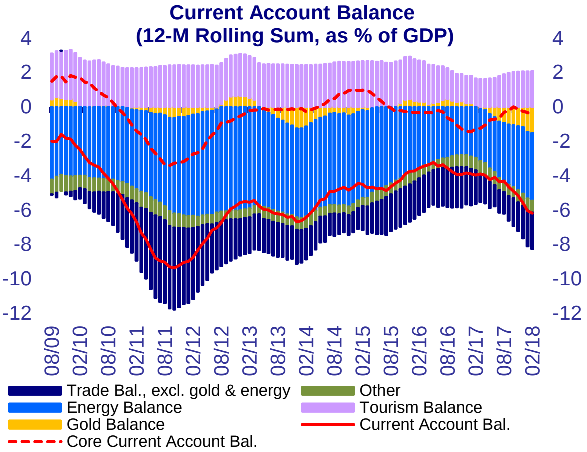
* EMDE: Emerging Market & Developing Economies

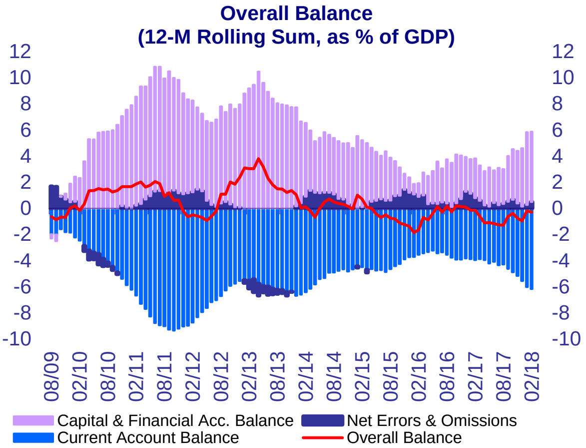
3 – 16 April 2018

Turkey

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







	16 Apr.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.9	13.5	13.0	12.5
TRY/EUR	5.07	5.05	5.02	5.00
Sov. Spread (2020, bps)	186	180	160	150

	16 Apr.	1-W %	YTD %	2-Y %
ISE 100	110,688	-2.2	-4.0	29.3

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	4.8	4.4
Inflation (eop, %)	8.8	8.5	11.9	9.5	8.2
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.5	-5.8	-5.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-1.9	-1.5

Presidential elections to take place on June 24th – 17 months ahead of schedule. President Erdogan called snap presidential elections on June 24th, on the grounds that *"It is imperative to eliminate the idea of elections quickly while there are very important decisions on issues such as the fast paced developments in Syria as well as macroeconomic issues and large investments".*

In our view, the decision to hold early elections should be welcomed by the markets, as it shortens significantly the period of political uncertainty and opens the way to address the exacerbating domestic and external imbalances (see below). Indeed, we expect the CBRT to hike rates by 75-125 bps in the next week, which would bring the rate of the only effective financing facility, the late liquidity window, to 13.5%-14.0%. Such a hike should be enough to put an end to the depreciation pressures on the (c. 10% y-o-y against the equally-weighted EUR-USD basket in Q1:18) and ensure financial stability ahead of the elections. Moreover, once the elections are held, the Government will no longer be under pressure to resort to fiscal and quasi-fiscal stimulus to temper the expected sharp slowdown in economic activity in H2:18 (reflecting tighter liquidity conditions and a strong base effect).

The fiscal stance became more expansionary in Q1:18. The fiscal balance deteriorated by 0.2 pps of GDP y-o-y in Q1:18, following 2 consecutive quarters of improvement. The Q1:18 negative performance was driven by higher primary expenditure (up 0.8 pps of GDP y-o-y), primarily reflecting higher capital expenditure, wage bill and agricultural subsidies and, to a lesser extent, larger interest payments, in line with the ongoing tightening of domestic and global liquidity conditions.

The Q1:18 fiscal performance would have been even worse had tax revenue not improved (up 0.7 pps of GDP y-o-y). The improvement was broad based, reflecting persistently strong economic activity, favourable base effects (tax cuts on white goods and furniture in February 2017) and the rise in January of both the CIT rate for banks and other financial companies and the PIT rate for the third bracket. With the Q1:18 outturn, the 4-quarter rolling budget deficit widened to 1.7% of GDP from 1.5% in Q4:17 – still below its end-year target of 1.9%.

Looking ahead, following a further widening of the fiscal deficit ahead of the June elections and in view of large domestic imbalances (the current account deficit is set to reach a 5-year high this year of 5.8% of GDP – see below -- while inflation is not expected to return to single digits before December), the authorities are set to tighten the fiscal stance in H2:18 so as to bring the FY:18 fiscal deficit near its target of 1.9% of GDP and preserve economic and financial stability.

The current account deficit (CAD) reached a 4-year high of 6.2% of GDP on a 12-month rolling basis in February. The CAD widened significantly, by 0.6 pps y-o-y to 1.2% of GDP in 2M:18, on the back of an across-the-board deterioration of its key components (see chart).

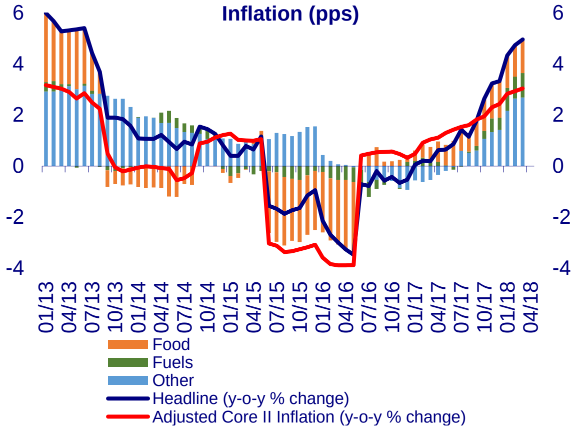
The capital and financial account (CFA) strengthened and more than covered the CAD in 2M:18. The CFA balance improved significantly, by 0.9 pps to a surplus of 2.4% of GDP in 2M:18, supported by higher net currency & deposits inflows, borrowing and portfolio inflows. As a result and accounting for valuation effects, FX reserves rose by USD 6.9bn y-t-d to USD 114.6bn in February, covering 5.3 months of imports of GNFS.

Looking ahead, despite the expected gradual normalization in the gold balance, the slowdown in domestic demand and buoyant external demand, the CAD is set to narrow only moderately during the remainder of the year (by 0.3 pps of GDP y-o-y in 3-12M:18), due to a persistently unfavourable energy bill. Overall, we see the CAD rising by 0.3 pps y-o-y to a 5-year high of 5.8% of GDP in FY:18.

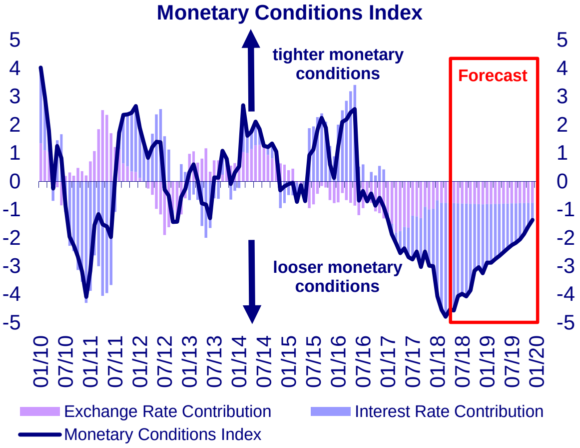
Romania

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

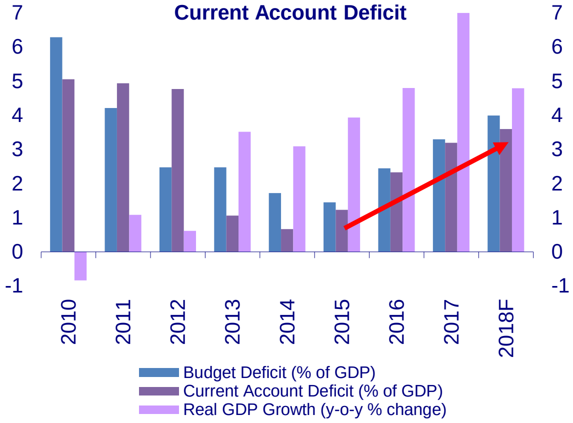
Contributions to Annual Headline CPI Inflation (pps)



Monetary Conditions Index



Real GDP Growth, Budget Deficit & Current Account Deficit



	16 Apr.	3-M F	6-M F	12-M F
1-m ROBOR (%)	2.0	2.4	2.6	2.8
RON/EUR	4.64	4.63	4.62	4.60
Sov. Spread (2024, bps)	114	114	112	110

	16 Apr.	1-W %	YTD %	2-Y %
BET-BK	1,767	-0.3	7.0	40.7

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	4.0	4.8	7.0	4.8	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	4.2	3.7
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.4	-4.3	-4.6
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-4.0	-4.3

Headline inflation rose to a 5-year high of 5.0% y-o-y in March from 3.3% at end-2017. The sharp rise in headline inflation in Q1:18 was driven by: i) a higher energy bill (up 11.8% y-o-y in March against a rise of 5.7% at end-2017), reflecting developments in global oil markets; and ii) strengthening domestic demand (as suggested by adjusted core II inflation which rose to 3.0% y-o-y in March from 2.4% at end-2017). The latter continues to be fueled by a loose incomes policy (public sector wages rose by 25% in January, with the education and health sectors receiving a further 20% raise in March), and its spillover to the private sector. Note, however, that the impact of the loose incomes policy is curtailed by the shift in the bulk of the social security contributions' (SCC) burden onto employees (the SCC rate for employees is up 18.5 pps, while that for employers is down 20.5 pps), thus boosting firm profitability.

Headline inflation is set to continue on a mild upward trend until mid-2018. Robust domestic demand, on the back, *inter alia*, of the ongoing easing in fiscal policy (see below), should continue to fuel inflationary pressures throughout Q2:18, with headline inflation hitting a high of c. 5.5% y-o-y in mid-year. Tighter monetary conditions (see below) and positive base effects from the hikes in administered electricity and gas prices in H2:17 (adding 0.9 pps to headline inflation) should, however, lead to a deceleration in headline inflation in H2:18, ending the year at 4.2%, above the NBR's target range (2.5±1%). At the same time, adjusted core II inflation should converge towards headline inflation.

The NBR keeps its key rate on hold, but initiates liquidity-absorbing operations. Surprisingly, following two consecutive 25 bp rate hikes in the first months of the year, the NBR Board opted to maintain unchanged the policy rate (1-week repo rate) at 2.25% at its early-April meeting. According to its Governor, the NBR decided to remain on hold mainly because the interest rate differential remains favourable to the RON.

Shortly after the Board's meeting, however, and in a bid to improve the effectiveness of monetary policy transmission, which has been distorted by excess liquidity in the market, the NBR initiated a liquidity-absorbing operation (worth EUR 4.0bn or 2.0% of GDP, its first since 2011 and the largest since 2007). As a result, money market rates moved significantly higher and closer to the policy rate (the 1-week MMR was up 50 bps to 2.0%). Overall, however, effective monetary conditions still remain markedly loose (the *ex-post* real 1-month money market rate is estimated at -3.0%, well below its 7-year average of 0.8%, see our MCI).

The NBR needs to raise interest rates further to address overheating. The economy appears to be overheating, with GDP growth (projected at 4.8% in FY:18 against 7.0% in FY:17) well above its long-term potential (of c. 3.0%), headline inflation rising, and the current account deficit up sharply (to a projected 4.4% of GDP in FY:18 from 3.6% in FY:17 and a low of 0.7% in FY:14). At the same time, fiscal policy remains expansionary (the budget deficit is projected to rise sharply to 4.0% of GDP in FY:18 from 2.8% in FY:17, well above the EU threshold of 3.0%).

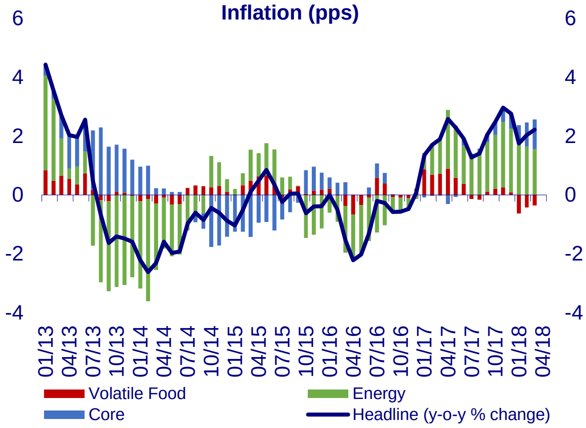
Against this backdrop, the NBR appears to be significantly behind the curve. In view of the authorities' reluctance to proceed with aggressive rate hikes, we nevertheless believe that the NBR will tighten its stance in a gradual manner. All said, we see the NBR raising its key rate by another 50 bps in FY:18 and 100 bps in FY:19 while, at the same time, continuing with tight liquidity management. The balance of risks lies towards the NBR needing to tighten policy even faster.

3 – 16 April 2018

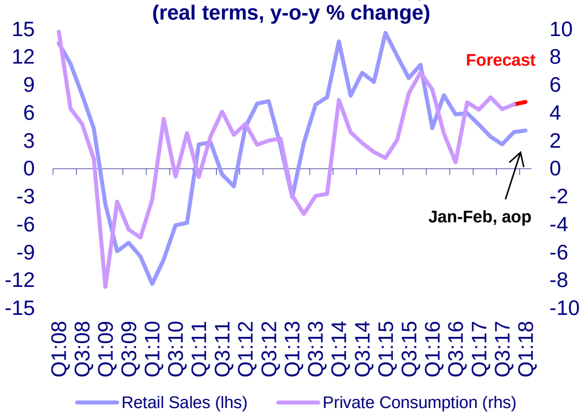
Bulgaria

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

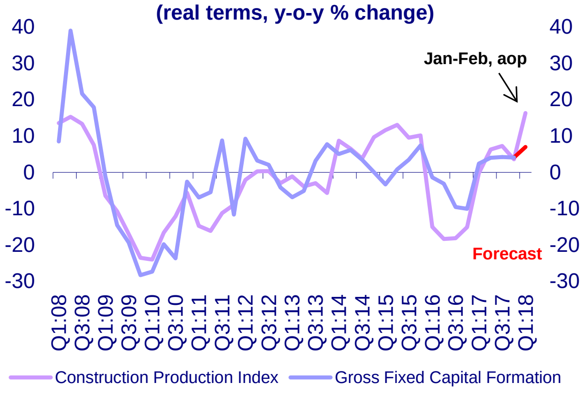
Contributions to Annual Headline CPI Inflation (pps)



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



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



	16 Apr.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	-0.1	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	44	43	42	40

	16 Apr.	1-W %	YTD %	2-Y %
SOFIX	663	0.6	-2.1	51.8

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.6	3.8	3.5
Inflation (eop, %)	-0.4	0.1	2.8	2.4	2.6
Cur. Acct. Bal. (% GDP)	0.0	5.3	3.9	2.6	1.4
Fiscal Bal. (% GDP)	-2.8	1.6	0.9	-0.5	-0.3

Headline inflation declined to 2.2% y-o-y in March from 2.8% at end-2017 due to a positive base effect. Recall that adverse weather conditions in Q1:17 had caused a supply shock in the domestic agricultural market, while boosting demand for energy at the same time. In light of this strong base effect, volatile food inflation declined sharply (to -5.3% y-o-y in March from 1.5% at end-2017) and energy inflation moderated (to 4.5% y-o-y in March from 6.2% at end-2017). Adjusting for volatile food and energy prices, core inflation continued its upward trend (reaching 1.7% y-o-y in March against 0.9% at end-2017), in line with stronger demand-side pressures (see below).

Headline inflation is set to remain subdued throughout 2018. Looking ahead, strong domestic demand, on the back, *inter alia*, of a significant fiscal impulse (projected at 1.4 pps of GDP in Q2-Q4:18), and still tight profit margins (note that, albeit narrowing, the CPI-PPI gap remained negative at -1.4 pps on average in Q1:18 against -2.9 pps in FY:17 and 2.2 pps in FY:16) should put upward pressure on headline inflation. This pressure should be broadly offset, however, by favourable energy prices (the price of Brent is projected to remain at current levels until end-year, implying a decline of 3.3% y-o-y in December against an increase of 10.0% y-o-y in March). All said, we see headline inflation at 2.4% y-o-y at end-2018, slightly lower than its end-2017 outcome of 2.8%. At the same time, core inflation should gradually converge upwards towards headline inflation.

Leading indicators point to a rebound in economic growth in Q1:18, driven by investment. Construction activity accelerated in January-February (up 16.3% y-o-y in real terms following an increase of 3.6% in Q4:17), mainly reflecting stronger demand for residential property, in an environment of rapidly rising real estate prices (currently up c. 9.0% y-o-y). Note that investment activity would have been stronger had it not been for the poor absorption of EU funds (down 0.3 pps of GDP y-o-y in the first two months of the year).

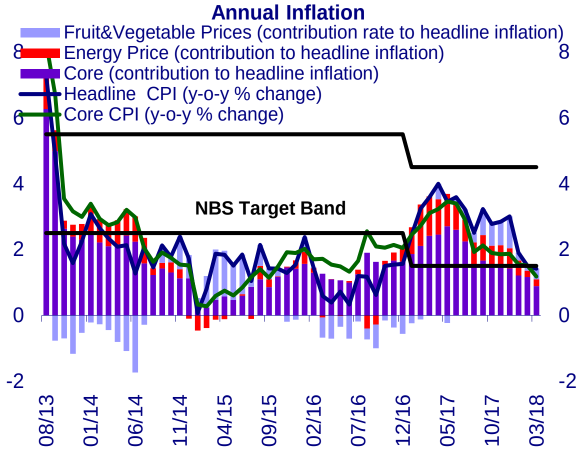
At the same time, retail sales remained strong (up 4.1% y-o-y in real terms in January-February, broadly the same pace as in Q4:17), pointing to robust private consumption. The latter can be attributed to tight labour market conditions (according to the latest available data, employment was up significantly by 5.4% y-o-y in H2:17), lower inflation (see above) and stronger consumer confidence.

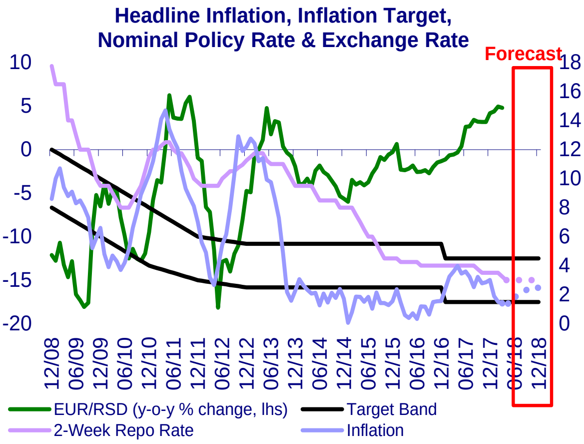
All said, we estimate increased domestic demand has more than offset the deterioration in net exports, reflecting, *inter alia*, weaker demand from Bulgaria's non-EU trade partners (especially, Turkey and China). As a result, we see GDP growth rebounding to 3.7% y-o-y in Q1:18 from a nearly 3-year low of 3.0% in Q4:17.

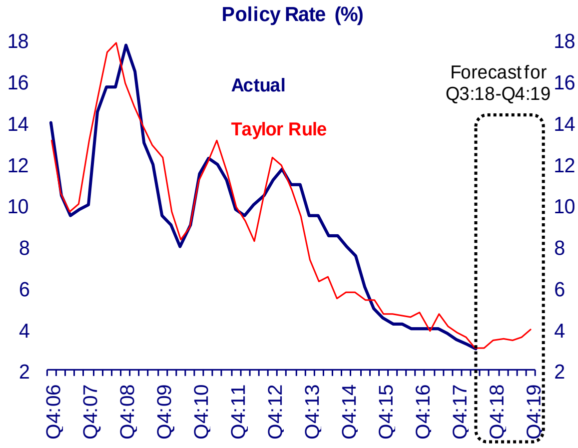
GDP growth is set to maintain momentum during the remainder of the year. Against the backdrop of the low investment-to-GDP ratio (currently at 20% against a pre-crisis high of 32%), we expect fixed investment to strengthen, in line with favourable domestic liquidity conditions (the loan-to-deposit ratio stands at 76%) and better absorption of EU funds. At the same time, private consumption should remain strong, despite structural problems in the labour market (high long-term unemployment -- estimated at c. 5.0% -- skills mismatches, and labour force migration). On a positive note, net exports are set to support overall growth, reflecting the sustained, albeit gradual, recovery in the EU and still favourable terms of trade (note that total hourly costs in Bulgaria are one-sixth of the EU-28 average). Overall, we see GDP growth firming to 3.8% in FY:18 from 3.6% in FY:17, above the economy's long-term potential of c. 3.0%.

Serbia

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







	16 Apr.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.9	3.1	3.5
RSD/EUR	118.0	118.6	118.6	118.5
Sov. Spread (2021, bps)	122	124	122	120

	16 Apr.	1-W %	YTD %	2-Y %
BELEX-15	741	0.0	-2.4	20.9

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	0.8	2.8	1.9	3.6	3.6
Inflation (eop, %)	1.5	1.6	3.0	2.5	2.8
Cur. Acct. Bal. (% GDP)	-4.7	-3.1	-5.7	-5.0	-4.8
Fiscal Bal. (% GDP)	-3.7	-1.3	1.2	0.3	0.1

Headline inflation declined sharply to 1.4% y-o-y in March. Headline inflation has embarked on a sharp downward trend since the turn of the year, falling markedly to 1.4% y-o-y in March from 3.0% in December -- undershooting the lower bound of the NBS' target range of 3±1.5%.

Core inflation (that excludes prices of fruit & vegetables and energy, and accounts for 77.7% of the CPI basket) moderated to a low of 1.2% y-o-y in March from 1.9% in December. This occurred due to:

i) lower non-energy regulated prices (as the hike in telecommunication services prices in March 2017 -- that added 0.2 pps to CPI -- faded);

ii) a stronger dinar (appreciating by 4.8% y-o-y against the EUR in March); and

iii) still subdued demand-side pressures, due to a negative (albeit closing) output gap (at -0.2% on a 4-quarter rolling basis in Q1:18) and a markedly tighter monetary policy stance (an *ex post* policy rate, in real and compounded terms, of 1.9% in March up from 0.5% at end-2017).

In addition, fruit & vegetable prices eased markedly (contributing 0.3 pps to March inflation against 1.0 pp in December), due to a strong base effect (an unusually cold winter in early-2017).

Finally, energy prices decelerated significantly (contributing 0.2 pps to March inflation against 0.6 pps in December), mainly reflecting a drop in solid fuels prices (especially firewood), following a sharp rise in their prices in winter 2017 as a result of a prolonged cold spell.

Inflation is set to pick up moderately, reaching 2.5% y-o-y at end-2018. Looking ahead, headline inflation is set to fluctuate around its current level in Q2-Q3:18, mainly due to the continued normalization in volatile prices of fruit & vegetables following a weather-induced pick-up in 2017. We expect inflation to increase gradually in Q4:18, mainly due to the rebound in domestic demand, reaching 2.5% y-o-y at end-2018 -- still well within its target band -- and 0.5 pps below its end-2017 outcome.

NBS may have ended a long cycle of monetary policy loosening, with a surprise cut of its central rate by 25 bps to 3.0% at its April MPC meeting. The NBS proceeded surprisingly with a further 25 bp cut of its 2-week repo rate, at its April meeting, to a record low of 3.0%.

The decision was motivated by the sharper-than-expected decline in headline inflation (see above). The move was also prompted by continued appreciation pressures on the RSD (by 4.6% y-o-y against the EUR in Q1:18), despite NBS interventions (purchasing EUR 580mn in February-March, or 5.8% of end-2017 FX reserves). With the latest move, cumulative cuts have amounted to 875 bps since the initiation of the cycle of monetary policy easing in May 2013.

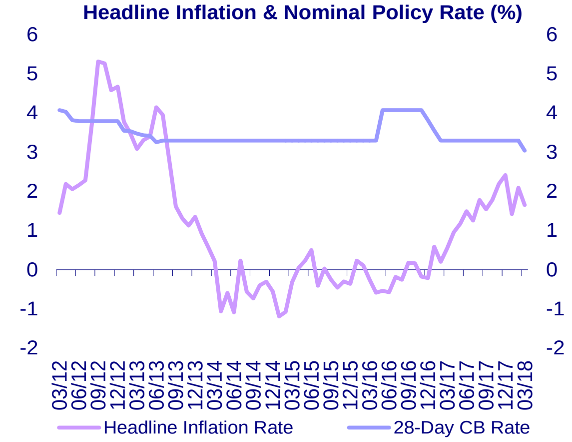
Going forward, we expect the NBS to keep its key rate on hold until the start of a new cycle of monetary policy tightening in Q4:18.According to our Taylor rule (see chart), projecting:

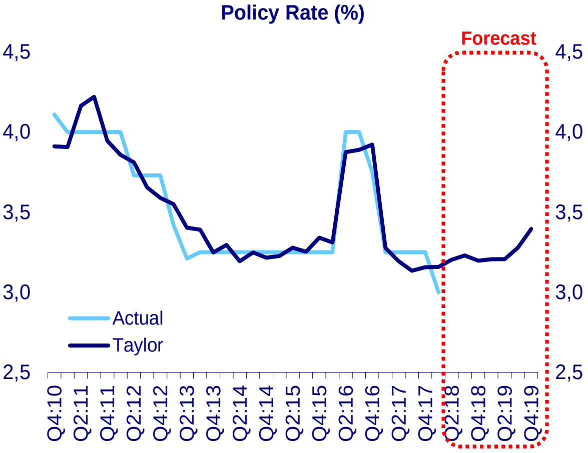
i) an increasing positive output gap by end-2019 (from -0.2% in Q1:18 to 0% in Q4:18 and 0.4% in Q4:19); and

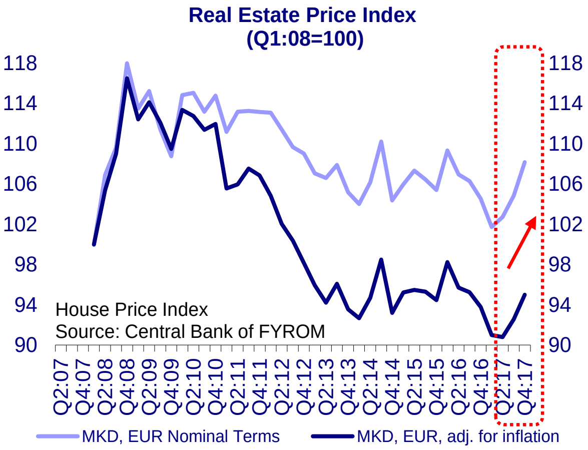
ii) a modest increase in inflation by end-2019 (from 1.8% in March to 2.5% at end-2018 and 2.8% y-o-y at end-2019), we expect the NBS to initiate a new cycle of monetary policy tightening in Q4:18. We see the NBS hiking its key rate by a cumulative 125 bps to 4.25% (1.5% in *ex post*, real and compounded terms) between Q4:18 and Q4:19. This projection assumes that the RSD will not appreciate significantly in reaction to the higher policy rates.

F.Y.R.O.M

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







	16 Apr.	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)	219	170	165	160

	16 Apr.	1-W %	YTD %	2-Y %
MBI 100	2,784	-0.7	9.6	58.4

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.0	3.5	3.7
Inflation (eop. %)	-0.3	-0.2	2.4	1.9	2.0
Cur. Acct. Bal. (% GDP)	-1.9	-2.7	-1.3	-1.8	-2.2
Fiscal Bal. (% GDP)	-3.5	-2.7	-2.7	-2.8	-2.8

The Central Bank proceeded with a 25 bp cut of its key rate (28-day CB rate) to an all-time low of 3.0%. With this move, total rate cuts have reached 100 bps since the initiation of the new cycle of monetary policy loosening in December 2016.

The decision was motivated by: i) a positive inflation outlook (headline inflation moderated from a 5-year high of 2.4% y-o-y in December to 1.7% y-o-y in March and is projected to end the year at 1.9%); ii) a still negative output gap by end-year (-0.5% on a 4-quarter rolling basis in Q4:18); iii) the expectations of a prudent fiscal stance (with the FY:18 budget envisaging a neutral stance), and; iv) the absence of pressures on external accounts (FX reserves are expected to increase by EUR 0.4bn to EUR 2.8bn at end-2018, mainly supported by the proceeds from a EUR 0.5bn or 4.7% of GDP sovereign bond issue in early-January).

The CB is set to keep its key rate on hold at 3.0% until the initiation of a new cycle of monetary tightening in Q2:19. According to our Taylor rule (see chart), projecting: i) a closing negative output gap at end-2019; and ii) a benign inflation outlook (with the headline figure moderating modestly to 2.0% y-o-y at end-2019 from 2.4% y-o-y at end-2017), we expect the CB to maintain policy on hold before gradually increasing its key rate by a cumulative 50 bps to 3.5% in Q2-Q4:19.

Importantly, the current record low policy rate should boost credit activity in an improving political and economic outlook and a consistent policy mix. According to our conservative forecast for FY:18 lending growth (up 7% from 3% in FY:17), the credit impulse (defined as the change in the flow of bank credit scaled by nominal GDP) should return to positive territory this year (to an estimated 1.7 pps from -0.6 pps in FY:17) and consequently boost economic activity. Our model shows that the credit impulse should contribute 0.8 pps to headline GDP growth this year (seen at 3.5%) after having subtracted 0.3 pps from the past year's overall growth (of 0%).

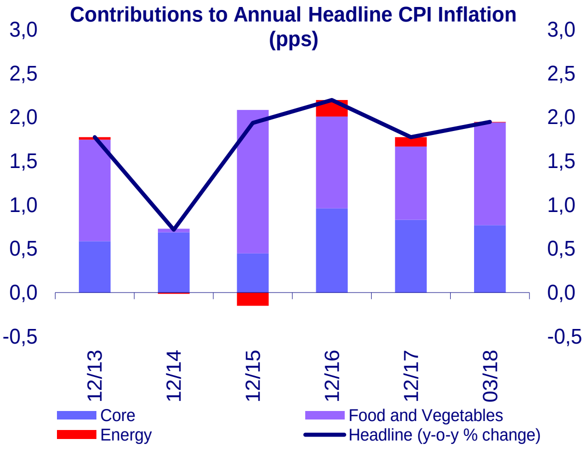
House prices posted positive growth for the first time in 7 quarters in Q4:17 (up 3.5% y-o-y), on the back of dissipated domestic political and economic uncertainty. The quarterly Central Bank's House Price Index (HPI) has embarked on an increasingly positive trend in Q2:17 following 4 consecutive quarters of decline. Indeed, annual HPI growth reached a 28-quarter high of 3.5% y-o-y in Q4:17, up from a trough of -6.9% in Q1:17, limiting the full-year decline of the HPI to -2.3%.

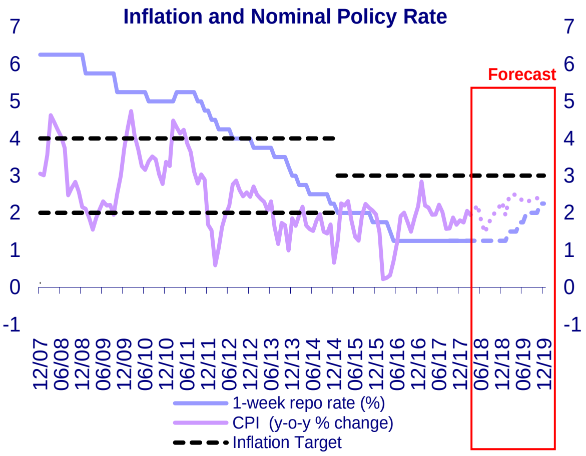
The increasingly positive HPI trend, started in Q2:17, reflects the gradual dissipation of protracted political and economic uncertainty. Recall that the current coalition Government took office 5½ months after the mid-December 2016 general elections and could not proceed with its ambitious reform programme (due to its slim majority in Parliament) until it secured a landslide victory in the October local elections.

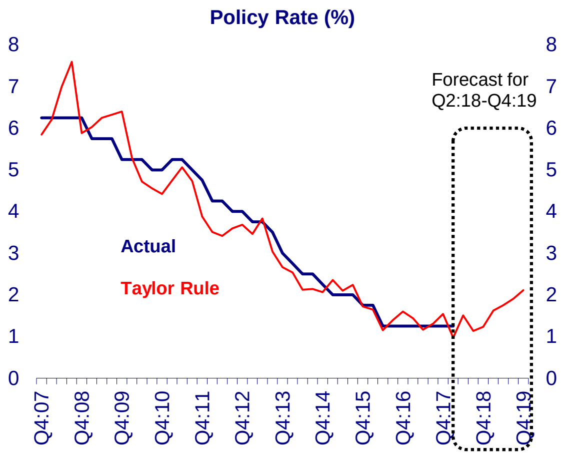
Looking ahead, we expect the HPI to gain momentum this year, mainly supported by a stronger economic performance (output growth is projected to accelerate to 3.5% in FY:18 from 0.0% in FY:17) and a pick-up in lending activity. The latter should be supported by: i) easing credit standards, following past years' significant clean-up of banks' balance sheets (with the NPL ratio standing at a historical low of 6.3% and banks' foreclosed assets-to-equity ratio at a post-global crisis low of 3.3% at end-2017; ii) moderating lending interest rates; iii) adequate liquidity; and iv) a strong capital base (15.7% in December).

Albania

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







	16 Apr.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	128.8	132.0	131.3	130.0
Sov. Spread (bps)	170	210	200	180

	16 Apr.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.8	3.7	3.9
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.6	-6.9	-6.4	-5.4
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-2.0	-1.9

Headline inflation has embarked on a mild upward trend since the beginning of the year, albeit remaining at a relatively low 2%. Inflation rose moderately to 2.0% y-o-y in March from 1.8% in December. Although embarking on an upward trend, it has remained well below the BoA's target (of 3.0%) for almost six successive years.

The increase was almost exclusively driven by the acceleration in the prices of fruit & vegetables (contributing 1.2 pps to headline inflation in March against 0.8 pps in December), stemming from floods.

Headline inflation was held back by softer core inflation (that excludes prices of fruit & vegetables and energy, and accounts for 85.7% of the CPI basket). Core inflation remained low, easing slightly to 0.9% y-o-y in March from 1.0% in December, despite pressures from the gradual recovery in domestic demand, excise hike on tobacco and the 17.7% increase in tap water prices (adding 0.2 pps to March inflation). Core inflation is still weak, due to: i) low imported inflation (supported by low international commodity prices and relatively low inflation in the main trading partners), combined with the appreciation of the ALL (by 4.6% y-o-y against the EUR in March); and ii) a persistent negative (yet closing) output gap (at -0.2% on a 4-quarter rolling basis in Q1:18).

Headline inflation to remain on a mild upward trend, rising to 2.3% y-o-y at end-2018, moving closer to the BoA's target. We expect headline inflation to accelerate further, reaching a 6-year high of 2.3% at end-2018 -- 0.5 pps y-o-y above its end-2017 outcome. However, despite its pick-up, end-year inflation should remain well anchored and far below the BoA's target throughout 2018 for an 8th successive year.

The expected acceleration should almost exclusively result from the gradual pick-up in core inflation, due to mounting domestic demand pressures, as the output gap will close in Q3:18 and turn positive in Q4:18 (reaching 0.2% on a 4-quarter rolling basis). Inflationary pressures should, however, be held back by: i) lower global food prices and still low inflation in the country's major trading partners; ii) favourable energy prices in line with global oil price developments (set to decline by 1.6% in ALL terms in Q4:18); and iii) LEK appreciation (by c. 4.0% y-o-y against the EUR at end-2018).

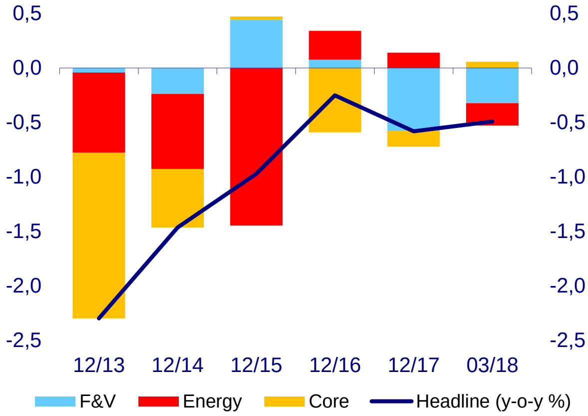
The BoA is set to keep its key rate on hold before initiating a new cycle of monetary policy tightening in Q2:19. The BoA has maintained its key policy rate unchanged since June 2016, at a record low of 1.25%, following a total cut of 400 bps since the initiation of the cycle of monetary policy easing in September 2011.

Looking ahead, we expect the BoA to keep its key rate on hold until the start of a new cycle of monetary policy tightening in Q2:19. According to our Taylor rule (see chart), projecting: i) moderately increasing positive output gap by end-2019 (from 0% in Q3:18 to 0.4% in Q4:19); and ii) a modest increase in inflation by end-2019 (from 2.0% in March to 2.3% at end-2018 and 2.5% at end-2019), we expect the BoA to maintain its central rate on hold before hiking it gradually by a cumulative 100 bps to 2.25% in Q2-Q4:19. Our forecast of no change in the policy rate this year (2018) is consistent with the IMF's opinion in its latest Article IV (released in December 2017), according to which "*the Bank of Albania's accommodative monetary policy stance remains appropriate, and any unwinding of monetary easing should await evidence of a sustained rise in inflation*". Indeed, against a backdrop of subdued inflationary pressures (with inflation fluctuating around 2.0% y-o-y throughout FY:18 and significantly undershooting its target), maintaining the policy rate on hold at 1.25% throughout this year is welcome, as this should boost the stagnant credit activity (up a mere 0.7% y-o-y in February) and, therefore, economic activity, which is set to slow following the completion of large energy projects in FY:17.

Cyprus

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

Contributions to Headline Inflation (pps)



General Government Fiscal Balance (% of GDP)

	2017	2M:17	2M:18	2018 Budget	NBG 2018 Forecast
Revenue	39.7	5.8	6.3	39.0	40.6
Tax Revenue	34.3	5.2	5.7	33.7	35.1
Indirect Taxes	15.8	2.3	2.6	15.6	16.1
Direct Taxes	9.6	1.4	1.6	9.3	9.7
Soc. Contrib.	8.9	1.5	1.6	8.8	9.1
Non-Tax revenue	5.4	0.6	0.6	5.3	5.5
Expenditure	37.9	5.1	5.0	37.8	37.8
Cur. Expenditure	34.9	4.9	4.9	n.a.	35.0
G. & Services	3.7	0.4	0.4	n.a.	3.7
Wag.& Salaries	12.2	1.8	1.8	n.a.	12.3
Soc. Transfers	13.6	2.0	2.0	n.a.	13.7
Int.Payments	2.6	0.3	0.3	2.5	2.5
Subsidies	0.3	0.0	0.0	n.a.	0.3
Other	2.4	0.4	0.4	n.a.	2.4
Capital Expend.	3.0	0.2	0.1	n.a.	2.8
Fiscal Balance	1.8	0.7	1.3	1.3	2.8
Primary Balance	4.4	1.0	1.5	3.8	5.3

	16 Apr.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.24	1.22	1.25	1.30
Sov. Spread (2020. bps)	137	55	52	50

	16 Apr.	1-W %	YTD %	2-Y %
CSE Index	68	0.8	-2.8	0.3

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	3.4	3.9	4.2	4.0
Inflation (eop. %)	-1.0	-0.3	-0.6	0.6	1.0
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-6.7	-4.2	-4.5
Fiscal Bal. (% GDP)	-1.2	0.5	1.8	2.8	2.8

Headline inflation, from negative levels, is set to embark on an upward trend from May and end the year in positive territory. Headline inflation rose slightly to -0.5% y-o-y in March from -0.6% y-o-y at end-2017, reflecting increasing core inflation (excluding volatile food and energy prices) -- marginally up 0.1% y-o-y against a decline of 0.2% December -- and a milder decline in prices of fruit and vegetables (down 8.8% y-o-y, against a decline of 15.4% in December). The rise in headline inflation would have been higher had energy inflation not declined -- down 2.3% y-o-y against a rise of 1.6% y-o-y in December.

Looking ahead, we see headline inflation reaching a trough of -0.8% y-o-y in April, as a result of continued supportive base effects from volatile prices of fruit & vegetables, and embarking therafter on an upward trend, mainly as a result of mounting demand-pull pressures emanating from the widening of the positive output gap (to 0.9% in Q4:18 from 0.5% in Q4:17 on a 4-quarter rolling basis). Overall, we see headline inflation turning positive for the first time in six years, reaching 0.6% y-o-y at end-2018.

An impressive fiscal performance in 2M:18, due to strong tax revenue and strict spending control despite the political cycle (February presidential elections). The fiscal balance improved significantly, by 0.6 pps y-o-y to a surplus of 1.3% of GDP in 2M:18. The improvement was driven by buoyant tax revenue and, to a lesser extent, continued spending discipline. Indeed, tax revenue rose by 0.5 pps of GDP y-o-y in 2M:18, due to higher indirect taxes (including VAT and taxes on imports -- up 0.3 pps of GDP), direct taxes (up 0.2 pps of GDP) and social security contributions (up 0.1 pp of GDP). The improved tax revenue performance was in line with solid economic activity (GDP is projected to grow by 4-4.25% during 2018-19, compared with 3.9% in FY:17, according to the IMF Staff concluding statement of the second Post-Programme Monitoring Mission, released on March 30th), better collection and a further tightening in labour market conditions. Indeed, the (average) seasonally-adjusted unemployment rate declined by 2.9 pps y-o-y to a 9.8% in 2M:18.

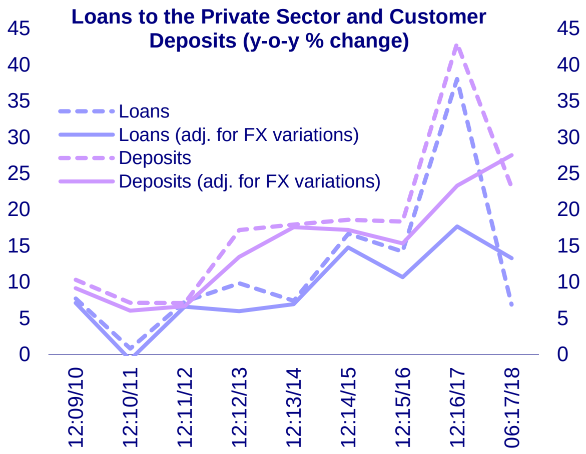
On the other hand, strict spending control continued in 2M:18, despite the February presidential elections, with primary expenditure declining by 0.1 pp of GDP y-o-y.

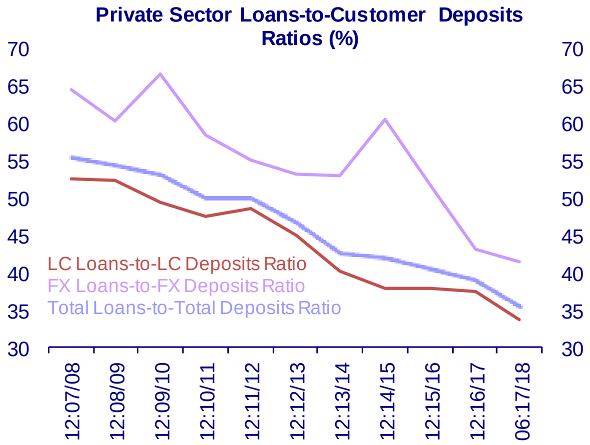
Looking ahead, we foresee a further strengthening of the fiscal surplus, albeit at a moderating pace, during the remainder of the year. The moderation should result from strong base effects. Overall, we see the fiscal surplus rising by 0.4 pps y-o-y to 1.5% of GDP in 3-12M:18 (against a rise of 0.6 pps y-o-y in 2M:18), which will bring the FY:18 surplus to a sizeable 2.8% of GDP -- surpassing its target of 1.3% of GDP and the FY:17 outcome of 1.8% of GDP.

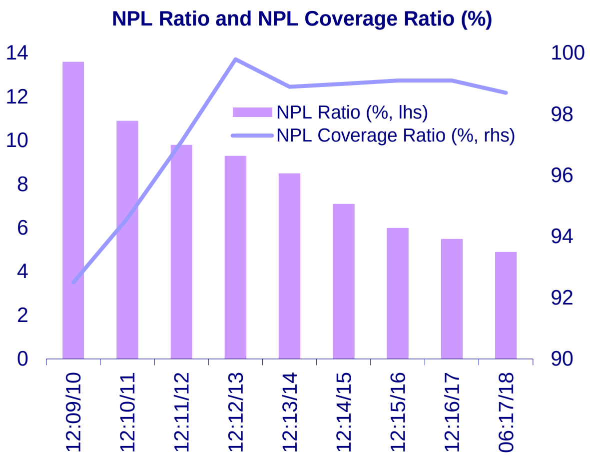
This positive performance will help contain the deterioration in the public debt-to-GDP ratio following the Government's decision to provide an emergency deposit of EUR 2.5bn (12.5% of GDP) to the island's second largest financial institution -- the Cyprus Cooperative Bank (CCB) – at end-March. The deposit consisted of EUR 2.35bn (11.8% of GDP) of Government long-term bonds (with private placement and an option for early repayment) and EUR 0.15bn (0.7% of GDP) in the form of cash. The move was prompted by intensifying pressures on the bank's deposit base, amid increased uncertainty over the outcome of its privatisation process, launched in mid-March. Should our full-year forecast of a primary surplus of 5.3% of GDP (see table) materialise, the public-debt-to-GDP ratio would moderate to c. 104.0% at end-2018 after having risen sharply to c. 110.0% at end-Q1:18 from a 5-year low of 98.4% at end-2017.

Egypt

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







	19 Apr.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	16.8	18.0	17.0	15.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	201	168	152	140

	19 Apr.	1-W %	YTD %	2-Y %
HERMES 100	1,678	1.0	16.8	145.3

	14/15	15/16	16/17E	17/18F	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	5.2	5.8
Inflation (eop. %)	11.4	14.0	29.8	13.5	10.2
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.6	-3.4	-3.6
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.5	-8.2

Customer deposits (FX-adjusted) gained momentum in H1:17/18, underpinned by strengthening confidence in the Egyptian economy and higher EGP remuneration rates. Adjusted for FX fluctuations, growth in customer deposits accelerated to a multi-year high of 27.5% y-o-y at end-H1:17/18 (December 2017) from 23.3% at end-2016/17 (June 2017), reaching c. 70.0% of GDP.

From a segment perspective, the acceleration in (FX-adjusted) overall deposits was driven by the retail segment. The latter increased by 34.2% y-o-y in December compared with a rise of 29.1% June, supported by strengthening confidence in the domestic economy following the solid implementation of the loan agreement with the IMF (signed in November 2016) 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 2.4 pps, 1.4 pps and 1.3 pps, respectively, to 13.6%, 14.0% and 13.4% between June and December 2017).

A recovery in workers' remittances from abroad and tourist receipts also contributed to the acceleration in overall deposits (FX-adjusted). Indeed, tourist receipts rose by c. 215% y-o-y to a post-January 2011 Revolution high of 2.0% of GDP in H1:17/18, due not only to more competitive prices (the EGP had depreciated against the USD by c. 35.0% y-o-y in H1:17/18 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. Moreover, workers' remittances increased by c. 30% y-o-y to an all-time high of 5.2% of GDP in H1:17/18, continuing on the upward trend started in Q2:16/17, when the Central Bank floated the domestic currency.

Credit to the private sector (FX-adjusted) lost momentum in H1:17/18, on the back of higher lending interest rates. Adjusted for FX movements, lending growth declined to 13.3% y-o-y at end-H1:17/18 from 17.7% at end-2016/17. The deceleration in (FX-adjusted) overall lending was driven by the corporate segment. The latter lost momentum (up 13.8% y-o-y in December compared with a rise of 17.9% June), mainly due to a further increase of already prohibitive lending interest rates (interest rates on up to 12 months EGP-denominated loans rose by 1.8 pps to 19.8% between June and December 2017) arising from a tighter monetary policy framework. As a result, bank liquidity conditions eased further, with the loan-to-deposit ratio declining to an all-time low of 35.5% in December from 39.0% in June.

The NPL ratio declined further to a multi-year low of 4.9% in H1:17/18. The NPL ratio continued on its downward trend in H1:17/18 -- to 4.9% at end-H1:17/18 from 5.5% at end-2016/17 and a peak of 13.6% at end-2009/10. The improvement in H1:17/18 was supported by the acceleration in economic activity (GDP growth accelerated to 5.2% y-o-y in H1:17/18 from 4.7% in H2:16/17 and 4.2% in FY:16/17), the stabilisation of the domestic currency and tight credit standards. On another positive note, the NPL coverage ratio has remained close to the 100% threshold since end-2012/13.

Looking ahead, lending activity is set to accelerate in the coming quarters. Banks are expected to ease credit conditions, in view of their ample liquidity, good asset quality metrics, and strong capital base. Households and corporates are set to increase their demand for loans, against a backdrop of easing monetary policy, a very low lending penetration rate and accelerating economic activity. Note that that the CBE initiated a cycle of monetary policy easing in Q3:17/18, cutting its key rate (overnight deposit rate) by 200 bps to 16.75%.

FOREIGN EXCHANGE MARKETS, APRIL 16TH 2018

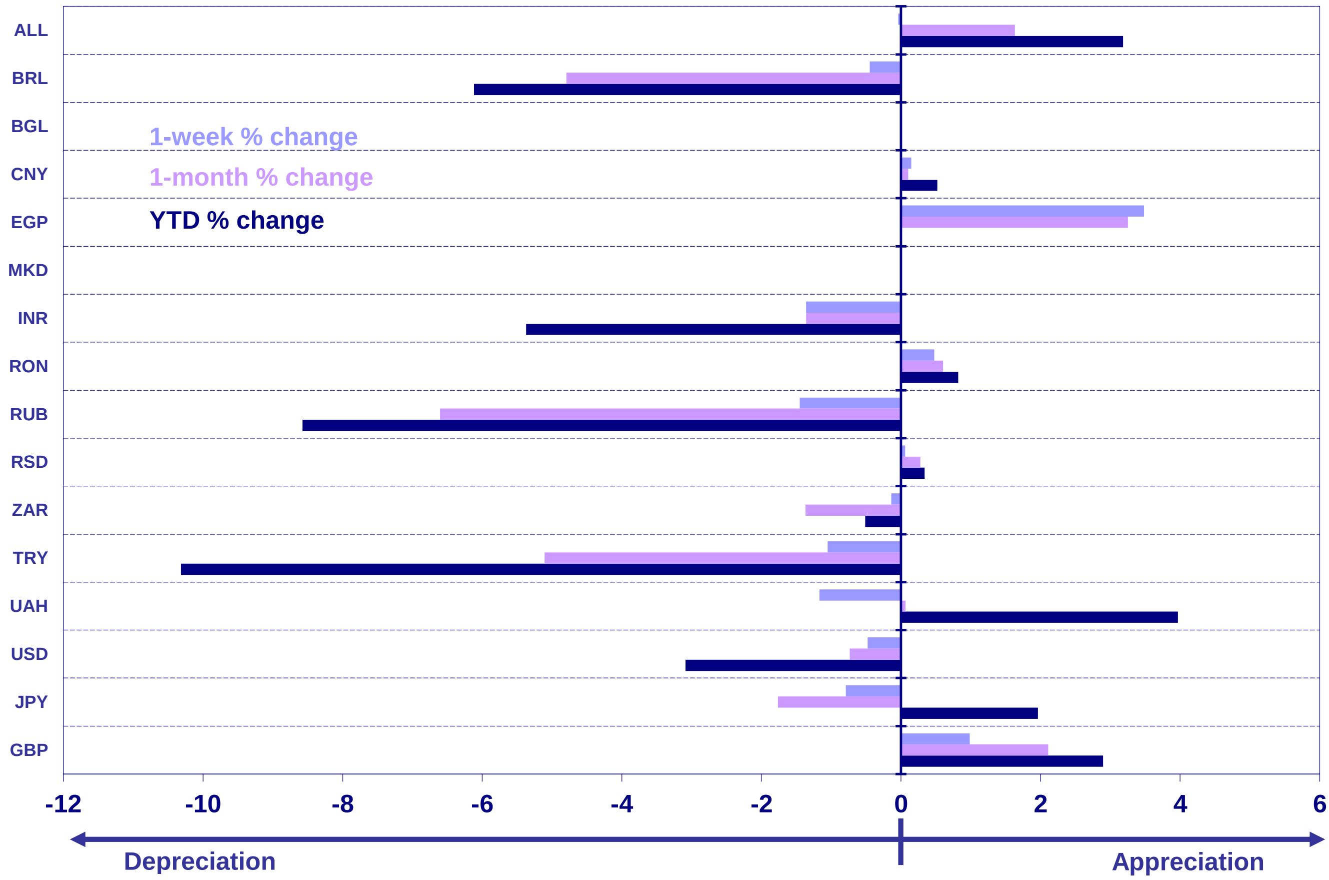
Against the EUR

	Currency	2018 SPOT	2018 1-week %change	2018 1-month %change	2018 YTD %change*	2018 1-year %change	2018 Year-Low	2018 Year-High	2018 3-month Forward rate**	2018 6-month Forward rate**	2018 12-month Forward rate**	2017 % change*	2016 % change*
Albania	ALL	128.8	0.0	1.6	3.2	5.0	129.0	134.0	129.1	129.2	128.6	1.9	1.2
Brazil	BRL	4.23	-0.4	-4.8	-6.1	-22.1	3.85	4.25	4.51	4.51	4.51	-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	7.76	0.1	0.1	0.5	-5.5	7.69	7.96	8.11	8.12	8.13	-6.0	-4.0
Egypt	EGP	20.83	3.5	3.3	0.0	-8.6	20.59	22.13	- - -	- - -	- - -	-9.4	-55.0
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	81.0	-1.4	-1.4	-5.4	-15.3	75.9	81.4	86.8	- - -	- - -	-6.7	0.4
Romania	RON	4.64	0.5	0.6	0.8	-2.5	4.62	4.68	4.67	4.69	4.77	-3.0	-0.4
Russia	RUB	75.7	-1.4	-6.6	-8.6	-21.4	67.7	80.5	77.0	78.4	81.3	-6.8	22.9
Serbia	RSD	118.0	0.1	0.3	0.3	4.7	117.6	119.1	118.3	118.6	- - -	4.2	-1.5
S. Africa	ZAR	14.9	-0.1	-1.4	-0.5	-5.3	14.18	15.16	15.2	15.5	16.1	-2.7	16.2
Turkey	YTL	5.07	-1.1	-5.1	-10.3	-22.4	4.48	5.19	5.25	5.44	5.85	-18.4	-14.7
Ukraine	UAH	32.3	-1.2	0.1	4.0	-11.7	31.83	36.11	38.2	- - -	- - -	-15.2	-8.6
US	USD	1.24	-0.5	-0.7	-3.1	-14.0	1.2	1.3	1.25	1.26	1.28	-12.4	3.3
JAPAN	JPY	132.6	-0.8	-1.8	2.0	-12.6	129.0	137.5	132.7	132.7	132.8	-8.9	6.0
UK	GBP	0.86	1.0	2.1	2.9	-1.9	0.9	0.9	0.87	0.87	0.88	-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 (April 16th 2018)



MONEY MARKETS, APRIL 16TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	6.4	-0.2	2.6	- - -	16.8	- - -	- - -	1.9	7.5	- - -	13.4	6.7	16.7	- - -	1.7
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.9	6.4	2.3	- - -	6.7	- - -	- - -	- - -
S/W	1.4	6.4	-0.1	2.8	-0.4	- - -	1.1	- - -	- - -	6.3	2.4	- - -	6.8	16.9	-0.4	1.7
1-Month	1.6	6.4	-0.1	3.8	-0.4	- - -	1.3	6.5	2.0	7.5	2.6	13.9	7.4	17.6	-0.4	1.9
2-Month	- - -	6.3	-0.1	- - -	-0.3	- - -	- - -	- - -	- - -	7.5	2.8	14.2	6.8	- - -	-0.3	2.0
3-Month	2.1	6.3	0.0	4.2	-0.3	- - -	1.5	6.8	2.1	7.8	2.9	14.6	7.5	17.8	-0.3	2.4
6-Month	2.4	6.2	0.2	4.4	-0.3	- - -	1.8	- - -	2.5	7.9	3.1	15.5	7.5	- - -	-0.3	2.5
1-Year	2.8	6.3	0.5	4.5	-0.2	- - -	2.2	- - -	2.6	7.9	- - -	16.1	7.8	- - -	-0.2	2.7

LOCAL DEBT MARKETS, APRIL 16TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	17.8	- - -	6.1	- - -	7.1	- - -	13.0	- - -	- - -	-0.7	1.8
6-Month	1.8	- - -	- - -	- - -	- - -	17.7	- - -	6.3	2.0	7.1	3.3	12.9	- - -	- - -	-0.7	2.0
12-Month	2.4	- - -	-0.2	3.2	- - -	16.8	1.2	6.6	2.3	6.7	3.1	14.2	- - -	17.2	-0.6	2.1
2-Year	3.0	- - -	- - -	3.4	- - -	- - -	1.6	6.9	2.7	7.1	- - -	14.0	6.9	- - -	-0.6	2.4
3-Year	3.4	- - -	0.2	3.3	1.0	- - -	1.8	7.2	3.2	7.1	- - -	14.0	7.2	16.1	-0.4	2.5
5-Year	- - -	8.9	- - -	3.5	1.6	15.1	- - -	7.4	4.0	7.1	4.1	13.2	7.5	- - -	-0.1	2.7
7-Year	5.9	- - -	0.8	- - -	2.0	14.9	- - -	7.6	4.2	7.3	- - -	- - -	- - -	- - -	0.2	2.8
10-Year	7.0	9.7	1.2	3.7	- - -	14.8	- - -	7.5	4.6	7.5	- - -	12.8	8.1	- - -	0.5	2.8
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.2	7.7	- - -	7.6	- - -	- - -	9.9	- - -	0.8	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.0	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.8	- - -	- - -	- - -	- - -	8.9	- - -	1.2	3.0

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

CORPORATE BONDS SUMMARY, APRIL 16TH 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	1.9	233	191
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.7	232	198
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	96	61
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	2.2	262	213
	Garanti Bank 5.25% '22	USD	NA/Ba1	13/9/2022	750	5.5	280	263
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.6	395	371
	Vakifbank 5.75% '23	USD	NA/Ba1	30/1/2023	650	6.4	373	349
	TSKB 5.5% '23	USD	NA/Ba1	16/1/2023	350	6.4	370	344
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	6.6	391	367
	KOC Holding 5.25% '23	USD	BBB-/Baa3	15/3/2023	750	5.0	234	220

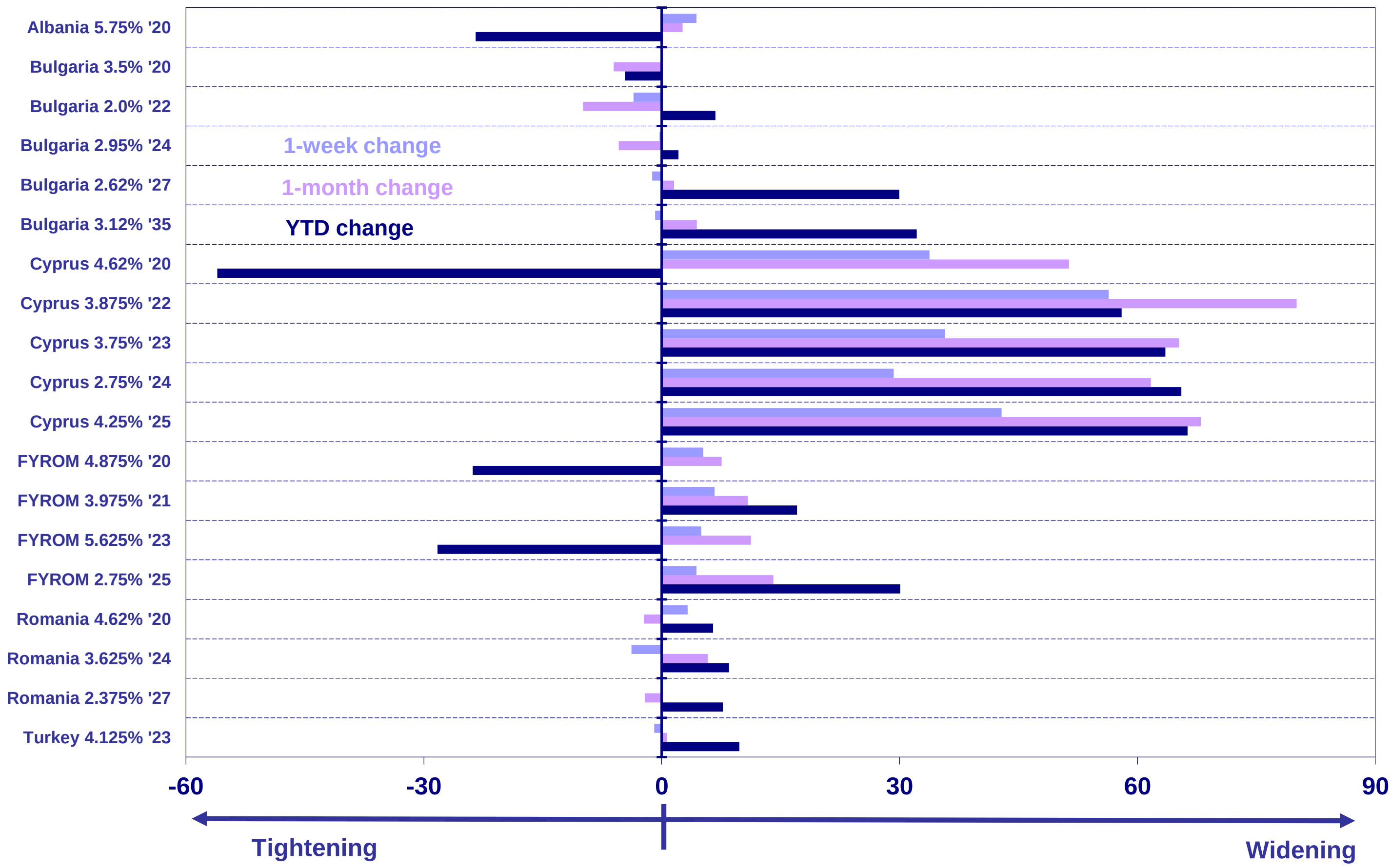
CREDIT DEFAULT SWAP SPREADS, APRIL 16TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	167	66	61	- - -	255	- - -	80	87	145	120	203	153	368
10-Year	- - -	255	102	105	- - -	300	- - -	89	129	209	151	288	243	398

EUR-Denominated Sovereign Eurobond Summary, April 16th 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.3	170	141
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	63	29
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.2	44	-2
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.8	63	26
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.4	100	57
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.5	163	115
Cyprus 4.62% '20	EUR	BB+/Ba3	3/2/2020	668	0.8	137	105
Cyprus 3.875% '22	EUR	NA/Ba3	6/5/2022	1,000	1.6	183	142
Cyprus 3.75% '23	EUR	NA/Ba3	26/7/2023	1,000	1.8	189	195
Cyprus 2.75% '24	EUR	NA/Ba3	27/6/2024	850	2.0	194	145
Cyprus 4.25% '25	EUR	NA/Ba3	4/11/2025	1,000	2.4	210	178
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.3	170	137
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.8	219	402
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.3	241	210
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.8	267	216
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	57	8
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	114	71
Romania 2.375% '27	EUR	BBB-/Baa3	19/4/2027	2,000	2.1	172	124
Turkey 4.125% '23	EUR	NR/Ba1	11/4/2023	1,000	2.5	260	223

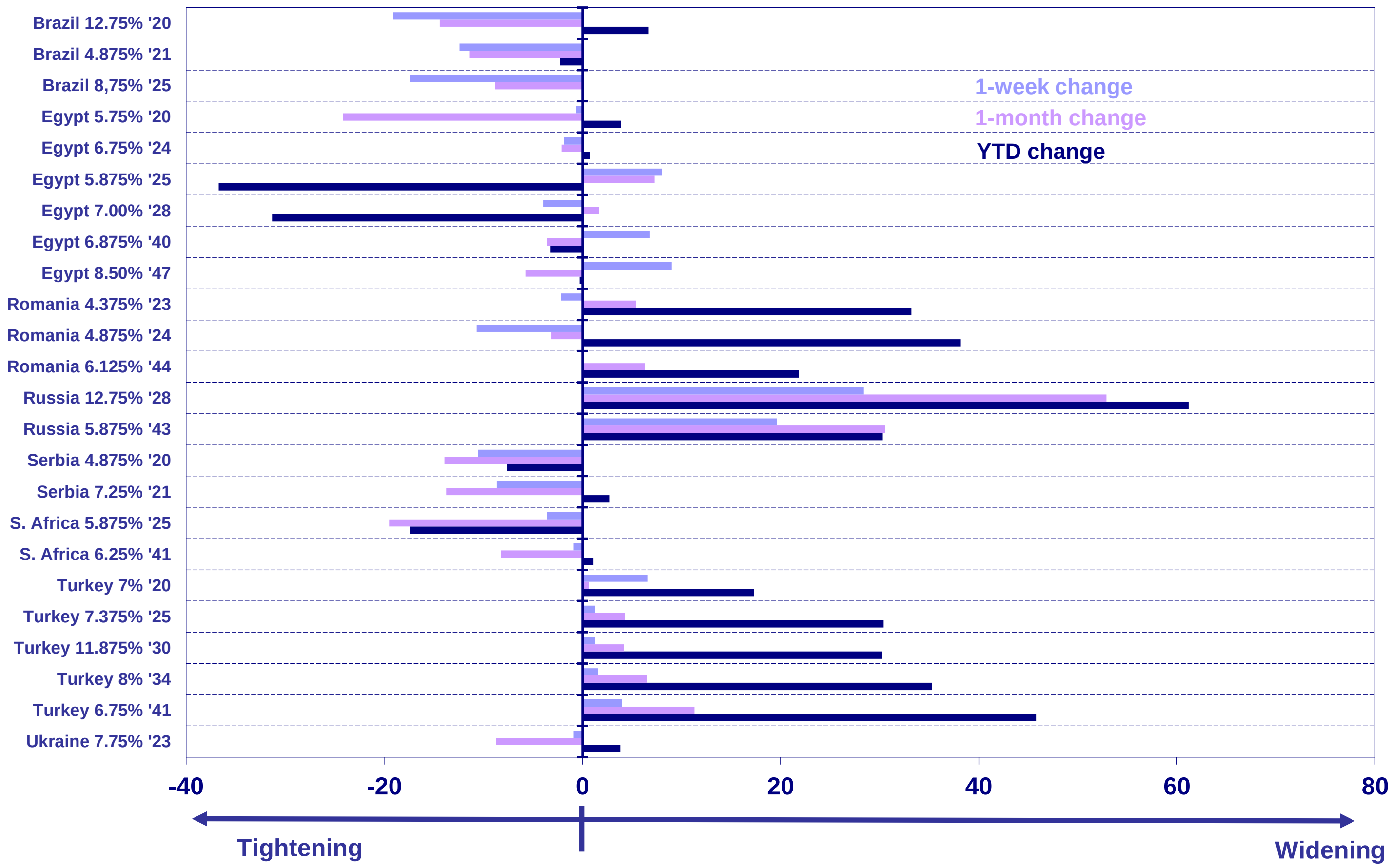
EUR-Denominated Eurobond Spreads (April 16th 2018)



USD-Denominated Sovereign Eurobond Summary, April 16th 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB-/NA	15/1/2020	87	2.4	4	-22
Brazil 4.875% '21	USD	BB-/NA	22/1/2021	2,713	3.3	82	61
Brazil 8.75% '25	USD	BB-/NA	4/2/2025	688	4.3	154	171
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	4.4	201	172
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.1	334	331
Egypt 5.875% '25	USD	B-/B3	11/6/2025	500	5.8	304	296
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.2	336	339
Egypt 6.875% '40	USD	B-/B3	30/4/2040	1,500	7.1	404	402
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	7.5	451	493
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.9	118	105
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	3.8	111	100
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.8	174	207
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	5.1	225	297
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.4	234	253
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	3.5	108	82
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	3.7	122	102
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.8	202	201
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.7	266	286
Turkey 7.00% '20	USD	NR/Ba1	5/6/2020	2,000	4.2	186	159
Turkey 7.375% '25	USD	NR/Ba1	5/2/2025	3,250	5.5	275	282
Turkey 11.875% '30	USD	NR/Ba1	15/1/2030	1,500	6.1	324	407
Turkey 8.00% '34	USD	NR/Ba1	14/2/2034	1,500	6.5	369	388
Turkey 6.75% '41	USD	NR/Ba1	14/1/2041	3,000	6.6	361	347
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,355	7.0	427	416

USD-Denominated Eurobond Spreads (April 16th 2018)



STOCK MARKETS PERFORMANCE, APRIL 16TH 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)	82,862	-0.5	-2.4	8.5	28.8	76,403	88,318	1.4	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	663	0.6	-2.5	-2.1	0.8	645	721	-2.1	15.5	15.5	27.2	27.2
China (SHCOMP)	3,111	-0.9	-4.9	-5.9	-3.5	3,063	3,587	-5.5	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	68	0.8	-2.5	-2.8	-3.1	66	71	-2.8	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,678	1.0	2.2	16.8	44.3	1,429	1,702	17.6	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	2,784	-0.7	-2.8	9.6	23.8	2,536	2,877	9.6	18.9	18.9	16.5	16.5
India (SENSEX)	34,305	1.5	3.4	0.7	16.6	29,259	36,444	-4.8	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,767	-0.3	-1.4	7.0	14.8	1,675	1,802	7.9	22.8	19.1	0.2	0.0
Russia (RTS)	4,207	2.9	-6.7	2.0	-1.1	4,017	4,566	-6.7	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	741	0.0	-1.0	-2.4	1.2	728	785	-2.1	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	56,733	1.1	-2.4	-4.7	6.0	53,027	61,777	-5.1	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	110,688	-2.2	-5.6	-4.0	22.1	106,624	121,532	-13.9	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	370	2.2	5.0	17.5	36.2	315	371	22.2	18.8	0.8	10.2	1.0
MSCI EMF	1,163	0.0	-4.1	0.4	20.8	1,136	1,279	-2.7	34.3	17.7	8.6	12.2
MSCI EAFE	2,044	1.0	0.0	-0.4	14.3	1,989	2,187	-3.4	21.8	6.7	-1.9	1.4
Greece (ASE-General)	821	2.5	0.9	2.3	20.1	767	896	2.3	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,391	1.1	0.0	-4.1	2.3	11,727	13,597	-4.1	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,198	0.0	0.5	-6.4	-1.8	6,867	7,793	-3.7	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	24,573	2.5	-1.5	-0.6	19.1	20,380	26,617	-3.7	25.1	9.6	13.4	16.7
USA (S&P 500)	2,678	2.5	-2.7	0.2	14.0	2,533	2,873	-2.9	19.4	4.7	9.5	13.2

Equity Indices (April 16th 2018)