NATIONAL BANK OF GREECE

Economic Analysis Division
Emerging Markets Analysis

Bi-Weekly Report

9 – 22 October 2018

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

Emerging Markets Analysis

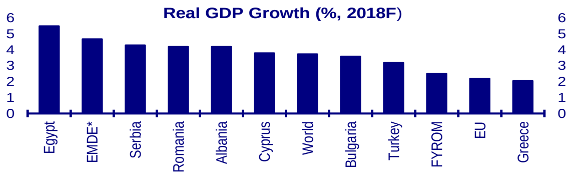
***Head:* Michael Loufir**
☎ : +30 210 33 41 211
✉ : mloufir@nbg.gr

Analysts:

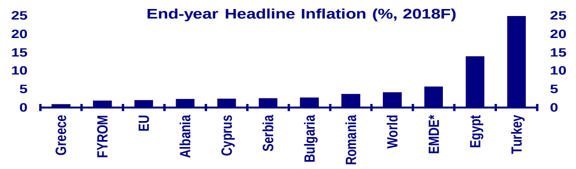
Konstantinos Romanos-Louizos
✉ : romanos.louizos.k@nbg.gr

Louiza Troupi
✉ : troupi.louiza@nbg.gr

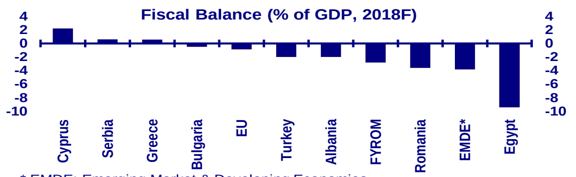
Athanasios Lampousis
✉ : lampousis.athanasios@nbg.gr



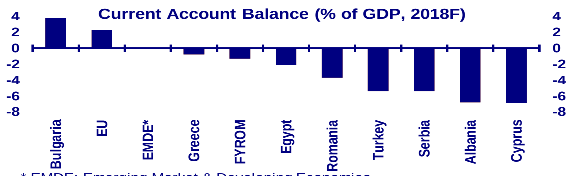
* EMDE: Emerging Market & Developing Economies



* EMDE: Emerging Market & Developing Economies



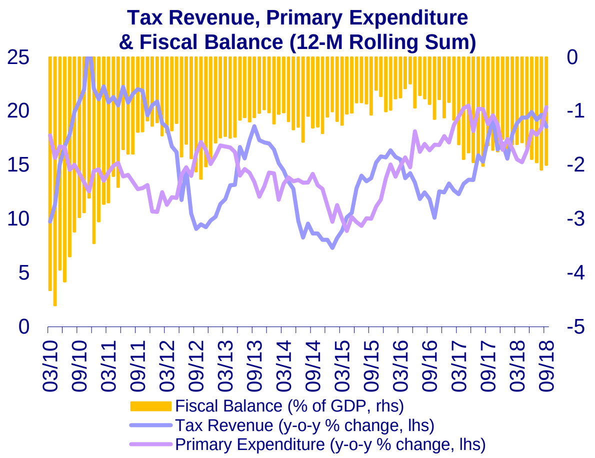
* EMDE: Emerging Market & Developing Economies

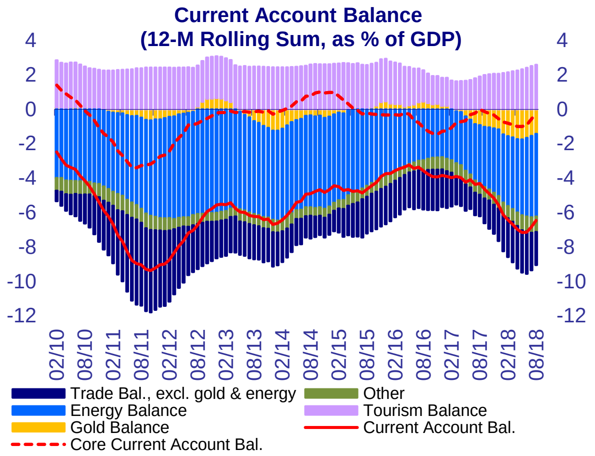


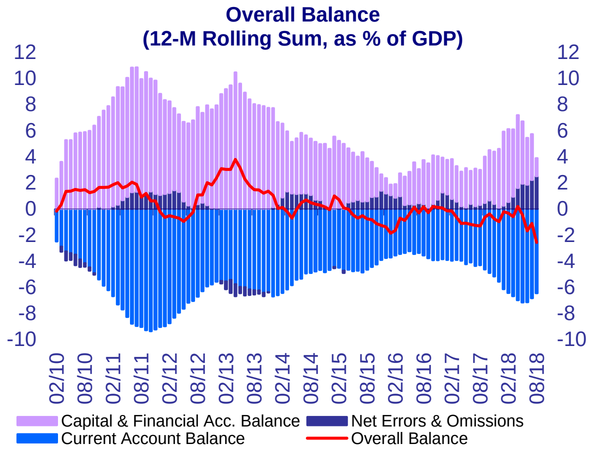
* EMDE: Emerging Market & Developing Economies

Turkey

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







	22 Oct.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	26.6	25.0	22.0	20.0
TRY/EUR	6.50	6.85	6.82	6.80
Sov. Spread (2020, bps)	381	350	310	280

	22 Oct.	1-W %	YTD %	2-Y %
ISE 100	94,682	-4.0	-17.9	20.1

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	3.2	1.0
Inflation (eop, %)	8.8	8.5	11.9	25.0	16.5
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.6	-5.4	-3.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-2.0	-2.0

The fiscal deficit narrowed on a 12-month rolling basis for the first time in 5 months in September (to 2.0% of GDP). The fiscal balance improved by 0.1 pp y-o-y to a deficit of 0.1% of GDP in September, following a cumulative deterioration of 0.6 pps of GDP y-o-y in the first 8 months of the year, stemming mostly from the June snap presidential and parliamentary elections.

Both tax and non-tax revenue were behind the August positive budget performance. The former rose by 0.2 pps of GDP y-o-y, mainly on the back of higher personal income tax and taxes on imports despite weaker proceeds from the special consumption tax following the Government's decision to offset any rise in TRY-denominated energy prices through a lower SCT rate. The latter also increased by 0.2 pps of GDP y-o-y, mainly due to stronger revenue from land amnesty.

On the other hand, expenditure rose by 0.3 pps of GDP y-o-y, on the back of a higher wage bill, current transfers and interest payments.

With the September outturn, the 12-month rolling budget deficit narrowed for the first time in 5 months to 2.0% of GDP from a 6-year high of 2.1% in August – slightly above its end-year target of 1.9%.

Looking ahead, the Government is expected to keep the fiscal deficit in check in the coming months, in its efforts to stabilise the TRY and restore confidence in the Turkish economy amid increasingly less friendly markets towards vulnerable emerging economies. A fiscal consolidation of c. 0.4 pps of GDP in Q4:18 will be sufficient to meet the FY:18 target of 1.9% of GDP. This target is attainable in view of the higher-than-initially-expected Q4:18 nominal GDP and ample room for cuts in capital spending.

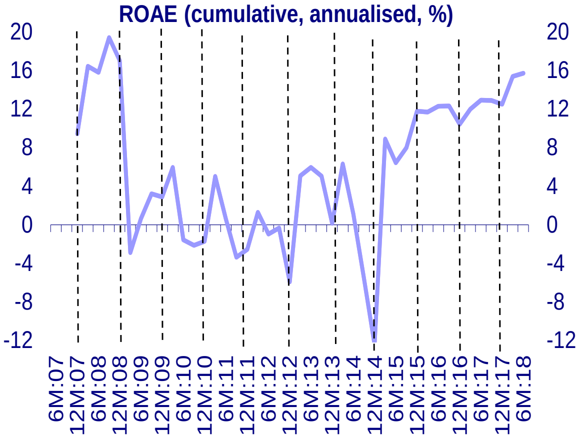
A sharp external adjustment is underway, with the 12-month rolling current account deficit (CAD) narrowing from a 6-year high of 7.2% of GDP in May to 6.5% in August. The current account balance improved significantly, by 0.4 pps y-o-y to a surplus of 0.3% of GDP in August, due to a stronger underlying current account balance (excluding energy and gold, up 0.4 pps of GDP y-o-y), reflecting decelerating domestic demand, more competitive Turkish goods in global markets, as well as buoyant tourism activity, and to a lesser extent, the favourable gold balance (up 0.1 pp of GDP y-o-y), stemming from a normalization in gold imports. Not surprisingly, the energy balance deteriorated (by 0.1 pp of GDP y-o-y), due to higher global oil prices. Importantly, the August outcome confirms that a sharp external adjustment is underway since June (a cumulative 0.7 pps of GDP y-o-y) following 9 consecutive months of deterioration.

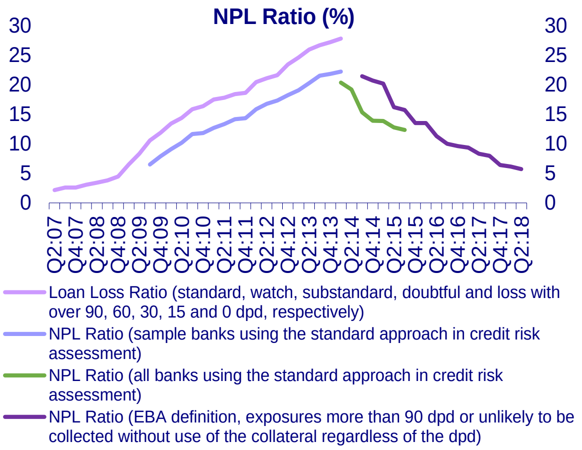
The capital and financial account (CFA) deteriorated sharply in August. The CFA balance turned into a deficit 1.9% of GDP in August from a surplus of 0.3% a year earlier, as the currency crisis culminated due to the absence of an adequate policy response to the country's alarming imbalances and tensions with the US. The deterioration was mainly driven by large deposit placements abroad by domestic banks, (net) portfolio outflows and (net) loan repayments by banks (1.3 pps, 0.5 pps and 0.3 pps of GDP y-o-y, respectively). The bulk of the CFA deficit was covered by a drawdown in FX reserves (1.1% of GDP) and large non-identified inflows (net errors & omissions, 0.5% of GDP).

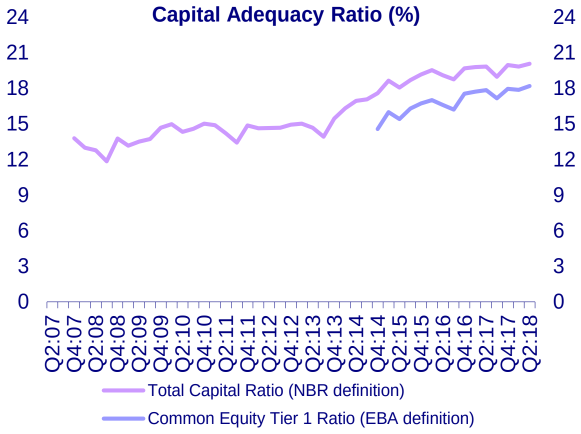
Looking ahead, the CBRT and the Government's strong policy response over the past month, as well as easing geopolitical tensions with the US (following the release in the past week of the pastor, A. Brunson, two years after he was arrested and charged with aiding a coup attempt against President Erdogan) should help improve further the current account in 9-12M:18. We see the 12-month rolling CAD narrowing to 5.4% of GDP in December from 6.5% in August and a 6-year high of 7.2% in May.

Romania

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







	22 Oct.	3-M F	6-M F	12-M F
1-m ROBOR (%)	3.3	3.2	3.0	3.0
RON/EUR	4.66	4.66	4.67	4.68
Sov. Spread (2024, bps)	104	130	120	110

	22 Oct.	1-W %	YTD %	2-Y %	
BET-BK	1,625	1.1	-1.6	23.9	
	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	4.8	7.0	4.2	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	3.7	3.4
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.2	-3.7	-4.5
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-3.6	-3.9

The banking sector's bottom line improved further in Q2:18, mainly due to a slowdown in provisioning. Net profit after tax rose by 24.5% y-o-y to RON 1.8bn (EUR 393mn or 0.2% of GDP) in Q2:18. As a result, net profit amounted to RON 3.6bn in H1:18 (up 33.3% y-o-y), with the annualised ROAA and ROAE rising to post-crisis highs of 1.7% and 15.7%, respectively, from 1.4% and 12.9% in H1:17.

As in previous quarters, the positive performance in Q2:18 can be largely attributed to a slowdown in provisioning, in line with the sharp decline in NPLs. Indeed, the NPL ratio fell to 5.7% in Q2:18 from 8.3% in Q2:17, and a peak of 26.8% in early-2014, mainly on the back of large (NBR-motivated) write-offs and NPL sales (equivalent to c. 10.0% of the current stock of total gross loans). Moreover, following last year's ruling by the Constitutional Court that precludes the retrospective application of the Debt Settlement Law (effectively a no-recourse framework), banks continued to reverse the provisions made for this purpose, further sustaining profitability. That being said, the NPL coverage ratio reached c. 58.0%, among the highest in the EU.

At the same time, we estimate pre-provision income to have remained broadly flat in Q2:18. On the one hand, net interest income (NNI) is estimated to have risen strongly in Q2:18, in line with faster credit expansion (average balances rose by 6.6% y-o-y in Q2:18 against 5.9% in Q1:18 and 4.4% in FY:17). The latter more than offset the impact of higher funding costs (recall that the NBR raised its key rate by 75 bps to 2.5% in H1:18, with money market rates rising far more at the same time -- 120 bps on a 1-month basis). On the other hand, operating expenses rose sharply, due to the upgrade of banks' IT systems and rising inflation (up 5.3% y-o-y in Q2:18 and 4.7% in Q1:18 against just 1.3% in FY:17). All said, the cost-to-income ratio remained flat at 55.9% in Q2:18 -- lower than the EU average (over 60%).

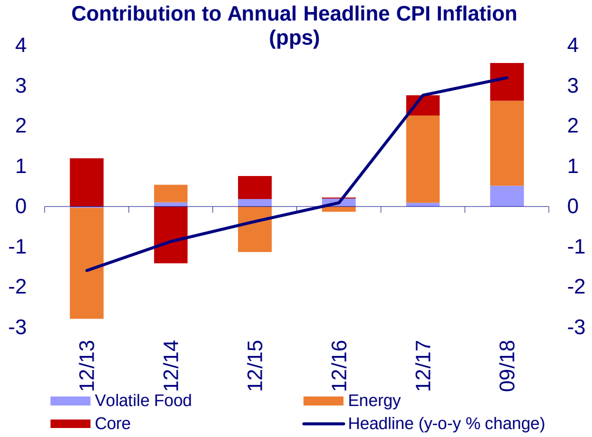
Profitability is set to remain strong throughout the year. Despite the ongoing tightening in monetary policy (we see the NBR hiking its key rate by an additional 25 bps to 2.75% at end-2018), NII should continue to grow at a solid pace, reflecting fast credit expansion against the backdrop of a favourable environment (as suggested by the country's low lending penetration rate -- 26.3% of GDP, well below the SEE-4 average of 46.9% -- and the system's ample liquidity -- the loan-to-deposit ratio stands at 80.0%). This factor should more than compensate for elevated operating expenses, on the back, *inter alia*, of stubbornly high inflation. Importantly, in light of the high NPL coverage and the relatively low NPL ratio, we expect provisioning to remain subdued throughout the year. All said, we see ROAE rising to 15.0% in FY:18 from 12.5% in FY:17.

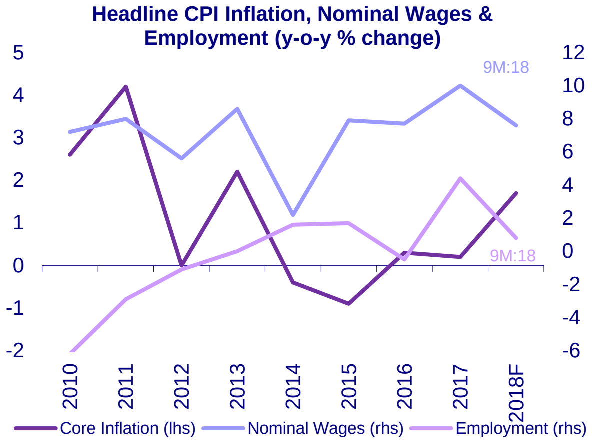
The banking system has strengthened significantly in recent years; however, new vulnerabilities are emerging. Specifically, banks have a large exposure to sovereign risk through large positions in domestic debt (amounting to c. 22% of assets, which is one of the highest ratios in the EU) and state guarantees for First House loans. At the same time, the banking system is becoming increasingly exposed to real estate (mortgages account for 54% of retail loans against 21% in 2008). Moreover, albeit having been reduced significantly since the global financial crisis, the share of FX loans still remains relatively high (c. 34%), with a large share of borrowers being unhedged.

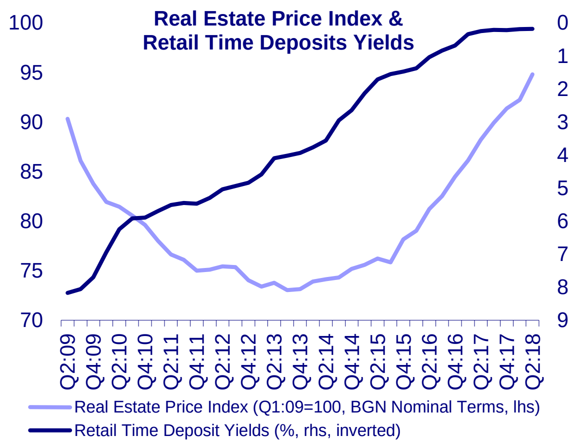
The stress tests recently carried out by the IMF appear to confirm these weaknesses. Indeed, under the baseline scenario, the CET1 ratio for the top 12 banks (accounting for 80% of total assets) would decline to 14.1% by 2020 from 17.1% in 2016, while under the adverse scenario, the ratio would fall even further to 8.2%, with several banks failing to meet regulatory minimum requirements (i.e. 8%).

Bulgaria

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







	22 Oct.	3-M F	6-M F	12-M F
Base Interest Rate (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	44	44	42	40

	22 Oct.	1-W %	YTD %	2-Y %
SOFIX	607	-0.6	-10.4	19.6

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.5	3.9	3.8	3.6	3.4
Inflation (eop, %)	-0.4	0.1	2.8	3.0	2.7
Cur. Acct. Bal. (% GDP)	0.0	2.6	6.5	3.8	2.1
Fiscal Bal. (% GDP)	-2.8	1.6	0.8	0.5	-0.5

Headline inflation rose to a 5½-year high of 3.6% y-o-y in September from 2.8% at end-2017, on the back of higher volatile food prices and stronger domestic demand. Volatile food inflation accelerated in September (to 8.7% y-o-y from 1.5% at end-2017), reflecting negative supply-side effects from a poor summer harvest. At the same time, core inflation (making up 75% of the CPI basket) picked up (to 1.6% y-o-y in September from 0.9% at end-2017). Indeed, despite slower employment and wage growth (up 0.8% and 7.6% y-o-y in H1:18 against 5.5% and 10.4%, respectively, in H2:17), private consumption continued to expand at a solid pace in 9M:18, sustained by wealth effects (housing prices and the stock market gained 20% and 25%, respectively, over the past 2 years) and stronger consumer confidence. Headline inflation would have been higher had energy inflation (up 5.9% y-o-y in September against 6.2% at end-2017) not been held back by a positive base effect from the hikes in administered electricity, gas and heating prices in 9M:17 (adding 0.5 pps to headline inflation).

Headline inflation is set to reverse course and ease modestly by end-2019. We expect headline inflation to decline modestly in Q4:18, in line with the envisaged slowdown in global oil inflation (to 28.1% y-o-y in BGN terms at end-2018 from 45.6% in September) and lower imported inflation from the EU. Note that the impact of the October hike in administered gas and heating prices should be minimal (c. 0.1 pp). Overall, we see headline inflation ending the year at 3.0% y-o-y, marginally higher compared with end-2017 -- up 2.8%.

Headline inflation is set to continue on its mild downward path in FY:19. Indeed, the envisaged normalisation in volatile food prices, combined with favourable global oil prices (down c. 13.0% y-o-y in BGN terms at end-2019 against a rise of 28.1% at end-2018), should more than compensate for stronger demand-side pressures. The latter should be fueled by the loose incomes policy (public wages will reportedly rise 10% from January) and its spillover to the private sector. All said, we see headline inflation easing to 2.7% at end-2019, with core inflation converging towards that level at the same time.

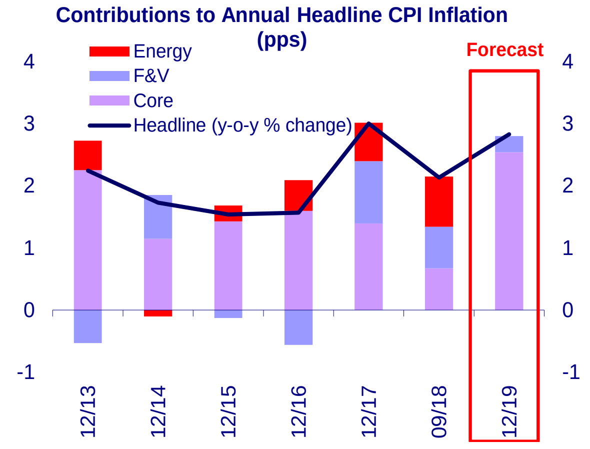
The real estate market maintained its momentum in Q2:18. The Housing Price Index increased strongly in Q2:18 (up 7.5% y-o-y, a somewhat faster pace than in Q1:18 but still slower than in FY:17 -- up 8.7%). As a result, the index is now at its early-2009 level, down 18% from its mid-2008 peak but up 30% from its mid-2013 trough.

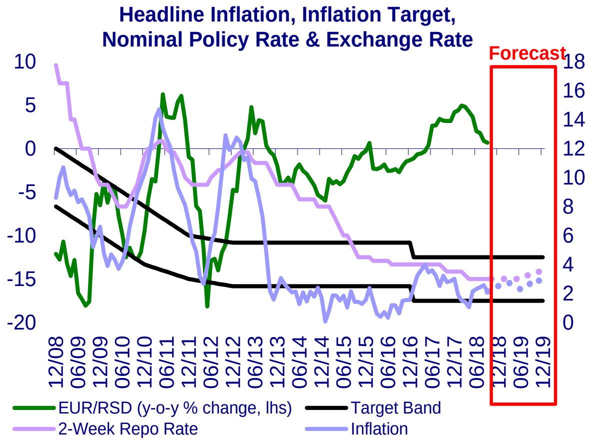
In our view, in addition to the solid economic recovery, a key factor for the pick-up in the real estate market is the sharp decline in retail deposit rates (to 0.2% for both LC and FX deposits in mid-2018 from 2.7% and 2.2% at end-2014, respectively), and bond yields (the 10-year bond yield stood at 1.0% in mid-2018 against 3.5% at end-2014) which, in turn, has increased the attractiveness of real estate as an asset class. Note that rental yields in Sofia stood at 6.0% in mid-2018 against 4.5% at end-2014, highlighting the mismatch between supply and demand for real estate. Against this backdrop, growth in retail deposits has slowed (up by a CAGR of 6.8% in 2015-H1:18 against a CAGR of 12.3% in 2010-14), with investments in real estate picking up. Importantly, FDI in real estate, which was the engine of growth for the sector in the post-crisis period, has shown signs of recovery (0.4% of GDP on a 4-quarter rolling basis in Q2:18 against -0.1% a year ago).

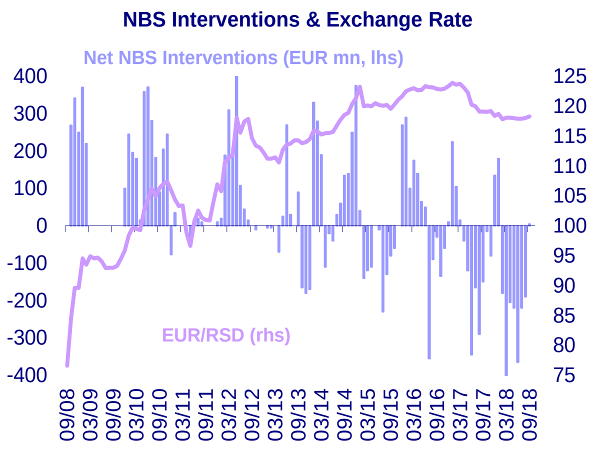
Looking ahead, we expect real estate prices to continue on an upward trend, in line with: i) the solid economic recovery; ii) a further easing in credit standards by banks, in view of the sustained drop in problematic loans (currently accounting for 9.6% of total mortgage loans against a peak of 22.0% at end-2013); and iii) higher FDI inflows to the sector.

Serbia

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







	22 Oct.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.9	3.1	3.5
RSD/EUR	118.4	117.9	117.6	117.4
Sov. Spread (2021, bps)	124	132	126	120

	22 Oct.	1-W %	YTD %	2-Y %
BELEX-15	739	0.1	-2.7	10.3

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

Headline inflation declined to 2.1% y-o-y in September from 3.0% in December -- remaining within the NBS target range of 3±1.5%. Core inflation (that excludes prices of fruit & vegetables and energy, and accounts for c. 78.0% of the CPI basket) moderated to a low of 0.9% y-o-y in September from 1.9% in December, despite increasing demand-side pressures (with private consumption accelerating to 3.1% y-o-y in H1:18 from 1.8% in FY:17). 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) low international food prices, along with a stronger dinar; and iii) a tighter monetary policy stance (an *ex post* policy rate, in real and compounded terms, of 1.2% in 9M:18 -- up from 0.7% in FY:17).

In addition, fruit & vegetable prices eased (contributing 0.8 pps to September inflation against 1.0 pp in December), due to a strong base effect stemming from an unusually cold winter in early-2017.

Nevertheless, energy prices accelerated (contributing 0.8 pps to September inflation against 0.6 pps in December), in line with the rise in global oil prices (rising sharply by 44.3% y-o-y, in RSD terms, in September against a rise of 0.3% in December 2017).

Inflation is set to pick up moderately, reaching 2.5% y-o-y at end-2018. Looking ahead, headline inflation is set to increase gradually in Q4:18, mainly due to the ongoing rebound in domestic demand, ending the year at 2.5% y-o-y -- still well within its target band. Despite the slight rise, end-2018 inflation is set to remain 0.5 pps below its end-2017 outcome, due to the normalization in volatile prices of fruit & vegetables and lower regulated prices.

Next year, inflation is expected to remain on a mild upward path, increasing slightly to 2.8% y-o-y at end-2019, solely on the back of demand-side pressures (supported by pension and public sector wage increases next year, as well as the 8.6% rise in the minimum wage as of January 1st 2019).

NBS to initiate a new cycle of monetary policy tightening in H2:19. The NBS maintained its 2-week repo rate unchanged, for a 6th successive month, at its October meeting, at a record low of 3.0% (remaining well above that of peer countries), following four (unexpected) cuts between September 2017 and April 2018 by a cumulative 100 bps.

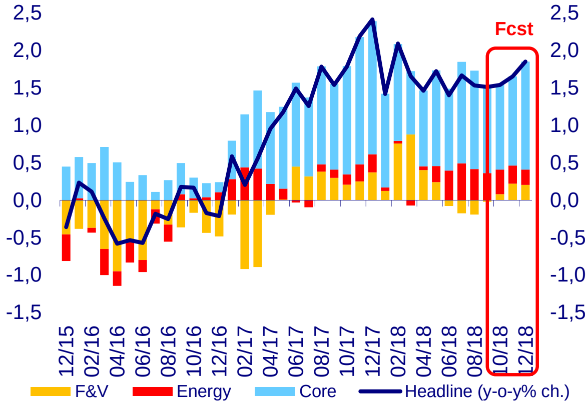
Recall that the NBS proceeded with these cuts -- after a pause of more than a year -- due to the sharper-than-expected decline in headline and core inflation, and the continued appreciation pressures on the RSD. The latter were prompted by the gradual return of confidence, reflecting improved fundamentals, hurting competitiveness of Serbian goods in global markets and thus weakening growth and external accounts. Appreciation pressures on the RSD were, however, dampened through sizeable NBS interventions in the FX market (purchasing EUR 1.6bn in 9M:18, equivalent to 16.0% of end-2017 FX reserves).

Going forward, in view of persistently subdued inflation (remaining below the target midpoint), we expect the NBS to maintain its key rate on hold until Q2:19. Thereafter, the NBS is set to initiate a new cycle of monetary policy tightening, in view of: i) rising inflation in H2:19; ii) a positive output gap by end-2019 for the first time since FY:13 (0.4% in Q4:19 from 0% in Q4:18 and -1.0% in Q4:17); and iii) a rise in rates in neighbouring countries and the ECB. We see the NBS hiking its key rate by a cumulative 50 bps to 3.5% in H2:19 (implying an *ex post* policy rate, in real and compounded terms, of 0.7% at end-2019 up from 0.5% at end-2018).

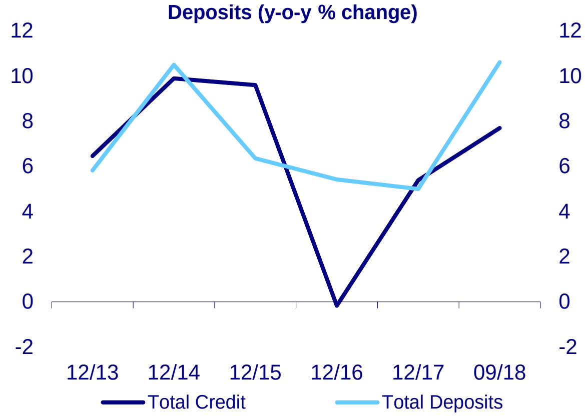
F.Y.R.O.M

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

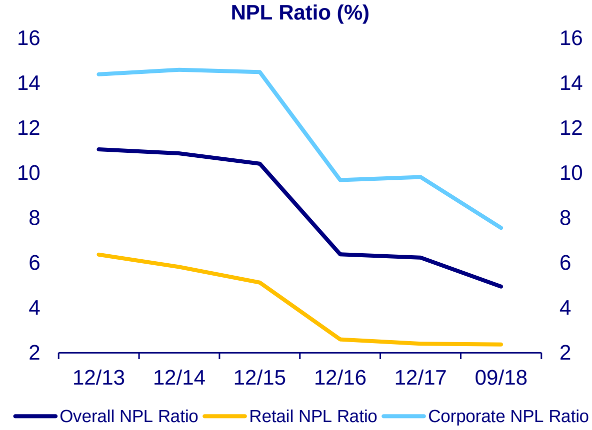
Contributions to Headline Inflation (pps)



Credit to the Private Sector & Customer Deposits (y-o-y % change)



NPL Ratio (%)



	22 Oct.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.3	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	243	210	190	160

	22 Oct.	1-W %	YTD %	2-Y %
MBI 100	3,688	10.3	45.3	81.3

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

Parliament voted to amend the constitution, allowing the country to change its name – a *sine qua non* condition for joining NATO and starting EU accession talks. An "advisory" referendum on the name change agreement reached with Greece in June failed to pass the 50% turnout threshold necessary for the vote to be considered legally valid. Thereafter, PM Zaev sought parliamentary approval to amend the constitution in accordance with the agreement.

Although controlling only 72 seats in the 120-seat parliament, PM Zaev managed to secure the two-thirds majority necessary for the commencement of the drafting of the constitutional amendments, with the support of 8 MPs from the opposition party -- VMRO-DPMNE.

The completion of the revision to the constitution will require parliamentary endorsement of: i) individual changes by a simple majority; and ii) the whole constitution by a two-thirds majority, and could take up to three months. In the event and once the Greek parliament ratifies the agreement, the door will be opened for the country to start EU accession talks and join NATO next year.

Headline inflation slowed to 1.5% y-o-y in September from a 5-year high of 2.4% at end-2017. The deceleration was due to a moderation in core inflation (contributing 0.6 pps to the overall decline between end-2017 and September), driven by lower food inflation (excl. prices of fruit and vegetables, F&V) and favourable base effects from sharp increases in prices of communication services last year. Headline inflation was also held back by a downside correction in volatile F&V prices and would have been more subdued had it not been for higher energy prices.

Looking ahead, we expect headline inflation to rise slightly from 1.5% y-o-y in September to 1.9% at end-year -- below the end-2017 outcome of 2.4%. The pick-up will be driven by stronger demand-side pressures, reflecting the rebound in economic activity, which will, however, be tempered by lower energy inflation, in line with developments in global oil markets.

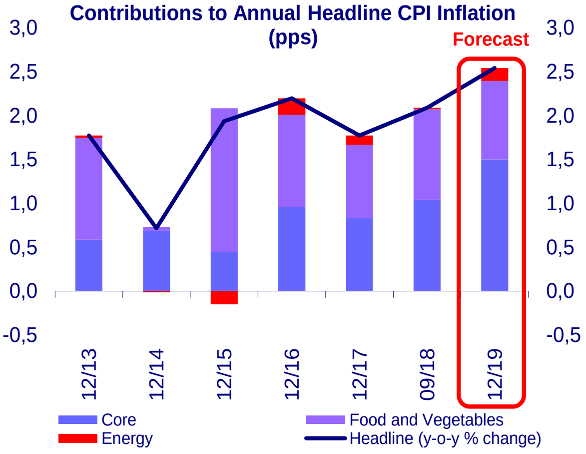
The Central Bank (CB) is set to maintain its key rate on hold at a record low of 2.75% at least until Q3:19. In view of a persistently negative, albeit closing, output gap and the absence of pressures on external and fiscal accounts in the coming quarters, we expect the CB to maintain its central rate unchanged, at least until Q3:19, when the ECB and most neighbouring economies are set to embark on a new cycle of monetary policy tightening. Recall that the CB initiated a cycle of monetary policy loosening in December 2016, cutting the policy rate by a cumulative 125 bps to a record low of 2.75%.

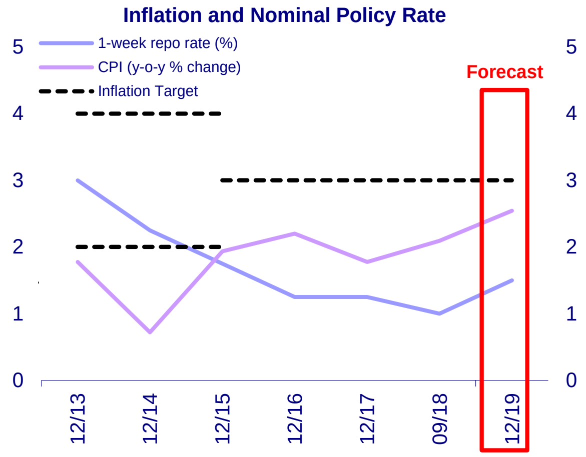
Credit to the private sector reached a 2¼-year high of 7.7% y-o-y at end-Q3:18, on the back of higher supply and demand for loans. Credit activity accelerated to a solid 7.7% y-o-y in September from 5.4% at end-2017, driven by both the retail and corporate segments. The acceleration was driven by both stronger demand and supply for loans. The former was supported by more favourable lending rates and brighter economic prospects, stemming from the country's efforts to secure a start date for EU accession talks next year, while the latter was underpinned by adequate sources of funding (the loan-to-deposit ratio stood at 92.6% at end-Q3:18) and improved bank asset quality. Indeed, the NPL ratio stood at a multi-year low of 4.9% in September – down from a peak of 11.3% in mid-2013.

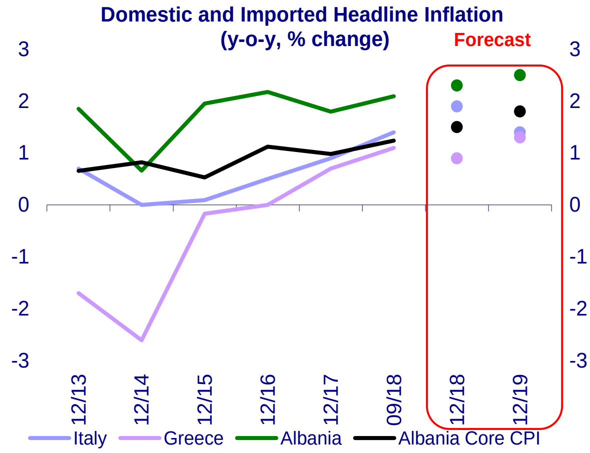
Customer deposit growth reached double-digits at end-Q3:18, due to strengthening confidence in the domestic economy. Indeed, despite more unfavourable deposit remuneration rates, deposits rose by an impressive 10.6% y-o-y in September, up from 5.0% at end-2017, supported by both the retail and corporate segments.

Albania

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







	22 Oct.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.3	2.2	2.2	2.2
ALL/EUR	124.6	132.0	131.3	130.0
Sov. Spread (bps)	226	210	200	180

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

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

Headline inflation has embarked on a mild upward trend since the beginning of the year, albeit remaining at a relatively low 2.1% in September and below its target. Inflation rose moderately to 2.1% y-o-y in September from 1.8% in December. Importantly, although embarking on an upward trend, it has remained well below the BoA's target (of 3.0%) for almost seven successive years.

The increase was mainly driven by higher core inflation (that excludes prices of fruit & vegetables and energy, and accounts for c. 86.0% of the CPI basket). Indeed, core inflation picked up to 1.2% y-o-y in September from 1.0% in December, due to increasing pressures from the gradual recovery in domestic demand (private consumption was up 3.2% y-o-y in H1:18 against a rise of 2.3% in H1:17), the 17.6% increase in tap water prices (adding 0.2 pps to September inflation), the excise hike on tobacco and second-round effects from higher global oil prices. Importantly, albeit rising, core inflation remains subdued, on the back of: i) low imported inflation (supported by low international food prices and relatively low inflation in the main trading partners), combined with the appreciation of the ALL (by 6.1% y-o-y against the EUR in September, reaching a 10-year high); and ii) a still negative output gap.

The rise in the headline inflation was also due to unfavourable volatile prices of fruit & vegetables (contributing 1.0 pp to inflation in September against 0.8 pps in December), stemming from floods and heavy snowfall in early-2018.

Headline inflation to remain on a mild upward trend, rising to 2.3% y-o-y at end-2018 -- 0.5 pps y-o-y above its end-2017 outcome. The expected 0.5 pp y-o-y increase in end-year inflation should result almost exclusively from the pick-up in core inflation, due to mounting domestic demand pressures. Inflationary pressures should, however, be held back by: i) low global food prices and still low inflation in the country's major trading partners, Greece and Italy; ii) the appreciation of the LEK (by an expected 4.6% y-o-y against the EUR at end-2018); and iii) the normalization in fruit & vegetable prices, following a sharp flood-induced rise. Despite its pick-up to a 6-year high, end-year inflation should remain well anchored and far below the BoA's target throughout 2018 for an 8th successive year. Inflation is set to move closer to the BoA's target next year, accelerating to 2.5% at end-2019, solely on the back of firming demand-side pressures.

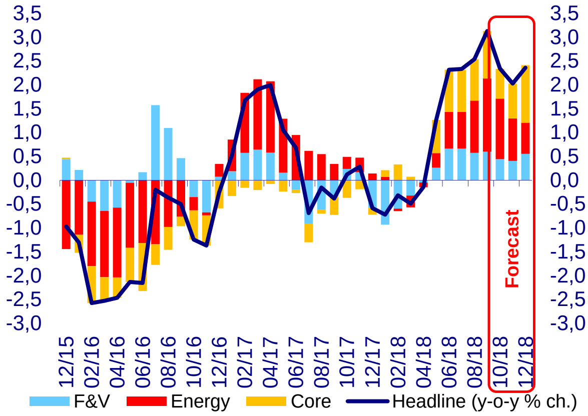
The BoA is set to maintain its key rate on hold until the initiation of a new cycle of monetary policy tightening in Q3:19. The BoA has maintained its key policy rate unchanged, at a record low of 1.0%, since its last 25 bp rate cut in June 2018. Recall that scope for the latest policy rate cut, following a pause of 2 years, was provided by: i) the benign inflation outlook (with inflation significantly undershooting its target); and ii) persisting appreciation pressures on the ALL. Note that the BoA bought EUR 62.8mn in H1:18 in order to increase FX reserves (against EUR 71.2mn in FY:17), while it launched, in June, purchases in the FX market (amounting to ALL 65mn, or 2.2% of end-2017 FX reserves in June) in its efforts to dampen appreciation pressures on the ALL. Moreover, in June, the BoA converted into ALL the EUR 118mn loan disbursed to the state-owned energy company, KESH, by the EBRD to stem the strengthening of the ALL.

Looking ahead, we expect the BoA to maintain its key rate on hold until Q2:19, due to persistently subdued inflation. Thereafter, the BoA is set to initiate a new cycle of monetary policy tightening, in view of: i) accelerating inflation in H2:19; and ii) a rise in rates in neighbouring and the ECB. We expect the BoA to hike its key rate gradually by a cumulative 50 bps to 1.5% in H2:19.

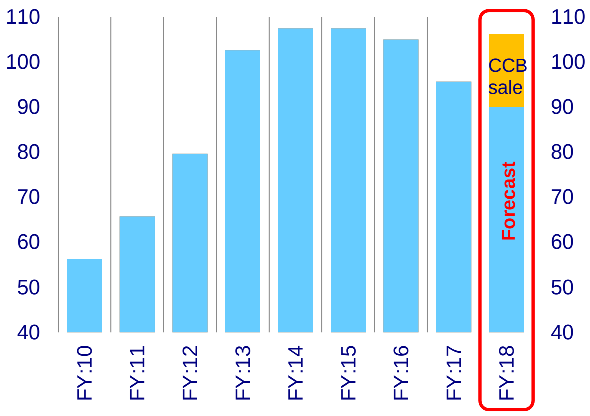
Cyprus

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

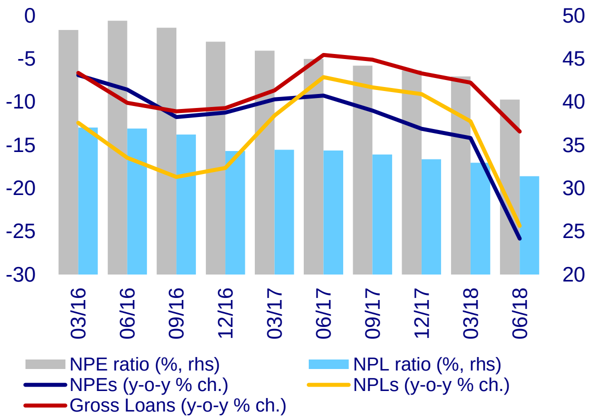
Contributions to Headline Inflation (pps)



Public Debt (% of GDP)



Gross Loans, NPEs and NPLs



	22 Oct.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.15	1.22	1.24	1.26
Sov. Spread (2020. bps)	97	85	72	50

	22 Oct.	1-W %	YTD %	2-Y %
CSE Index	68	0.1	-2.8	2.8

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	4.8	4.2	3.8	3.6
Inflation (eop. %)	-1.0	-0.3	-0.6	2.4	2.0
Cur. Acct. Bal. (% GDP)	-1.5	-5.1	-8.4	-6.9	-8.1
Fiscal Bal. (% GDP)	-1.3	0.3	1.8	2.2	1.9

Headline inflation reached a peak of 3.1% y-o-y in September, but is set to ease by end-year. Headline inflation rose sharply to 3.1% y-o-y in September from -0.6% at end-2017, driven by an across-the-board deterioration in its main components. Indeed, higher energy prices, an upward correction in volatile prices of fruit and vegetables and rising core inflation (in line with building demand-side pressures) contributed 1.4 pps, 1.2 pps and 1.1 pp, respectively, to the overall increase between December and September.

Looking ahead, we expect headline inflation to moderate by end-year, on the back of lower energy inflation, in line with developments in global oil markets (we project the price of Brent to increase by c. 28.0% y-o-y by December against a rise of c. 46.0% in September in EUR terms). With core and volatile food inflation set to fluctuate around their current levels by end-year, we see headline inflation easing to 2.4% y-o-y at end-2018 -- well above the end-2017 outcome of -0.6%.

The EC/ECB 5th Post-Programme Surveillance mission commended the country's significant progress on resolving NPLs. Specifically, the mission noted that:

i) the strong economic recovery continues, contributing to the reduction of the country's vulnerabilities. Indeed, the economy posted impressive growth, for a second consecutive year, of 4.2% in FY:17 and continued to expand at a solid pace of 3.9% y-o-y in H1:18. Moreover, the unemployment rate is declining rapidly – down to 9.0% in H1:18 from 12.1% in H1:17 and a peak of 16.1% in FY:15.

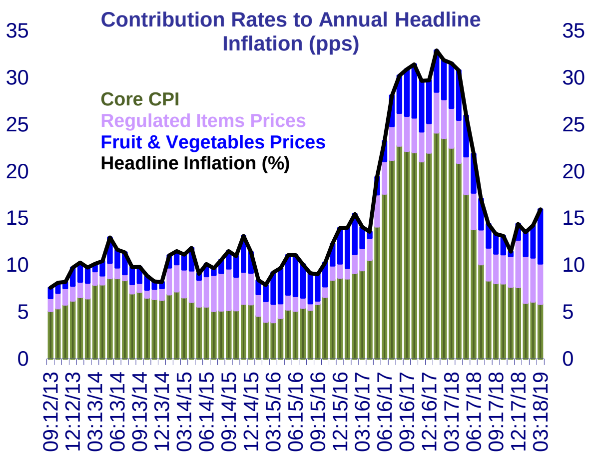
ii) while the fiscal performance remains impressive, continued strict spending discipline is key to reducing risks to public debt sustainability. Indeed, Government efforts to facilitate the sale of Cyprus Cooperative Bank (CCB) to Hellenic Bank (HB, through the issue of bonds worth EUR 3.2bn) in H1:18 pushed the public debt-to-GDP ratio above the 100% threshold (from a 5-year low of 95.7% at end-2017) and could weaken further the country's fiscal position should contingent liabilities from State guarantees to CCB materialize (EUR 2.6bn). Moreover, the introduction of the "*Estia*" subsidy programme (see below) and possible cost overrun from the roll-out of the National Health System next year are set to put pressure on the budget.

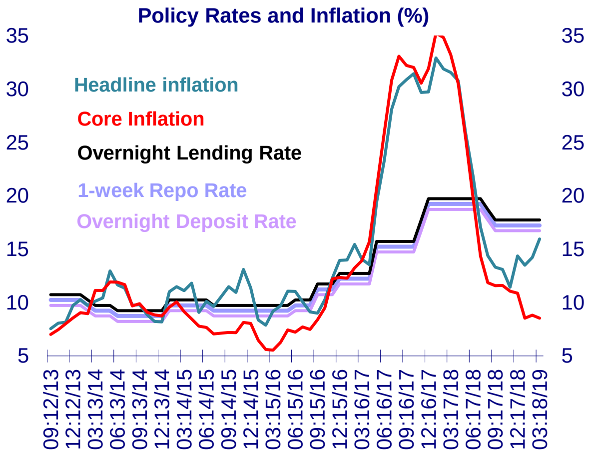
iii) Recent bold moves to clean up banks' balance sheets are set to improve depositor confidence and reduce uncertainty in the financial sector. The moves include: a) the carve-out of CCB's bad loans (EUR 5.7bn); b) the sale of a EUR 2.7bn loan portfolio by Bank of Cyprus; c) the adoption of legislative amendments in July aimed at facilitating NPLs securitisation and sales of loans and strengthening foreclosure and insolvency toolkits; and d) the design of a subsidy programme ("*Estia*") aimed at providing financial assistance to "vulnerable" distressed borrowers (subject to income and wealth criteria) to start servicing their debt secured with their primary residency. The mission stressed, however, the need to: a) mitigate moral hazard risks and fairness issues that could result from the "Estia" scheme through tight eligibility criteria and the prompt initiation of foreclosure in case of re-default; and b) ensure that the "residual" entity of CCB, overtaken by the Government, remains committed to debt recovery and CCB's "healthy" operations are smoothly intergrated into those of the HB.

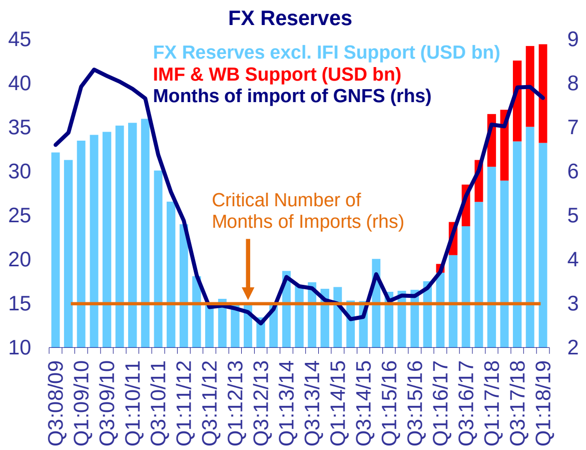
iv) Reinvigorating structural reforms is key to sustaining strong growth in the medium term. The mission underlined the need for: a) completing reforms in the judicial and title deeds frameworks to enhance NPL-related legislative changes; b) improving the business environment to attract value-enhancing investment; c) proceeding with public sector and pension reforms; and d) strengthening financial sector supervision over the insurance sector.

Egypt

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







	22 Oct.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	16.8	18.0	17.0	15.0
EGP/USD	17.9	17.8	18.0	18.0
Sov. Spread (2020. bps)	204	188	162	140

	22 Oct.	1-W %	YTD %	2-Y %
HERMES 100	1,297	1.6	-9.7	77.6

	14/15	15/16	16/17	17/18E	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	5.3	5.8
Inflation (eop. %)	11.4	14.0	29.8	14.4	12.5
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.0	-2.4	-1.8
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.8	-9.0

Headline inflation accelerated temporarily to 16.0% y-o-y at end-Q1:18/19 from 14.4% at end-Q4:17/18 on the back of a sharp rise in volatile prices of fruit & vegetables. Prices of fruit & vegetables increased sharply, by 41.1% y-o-y at end-Q1:18/19 (September 2018) against a rise of 12.1% at end-Q4:17/18 (June 2018), adding 4.1 pps to headline inflation (between June and September). On a positive note, core inflation eased (to 8.6% y-o-y in September from 10.9% in June), reflecting the absence of demand-side pressures, and regulated prices decelerated (up 24.9% y-o-y in September against a rise of 31.4% in June), on the back of supportive base effects, shaving 1.8 pps and 0.8 pps off headline inflation, respectively, between June and September.

Headline inflation is set to end the fiscal year at 12.5% y-o-y (June 2019). Looking ahead, projecting a gradual normalization in prices of fruit & vegetables, continued prudent fiscal-monetary policy mix and a stable domestic currency throughout the rest of the fiscal year, we expect headline inflation to moderate to 14.0% y-o-y in December and 12.5% y-o-y at end-2018/19 (June) – below the end-2017/18 outcome of 14.4% and within the CBE's target range of 10.0%-16.0%. The end-2018/19 forecast includes a new round of adjustments in regulated prices, expected in June, similar to that of a year ago (resulting in a 3.2 pp increase in monthly inflation).

The CBE is likely to remain in a "wait-and-see" mode until the ongoing emerging market volatility subsides. The CBE maintained its overnight deposit, 1-week repo, and overnight lending rates unchanged at 16.75%, 16.25%, and 17.75%, respectively, at its September 27th MPC meeting, in its efforts to dampen depreciation pressures on the EGP and anchor inflation expectations. Indeed, amid a broader global sell-off in emerging markets, foreign holdings of Egyptian T-bills had declined by c. 30% to EGP 269bn (c. USD 15bn) from March to July and the EGP has lost c. 2% of its value against the USD since end-March.

Looking ahead, despite a still negative output gap and continued fiscal consolidation, we do not expect the CBE to resume its cycle of monetary policy loosening, started last February (with a total cut of 200 bps of its key rates), until the ongoing emerging market volatility eases.

FX reserves reached a record high USD 44.5bn at end-Q1:18/19, supported by the solid implementation of the loan agreement with the IMF (signed in November 2016). FX reserves rose by USD 7.9bn y-o-y to USD 44.5bn at end-Q1:18/19 (September 2018, covering 7.7 months of imports of GNFS), mainly on the back of the issuance of USD 6.0bn in Eurobonds, the disbursement of USD 4.0bn by the IMF as part of a USD 12.0bn loan, and the release of the third and final USD 1.2bn tranche from a USD 3.2bn WB loan.

The significant sharp annual increase in FX reserves at end-Q1:18/19 was also supported by large foreign investments in the high-yielding domestic debt market, a sharp recovery in the tourism sector and a significant rise in workers' remittances from abroad.

Encouragingly, non-official sources were the main contributors to the foreign currency build-up. Indeed, since the start of the IMF-supported programme, non-official sources provided USD 15.2bn out of a total increase of USD 25.4bn, reflecting the return of foreign investor confidence. Excluding the IMF and WB support (USD 8.0bn and USD 2.2bn, respectively), FX reserves stood at USD 33.3bn at end-September (covering 5.7 months of imports of GNFS).

Importantly, the comfortable level of FX reserves and the flexible exchange rate regime should help the authorities well manage the increasingly less-friendly global environment for emerging markets.

FOREIGN EXCHANGE MARKETS, OCTOBER 22ND 2018

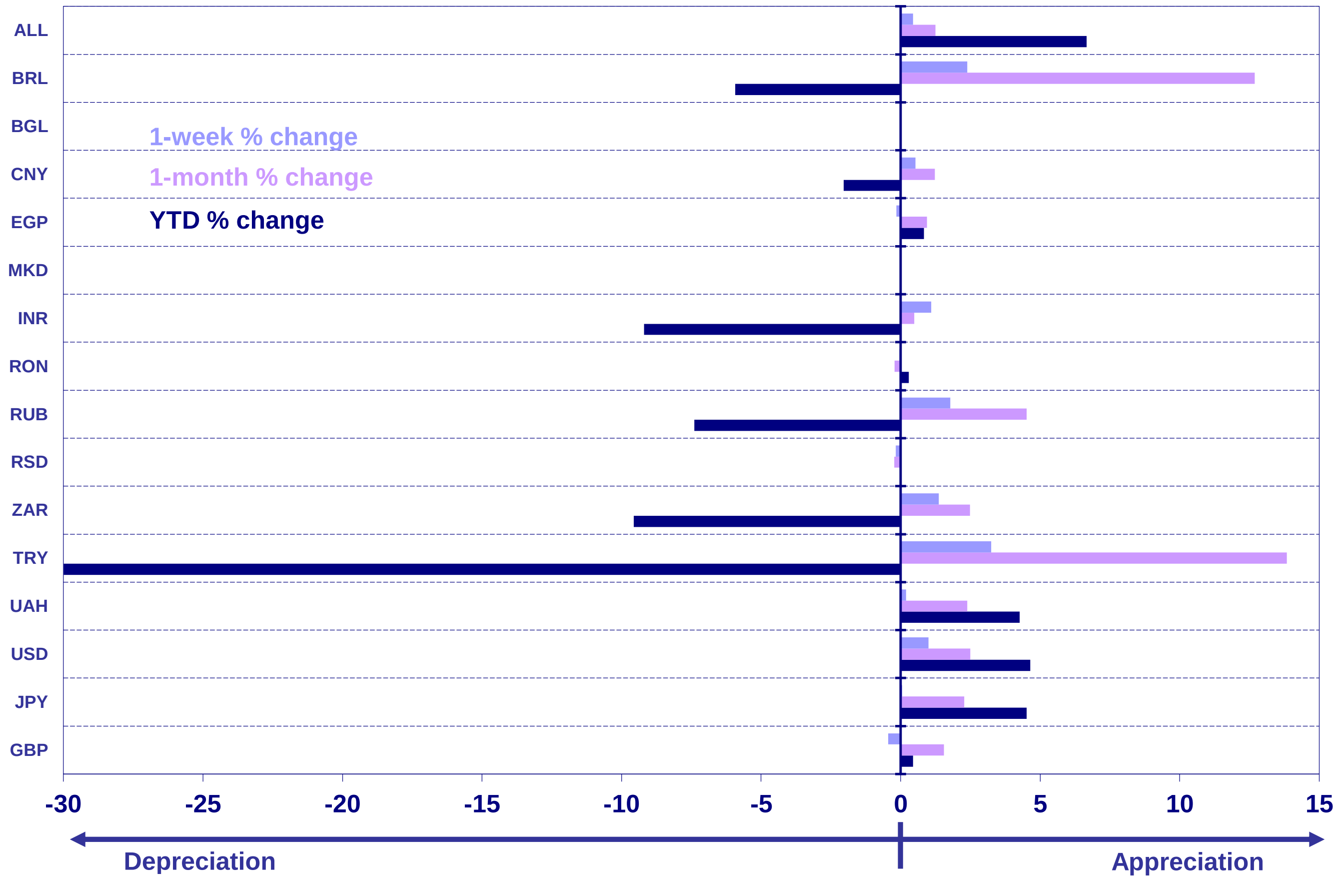
Against the EUR

	Currency	2018										2017	2016
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	124.6	0.4	1.2	6.7	7.0	124.5	134.0	124.8	124.8	124.2	1.9	1.2
Brazil	BRL	4.22	2.4	12.7	-5.9	-10.0	3.85	4.93	4.51	4.52	4.54	-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	7.96	0.5	1.2	-2.0	-2.2	7.39	8.11	8.22	8.24	8.25	-6.0	-4.0
Egypt	EGP	20.66	-0.2	0.9	0.8	0.0	19.50	22.13	- - -	- - -	- - -	-9.4	-55.0
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	84.4	1.1	0.5	-9.2	-9.6	75.9	86.0	91.0	- - -	- - -	-6.7	0.4
Romania	RON	4.66	0.0	-0.2	0.3	-1.5	4.62	4.68	4.71	4.76	4.87	-3.0	-0.4
Russia	RUB	74.7	1.8	4.5	-7.4	-9.6	67.7	81.9	76.1	77.5	80.7	-6.8	22.9
Serbia	RSD	118.4	-0.2	-0.2	0.0	0.7	117.6	119.1	118.7	118.9	- - -	4.2	-1.5
S. Africa	ZAR	16.4	1.4	2.5	-9.6	-1.9	14.18	18.12	16.7	17.1	17.8	-2.7	16.2
Turkey	YTL	6.50	3.2	13.8	-30.0	-32.8	4.48	8.21	6.93	7.38	8.37	-18.4	-14.7
Ukraine	UAH	32.2	0.2	2.4	4.3	-3.2	30.18	36.11	38.4	- - -	- - -	-15.2	-8.6
US	USD	1.15	1.0	2.5	4.6	2.5	1.1	1.3	1.16	1.17	1.19	-12.4	3.3
JAPAN	JPY	129.3	0.1	2.3	4.5	3.0	124.6	137.5	129.4	129.4	129.5	-8.9	6.0
UK	GBP	0.88	-0.4	1.5	0.4	0.7	0.9	0.9	0.89	0.89	0.90	-4.1	-13.5

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (October 22ND 2018)



MONEY MARKETS, OCTOBER 22ND 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	6.4	- - -	2.5	- - -	16.8	- - -	- - -	1.7	7.5	- - -	24.7	6.6	17.8	- - -	2.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.7	7.5	2.3	- - -	6.6	- - -	- - -	- - -
S/W	1.2	6.4	- - -	2.6	-0.4	- - -	1.1	- - -	- - -	7.1	2.3	- - -	7.9	18.2	-0.4	2.2
1-Month	1.3	6.4	0.0	2.7	-0.4	- - -	1.3	7.1	3.3	7.9	2.6	26.6	6.9	18.7	-0.4	2.3
2-Month	- - -	6.5	- - -	- - -	-0.3	- - -	- - -	- - -	- - -	7.9	2.8	27.0	7.0	- - -	-0.3	2.4
3-Month	1.6	6.5	- - -	2.9	-0.3	- - -	1.5	7.5	3.3	8.4	2.9	28.2	7.4	18.9	-0.3	2.5
6-Month	1.8	6.7	- - -	3.3	-0.3	- - -	1.7	- - -	3.5	8.4	3.1	28.9	7.8	- - -	-0.3	2.7
1-Year	2.2	7.3	- - -	3.5	-0.2	- - -	2.0	- - -	3.6	8.4	- - -	29.6	8.4	- - -	-0.2	3.0

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

LOCAL DEBT MARKETS, OCTOBER 22ND 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.9	- - -	7.0	- - -	7.5	- - -	23.7	- - -	- - -	-0.7	2.3
6-Month	1.3	- - -	- - -	- - -	- - -	19.9	- - -	7.2	3.4	7.9	3.3	23.8	- - -	- - -	-0.7	2.5
12-Month	1.7	- - -	-0.1	2.9	- - -	19.9	1.0	7.5	3.5	7.6	3.3	26.5	- - -	18.5	-0.7	2.7
2-Year	2.2	- - -	- - -	3.2	- - -	- - -	- - -	7.6	4.1	7.7	- - -	24.5	6.8	- - -	-0.6	2.9
3-Year	- - -	- - -	0.1	3.2	0.8	- - -	- - -	7.7	4.3	8.2	- - -	21.7	7.7	- - -	-0.5	3.0
5-Year	4.5	9.4	- - -	3.4	1.2	18.6	- - -	7.9	4.8	8.2	3.7	20.7	8.5	- - -	-0.1	3.0
7-Year	- - -	- - -	0.7	- - -	1.8	18.5	- - -	8.0	4.8	8.4	- - -	- - -	- - -	- - -	0.1	3.1
10-Year	6.5	10.2	0.9	3.6	- - -	18.4	- - -	7.9	5.0	8.5	- - -	18.4	9.1	- - -	0.5	3.2
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	8.3	- - -	8.6	- - -	- - -	9.9	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.1	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.3	- - -	- - -	- - -	- - -	10.0	- - -	1.1	3.4

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

CORPORATE BONDS SUMMARY, OCTOBER 22ND 2018

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.875% '21**	EUR	NA/NA	2/8/2021	550	2.2	267	226
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.6	173	157
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	153	112
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	4.7	514	450
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	7.8	478	433
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	13.1	1,003	842
	Vakifbank 5.75% '23	USD	NA/Ba3	30/1/2023	650	10.2	720	630
	TSKB 5.5% '23	USD	NA/Ba3	16/1/2023	350	10.9	788	677
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.3	523	474
	KOC Holding 5.25% '23	USD	BB+/Ba1	15/3/2023	750	7.1	405	370

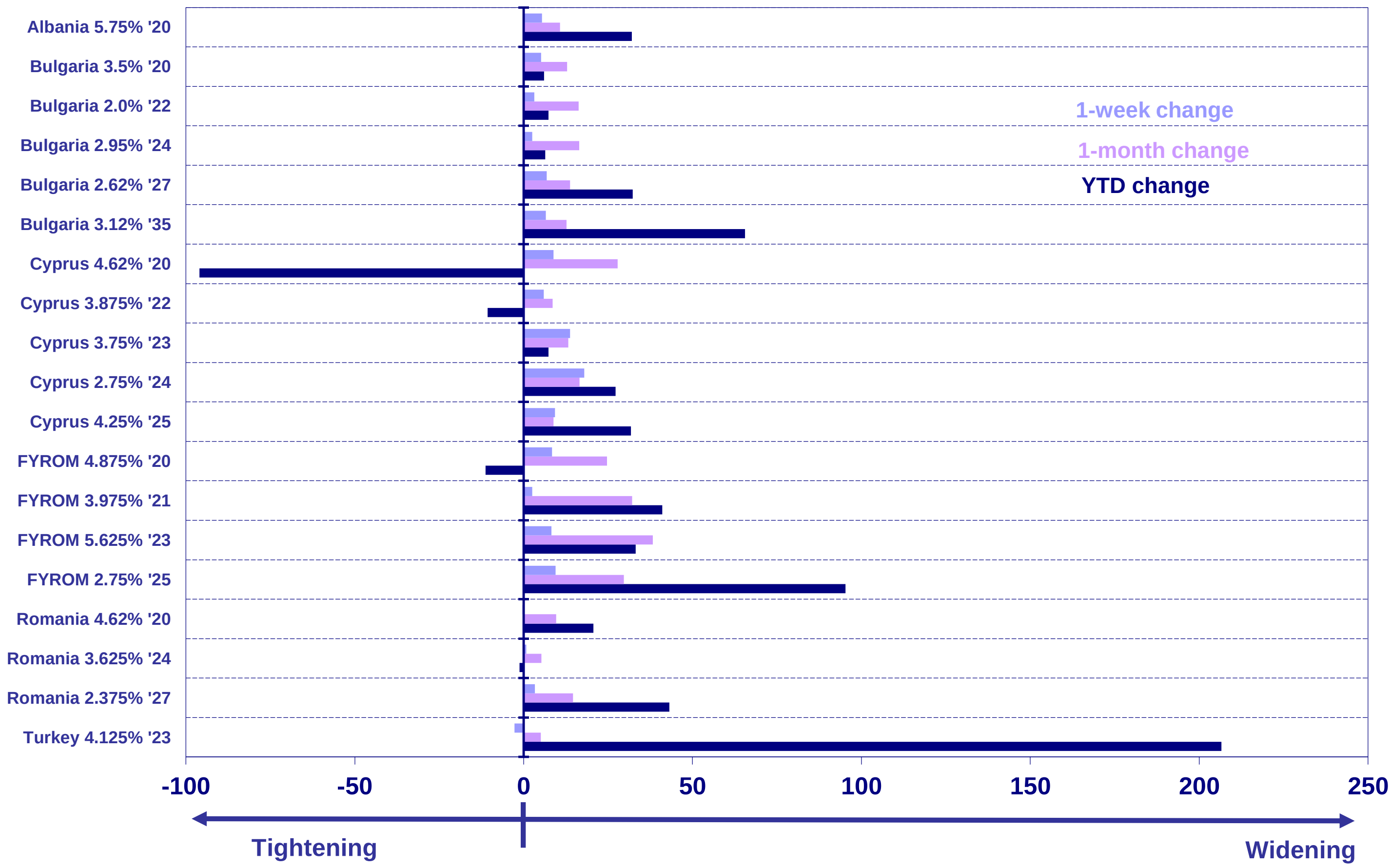
CREDIT DEFAULT SWAP SPREADS. OCTOBER 22ND 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	208	71	67	139	360	- - -	80	98	151	116	388	216	514
10-Year	- - -	284	103	110	158	402	- - -	89	135	211	147	414	280	540

EUR-Denominated Sovereign Eurobond Summary. October 22ND 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.6	226	183
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	73	31
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.1	44	-1
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.7	68	17
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.3	102	55
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.7	196	131
Cyprus 4.62% '20	EUR	BBB-/Ba2	3/2/2020	668	0.3	97	57
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	0.8	115	72
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	1.2	133	94
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	1.5	155	107
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	1.8	175	128
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.2	182	136
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.0	243	438
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.9	303	271
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	3.3	332	263
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.1	71	25
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	1.0	104	61
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.4	207	153
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	4.4	457	404

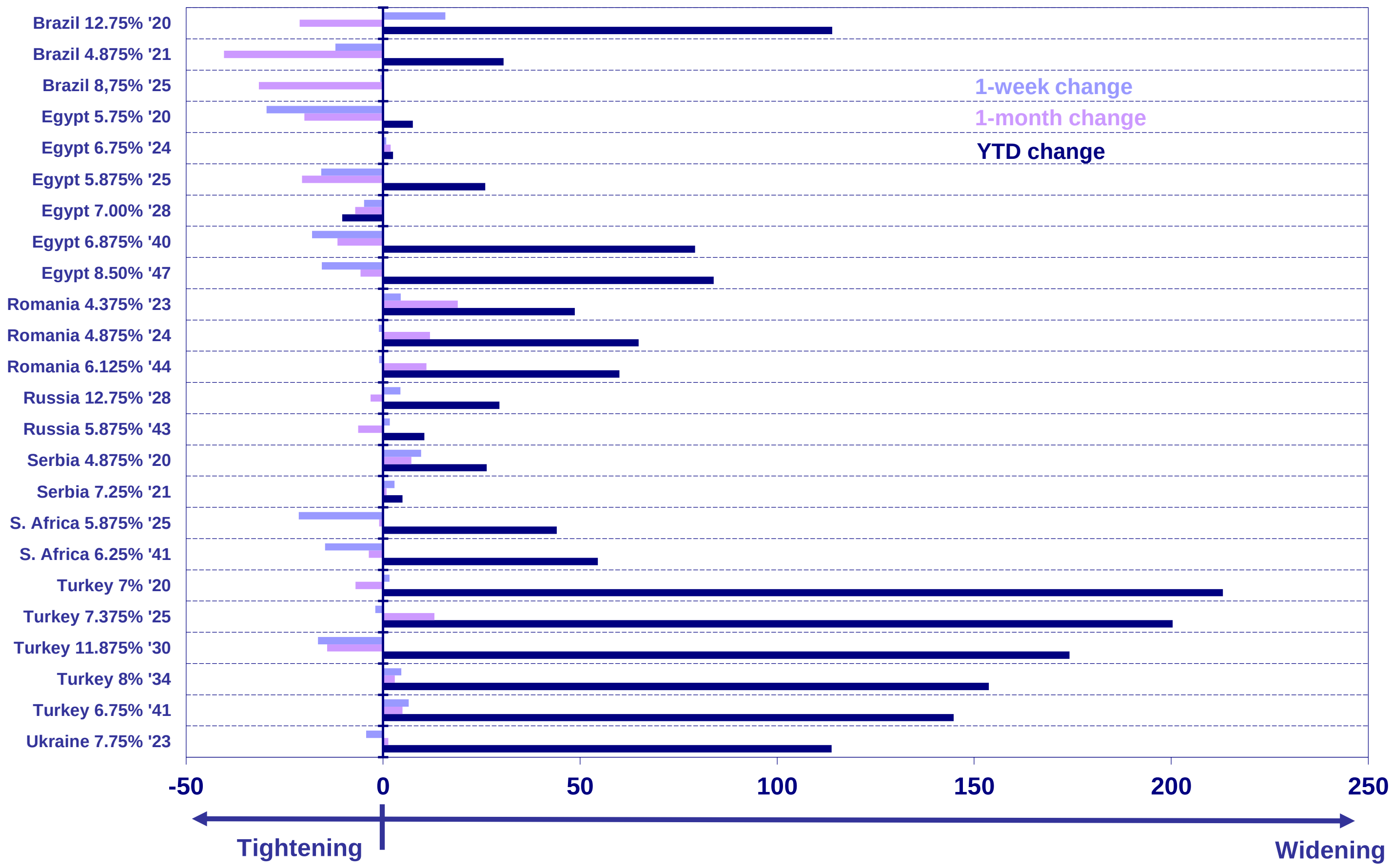
EUR-Denominated Eurobond Spreads (October 22ND 2018)



USD-Denominated Sovereign Eurobond Summary. October 22ND 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	NA/Ba2	15/1/2020	87	3.8	111	87
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	4.0	114	92
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	5.0	190	201
Egypt 5.75% '20	USD	B/B3	29/4/2020	1,000	5.0	204	190
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.5	336	326
Egypt 5.875% '25	USD	B/B3	11/6/2025	500	6.8	367	344
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.8	357	348
Egypt 6.875% '40	USD	B/B3	30/4/2040	1,500	8.2	487	438
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	8.7	535	524
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	4.4	133	118
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	4.4	138	123
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	5.5	212	229
Russia 12.75% '28	USD	BBB-/Ba1	24/6/2028	2,500	5.1	193	248
Russia 5.875% '43	USD	BBB-/Ba1	16/9/2043	1,500	5.5	214	225
Serbia 4.875% '20	USD	BB/Ba3	25/2/2020	1,500	4.1	142	108
Serbia 7.25% '21	USD	BB/Ba3	28/9/2021	2,000	4.2	124	110
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	5.8	263	252
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	6.6	320	312
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	6.7	381	361
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	7.6	445	427
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	7.9	468	536
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	8.1	487	466
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	8.0	460	392
Ukraine 7.75% '23	USD	B-/Caa2	1/9/2023	1,355	8.4	537	506

USD-Denominated Eurobond Spreads (October 22ND 2018)



Stock Markets Performance. October 22ND 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)	85,597	2.7	7.7	12.0	13.5	69,069	88,318	4.9	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	607	-0.6	-2.7	-10.4	-9.1	605	721	-10.4	15.5	15.5	27.2	27.2
China (SHCOMP)	2,655	3.4	-5.1	-19.7	-21.5	2,449	3,587	-21.3	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	68	0.1	-6.3	-2.8	-9.3	65	77	-2.8	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,297	1.6	-2.8	-9.7	-1.2	1,243	1,741	-8.4	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	3,688	10.3	7.5	45.3	40.2	2,536	3,531	45.3	18.9	18.9	16.5	16.5
India (SENSEX)	34,134	-2.1	-7.3	0.2	5.0	32,484	38,990	-9.0	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,625	1.1	0.7	-1.6	-0.9	1,573	1,802	-1.3	22.8	19.1	0.2	0.0
Russia (RTS)	4,148	-2.9	-6.1	0.6	-4.7	4,017	4,617	-6.8	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	739	0.1	0.9	-2.7	1.5	719	785	-2.7	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	52,204	-0.5	-8.7	-12.3	-10.0	51,353	61,777	-20.7	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	94,682	-4.0	-3.4	-17.9	-11.8	84,655	121,532	-42.5	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	561	1.2	4.0	77.9	88.0	315	561	85.5	18.8	0.8	10.2	1.0
MSCI EMF	983	1.2	-6.5	-15.2	-11.9	950	1,279	-11.2	34.3	17.7	8.6	12.2
MSCI EAFE	1,841	-0.4	-7.7	-10.2	-7.8	1,848	2,187	-6.1	21.8	6.7	-1.9	1.4
Greece (ASE-General)	627	-1.2	-10.3	-21.9	-14.7	611	896	-21.9	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	11,524	-0.8	-7.3	-10.8	-11.4	11,459	13,597	-10.8	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,043	0.2	-6.0	-8.4	-6.4	6,867	7,904	-8.0	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	25,317	0.3	-5.3	2.4	8.8	23,243	26,952	7.2	25.1	9.6	13.4	16.7
USA (S&P 500)	2,756	0.2	-5.9	3.1	7.4	2,533	2,941	7.9	19.4	4.7	9.5	13.2

Equity Indices (October 22ND 2018)