NATIONAL BANK OF GREECE

Economic Analysis Division
Emerging Markets Research

Bi-Weekly Report

11 – 24 July 2017

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

Paul Mylonas, PhD
✉ : pmylonas@nbg.gr

Emerging Markets Research

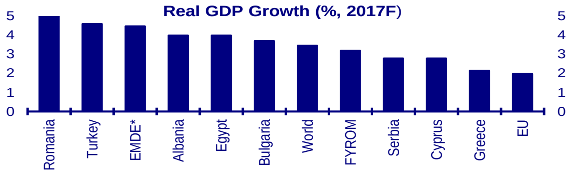
Head: **Michael Loufir**
☎ : +30 210 33 41 211
✉ : mloufir@nbg.gr

Analysts:

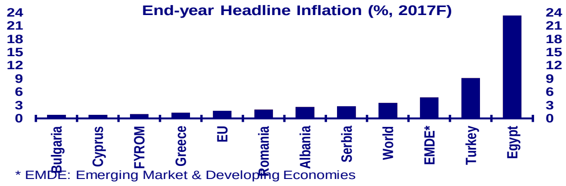
Konstantinos Romanos-Louizos
✉ : romanos.louizos.k@nbg.gr

Louiza Troupi
✉ : troupi.louiza@nbg.gr

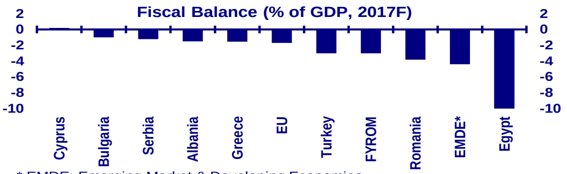
Athanasios Lampousis
✉ : lampousis.athanasios@nbg.gr



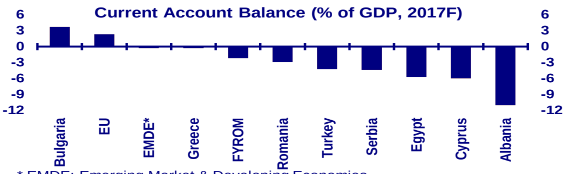
* EMDE: Emerging Market & Developing Economies



* EMDE: Emerging Market & Developing Economies



* EMDE: Emerging Market & Developing Economies

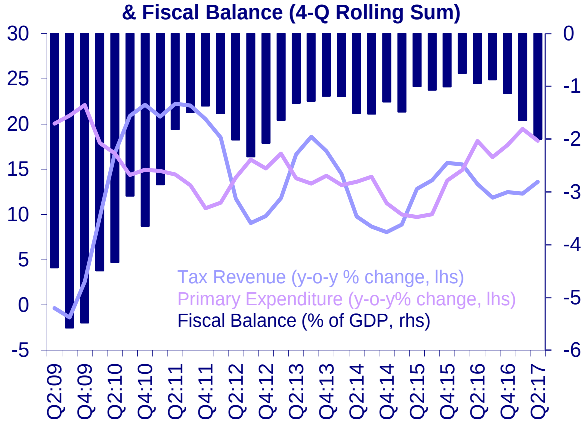


* EMDE: Emerging Market & Developing Economies

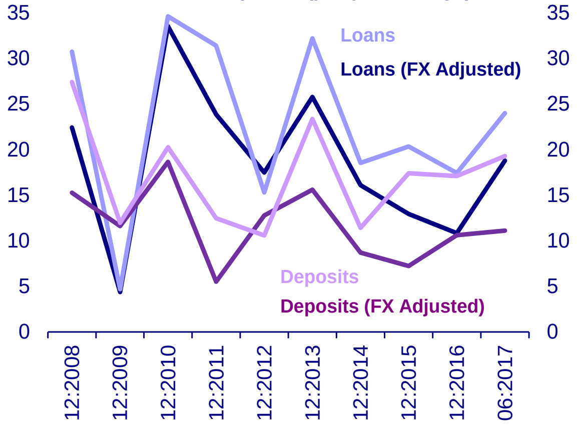
Turkey

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

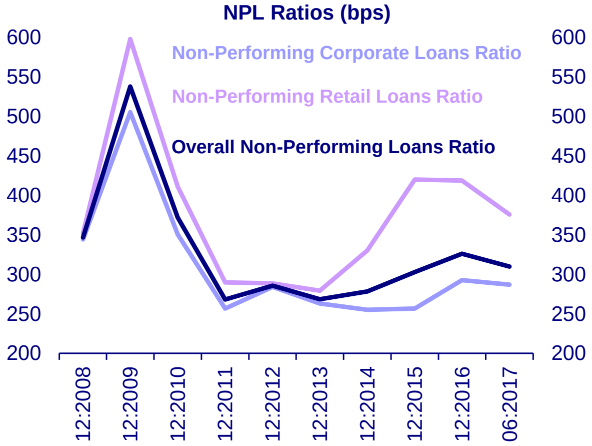
Tax Revenue, Primary Expenditure & Fiscal Balance (4-Q Rolling Sum)



Loans and Deposits (y-o-y % change)



NPL Ratios (bps)



	24 July	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.0	12.5	12.0	11.0
TRY/EUR	4.14	4.00	3.90	3.80
Sov. Spread (2020, bps)	185	182	175	170

	24 July	1-W %	YTD %	2-Y %
ISE 100	106,711	0.5	36.6	35.6

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	5.2	6.1	2.9	4.6	4.2
Inflation (eop, %)	8.2	8.8	8.5	9.2	7.8
Cur. Acct. Bal. (% GDP)	-4.7	-3.7	-3.8	-4.3	-4.2
Fiscal Bal. (% GDP)	-1.1	-1.0	-1.1	-3.0	-2.5

Fiscal easing accelerated in H1:17, in a bid to boost economic activity. The fiscal balance deteriorated by 0.9 pps of GDP y-o-y in H1:17, after having weakened by 0.4 pps of GDP y-o-y in the 5 months following the July 2016 failed coup, reflecting *inter alia* the Government's efforts to boost economic growth. The H1:17 negative performance was driven by higher primary expenditure (up 0.4 pps of GDP y-o-y) and lower revenue (down 0.5 pps of GDP y-o-y). The rise in primary expenditure reflects mainly more generous transfers (health & retirement spending, social assistance, up 0.5 pps of GDP y-o-y), while the decline in overall revenue resulted from weaker privatisation proceeds, dividends, and tax revenue (down 0.2 pps, 0.2 pps, and 0.1 pp of GDP y-o-y, respectively). The latter is attributed to lower special consumption tax (largely reflecting tax cuts in white goods & furniture).

With the H1:17 outturn, the 12-month rolling budget deficit widened sharply to 2.0% of GDP in June from 1.1% in December 2016 and 0.9% in June 2016 –above the FY:17 target of 1.6%.

Looking ahead, the cycle of fiscal policy loosening is set to continue during the rest of the year. As a result, the FY:17 fiscal deficit could reach 3% of GDP, unless policy is tightened. In the event, the outcome would provide a fiscal stimulus to the economy of c. 2 pps of GDP in FY:17, on a cyclically-adjusted basis, accelerating GDP growth from 2.9% in 2016 to an estimated 4.6% in 2017.

Importantly, provided that the monetary policy stance remains tight until end-year (with CBRT's funding rate fluctuating between 1.8% and 3.2% in real terms), the expected fiscal loosening this year is unlikely to be market negative, as the general government gross debt-to-GDP ratio has moderated significantly from a peak of 76.1% in 2001 to 28.3% at end-2016 -- comparing favourably with the (IMF-calculated) average of "Emerging market and developing economies" of 47.2% of GDP.

Lending activity (FX-adjusted) rose sharply in H1:17, benefiting from relaxed macro-prudential measures and the Government's credit guarantees. Lending growth, adjusted for FX variations, rose to a 3-year high of 18.8% y-o-y at end-June from 10.8% at end-2016 -- compared with the CBRT's implicit reference level of 15.0%.

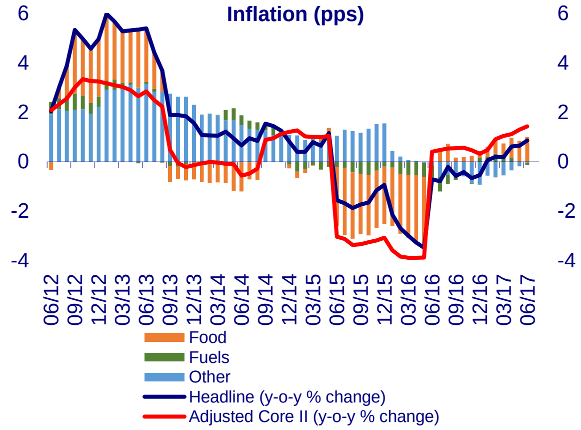
The acceleration was largely driven by the relaxation of some of the macro-prudential measures, implemented over the past 5 years, to curb domestic demand, and thus prevent an overheating of the economy and preserve financial stability. Indeed, in a bid to revive economic activity, which slowed sharply following the mid-July 2016 failed coup, the BRSA increased the term limits for consumer loans and credit cards, and lowered the provisioning on unsecured retail loans. As a result, retail lending growth reached a 3-year high of 15.8% y-o-y in June from 10.1% at end-2016 and a 7-year low of 5.7% in the wake of the failed coup (i.e. in July). Moreover, the Government's Credit Guarantee Fund, established last October to stimulate lending to SMEs, has also contributed to the rebound in (FX-adjusted) corporate lending growth to a 2-year high of 20.3% y-o-y in June from 11.1% at end-2016 and a recent low of 9.7% in July 2016.

The overall NPL ratio declined to a 1½-year low of 3.1% at end-H1:17. The overall NPL ratio declined to 3.1% in June from 3.3% at end-2016. The improvement was mainly supported by a strong recovery in economic activity (nominal GDP growth is estimated to have risen to 15.0% y-o-y in H1:17 from 12.7% in H2:16). The positive trend in the NPL ratio was also underpinned by: i) regular sales of retail unsecured NPLs by private banks; and ii) relaxed regulations on the restructuring of corporate loans in shipping, tourism and energy industries.

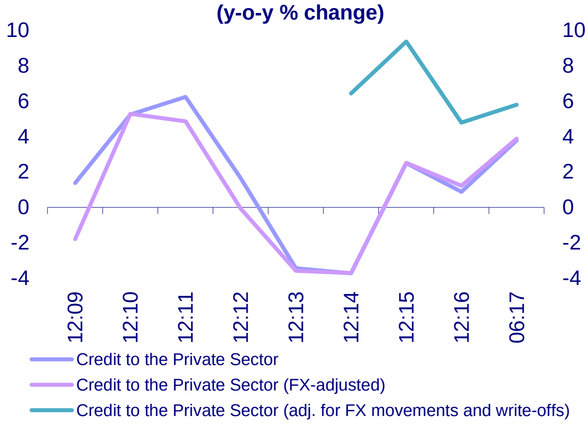
Romania

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

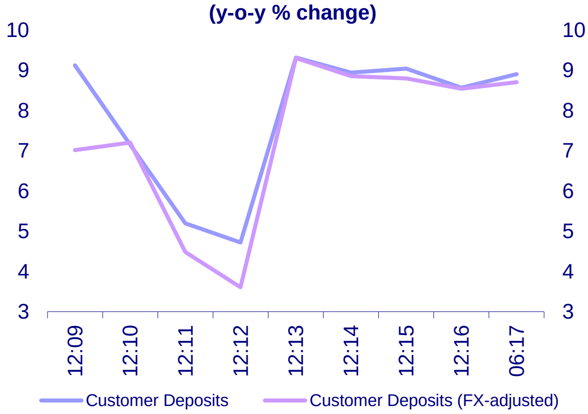
Contributions to Annual Headline CPI Inflation (pps)



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



Customer Deposits (y-o-y % change)



	24 July	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	1.0	1.3	2.0
RON/EUR	4.56	4.56	4.55	4.55
Sov. Spread (2024, bps)	139	135	128	120

	24 July	1-W %	YTD %	2-Y %
BET-BK	1,617	1.6	20.3	14.2

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.1	3.9	4.8	5.0	4.2
Inflation (eop, %)	0.8	-0.9	-0.5	2.0	2.6
Cur. Acct. Bal. (% GDP)	-0.7	-1.2	-2.3	-2.9	-3.3
Fiscal Bal. (% GDP)	-1.7	-1.5	-2.4	-3.8	-4.5

Headline inflation rose to a 2-year high of 0.9% y-o-y in June from -0.5% at end-2016, on the back of stronger domestic demand and higher food prices. After 1½ years of deflation, headline inflation has turned positive since January, due to the "dropping out" of the base effect from the 4 pp cut in the VAT rate in January 2016, and reached a 2-year high of 0.9% y-o-y in June. The sharp rise in headline inflation between December and June was mainly driven by a pick-up in food inflation (to 2.9% y-o-y in June from 0.7% in December), on the back of stronger-than-usual seasonal patterns for volatile food prices. Excluding volatile and regulated prices, adjusted core II inflation rose to 1.4% y-o-y in June from 0.3% at end-2016, reflecting stronger domestic demand, on the back of a looser incomes policy.

Inflation is set to continue on its upward trend during the remainder of the year. Looking ahead, stronger domestic demand, on the back of a further easing in fiscal policy (pensions rose by an additional 9.0% in July), together with the hike in electricity prices in July (up 8.0%, adding c. 0.5 pps to headline inflation) and higher imported inflation, should put further pressure on inflation. Overall, we see headline inflation rising to 2.0% at end-2017, still within the NBR's target range (2.5±1%). Adjusted core II inflation could rise even further to 2.6% at end-2017. The projected pick-up in headline inflation combined with the ongoing pro-cyclical fiscal easing (we see the budget deficit widening to 3.8% of GDP in FY:17 from 2.4% in FY:16, pushing up GDP growth to 5.0% in 2017) should prompt the NBR to tighten its policy stance. All said, we expect the NBR to raise its key rate by 225 bps to 4.0% by year-end (2.0% in real and compounded terms).

Credit activity picked up in H1:17. Credit to the private sector rose by 3.8% y-o-y in June against 0.9% at end-2016. However, the pace of credit expansion is understated due to large write-offs, which have pushed down the NPL ratio to an estimated 9.0% in June from 11.3% a year ago and a peak of 26.8% in early-2014. Adjusted for FX movements and write-offs, credit to the private sector is estimated to have increased by 5.8% y-o-y in June against 4.8% at end-2016.

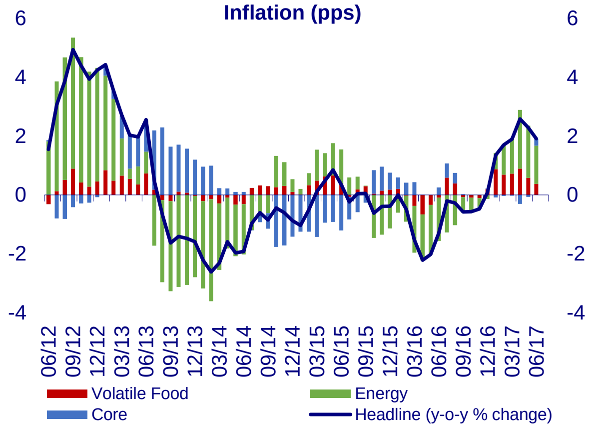
Specifically, FX lending continued to decline in June (down 10.0% y-o-y in FX-adjusted terms, albeit at a slower pace compared with end-2016 -- down 13.3%), due to the restrictive measures implemented by the NBR (tougher affordability tests, higher down-payments on unhedged FX loans). At the same time, against the backdrop of ample RON liquidity (the LC loan-to-deposit ratio stood at 74.3% in June), LC lending continued to rise at a solid pace (up 14.8% y-o-y following a similar rise at end-2016). From a segment perspective, retail lending was the main driver (up 5.8% y-o-y in FX-adjusted terms in June against a rise of 5.3% at end-2016), with corporate lending recovering (up 1.8% y-o-y in FX-adjusted terms in June against a drop of 2.9% at end-2016).

Deposit growth maintained its momentum in H1:17, underpinned by strong economic activity. Customer deposits grew by a strong 8.8% y-o-y in FX-adjusted terms in June, following a rise of 8.5% at end-2016. Specifically, LC deposits (up 10.3% y-o-y in June following a similar rise at end-2016) continued to overperform against FX deposits (up 5.2% y-o-y in FX-adjusted terms in June against 4.3% at end-2016), in line with the higher rates offered (0.6% for LC time deposits against 0.3% for FX time deposits). From a segment perspective, retail deposits continued to grow at a solid pace in June (up 9.0% y-o-y in FX-adjusted terms against 11.0% at end-2016), reflecting the impact of a loose incomes policy, with corporate deposits picking up (by 8.3% y-o-y in FX-adjusted terms in June against 4.2% at end-2016).

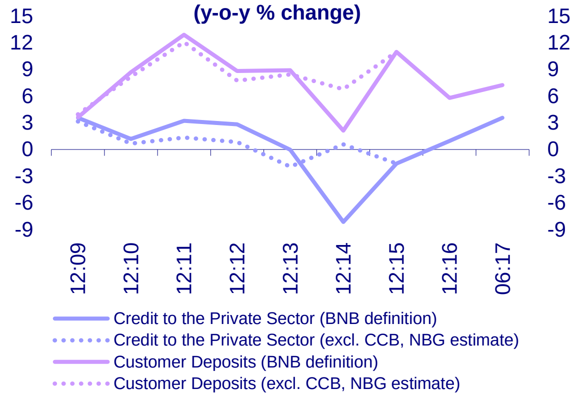
Bulgaria

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

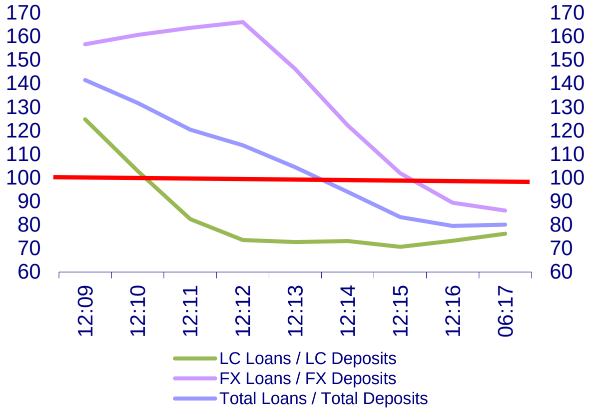
Contributions to Annual Headline CPI Inflation (pps)



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



Loans / Deposits (%)



	24 July	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	56	56	58	60

	24 July	1-W %	YTD %	2-Y %
SOFIX	713	0.3	21.6	49.6

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.3	3.6	3.4	3.7	3.5
Inflation (eop, %)	-0.9	-0.4	0.1	0.8	1.4
Cur. Acct. Bal. (% GDP)	0.1	-0.1	4.2	3.7	3.2
Fiscal Bal. (% GDP)	-3.7	-2.8	1.6	-1.0	-0.5

Headline inflation declined to 1.9% y-o-y in June from its peak of 2.6% in April, following a slowdown in volatile food and energy inflation, but remained higher compared with end-2016 (0.1%). Volatile food inflation moderated further in June (to 6.5% y-o-y from its peak of 15.0% in April), as negative supply-side effects from adverse weather conditions in early-year continued to fade out, but remained higher compared with end-2016 (up 3.5%). Energy inflation exhibited a similar behaviour (up 3.8% y-o-y in June against a high of 5.8% in April, still higher though compared with end-2016 -- down 0.4%), in line with developments in global oil markets. Excluding volatile food and energy prices, core inflation continued on an upward trend, reaching 0.4% y-o-y in June against 0% at end-2016, on stronger domestic demand.

Headline inflation to remain on a downward trend throughout H2:17. Looking ahead, stronger domestic demand, on the back of a sizeable fiscal impulse (c. 1.1 pp of GDP y-o-y in H2:17) should put upward pressure on inflation. This pressure should be more than offset, however, by the normalization in volatile food prices and the slowdown in energy inflation (we see the price of Brent down 10.0% y-o-y in BGN terms at end-year against a decline of 4.8% y-o-y in June). All said, we see headline inflation ending 2017 at a 5-year high of 0.8%. At the same time, core inflation should converge towards headline inflation.

Credit expansion strengthened further in H1:17. Credit to the private sector expanded by 3.6% y-o-y in June against 1.0% at end-2016. Specifically, FX lending continued to decline in June (down 11.9% y-o-y following a similar decline at end-2016), despite the lower interest rates offered (3.8% for FX loans against 5.7% for LC loans) and the absence of FX risk. At the same time, LC lending gained momentum (up 17.4% y-o-y in June following a rise of 12.7% at end-2016), on the back of ample BGN liquidity (the LC loan-to-deposit ratio stood at 78%). Both the retail and corporate segments expanded at a broadly similar pace in June (up 3.8% and 3.2% y-o-y, respectively, against increases of 1.4% and 0.2% at end-2016).

In our view, the pick-up in credit expansion is due to the gradual easing in credit standards by banks. Indeed, the solid economic recovery, combined with the increased transparency in the aftermath of the 2016 AQR and the continuing decline in the NPL ratio (to 12.6% in March from 12.9% at end-2016 and 14.5% at end-2015), appear to have increased banks' appetite for lending.

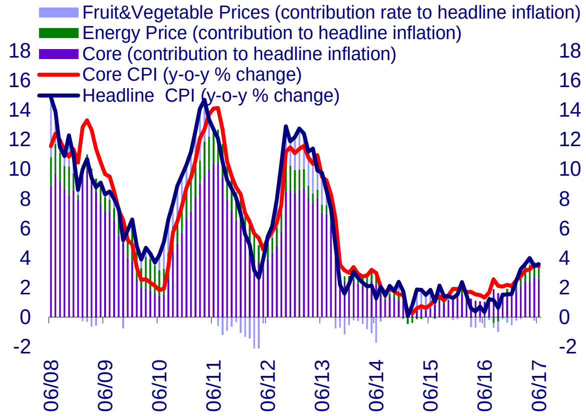
Customer deposits gained momentum in H1:17, due to solid economic growth. Growth in customer deposits strengthened to 7.1% y-o-y in June from 5.8% at end-2016. The pick-up in deposit growth was driven by the corporate segment (up 9.7% y-o-y in June against 4.8% at end-2016). At the same time, retail deposits continued to expand at a solid pace (up 5.9% y-o-y in June, following a similar rise at end-2016). From a currency perspective, despite comparable deposit rates offered (0.4% for both LC and FX time deposits), LC deposits (up 9.6% y-o-y in June against 8.8% at end-2016) continued to overperfrom against FX deposits (up 3.2% y-o-y in June against 1.4% at end-2016), pointing to a declining deposit euroization (FX deposits accounted for 39% of total deposits in June against a peak of 54% at end-2009).

Credit activity is set to gain momentum during the remainder of the year. Against the backdrop of increased liquidity in the banking system (the loan-to-deposit ratio stood at 80% in June), credit expansion should improve, in line with the continuing economic recovery and the sustained decline in NPLs (to 10.0% at end-2017). Stronger demand for real estate should also help. All said, we expect credit to the private sector to expand by 5.0% in FY:17, still below deposit growth (up 9.0%).

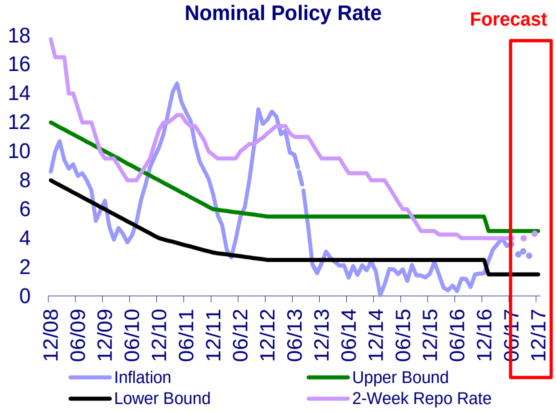
Serbia

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

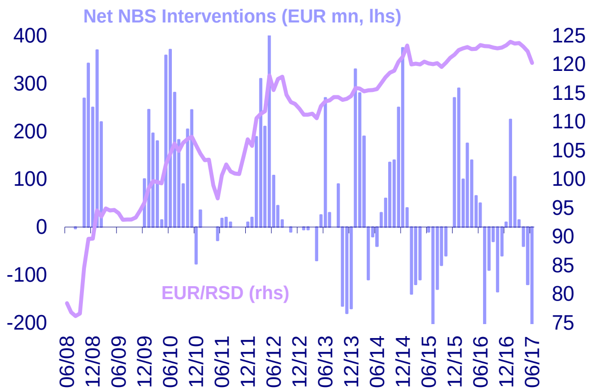
Annual Inflation



Headline Inflation, Inflation Target and Nominal Policy Rate



NBS Interventions & Exchange Rate



	24 July	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.5	3.8
RSD/EUR	120.5	121.4	122.0	122.5
Sov. Spread (2021, bps)	134	130	126	120

	24 July	1-W %	YTD %	2-Y %
BELEX-15	718	0.7	0.1	9.6

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.8	0.8	2.8	2.8	3.6
Inflation (eop, %)	1.7	1.5	1.6	2.8	3.0
Cur. Acct. Bal. (% GDP)	-6.0	-4.7	-4.0	-4.4	-4.3
Fiscal Bal. (% GDP)	-6.6	-3.7	-1.3	-1.2	-1.0

The IMF reached a staff-level agreement with the authorities on the completion of the 7th review of the ongoing 3-year EUR 1.2bn precautionary SBA (3.6% of GDP). Following a 2-week visit to Belgrade, the IMF mission commended Serbia's strong performance since the signing of the SBA two years ago. This is reflected in:

i) the significant strengthening in economic activity, with GDP growth set to reach a 9-year high of 3.0% this year from 0.8% in 2015, prompting a sharp fall in the unemployment rate.

ii) faster-than-expected fiscal tightening, with the consolidated fiscal deficit overperforming markedly the programme targets, for a 3rd successive year, due to stronger-than-expected revenue, leading to a lower-than-expected public debt-to-GDP ratio. In fact, the IMF expects the fiscal deficit to reach 1.1% of GDP this year -- well below the budgeted 1.7% and its lowest level since 2005.

iii) well-anchored inflation. Inflation has remained subdued since end-2013. It stood at 3.6% y-o-y in June -- within the NBS' target band.

Regarding structural reforms, despite delays, Serbia has made good progress, including the implementation of reforms in the areas of SOEs, public administration, financial sector and the business climate. Nevertheless, the mission stressed the need for further progress on: i) modernizing tax administration; ii) ensuring a more efficient and independent judicial system; iii) addressing the grey economy; iv) improving public infrastructure; and v) reforming state-owned banks.

The approval of the review by the IMF Board is expected in late August. Although this completion will enable the disbursement of an additional EUR 66.6mn (0.2% of GDP, bringing total funds available to EUR 943.5mn since the approval of the SBA), the Serbian authorities are expected to continue to treat the arrangement as precautionary.

Inflationary pressures heightened in H1:17. Headline inflation rose to 3.6% in June from 1.6% at end-2016 -- still below the recent peak of 4.0% in April. Having gradually picked up since the turn of the year, inflation has returned to within the NBS' target band (of 3±1.5%) since January, after remaining below it for 3 successive years.

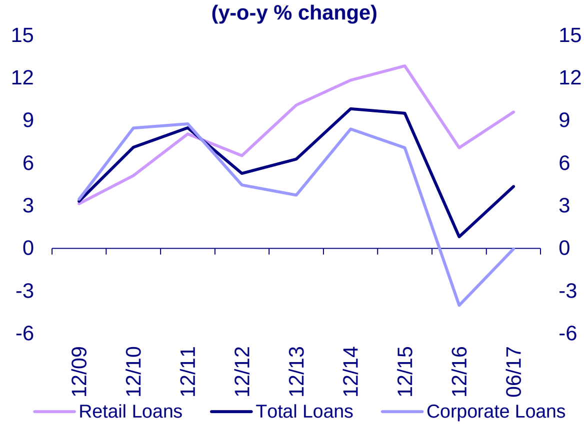
Mounting inflationary pressures mainly reflect the gradual pick-up in core inflation (that excludes prices of fruit & vegetables and energy, and accounts for 77.5% of the CPI basket) to a 3½-year high of 3.4% y-o-y in June from 2.1% in December. The rise in core inflation was due to: i) increases in regulated prices and excise duties (cigarettes, coffee and gas prices contributed 0.7 pps to core inflation in June against 0.2 pps in December); ii) higher meat prices (contributing 0.9 pps to core inflation in June against 0.4 pps in December); and iii) higher -- still subdued -- demand-side pressures. Elevated inflationary pressures also reflect: i) higher fruit & vegetable prices from their end-2016 low, prompted by an unusually cold winter this year (contributing 0.2 pps to June inflation -- albeit lower than 0.5 pps in April -- after subtracting 0.6 pps in December); and ii) unfavourable energy prices, due to the recent rise in global oil prices (contributing 0.8 pps to June inflation -- yet below 1.1 pp in April -- against 0.5 pps in December). Looking ahead, inflation is set to decline to 2.8% by end-2017, mainly due to favourable food and energy prices in H2:17, but remain well above the end-2016 outcome of 1.6%.

NBS to initiate a new cycle of monetary policy tightening in Q4:17. The NBS has maintained unchanged its 2-week repo rate since its last rate cut a year ago, at a record low of 4.0%. Going forward, with end-year inflation reaching a 5-year high and in its efforts to prevent an overheating of the domestic economy, we expect the NBS to gradually increase the key policy rate by 50 bps in Q4:17, to 4.5% (1.8% in *ex post* compounded real terms).

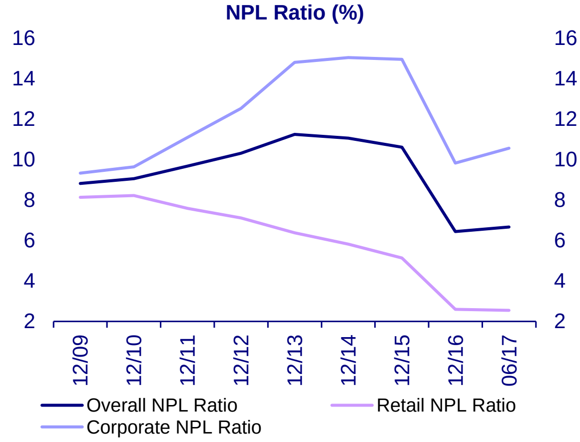
F.Y.R.O.M

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

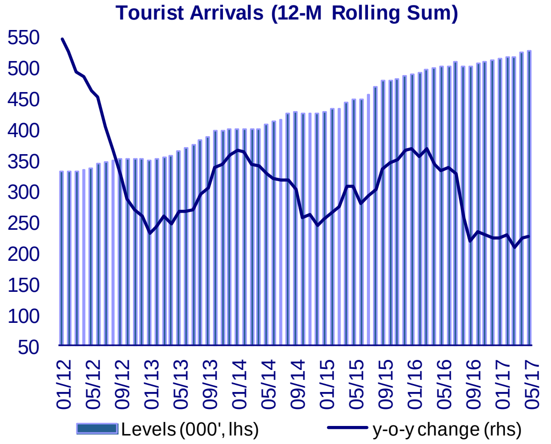
Credit to the Private Sector (y-o-y % change)



NPL Ratio (%)



Tourist Arrivals (12-M Rolling Sum)



	24 July	3-M F	6-M F	12-M F t
1-m SKIBOR (%)	1.5	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	326	300	280	260

	24 July	1-W %	YTD %	2-Y %
MBI 100	2,577	8.9	20.7	54.5

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.5	3.9	2.4	3.2	3.6
Inflation (eop. %)	-0.5	-0.3	-0.2	1.0	2.0
Cur. Acct. Bal. (% GDP)	-0.5	-2.1	-3.1	-2.2	-1.9
Fiscal Bal. (% GDP)	-4.2	-3.5	-2.6	-3.0	-2.8

Tourist arrival growth has remained broadly unchanged at around 5.0% y-o-y since the beginning of the year, on a 12-month rolling basis. The performance of overall tourist arrivals in 5M:17 on a 12-month rolling basis would have been worse had the sharp moderation in arrivals from the main source country -- Turkey (accounting for 20.7% of total tourists in FY:16 and contributing 1.1 pp to overall growth in arrivals growth in May compared with 3.1 pps in December) not been offset by the acceleration in arrivals from Greece (accounting for 7.9% of total tourists in FY:16 and contributing 1.4 pps to overall growth in May against 0.3 pps in December) and the milder decline in arrivals from The Netherlands (accounting for 4.7% of total tourists in FY:16 and shaving 1.2 pps off overall growth in May). Note that the authorities' efforts to attract Russian tourists -- through the abolition of the visa regime for Russians for a 1-year period in March 2016 -- have not borne fruit (the contribution of arrivals from Russia to overall growth in arrivals rose to 0.1 pp in May on a 12-month rolling basis). Looking ahead, with the normalization of the political situation, we expect tourist arrivals to gain momentum during the remainder of the year, benefiting, *inter alia*, from better flight connectivity, continuing efforts to extend the tourist season beyond the summer and more focused tourist campaigns. Overall, we see tourist arrivals growing by c. 8.0% in FY:17 – up from a 5-year low of 5.1% in FY:16.

Monthly customer deposit growth turned positive in June, following the resolution of the domestic political deadlock in late-May. On a monthly basis, customer deposits posted positive growth in June (up 0.9% m-o-m) following five consecutive months of decline (totaling -2.3%). The rebound reflects the return of confidence in the banking system following the formation of a new Government in late-May – ending a 5 month period of political vacuum. Recall that FYROM was without a Government from December 2016 until late-May, as President Ivanov had refused to grant Zaev, the leader of the second political force in Parliament, SDSM, a mandate to form a new Government following the failure of Gruevski, the leader of largest party, VMRO-DPMNE.

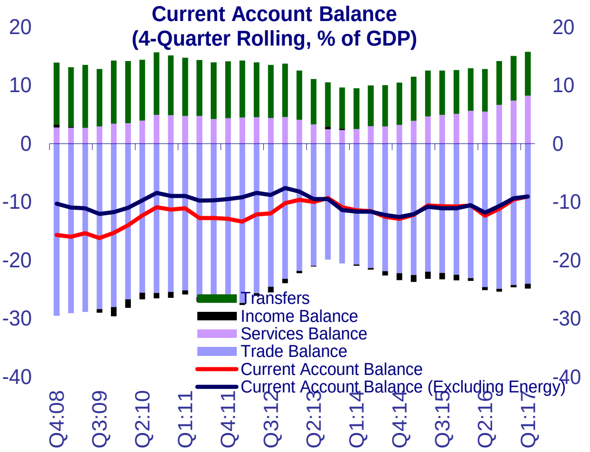
On annual basis, customer deposit growth accelerated to 7.6% y-o-y in June from a low of 3.7% y-o-y in March and 5.4% in December. The significant rebound in deposits on an annual basis between March and June was also supported by base effects from large deposit withdrawals in April-May 2016 (MKD 9.5bn or 3.3% of March 2016 stock of deposits) when the domestic political crisis culminated. Recall that President Ivanov had pardoned 56 officials prosecuted over their involvement in a wiretapping scandal -- violating the terms of the EU-mediated Przino agreement set to end the 14-month domestic political impasse.

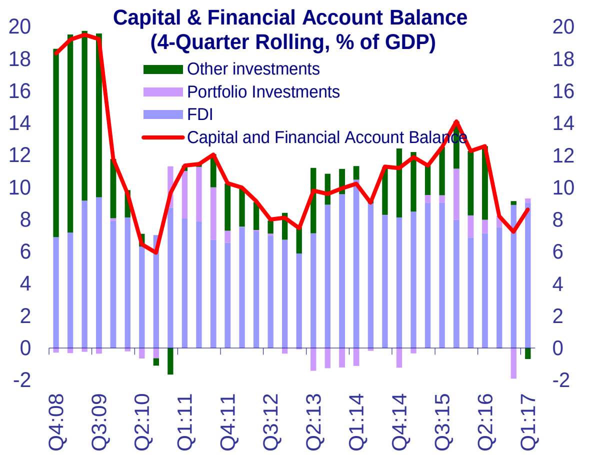
Credit to the private sector picked up in June, underpinned by improved bank asset quality and a positive political and economic outlook. On a monthly basis, lending activity growth accelerated to 0.9% m-o-m in June from an average of 0.1% per month in 5M:17. The rebound in June was supported by: i) easing credit standards in view of a brighter political and economic outlook following the resolution of the political crisis and the recent clean-up of banks' balance sheets (FYROM enjoys the lowest overall NPL ratio among SEE-5 countries -- 6.7% in June); and ii) adequate domestic sources of financing (the LC loan-to-LC deposit ratio stood at 96.2% in June).

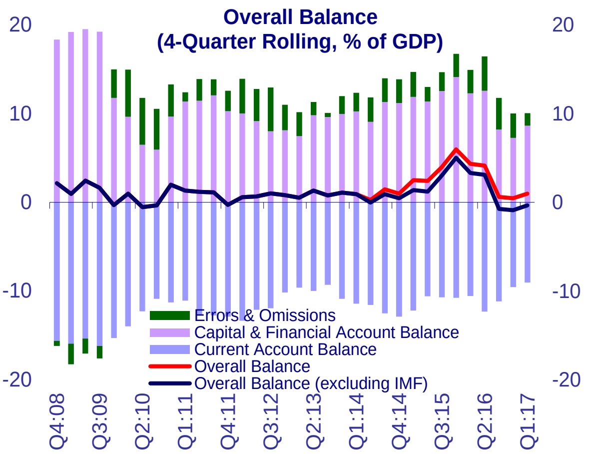
On an annual basis, growth in lending activity accelerated to 4.4% y-o-y in June from 0.8% at end-2016, driven by both the corporate segment (0.0% y-o-y against a decline of 4.0% at end-2016) and the retail sector (up 9.6% y-o-y against a rise of 7.1% at end-2016).

Albania

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







	24 July	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	132.4	133.2	135.0	134.6
Sov. Spread (bps)	288	280	260	240

	24 July	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.8	2.2	3.4	4.0	4.4
Inflation (eop, %)	0.7	2.0	2.2	2.6	2.8
Cur. Acct. Bal. (% GDP)	-12.9	-10.8	-9.6	-11.1	-10.6
Fiscal Bal. (% GDP)	-5.2	-4.1	-1.8	-1.5	-1.6

The current account deficit (CAD) continued to narrow on an annual basis in Q1:17, on the back of a strong export and services performance. The CAD declined markedly by 0.5 pps y-o-y (to 1.6% of GDP) in Q1:17, after narrowing by 0.3 pps of GDP per quarter in FY:16, on the back of stronger services and trade balances.

In fact, the services surplus continued to rise significantly (by 0.7 pps of GDP y-o-y in Q1:17, after rising by 0.6 pps of GDP per quarter in FY:16), largely underpinned by strong transport services.

Moreover, the trade deficit narrowed (by 0.3 pps y-o-y in Q1:17 after widening by 0.4 pps of GDP per quarter in FY:16), due to the strong rebound in exports (rising sharply by a 6-year high of 44.6% y-o-y, in EUR terms in Q1:17, against declines of -27.1% in Q1:16 and -7.4% in FY:16), reflecting the recovery in electricity and oil exports (c. 40% of total exports), following 3 consecutive years of decline. The rebound in electricity and oil exports was supported by the recovery in oil prices and the acquisition of the Canadian-based oil company, Bankers Petroleum, by China's Geo-Jade Petroleum Corporation in Q3:16, as well as higher electricity production. The pick-up in electricity and oil exports is estimated to have reduced the negative impact of the energy balance on the CAD from -0.2 pps of GDP to 0 pps in Q1:17.

On the other hand, imports accelerated (up 9.0% y-o-y in Q1:17 against 6.6% in Q1:16 and 8.0% in FY:16), on the back of high import content of rebounding investments -- especially the ongoing investments in the energy sector (namely TAP and the Statkraft/Devoll hydropower projects) and reviving consumption.

As a result, the 4-quarter rolling CAD narrowed for a 3rd consecutive quarter to an 11-year low of 9.0% of GDP in Q1:17 from 9.6% in Q4:16.

The capital and financial account (CFA) surplus improved in Q1:17 and fully covered the CAD. The CFA surplus (excluding the IMF) rose by 1.3 pps y-o-y (to 1.9% of GDP) in Q1:17. The improvement reflects higher portfolio inflows (of 1.1% of GDP in Q1:17 against outflows of 1.0% of GDP in Q1:16), in line with the increase in domestic paper yields (with the 1-year T-bill yield rising to 2.8% in Q1:17 from 1.8% in Q1:16). On a positive note, (net) FDIs remained strong (up 0.1 pp y-o-y reaching 1.5% of GDP in Q1:17), almost fully covering the Q1:17 CAD.

The resulting surplus (of 0.3% of GDP) only partly covered negative net errors and omissions (of 0.9% of GDP in Q1:17). The gap was filled by the disbursement of the last two tranches from the IMF (totalling EUR 73.2mn, or 0.6% of GDP) and, along with valuation effects, led to a marginal rise in FX reserves (by EUR8mn, or 0.1% of GDP in Q1:17) to a high EUR 3.0bn, covering an adequate 7.1 months of GNFS imports.

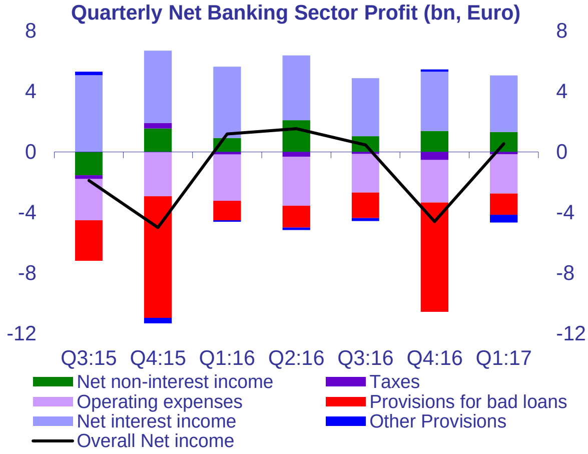
The CAD is set to widen in Q2-Q4:17, but its financing will be manageable. The expected deterioration in Q2-Q4:17 (by c. 2.0 pps of GDP y-o-y) should result from higher imports related to energy projects (contributing 2.9 pps of GDP to the FY:17 CAD, according to the IMF), as the largest part of TAP is set to be executed this year, and a less favourable services balance, following exceptionally high tourism inflows in Q3:16, due to a good tourism season. Overall, we expect the CAD to reverse its positive trend in FY:17, standing at 11.1% of GDP -- up from 9.6% in FY:16.

Regarding financing, the bulk (around ¾) of the CAD should continue to be covered by large non-debt generating FDI inflows, supported by the above-mentioned energy projects. Moreover, assuming a normalization in errors and omissions (implying positive inflows of 2.6% of GDP in Q2-Q4:17), we see an external financing gap of EUR 300mn (2.6% of GDP), which will, however, be more than filled by sizeable IFI support of 3.1% of GDP expected in Q2-Q4:17. Should our forecast materialise, FX reserves would rise by EUR 58mn y-o-y to EUR 3.0bn at end-2017.

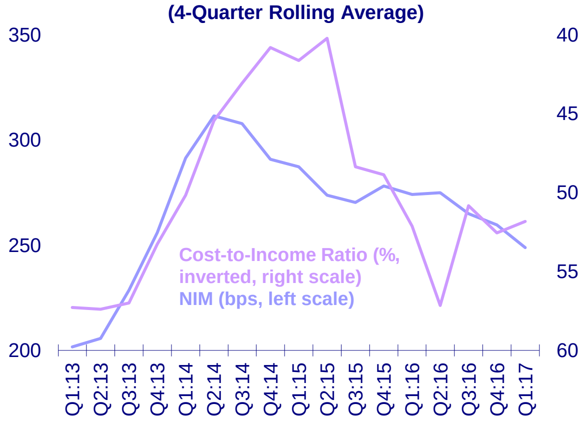
Cyprus

BB+ / B1 / BB- (S&P / Moody's / Fitch)

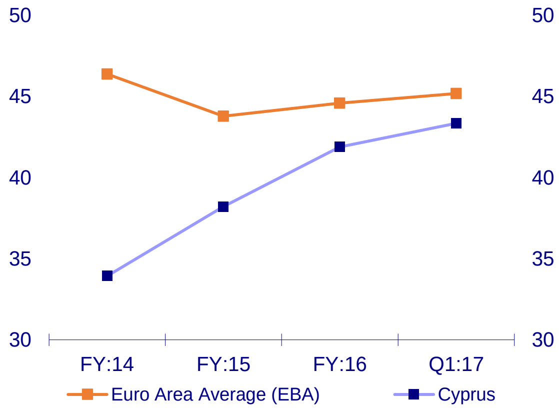
Quarterly Net Banking Sector Profit (bn, Euro)



NIM and Cost-to-Income Ratio (4-Quarter Rolling Average)



Non-Performing Exposures (NPEs) Coverage



	24 July	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.16	1.12	1.10	1.12
Sov. Spread (2020. bps)	144	140	130	120

	24 July	1-W %	YTD %	2-Y %
CSE Index	75	-0.9	13.6	-2.6

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.5	1.7	2.8	2.8	2.5
Inflation (eop. %)	-1.5	-1.0	-0.3	0.8	1.5
Cur. Acct. Bal. (% GDP)	-4.3	-2.9	-5.3	-6.0	-5.8
Fiscal Bal. (% GDP)	-8.8	-1.2	0.4	0.2	0.4

Banking sector bottom line deteriorated on an annual basis in Q1:17, mainly due to a sharp rise in non-NPL related provisions. Net profit (after tax) declined by 60.7% y-o-y to EUR 40.0mn (0.2% of GDP) in Q1:17. Note that Bank of Cyprus -- the island's largest credit institution -- increased non-NPL related provisions by c. EUR 43.0mn y-o-y in Q1:17, ahead of legal and regulatory settlements (including the payment of a fine imposed by the Cyprus Commission for the protection of Competition in relation to the bank's cards business and charges relating to legacy exposures). As a result, ROAE and ROAA declined to 2.5% and 0.2%, respectively, in Q1:17, from 6.0% and 0.6% in Q1:16.

Banks increased NPL provisions in Q1:17, in line with recommendations from the country's official lenders. Banks raised their NPL provisions in Q1:17 (up 8.2% y-o-y), despite sizeable declines in their stock of NPEs (down 10% y-o-y to EUR 23.7bn or 127.4% of GDP) and NPE ratio (down 2.7 pps y-o-y to a record low of 45.0% since the initiation of this indicator by the EBA in December 2014). The decline in NPE formation in Q1:17 was supported, *inter alia*, by increased banks' efforts to place off-balance sheet problematic loans, including debt-for-asset swaps and write-offs, in the context of the recently-adopted foreclosure and insolvency measures, and strengthening economic activity following the conclusion of the 3-year adjustment programme at end-Q1:16. As a result, the NPE coverage ratio improved to 43.4% in Q1:17 from 41.9% in Q4:16 and 37.9% in Q1:16 -- converging rapidly to the EU-average of 45.2%. On the other hand, the cost of risk rose by 17 bps y-o-y to 107 bps in Q1:17.

Higher non-interest income (NNII) and strict cost control partly offset the negative impact of weaker net interest income on pre-provision earnings in Q1:17. Pre-provision income (PPI before tax) fell by 4.4% y-o-y in Q1:17, due exclusively to a decline in NII (down 20.7% y-o-y). The deterioration in NII was mainly driven by: i) a decline in average interest-earning assets (down c. 6.0% y-o-y), in line with the ongoing deleveraging (average interest-earning assets declined to 346% of GDP in Q1:17 from 355% in FY:16); and ii) a weaker net interest margin (NIM, down 43 bps y-o-y to 234 bps), reflecting, *inter alia*, increased loan restructurings and tighter lending-deposit spreads in a more competitive interest rate environment.

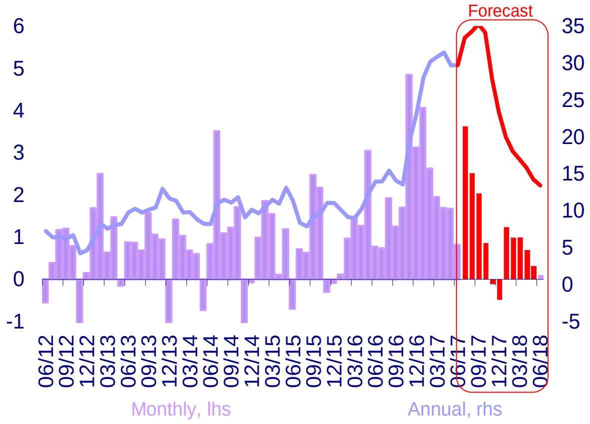
The deterioration in PPI (before tax) in Q1:17 would have been sharper had NNII not increased and operating expenses not declined. A sharp rise in NNII (up 43.6% y-o-y) was underpinned by higher net income from fees and commissions, reflecting banks' continuing efforts to increase fee income in a low interest rate environment, and gains from the disposal of property assets held for sale as part of a customers' debt settlement (the island's two largest credit institutions -- Bank of Cyprus (BoC) and Hellenic Bank (HB) -- disposed real estate assets worth c. EUR 150mn in Q1:17).

On the other hand, operating expenses declined significantly, by 15.0% y-o-y in Q1:17, reflecting not only strict cost control but also base effects from the once-off cost of the voluntary retirement schemes (VEP) of BoC and Alpha Bank in Q1:16. Bank expenses would have been even lower in Q1:17, had their administrative expenses not been pushed up by a special levy in the form of a contribution to the European Single Resolution Fund (SRF, EUR 14.0mn for BoC and HB). With operating expenses declining at a faster pace than top-line revenue, banking sector efficiency improved significantly in Q1:17, with the cost-to-income ratio declining by 3.3 pps y-o-y to 51.3% -- comparing favourably with the EU-average of 63.9%. Excluding the disclosed SRF contributions of BoC and HB, the cost-to-income ratio dropped by 6.1 pps y-o-y to 48.5% in Q1:17.

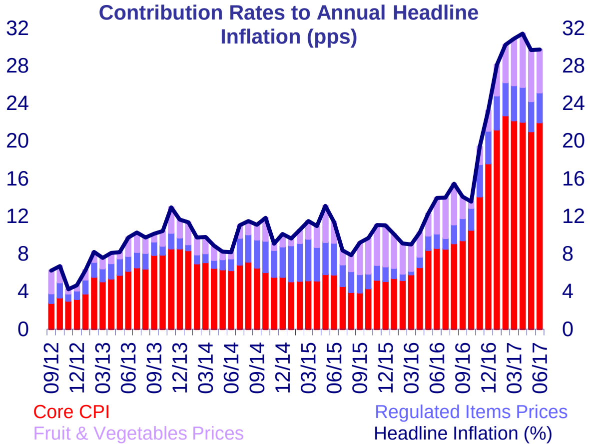
Egypt

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

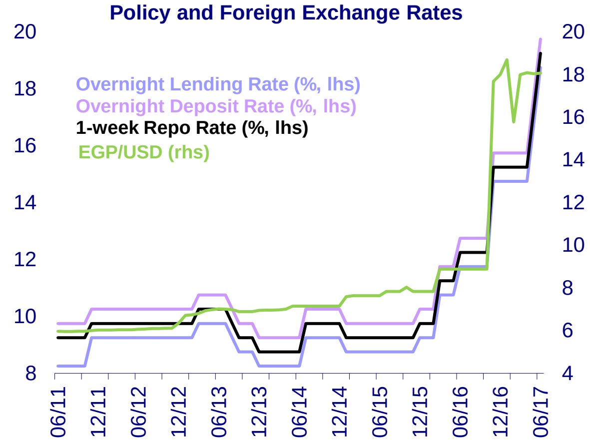
Headline Inflation, %



Contribution Rates to Annual Headline Inflation (pps)



Policy and Foreign Exchange Rates



	24 July	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	19.8	19.0	18.0	17.0
EGP/USD	17.8	17.8	18.0	18.0
Sov. Spread (2020. bps)	278	290	270	240

	24 July	1-W %	YTD %	2-Y %
HERMES 100	1,243	-0.9	14.1	72.8

	13/14	14/15	15/16	16/17E	17/18F
Real GDP Growth (%)	2.9	4.4	4.3	3.5	4.5
Inflation (eop. %)	8.2	11.4	14.0	29.8	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-5.5	-6.0	-5.0
Fiscal Bal. (% GDP)	-12.2	-11.5	-12.5	-10.5	-9.5

Headline inflation ended the fiscal year at c. 30.0% y-o-y. Headline inflation rose sharply to a 3-decade high of 29.8% y-o-y at end-2016/17 (June 2017) from 14.0% a year earlier, following the implementation of long-awaited significant reforms ahead of the signing of a USD 12bn loan deal with the IMF last November. These reforms include: i) the flotation of the domestic currency (on November 3rd 2016, which has led to a sharp depreciation of the EGP by c. 50.0% against the USD since then); ii) a sharp cut in energy subsidies through price increases (fuel prices were increased by 30%-50% on November 3rd 2016 following a hike in electricity prices by 20-40% in early-August 2016); and iii) the replacement of the complex sales taxes by a VAT of 13% in early-September 2016. Not surprisingly, these moves led to a sharp rise in core inflation (excluding fruit & vegetables and regulated items and accounting for c. 75% of the CPI basket; up to 31.9% y-o-y in June from 12.4% a year earlier), as well as a sharp increase in regulated prices (c. 19.0% of the CPI basket; up 17.7% y-o-y in June from 8.1% a year earlier). Volatile prices of fruit & vegetables accelerated moderately (up 34.7% y-o-y in June compared with a rise of 33.6% a year earlier), limiting the rise in end-2016/17 headline inflation.

Headline inflation is set to ease significantly from a peak of c. 35.0% y-o-y in September to c. 14.0% at end-2017/18 (June 2018). We foresee headline inflation surpassing its recent high of 31.5% y-o-y (reached last April) in the first quarter of the new fiscal year (July-September 2017), before embarking on a sharp downward trend. We expect headline inflation to rise to a high of c. 35.0% y-o-y in September following further adjustments in regulated prices (prices of fuel and electricity were increased by up to 50% and 42%, respectively, on July 1st) and a rise in the VAT rate (by 1 pp to 14% on July 1st), in line with the ongoing 3-year IMF-supported programme. Thereafter, headline inflation is poised to decelerate sharply, reaching 13.5% y-o-y at end-2017/18 (June 2018), on the back of: i) a stable domestic currency; ii) fading second-round effects from the sharp hike in energy prices and VAT rate; and iii) the recent tightening of the monetary policy stance. Note that, in view of the elevated level of headline inflation at end-2016/17 and intensifying inflationary pressures following the new regulated price adjustments and VAT rate increase, the CBE hiked aggressively its key policy rates by a cumulative 400 bps in May and June, bringing the total increase in policy rates to 700 bps since the signing of the IMF deal last November and 1000 bps since the initiation of a cycle of monetary policy tightening in December 2015. The overnight deposit rate, the overnight lending rate and the 1-week repo rate currently stand at 18.75%, 19.75% and 19.25%, respectively.

The IMF's Executive Board approved the first review of the economic reform programme. The completion of the review followed the approval of the authorities' request for waivers of the June performance criteria for the primary fiscal balance and the fuel subsidy bill. We estimate that they exceeded their targets by 1.0 pp and 2.2 pps of GDP, respectively, mainly due to over-optimistic Budget projections for the exchange rate (EGP 9.0 per USD compared with the outcome of EGP 15.4 per USD) and the price of Brent/barrel (USD 40.0 compared with the outcome of USD 50.9). The approval of the waivers has been facilitated following the implementation of important measures in late-June/early July, aimed at containing energy subsidies, tempering inflationary pressures and boosting tax revenue (see above). The completion of the review allowed the authorities to draw c. USD 1.25bn, bringing total disbursements to c. USD 4.0bn since the signing of the arrangement last November.

FOREIGN EXCHANGE MARKETS, JULY 24TH 2017

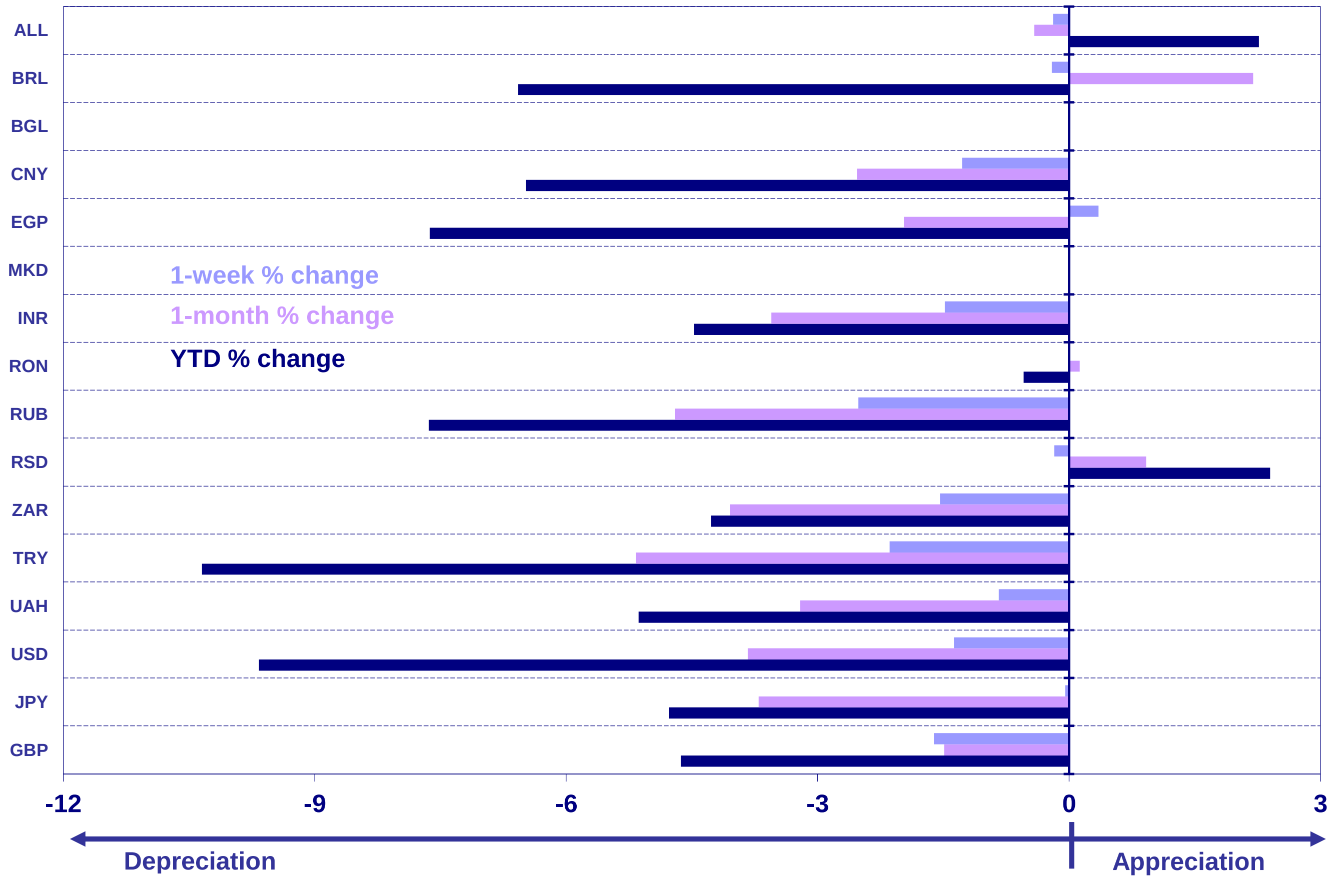
Against the EUR

	Currency	2017 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**	2016 % change*	2015 % change*
Albania	ALL	132.4	-0.2	-0.4	2.3	2.5	132.1	137.3	132.8	132.7	132.2	1.2	2.0
Brazil	BRL	3.66	-0.2	2.2	-6.6	-1.4	3.23	3.79	4.00	3.98	3.97	25.7	-25.2
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.84	-1.3	-2.5	-6.5	-6.5	7.20	7.90	8.20	8.20	8.20	-4.0	6.7
Egypt	EGP	20.43	0.4	-2.0	-7.6	-52.3	16.62	20.87	- - -	- - -	- - -	-55.0	2.1
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	74.9	-1.5	-3.6	-4.5	-1.2	68.2	75.2	79.9	- - -	- - -	0.4	6.6
Romania	RON	4.56	0.0	0.1	-0.5	-2.5	4.49	4.60	4.57	4.59	4.60	-0.4	-0.8
Russia	RUB	69.8	-2.5	-4.7	-7.6	3.1	59.5	70.1	71.5	73.1	76.1	22.9	-15.1
Serbia	RSD	120.5	-0.2	0.9	2.4	2.4	120.1	124.1	121.0	121.4	- - -	-1.5	-0.1
S. Africa	ZAR	15.1	-1.5	-4.0	-4.3	4.6	13.38	15.58	15.4	15.7	16.3	16.2	-16.6
Turkey	YTL	4.14	-2.1	-5.2	-10.3	-19.4	3.70	4.17	4.27	4.41	4.66	-14.7	-10.8
Ukraine	UAH	30.0	-0.8	-3.2	-5.1	-9.4	27.22	30.29	34.9	- - -	- - -	-8.6	-27.5
US	USD	1.16	-1.4	-3.8	-9.7	-5.6	1.0	1.2	1.17	1.18	1.19	3.3	11.4
JAPAN	JPY	129.3	0.0	-3.7	-4.8	-10.1	114.9	130.8	129.4	129.4	129.5	6.0	11.0
UK	GBP	0.89	-1.6	-1.5	-4.6	-6.4	0.8	0.9	0.90	0.90	0.90	-13.5	5.3

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (July 24th 2017)



Money Markets, July 24th 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	10.1	0.0	2.7	- - -	19.8	- - -	- - -	0.6	9.3	- - -	12.9	7.7	12.1	- - -	1.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.6	9.2	3.0	- - -	7.5	- - -	- - -	- - -
S/W	1.4	10.0	0.0	2.8	-0.4	- - -	1.2	- - -	- - -	9.1	3.0	- - -	7.6	12.8	-0.4	1.2
1-Month	1.6	9.4	0.0	3.9	-0.4	- - -	1.5	6.4	0.7	9.1	3.3	13.0	7.6	14.2	-0.4	1.2
2-Month	- - -	9.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	9.7	3.5	13.0	7.6	- - -	-0.3	1.3
3-Month	1.9	8.9	0.1	4.3	-0.3	- - -	1.8	6.4	0.9	9.7	3.6	13.1	7.6	15.8	-0.3	1.3
6-Month	2.2	8.5	0.3	4.3	-0.3	- - -	2.0	- - -	1.0	9.7	3.8	13.1	7.5	- - -	-0.3	1.5
1-Year	2.8	8.3	0.8	4.4	-0.2	- - -	2.4	- - -	1.2	9.2	- - -	13.2	7.9	- - -	-0.2	1.7

Local Debt Markets, July 24th 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	21.6	- - -	6.1	- - -	8.9	3.5	10.2	- - -	- - -	-0.8	1.2
6-Month	1.7	- - -	- - -	- - -	- - -	21.6	1.6	6.2	0.6	8.8	3.9	10.8	- - -	- - -	-0.7	1.1
12-Month	2.1	- - -	-0.1	3.4	- - -	21.6	1.9	6.3	0.9	8.0	4.5	11.7	- - -	14.4	-0.7	1.2
2-Year	2.5	- - -	- - -	3.5	- - -	- - -	- - -	6.3	1.3	8.1	- - -	11.2	7.2	- - -	-0.7	1.4
3-Year	- - -	- - -	0.1	3.5	1.1	- - -	- - -	6.4	1.4	8.1	- - -	10.7	7.3	14.6	-0.6	1.5
5-Year	- - -	9.8	- - -	3.6	1.9	18.7	- - -	6.5	2.6	8.1	5.5	10.5	7.5	- - -	-0.2	1.8
7-Year	- - -	- - -	1.2	- - -	- - -	18.6	- - -	6.7	3.3	8.1	- - -	- - -	- - -	- - -	0.1	2.1
10-Year	- - -	10.1	1.9	3.6	- - -	18.6	- - -	6.4	3.9	7.9	- - -	10.3	8.5	- - -	0.5	2.3
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.1	- - -	8.0	- - -	- - -	9.2	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.7	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.0	- - -	- - -	- - -	- - -	9.8	- - -	1.3	2.8

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

Corporate Bonds Summary, July 24th 2017

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	1.6	223	186
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	2.5	319	282
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	- - -	- - -	- - -
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	9.1	105	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.7	169	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.5	213	180
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.1	166	119
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.3	292	246
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.5	216	169
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.5	287	238
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.7	390	377

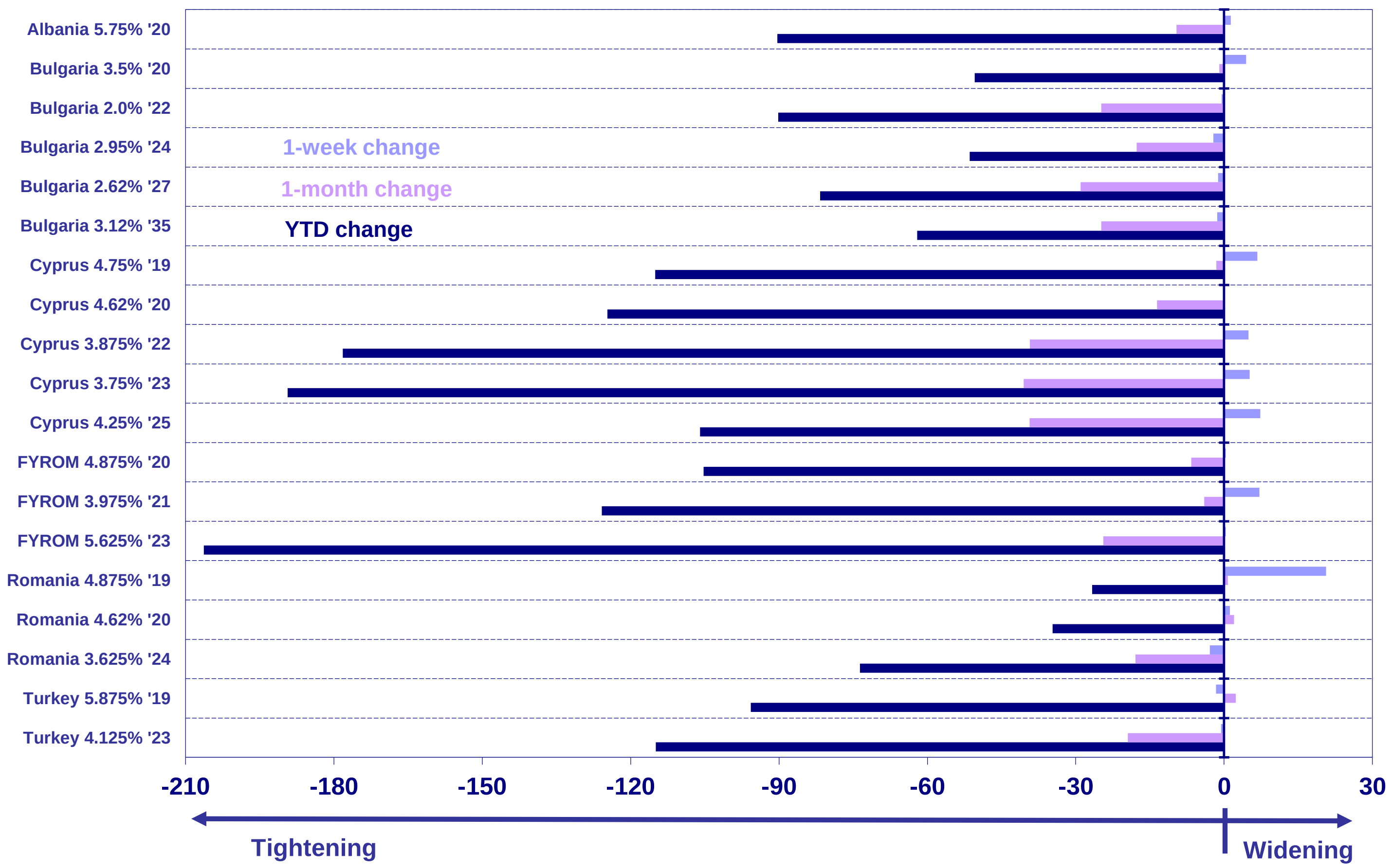
Credit Default Swap Spreads, July 24th 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	211	115	66	204	394	- - -	80	104	164	149	183	188	- - -
10-Year	- - -	312	160	113	236	430	- - -	86	145	237	190	267	258	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JULY 24TH 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	2.3	288	246
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.2	72	26
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.4	55	19
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.2	119	76
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.8	127	95
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.9	185	146
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	0.4	108	63
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	0.9	144	102
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	1.9	206	174
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	2.1	223	184
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	2.6	237	201
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	2.5	307	259
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.8	326	453
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	3.9	398	366
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.2	90	37
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.1	69	16
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.4	139	104
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.9	151	116
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.7	280	246

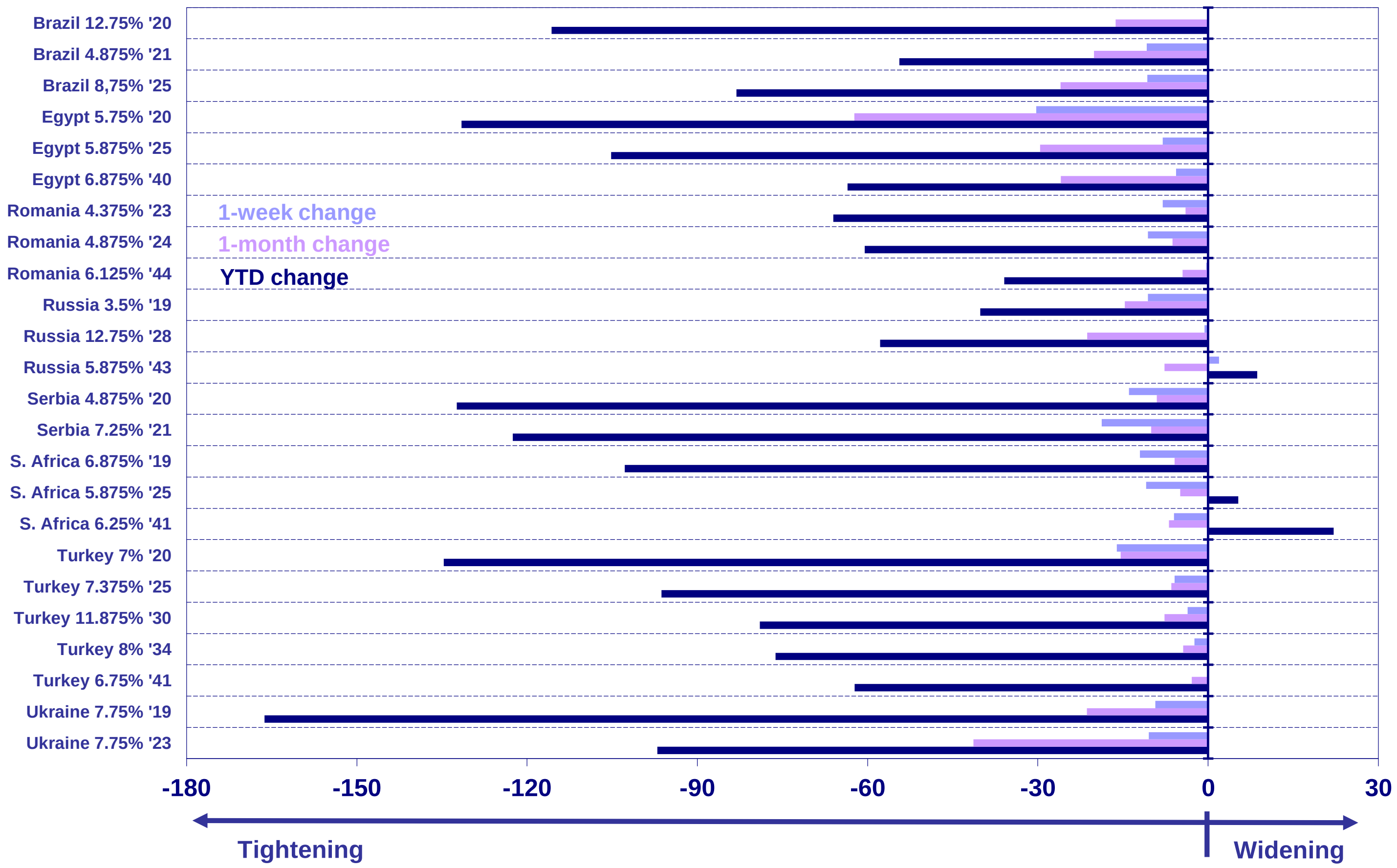
EUR-Denominated Eurobond Spreads (July 24th 2017)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JULY 24TH 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	234	2.5	103	102
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.1	158	136
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.3	224	257
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.3	278	263
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	6.0	396	384
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	7.2	440	453
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.1	104	116
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.2	109	120
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.4	157	221
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.4	101	83
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.1	183	267
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	5.0	215	265
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.0	148	135
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.2	134	145
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.4	107	89
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.6	254	258
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.5	269	318
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.4	185	175
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	4.7	266	287
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.3	303	402
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.7	342	372
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	5.8	295	329
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	5.8	440	418
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	7.6	550	552

USD-Denominated Eurobond Spreads (July 24th 2017)



STOCK MARKETS PERFORMANCE, JULY 24TH 2017

	2017								2016		2015	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	65,100	-0.2	6.6	8.1	14.5	59,371	69,488	0.8	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	713	0.3	3.7	21.6	56.4	583	715	21.6	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,251	2.3	2.9	4.7	7.8	3,017	3,295	-2.7	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	75	-0.9	0.6	13.6	13.6	65	79	13.6	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,243	-0.9	2.3	14.1	80.3	1,071	1,255	4.7	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,577	8.9	13.1	20.7	40.1	2,135	2,577	20.7	16.5	16.5	-0.6	-0.6
India (SENSEX)	32,246	0.5	3.6	21.1	14.8	25,718	32,321	15.4	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,617	1.6	0.7	20.3	31.0	1,365	1,658	19.7	0.2	0.0	2.6	1.6
Russia (RTS)	4,189	-2.7	3.1	-14.8	-2.9	3,838	5,089	-21.3	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	718	0.7	1.7	0.1	17.2	694	753	2.5	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	54,369	1.0	5.6	7.3	2.0	50,338	54,717	2.7	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	106,711	0.5	7.1	36.6	43.9	75,657	107,750	22.4	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	284	0.6	0.0	7.2	26.8	265	287	1.7	10.2	1.0	-37.8	-54.8
MSCI EMF	1,064	1.2	5.2	23.4	22.5	858	1,062	11.5	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,920	0.0	1.6	14.0	16.2	1,677	1,938	3.0	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	849	-1.1	3.5	31.9	50.3	602	860	31.9	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	12,209	-3.0	-4.1	6.3	19.7	11,415	12,952	6.3	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,378	-0.4	-0.6	3.3	9.9	7,094	7,599	-1.5	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	21,513	-0.5	0.6	8.9	16.3	17,884	21,682	-1.7	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,470	0.4	1.3	10.3	13.9	2,245	2,478	-0.3	9.5	13.2	-0.7	10.6

Equity Indices (July 24th 2017)