Bi-Weekly Report

27 June – 10 July 2017

NBG - Economic Analysis Division
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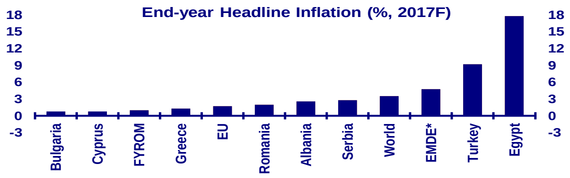
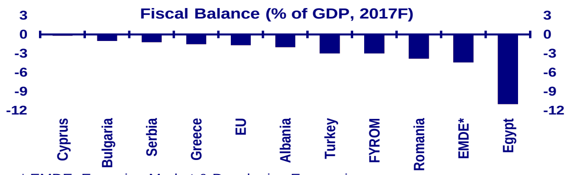
* EMDE: Emerging Market & Developing Economies





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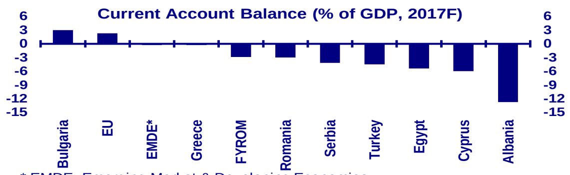
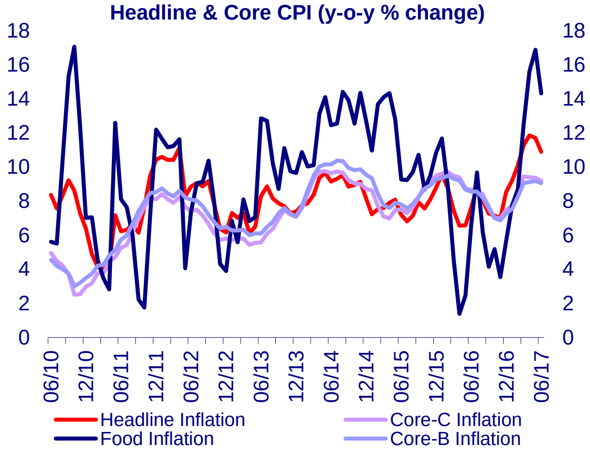


* EMDE: Emerging Market & Developing Economies

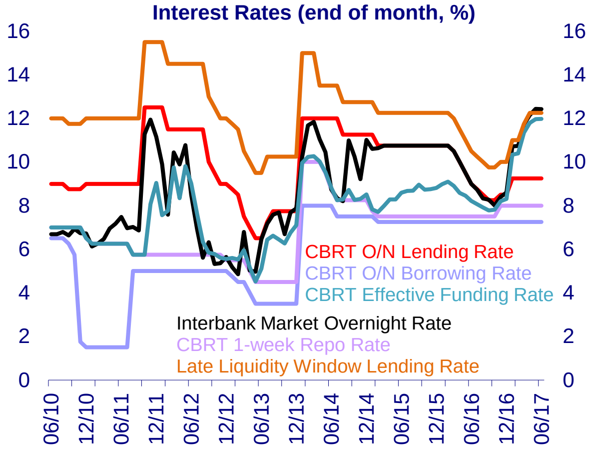
Turkey

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

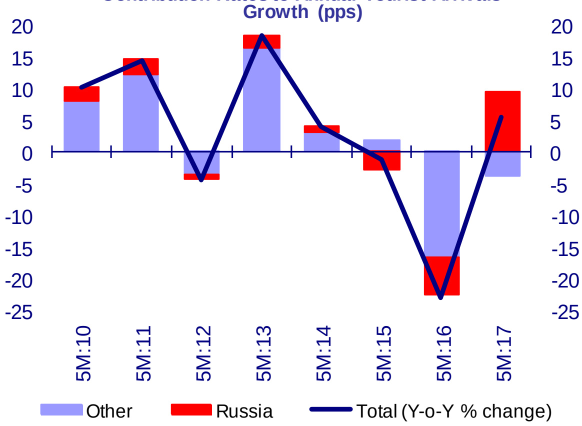
Headline & Core CPI (y-o-y % change)



Interest Rates (end of month, %)



Contribution Rates to Annual Tourist Arrivals Growth (pps)



	10 July	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.0	12.5	12.0	11.0
TRY/EUR	4.11	4.00	3.90	3.80
Sov. Spread (2020, bps)	220	200	190	180

	10 July	1-W %	YTD %	2-Y %
ISE 100	101,097	0.6	29.4	22.1

	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

Headline inflation declined for a second consecutive month in June, but remained in double digits (10.9% y-o-y). Headline inflation eased to 10.9% y-o-y in June from 11.7% in May and an 8½-year high of 11.9% in April. The improvement was mainly driven by a downward correction in food prices (comprising 21.8% of the CPI basket and up 14.9% y-o-y in June compared with a 6½-year high rise of 16.9% in May), primarily reflecting favourable unprocessed food prices.

The positive inflation performance in June was also supported by lower core inflation and favourable transportation prices. Indeed, core inflation continued on its downward trend, started in April, with the CBRT's favourite measure, i.e., CPI-C declining, to 9.2% y-o-y in June from 9.4% in May. The deceleration reflects the fading impact of FX pass-through to prices from the sharp weakening of the TRY ahead of the mid-April referendum. Moreover, transportation prices (comprising 16.3% of the CPI basket) rose by 14.1% y-o-y in June compared with 15.8% y-o-y in May, on the back of more favourable global oil prices and a firming domestic currency in the aftermath of the referendum.

Looking ahead, despite a further improvement in food prices and a waning FX pass-through, we see inflation returning to single-digits on a sustainable basis only in December. Indeed, stronger domestic demand and unfavourable base effects are set to keep headline inflation in double digits during the rest of the year. Overall, we see headline inflation at 9.2% y-o-y in December -- above the end-2016 outcome of 8.5%, the upper bound of the CBRT's target range of 3.0%-7.0%, as well as the CBRT's end-year forecast of 8.5%.

In view of stubbornly high headline inflation until the end of the year and elevated inflation expectations (end-year and 12-month ahead inflation expectations stood at 9.6% and 8.3%, respectively, in June, well above the target range of 3.0%-7.0%), we expect the CBRT to refrain from reducing its effective funding rate – currently at 12.0% or 1.7% in *ex post*, compounded and real terms – before December.

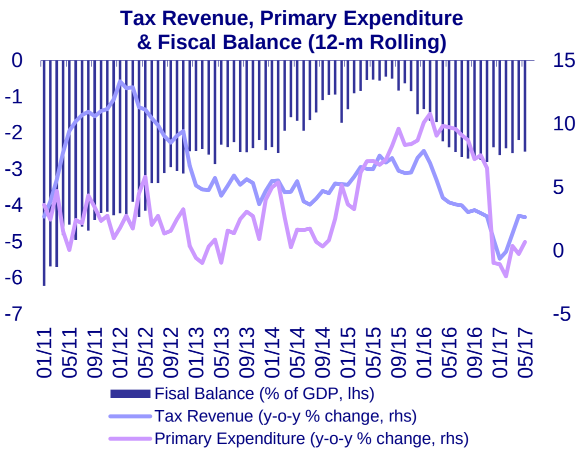
The tourism sector is emerging from a deep crisis, due to the return of Russian tourists, as well as easing domestic security concerns and competitive prices. Tourist arrivals rose by 5.5% y-o-y in 5M:17, following sharp declines of 22.9% in 5M:16 and 30.1% in FY:16. The rebound reflects the return of Russian tourists and a milder decline in arrivals from other countries. Indeed, the number of Russian tourists continued to recover (up c. 570.0% y-o-y in 5M:17 compared with declines of 82.8% in 5M:16 and 76.3% in FY:16), following the resumption of charter flights from Russia in September 2016, after the removal of the Russian sanctions imposed in the wake of the downing of a Russian military jet in late-November 2015. Furthermore, the pace of decline in arrivals from other countries moderated significantly in 5M:17 (down 4.0% y-o-y compared with declines of 18.1% in 5M:16 and 24.9% in FY:16), reflecting easing domestic security concerns (the number of terrorist incidents fell significantly to 16 in 5M:17 from 46 in 5M:16 and 102 in FY:16) and more competitive prices (the TRY depreciated by c. 19% y-o-y against the currency basket in 5M:17).

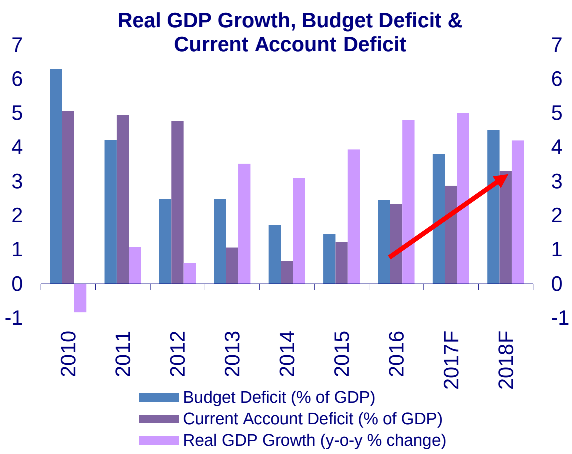
For the year as a whole, barring renewed domestic security concerns and based on recent trends, we expect tourist arrivals to increase by c. 12% in FY:17 following a sharp decline of 30% in FY:16 (the sharpest in 17 years). In absolute levels, tourist arrivals should reach 28.4mn in 2017 from 25.4mn in 2016 and a peak of 36.8mn in 2014. Should the forecast materialise, the tourism sector would: i) add 0.3 pps to overall GDP growth in FY:17 (projected at 4.6%) after having subtracted 1.0 pp in FY:16 (at 2.9%); and ii) see its contribution to the stock of FX reserves increasing to USD 21.0bn in FY:17 from USD 18.7bn in FY:16.

Romania

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

Consolidated Budget (% of GDP)	2016 Outcome	5M:16	5M:17	2017 Budget	2017 NBG Forecast
Total Revenue	29.4	12.0	12.1	31.4	31.1
Tax Revenue	26.0	10.9	10.7	26.2	25.9
o/w PIT/CIT	5.7	2.4	2.4	5.8	5.8
VAT	6.8	2.9	2.6	6.7	6.4
Excise Duties	3.5	1.4	1.2	3.2	3.2
Soc. Sec. Contr.	8.0	3.2	3.5	8.6	8.6
Non-Tax Revenue	3.4	1.1	1.4	5.2	5.2
o/w EU Grants	1.0	0.1	0.4	2.7	2.7
Total Expenditure	31.8	12.1	12.4	34.4	34.9
Current Spending	27.9	10.9	11.4	28.2	28.7
o/w Wages	7.5	3.0	3.4	7.9	8.3
Social Spending	10.7	4.4	4.5	10.9	10.9
Goods & Services	5.4	1.9	1.8	5.0	5.1
Interest Paym.	1.3	0.5	0.5	1.3	1.3
Capital Expend.	3.9	1.2	1.0	6.2	6.2
Fiscal Balance	-2.4	-0.1	-0.3	-3.0	-3.8





	10 July	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.7	2.0	3.8	4.0
RON/EUR	4.57	4.56	4.55	4.55
Sov. Spread (2024, bps)	146	142	140	130

	10 July	1-W %	YTD %	2-Y %
BET-BK	1,587	3.0	18.1	16.6

	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

The 12-month rolling budget deficit widened to 2.6% of GDP in May from 2.4% at end-2016, due to tax cuts and a looser incomes policy. In 5M:17, the budget deficit widened by 0.2 pps y-o-y to 0.3% of GDP. The main driver was current spending, which picked up in 5M:17 (up 0.5 pps of GDP y-o-y), due to a looser incomes policy (including wage hikes of up to 20% in some sectors and a 5.3% rise in pensions). At the same time, tax revenue dropped slightly (down 0.2 pps of GDP y-o-y in 5M:17), reflecting tax cuts. Recall that the VAT rate was reduced by 1 pp (to 19%) and the special excise duty on fuels was abolished in January. The decline in tax revenue would have been larger had revenue from social security contributions not increased (up 0.3 pps of GDP y-o-y), on the back of higher incomes.

Note that non-tax revenue increased in 5M:17 (up 0.3 pps of GDP y-o-y), solely due to higher grants from the EU, which, however, have not yet been used for higher public investment (down 0.2 pps of GDP y-o-y). In fact, excluding EU grants and public investment, the fiscal slippage is much larger (up 0.7 pps of GDP y-o-y in 5M:17).

The fiscal performance is set to deteriorate at a faster pace during the remainder of the year, pushing the FY:17 budget deficit well above the EU threshold of 3.0% of GDP. Looking ahead, current spending should continue to rise at a rapid pace, fueled by the loose incomes policy. Note that the authorities proceeded with an additional hike in pensions (by 9.0%) in July, costing 0.3% of GDP. The rising financing needs of the healthcare system could also weigh on the budget. At the same time, tax revenue will remain under pressure, reflecting the impact of the above-mentioned tax cuts. Worryingly, the authorities have overestimated the size of second-round effects of the tax cuts on consumption (the budget foresees nominal GDP growth at 7.5% compared with our forecast of 6.0%).

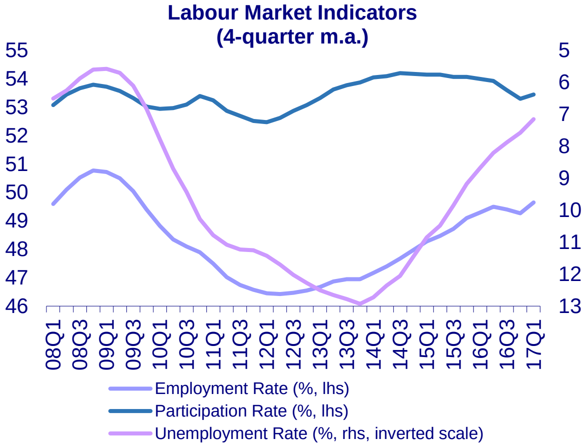
All said, assuming full implementation of the public investment programme, we see the FY:17 budget deficit widening to 3.8% of GDP, providing a fiscal impulse of 1.2 pps of GDP. The latter appears unnecessary, in view of the overheating of the economy. Indeed, real GDP growth is seen at 5.0% in FY:17, well above its long-term potential of c. 3.0% for a 3rd consecutive year, while the current account deficit is projected to more than quadruple, albeit from a low base, in just 4 years (2.9% of GDP in FY:17 against 0.7% in FY:14).

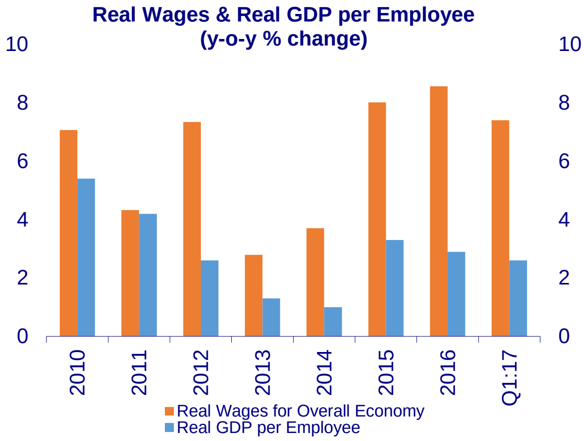
The FY:18 budget deficit could reach unsustainable levels, due to hikes in public sector wages and tax overhaul. Recall that the outgoing Government adopted the unified pay scheme of the public sector (UPS), which provides for massive hikes in wages for low-income earners -- 56% on average -- over the next 5 years. For FY:18, the UPS envisages a 25% hike in all public sector wages in January, with the education and healthcare sectors receiving another 20% raise in March. Under no policy change, we see the FY:18 budget deficit widening to an unsustainable 4.5% of GDP from 3.8% in FY:17.

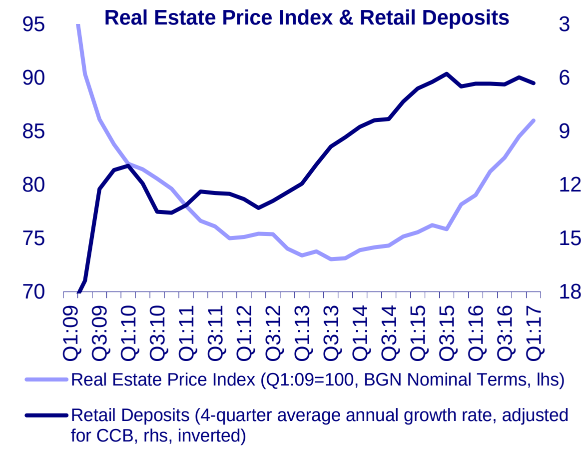
Further complicating the fiscal outlook is a plan by the new Government to overhaul taxation in FY:18. The key points of the Government's plan include: i) a 6 pp cut to the income tax rate to 10%, together with the introduction of a tax-free income threshold of RON 2,000; ii) the replacement of the 16% profit tax rate with a progressive tax on turnover of 1-3%; and iii) a 4.25 pp cut in social security contributions to 35%. In the event these measures are put into effect, the FY:18 budget deficit could rise even higher to 5.5% of GDP. All said, the envisaged pro-cyclical fiscal easing is set to exacerbate overheating pressures in the short-term, but also affect the country's fiscal position and competitiveness in the long-term, threating macroeconomic and financial stability.

Bulgaria

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







	10 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	60	65	70

	10 July	1-W %	YTD %	2-Y %
SOFIX	709	0.6	20.9	50.2

	2014	2015	2016E	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	0.4	3.8	3.3	2.8
Fiscal Bal. (% GDP)	-3.7	-2.8	1.6	-1.0	-0.5

Labour market conditions tighten in Q1:17. Against the backdrop of solid economic growth, the unemployment rate fell sharply by 1.7 pps y-o-y to 6.9% in Q1:17 (6.7% when adjusted for seasonality, still above its pre-crisis levels of 5.0%). Indeed, after declining for 2 consecutive quarters (down 1.8% y-o-y on average in Q3-Q4:16), employment rebounded in Q1:17 (up 2.1%), pushing up the employment rate to a high of 50.0% (up 1.5 pps y-o-y). Note that the participation rate rose in Q1:17 (up 0.6 pps y-o-y to 53.7%, which is equal to that of the region but below that of the EU -- c. 58%), while the working-age population continues to decline steadily (down 0.9% y-o-y).

Tighter labour market conditions have translated into significant wage pressures. Indeed, real wages continued to increase at a fast pace in Q1:17 (up 7.4% y-o-y, albeit somewhat slower compared with FY:16 -- up 8.6%), surpassing by far productivity gains (real GDP per employee rose by 2.6% y-o-y in Q1:17 following a rise of 3.3% in FY:16). Note that unit labour costs for wage earners have risen by a cumulative 28% in real terms over the past 5 years.

Structural problems cloud the outlook for the labour market. Long-term unemployment remains persistently high (at 6.0%, well above the EU average of 4.5%), reflecting labour market rigidities and mismatches of skills, sectors and regions, as well as poor activation policies. At the same time, the labour force is shrinking due, *inter alia*, to outward migration and ageing. Finally, the share of undeclared work remains high (over 20%), distorting the labour market and reducing fiscal revenue. In this context, and despite strong economic activity, we expect labour market conditions to improve at a slower pace during the remainder of the year, with employment rising by 1.0% in FY:17 and the unemployment rate falling by 0.8 pps to 6.8%.

Concomitantly, wage pressures are set to persist in FY:17 (we see real wage growth for the overall economy at c. 7.5%). However this is not a cause of concern. Indeed, with total hourly costs in Bulgaria being roughly one sixth of the EU-28 average, competitiveness still remains strong as reflected in the sizeable current account surplus (projected at 3.7% of GDP in FY:17).

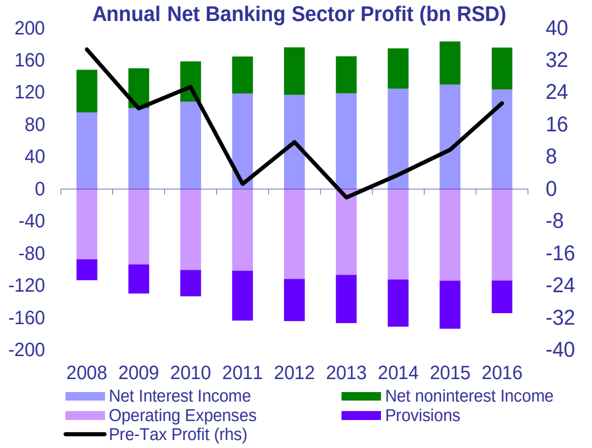
The residential real estate market maintained its strong momentum in Q1:17. The NSI Housing Price Index increased strongly in Q1:17 (up 8.8% y-o-y, a pace broadly similar to that observed in H2:17, but above that of H1:17 -- up 5.6%). As a result, the index is now at its end-2009 levels, down 26% from its mid-2008 peak but up 18% from its mid-2013 trough.

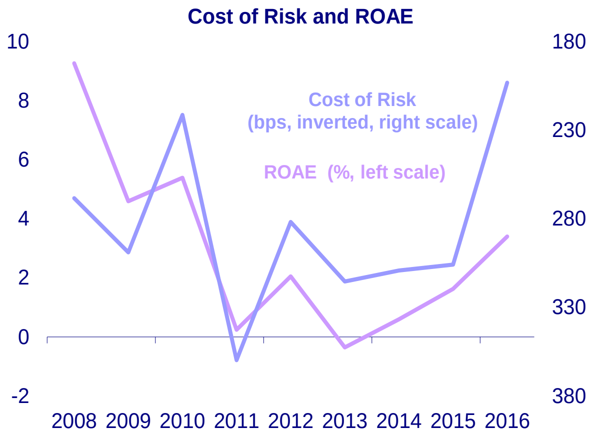
In our view, in addition to the solid economic recovery (real GDP growth was above its long-term potential for a 9th consecutive quarter in Q1:17), an important factor for the pick-up in the residential real estate market is the continuing decline in retail deposit interest rates (to 0.4% and 0.3% for LC and FX deposits, respectively, in Q1:17 from 2.7% and 2.2% at end-2014), which has, in turn, increased the attractiveness of the real estate sector as an asset class (substitution effect). Note that rental yields in Sofia stood at over 6.0% in Q1:17 against 5.0% 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 6.5% in Q1:15-Q1:17 against a CAGR of 12.3% in Q1:10-Q4:14), with investments in real estate picking up.

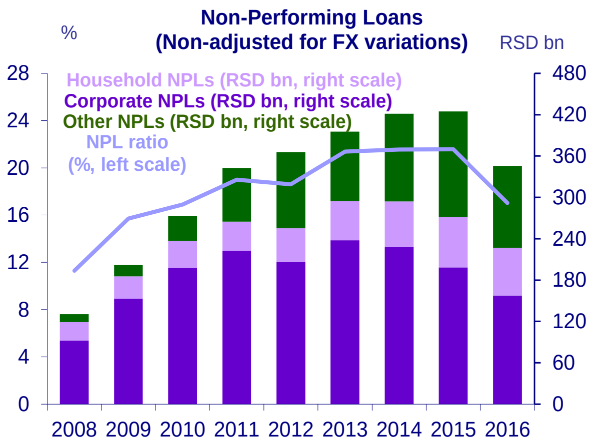
Looking ahead, we expect residential real estate prices to continue on an upward trend, in line with: i) the strong economic recovery; ii) easing credit standards by banks, in view of the continuing drop in NPLs; and iii) higher FDI inflows to the sector. Note that the Bulgarian real estate market is undervalued compared with other markets in the region, with the price-to-income ratio estimated at 8.8 against 10.7 for the SEE-4.

Serbia

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







	10 July	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.5	3.8
RSD/EUR	120.1	124.3	124.7	125.0
Sov. Spread (2021, bps)	149	142	140	130

	10 July	1-W %	YTD %	2-Y %
BELEX-15	716	0.6	-0.1	10.9

	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

Reform momentum to continue, following the endorsement of President Vucic's nominee for Prime Minister. Vucic's Serbian Progressive Party (SPS) -- the senior party of the ruling coalition -- and its junior coalition partners (consisting of the Socialist Party of Serbia and two smaller parties) backed the pro-EU and pro-reform A. Brnabic, an independent political newcomer, as Serbia's first female PM at end-June. The Cabinet remains virtually unchanged, with the exception of the appointment of the prominent pro-Russian A. Vulin as Defence Minister, signalling Vucic's continued efforts to maintain close ties with both the West and Russia. D. Vujovic retained his position as Finance Minister, reassuring investors that Vucic's economic and fiscal programme will be maintained. With Brnabic holding little influence on the SPS, the new president and SPS leader, Vucic, is expected to guide the new Government's policy decisions.

The profitability of the banking system improved for a 3rd successive year in FY:16, due to lower provisioning. Pre-tax profits in the banking sector rose significantly, reaching a 6-year high of RSD 21.3bn (equivalent to 0.5% of GDP) in FY:16, more than double their FY:15 level, on the back of a sharp fall in provisioning. As a result, ROAE and ROAA rose to 6-year highs of 3.4% and 0.7%, respectively, in FY:16 from 1.6% and 0.3% in FY:15.

The cost of risk fell sharply in FY:16, reflecting improving asset quality. P/L provisions declined by 32.1% y-o-y in FY:16 (absorbing 66.0% of net operating income in FY:16 compared with 86.0% in FY:15). The decline in P/L provisions was in line with the decrease in the NPL ratio. In fact, the NPL ratio fell by a sizeable 4.6 pps y-o-y in FY:16 to a 5-year low of 17.0% from a peak of 23.0% in Q3:14. This positive development reflects lower NPL formation, large write-offs (c. RSD 46bn in FY:16 against just RSD 7.7bn in FY:15), and the sale of NPLs to non-banking sector entities. As a result, the cost of risk declined to 203 bps in FY:16 from 306 bps in FY:15. The decline in banking sector provisions would have been sharper in FY:16 had sizeable provisions in Serbia's two state-owned banks (namely, the 2nd and 9th largest banks, Komercijalna and Postanka Banka) not taken place (amounting to 60% of total banking sector provisions in FY:16).

Pre-provision earnings deteriorated in FY:16, mainly due to lower net interest income (NII). PPI declined by 10.7% y-o-y in FY:16, following two successive years of strong increase, largely dragged down by a drop in NII. Indeed, NII (70.4% of gross operating income) fell by 4.6% y-o-y in FY:16 -- following 3 years of increase -- as higher average interest earning assets (up 5.0% in FY:16) was more than offset by a sharp compression in the NIM (down by 39 bps y-o-y to a low of 406 bps in FY:16). The decline in the NIM is estimated to have been mainly driven by: i) the drop in non-core NIM, in line with the fall in T-bill rates (with the 12-month T-bill rate declining by 2.1 pp y-o-y to a recent low of 3.9% in FY:16); and ii) tightening lending-deposit spreads (the drop in interest rates on loans is more pronounced than that on deposits), exacerbated by a faster pace of growth of deposits (up 11.5% in FY:16) than that of loans (up 2.3% y-o-y in FY:16).

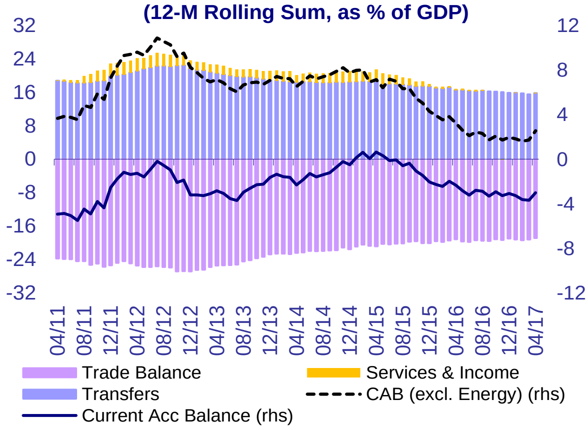
On the other hand, operating expenses remained broadly unchanged. As a result, banking sector efficiency deteriorated, with the cost-to-income ratio rising by 2.6 pps y-o-y to a high of 64.8% in FY:16.

The banking sector bottom line is set to strengthen further in FY:17. Profitability is set to improve in FY:17 due to lower provisioning, reflecting not only large provisions in FY:16 by the state-owned banks but also the rebound in activity. Overall, we expect ROAE to reach a post-global crisis peak of c. 8.0% in FY:17 -- more than double the FY:16 outcome of 3.8%, yet below the pre-crisis high of 9.7% in FY:06.

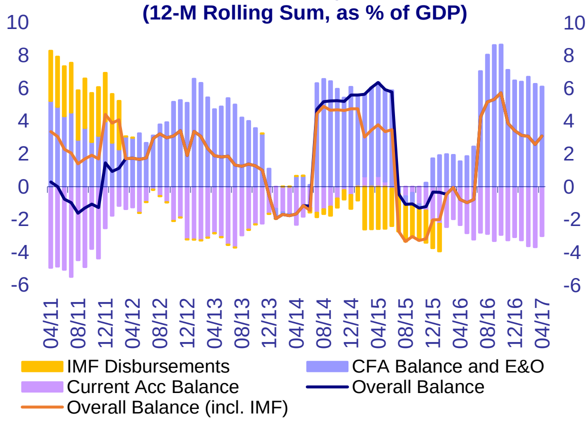
F.Y.R.O.M

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

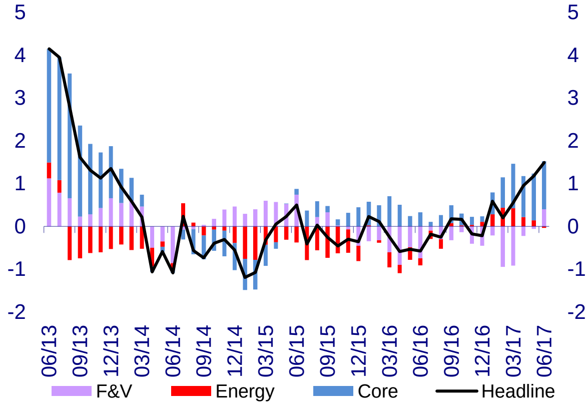
Current Account Balance (12-M Rolling Sum, as % of GDP)



Balance of Payments (12-M Rolling Sum, as % of GDP)



Contributions to Headline CPI Inflation (pps)



	10 July	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	322	300	280	260

	10 July	1-W %	YTD %	2-Y %
MBI 100	2,285	0.5	7.0	40.2

	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

Favourable trade and transfers in April helped reverse a 3-month deterioration in the current account. In April, the current account deficit (CAD) narrowed sharply by 0.7 pps y-o-y to 0.3% of GDP, more than offsetting a cumulative deterioration of 0.6 pps of GDP y-o-y in Q1:17, mainly on the back of an improved trade balance and transfers.

The trade deficit narrowed by 0.3 pps of GDP y-o-y in April against a cumulative widening of 0.4 pps of GDP y-o-y in Q1:17. The April improvement was driven by a significant rise in exports (up 8.4% y-o-y) and almost flat imports (up 0.7% y-o-y). The former reflects the country's expanding export base and competitive technological and industrial zones, while the latter is attributable to a drop in non-energy imports (down 3.9% y-o-y), in line with a subdued economic activity, and likely to a sizeable inventory drawdown.

On the other hand, the transfers balance improved by 0.3 pps of GDP y-o-y in April, offsetting a cumulative decline of 0.3 pps of GDP y-o-y in Q1:17. The improvement reflects, however, base effects from a sharp decline in private transfers (mainly purchases of foreign currency by residents accounted as transfers' outflows by the Central Bank) in April 2016, when the domestic political crisis escalated. Recall that deposit withdrawals reached MKD 8.9bn in April-May 2016 (3.1% of March 2016 stock of deposits), after President Ivanov pardoned 56 officials prosecuted over their involvement in a wiretapping scandal – violating the terms of EU-mediated Przino agreement set to end the 14 month-long domestic political impasse.

The capital and financial account (CFA) balance weakened in 4M:17 amid protracted domestic political uncertainty; but remained in surplus (0.7% of GDP). The CFA balance deteriorated by 0.4 pps y-o-y to (a surplus of) 0.7% of GDP in 4M:17, mainly due to lower (net) borrowing from abroad. Reflecting CAB and CFA developments and valuation effects, FX reserves declined by EUR 118mn y-t-d to a still comfortable EUR 2.5bn in April (covering 4.6 months of GNFS imports).

Looking forward, we expect the CAD to narrow at a faster pace in 5-12M:17 (0.7 pps of GDP y-o-y) compared with 4M:17 (0.1 pp of GDP y-o-y), mainly supported by a strong export performance, a normalization in transfers and a favourable energy bill. All said, we see the CAD narrowing by c. 1.0 pp to 2.2% of GDP in FY:17.

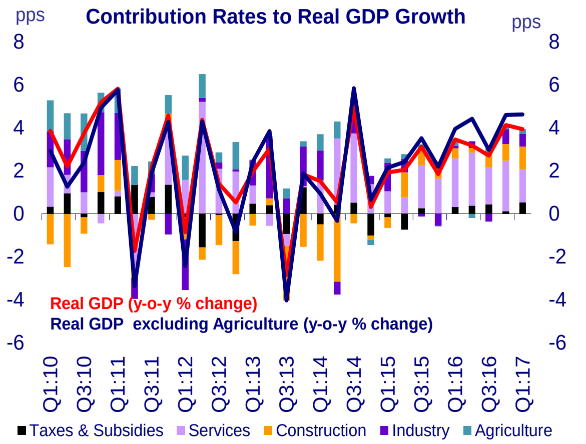
Headline inflation continued its upward trend for a 4th consecutive month, reaching 1.5% y-o-y in June. Inflation rose to a 3½-year high of 1.5% y-o-y in June from -0.2% at end-2016, due to higher core inflation and, to a lesser extent, an upside correction in prices of volatile fruit and vegetables (up 6.0% y-o-y from -6.4% in December). Core inflation (which excludes volatile food and energy prices and accounts for 80% of the CPI basket) rose to 1.4% y-o-y in June from 0.2% in December (contributing 1.1 pp to the increase in the headline figure), due, *inter alia,* to: i) tighter labour market conditions; ii) solid consumer credit growth; and iii) higher imported inflation.

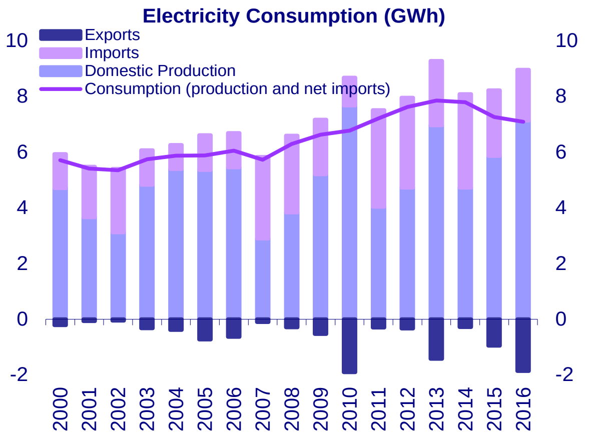
Looking ahead, we expect inflationary pressures to ease during the rest of the year, on the back of favourable energy prices, in line with global oil market developments and the normalization of volatile prices of fruit and vegetables. Overall, we see headline and core inflation ending FY:17 at 1.0% and 0.8%, respectively, up from -0.2% and 0.2% at end-2016.

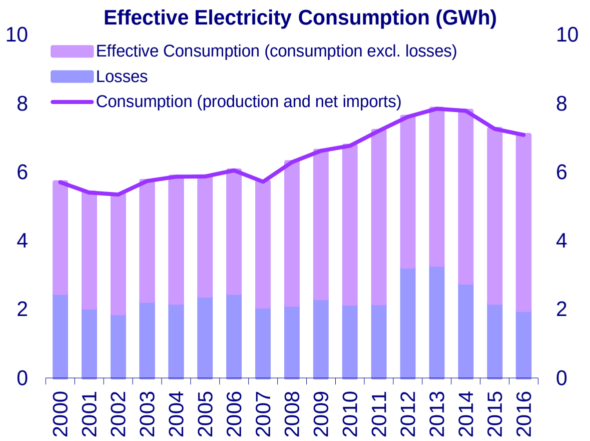
In view of the positive inflation outlook and the gradual return of confidence following the resolution of the domestic political deadlock in late-May, we see the CB proceeding with a measured cut of its key rate (28-day CB bill) by 0.25 pps to 3.0% by December -- 2.0% in *ex-post*, real and compounded terms by end-2017.

Albania

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







	10 July	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	132.3	138.5	138.7	138.0
Sov. Spread (bps)	300	280	260	240

	10 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	-10.7	-9.5	-11.1	-10.6
Fiscal Bal. (% GDP)	-5.2	-4.1	-1.8	-1.5	-1.6

Economic growth strengthened to 3.9% y-o-y in Q1:17 from 3.5% in Q1:16, on the back of the improvement in the mining and construction sectors. Industrial output rebounded in Q1:17, expanding by 4.3% y-o-y compared with a rise of 0.9% in Q1:16 (contributing 0.6 pps to GDP growth in Q1:17 compared with just 0.1 pp in Q1:16), reflecting stronger electricity and extraction outputs (especially the oil industry). In fact, growth in electricity and extraction turned positive, rising strongly by 5.0% y-o-y in Q1:17 (contributing 0.4 pps to overall real GDP growth), against a contraction by 6.5% in Q1:16 (subtracting 0.6 pps). The improved performance in oil production was supported by the recovery in oil prices (up 61.4% y-o-y, in EUR terms, in Q1:17 against a decline of 35.2% in Q1:16) and the acquisition of the Canadian-based oil company, Bankers Petroleum, by China's Geo-Jade Petroleum Corporation at end-September 2016.

The robust performance in Q1:17 also reflects the strengthening in the construction sector (up 14.1% y-o-y in Q1:17 from 6.4% in Q1:16, contributing 1.0 pp to overall GDP growth in Q1:17 against 0.5 pps in Q1:16). This was underpinned by the intensification in construction of two major energy projects (i.e. TAP and the Statkraft/Devoll hydropower plant) and higher capital expenditure (up 41.8% y-o-y in Q1:17 against a decline of 17.7% in Q1:16).

Economic growth is set to reach a 9-year high of 4.0% this year -- reaching its long-term potential -- from 3.4% in FY:16, on the back of external and domestic tailwinds. We expect activity to strengthen to 4.0% y-o-y in Q2-Q4:17 compared with 3.3% y-o-y in Q2-Q4:17, on the back of the continued rebound in construction and extraction sectors. Activity will also be supported by the rebound in credit activity, pension and public sector wage increases and their spill-overs to the private sector, the recovery in activity in the country's main trading partners, as well as a less contractionary fiscal policy. Note that our FY:17 growth forecast was revised up (by 0.2 pps), due to improved confidence in the domestic economy. The latter reflects strengthened political stability following the re-election of the socialist government of E. Rama with an outright majority in the June 25th general elections, and the expected acceleration in structural reforms in view of the start of EU accession talks and strong commitment to economic reforms.

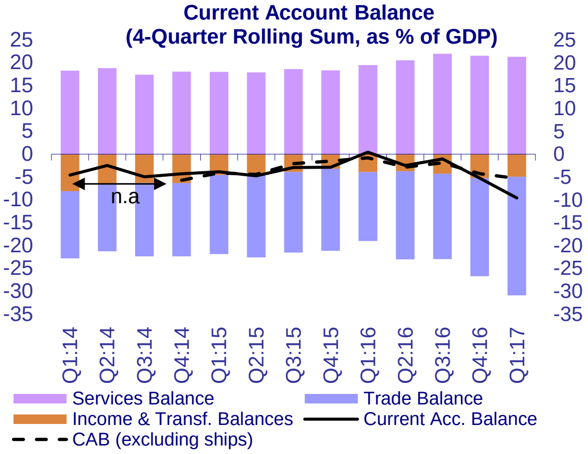
Electricity generation rose significantly in FY:16, as a result of favourable weather conditions. Domestic electricity production increased considerably in FY:16 (up 21.7% to a 6-year high of 7.1 GWh), despite strong base effects (a sharp rise of 24.1% in FY:15, following Q1:15 floods). This improvement reflects abundant rainfall that boosted hydropower production. Recall that Albania's electricity generation remains totally dependent on hydroelectric production.

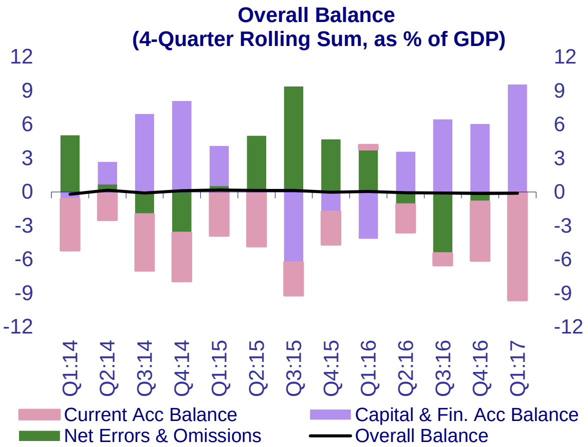
The rise in domestic electricity production in FY:16 led to a marked rise in electricity exports (almost twice their level in FY:15), and a decline in imports (by 22.4% in FY:16). As a result, imports covered just 25.8% of total consumption in FY:16, down from 32.4% in FY:15, while Albania turned into a net exporter of electricity (for the first time since FY:10).

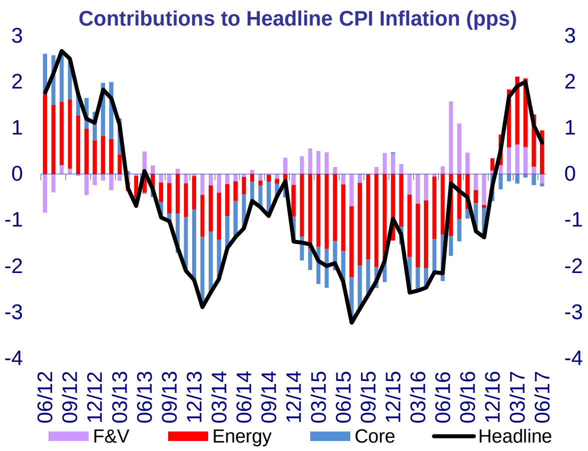
Importantly, the strong implementation of the electricity sector reform (launched at end-2014 with the support of the WB) has brought about impressive results. As a result, large unbilled electricity, reflecting not only technical losses (due to the low quality of the electricity network), but most importantly large non-technical losses, due to extensive electricity theft, has been gradually reduced. Indeed, (unbilled) distribution losses fell further, to a still sizeable 26.3% of total consumption in FY:16 from 28.0% in FY:15 and a peak of 39.4% in FY:13, with non-technical losses declining to 22.6% of total losses in FY:16 from 30.5% in FY:15 and a high 61.0% in FY:13.

Cyprus

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







	10 July	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.14	1.12	1.10	1.12
Sov. Spread (2020. bps)	145	140	130	120

	10 July	1-W %	YTD %	2-Y %
CSE Index	76	-0.1	14.7	-1.9

	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

The current account balance (CAB) deteriorated sharply by 4.3 pps y-o-y to a deficit of 3.9% of GDP in Q1:17, mainly due to a large ship trade deficit. The CAB turned into a deficit of 3.9% of GDP in Q1:17 from a surplus of 0.4% of GDP in the same period a year ago, mainly due to a sharp deterioration of the ship trade balance (which posted a deficit of 1.5% of GDP in Q1:17 against a surplus of 1.8% of GDP in Q1:16). The negative performance of the CAB in Q1:17 was also driven by the deterioration of the energy and core (excluding ships and energy) trade balances (by 0.5 pps and 0.6 pps of GDP y-o-y, respectively), in line with global oil market developments and strengthening domestic demand. Indeed, the non-ship CAD deteriorated by 1 pp y-o-y to 2.4% of GDP in Q1:17.

The negative CAD performance in Q1:17 also reflects a weaker services surplus (down 0.2 pps y-o-y to 3.4% of GDP), mainly attributed to a deterioration in the balances for financial services and transport services, which outweighed a more modest improvement in the balance for business services.

The deterioration in the CAD in Q1:17 would have been even sharper had it not been for mild improvements in income and transfers balances (each 0.1 pp of GDP y-o-y).

The capital and financial account (CFA) turned into a surplus in Q1:17, benefiting from sizeable net FDI inflows. The CFA balance improved by 3.5 pps y-o-y to a surplus of 1.9% of GDP in Q1:17. The positive performance was mainly supported by a sharp rise in net FDI (up 6.0 pps y-o-y to 10.1% of GDP), reflecting increasing investor confidence in the domestic economy, in view of the strengthening of its macroeconomic performance and reform drive following its exit from the 3-year adjustment economic programme in March 2016. Note that the privatization of the commercial activities of the country's largest port, Limassol, was completed in January. Reflecting the current account and CFA developments and positive (net) errors and omissions inflows, the overall balance was zero in Q1:17.

Looking forward, we expect the deterioration of the CAD, excluding ships, to come to a halt during the rest of the year. We see the CAD at c. 2.9% of GDP in Q2-Q4:17, unchanged from Q2-Q4:16, following a widening of 1.0 pp of GDP y-o-y in Q1:17. The stabilization in Q2-Q4:17 should be underpinned by stronger tourist receipts and a modest increase in the energy bill. All said, we foresee the CAD, excluding ships, widening by 1 pp y-o-y to 5.3% of GDP in FY:17.

Headline inflation eased for a second consecutive month to 0.7% y-o-y in June from a 4½-year high of 2.0% in April, due to favourable prices of energy and fruit & vegetables. The deceleration followed a sharp rise in 4M:17 (from -0.3% y-o-y in December to 2.0% in April), reflecting an across-the-board deterioration in the components of headline inflation (see chart).

The 1.3 pp decline in headline inflation between April and June was driven by a sharp downside correction in volatile prices of fruit & vegetables and, to a lesser extent, a milder increase in energy prices (contributing 0.8 pps and 0.5 pps, respectively, to the overall decline between April and June).

For the rest of the year, we expect upward pressures stemming from stronger domestic demand (in line with a positive output gap for the first time in 5-years in FY:17) and higher imported inflation to be broadly offset by a futher decline in energy inflation, in line with global oil prices (we project the average price of Brent to decline by c. 10.0% y-o-y in December compared with an increase of c.10.0% y-o-y in June in EUR terms). Overall, we see headline and core inflation ending 2017 at 0.8% and 0.7%, respectively, up from -0.3% and -0.7% at end-2016.

Egypt

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

Fiscal Accounts (% of GDP)

	2015/16 Outcome	10M: 2015/16 Outcome	10M: 2016/17 Outcome	2016/17 Budget	NBG 2016/17 Estimate
Revenue	18.1	12.1	12.6	19.6	18.9
Tax Revenue	13.0	9.0	9.5	12.7	13.4
Income Tax	5.3	3.2	3.3	4.4	5.3
Personal Income	1.6	1.3	1.2	1.6	1.5
Corporate Income	3.8	1.9	2.1	2.8	3.8
Property Taxes	1.0	0.8	0.7	1.1	1.0
Taxes on G. & S.	5.2	4.1	4.5	5.9	5.7
Taxes on Int. Trade	1.0	0.7	0.6	0.9	0.8
Other Taxes	0.4	0.2	0.4	0.5	0.7
Grants	0.1	0.1	0.0	0.1	0.0
Other Revenue	5.0	3.0	3.0	6.9	5.4
Expenditure	30.7	22.2	20.9	29.0	29.4
Wages & Salaries	7.9	6.3	5.1	6.7	6.5
Purch. of G. & S.	1.3	0.9	0.8	1.2	1.2
Interest Payments	9.0	7.1	7.4	8.6	8.9
Subsidies, grants & social benefits	7.4	4.5	4.5	6.1	8.2
Other Expenditure	5.1	3.5	3.1	6.4	4.6
Fiscal Balance	-12.5	-10.1	-8.3	-9.4	-10.5
Primary Balance	-3.5	-3.0	-0.9	-0.8	-1.6

Fiscal Accounts (% of GDP)

	2015/16 Outcome	NBG 2016/17 Estimate	2017/18 Budget	NBG 2017/18 Forecast
Revenue	18.1	18.9	20.3	19.8
Tax Revenue	13.0	13.4	14.7	14.2
Income Tax	5.3	5.3	n.a.	5.3
Personal Income	1.6	1.5	n.a.	1.4
Corporate Income	3.8	3.8	n.a.	3.9
Property Taxes	1.0	1.0	n.a.	1.0
Taxes on G. & S.	5.2	5.7	n.a.	6.1
Taxes on Int. Trade	1.0	0.8	n.a.	0.9
Other Taxes	0.4	0.7	n.a.	0.9
Grants	0.1	0.0	0.0	0.0
Other Revenue	5.0	5.4	5.6	5.6
Expenditure	30.7	29.4	29.3	29.3
Wages & Salaries	7.9	6.5	5.8	5.8
Purch. of G. & S.	1.3	1.2	1.3	1.3
Interest Payments	9.0	8.9	9.3	9.3
Subsidies, grants & social benefits	7.4	8.2	8.1	8.1
Other Expenditure	5.1	4.6	4.9	4.9
Fiscal Balance	-12.5	-10.5	-9.0	-9.5
Primary Balance	-3.5	-1.6	0.3	-0.2

	10 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)	335	290	270	240

	10 July	1-W %	YTD %	2-Y %
HERMES 100	1,231	1.2	13.1	79.5

	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	25.6	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

Fiscal tightening is estimated to have reached 2.0 pps of GDP in FY:16/17 , yet remains high at an estimated 10.5%. The fiscal deficit narrowed significantly by 1.8 pps y-o-y to 8.3% of GDP in 10M:16/17 (July 2016-April 2017), on the back of a sharp fall in expenditure (down 1.3 pps of GDP y-o-y) and, to a lesser extent, a mild increase in revenue (up 0.5 pps of GDP y-o-y). This impressive performance resulted from the implementation of a series of revenue-enhancing and expenditure-saving measures, largely adopted ahead of the IMF Executive Board's approval of a USD 12bn 3-year extended fund facility (EFF) for Egypt last November.

Specifically, the decline in expenditure was driven mainly by a lower wage bill (down 1.2 pps of GDP y-o-y) and under-executed capital expenditure (down 0.4 pps of GDP y-o-y). The favourable wage bill was the result of the implementation of the new civil service law (approved by Parliament in October 2016). On the other hand, the positive revenue performance mainly reflects higher income from VAT (up 0.4 pps of GDP y-o-y), following the replacement of the General Sales Tax (at 10%) by the new VAT (at 13%) last September.

Looking ahead, we estimate the fiscal deficit to have continued to narrow at a broadly similar pace during the remainder of the fiscal year (May-June 1017), bringing the FY:16/17 fiscal deficit to 10.5% of GDP -- below the FY:15/16 outcome of 12.5% but above its target of 9.4%. The FY:16/17 fiscal consolidation is estimated to have underperformed its target by 1.1 pp of GDP, mainly due to: i) higher-than-budgeted food and energy subsidies (by 2.2 pps of GDP), reflecting over-optimistic Budget projections for the exchange rate and the price of Brent/barrel and ii) lower-than-expected non-tax revenue (by 1.5 pps of GDP). The resulting slippage (3.7 pps of GDP) was reduced by the under-execution of capital spending (1.8 pps of GDP) and higher-than-budgeted tax revenue (0.9 pps of GDP).

The envisaged fiscal consolidation of 1.5 pps of GDP for 2017/18 may require additional corrective measures. The 2017/18 Budget (started on July 1st) envisages further fiscal tightening, targeting a deficit of 9.0% of GDP compared with our FY:17/18 deficit estimate of 10.5%. In our view, the fiscal deficit target is set to be missed in FY:17/18, due to an over-optimistic revenue growth target (up 29.6%). The latter should be underperformed by c. 3.0 pps, in view of weaker nominal GDP growth (projected at c. 21.0%) and insufficient revenue-enhancing measures. The only significant revenue-enhancing measure in the new Budget is the 1 pp rise in the VAT rate to 14.0% (from July 1st). We expect a revenue shortfall of 0.5 pps of GDP.

On a positive note, the 2017/18 Budget current expenditure target appears to be within reach (up 18.5%). This target should be attained in view of a contained increase in the wage bill, in line with the new civil service bill, and the fact that a the bulk of a large social safety package, aimed to ease economic burdens on the poor and vulnerable citizens, will be covered through savings from further cuts in energy subsidies (through price increases).

Indeed, prices of fuel and electricity were increased by up to 50% and 42%, respectively, on July 1st, with an expected savings of EGP 75bn or 1.8 pps of GDP. The latter will be earmarked for a social spending package, worth GP 85bn or 2.1 pp of GDP.

Overall, we see the fiscal deficit declining to 9.5% of GDP in FY:17/18 from an estimated outcome of 10.5% of GDP in FY:16/17; but missing its target of 9.0% of GDP unless further corrective fiscal measures are introduced.

FOREIGN EXCHANGE MARKETS, JULY 10TH 2017

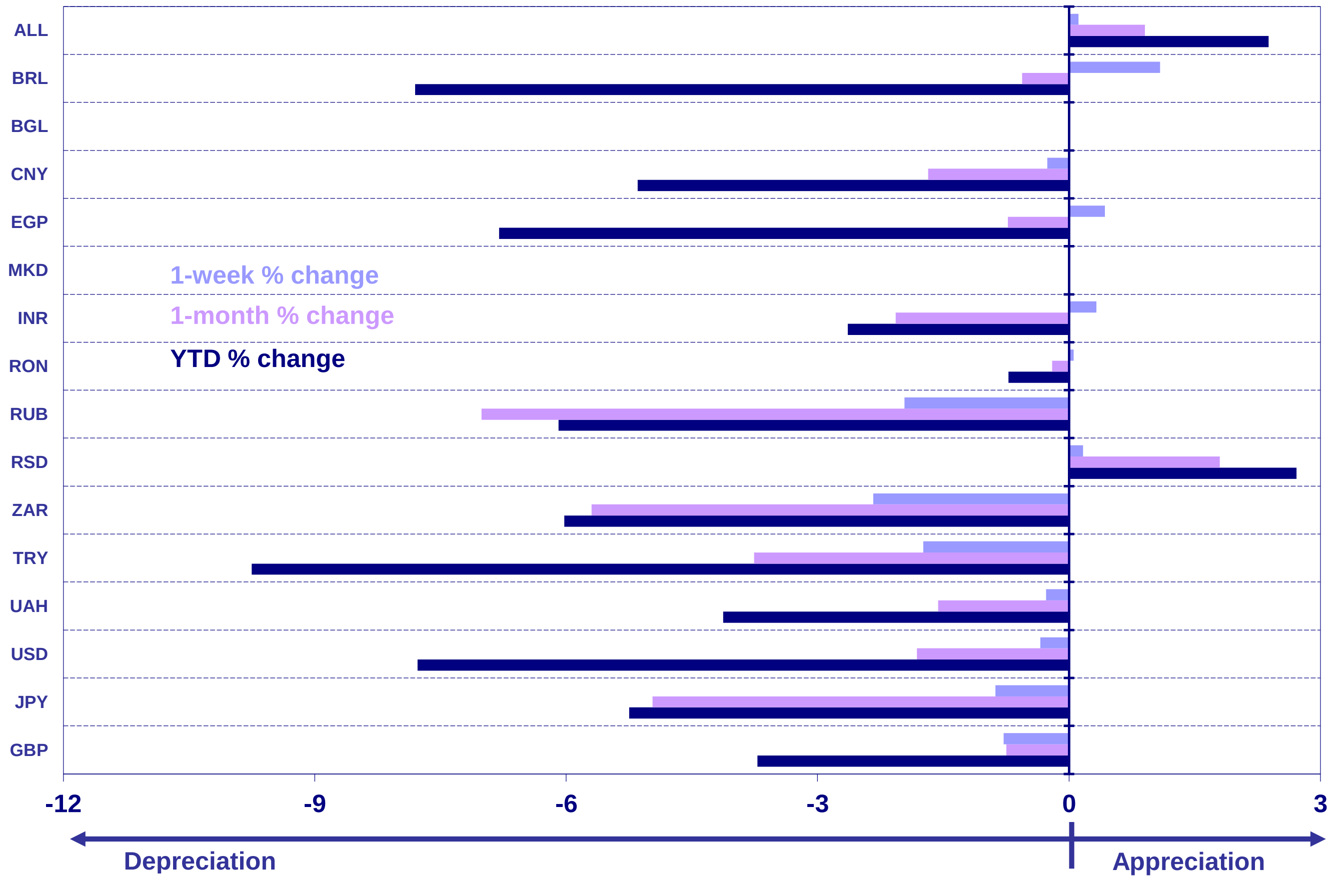
Against the EUR

	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	132.3	0.1	0.9	2.4	3.1	132.1	137.3	132.6	132.6	132.1	1.2	2.0
Brazil	BRL	3.71	1.1	-0.6	-7.8	-1.4	3.23	3.79	4.06	4.05	4.03	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	7.73	-0.3	-1.7	-5.1	-4.4	7.20	7.78	8.09	8.09	8.08	-4.0	6.7
Egypt	EGP	20.24	0.4	-0.7	-6.8	-51.6	16.62	20.64	- - -	- - -	- - -	-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	73.5	0.3	-2.1	-2.6	0.9	68.2	74.1	78.5	- - -	- - -	0.4	6.6
Romania	RON	4.57	0.1	-0.2	-0.7	-1.7	4.49	4.60	4.58	4.59	4.60	-0.4	-0.8
Russia	RUB	68.7	-2.0	-7.0	-6.1	3.4	59.5	69.2	70.2	71.9	74.9	22.9	-15.1
Serbia	RSD	120.1	0.2	1.8	2.7	2.5	120.2	124.1	120.6	121.0	- - -	-1.5	-0.1
S. Africa	ZAR	15.4	-2.3	-5.7	-6.0	3.8	13.38	15.48	15.6	16.0	16.6	16.2	-16.6
Turkey	YTL	4.11	-1.7	-3.8	-9.8	-21.9	3.70	4.17	4.24	4.37	4.62	-14.7	-10.8
Ukraine	UAH	29.7	-0.3	-1.6	-4.1	-7.5	27.22	29.84	34.6	- - -	- - -	-8.6	-27.5
US	USD	1.14	-0.3	-1.8	-7.8	-3.0	1.0	1.1	1.15	1.15	1.16	3.3	11.4
JAPAN	JPY	130.0	-0.9	-5.0	-5.2	-12.5	114.9	130.4	130.0	130.1	130.1	6.0	11.0
UK	GBP	0.88	-0.8	-0.7	-3.7	-3.7	0.8	0.9	0.89	0.89	0.89	-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 10th 2017)



MONEY MARKETS, JULY 10TH 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	2.5	- - -	19.8	- - -	- - -	0.6	9.0	- - -	12.9	7.9	12.4	- - -	1.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.6	9.0	3.0	- - -	7.5	- - -	- - -	- - -
S/W	1.4	10.1	0.0	2.8	-0.4	- - -	1.2	- - -	- - -	9.2	3.0	- - -	8.5	12.8	-0.4	1.2
1-Month	1.6	9.9	0.0	4.2	-0.4	- - -	1.5	6.5	0.7	9.3	3.3	13.0	7.6	14.3	-0.4	1.2
2-Month	- - -	9.5	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	9.3	3.4	13.0	7.6	- - -	-0.3	1.3
3-Month	1.9	9.2	0.1	4.3	-0.3	- - -	1.8	6.5	0.9	9.3	3.5	13.0	7.9	16.2	-0.3	1.3
6-Month	2.3	8.8	0.3	4.4	-0.3	- - -	2.0	- - -	1.0	9.0	3.7	13.1	7.7	- - -	-0.3	1.5
1-Year	2.8	8.6	0.8	4.4	-0.2	- - -	2.4	- - -	1.2	8.8	- - -	13.2	8.1	- - -	-0.2	1.8

LOCAL DEBT MARKETS, JULY 10TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	20.9	- - -	6.3	- - -	8.9	3.5	10.4	- - -	- - -	-0.8	1.0
6-Month	1.7	- - -	- - -	- - -	- - -	21.1	1.6	6.3	0.6	8.8	3.9	10.5	- - -	- - -	-0.7	1.1
12-Month	2.1	- - -	-0.2	3.5	- - -	21.0	1.9	6.4	0.9	8.0	4.2	11.4	- - -	14.4	-0.7	1.2
2-Year	2.4	- - -	- - -	3.5	- - -	- - -	- - -	6.4	1.4	8.1	- - -	11.1	7.5	- - -	-0.6	1.4
3-Year	- - -	- - -	0.3	3.5	1.3	- - -	- - -	6.5	1.4	8.2	- - -	10.7	7.7	14.6	-0.5	1.6
5-Year	- - -	10.3	- - -	3.5	1.9	18.4	- - -	6.6	2.6	8.1	5.6	10.7	7.9	- - -	-0.1	1.9
7-Year	- - -	- - -	1.3	- - -	- - -	19.2	- - -	6.8	3.4	8.1	- - -	- - -	- - -	- - -	0.1	2.2
10-Year	- - -	10.5	1.9	3.6	- - -	18.7	- - -	6.5	4.0	7.9	- - -	10.5	8.9	- - -	0.5	2.4
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.1	- - -	8.0	- - -	- - -	9.5	- - -	0.8	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.1	- - -	- - -	- - -	- - -	10.0	- - -	1.3	2.9

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

CORPORATE BONDS SUMMARY, JULY 10TH 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	1.5	219	179
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	2.8	343	311
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	9.0	100	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.7	163	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.5	211	174
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.2	165	120
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.4	300	254
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.5	210	164
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.5	285	236
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.1	418	401

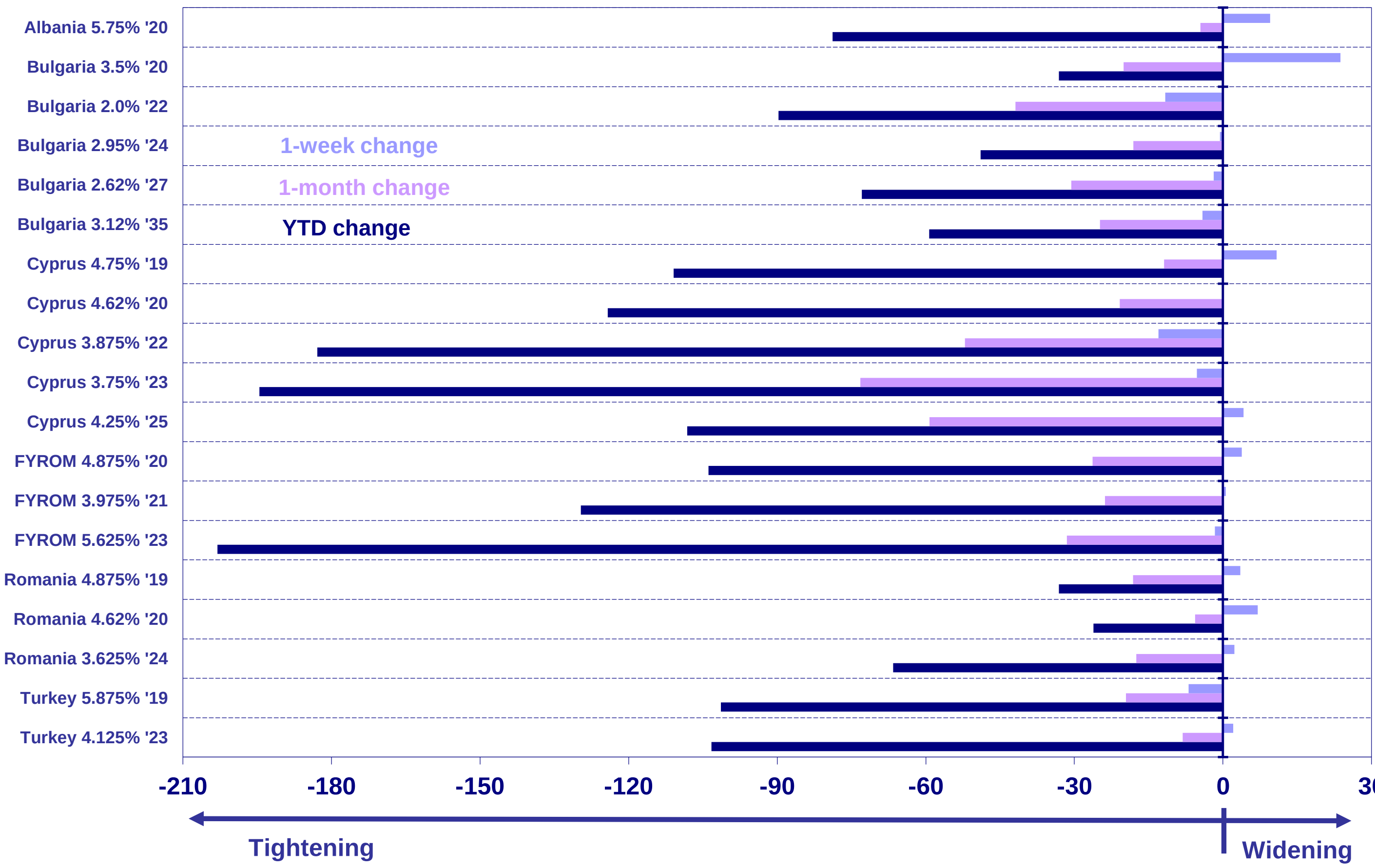
CREDIT DEFAULT SWAP SPREADS, JULY 10TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	235	115	71	204	405	- - -	80	104	172	149	201	206	- - -
10-Year	- - -	332	160	118	236	424	- - -	86	145	245	190	285	274	- - -

EUR-Denominated Sovereign Eurobond Summary, July 10th 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	2.5	300	258
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.4	89	45
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.5	56	20
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.4	122	79
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.9	136	99
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.0	188	149
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	0.5	112	69
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	0.9	145	104
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	1.9	201	170
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	2.2	217	176
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	2.6	235	200
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	2.6	308	261
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.9	322	460
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.0	401	368
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.2	83	32
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.3	77	26
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.6	146	111
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.9	146	111
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.9	292	255

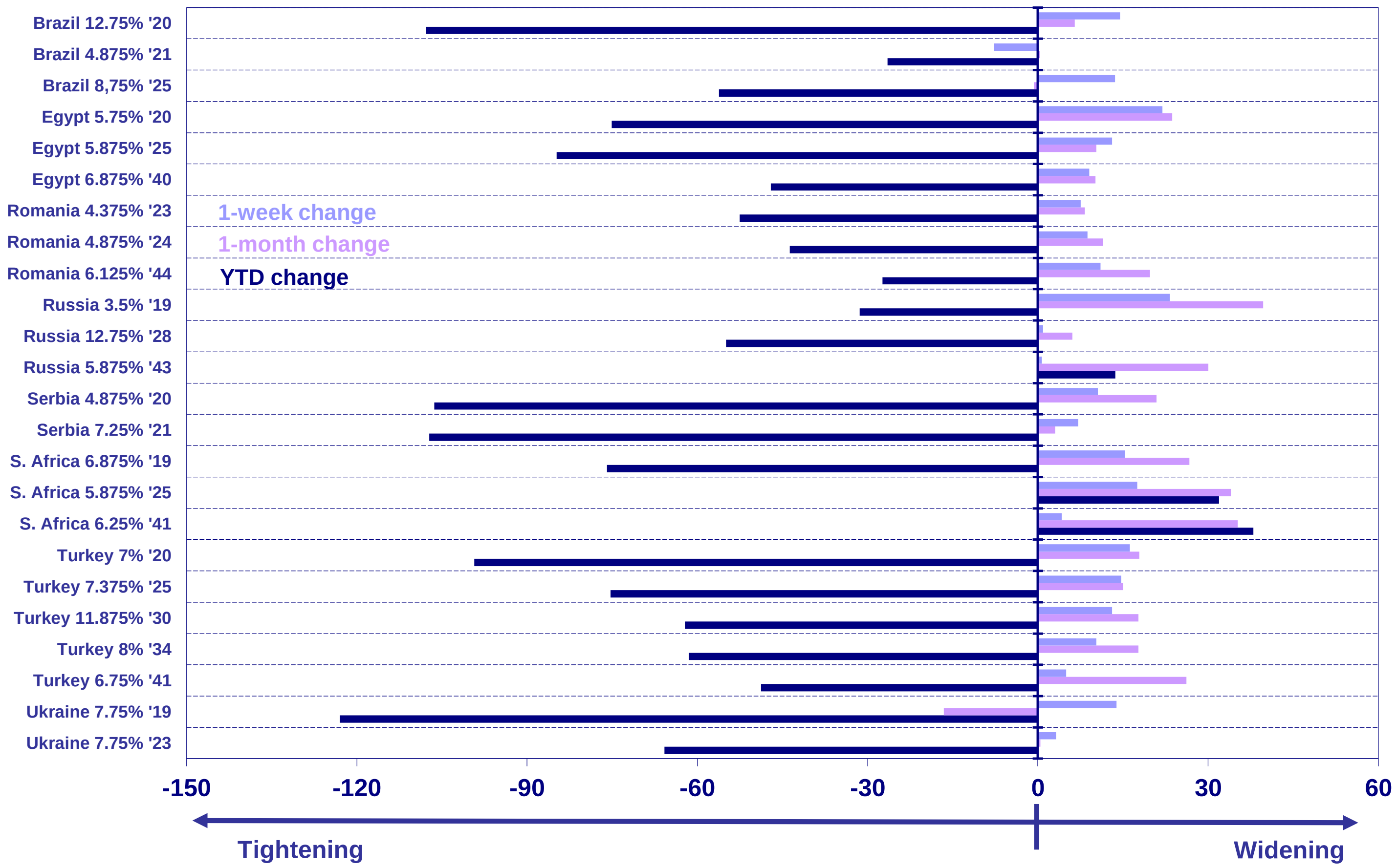
EUR-Denominated Eurobond Spreads (July 10th 2017)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JULY 10TH 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	2.7	111	110
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.4	186	160
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.7	250	285
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.9	335	316
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	6.4	416	399
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	7.5	457	460
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.4	117	130
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.5	126	137
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.6	166	227
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.5	110	91
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.2	186	270
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	5.1	220	267
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.3	174	159
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.4	149	162
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.7	134	115
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	5.0	281	282
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.8	285	327
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.8	220	209
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	5.1	287	307
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.6	320	419
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.9	357	384
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	6.0	308	336
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	6.2	483	456
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	8.0	581	577

USD-Denominated Eurobond Spreads (July 10th 2017)



STOCK MARKETS PERFORMANCE, JULY 10TH 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)	63,025	-0.4	1.3	4.6	16.8	59,371	69,488	-3.7	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	709	0.6	4.9	20.9	57.2	583	714	20.9	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,213	0.5	1.7	3.5	7.3	3,017	3,295	-2.5	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	76	-0.1	-0.2	14.7	16.3	65	79	14.7	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,231	1.2	0.8	13.1	78.9	1,071	1,221	4.6	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,285	0.5	-0.2	7.0	27.4	2,135	2,316	7.0	16.5	16.5	-0.6	-0.6
India (SENSEX)	31,716	1.6	1.5	19.1	14.8	25,718	31,768	15.8	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,587	3.0	-2.6	18.1	31.1	1,365	1,658	17.2	0.2	0.0	2.6	1.6
Russia (RTS)	4,251	2.4	4.5	-13.6	-1.8	3,838	5,089	-18.8	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	716	0.6	-0.3	-0.1	18.5	694	753	2.6	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	52,188	0.0	-0.1	3.0	0.0	50,338	54,717	-3.2	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	101,097	0.6	2.2	29.4	27.6	75,657	101,416	16.8	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	285	-0.3	0.6	7.6	27.6	265	287	3.1	10.2	1.0	-37.8	-54.8
MSCI EMF	1,009	-0.5	-0.9	17.1	19.2	858	1,023	8.0	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,880	-0.4	-0.7	11.7	16.2	1,677	1,916	3.0	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	844	2.0	7.9	31.1	54.0	602	846	31.1	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	12,446	-0.2	-2.9	8.4	26.6	11,415	12,952	8.4	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,370	-0.1	-2.1	3.2	10.3	7,094	7,599	-0.7	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	21,409	-0.3	0.6	8.3	17.5	19,678	21,563	-0.1	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,427	-0.1	-0.2	8.4	13.6	2,245	2,454	0.0	9.5	13.2	-0.7	10.6

Equity Indices (July 10th 2017)