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Economic Analysis Division

Emerging Markets Research

Bi-Weekly Report

18 April – 1 May 2017

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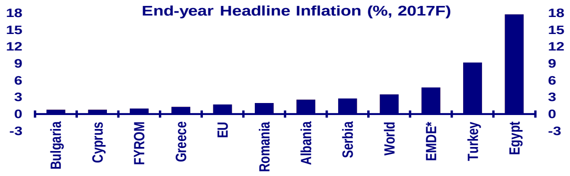
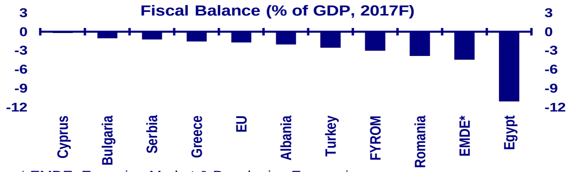
* EMDE: Emerging Market & Developing Economies





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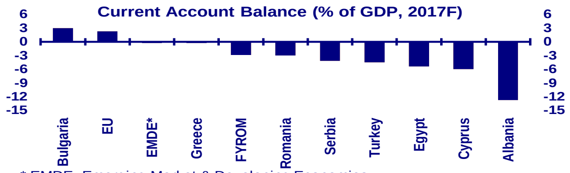
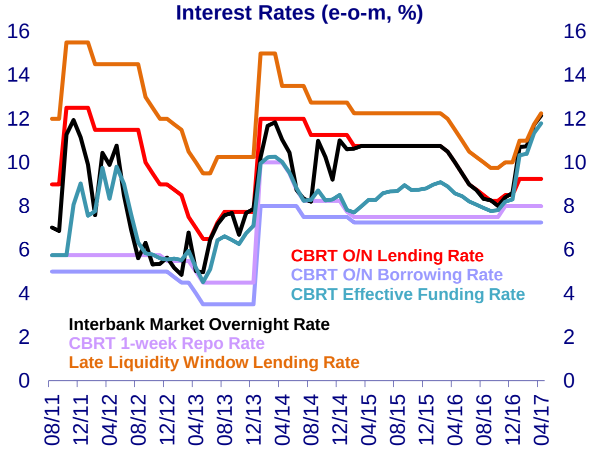


* EMDE: Emerging Market & Developing Economies

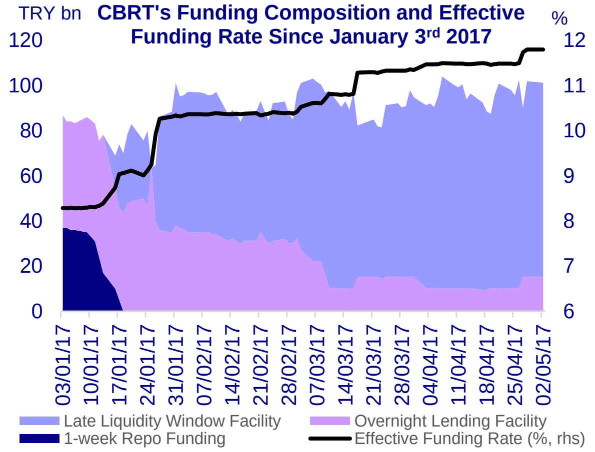
Turkey

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

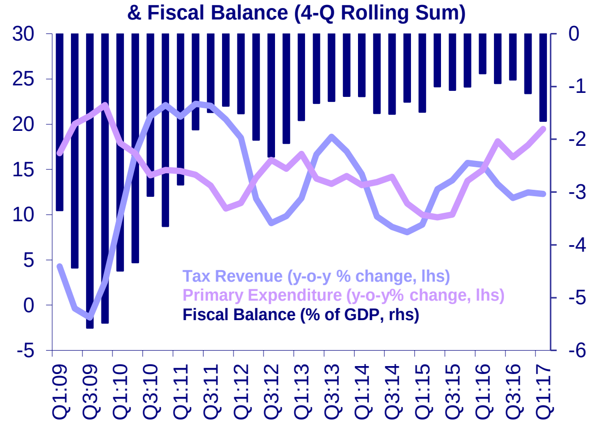
Interest Rates (e-o-m, %)



CBRT's Funding Composition and Effective Funding Rate Since January 3rd 2017



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



	1 May	3-M F	6-M F	12-M F
1-m TRIBOR (%)	12.6	12.5	11.5	10.5
TRY/EUR	3.87	3.85	3.82	3.80
Sov. Spread (2020, bps)	211	205	200	180

	1 May	1-W %	YTD %	2-Y %
ISE 100	94,655	0.9	21.1	12.8

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	5.2	6.1	2.9	3.5	4.2
Inflation (eop, %)	8.2	8.8	8.5	9.2	7.8
Cur. Acct. Bal. (% GDP)	-4.7	-3.7	-3.8	-4.5	-4.5
Fiscal Bal. (% GDP)	-1.1	-1.0	-1.1	-3.0	-2.5

The CBRT proceeded with a further 50 bp hike to its main monetary policy instrument. The CBRT raised the late liquidity window (LLW) lending rate (a facility available between 4:00 pm and 5:00 pm, designed for banks who need a lender of last resort) by 50 bps to 12.25%. This facility has effectively become the main funding source since the CBRT provides almost no funding through its more traditional windows. Indeed, it maintained unchanged its overnight lending rate, one-week repo rate, and overnight borrowing rate at 9.25%, 8.0% and 7.25%, respectively.

The Bank justified its decision by the need to contain the deterioration in the inflation outlook. Note that headline inflation and end-year inflation expectations have increased significantly over the past 4 months, reaching 11.3% and 9.1% y-o-y, respectively, in March -- both above the upper bound of the CBRT's target range of 3.0%-7.0% and the CBRT's recently-revised end-year forecast of 8.5% (from 8.0%).

Importantly, the CBRT stated that the tight monetary policy stance will be maintained until the inflation outlook displays a significant improvement, while it kept the door open for further tightening.

Looking ahead, with inflation set to ease from an estimated high of 12.0% in May to 9.2% in December, as the pass-through impact from the exchange rate depreciation fades, we expect the CBRT to reduce gradually its effective funding rate (EFR) from its current high of 11.8% to 10.6% (1.8% in *ex post*, compounded and real terms) by December, while keeping all policy rates unchanged. The reduction in the EFR will be delivered through the change in the CBRT's funding composition (liquidity management). Indeed, the restoration of the least expensive 1-week repo facility (currently at 8.0%) -- whose use was temporarily terminated on January 11th -- and the increase of funding through the overnight lending facility (currently at 9.25%) will reduce banks' recourse to the expensive LLW facility (currently at 12.25% cost) to cover their financing needs.

Fiscal easing improved in Q1:17 ahead of the mid-April referendum. The fiscal balance deteriorated by 0.5 pps of GDP y-o-y in Q1:17, after having weakened by 0.2 pps of GDP y-o-y in Q4:16, reflecting the Government's efforts to boost the waning domestic economy ahead of the mid-April referendum. The Q1:17 negative performance was mainly driven by higher primary expenditure (up 0.3 pps of GDP y-o-y), primarily reflecting more generous transfers (health & retirement spending, social assistance) and lower tax revenue (down 0.1 pp of GDP y-o-y), due to weaker special consumption tax (largely reflecting the impact of tax cuts in white goods and furniture).

With the Q1:17 outturn, the 4-quarter rolling budget deficit widened sharply to 1.7% of GDP from 1.1% in Q4:16 -- slightly surpassing its end-year target of 1.6%.

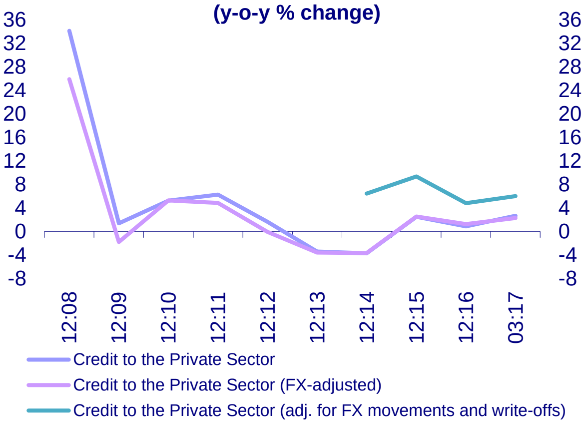
Looking ahead, the cycle of fiscal policy loosening, which started in Q4:16 and aimed at containing the slowdown in economic activity and the rise in unemployment, is set to continue throughout the rest of the year. As a result, the FY:17 fiscal deficit could exceed the 3% of GDP mark, unless policy is tightened. In the event, the outcome would surpass, by a wide margin, its target of 1.6% and the FY:16 outcome of 1.1% and provide a fiscal stimulus to the economy exceeding 2 pps of GDP in FY:17, on a cyclically-adjusted basis.

Importantly, by itself, the expected fiscal loosening this year is unlikely to be market negative – unless the slippage is sizeable -- as the general government gross debt-to-GDP ratio has moderated significantly from a peak of 76.1% in 2001, to 27.4% at end-2016 -- comparing favourably with the (IMF-calculated) average of "Emerging market and developing economies" of 47.2% of GDP.

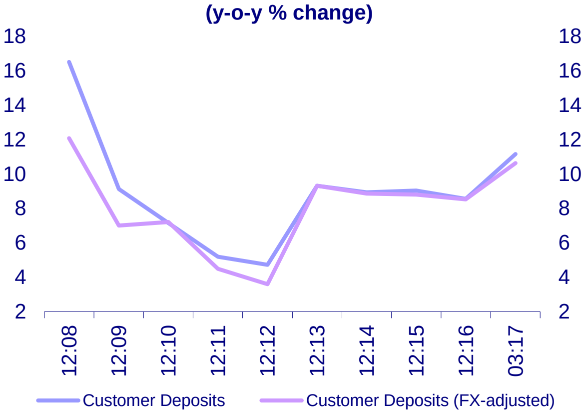
Romania

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

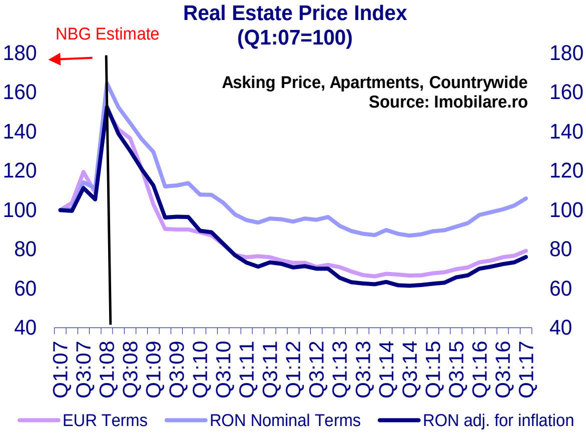
Credit to the Private Sector (y-o-y % change)



Customer Deposits (y-o-y % change)



Real Estate Price Index (Q1:07=100)



	1 May	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.7	0.9	1.2	1.5
RON/EUR	4.53	4.49	4.49	4.50
Sov. Spread (2024, bps)	177	175	150	140

	1 May	1-W %	YTD %	2-Y %	
BET-BK	1,550	-0.1	15.3	11.8	
	2014	**2015**	**2016E**	**2017F**	**2018F**
Real GDP Growth (%)	3.1	3.9	4.8	4.0	3.4
Inflation (eop, %)	0.8	-0.9	-0.5	2.0	2.6
Cur. Acct. Bal. (% GDP)	-0.7	-1.2	-2.4	-3.0	-3.4
Fiscal Bal. (% GDP)	-1.7	-1.5	-2.4	-3.8	-3.0

Credit expansion picked up slightly in Q1:17, but remains relatively moderate. Credit to the private sector rose by 2.7% y-o-y in March against 0.9% at end-2016. Note that the pace of credit expansion is understated, however, due to large write-offs, which have pushed down the NPE ratio to an estimated 9.5% in March from 13.5% a year ago. Adjusted for FX movements and write-offs, credit to the private sector is estimated to have increased by 6.0% y-o-y in March against 4.8% at end-2016. Specifically, FX lending continued to decline sharply in March (down 11.6% y-o-y in FX-adjusted terms against 13.3% at end-2016), due to the restrictive measures implemented by the NBR (tougher affordability tests for FX borrowers, 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 72.1% in March), LC lending continued to rise (up 14.1% y-o-y against 14.6% at end-2016). From a segment perspective, retail lending was the main driver (up 5.5% y-o-y in FX-adjusted terms in March following a similar rise at end-2016), with corporate lending falling further (by 1.1% y-o-y in FX-adjusted terms), albeit at a slower pace compared with end-2016 (down 2.9%), likely due to reduced transfers of loans to off-balance sheet vehicles, as mandated by the NBR.

Deposit growth maintained its momentum in Q1:17, underpinned by strong economic activity. Customer deposits grew by a strong 10.6% y-o-y in FX-adjusted terms in March following a rise of 8.5% at end-2016. Specifically, LC deposits (up 14.0% y-o-y in March against 10.4% at end-2016) continued to grow at a faster pace than FX deposits (up 3.7% y-o-y in FX-adjusted terms in March against 4.3% at end-2016). From a segment perspective, retail deposits remained the main driver (up 11.5% y-o-y in FX-adjusted terms in March following a similar rise at end-2016), reflecting the impact of a looser incomes policy, with corporate deposits increasing (up 9.2% in FX-adjusted terms in March against 4.1% in FX-adjusted terms at end-2016).

Credit activity is set to pick up in FY:17. Looking ahead, we expect credit expansion to improve, in line with: i) the rapid economic growth; ii) the country's low lending penetration rate (28.2% of GDP); and iii) abundant liquidity (the loan-to-deposit ratio stood at 83.9% in March). Note that increased NPE recognition ahead of an imminent AQR would keep the underlying ratio at current levels until end-year. All said, we see credit to the private sector expanding by 4.0-5.0% in FY:17.

The real estate market continued to improve in Q1:17. The index for the price of apartments increased strongly in Q1:17 (up 7.9% y-o-y in EUR terms, a pace broadly similar to that observed in FY:16) marking the 10^{th} consecutive quarterly rise following 6 years of decline and have recovered to 52% of their peak level in 2008 compared with a trough of 44% at end-2013. Indeed, real estate demand has strengthened, reflecting the solid rise in gross disposable income and robust mortgage lending activity (up by a CAGR of 9.0% and 12.5%, respectively, in EUR terms over the past 3 years), with the latter supported by a state housing guarantee scheme (SHGS).

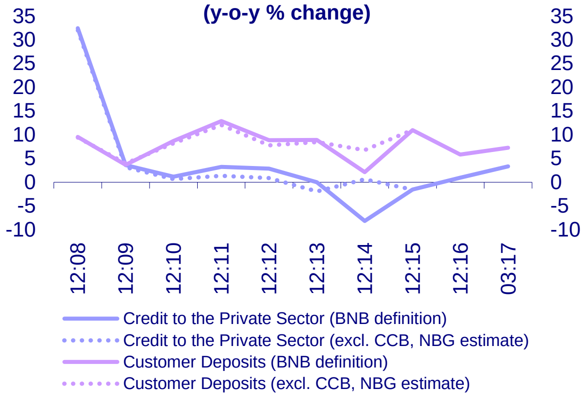
The limited implementation of the Debt Settlement Law (DSL) bodes well for the real estate market. The DSL allows borrowers to settle debts by forfeiting their homes. Importantly, the Constitutional Court ruled that recourse to the law must be judged on a case-by-case basis, distinguishing between the borrower's willingness and ability to repay a loan, thus limiting its impact on banks' capital. In this context, banks eased credit standards, reversing the earlier hikes in the down-payment on mortgages. All said, in view of rapid economic growth and the extension of the SHGS, the real estate market should continue to improve, with price growth reaching double-digits by end-year.

Bulgaria

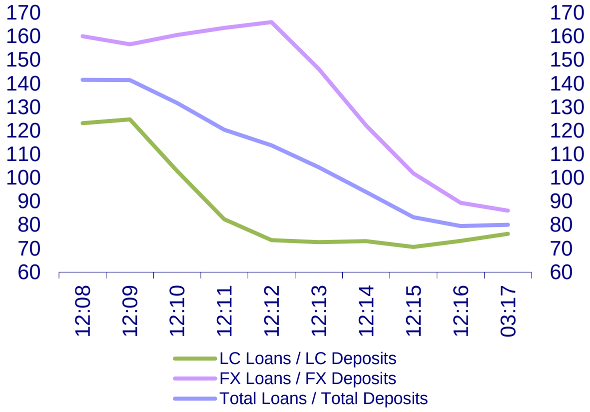
BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Parliament Composition			
	Party	Seats	%
Ruling Coalition	GERB	95	39.6
	United Patriots	27	11.3
	BSP	80	33.3
	MRF	26	10.8
	Volya	12	5.0
Total		240	100

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



Loans / Deposits (%)



	1 May	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)	104	104	102	100

	1 May	1-W %	YTD %	2-Y %
SOFIX	657	-0.1	12.1	30.8

	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

A weak coalition emerges from the March 26th parliamentary elections. As expected, the centre-right GERB, which won in the elections but failed to obtain an outright majority, formed a coalition Government with the United Patriots, an alliance of three nationalist parties. The new Government, headed by the former PM and leader of the GERB, B. Borissov, holds a slim majority of 122 seats in the 240-seat assembly. The populist Volya party stated that it would support the new Government, but did not take any seats in the Cabinet. Recall that a GERB-led coalition Government resigned last November, following the defeat of its candidate in the Presidential elections. The defeat was attributed to the Government's failure to tackle corruption.

Worryingly, we are highly concerned over the effectiveness and durability of the new Government. Indeed, the United Patriots alliance appears to be fragmented, with a history of infighting. At the same time, the Volya party, which is only loosely committed to the Government, could withdraw its support on politically difficult policies (e.g. structural reforms). All said, political risk will continue to weigh on Bulgaria's outlook in the period ahead.

Credit expansion strengthened in Q1:17. Credit to the private sector expanded by 3.3% y-o-y in March against 1.0% at end-2016. Specifically, FX lending continued to decline steadily (down 11.4% y-o-y in March following a similar decline at end-2016), despite the lower interest rates offered (3.8% for FX loans against 5.8% for LC loans) and the absence of FX risk. At the same time, LC lending growth gained momentum (up 17.3% y-o-y in March following an expansion of 12.7% at end-2016), on the back of ample BGN liquidity (the LC loan-to-deposit ratio stood at 76.3%). From a segment perspective, corporate lending remained the main driver (up 4.1% y-o-y in March against 1.4% at end-2016), with retail lending expanding at a slower rate (up 1.9% y-o-y in March against a rise of 0.2% at end- 2015).

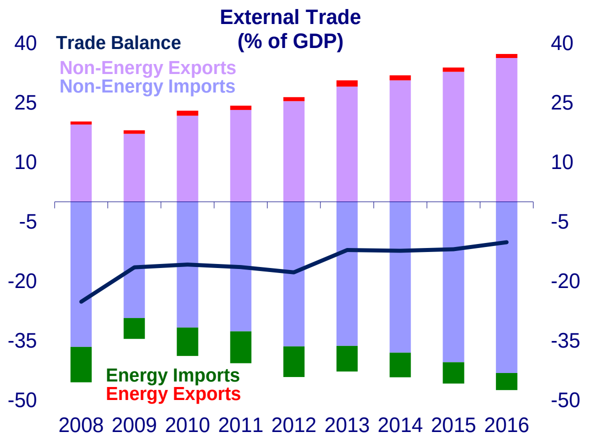
In our view, the pick-up in credit expansion is due to the gradual easing in credit standards by banks. Indeed, the solid economic recovery, combined with the increased transparency in the aftermath of the 2016 AQR and the continuing decline in the NPE ratio, have led to a significant improvement in the operating environment for banks. Note that the NPE ratio fell to 12.9% at end-2016 from 14.5% at end-2015 and 15.0% at end-2014, reflecting NPE write-offs and sales.

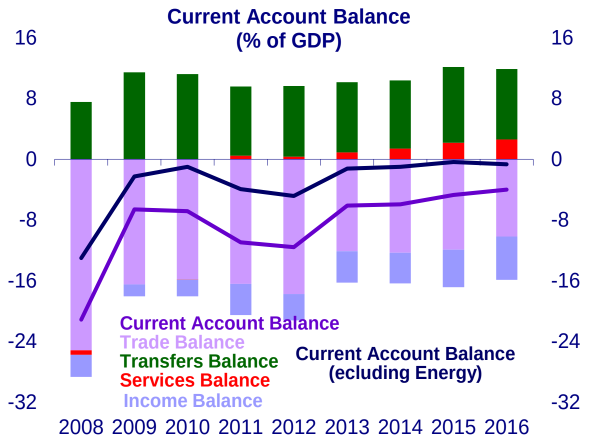
Customer deposits gained momentum in Q1:17, due to solid economic growth. Growth in customer deposits strengthened to 7.2% y-o-y in March from 5.8% at end-2016. The pick-up in deposit growth is mainly driven by the corporate segment (up 9.0% y-o-y in March against 4.8% at end-2016), reflecting strong economic activity. At the same time, retail deposits continued to expand at a solid pace (up 6.5% y-o-y in March following a similar rise at end-2016). From a currency perspective, LC deposits continued to overperform (up 10.3% y-o-y in March against 8.8% at end-2016), in line with the higher rates offered (0.5% for LC time deposits versus 0.3% for FX time deposits), with FX deposits growing at a much slower pace (up 2.8% y-o-y in March against 1.4% at end-2016).

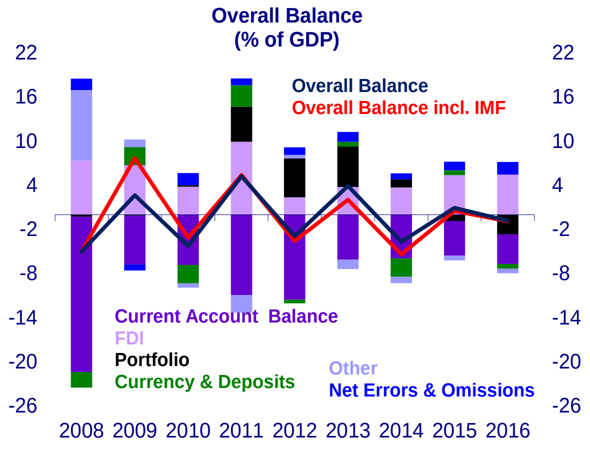
Credit activity is set to rebound in FY:17. Against the backdrop of increased liquidity in the banking system (the loan-to-deposit ratio stood at 80.1% in March), credit expansion should improve, in line with the continuing economic recovery and the sustained decline in NPEs (to 10.0% at end-2017). Stronger demand for real estate (we see prices rising by c. 10% in FY:17 against 7.0% in FY:16) should also help. All said, we expect credit to the private sector to expand by c. 5.0% in FY:17, still below deposit growth (up 9.0%).

Serbia

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







	1 May	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.4	3.4	3.5	3.8
RSD/EUR	123.0	124.3	124.7	125.0
Sov. Spread (2021, bps)	169	165	160	150

	1 May	1-W %	YTD %	2-Y %
BELEX-15	721	-1.9	0.5	3.0

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.8	0.8	2.8	3.2	3.6
Inflation (eop, %)	1.7	1.5	1.6	2.8	3.0
Cur. Acct. Bal. (% GDP)	-6.0	-4.7	-4.0	-4.2	-4.2
Fiscal Bal. (% GDP)	-6.6	-3.7	-1.4	-1.2	-1.0

External rebalancing continued in FY:16, with the current account deficit (CAD) easing to a multi-year low of 4.0%, supported by favourable energy prices and buoyant exports. The CAD shrank by 0.7 pps y-o-y to 4.0% of GDP in FY:16 -- its lowest level since 2002 -- largely driven by a smaller trade deficit (down 1.7 pps y-o-y).

The marked improvement in the trade balance was due to both the strong rebound in exports and the slowdown in energy imports. In fact, exports accelerated strongly (up 12.9%, in EUR terms, in FY:16, almost double the increase of 6.7% in FY:15), due to buoyant manufacturing exports, underpinned by the past years' FDIs (diversified, and largely directed towards export-oriented sectors, mainly manufacturing, with the latter comprising 35% of FDIs during 2010-16). It is important to note that, since the pre-global crisis (2008), the export base (exports/GDP) has increased by 17 pps to 37.3%, while the share of imports in GDP has declined by 2 pps to 47.5%.

The narrowing trade deficit was also reinforced by lower energy imports (accounting for 8.8% of total imports), declining by 18.2% in FY:16, in line with global oil prices (by 15.7%, in EUR terms, in FY:16), shaving an estimated 1.1 pp of GDP off the FY:16 CAD. Excluding energy, imports rose significantly, by 17.4% in FY:16, despite the continued sizeable fiscal consolidation, mainly reflecting investment-related imports.

The capital and financial account (CFA) deteriorated significantly in FY:16. The CFA surplus declined by 3.0 pps to 1.4% of GDP in FY:16. The bulk of the deterioration was due to large portfolio outflows (amounting to 2.7% of GDP in FY:16, against outflows of 0.9% of GDP in FY:15), mainly reflecting declining domestic debt yields (average yield on 12-month T-bills fell sharply by 205 bps y-o-y to a record low of 3.9% in FY:16), combined with RSD depreciation (by 1.9% y-o-y against the EUR on average in FY:16). The deterioration in the CFA is also attributed to outflows of currency & deposits (due to domestic banks' placements of deposit holdings abroad), amounting to 0.7% of GDP in FY:16 against inflows of 0.6% of GDP in FY:15. Importantly, FDI inflows remained strong (at 5.5% of GDP in FY:16, as in FY:15, 45% of which are reinvested earnings), leading to a positive basic balance (CAD & FDI) of 1.2% of GDP in FY:16.

As a result, and despite large (net) positive errors & omissions (1.7% of GDP in FY:16, reflecting unrecorded workers' remittances and tourism receipts), the overall balance was negative in FY:16 (minus EUR 0.3bn, or -0.8% of GDP), and was financed through a drawdown in FX reserves. Nevertheless, the stock of FX reserves remained at the comfortable level of EUR 10.2bn at end-2016 (6.2 months of imports down from 6.6 months in FY:15).

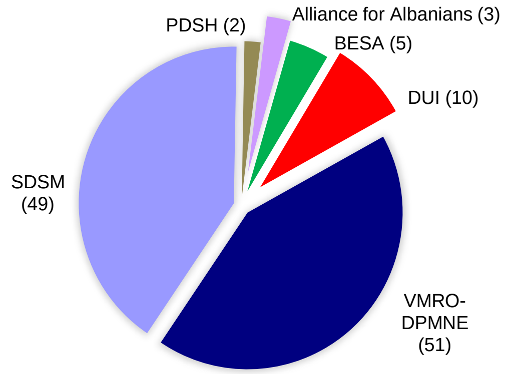
The CAD will likely reverse its downward trend this year, due to unfavourable global oil prices. The CAD is set to rise slightly by 0.2 pps to 4.2% of GDP in 2017, mainly due to a higher trade deficit (due to a less favourable energy balance as global oil prices are set to rise sharply by 28.3% y-o-y in EUR terms in 2017, adding an estimated 0.7 pps of GDP to the CAD).

Financing the CAD should not be a problem in 2017. In fact, large FDI inflows (of 5.4% of GDP in FY:17 broadly unchanged from 2016) should more than cover the CAD. Moreover, we assume lower capital outflows, underpinned by strengthening confidence and continued good relations with the IMF, prompting a rise in the blended rollover ratio of maturing external debt to 90% from 83% in FY:16 (including the repayment of a USD 750mn Eurobond, or 2.0% of GDP, maturing this year). This should strengthen FX reserves slightly by EUR 0.1bn y-o-y to EUR 10.3bn (covering 5.8 months of GNFS imports).

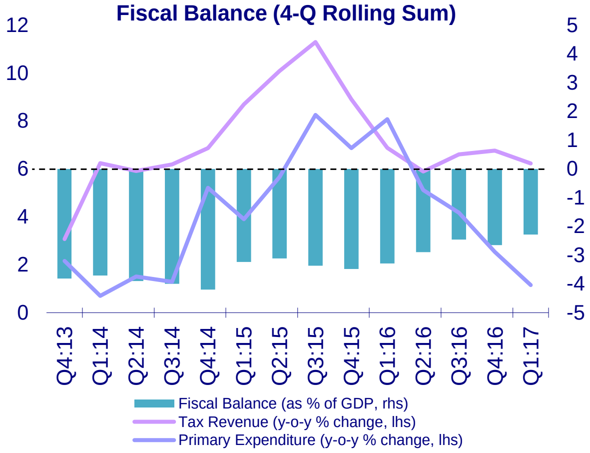
F.Y.R.O.M

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

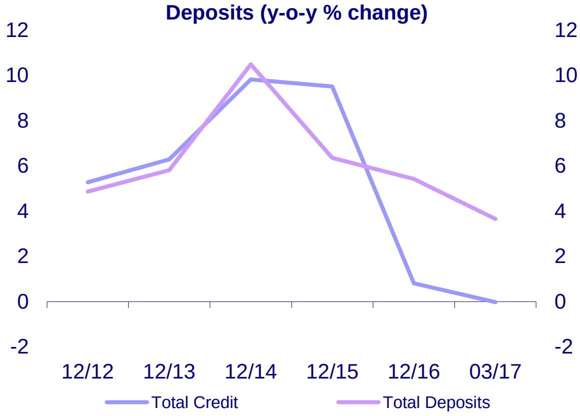
Results of December 2016 Elections (Number of Seats)



Fiscal Balance (4-Q Rolling Sum)



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



	1 May	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)	396	400	350	300

	1 May	1-W %	YTD %	2-Y %
MBI 100	2,174	-1.6	1.8	27.9

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.5	3.8	2.4	2.8	3.4
Inflation (eop. %)	-0.5	-0.3	-0.2	1.0	2.0
Cur. Acct. Bal. (% GDP)	-0.5	-2.1	-3.1	-2.9	-2.8
Fiscal Bal. (% GDP)	-4.2	-3.5	-2.6	-3.0	-2.8

The political crisis took a turn for the worse in the form of "goon" intimidation tactics within the Parliament chamber. The political crisis intensified in the past week, when Parliament was stormed by hundreds of "protesters", injuring several MPs, including Mr Zaev, the leader of SDSM (second largest party in Parliament). The election of the Parliament speaker by the SDSM and the Albanian party, DUI, which paves the way for the parliamentary approval of an SDSM-led coalition government was the trigger event. There is evidence that the security forces conspired with extreme elements in VMRO-DPMNE (see below) to stage this incident. Note that the President Ivanov and the leader of the nationalist VMRO-DPMNE (the largest party in Parliament), Gruevski, who failed to form a Government by the end-January deadline, are fiercely opposed to a SDSM-led Government on the grounds that it had endorsed the "unacceptable Albanian platform". The Albanian platform contains, *inter alia*, the official use of the Albanian language across the country, "*full economic parity through equal regional development*", and a debate on the change of the anthem, coat of arms and flag, but would likely settle for much less. Following the incident, the international community increased pressures on political leaders to end the 26-month domestic political impasse. The re-ignition of an interethnic crisis – as occurred a decade and a half ago -- is unlikely in view of the strong cross ethnic support for the country's European course. So far, the dispute is mainly political, and specifically an entrenched party -- in power since 2006 -- unwilling to give up power. Encouragingly, the President, who has so far refused to grant Zaev the mandate to form a Government, issued a statement calling on him, to "*provide reassurances that his coalition would work according to the Constitution and uphold national unity*".

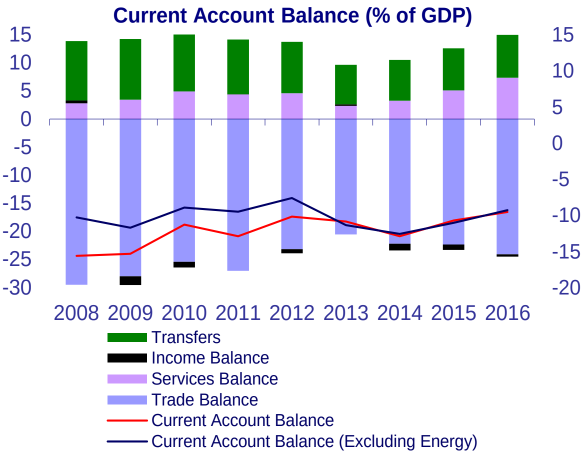
The fiscal deficit narrowed to 2.3% of GDP in Q1:17 from 2.6% in Q4:16, on a 4-quarter rolling basis. The improvement was driven exclusively by a decline in primary expenditure, reflecting mainly postponed transfers. The postponement is due to legal barriers linked to the failure to form a government after the December 11th elections. As a result, the 4-quarter rolling fiscal deficit eased to 2.3% of GDP in Q1:17 from 2.6% in Q4:16 – below the FY:17 target of 3.0% of GDP.

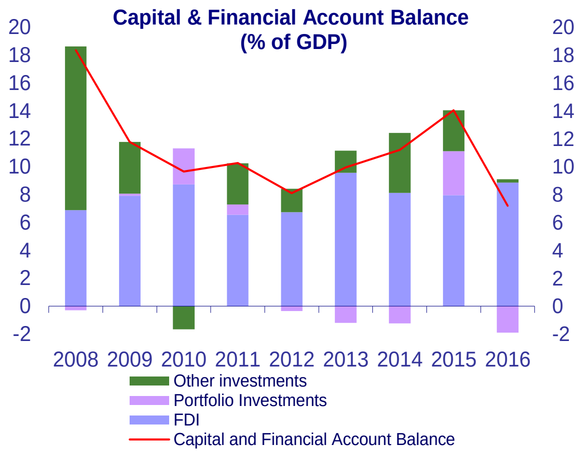
Customer deposit growth weakened further in Q1:17, as the domestic political impasse entered its third year. Customer deposit growth decelerated to 3.7% y-o-y in March 2017 from 5.4% at end-2016, on the back of a slowdown in growth of both retail deposits (1.8% y-o-y in March from 2.5% y-o-y in December) and corporate deposits (a still strong 8.8% y-o-y in March from 13.4% in December).

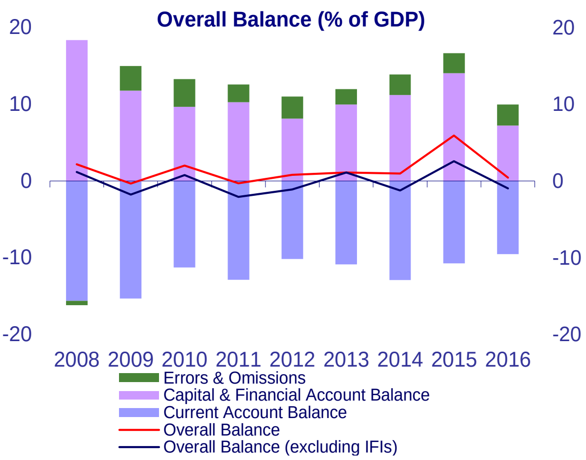
Credit to the private sector weakened further in Q1:17, hindered by protracted uncertainty. Growth in lending activity slowed to 0.0% y-o-y in March from 0.8% at end-2016, exclusively due to the corporate segment (down 5.4% y-o-y). The poor performance is attributed to both weaker loan supply and demand, reflecting the prolonged political and economic uncertainty. The easing of the monetary policy stance in early FY:17 (the policy rate was cut three times by a total of 75 bps to 3.25% between December and February, reversing the sharp 75 bp hike last May amid an escalating political crisis) has not been sufficient to boost loan demand. On the other hand, the recent significant clean-up of banks' balance sheets has not sustained the supply of credit. Indeed, the NPL ratio declined to a recent low of 6.2% in March -- the lowest among the SEE-5 countries -- from 6.4% at end-2016 and 10.6% at end-2015. Recall that this sharp decline in the NPL ratio in 2016 was due to a central bank regulation which required banks to write off their fully-provisioned loans held in "loss" category for more than two years within H1:16.

Albania

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







	1 May	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.8	2.2	2.2	2.2
ALL/EUR	134.6	138.5	138.7	138.0
Sov. Spread (bps)	315	310	280	250

	1 May	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.8	2.6	3.5	3.8	4.2
Inflation (eop, %)	0.7	2.0	2.2	2.6	2.8
Cur. Acct. Bal. (% GDP)	-12.9	-10.7	-9.5	-11.2	-10.7
Fiscal Bal. (% GDP)	-5.2	-4.1	-1.7	-1.5	-1.6

European Parliament (EP) mediation fails to end the domestic political deadlock. Two EP members failed to convince the opposition to end its two-month boycott of Parliament and reconsider its decision not to take part in the June 18th parliamentary elections. The opposition turned down the draft changes proposed by the EP mediators (including a partial Government reshuffle a month ahead of the election and a postponement of the election date), insisting on its demand for a caretaker Government to ensure "free and fair" elections.

Equally worryingly, the ruling coalition used its majority to elect a new President, abandoning efforts to build a broader consensus with the opposition, aimed at bringing back the opposition to the Parliament. Indeed, Ilir Meta, the outgoing Parliament speaker and leader of the junior ruling party, was elected President for a 5-year term.

The current account deficit (CAD) narrowed to a 10-year low of 9.5% of GDP in FY:16, mainly due to strong tourism inflows. The CAD shrank markedly by 1.2 pps of GDP y-o-y to 9.5% in FY:16 -- returning to single digits for the first time since 2006. The improvement reflects a significant rise in the services surplus (by a sizeable 2.3 pp of GDP y-o-y), driven by significantly higher tourism receipts (up 1.3 pps of GDP y-o-y), mainly due to increased arrivals from South Eastern Europe (up 21.7% and representing 81.4% of total arrivals in FY:16).

This positive performance more than offset the deterioration in the trade balance (by 1.7 pps of GDP y-o-y in FY:16), due to both a strong rise in imports and a continued decline in exports. In fact, imports surged by 8.0%, in EUR terms, in FY:16, on the back of: i) high import content of two major energy projects, i.e. TAP and the Statkraft/Devoll hydropower plant (estimated to have added 2.9 pps of GDP in the FY:16 CAD, according to the IMF); and ii) reviving consumption. Imports would have been even higher in FY:16 had oil imports not contracted by 0.8 pps of GDP y-o-y, on the back of the significant drop in global oil prices.

Moreover, exports declined for a third successive year (down 7.4% in FY:16), reflecting sustained fall in (high-cost and low-quality) Albanian oil exports (accounting for c. 40.0% of total exports). In fact, lower oil exports added c. 1.3 pps of GDP y-o-y to the FY:16 CAD.

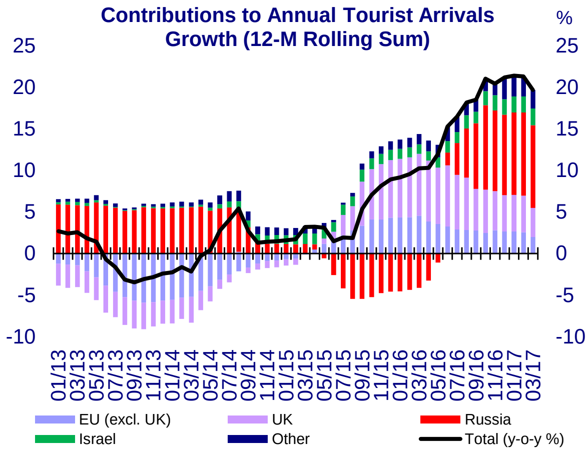
The capital and financial account (CFA) surplus narrowed markedly in FY:16, and fell short of covering the CAD. The CFA surplus (excluding the IMF) narrowed by 7.2 pps y-o-y to 5.9% of GDP in FY:16. The deterioration in the CFA was mainly due to: i) portfolio outflows (amounting to 1.9 pps of GDP in FY:16 against inflows of 3.2 pps in FY:15), mainly reflecting base effects from net inflows in FY:15 from a Eurobond issuance of EUR 150mn (1.5% of GDP); and ii) lower net lending from abroad, partly due to the EUR 250mn (2.4% of GDP) loan from Deutsche Bank, guaranteed by the WB, granted in 2015.

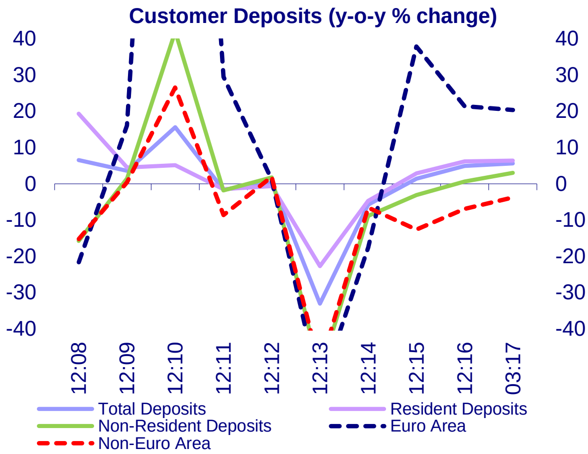
The resulting gap was only partly filled by sizeable (positive) net errors and omissions, likely reflecting unrecorded workers' remittances (2.8% of GDP in FY:16), leading to a moderate balance of payments deficit of EUR 96.8mn (0.9% of GDP) in FY:16. Nevertheless, the disbursement of EUR 144.4mn (1.3% of GDP) from the IMF, along with valuation effects, led to a rise in FX reserves by EUR 65mn in FY:16 to a record high EUR 2.9bn, covering an adequate 7.2 months of GNFS imports.

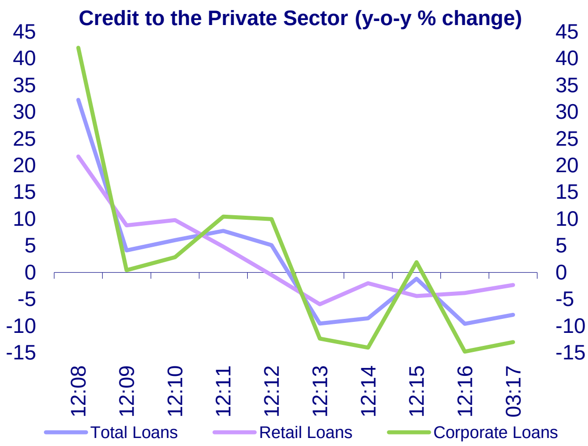
The CAD is set to widen significantly in 2017, but its financing will be manageable. For 2017, the CAD is set to widen by 1.6 pps y-o-y to 11.2% of GDP, exclusively due to larger imports related to energy projects (contributing 2.9 pps of GDP to the FY:17 CAD, according to the IMF). Regarding financing, the bulk of the CAD should continue to be covered by FDIs and consistently high errors and omissions. The resulting external financing gap of EUR 200mn (1.7% of GDP) in FY:17 should, however, be more than covered by IFI support of EUR 360mn.

Cyprus

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







	1 May	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.09	1.09	1.08	1.05
Sov. Spread (2020. bps)	224	210	190	160

	1 May	1-W %	YTD %	2-Y %
CSE Index	72	1.7	7.7	-10.8

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.5	1.7	2.8	2.6	2.4
Inflation (eop. %)	-1.5	-1.0	-0.3	0.8	1.5
Cur. Acct. Bal. (% GDP)	-4.3	-2.9	-5.3	-6.0	-5.8
Fiscal Bal. (% GDP)	-8.8	-1.1	0.1	-0.2	0.4

Tourism activity declined slightly in Q1:17, due to increasing competition from neighbouring Egypt. Tourist arrivals slowed to a still strong 19.7% y-o-y to 3.26mn in March on a 12-month rolling basis from 21.2% y-o-y in December. The slowdown was mainly driven by the UK – the main source country (accounting for 35.9% of total arrivals in FY:16), and the EU (excl. UK, accounting for 23.3% of total arrivals in FY:16). Indeed, the number of total European visitors (including the UK) rose by 8.5% y-o-y in March, on a 12-month rolling basis, compared with an increase of 10.9% in December. The deceleration likely reflects the shift in tourist demand towards Egypt, due to the sharp depreciation of the EGP since November (by c. 50% against the EUR) and easing security concerns. According to Egyptian officials, tourist arrivals rose sharply by 51.0% y-o-y in Q1:17, following a decline of 42.0% in FY:16, supported mainly by German and UK visitors.

The slowdown in tourist arrival growth on a 12-month rolling basis in Q1:17 would have been sharper had it not been for an acceleration in arrivals from Russia -- the second largest source country (accounting for 24.3% of total arrivals and up 50.6% y-o-y in March from 48.9% in December), and Israel -- a fast-growing market (accounting for 4.6% of arrivals and up 54.9% y-o-y in March from 50.9% in December).

Looking ahead, we expect growth in tourist arrivals to remain strong, although moderating during the remainder of the year, mainly due to the gradual return of tourists to neighbouring competing destinations -- Turkey and Egypt. Overall, we see tourist arrivals rising by 15.0% to an all-time high of 3.7mn in FY:17, up from 3.22mn in FY:16. With tourism accounting for 21.4% of GDP and 22.0% of employment (according to the World Travel & Tourism Council (WTTC) 2017 report), we estimate that the tourist activity will add c. 0.8 pps to FY:17 GDP growth (estimated to moderate to 2.6% from 2.8% in FY:16) and shave c. 0.4 pps off the FY:17 unemployment rate (estimated to decline to 11.8% from 13.3% in FY:16).

Customer deposits gained momentum in Q1:17, mainly supported by non-residents. Customer deposit growth accelerated further in Q1:17, reaching a 6-year high of 5.6% y-o-y in March, up from 4.9% y-o-y in December. The acceleration was driven by non-residents (accounting for 22% of total deposits and up 3.0% y-o-y in March from 0.7% y-o-y in December) and, to a lesser extent, by Cypriot residents (up 6.4% y-o-y in March from 6.2% y-o-y in December). Importantly, the growth in non-residents' deposits was due exclusively to a milder decline from residents in third (non-euro area) countries (to -3.8% y-o-y in March from -7.0% y-o-y in December), in line with increased confidence in the Cypriot economy and still attractive, albeit moderating, interest rates. Note that the IMF recently praised the island's economic recovery and improving fundamentals of the banking system in its first post-programme monitoring (PPM) following the conclusion of the 3-year adjustment programme at end-Q1:16. At the same time, however, it highlighted risks stemming from: i) high levels of NPLs; ii) large public debt; and iii) stalled structural reforms.

Banking sector deleveraging enters its 5th year in 2017. Credit to the private sector declined for a 16th consecutive quarter in March (down 7.9% y-o-y). This reflects banks' efforts to increase the pace of NPL reduction, supported by the new foreclosure and insolvency framework. Note that the two leading banks (Bank of Cyprus and Hellenic Bank) carried out write-offs worth EUR 1.3bn and debt-for-asset swaps worth EUR 1.2bn in FY:16.

As a result, the (gross) loans-to-deposits ratio declined to 106.9% in March, from 108.3% at end-2016 and 125.7% at end-2015 – comparing favourably with the EU average of 118.4% (Q4:16).

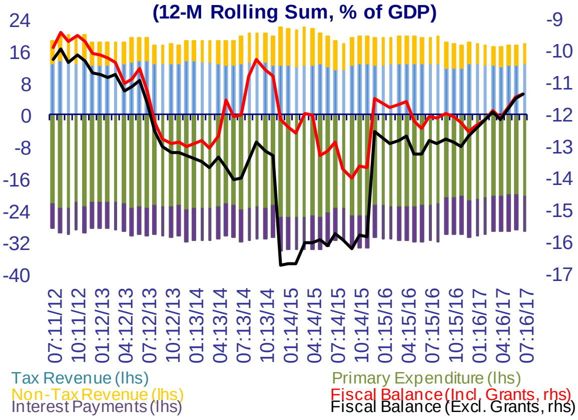
Egypt

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

Fiscal Accounts (% of GDP)	2015/16 Outcome	7M: 2015/16 Outcome	7M: 2016/17 Outcome	2016/17 Budget	NBG 2016/17 Forecast
Revenue	18.1	8.3	8.4	20.6	19.8
Tax Revenue	13.0	5.9	6.1	13.3	13.5
Income Tax	5.3	1.9	1.9	4.6	4.7
Personal Income	- - -	0.8	0.7	- - -	- - -
Corporate Income	- - -	1.1	1.2	- - -	- - -
Property Taxes	1.0	0.5	0.6	1.1	1.2
Taxes on G. & S.	5.2	2.9	3.0	6.2	6.0
Taxes on Int. Trade	1.0	0.5	0.4	0.9	1.0
Other Taxes	0.4	0.2	0.1	0.5	0.5
Grants	0.1	0.1	0.0	0.1	0.1
Other Revenue	5.0	2.2	2.3	7.2	6.3
Expenditure	30.7	15.3	14.4	30.4	30.5
Wages & Salaries	7.9	4.5	3.8	7.0	7.0
Purch. of G. & S.	1.3	0.6	0.6	1.3	1.2
Interest Payments	9.0	4.8	4.7	9.0	9.3
Subsidies. grants & social benefits	7.4	3.2	3.1	6.3	8.5
Other Expenditure	5.1	2.4	2.2	6.7	4.5
Fiscal Balance	-12.5	-7.1	-6.0	-9.8	-10.7
Primary Balance	-3.5	-2.3	-1.3	-0.8	-1.4
Fiscal Balance *	-12.7	-7.2	-6.0	-9.9	-10.8
Primary Balance *	-3.7	-2.4	-1.3	4.5	-1.5

*: Excluding grants

Revenue, Expenditure & Fiscal Balance (12-M Rolling Sum, % of GDP)



	1 May	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	15.7	17.0	17.0	16.5
EGP/USD	18.1	17.8	18.0	18.0
Sov. Spread (2020. bps)	284	270	265	240

	1 May	1-W %	YTD %	2-Y %
HERMES 100	1,133	-0.4	4.0	43.7

	13/14	14/15	15/16	16/17F	17/18F
Real GDP Growth (%)	2.1	4.2	3.8	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	-6.1	-5.0
Fiscal Bal. (% GDP)	-12.0	-11.4	-12.5	-10.7	-9.2

Significant fiscal consolidation in the first seven months of the fiscal year, mainly due to a favourable wage bill. The fiscal deficit narrowed by 1.1 pp y-o-y to 6.0% of GDP in 7M:16/17 (July 2016-January 2017), on the back of a sharp fall in expenditure (down 0.9 pps of GDP y-o-y) and, to a lesser extent, a mild increase in revenue (up 0.2 pps of GDP y-o-y).

Specifically, the decline in expenditure was driven mainly by a lower wage bill (down 0.7 pps of GDP y-o-y) and delayed capital expenditure (down 0.2 pps of GDP y-o-y). The favourable wage bill was the result of the implementation of the new civil service law, which: i) increased the proportion of basic salaries to 80% of overall wages; ii) changed the basis on which bonuses and promotions are provided to performance rather than seniority; and iii) cut annual bonuses by 2.5 pps to 7.5% of the basic salary.

On the other hand, the positive revenue performance mainly reflects higher income from property tax and VAT (each up 0.1 pp of GDP y-o-y). The improvement in VAT income started in September, when the General Sales Tax (at 10%) was replaced by the new VAT (at 13%). The increase in property tax income has picked up since early-November, as T-bills and Bond yields rose significantly following the Central Bank's hike to its policy rates by 300 bps in an effort to contain the negative impact of the floatation of the EGP on inflation and demand for the domestic currency.

As a result, the 12-month rolling fiscal deficit narrowed to 11.4% of GDP in January from 12.5% in June 2016 (end-2015/16) – converging steadily to the Government's recently-revised FY:16/17 forecast of 10.7% of GDP (up from 9.8% previously).

A fiscal consolidation of 1.8 pps of GDP in sight in FY:16/17, despite strong domestic and external headwinds. In line with its 3-year adjustment programme -- launched in early-2016/17 (last July) -- aimed at reducing the unsustainably high public debt by 9 pps to 86.0% of GDP over 3 years, the Government targeted a deficit of 9.8% of GDP compared with an estimated outcome of 12.1% in FY:15/16 (recently revised up to 12.5% of GDP).

The targeted fiscal consolidation was set to result 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. The key measures include the introduction of the VAT at a higher rate than the previous GST, the reduction of the public sector wage bill and the cut of energy subsidies.

However, despite the positive 7M:16/17 outcome, the targeted fiscal consolidation (2.6 pps of GDP) is unattainable in our view, *inter alia,* due to the fact that the FY:16/17 Budget was based on over-optimistic estimates of the exchange rate (EGP 9 per USD against the current consensus forecasts of EGP 15 per USD) and the price of Brent/barrel (USD 40 compared with current consensus forecasts of USD 50).

Encouragingly, it appears that, in the context of the preparation of the FY:17/18 Draft Budget, the Government revised the FY:16/17 Budget assumptions – raising the deficit target to a more realistic level of 10.7% of GDP from 9.8%, which still implies a significant fiscal consolidation of 1.8 pps of GDP. In fact, some figures released in the local press suggest that a sharp upward revision in subsidies (up 2.2 pps to 8.4% of GDP), higher-than-planned interest payments (up 0.3 pps to 9.3% of GDP) and weaker-than-budgeted non-tax revenue were partly offset by higher-than-initially-projected income from Suez Canal, property tax and import tax (all strongly dependent on the exchange rate) and lower-than-initially-budgeted capital expenditure.

FOREIGN EXCHANGE MARKETS, MAY 1ST 2017

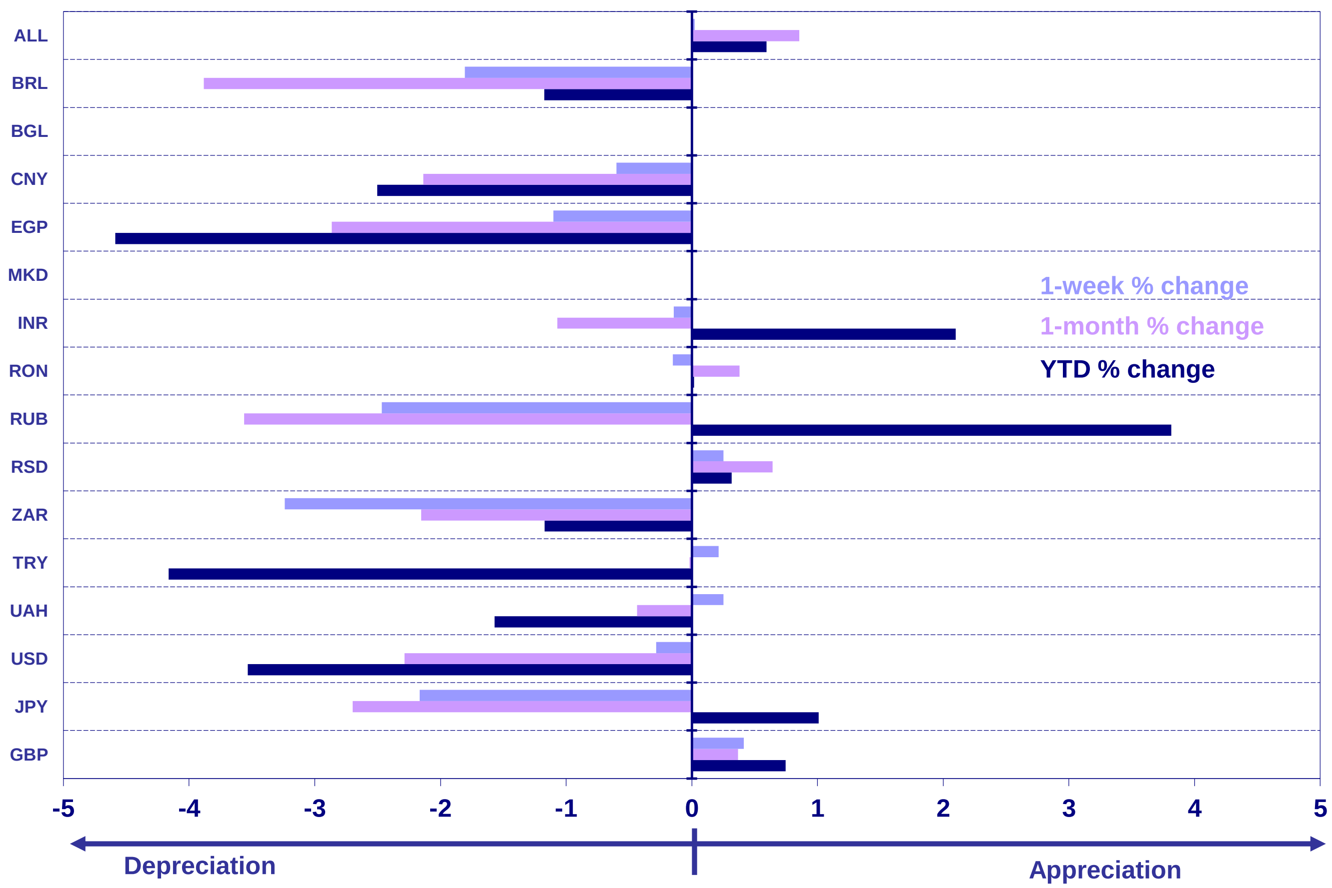
Against the EUR

	Currency	2017										2016	2015
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	134.6	0.0	0.9	0.6	2.5	134.8	137.3	135.0	134.9	134.2	1.2	2.0
Brazil	BRL	3.46	-1.8	-3.9	-1.2	16.7	3.23	3.51	3.83	3.81	3.79	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	7.52	-0.6	-2.1	-2.5	-0.9	7.20	7.55	7.87	7.87	7.85	-4.0	6.7
Egypt	EGP	19.77	-1.1	-2.9	-4.6	-49.5	16.62	20.32	- - -	- - -	- - -	-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	70.1	-0.1	-1.1	2.1	9.1	68.2	73.3	74.9	- - -	- - -	0.4	6.6
Romania	RON	4.53	-0.1	0.4	0.0	-1.2	4.49	4.57	4.54	4.56	4.60	-0.4	-0.8
Russia	RUB	62.1	-2.5	-3.6	3.8	21.0	59.5	65.1	63.6	65.1	67.8	22.9	-15.1
Serbia	RSD	123.0	0.3	0.6	0.3	-0.5	123.0	124.1	123.5	123.8	- - -	-1.5	-0.1
S. Africa	ZAR	14.6	-3.2	-2.2	-1.2	12.6	13.38	14.86	14.9	15.2	15.8	16.2	-16.6
Turkey	YTL	3.87	0.2	0.0	-4.2	-16.5	3.70	4.17	3.99	4.12	4.36	-14.7	-10.8
Ukraine	UAH	28.9	0.3	-0.4	-1.6	-0.7	27.22	29.55	34.1	- - -	- - -	-8.6	-27.5
US	USD	1.09	-0.3	-2.3	-3.5	5.8	1.0	1.1	1.09	1.10	1.11	3.3	11.4
JAPAN	JPY	121.9	-2.2	-2.7	1.0	0.7	114.9	123.7	122.0	122.1	122.1	6.0	11.0
UK	GBP	0.85	0.4	0.4	0.7	-7.0	0.8	0.9	0.85	0.85	0.85	-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 (May 1st 2017)



MONEY MARKETS, MAY 1ST 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	11.1	0.0	2.8	- - -	15.7	- - -	- - -	0.7	9.8	- - -	12.7	7.3	12.8	- - -	0.9
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.7	9.8	3.1	- - -	7.3	- - -	- - -	- - -
S/W	1.4	11.1	0.0	2.9	-0.4	- - -	1.2	- - -	- - -	9.9	3.1	- - -	7.3	13.4	-0.4	1.0
1-Month	1.8	11.2	0.0	4.0	-0.4	- - -	1.5	6.4	0.7	9.8	3.4	12.6	7.5	15.7	-0.4	1.0
2-Month	- - -	10.7	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	10.5	3.5	12.6	7.5	- - -	-0.3	1.0
3-Month	2.3	10.4	0.1	4.3	-0.3	- - -	1.7	6.5	0.9	10.3	3.5	12.6	7.6	17.3	-0.3	1.2
6-Month	2.6	9.7	0.3	4.3	-0.2	- - -	2.0	- - -	1.1	10.2	3.7	12.8	7.8	- - -	-0.2	1.4
1-Year	3.2	9.3	0.8	4.2	-0.1	- - -	2.4	- - -	1.3	9.8	- - -	13.1	8.0	- - -	-0.1	1.8

LOCAL DEBT MARKETS, MAY 1ST 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19,2	- - -	6,2	- - -	9,5	3,4	10,8	- - -	- - -	-0,9	0,8
6-Month	1,5	- - -	- - -	- - -	- - -	19,5	- - -	6,3	0,8	9,4	3,1	10,9	- - -	- - -	-0,8	1,0
12-Month	1,8	- - -	0,2	3,2	- - -	19,1	1,9	6,6	1,1	8,4	4,6	11,7	- - -	15.0	-0,7	1,1
2-Year	2,2	- - -	- - -	3,3	- - -	- - -	- - -	6,7	1,5	8,1	- - -	11,1	7,5	- - -	-0,7	1,3
3-Year	- - -	- - -	0,3	3,3	0,7	- - -	- - -	6,8	1,7	8,1	- - -	10,8	7,5	15,5	-0,7	1,4
5-Year	- - -	9,9	- - -	3,3	- - -	17,2	- - -	7,1	2,8	7,8	5,6	10,6	7,7	- - -	-0,4	1,8
7-Year	- - -	- - -	1,0	- - -	2,8	17,2	- - -	7,1	3,5	7,8	- - -	- - -	- - -	- - -	-0,1	2,1
10-Year	- - -	10,3	1,7	3,5	3,2	17,1	3,8	7,0	3,9	7,6	- - -	10,2	8,7	- - -	0,3	2,3
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7,6	- - -	7,9	- - -	- - -	9,2	- - -	0,5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9,6	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7,5	- - -	- - -	- - -	- - -	9,7	- - -	1,1	3,0

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

CORPORATE BONDS SUMMARY, MAY 1ST 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	1.4	212	170
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	3.4	444	400
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	3.0	362	293
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	9.8	141	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.6	123	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.7	226	197
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.5	117	57
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.3	299	241
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.9	261	202
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.7	322	262
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.0	419	396

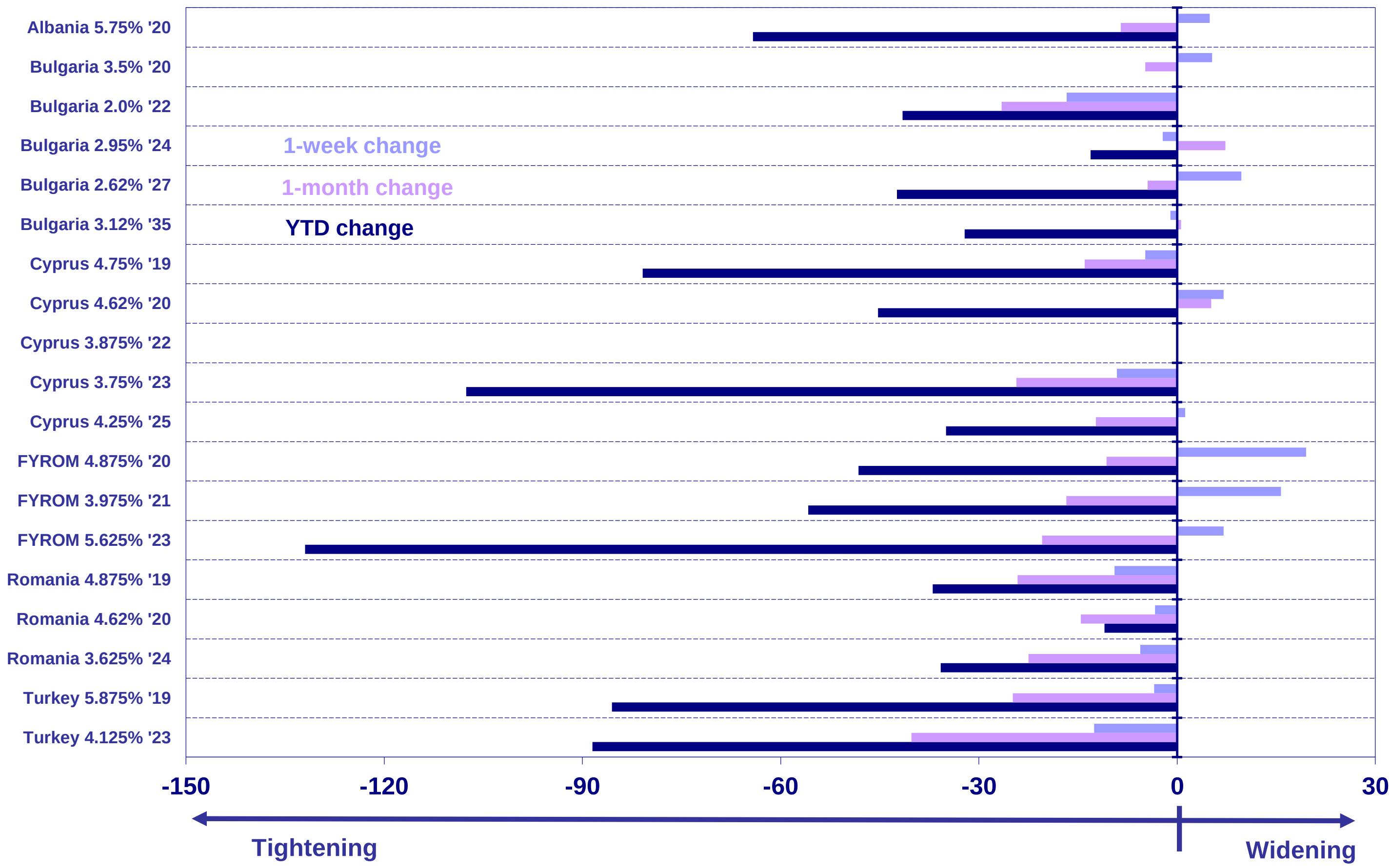
CREDIT DEFAULT SWAP SPREADS, MAY 1ST 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	214	115	81	209	329	- - -	136	104	152	199	204	191	- - -
10-Year	- - -	299	160	131	241	366	- - -	144	145	225	238	285	259	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MAY 1ST 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	2.6	315	274
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.5	122	64
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.7	104	49
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.5	158	104
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.0	166	123
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.0	215	168
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	0.7	143	89
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	1.6	224	171
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	N/A	N/A	N/A
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	2.8	304	252
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.2	308	269
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.1	364	317
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	3.4	396	458
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.5	472	423
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.1	80	24
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.3	92	30
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.7	177	131
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.9	162	112
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.8	307	259

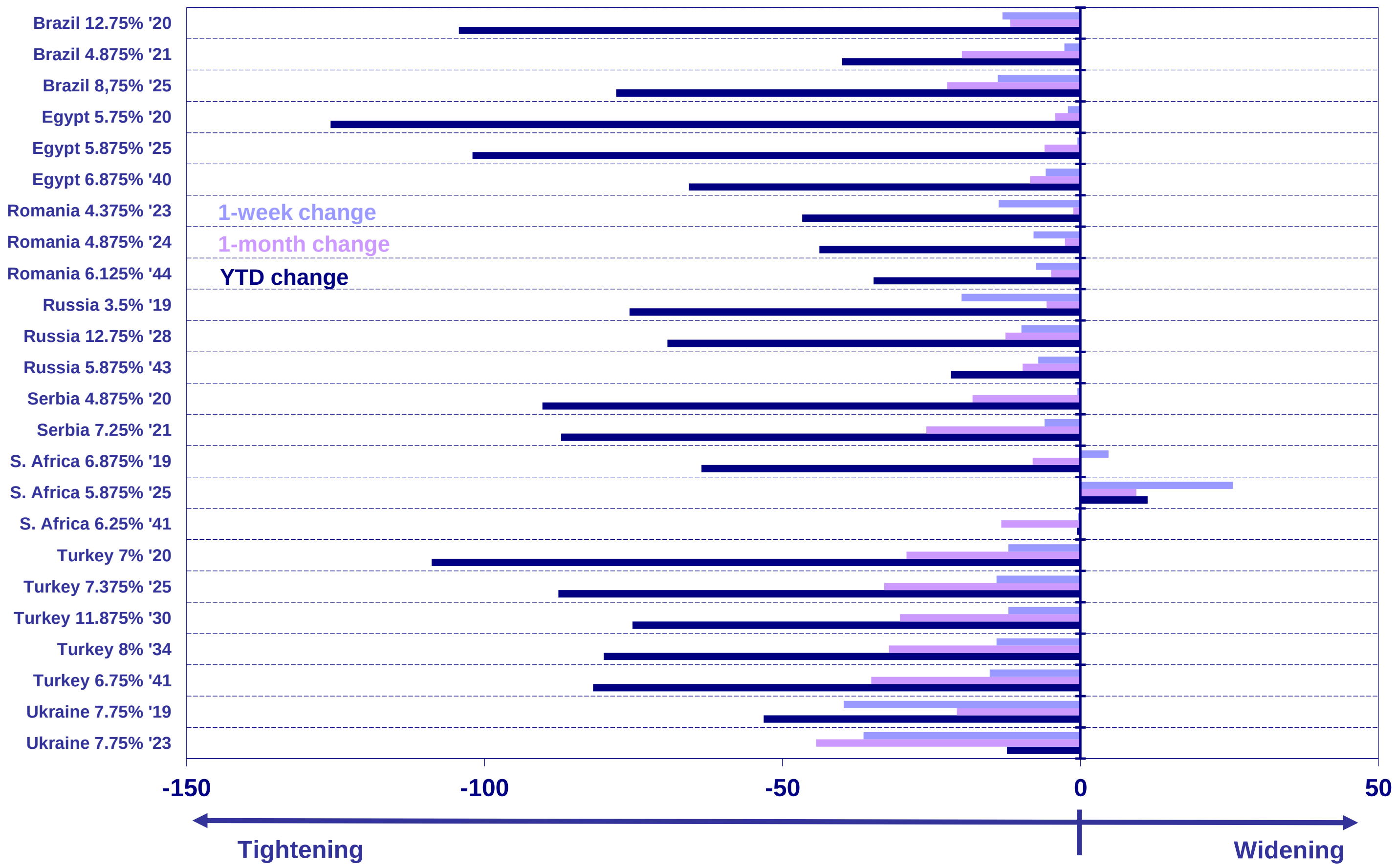
EUR-Denominated Eurobond Spreads (May 1st 2017)



USD-Denominated Sovereign Eurobond Summary, May 1st 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	2.6	114	106
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.2	172	139
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.4	229	261
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.3	284	260
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	6.1	399	383
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	7.4	438	458
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.4	123	132
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.4	125	134
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.6	158	232
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	1.9	65	40
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.0	172	252
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.8	185	249
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.4	190	167
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.5	169	176
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.7	146	118
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.7	260	261
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.5	247	308
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.6	211	190
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	4.9	275	293
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.4	307	406
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.7	338	369
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	5.7	275	322
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	6.8	553	513
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	8.4	634	617

USD-Denominated Eurobond Spreads (May 1st 2017)



STOCK MARKETS PERFORMANCE, MAY 1ST 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)	65,403	1.6	0.6	8.6	22.1	59,371	69,488	7.1	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	657	-0.1	3.7	12.1	48.5	583	661	12.1	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,155	0.8	-2.1	1.6	7.4	3,044	3,295	-1.2	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	72	1.7	5.0	7.7	6.8	65	72	7.7	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,133	-0.4	-3.0	4.0	60.7	1,071	1,187	-0.3	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,174	-1.6	-3.4	1.8	24.5	2,135	2,316	1.8	16.5	16.5	-0.6	-0.6
India (SENSEX)	29,918	0.9	1.0	12.4	17.6	25,058	30,184	14.6	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,550	-0.1	1.9	15.3	27.9	1,365	1,552	15.3	0.2	0.0	2.6	1.6
Russia (RTS)	4,429	1.7	1.5	-10.0	3.3	4,151	5,089	-6.5	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	721	-1.9	-1.6	0.5	16.7	694	753	0.7	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	53,817	1.7	3.4	6.2	1.6	50,338	54,003	5.4	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	94,655	0.9	6.4	21.1	12.9	75,657	95,196	16.2	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	276	1.8	1.4	4.2	22.8	265	276	2.5	10.2	1.0	-37.8	-54.8
MSCI EMF	980	0.9	2.2	13.6	17.3	858	986	9.6	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,839	0.7	2.6	9.2	9.0	1,677	1,839	5.1	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	712	4.2	6.9	10.6	22.0	602	714	10.6	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	12,438	-0.1	1.0	8.3	22.9	11,415	12,486	8.3	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,204	-0.8	-1.6	0.9	15.4	7,094	7,447	2.1	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	20,913	0.7	1.2	5.8	16.9	16,166	21,169	2.2	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,388	0.6	1.1	6.7	14.7	2,245	2,401	2.8	9.5	13.2	-0.7	10.6

Equity Indices (May 1st 2017)