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Economic Analysis Division

Emerging Markets Research

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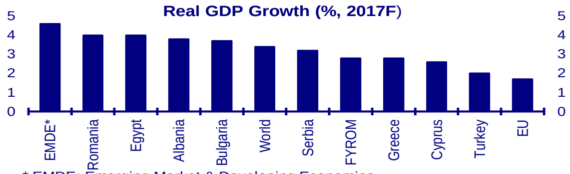
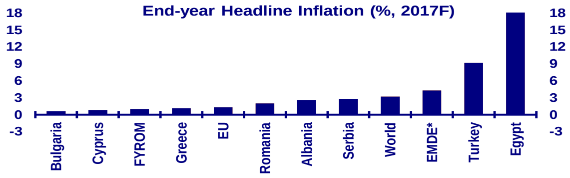
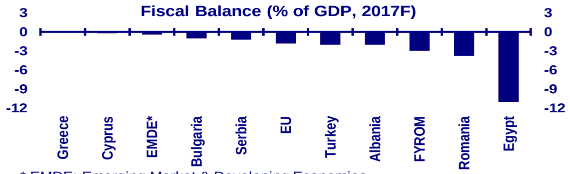


* EMDE: Emerging Market & Developing Economies





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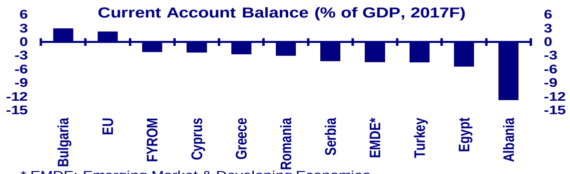
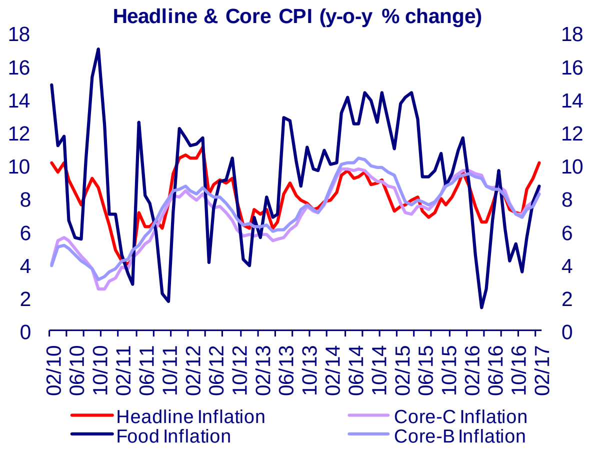
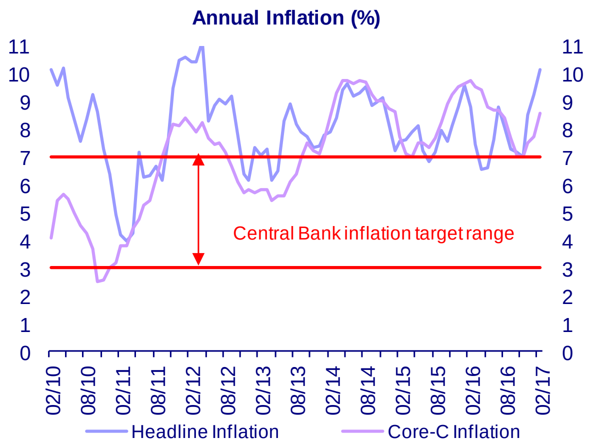


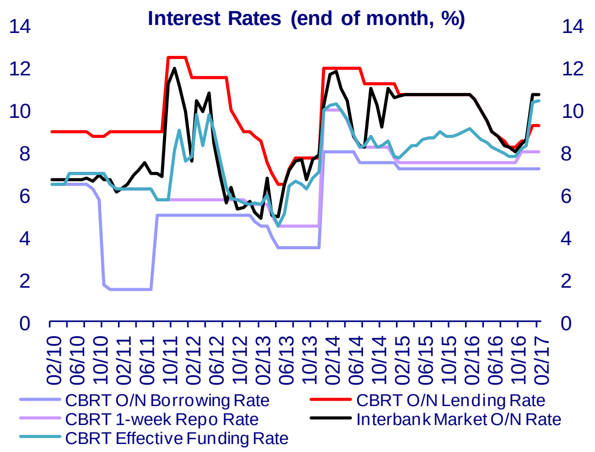
* EMDE: Emerging Market & Developing Economies

Turkey

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







	6 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.5	11.2	10.5	10.0
TRY/EUR	3.93	4.10	3.90	3.70
Sov. Spread (2019, bps)	198	220	210	200

	6 Mar.	1-W %	YTD %	2-Y %
ISE 100	91,045	3.7	16.5	13.4

	2014	2015	2016E	2017F	2018F
Real GDP Growth (%)	5.2	6.1	2.1	2.0	2.8
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	-2.0	-1.5

Headline inflation reached double digits, for the first time in almost 6 years, in February. Headline inflation rose sharply to 10.1% y-o-y in February from 9.2% in January and a recent low of 7.0% in November. The deterioration was broad based.

Most importantly, core inflation continued on its upward trend, started last December, with the CBRT's favourite measures, i.e., CPI-B (that excludes energy, unprocessed food, alcohol, tobacco and gold) and CPI-C (that also excludes processed food) rising to 8.3% and 8.6% y-o-y, respectively, in February from 7.5% and 7.7% in January and 37-month lows of 6.9% and 7.0% in November. The acceleration in core inflation reflects the FX pass-through to prices from the weaker domestic currency. Note that the TRY has weakened significantly since end-September (the depreciation of the TRY against the basket of "50%*TRY/USD+50%*TRY/EUR" accelerated to 18.2% y-o-y in February from 5.3% in October), mainly due to heightening uncertainty reflecting the Government's renewed efforts to hold a referendum on an executive presidency (scheduled for April 16th), the arrest of the co-leaders as well as 9 other lawmakers of the pro-Kurdish People's Democratic Party in the context of a terrorism investigation, stronger involvement in the conflicts in neighbouring Syria and Iraq, and deteriorating relations with the EU.

The acceleration in headline inflation was mainly driven by higher energy prices, reflecting both unfavourable global oil prices and the weaker domestic currency. Note that that transportation prices (comprising 16.3% of the CPI basket) rose by 18.0% y-o-y in February from 15.6% in January. In addition, food prices (comprising 21.8% of the CPI basket) continued to normalize, increasing by 8.7% y-o-y in February from 7.8% in January and a trough of 3.6% in November, mainly on the back of an upside correction in unprocessed food prices.

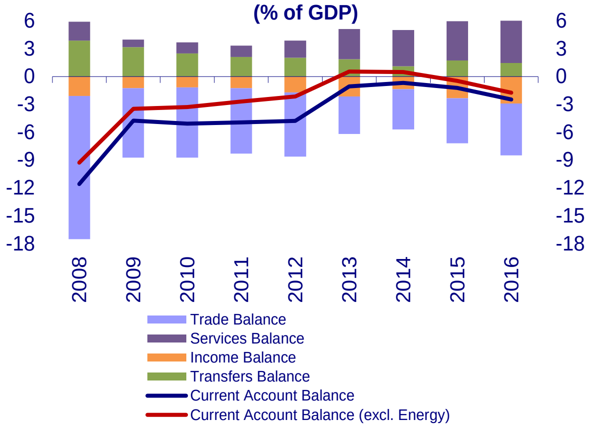
Looking ahead, despite a widening negative output gap, we expect headline inflation to increase further until April/May, reaching a peak of 11.5% y-o-y, mainly on the back of further FX pass-through to prices from the weaker currency. Overall, we see headline inflation ending the year at 9.2% y-o-y, above the end-2016 outcome of 8.5%, the upper bound of the CBRT's target range of 3.0%-7.0% and the CBRT's recently-revised end-year forecast of 8.0% (from 6.5% previously).

Unconventional monetary policy tightening to continue if deemed necessary -- at least until the mid-April referendum. In our view, despite a negative inflation outlook, the CBRT is unlikely to move to a conventional tightening of its monetary policy (i.e., a hike in the central 1-week repo rate (including the late liquidity window rate), currently at 8.0% -- long opposed by President Erdogan). Ahead of the mid-April referendum and in the event of mounting pressure on the TRY, we expect the CBRT to continue with its unconventional monetary policy tightening, through liquidity management and eventually hikes to the overnight lending rate (currently at 9.25%) and the late liquidity window rate (an emergency facility only available after 4:00 pm, designed for banks who need a lender of last resort, currently at 11.0%). Note that the CBRT's effective funding rate has increased by 2.7 pps y-t-d to 10.7% on the back of: i) the cut of funding through the cheapest 1-week repo facility; ii) the reduction of funding through the overnight lending facility, which is forcing banks to use the most expensive late liquidity window facility (if deemed necessary); iii) and the rise of the overnight lending rate by 75 bps to 9.25% and the late liquidity window rate by 100 bps to 11.0% at the January 24th MPC meeting. However, despite its significant rise since the beginning of the year, the CBRT's effective funding rate is still modest in *ex post*, compounded and real terms (1.0 pp).

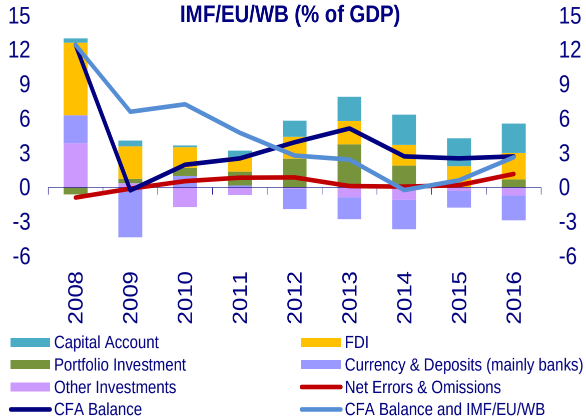
Romania

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

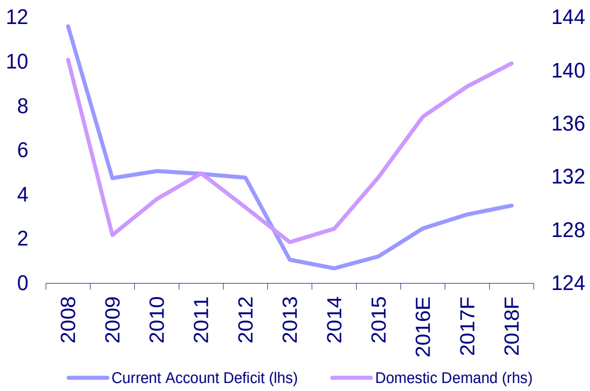
Current Account Balance (% of GDP)



Capital & Financial Account (CFA) and IMF/EU/WB (% of GDP)



Current Account Deficit & Domestic Demand (% of GDP)



	6 Mar.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.53	4.49	4.49	4.50
Sov. Spread (2024, bps)	187	180	165	150

	6 Mar.	1-W %	YTD %	2-Y %
BET-BK	1,479	-0.3	10.1	8.6

	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

The current account deficit (CAD) rose sharply to 2.4% of GDP in FY:16 from 1.2% in FY:15, in line with stronger private consumption. The main factor behind this deterioration was the trade deficit, which widened sharply in FY:16 (by 0.6 pps y-o-y to 5.5% of GDP), reflecting stronger private consumption. The latter should be attributed to: i) large tax cuts (the VAT rate on food and non-food items was reduced by 15 pps (to 9%) and 4 pps (to 20%) in June 2015 and January 2016, respectively); and ii) a looser incomes policy (a broad-based 10% hike in public sector wages at end-2015 was followed by a 5% rise in pensions and further targeted increases in public wages – exceeding 15% in some sectors -- in 2016) and its spillover to the private sector. The income deficit also widened in FY:16 (by 0.6 pps y-o-y to 2.9% of GDP), due to higher profit outflows, which were, however, largely reinvested in the country.

The capital & financial account improved markedly in FY:16, pushing FX reserves higher. Net FDI inflows picked up in FY:16 (to 2.3% of GDP from 1.8% in FY:15), due to higher reinvestment of earnings and intercompany lending (together up 0.9 pps of GDP y-o-y), which more than offset the decline in direct equity investment. Moreover, net portfolio investment inflows accelerated in FY:16 (to 0.7% of GDP from 0% in FY:15), mainly on higher sovereign debt issuance (2.0% of GDP in FY:16 against 1.3% in FY:15).

On the other hand, net lending to the non-financial private sector deteriorated slightly in FY:16 (with net repayments reaching 0.8% of GDP against 0.2% in FY:15), suggesting that corporates' access to external financing remains constrained. At the same time, capital outflows from the banking system continued (reaching 2.1% of GDP in FY:16 against 1.5% in FY:15), mainly due to the placement of deposits abroad by domestic banks. All said, the overall balance deteriorated marginally to a surplus of 1.4% of GDP in FY:16, with FX reserves rising to EUR 34.2bn at end-2016 from EUR 32.2bn at end-2015.

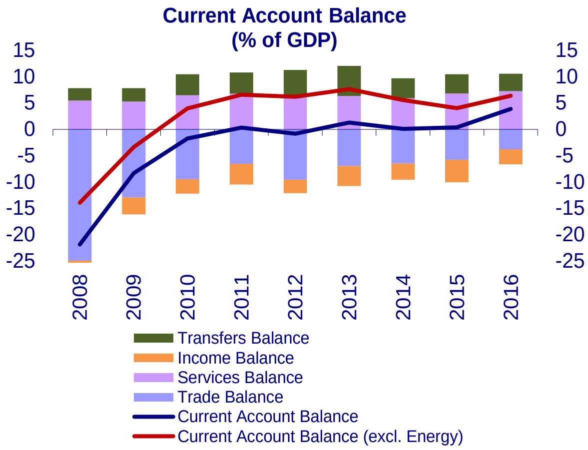
The CAD is set to widen further -- albeit at a slower pace -- to 3.0% of GDP in FY:17, on the back stronger domestic demand. Looking ahead, pressures on the trade deficit are set to persist, in view of a further build-up in domestic demand. Indeed, we see real GDP growth at a strong 4.0% in FY:17 -- below its impressive FY:16 outcome of 4.8% in FY:16, but still well above its long-term potential of c. 3.0%. Importantly, the impact of the projected hike in global oil prices should be minor, in view of the country's low dependence on oil imports (the energy deficit stood at just 0.7% of GDP in FY:16).

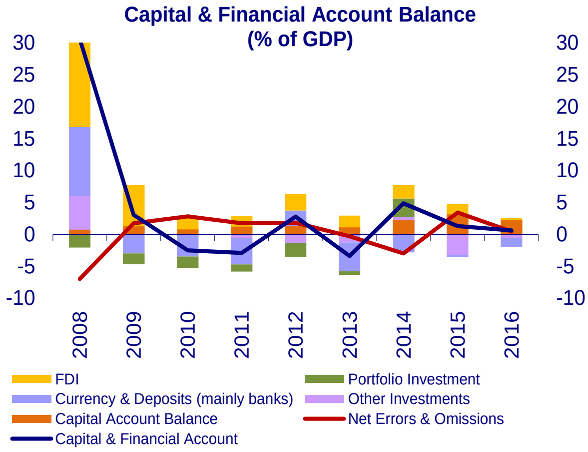
Worryingly, FX reserves could come under pressure in FY:17, in view of tighter global external financing conditions and the resumption of debt repayment to IFIs (0.7% of GDP against just 0.1% in FY:16), on the one hand, and the wider CAD on the other. According to our baseline scenario, assuming that: i) net FDI and portfolio investment inflows broadly remain at FY:16 levels (2.4% and 0.7% of GDP, respectively); ii) the maturing external debt rollover rate deteriorates (to 85% in FY:17 from an estimated 90% in FY:16); and iii) capital transfers increase (to 3.0% of GDP in FY:17 from 2.5% in FY:16), due to the better absorption of EU funds, we foresee FX reserves falling to a still comfortable level of EUR 33.0bn at end-2017 from EUR 34.2bn at end-2016 (covering 5 months of GNFS imports).

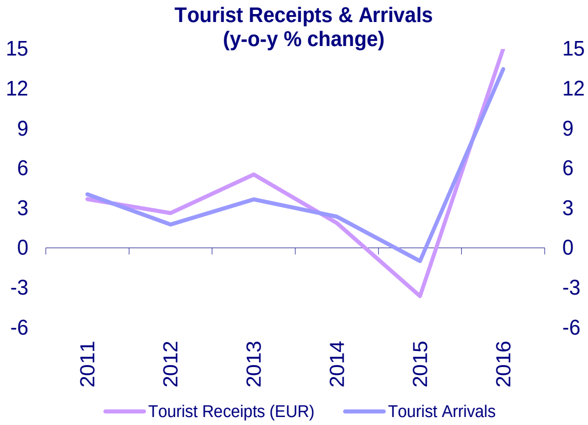
All said, persisting overheating pressures, as suggested by economic growth running above its long-term potential for a 3rd consecutive year and the CAD more than quadrupling -- albeit from a low base (0.7% of GDP in FY:14) -- in just 4 years, should prompt the NBR to tighten its stance in FY:17. Indeed, we see the latter raising its key rate by 225 bps to 4.0% by end-year (implying a real *ex-post* rate of 2.0%).

Bulgaria

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







	6 Mar.	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)	131	120	116	110

	6 Mar.	1-W %	YTD %	2-Y %
SOFIX	615	0.4	4.9	29.1

	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	0.6	1.2
Cur. Acct. Bal. (% GDP)	0.1	0.4	3.8	3.0	2.4
Fiscal Bal. (% GDP)	-3.7	-2.8	1.6	-1.0	-0.5

A better trade performance and lower income outflows push up the current account surplus (CAS) to a high 3.8% of GDP in FY:16 from 0.4% in FY:15. The trade deficit narrowed in FY:16 (by 2.0 pps y-o-y to 3.8% of GDP), reflecting favourable oil prices (the energy trade deficit was down by 1.3 pps of GDP y-o-y in FY:16) and, to a lesser extent, gains in competitiveness. Moreover, following its sharp deterioration in FY:15, the income deficit narrowed in FY:16 (by 1.5 pps y-o-y to 2.8% of GDP), on the back of lower profit outflows. The widening in the services surplus (by 0.3 pps y-o-y to 4.3% of GDP), on the back of the rebound in tourism activity (see below), also helped.

The capital & financial account remains "in the black" in FY:16, despite more difficult external financing conditions for the private sector and lower absorption of EU funds. Capital outflows from the banking system accelerated in FY:16 (to 1.4% of GDP from 0.2% in FY:15), due to the placement of deposits abroad by domestic banks. Moreover, net FDI inflows fell sharply in FY:16 (to 1.1% of GDP from 3.5% in FY:15), as did capital transfers (2.3% of GDP in FY:16 against 3.1% in FY:15), due to authorities forfeiting EU funding allocated for use during the 2007-13 programming period. At the same time, albeit improving, net lending to the non-financial private sector remained negative (with net repayments of 0.5% of GDP in FY:16 against 3.2% in FY:15). As a result, the overall balance deteriorated in FY:16 (by 1.0 pp), but remained in surplus (7.2% of GDP), with FX reserves rising to EUR 22.5bn at end-2016 from EUR 19.0bn at end-2015.

Bulgaria set to remain the best performer in the region in FY:17, despite the CAS narrowing to 3.0% of GDP. The trade deficit is expected to widen markedly in FY:17, reflecting: i) stronger domestic demand, on the back of a large fiscal impulse (2.6 pps of GDP); and ii) the impact of unfavourable global oil prices (the energy trade deficit is set to widen by 0.6 pps of GDP in FY:17, assuming an average price of Brent of EUR 52/bbl).

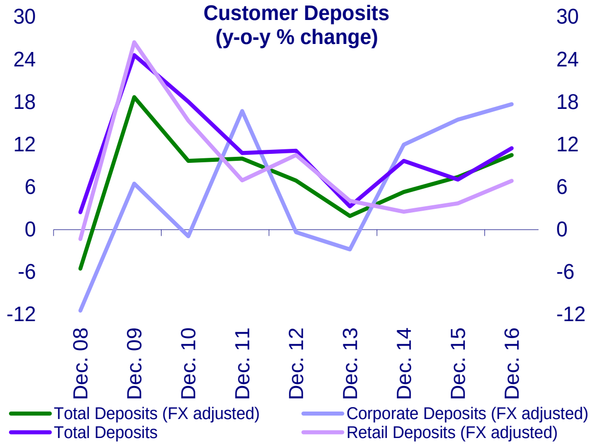
Despite tighter global external financing conditions this year, external financing should not be an issue, in view of the large CAS. Projecting that: i) net FDI inflows improve modestly (to 1.5% of GDP); ii) net portfolio investment turns negative (-1.4% of GDP), due to the repayment of a sovereign Eurobond (1.9% of GDP) in July; and iii) the maturing debt rollover rate drops slightly (to 90% in FY:17 from 95% in FY:16), we see FX reserves rising to EUR 23.8bn at end-2017 from EUR 22.5 bn at end-2016, covering 11 months of GNFS imports.

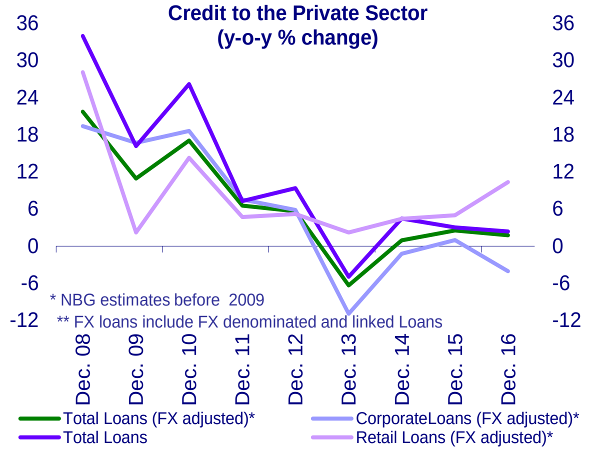
Tourism activity rebounded in FY:16, sustaining economic growth and boosting the CAS. Tourism receipts increased by 15.7% y-o-y to EUR 3.3bn or 7.0% of GDP in FY:16 against a decline of 3.6% in FY:15. At the same time, tourist arrivals rose by 13.8% y-o-y in FY:16 against a drop of 1.0% in FY:15, suggesting higher spending per tourist compared with FY:15. Regarding tourist arrivals, the improved performance was mainly driven by Romania, Germany, Poland and Russia -- accounting for 16.1%, 8.9%, 3.1% and 5.4%, respectively, of FY:15 arrivals -- up 16.3%, 21.4%, 36.2%, and 19.4% y-o-y in FY:16. Indeed, Bulgarian tourism appears to have strongly benefited from security concerns in Turkey and Egypt. The rise in the number of direct flights, mostly low-cost charters from northern Europe, also helped.

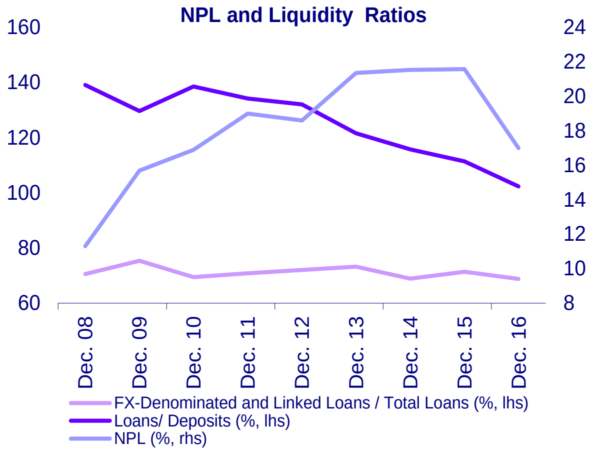
Looking ahead, in view of Bulgaria's price competitiveness advantage, and with security concerns in Turkey and Egypt unlikely to ease soon, we expect tourist activity to remain strong in FY:17, sustaining economic growth and the current account. All said, we see tourist arrivals rising by 8.0% to a high of 11.5mn in FY:17, with receipts growing at a slightly faster pace -- up 10.0% to EUR 3.6bn or 7.4% of GDP.

Serbia

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







	6 Mar.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.4	3.4	3.5	3.8
RSD/EUR	123.7	124.3	124.7	125.0
Sov. Spread (2021, bps)	207	220	190	180

	6 Mar.	1-W %	YTD %	2-Y %
BELEX-15	726	1.3	1.2	8.0

	2014	2015	2016E	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

FX-adjusted customer deposit growth reached a 7-year high of 10.5% y-o-y in December, reflecting strengthening confidence in the domestic economy. Adjusted for FX variations, deposits accelerated to a 7-year high of 10.5% y-o-y in December from 7.4% at end-2015, reflecting strengthening consumer and business confidence, on the back of significant progress on EU membership negotiations, good relations with the IMF, and an improving operating environment.

The acceleration in deposits occurred despite the sharp decline in their remuneration, especially the LC component (the interest rate on new LC term deposits fell to a historical low of 2.7% in FY:16 from 4.9% in FY:15). The latter was the result of large policy rate cuts and increased bank liquidity through the reduction in reserve requirement ratios.

From a segment perspective, the acceleration in (FX-adjusted) overall deposits was driven by the continued rebound in both retail and corporate deposits. Retail deposits, accounting for a sizeable ⅔ of total deposits, rose to a 4-year high of 6.9% y-o-y in December from 3.7% at end-2015. The acceleration was driven by both LC and FC components, and was mainly attributed to an improvement in labour market conditions (the unemployment rate fell to an 8-year low of 16.0% in 9M:16 from 17.7% in FY:15, while net wages increased by 3.7% y-o-y in FY:16 following a decline of 0.2% in FY:15).

Moreover, (FX adjusted) overall corporate deposits also strengthened to a post-crisis peak of 17.7% y-o-y in December, from 15.5% at end-2015, likely reflecting a strong rebound in exports (rising by 11.3 y-o-y in 11M:16 following an increase of 6.6% in FY:15, in EUR terms).

Credit activity growth (adjusted for FX movements and once-offs) accelerated to a 4-year high in 2016, supported by stronger loan supply and demand. Adjusted for FX variations, but not once-off effects, lending growth moderated to 1.8% y-o-y in December from 2.5% at end-2015, negatively affected by large write-offs (amounting to RSD 46bn in FY:16 against just RSD 7.7bn in FY:15) and the sale of NPLs to non-banking sector entities, as well as the early repayment of a loan last October through an offshore loan (estimated at RSD 25bn).

Adjusting for these once-offs and FX movements, the loan book expanded to an estimated 4-year high of 5.0% y-o-y in December from an estimated 3.4% at end-2015. The strengthening in lending activity reflects: i) the easing of the monetary policy stance and the concomitant decline in LC lending interest rates (RSD lending rates on new loans declined sharply, to a historical low of 9.1% in FY:16 from 12.7% in FY:15); as well as ii) improved bank asset quality (the NPL ratio declined to 17.0% in Q4:16 from a peak of 23.0% in Q3:14, returning to its end-2010 level) along with banks' strong capital base and ample liquidity (see below). This improvement was also due to banks' easing credit conditions for households, along with stronger loan demand supported by the continued rebound in activity.

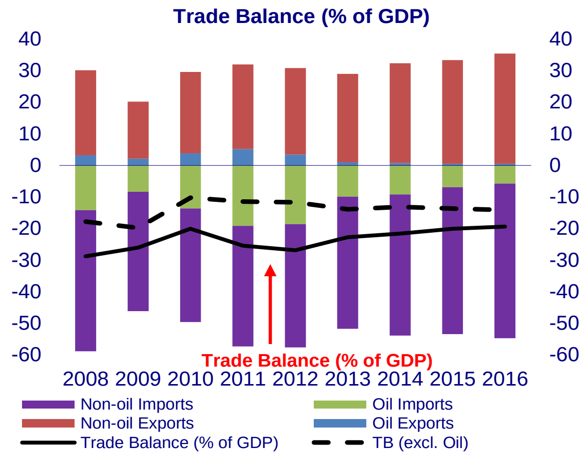
Note that, despite sizeable write-offs, Serbia's (FX adjusted) credit growth was well ahead of other SEE-5 countries -- Romania (1.3%), Albania (1.2%), Bulgaria (1.0%) and FYROM (0.8%).

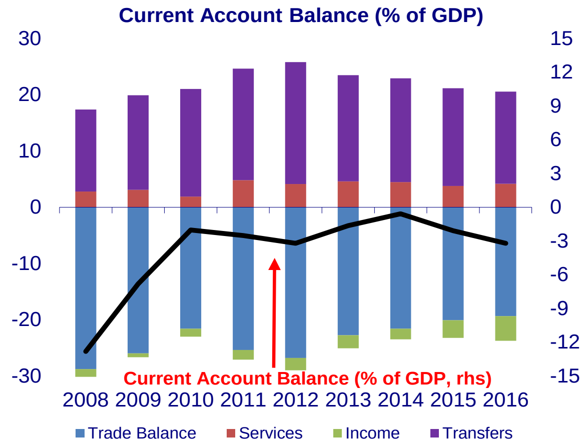
With deposits increasing at a faster pace than loans (for a 6th successive year), the gross loan-to-deposit ratio continued to moderate, reaching 102.3% in Q4:16 -- down from 111.4% at end-2015 and a peak of 146.5% in Q1:09.

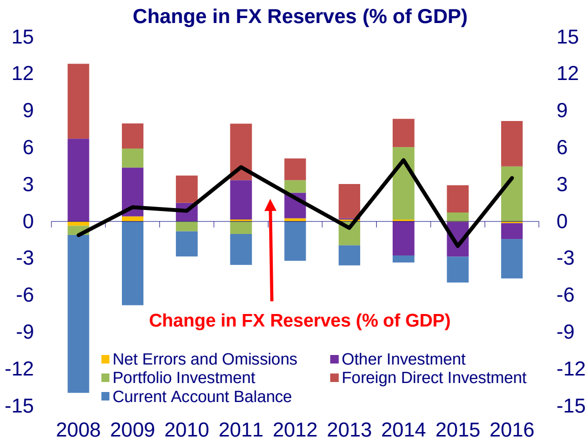
Growth in credit activity set to accelerate to c. 6.0% by the end of this year (FX-adjusted). Credit growth should continue to be supported by low LC lending rates, the rebound in activity and stronger loan demand, while the past years' clearing of balance sheets should also encourage banks to increase lending.

F.Y.R.O.M

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







	6 Mar.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.6	1.7	1.7	1.7
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	417	475	450	350

	6 Mar.	1-W %	YTD %	2-Y %
MBI 100	2,305	1.4	7.9	25.2

	2014	2015	2016E	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	-3.2	-3.0	-2.8
Fiscal Bal. (% GDP)	-4.2	-3.5	-2.7	-3.0	-2.8

Domestic political crisis escalates. President G. Ivanov refused to grant Z. Zaev, the leader of the second political force in Parliament, SDSM (controlling 49 out of 120 seats), a mandate to form a new Government following the failure of N. Gruevski, the leader of largest party, VMRO-DPMNE. According to the Presidency, Zaev does not meet one of the 2 conditions needed to grant him the mandate. Though he obtained 67 signatures of lawmakers (6 more than required to form a parliamentary majority), he did not meet the second, which required that the Government should preserve the country's unitary character, as he endorsed the Albanian platform. Recall that this platform, signed by the 4 Albanian parties, requests, *inter alia*, the official use of the Albanian language across the country, a "*full economic parity through equal regional development*", and a debate on the change of the anthem, coat of arms and flag.

Encouragingly, there are increasing pressures from the EU and the US on President Ivanov to reconsider his decision. The success of these pressures, as in the past, would prevent the current political and institutional crisis becoming an interethnic one.

The current account deficit (CAD) widened to a 4-year high of 3.2% of GDP in 2016. The CAD rose to 3.2% of GDP in FY:16 from 2.1% of GDP in FY:15 and an 8-year low of 0.6% of GDP in FY:14. The deterioration was driven by a decline in transfers (by 1.0 pp of GDP y-o-y) and an increase in the income deficit (by 1.2 pp of GDP y-o-y), which more than offset a decrease in goods and services deficits (by 1.1 pp of GDP y-o-y).

The poor performance in the transfers balance resulted from a sharp decline in private transfers, mainly reflecting purchases of foreign currency by residents (accounted as transfers' outflows by the Central Bank), which reached a peak in Q2:16 when the domestic political crisis culminated. On the other hand, the weakening of the income balance was mainly driven by higher profit outflows which were, however, largely reinvested in the country.

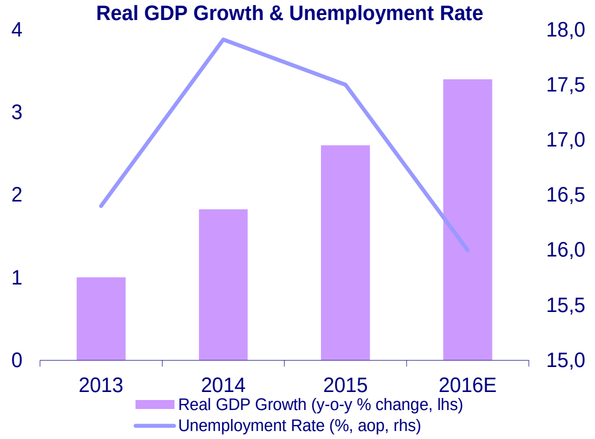
The CAD would have been larger had the trade deficit not narrowed significantly in 2016 (by 0.7 pps of GDP y-o-y to a 10-year low of 19.4% of GDP). Indeed, exports rose markedly by 2.0 pps of GDP (11.5% y-o-y) to 35.4% of GDP, mainly reflecting the ongoing broadening of the country's export base in the flourishing sector of machinery and transport equipment and higher exports of chemicals and manufacturing products from the technological industrial development zones (accounting for c. 30% of overall export volumes). On the other hand, overall imports rose more modestly in FY:16 (by 1.3 pps of GDP to 54.7% of GDP), as the impact from strengthening domestic demand and high import content of exports was partly offset by that of declining imports of energy (by 1.2 pps of GDP).

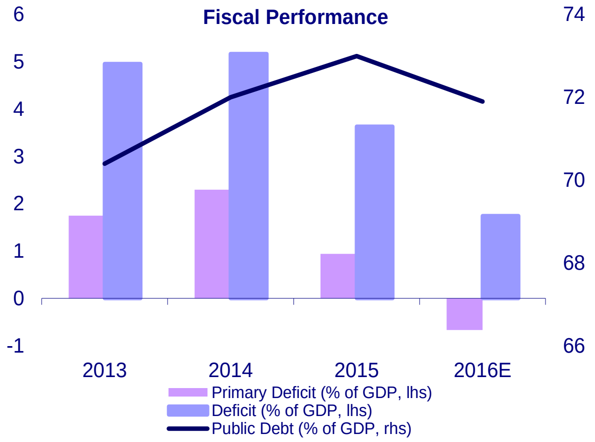
Large Eurobond proceeds and reinvested profits boosted FX reserves in FY:16. The capital and financial account (CFA) improved significantly in FY:16 (by 6.7 pps to 6.8% of GDP), mainly due to a sharp increase in portfolio investment (to a sizeable 4.5% of GDP from 0.7% of GDP a year earlier), following the placement of a 7-year sovereign Eurobond worth 4.7% of GDP in early Q3:16 and stronger FDI inflows on the back of large reinvested profits. Reflecting CAD and CFA developments, FX reserves rose to EUR 2.6bn at end-2016 from EUR 2.3bn at end-2015, covering 5.0 months of imports of GNFS.

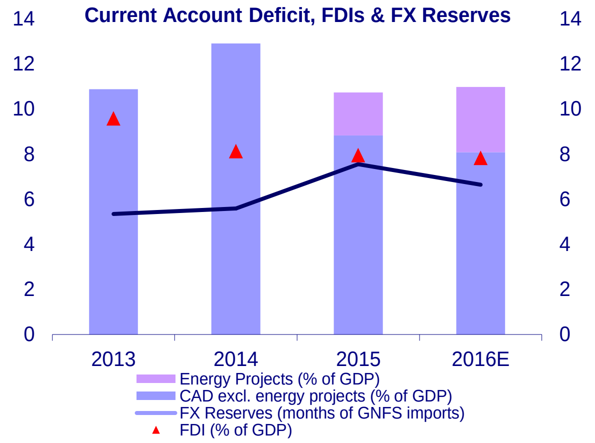
For 2017, assuming that the domestic political deadlock ends by end-H1:17, we expect the CAD to ease modestly to 3.0% of GDP in FY:17 from 3.2% in FY:16, as pressures from an unfavourable energy bill and the recovery in domestic demand should be more than offset by the normalization of the income and transfers balances.

Albania

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







	6 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.8	2.2	2.2	2.2
ALL/EUR	135.0	138.5	138.7	138.0
Sov. Spread (bps)	329	340	320	300

	6 Mar.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2014	2015	2016E	2017F	2018F
Real GDP Growth (%)	1.8	2.6	3.4	3.8	4.2
Inflation (eop, %)	0.7	2.0	2.2	2.6	2.8
Cur. Acct. Bal. (% GDP)	-12.9	-10.7	-11.0	-12.6	-12.1
Fiscal Bal. (% GDP)	-5.2	-3.6	-2.0	-2.0	-1.8

The IMF Board approved the combined last two reviews, concluding Albania's EUR 370.6mn Extended-Fund Facility (EFF). The programme, approved in February 2014, managed to strengthen economic growth and correct large imbalances during the past 3 years, despite strong external headwinds. In fact,

i) the economy recovered strongly. Despite an adverse external environment, GDP is estimated to have reached a 6-year high of 3.4% in FY:16, rebounding strongly from a trough of 1.0% in FY:13 -- its lowest level since 1997. The rebound was supported by improving confidence, an accommodative monetary policy stance, as well as investments in energy-related projects (ie., the ongoing Trans-Adriatic Pipeline and the Statkraft/Devoll hydropower plants construction).

ii) sizeable fiscal consolidation has been achieved. The fiscal deficit narrowed to 1.7% of GDP in FY:16 -- the lowest on record -- from 5.0% in FY:13. Importantly, the adjustment focused on the revenue side, with total revenue rising to 26.9% of GDP in FY:16 from 24.2% in FY:13. The large fiscal adjustment has put public debt on a downward trend, with the public debt-to-GDP ratio estimated to have narrowed, for the first time in 6 years, to 72.0% in 2016 from its peak of 73.0% in 2015. Moreover, under the EFF, Albania repaid in 2014-15 accumulated Government arrears of c. 3.7% of GDP to the private sector.

iii) the current account deficit (CAD) has been largely financed by large (non-debt generating) energy-related FDI inflows. The CAD is estimated to have remained high at 11.0% of GDP in FY:16, largely due to high import content of investments. Note that excluding two major import-intensive energy projects (see above), the CAD had narrowed to an estimated 8.1% in FY:16 from 10.9% in FY:13. Importantly, the bulk of the still large CAD continues to be covered by FDI inflows, especially to the energy sector. As a result, FX reserves remained stable at comfortable levels, estimated at 6.6 months of GNFS imports in FY:16.

iii) inflation remained well-anchored. Inflation remained low, despite increasing demand-side pressures, at 2.2% at end-2016 (below the BoA's target of 3.0%), supported by low commodity prices and tight fiscal policy stance. Meanwhile, core inflation remained weak (at 1.1%), due to the persistent negative output gap and low imported inflation.

iv) key structural reforms have been implemented, including pension, electricity sector and local government reforms, the adoption of the judicial reform, the strengthening of the tax administration, the launch of a campaign against informality, as well as the approval of new Bankruptcy legislation and amendments to the Private Bailiffs' Law.

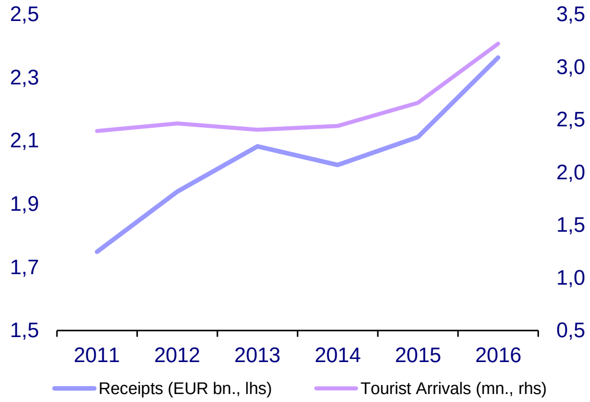
The approval of the combined 9th and 10th reviews enabled the final disbursement of the last two tranches totalling EUR 73.2mn (0.6% of GDP), bringing total disbursements to EUR 377.3mn.

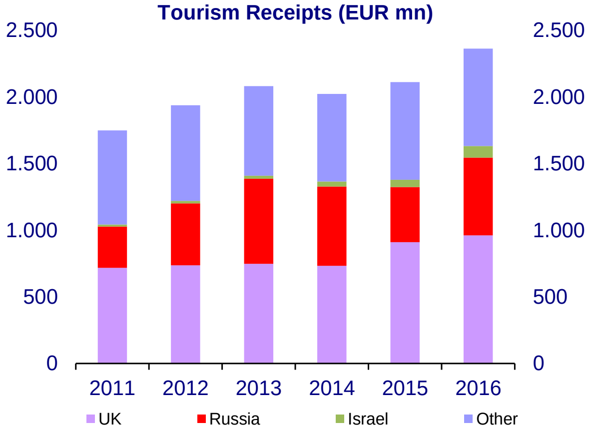
The IMF Board also approved a Post-Program Monitoring (PPM) for Albania. In view of Albania's large outstanding credit to the Fund (213% of quota), the IMF will remain engaged with Albania through a PMM. Under this programme, the authorities should continue focusing on fiscal consolidation by expanding revenue (through the strengthening of tax administration, the broadening of the tax base, and the introduction of a value-based property tax), ensuring debt sustainability, reducing NPLs and improving the business climate.

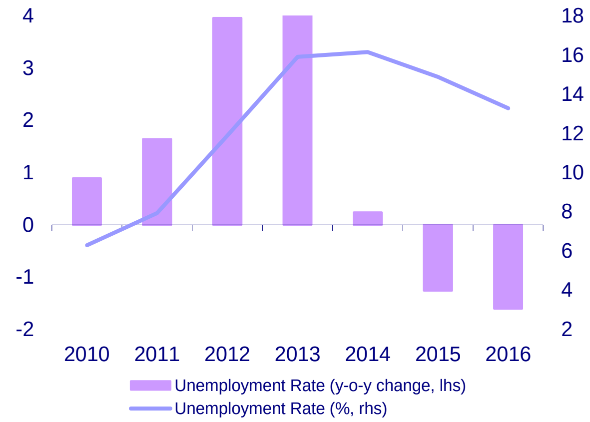
However, the reform drive should lose momentum, including ahead of the June 18th general elections. Note that the opposition Democratic Party has been boycotting the Parliament for the past two weeks, demanding the appointment of a technocrat Government to ensure fair and free elections. The political deadlock has effectively stalled reforms, including the creation of "vetting" bodies -- part of the justice reform, a key condition for the launch of EU accession talks.

Cyprus

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







	6 Mar.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.06	1.09	1.08	1.05
Sov. Spread (2020. bps)	247	260	250	230

	6 Mar.	1-W %	YTD %	2-Y %
CSE Index	66	-0.7	-0.8	-18.0

	2014	2015	2016E	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	-2.0	-2.3	-2.3
Fiscal Bal. (% GDP)	-8.8	-1.1	0.1	-0.2	0.4

Tourist receipts posted a 5-year high of EUR 2.4bn (13.4% of GDP) in 2016, mainly on the back of a strong rebound in arrivals from Russia. Tourist receipts increased by 11.9% (or EUR 251.2mn y-o-y) in FY:16 to a 5-year high of EUR 2.4bn or 13.4% of GDP, following an increase of 4.4% in FY:15. The improvement was driven mainly by tourists from Russia (the second largest source country, accounting for 24.3% of arrivals and contributing 8.0 pps to the increase in receipts in FY:16), and, to a lesser extent, by tourists from the UK (the main source country, accounting for c. 36% of total arrivals and contributing 2.5 pps to the increase in receipts in FY:16).

However, the performance of tourist receipts was weaker than that of arrivals over the same period (up 21.2% y-o-y in FY:16), reflecting lower average spending per tourist. Indeed, spending per tourist declined sharply by 7.7% y-o-y to EUR 733 in 2016, following a decline of 4.2% in FY:15. The deterioration in tourist spending was broad-based. The only exception was Israel (a fast-growing market accounting for 5.0% of arrivals), with spending per tourist rising by 6.3% y-o-y in FY:16, on the back of higher average spending per day (up 8.8% y-o-y in FY:16). The weaker average spending per tourist reflects both a decline in the average length of stay (down 6.5% y-o-y to 9.4 days in 2016) and average spending per day (down 2.1% y-o-y to EUR 72.9 in 2016). Indeed, the number of overnights and spending per day declined for tourists from the UK (down 4.7% and 2.1% y-o-y, respectively), Russia (down 6.8% and 3.6% y-o-y, respectively), and other third countries (down 5.8% and 7.1% y-o-y, respectively).

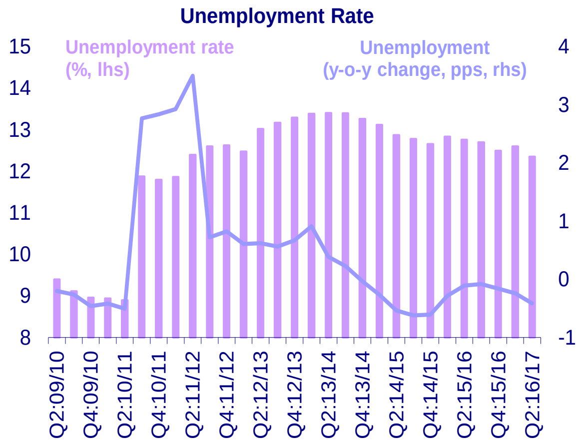
Against this backdrop, with FY:16 tourist receipts increasing by 1.4% of GDP, we estimate the services surplus reached 21.7% of GDP in FY:16, largely contributing to the reduction in CAD by an estimated 0.9 pps of GDP to 2.0% of GDP in FY:16.

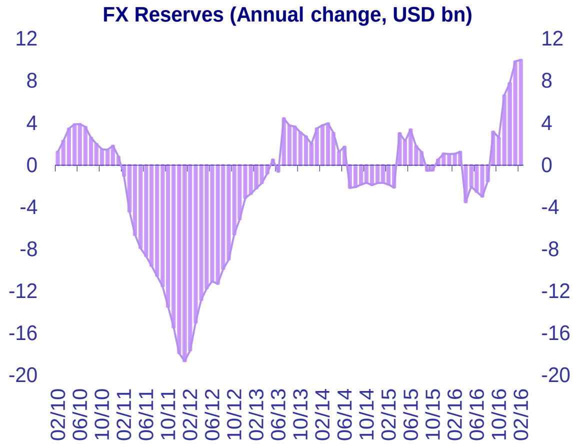
Unemployment eased in 2016 for a second consecutive year. The unemployment rate declined by 1.6 pps y-o-y to 13.3% in 2016, following a milder decline by 1.3 pps y-o-y in the previous year. The accelerated pace of decline was largely supported by a solid recovery in economic activity (estimated to have accelerated to 2.8% y-o-y in FY:16 compared with 1.7% in FY:15 and -1.5% in FY:14) and stronger activity in the labour-intensive tourism industry (see above). Indeed, with tourism accounting for c. 20.0% of total employment, we estimate the rebound in tourist activity shaved c. 0.8 pps off the FY:16 unemployment rate. Furthermore, we estimate that the construction sector, accounting for c. 8.2% of total employment, also contributed to the decline in the unemployment rate. Note that the number of building permits and their values increased by 6.8% y-o-y and 8.0% y-o-y, respectively, in FY:16 (including permits for new hotels in the areas of Paphos, Limassol and Famagusta). As a result, employment in construction and tourism rose by 20.3% y-o-y and 16.1% y-o-y, respectively, in 9M:16, more than offsetting the negative performance in agriculture (down 6.4% y-o-y), industry (down 2.8% y-o-y) and the rest of services (down 0.1% y-o-y) in the same period.

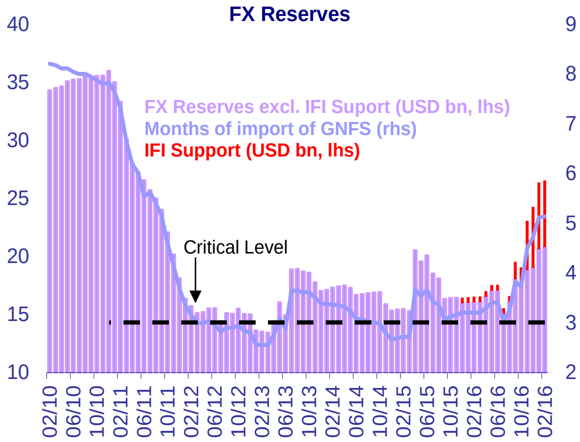
For 2017, in view of the robust, albeit moderating, expansion of the tourism and the construction sectors, we expect the unemployment rate to decline further, by 1.5 pps to 11.8% in FY:17, compared with a decline by 1.6 pps in FY:16 (we see real GDP growth of 2.6% this year compared with an estimated growth of 2.8% in FY:16 and a long-term potential growth rate of 2.0%). We also project employment to increase by 0.8% in FY:17, compared with an estimated rise of 1.1% in FY:16, benefiting, *inter alia*, from new infrastructure projects under implementation, including the construction of new marinas as well as golf and casino resorts.

Egypt

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







	6 Mar.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	15.7	17.0	17.0	16.5
EGP/USD	16.8	17.5	17.0	16.5
Sov. Spread (2020. bps)	291	350	300	240

	6 Mar.	1-W %	YTD %	2-Y %
HERMES 100	1,133	4.8	4.0	28.9

	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	18.2	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-5.5	-6.1	-5.0
Fiscal Bal. (% GDP)	-12.2	-11.3	-12.1	-10.0	-8.1

The unemployment rate declined significantly, by 0.4 pps y-o-y to a 4-year low of 12.4% in Q2:16/17 (October-December 2016), following the return of confidence in the Egyptian economy. The latter was the result of the implementation of a series of reforms ahead of the signing of the IMF-supported 3-year economic programme – effective from November 9th. These reforms comprise: i) the flotation of the domestic currency; ii) the cut in fuel and gas subsidies (through price increases); iii) the introduction of a VAT at 13.0%; and iv) the parliamentary approval of the controversial civil service law (set to contain the wage bill).

Looking ahead, we expect the unemployment rate to decline at a faster pace in H2:16/17 (January-June 2017) – down 0.5 pps y-o-y compared with 0.3 pps y-o-y in H1:16/17, reflecting strengthening confidence in the domestic economy, on the back of the steady implementation of the ongoing IMF programme, as well as the recovery in the labour-intensive tourism sector. Note that the tourism crisis begun to ease from last November, supported by more competitive prices following the sharp depreciation of the EGP (by c. 45.0% against the USD since early-November) and the removal of travel bans and/or warnings by some source countries, following a significant improvement of security conditions in Egyptian airports. Overall, we see the unemployment rate moderating to a 6-year low of 12.3% in FY:16/17 – down from 12.7% a year ago, but still well above the pre-January 2011 Revolution level of 9.0%.

FX reserves have increased sharply, by USD 7.5bn to a 68-month high of USD 26.5bn, since the signing of a 3-year extended fund facility (EEF) with the IMF last November. The sharp rise was supported by: i) the disbursement of an initial USD 2.8bn by the IMF as part of a USD 12.0bn loan in November; ii) the release of the second USD 1bn tranche from a USD 3bn World Bank loan in December; iii) the release of the second USD 0.5bn tranche from a USD 1.5bn loan package from the African Development Bank (ADB) in January; and iv) the successful issuance of USD 4.0bn in Eurobonds in February. However, despite their sharp rise over the past 4 months, FX reserves remain c. 26.0% lower than their pre-revolution high of USD 36.0bn.

The pick-up in FX reserves was also underpinned by a recovery of workers' remittances from abroad, following the flotation of the domestic currency in early-November. According to the CBE's estimates, workers' remittances rose by 11.8% y-o-y (or USD 0.5bn y-o-y) to USD 4.6bn in Q4:16 following 6 consecutive quarters of decline. On a quarterly basis, they increased by 37.0% q-o-q (or USD 1.3bn q-o-q) in Q4:16. In fact, before the flotation of the EGP, remittances through the banking sector had been hindered by the attractive rates offered in the flourishing parallel FX market (where the USD was traded at a premium of c. 40.0% over its official rate of EGP 8.88 in Q1:16/17).

Looking ahead, in view of the FY:16/17 external financing gap, estimated at c. USD 11.5bn, the pledged large international support to the IMF-supported programme, and the recent Eurobond issuance, we expect FX reserves to stand at c. USD 25.0bn (or 4.8 months of imports of GNFS) at end 2016/17 (June 2017) – up from USD 17.5bn (3.4 months of imports of GNFS) a year earlier. Indeed, for this fiscal year, in addition to the envisaged disbursement of USD 4.0bn by the IMF, financing assurances, in support to the 3-year economic adjustment programme, were secured from the World Bank (USD 2.0bn), the ADB (USD 0.5bn), Afreximbank (USD 3.2bn), the UAE (USD 1.0), China (USD 2.7bn), Germany (USD 0.3bn), the UK (USD 0.2bn), France (USD 0.2bn), and Japan (USD 0.1bn).

FOREIGN EXCHANGE MARKETS, MARCH 6TH 2017

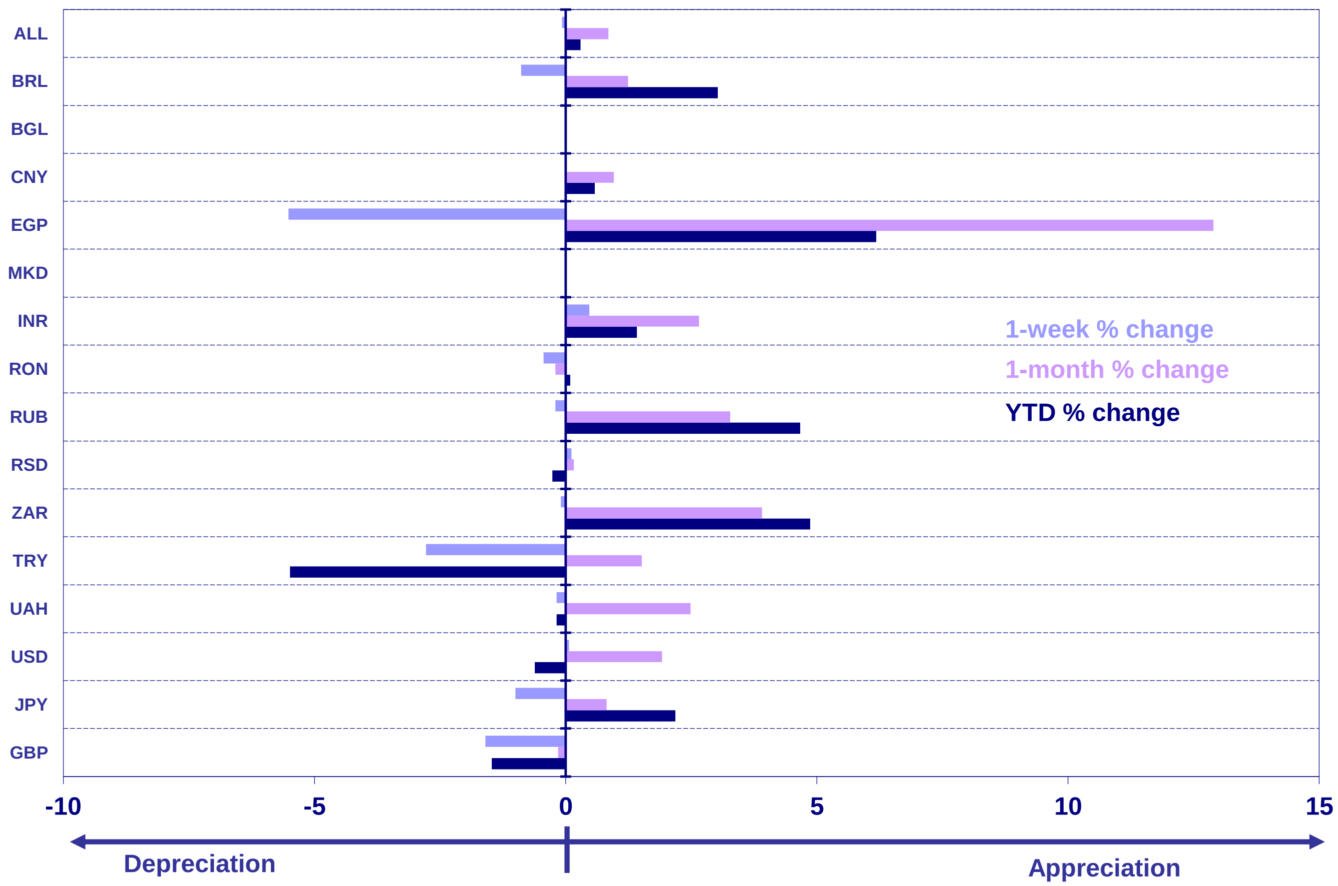
Against the EUR

		2017										2016	2015
	Currency	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	135.0	-0.1	0.9	0.3	2.1	134.8	137.3	135.4	135.6	136.0	1.2	2.0
Brazil	BRL	3.32	-0.9	1.2	3.0	25.4	3.23	3.46	3.72	3.69	3.66	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	7.29	0.0	1.0	0.6	-1.7	7.20	7.41	7.63	7.61	7.59	-4.0	6.7
Egypt	EGP	17.77	-5.5	12.9	6.2	-51.8	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	70.5	0.5	2.7	1.4	4.5	70.2	73.3	75.4	- - -	- - -	0.4	6.6
Romania	RON	4.53	-0.4	-0.2	0.1	-1.6	4.49	4.55	4.54	4.55	4.57	-0.4	-0.8
Russia	RUB	61.6	-0.2	3.3	4.7	27.8	59.8	65.1	63.2	64.7	67.4	22.9	-15.1
Serbia	RSD	123.7	0.1	0.2	-0.3	-0.2	123.3	124.1	124.1	124.5	- - -	-1.5	-0.1
S. Africa	ZAR	13.8	-0.1	3.9	4.9	21.9	13.54	14.64	14.0	14.3	14.9	16.2	-16.6
Turkey	YTL	3.93	-2.8	1.5	-5.5	-18.3	3.70	4.17	4.04	4.17	4.42	-14.7	-10.8
Ukraine	UAH	28.5	-0.2	2.5	-0.2	3.9	27.22	29.47	33.8	- - -	- - -	-8.6	-27.5
US	USD	1.06	0.1	1.9	-0.6	4.1	1.0	1.1	1.06	1.07	1.08	3.3	11.4
JAPAN	JPY	120.5	-1.0	0.8	2.2	3.7	118.2	123.7	120.5	120.5	120.5	6.0	11.0
UK	GBP	0.86	-1.6	-0.2	-1.5	-10.7	0.8	0.9	0.87	0.87	0.87	-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 (March 6th 2017)



Money Markets, March 6th 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	12.1	0.0	2.4	- - -	15.7	- - -	- - -	0.5	10.0	- - -	11.3	7.0	13.1	- - -	0.7
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.5	10.3	3.0	- - -	7.2	- - -	- - -	- - -
S/W	1.5	12.1	0.0	2.6	-0.4	- - -	1.2	- - -	- - -	10.1	3.1	- - -	7.1	14.1	-0.4	0.7
1-Month	1.8	12.1	0.0	4.1	-0.4	- - -	1.5	6.4	0.6	10.8	3.4	11.5	7.3	16.5	-0.4	0.8
2-Month	- - -	11.9	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	10.8	3.4	11.5	7.4	- - -	-0.3	0.9
3-Month	2.4	11.6	0.1	4.3	-0.3	- - -	1.8	6.6	0.8	10.8	3.5	11.8	7.6	17.9	-0.3	1.1
6-Month	2.8	10.8	0.3	4.2	-0.2	- - -	2.0	- - -	1.1	10.3	3.7	11.9	7.9	- - -	-0.2	1.4
1-Year	3.4	10.0	0.7	4.1	-0.1	- - -	2.4	- - -	1.2	10.0	- - -	12.3	8.6	- - -	-0.1	1.8

Local Debt Markets, March 6th 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.7	- - -	5.9	- - -	10.1	3.6	10.3	- - -	- - -	-0.9	0.7
6-Month	2.0	- - -	- - -	- - -	- - -	20.0	- - -	6.2	0.6	10.0	3.5	10.5	- - -	- - -	-0.9	0.8
12-Month	2.8	- - -	0.2	2.9	- - -	20.0	2.0	6.4	1.1	9.2	4.0	11.2	- - -	15.0	-0.9	1.0
2-Year	3.6	- - -	- - -	2.9	- - -	- - -	- - -	6.5	1.7	8.5	- - -	11.2	7.5	- - -	-0.8	1.3
3-Year	- - -	- - -	0.5	2.9	1.1	- - -	- - -	6.7	1.8	8.5	- - -	11.1	7.7	15.3	-0.7	1.6
5-Year	- - -	10.0	- - -	3.0	- - -	17.2	- - -	7.1	2.7	8.3	5.6	11.3	7.8	- - -	-0.4	2.0
7-Year	- - -	- - -	1.2	- - -	3.1	17.2	- - -	7.1	3.6	8.3	- - -	- - -	- - -	- - -	-0.2	2.3
10-Year	- - -	10.3	1.9	3.4	3.4	17.3	- - -	6.9	3.8	8.2	- - -	11.0	8.7	- - -	0.3	2.5
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.6	- - -	8.4	- - -	- - -	9.1	- - -	0.6	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.4	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.4	- - -	- - -	- - -	- - -	9.5	- - -	1.1	3.1

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

Corporate Bonds Summary, March 6th 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	2.1	286	230
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	4.0	492	428
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.2	281	217
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	9.8	51	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.5	42	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.5	191	161
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	115	47
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.8	365	291
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.2	300	228
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.9	344	277
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.6	461	430

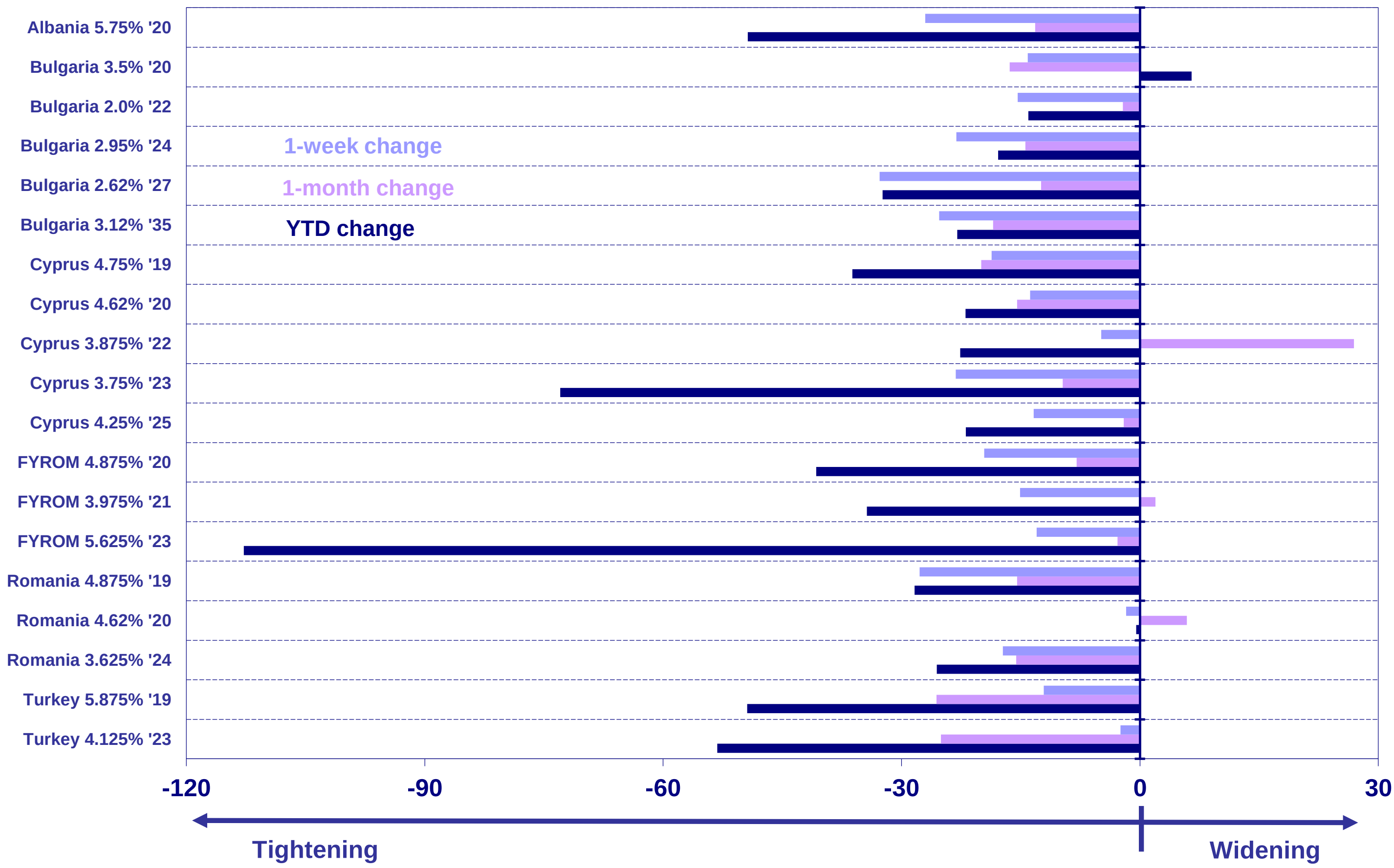
Credit Default Swap Spreads, March 6th 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	214	115	90	236	320	- - -	136	102	161	202	239	185	- - -
10-Year	- - -	299	158	138	263	342	- - -	144	144	236	244	321	255	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MARCH 6TH 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	2.7	329	282
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.6	129	62
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.9	131	71
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.5	153	110
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.1	176	133
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.1	224	179
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	1.1	187	119
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	1.7	247	184
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	3.2	361	300
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	3.1	339	275
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.4	321	282
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.1	371	317
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	3.6	417	446
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.6	491	435
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.1	88	22
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.3	103	30
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.7	187	135
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	1.2	198	135
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	3.1	342	286

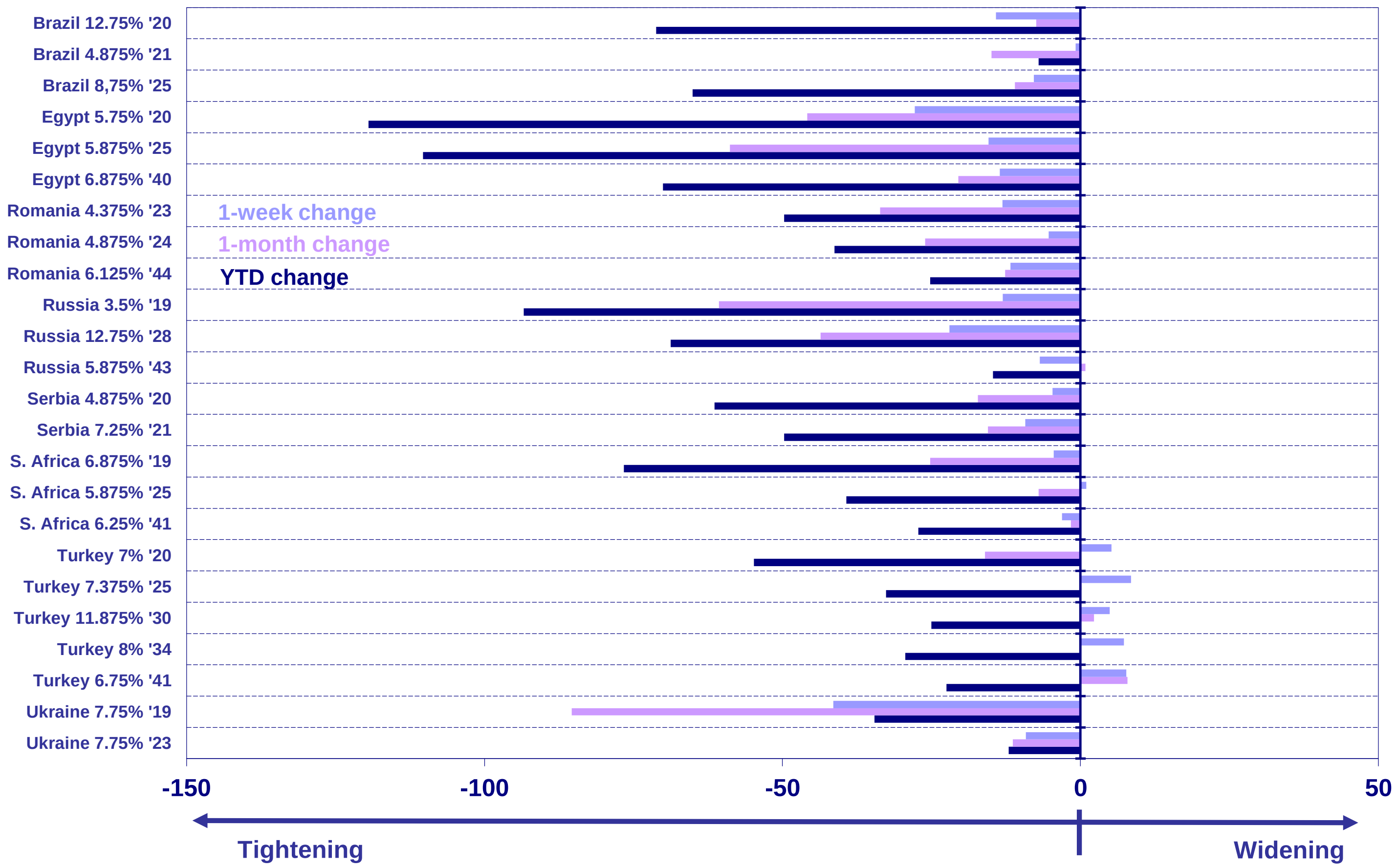
EUR-Denominated Eurobond Spreads (March 6th 2017)



USD-Denominated Sovereign Eurobond Summary, March 6th 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	3.1	147	143
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.6	205	167
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.7	242	273
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.5	291	263
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	6.2	391	374
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	7.4	434	446
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.5	120	129
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.6	128	136
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.8	168	233
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	1.8	47	18
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.2	172	252
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	5.0	192	248
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.8	219	193
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	4.1	207	214
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.6	133	100
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.6	210	230
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.3	220	279
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	4.2	265	242
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	5.6	330	344
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	6.1	357	459
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	6.4	389	408
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	6.4	334	355
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	7.3	571	547
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	8.7	635	613

USD-Denominated Eurobond Spreads (March 6th 2017)



STOCK MARKETS PERFORMANCE, MARCH 6TH 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)	66,341	-0.5	2.1	10.2	34.7	59,371	69,488	13.2	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	615	0.4	1.9	4.9	37.8	583	619	4.9	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,234	0.2	3.0	4.2	11.6	3,044	3,264	4.3	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	66	-0.7	-4.2	-0.8	-3.0	65	71	-0.8	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,133	4.8	-0.9	4.0	97.7	1,071	1,183	9.7	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,305	1.4	2.5	7.9	27.6	2,135	2,316	7.9	16.5	16.5	-0.6	-0.6
India (SENSEX)	29,048	0.8	2.9	9.1	17.9	24,355	29,146	10.5	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,479	-0.3	3.6	10.1	18.5	1,365	1,495	10.2	0.2	0.0	2.6	1.6
Russia (RTS)	4,450	-1.2	-10.7	-9.5	5.3	4,421	5,089	-5.3	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	726	1.3	4.1	1.2	22.3	694	737	0.9	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	51,498	0.0	-1.5	1.7	-2.2	50,338	53,738	6.6	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	91,045	3.7	3.0	16.5	17.5	75,657	91,438	10.1	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	275	0.1	1.8	3.6	13.7	265	276	3.4	10.2	1.0	-37.8	-54.8
MSCI EMF	934	-0.6	1.7	8.4	17.5	858	957	7.7	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,757	0.4	0.9	4.4	8.3	1,677	1,764	3.7	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	644	-0.3	2.3	0.0	15.0	602	670	0.0	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	11,958	1.1	2.6	4.2	22.3	11,415	12,083	4.2	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,350	1.3	2.3	2.9	18.9	7,094	7,395	1.4	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	20,954	0.6	4.4	6.0	22.7	16,166	21,169	5.4	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,375	0.2	3.4	6.1	18.7	2,245	2,401	5.4	9.5	13.2	-0.7	10.6

Equity Indices (March 6th 2017)