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South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

6 – 12 December 2016

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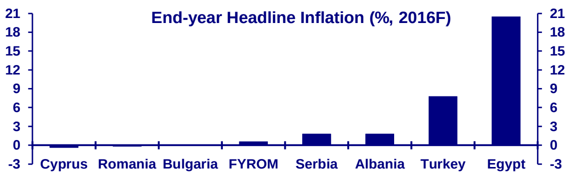
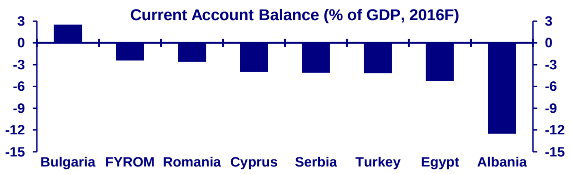
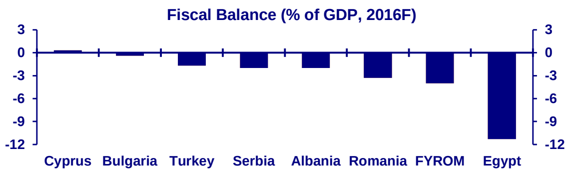






TURKEY 1

Economic activity contracts by 1.8% y-o-y in Q3:16, mainly due to heightened uncertainty following the July 15th failed coup

The current account deteriorates for a third consecutive month in October

ROMANIA 2

The centre-left Social Democratic Party (PSD) returns to power

BULGARIA 3

Economic growth weakens slightly in Q3:16, due to the sharp drop in fixed investment

SERBIA 4

Growth reaches a high of 2.7% y-o-y in 9M:16

FYROM 5

The outgoing coalition Government returns to power

The current account deficit widens to 2.3% of GDP on a 12-month rolling basis in September, mainly due to a sharp decline in private transfers

ALBANIA 6

The European Council delays the opening of EU accession negotiations with Albania -- a candidate country since June 2014

Headline inflation rises to 1.9% y-o-y in November, due to a deterioration in core inflation and unfavourable energy prices

Risks of an overheating of the economy and increasing inflationary pressures strengthen the BoA's hand to initiate a new cycle of monetary policy tightening

CYPRUS 7

GDP growth reaches an 8-year high of 2.7% y-o-y in 9M:16

EGYPT 8

Headline inflation rises sharply to an 8-year high of 19.4% y-o-y in November from 13.9% in October, following the floatation of the domestic currency and the cut in fuel subsidies

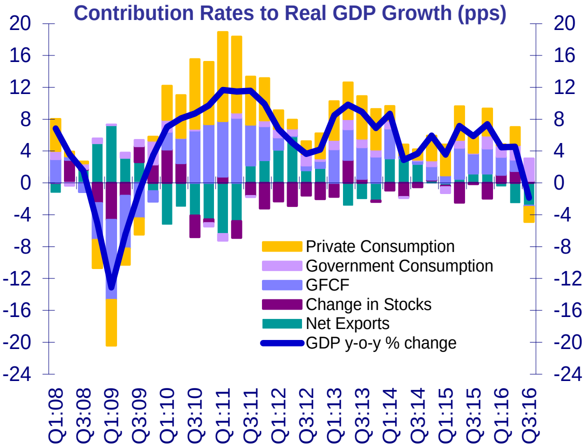
The CBE is likely to hike its policy rates further, by 200 bps, by end-March

APPENDIX: FINANCIAL MARKETS 9

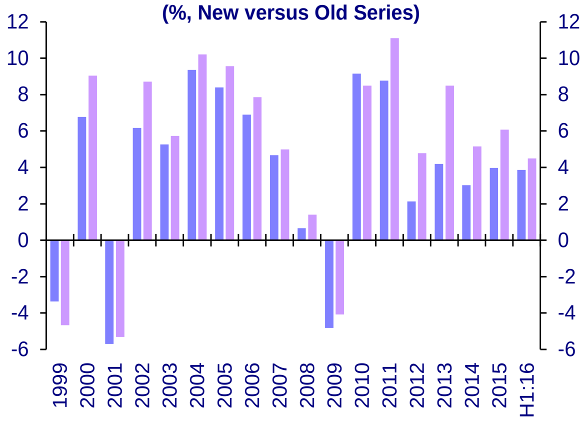
Turkey

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

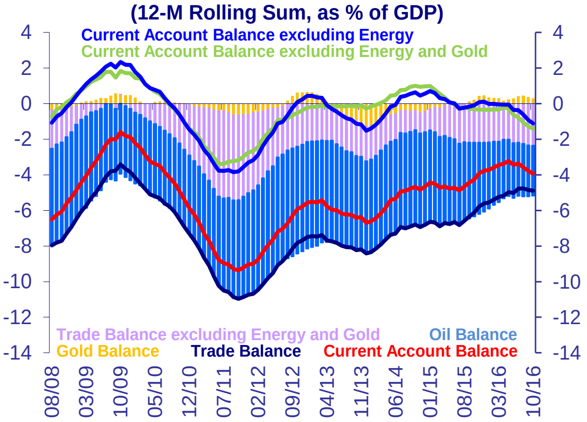
Contribution Rates to Real GDP Growth (pps)



Annual Real GDP Growth (%, New versus Old Series)



Trade and Current Account Balances (12-M Rolling Sum, as % of GDP)



	12 Dec.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	9.5	9.8	10.0	9.5
TRY/EUR	3.69	3.75	3.60	3.50
Sov. Spread (2019, bps)	274	275	265	220

	12 Dec.	1-W %	YTD %	2-Y %
ISE 100	76,240	3.6	4.2	-8.4

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	8.5	5.2	6.1	2.1	2.0
Inflation (eop, %)	7.4	8.2	8.8	7.8	8.2
Cur. Acct. Bal. (% GDP)	-6.7	-4.7	-3.8	-4.2	-4.8
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.0	-1.7	-2.5

Economic activity contracted by 1.8% y-o-y in Q3:16, mainly due to heightened uncertainty following the July 15th failed coup. Turkey's GDP growth turned negative, for the first time in 6 years, to -1.8% y-o-y in Q3:16 from an upwardly-revised 4.5% in Q2:16 (from 3.9% previously). The deterioration reflects mainly heightened uncertainty following the July 15th failed coup and the subsequent imposition of emergency rule, which have dealt a severe blow to business and consumer confidence. The negative growth performance in Q3:16 was mainly driven by a sharp slowdown in domestic demand (contributing only 1.0 pp to overall growth in Q3:16 against 7.0 pps in Q2:16). Specifically, private consumption and gross fixed capital formation declined by 3.2% and 0.6% y-o-y, respectively, in Q3:16 following rises of 3.9% and 4.7% y-o-y in Q2:16. Inventory build-up also moderated (contributing only 0.3 pps to overall growth in Q3:16 against 1.5 pps in Q2:16). Domestic demand overall would have been in negative territory had it not been for public consumption (up 23.8% y-o-y in Q3:16 from 13.7% in Q2:16). Net exports also contributed to the negative growth performance in Q3:16 (shaving 2.9 pps off overall growth compared with -2.5 pps in Q2:16), mainly on the back of a decline in exports of G&S (down 7.0% y-o-y in Q3:16 against an increase of just 0.15% in Q2:16), reflecting disruptions to production and the intensifying crisis in the tourism sector amid heightening security risks. Looking ahead, in view of leading indicators, we expect a mild economic recovery in Q4:15 (1.8% y-o-y), bringing FY:16 real GDP growth to a post-global crisis low of 2.1% -- well below the upwardly-revised FY:15 outcome of 6.1% (from 4.0% previously). Note that the Turkish Statistical Institute carried out a major revision to the System of National Accounts by shifting to the ESA-2010 system from ESA-95. The revision has led to an average 1.3 pp increase per year in GDP growth since 1999. As a result, key macroeconomic indicators improved sharply (for 2015, GDP per capita rose to EUR 9,595 from 8,015, the current account deficit-to-GDP ratio declined to 3.8% from 4.5%, and the fiscal deficit-to-GDP ratio dropped to 1.0% from 1.2%).

The current account deteriorated for a third consecutive month in October. The current account balance weakened, for a third month in a row, by 0.2 pps of GDP y-o-y in October, as a slight improvement in the energy balance was not sufficient to offset the deterioration in the gold and non-core current account balance. The negative performance of the core balance (excluding energy and gold) in October reflects mainly lower receipts from the tourism sector -- hit by geopolitical and domestic security setbacks – and weaker exports to the EU. With the October outcome, the cumulative current account deficit (CAD) stood at 3.1% of GDP in 10M:16 – 0.2 pps of GDP higher than in 10M:15.

On the financing side, the capital and financial account (CFA) balance posted a surplus of 0.4% of GDP in October, compared with an average surplus of 0.3% of GDP per month in 9M:16. The strong performance in October was mainly driven by eurobond issuances by Turkish banks (0.2% of GDP) and large (net) loan borrowings by banks and other corporates (each 0.1% of GDP). With the CFA surplus more than covering the CAD and positive (net) errors and omissions, the overall balance posted a surplus of 0.3% of GDP in October -- compared with an average surplus of 0.1% of GDP per month in 9M:16. As a result, FX reserves have risen by USD 8.7bn y-t-d to USD 101.6bn at end-October -- c. 5.8 months of imports of GNFS.

Going forward, we expect the CAD to deteriorate significantly during the rest of the year, on the back of an unfavourable energy bill and lower tourist receipts. Overall, we see the 12-month rolling CAD rising to USD 36.0bn (4.2% of GDP) in December from USD 33.8bn (3.9% of GDP) in October and USD 32.8bn (3.8% of GDP) a year ago.

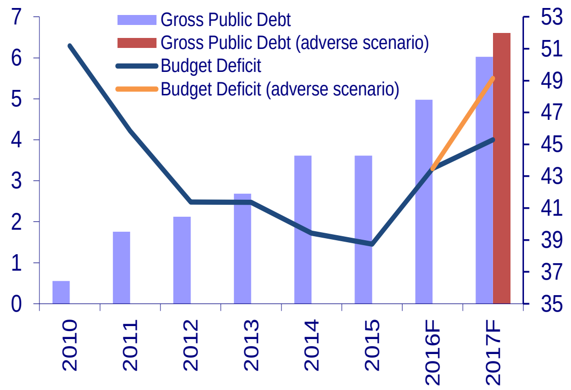
Romania

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

2016 Parliamentary Elections				
	Chamber of Deputies		Senate	
Party	% of Vote	Seats	% of Vote	Seats
PSD	45.5	154	45.7	67
PNL	20.0	69	20.4	30
USR	8.9	30	8.9	13
UDMR	6.2	21	6.2	9
ALDE	5.6	20	6.0	9
PMP	5.4	18	5.7	8
Minorities	1.3	17	- - -	- - -
Other	7.3	0	7.0	0
Total	100	329	100	136

2012 Parliamentary Elections				
	Chamber of Deputies		Senate	
Party	% of Vote	Seats	% of Vote	Seats
USL (PSD+PNL Alliance)	58.6	273	60.1	122
Right Romania Alliance	16.5	56	16.7	24
PP-DD	14.0	47	14.7	21
UDMR	5.1	18	5.2	9
Minorities	1.7	18	- - -	- - -
Other	4.1	0	3.3	0
Total	100	412	100	176

Budget Deficit & Gross Public Debt (% of GDP)



	12 Dec.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.49	4.48	4.49	4.50
Sov. Spread (2024, bps)	207	175	165	150

	12 Dec.	1-W %	YTD %	2-Y %
BET-BK	1,319	0.6	-1.7	3.0

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	3.5	3.0	3.8	5.0	3.5
Inflation (eop, %)	1.6	0.8	-0.9	-0.2	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.7	-1.2	-2.6	-3.2
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.3	-4.0

The centre-left Social Democratic Party (PSD) returns to power. The PSD scored a landslide victory in the December 11th elections, obtaining slightly more than 45.0% of the vote for both houses of Parliament (see Table), a year after mass protests against corruption and abuse of power drove it from office. Its main rival, the centre-right National Liberal Party (PNL), was far behind, garnering c. 20.0% of the vote. The newcomer centrist, Save Romania Union (USR), was third, with slightly less than 9.0% of the vote followed by the Democratic Union of Hungarians in Romania (UDMR) with 6.3%, the Alliance of Liberals and Democrats (ALDE) with just under 6.0% and the centre-right People's Movement Party (PMP) with c. 5.5%. The voter turnout was very low at 39.5%.

In view of Romania's proportional electoral system, the PSD will need to form a coalition Government. In this context, the PSD announced that it is ready to start co-operation talks with its long-time ally, ALDE.

Note that President K. Iohannis, who is linked to the PNL, said that he would not appoint as PM anyone who has been indicted in the past, thus ruling out the head of the PSD, L. Dragnea, who is under probation for electoral fraud.

The new Government will face major challenges, especially on the fiscal front. Next year's fiscal plans envisage a further 1 pp cut in the standard VAT rate to 19%, the abolition of the special excise duty on fuels and special property tax and further targeted hikes in public sector wages. These measures have already been adopted by Parliament and should help lead to a budget deficit of at least 4.0% of GDP in FY:17 against our forecast of 3.3% for FY:16, well above the EU threshold of 3.0%. More worryingly, there are several legislative initiatives awaiting parliamentary approval, which could further widen the budget deficit. These include a c. 40% hike in pensions, a 5 pp cut in social security contributions, the removal of over 100 small taxes and a lower income tax rate for pensioners. We believe that these measures are unlikely to be passed in their current form; however, even their partial implementation could push up the FY:17 budget deficit to unsustainably high levels (over 5.0% of GDP), jeopardizing the country's macroeconomic and financial stability. All said, the new Government will need to take severe corrective measures in order to bring the FY:17 budget deficit into line with EU requirements.

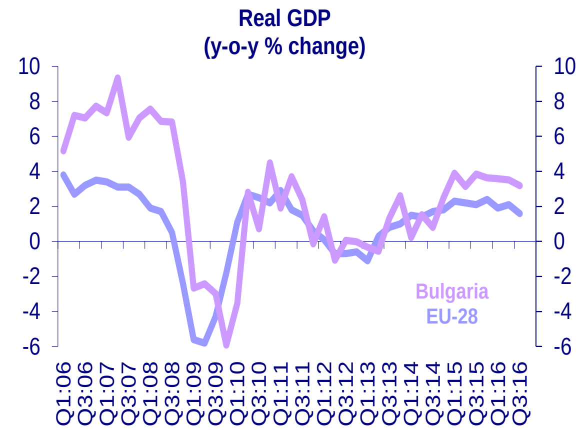
Over the longer term, it is important that the new Government commits to the domestic fiscal rule (FR). The FR sets out rules on expenditures, introduces procedures for multi-year budgeting. Note that the FR has been in place since 2010, but has been systematically violated in recent years.

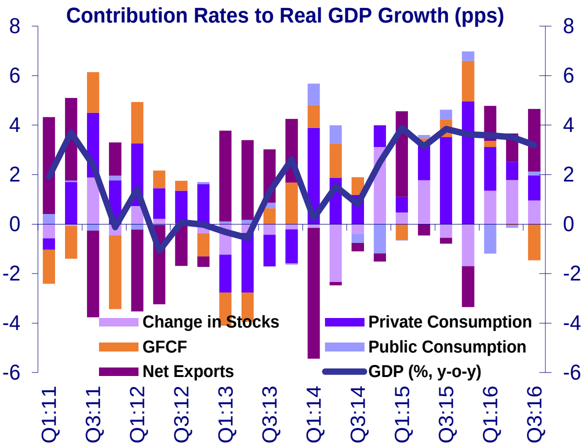
Importantly, the new Government also needs to improve the investment climate so as to enhance the economy's potential growth rate. Note that Romania fell to 62nd place in the World Economic Forum's Global Competitiveness Index in 2016, down 9 places from last year. As a result, it is critical that the authorities proceed with long-overdue structural reforms (especially in deficit-plagued state-owned enterprises, the healthcare and education systems) and accelerate the absorption of EU funds -- an area in which Romania consistently performs below the EU average.

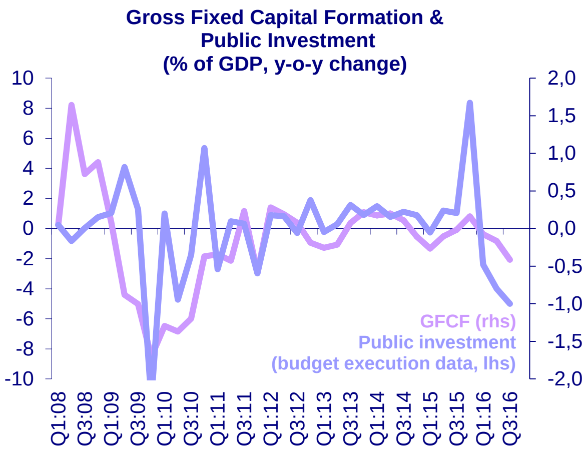
Lastly, on the political front, efforts should concentrate on complying with the benchmarks set out in the EU's Cooperation and Verification Mechanism (mainly focusing on the reform of the judicial system and fight against corruption), which is still in place 10 years after its initiation.

Bulgaria

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







	12 Dec.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	154	130	122	110

	12 Dec.	1-W %	YTD %	2-Y %
SOFIX	583	3.8	26.4	7.1

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	0.9	1.3	3.6	3.4	3.1
Inflation (eop, %)	-1.6	-0.9	-0.4	0.0	0.6
Cur. Acct. Bal. (% GDP)	1.3	0.1	0.4	2.5	1.3
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.8	-0.4	-0.8

Economic growth weakens slightly in Q3:16, due to the sharp drop in fixed investment. On a sequential basis, real GDP rose by a still respectable 0.7% q-o-q s.a. in Q3:16 against 0.9% in Q2:16. As a result, the annual pace of economic expansion slowed to 3.2% y-o-y in Q3:16 from 3.5% in Q2:16, bringing 9M:16 growth to 3.4% y-o-y, somewhat lower compared with the 9M:15 outcome of 3.6% y-o-y.

The main driver behind this slowdown in economic activity in Q3:16 was the sharp decline in fixed investment (by 6.9% y-o-y against a marginal drop of 0.3% in Q2:16). Although a breakdown of total investment is not available, we estimate that the largest drag came from the public sector. Indeed, according to budget data, public investment was down 1.0 pp of GDP y-o-y in Q3:16, following a decline of 0.8 pps in Q2:16, reflecting both a weaker base (the 2007-13 EU programming period was completed at end-2015) as well as lower absorption of EU funds. The decline in fixed investment was partly offset, however, by the build-up in inventories (including statistical discrepancies, adding 1.0 pp of GDP to overall growth in Q3:16).

On the other hand, despite easing deflation (-0.3% y-o-y in Q3:16 against -1.8% in Q2:16), private consumption strengthened in Q3:16 (up 1.5% y-o-y against a rise of 1.0% in Q2:16), reflecting tight labour market conditions (the LFS unemployment rate fell sharply by 1.3 pps y-o-y to 7.0% in Q3:16, albeit mainly due to increased retirements) and improved consumer confidence (the relevant index rose to -25.7 in Q3:16 from -28.7 in Q2:16). Higher public consumption, on the back of a relatively looser fiscal stance (the budget surplus, excluding capital spending, narrowed by 0.3 pps of GDP y-o-y in Q3:16 following a decline of 0.2 pps in Q2:16) also sustained final consumption in Q3:16.

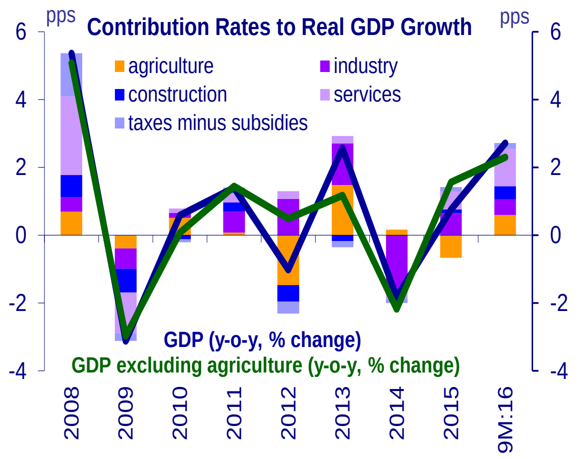
Importantly, the contribution of net exports to overall growth improved markedly in Q3:16 (to 2.5 pps of GDP from 1.1 pp in Q2:16). Indeed, export growth rose sharply in Q3:16 (to 7.9% y-o-y from 4.6% in Q2:16), reflecting competitiveness gains (see below) and a rebound in tourism activity, more than compensating for the pick-up in import growth (to 4.6% y-o-y in Q3:16 from 2.8% in Q2:16).

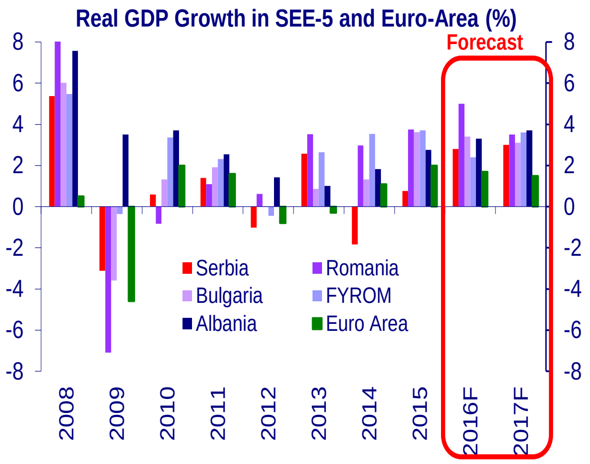
Growth momentum to ease in FY:17, with a shift from private consumption to investment. Fixed investment is set to strengthen in FY:17, in line with the low investment-to-GDP ratio (20.3% against a pre-crisis high of 32.0%) and the increasing capacity utilization rate in the industrial sector (73.5% against a historical average of 69.0%), as well as favourable domestic liquidity conditions (the loan-to-deposit ratio stands at 81.9%). At the same time, private consumption should slow, in view of weaker employment growth, on the back of structural problems in the labour market (high long-term unemployment -- estimated at 6.0% against current levels of 7.0% -- and skills mismatches) and slightly higher inflation, due to unfavourable commodity prices. On a positive note, net exports should continue to support overall growth, reflecting the improving competitiveness of the economy (GDP per employee has risen by 9.5% since end-2011, while the BGN was stable in real terms in the same period) and relatively stronger demand from Bulgaria's non-EU trade partners. Overall, we expect GDP growth to moderate to 3.1% in FY:17 from a projected 3.4% in FY:16 (an implied 3.2% y-o-y in Q4:16, supported by a sizeable fiscal impulse) and a high of 3.6% in FY:15.

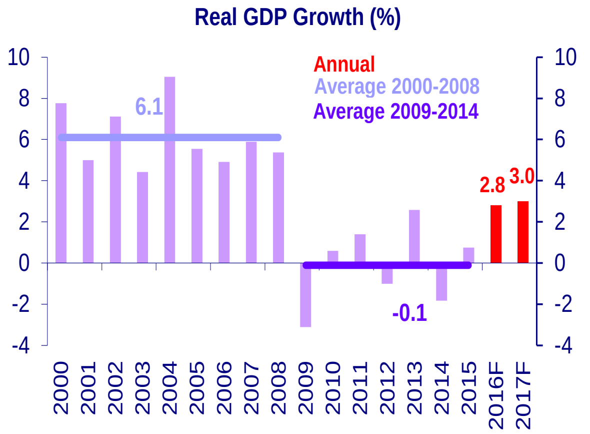
The balance of risks to the outlook remains firmly on the downside, reflecting heightened domestic political uncertainty. Recall that, following the defeat of its candidate in the early-November Presidential elections, the GERB-led coalition Government resigned, paving the way for early elections, most likely in spring 2017. The risk remains, however, that elections could lead to another fragmented parliament, failing to end the political stalemate.

Serbia

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







	12 Dec.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.5	3.8
RSD/EUR	123.4	125.1	125.4	125.7
Sov. Spread (2021, bps)	274	230	220	180

	12 Dec.	1-W %	YTD %	2-Y %
BELEX-15	722	2.5	14.5	6.0

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.8	2.8	3.0
Inflation (eop, %)	2.2	1.7	1.5	1.8	2.2
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.7	-4.1	-4.3
Fiscal Bal. (% GDP)	-5.5	-6.6	-3.7	-2.0	-1.7

Growth reached a high of 2.7% y-o-y in 9M:16. Real GDP increased sharply to 2.7% y-o-y in 9M:16, following a modest rise of 0.6% y-o-y in 9M:15 and 0.8% in FY:15. As a result, the 4-quarter rolling GDP has surpassed the pace reached before the devastating May 2014 floods as well as the Q4:08 pre-crisis peak.

The services and agricultural sectors were the main drivers of the improvement in 9M:16. Strong growth in agricultural output provided a significant boost to activity, following a severe drought in FY:15. In fact, growth in the primary sector turned positive (up 7.7% y-o-y, contributing 0.6 pps to real GDP growth, in 9M:16), supported by a bumper harvest due to favourable weather conditions, after having remained in negative territory throughout 2015 (declining by 7.7% y-o-y and subtracting 0.7 pps from real GDP growth in FY:15). Excluding agriculture, the rebound in real GDP growth would have been milder (up 2.3% y-o-y in 9M:16 against 1.6% in FY:15).

Strong growth in the services sector (accounting for a sizeable 51.2% of GDP) also boosted activity in 9M:16 (contributing 1.1 pp to overall GDP growth in 9M:16 against 0.5 pps in FY:15). This performance reflects the waning negative impact of austerity measures implemented in FY:15 (including cuts in pensions and public sector wages) that weighed on both private and public consumption. The strong performance of the services sector is also attributed to the positive impact from a looser monetary policy stance (an average *ex-post* real policy rate of 3.3% in 9M:16, below the 4.8% of FY:15) and less tight fiscal policy (the fiscal deficit contracted by 1.2 pps of GDP y-o-y in 9M:16 against 2.9 pps in FY:15). This was combined with a continued sharp decline in oil prices and the improvement in labour market conditions (with real wages increasing by 2.8% y-o-y in 9M:16 following a decline of -1.52% in FY:15, while the unemployment rate fell to 16.0% in 9M:16 from 17.7% in FY:15), as well as robust tourism inflows.

The activity in the industrial sector, albeit moderating, remained strong (up 2.2% y-o-y in 9M:16 against a rise of 3.2% y-o-y in FY:15, contributing 0.5 pps to GDP growth in 9M:16 against 0.6 pps in FY:15). Sectoral activity absorbed the sharp decline in production in the Pancevo oil refinery, following factory maintenance in September, and the negative base effects from the flood-induced recovery in industrial production since Q3:15. Growth in industrial production in 9M:16 was supported by: i) lower production costs (in line with declining oil prices); ii) large FDI inflows; iii) higher production in the steel plant, Smederevo, following its privatisation in mid-April; and iv) stronger external demand (export growth accelerated to 11.2% y-o-y in 9M:16 from 10.2% in FY:15).

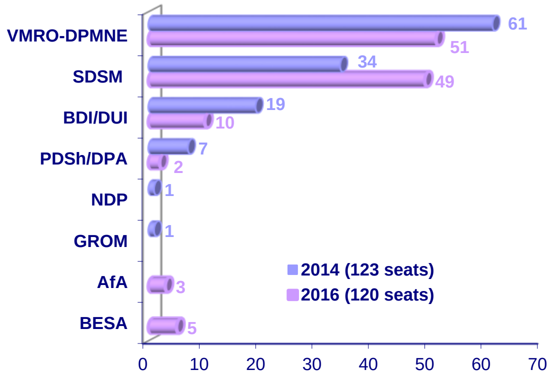
Economic activity is set to reach an 8-year high of 2.8% in FY:16 and accelerate further in FY:17. Looking ahead, we expect output growth to strengthen to 3.0% y-o-y in Q4:16 compared with 1.1% y-o-y in Q4:15, supported by improved agricultural production (set to contribute 1.3 pps to GDP growth in Q4:16 after subtracting 0.6 pps in Q4:15). Overall, we see FY:16 real GDP growth accelerating to an 8-year high of 2.8% -- up from the FY:15 outcome of 0.8%.

For 2017, we expect a further acceleration in activity, underpinned by: i) a less contractionary fiscal stance (with the fiscal deficit set to narrow by 0.3 pps of GDP y-o-y in FY:17 following a sharp contraction of c. 1.7 pps of GDP y-o-y in FY:16); ii) significant monetary policy easing (an estimated average *ex-post* real policy rate of 2.5% in FY:17, below the 3.1% of FY:16); and iii) stronger private consumption, on the back of the recently-agreed increase in public sector wages and pensions with the IMF. Overall, we see FY:17 real GDP growth rising to 3.0%.

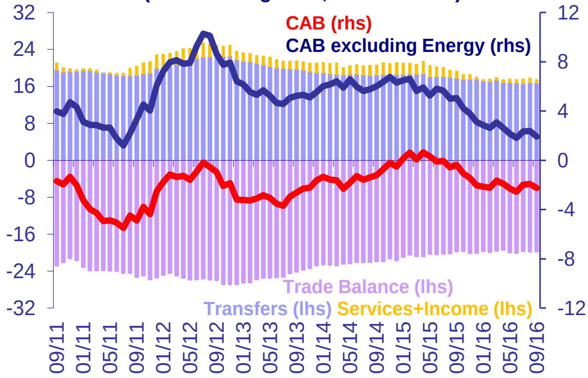
F.Y.R.O.M.

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

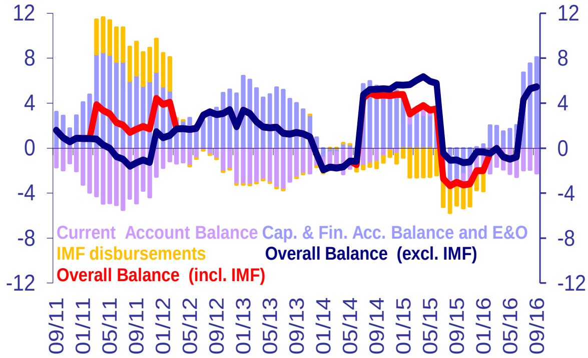
Results of Parliamentary Elections
(Number of Seats)



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



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



	12 Dec.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.7	1.7	1.7	1.7
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	436	400	380	350

	12 Dec.	1-W %	YTD %	2-Y %
MBI 100	2,199	-0.4	19.9	19.3

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.7	3.5	3.7	2.4	3.6
Inflation (eop. %)	1.4	-0.5	-0.3	0.6	1.3
Cur. Acct. Bal. (% GDP)	-1.6	-0.5	-2.1	-2.4	-2.8
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.5	-4.0	-3.2

The outgoing coalition Government returns to power. Early legislative elections (15 months ahead of schedule) took place on December 11th. The senior party of the outgoing coalition, VMRO-DMPNE, was the winner, securing 51 out of 120 seats in the new Parliament. The main opposition party, the SDSM, gained 49 seats. The junior party of the outgoing coalition, the Albanian DUI party, won 10 seats. The newcomer anti-establishment Albanian party, Besa, secured 5 seats, while the Democratic Party of Albanians and the Alliance for Albanians gained 2 and 3 seats, respectively.

As a result, the outgoing coalition Government (VMRO-DPMNE and DUI), although losing significant ground compared with previous general elections (commanding just 61 seats out of 120 in the new Parliament against 80 seats out of 123 previously) will return to power. This outcome is set to end almost 2 years of domestic political crisis, triggered by the SDSM leader, Zaev, who accused the PM and leader of VMRO-DMPNE, Gruevski, of a wiretapping scandal.

The current account deficit (CAD) widened to 2.3% of GDP on a 12-month rolling basis in September (from 2.1% in December), mainly due to a sharp decline in private transfers. The CAD increased by 0.2 pps y-o-y to 0.7% of GDP in 9M:16, as a sharp decline in transfers (by 0.7 pps of GDP y-o-y) more than offset a narrowing in the trade deficit (by 0.2 pps of GDP y-o-y) and a widening in the services surplus (by 0.2 pps of GDP y-o-y). The deterioration in the transfers balance resulted from a sharp decline in private transfers (by 0.8 pps of GDP y-o-y in 9M:16), mainly reflecting strong purchases of foreign currency by residents (accounted as transfers' outflows by the Central Bank), especially when the political crisis reached its peak in April-May.

The improvement in the trade deficit is attributed to a sharp increase in exports (by 1.6 pps y-o-y in 9M:16), due to 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. The narrowing in the trade deficit would have been larger had non-energy imports not increased sharply (by 2.3 pps of GDP y-o-y in 9M:16), mostly reflecting the high import content of exports. The increase in overall imports was, however, contained to 1.3 pps GDP y-o-y in 9M:16, due to a significant decline in imports of energy (by 1.0 pp of GDP y-o-y), in line with global oil price developments.

Eurobond proceeds boost FX reserves in 9M:16. The capital and financial account (CFA) improved significantly in 9M:16 (by 6.3 pps y-o-y to 5.5% of GDP), mainly due to a sharp increase in portfolio investment (to a sizeable 4.5% of GDP from -0.3% in 9M:15), reflecting the proceeds from the placement of a 7-year sovereign Eurobond worth EUR 450mn (4.7% of GDP) in July. Reflecting CAB and CFA developments, FX reserves rose to EUR 2.7bn in September from EUR 2.3bn at end-2015, covering 5.2 months of imports of GNFS.

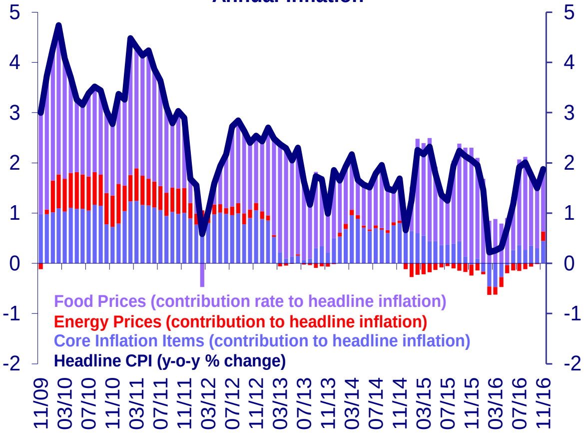
The CAD is set to widen to 2.8% of GDP in FY:17 from a projected 2.4% of GDP in FY:16, in line with the recovery in domestic demand. Looking ahead, the positive impact of the gradual normalization in private transfers, ahead of the early legislative elections (December 11th), should offset the negative impact on the trade balance of an expansionary fiscal stance and less favourable global oil prices, thus keeping the CAD broadly stable on an annual basis in Q4:16.

For 2017, we expect pressures on the trade balance to increase gradually, reflecting the recovery in domestic demand (we see real GDP accelerating to 3.6% in FY:17 from 2.4% in FY:16) and higher global oil prices.

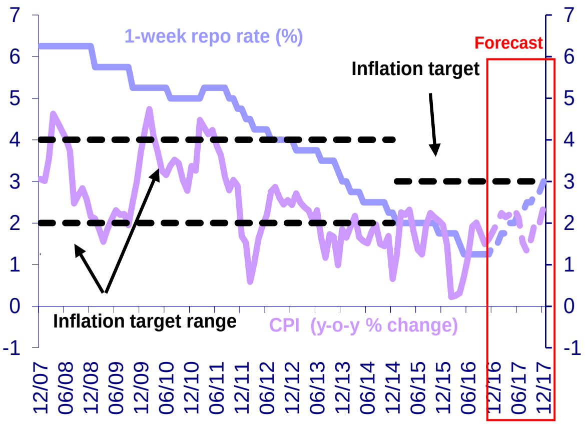
Albania

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

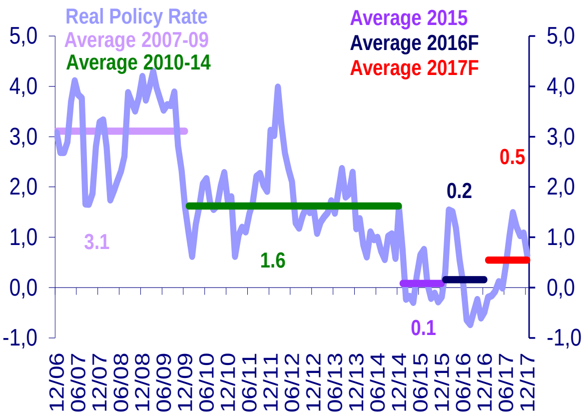
Annual Inflation



Inflation and Nominal Policy Rate



Ex Post Real Policy Rate



	12 Dec.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	135.6	138.5	138.7	139.0
Sov. Spread (bps)	372	340	320	300

	12 Dec.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.0	1.8	2.8	3.3	3.7
Inflation (eop, %)	1.9	0.7	2.0	1.8	2.4
Cur. Acct. Bal. (% GDP)	-10.9	-12.9	-10.7	-12.5	-13.0
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.0	-2.0

The European Council delayed the opening of EU accession negotiations with Albania -- a candidate country since June 2014. The obstacles to the start of negotiations were:
i) delays in the enactment of the judicial reform (that was unanimously adopted on July 22nd), especially the law on the re-evaluation of judges and prosecutors, which was suspended by the Constitutional Court, after the challenge of its constitutionality by the main opposition party;
ii) insufficient progress in the fight against corruption and organised crime, public administration reform and protection of human rights; and
iii) the need to adopt the electoral reform before the mid-2017 parliamentary elections, conduct elections in line with international standards, and implement the decriminalisation law in candidate lists.
Recall that the European Commission (EC) granted Albania a conditional recommendation to start EU membership talks in November, subject to concrete progress on the enactment of the judiciary reform -- seen as Albania's most significant challenge.

Headline inflation rose to 1.9% y-o-y in November, due to a deterioration in core inflation and unfavourable energy prices. Headline inflation is recovering from low levels, accelerating to 1.9% y-o-y in November from 1.5% in October and a record low of 0.2% in February. Although embarking on an upward trend, headline inflation has remained well below the BoA's target of 3.0% for almost five years.
The increase was largely driven by the gradual acceleration in core inflation (that excludes food and energy, and accounts for 53.2% of the CPI basket). Indeed, core inflation rose to 0.8% y-o-y in November after having remained in negative territory in the first five months of the year (reaching a trough of -0.9% in March), in line with the gradual recovery in private consumption (up 2.8% y-o-y in H1:16 against a drop of 2.0% in H1:15). Importantly, albeit rising, core inflation remains weak, supported by low imported inflation (continued deflation in major trading partners), combined with a relatively stable exchange rate, a persistent negative output gap, and a tight fiscal policy stance.
Moreover, inflationary pressures were also reinforced by a deterioration in energy prices (7.5% of the CPI basket), recording positive growth for the first time since November 2014 (a rise of 2.5% y-o-y in November), in line with global oil price developments.

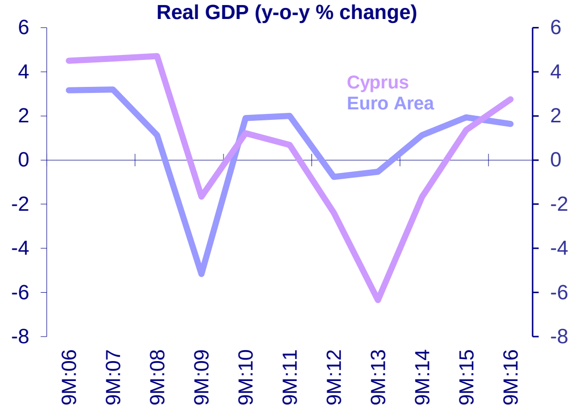
Headline inflation is set to converge towards the BoA's target by end-2017. Inflation is set to end this year at 1.8% -- almost half the BoA's target, and 0.2 pps below the end-2015 outcome. Upside risks to our end-2016 forecast arise from frequent end-year floods and their impact on volatile food items. For 2017, we expect headline inflation to pick up gradually, reaching a 7-year high of 2.4% at the end of the year but remaining well anchored and significantly below the BoA's target for a 7th successive year. The negative inflation performance next year should result from higher global oil and food prices and a closing output gap (0% in Q4:17 on a 4-quarter rolling basis).

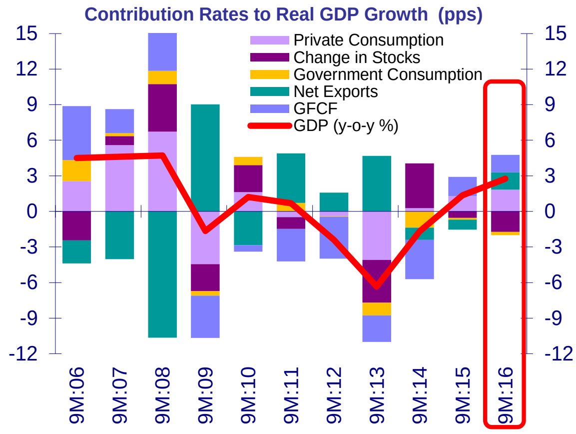
Risks of an overheating of the economy and increasing inflationary pressures strengthen the BoA's hand to initiate a new cycle of monetary policy tightening. Despite steadily rising inflation, the BoA maintained unchanged its key policy rate (1-week repo), for a 5th successive month, at a record low of 1.25% in November, following two cuts in Q2:16 by a cumulative 50 bps. Note that since the initiation of the cycle of monetary policy easing in September 2011, the policy rate has been cut by a sizeable 400 bps.

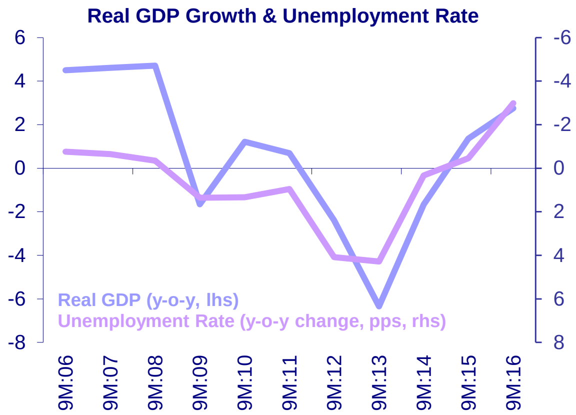
Looking ahead, we expect the BoA to hike its 1-week repo rate by 175 bps by end-2017, in its efforts to contain increasing inflationary pressures and prevent an overheating of the economy. Should our forecasts materialise, the *ex post* real policy rate should increase to 0.6% at end-2017 from -0.5% at end-2016.

Cyprus

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







	12 Dec.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.06	1.05	1.05	1.03
Sov. Spread (2020. bps)	281	265	230	200

	12 Dec.	1-W %	YTD %	2-Y %
CSE Index	63	-1.9	-6.2	-33.0

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	-6.0	-1.5	1.7	2.8	2.4
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.4	1.0
Cur. Acct. Bal. (% GDP)	-4.9	-4.3	-2.9	-4.0	-4.3
Fiscal Bal. (% GDP)	-4.7	-0.2	0.0	0.3	0.0

GDP growth reached an 8-year high of 2.7% y-o-y in 9M:16. GDP posted positive growth for a 7th successive quarter, on a sequential seasonally-adjusted basis, in Q3:16 (0.7% q-o-q). As a result, the annual pace of economic expansion rose to an 8-year high of 2.7% y-o-y in 9M:16 from 1.3% in 9M:15 and 1.7% in FY:15.

The acceleration in activity in 9M:16 was mainly driven by external demand. The contribution of net exports to overall growth turned positive for the first time in 3 years, to 1.5 pps of GDP in 9M:16 from -0.8 pps of GDP in 9M:15, due to strong exports of goods and services. Specifically, export growth accelerated to 5.3% y-o-y in 9M:16 from 1.0% in 9M:15, mainly reflecting buoyant tourism activity. Indeed, tourist arrivals rose sharply in 9M:16 (by 18.8% y-o-y against an increase of 7.4% in 9M:15), benefiting from heightening security concerns in neighbouring competitors -- Turkey and Egypt. Import growth picked up modestly to 3.0% y-o-y in 9M:16 from 2.4% y-o-y in 9M:15, due to a larger drawdown in inventories (subtracting 1.7 pps from overall growth in 9M:16 against -0.5 pps in 9M:15).

Domestic absorption strengthened in 9M:16 (up 3.0% y-o-y against a rise of 2.7% in 9M:16), on the back of a significant increase in private consumption (up 1.8% y-o-y against a rise of 1.3% in 9M:15). The latter was supported, *inter alia* by: i) strengthening consumer and business confidence (the Consumer Confidence Index and the Economic Sentiment Index increased to pre-Lehman highs of -8.9 and 110.6, respectively, in 9M:16 from -21.7 and 103.1 in 9M:15) following the conclusion of the 3-year adjustment programme at end-Q1:16; ii) improving labour market conditions (the unemployment rate declined by 3.0 pps y-o-y to 12.5% in 9M:16); and iii) favourable energy prices (the price of Brent declined by 24.2% y-o-y in EUR terms in 9M:16). Domestic absorption would have been even stronger in 9M:16 had fixed investment not moderated (up 10.7% in 9M:16 against a rise of 13.7% in 9M:15) and public consumption not declined at a faster rate (down 1.8% y-o-y in 9M:16 compared with a decrease of 1.0% y-o-y in 9M:15).

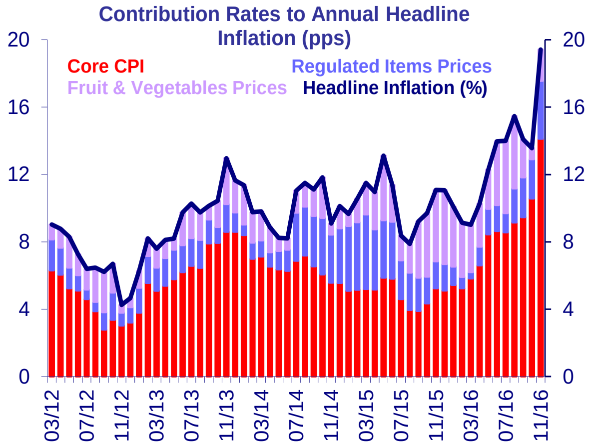
Economic activity is likely to moderate slightly in 2017 (to 2.4%). Looking ahead, in view of the better-than-expected y-t-d performance and recent trends, we expect real GDP growth to reach 2.8% in FY:16 (an implied 2.7% y-o-y in Q4:16) -- 1.1 pp stronger than the FY:15 outcome.

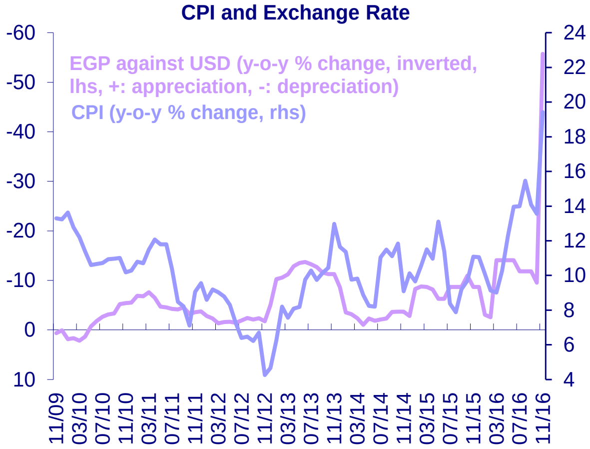
For 2017, we expect economic activity to slow to 2.4%, on the back of less buoyant tourism activity. Indeed, the latter is set to increase at a slower pace, due to the negative impact of the depreciation of the GBP on the number of British tourists (largest source country) following the June 23rd Brexit vote, the gradual return of Russian tourists to Turkey following the recent normalization of Russian-Turkish relations, and the attractiveness of neighbouring Egypt following the recent sharp depreciation of its local currency (c. 50% against the USD), as well as the removal of travel bans by key source countries.

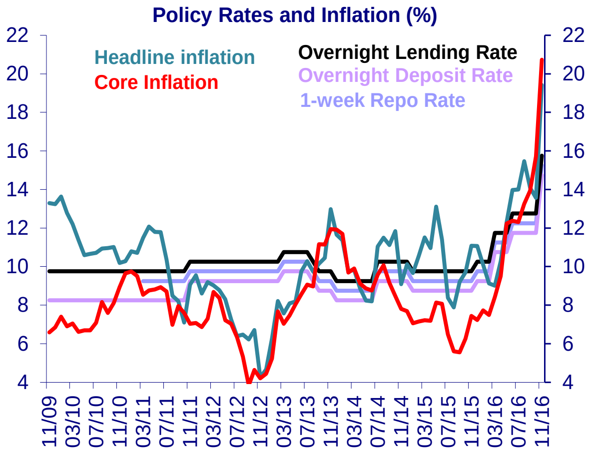
Domestic demand should remain robust, supported mainly by private consumption, reflecting strong real disposable income due to a looser fiscal and incomes policy, as well as a positive wealth effect from a reversal of the negative trend of real estate prices. Specifically, real disposable income should benefit from: i) the anticipated abolition of the immovable property tax (with a fiscal impact of 0.5 pps of GDP); ii) the elimination of the temporary contribution of employees, levied in response to the crisis (with a fiscal impact of 0.1% of GDP); iii) the recruitment of 3,000 professional soldiers in November 2016, set to increase the wage bill by 0.2% of GDP; and iv) a looser incomes policy, reflecting the expiration of the freeze on public sector hiring and wage increments at end-2016.

Egypt

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







	12 Dec.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	15.1	17.0	17.0	16.5
EGP/USD	17.9	17.5	17.0	16.5
Sov. Spread (2020. bps)	433	350	300	220

	12 Dec.	1-W %	YTD %	2-Y %
HERMES 100	1,026	0.6	62.9	18.7

	13/14	14/15	15/16	16/17F	17/18F
Real GDP Growth (%)	2.2	4.4	4.3	3.5	4.5
Inflation (eop. %)	8.2	11.4	14.0	18.0	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-5.5	-5.0	-3.5
Fiscal Bal. (% GDP)	-12.2	-11.5	-11.8	-10.8	-9.5

Headline inflation rose sharply to an 8-year high of 19.4% y-o-y in November from 13.9% in October, following the floatation of the domestic currency and the cut in fuel subsidies. Headline inflation components deteriorated across the board in November. Indeed, core inflation (excluding fruit & vegetables as well as regulated items and accounting for c. 75.0% of the CPI basket) rose to an 8-year high of 20.7% y-o-y in November from 15.7% in October, reflecting mainly the pass-through of a weaker currency to prices and the second-round effects from a rise in regulated fuel prices (see below). The sharp rise in core inflation in November was also underpinned by continued severe supply shortages amid the persisting foreign currency crisis.

Recall that on November 3rd, the Central Bank decided to fully float the EGP so as to make the country more competitive and help rebuild the country's foreign exchange reserves. As a result, the domestic currency has depreciated by c. 50.0% to EGP 18.0 per USD. Under our baseline scenario, assuming that the recently-sealed 3-year agreement with the IMF remains on track, the local currency should strengthen slightly to around EGP 16.5 per USD in the next 3 months and subsequently add c. 6.5 pps to headline inflation over the next 12 months (the pass-through to prices is estimated at 15%).

Recall also that, on November 3rd, the Government increased the prices of fuel by between 30% and 50%, as part of its plan to reduce sharply its petroleum subsidy bill in the FY:16/17 Budget by 43.5% to reach EGP 35bn (1.1% of GDP). This adjustment is expected to add c. 1.5 pps to headline inflation.

Finally, volatile prices of fruit & vegetables (accounting for c. 6.0% of the CPI basket) also increased sharply by 13.9% y-o-y in November compared with a rise of only 4.6% y-o-y in October), largely due to second-round effects from the increase in fuel prices.

Headline inflation is set to peak at c. 22.0% in February 2017. Looking ahead, inflationary pressures are unlikely to ease soon, despite the expected sharp slowdown in domestic demand following the recent reforms – including the above-mentioned floatation of the EGP and the hike in petroleum prices, the introduction of the VAT at 13.0% in September, and the increase in electricity prices in August – and the sharp tightening of the monetary policy stance (see below). Overall, we foresee headline inflation peaking at 22.0% y-o-y in February 2017 and thereafter embarking on a downward trend supported by favourable base effects. We expect headline inflation and core inflation to end the current fiscal year (June 2017) at 18.0% y-o-y and 17.4% y-o-y, respectively -- above the end-2015/16 outcomes of 14.0% and 12.4%.

The CBE is likely to hike its policy rates further, by 200 bps, by end-March. In a bid to dampen inflationary pressures from the recent floatation of the domestic currency and the reduction in energy subsidies, the CBE increased significantly its policy rates by 300 bps on November 3rd. As a result, the overnight deposit rate, the overnight lending rate and the 1-week repo rate reached multi-year highs of 14.75%, 15.75% and 15.25%, respectively.

In our view, the recent hikes, although aggressive, are not sufficient to temper heightening inflationary pressures and support the EGP. We expect the CBE to increase its policy rates further, by 200 bps by end-March, bringing total hikes to 800 bps since the initiation of the cycle of monetary policy tightening in December 2015. This will bring the overnight deposit rate, the overnight lending rate and the 1-week repo rate to 0.2%, 1.2% and 0.6%, respectively, in *ex post*, real and compounded terms at end-2016/17 (June 2017) -- up from -3.0%, -2.0%, and -2.5% in November. Further rate hikes would be required in the event the exchange rate weakens and inflation developments are worse than expected.

FOREIGN EXCHANGE MARKETS, DECEMBER 12TH 2016

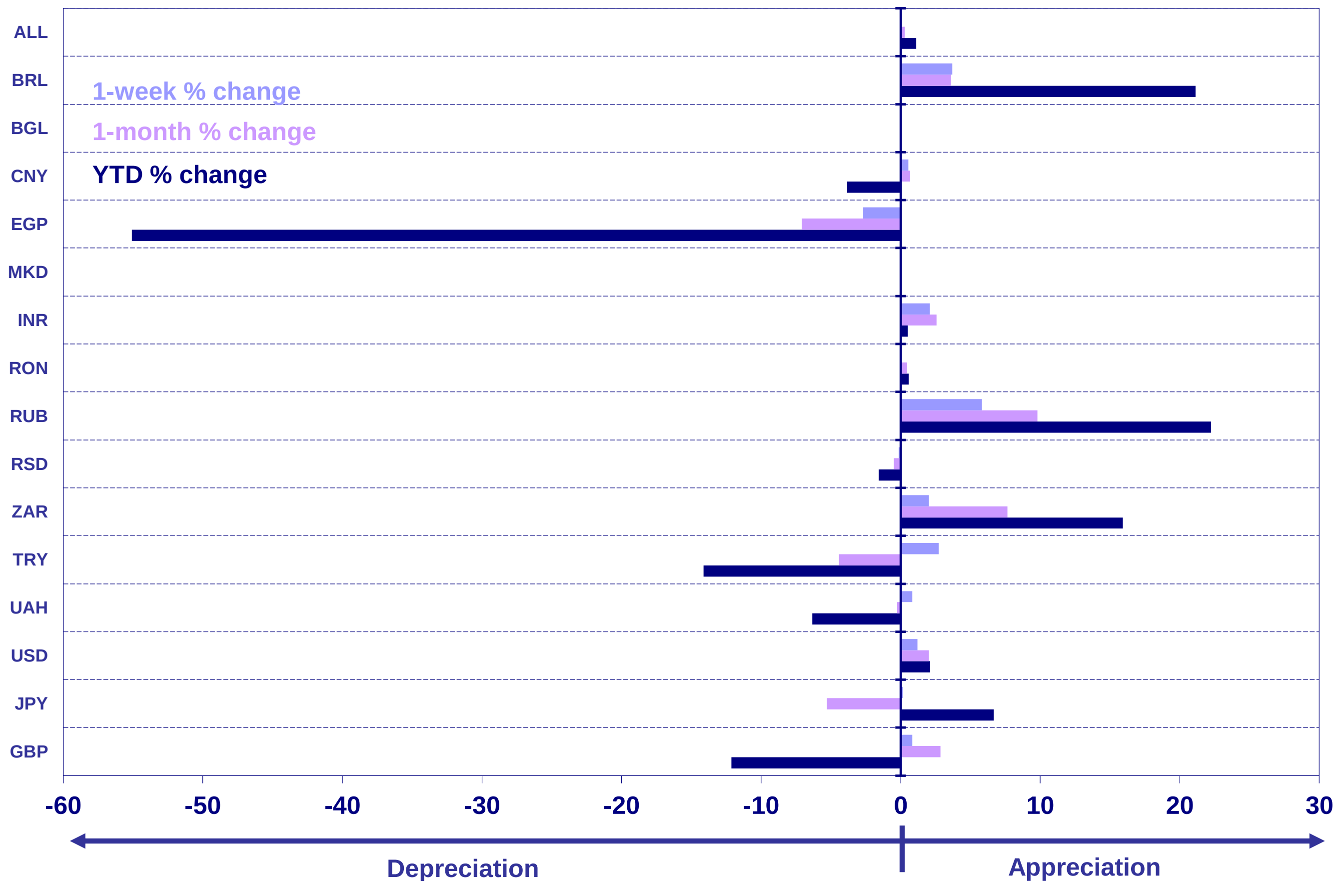
Against the EUR

	Currency	2016										2015	2014
		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	135.6	0.1	0.3	1.1	1.7	135.5	139.5	136.0	136.2	135.2	2.0	0.1
Brazil	BRL	3.55	3.7	3.6	21.1	20.0	3.38	4.55	4.03	4.01	3.98	-25.2	1.0
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	7.32	0.5	0.7	-3.8	-3.2	6.99	7.64	7.57	7.57	7.56	6.7	10.8
Egypt	EGP	18.89	-2.7	-7.1	-55.1	-54.8	8.26	19.85	- - -	- - -	- - -	2.1	10.6
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	71.5	2.1	2.6	0.5	3.1	71.1	77.8	76.3	- - -	- - -	6.6	12.3
Romania	RON	4.49	0.1	0.5	0.6	0.3	2.26	4.56	4.50	4.51	4.54	-0.8	-0.5
Russia	RUB	64.8	5.8	9.8	22.2	19.7	64.4	75.1	66.3	67.2	70.8	-15.1	-32.8
Serbia	RSD	123.4	-0.1	-0.5	-1.6	-0.8	121.6	124.3	123.9	124.3	- - -	-0.1	-5.6
S. Africa	ZAR	14.5	2.0	7.7	15.9	14.7	14.45	18.58	14.8	15.1	15.8	-16.6	3.0
Turkey	YTL	3.69	2.7	-4.4	-14.1	-11.2	3.12	3.82	3.78	3.89	4.13	-10.8	4.4
Ukraine	UAH	27.8	0.8	-0.2	-6.3	-6.3	25.06	30.32	32.9	- - -	- - -	-27.5	-40.8
US	USD	1.06	1.2	2.0	2.1	3.3	1.1	1.2	1.07	1.07	1.08	11.4	13.6
JAPAN	JPY	122.3	0.2	-5.3	6.7	8.7	109.6	132.3	122.3	122.2	122.2	11.0	-0.1
UK	GBP	0.84	0.8	2.9	-12.1	-13.5	0.7	0.9	0.84	0.84	0.85	5.3	7.0

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (December 12th 2016)



Money Markets, December 12th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	13.6	0.0	2.3	- - -	15.1	- - -	- - -	0.5	10.4	- - -	8.8	7.0	13.8	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.5	10.5	3.0	- - -	7.0	- - -	- - -	- - -
S/W	1.4	13.6	0.0	2.5	-0.4	- - -	1.3	- - -	- - -	9.1	3.0	- - -	7.4	14.8	-0.4	0.6
1-Month	1.6	13.6	0.0	3.1	-0.4	- - -	1.7	6.5	0.6	10.8	3.3	9.5	8.5	16.8	-0.4	0.7
2-Month	- - -	13.4	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	10.8	3.4	9.9	8.8	- - -	-0.3	0.8
3-Month	1.9	13.3	0.1	3.1	-0.3	- - -	2.0	6.5	0.8	10.8	3.4	10.1	8.8	17.8	-0.3	1.0
6-Month	2.2	12.7	0.3	3.1	-0.2	- - -	2.4	- - -	1.1	10.4	3.6	10.9	8.8	- - -	-0.2	1.3
1-Year	2.7	11.9	0.8	3.2	-0.1	- - -	3.0	- - -	1.2	10.4	- - -	11.2	9.2	- - -	-0.1	1.7

Local Debt Markets, December 12th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	17.2	1.6	6.2	- - -	10.1	3.1	8.6	- - -	- - -	-0.9	0.5
6-Month	2.1	- - -	- - -	- - -	- - -	17.9	2.3	6.2	0.8	10.1	3.4	9.3	- - -	- - -	-0.8	0.6
12-Month	2.8	- - -	0.3	2.8	- - -	18.3	2.6	6.3	1.0	8.7	4.0	10.2	- - -	15.2	-0.8	0.9
2-Year	- - -	- - -	- - -	2.7	- - -	- - -	2.8	6.3	0.9	8.5	- - -	10.9	7.9	- - -	-0.7	1.1
3-Year	- - -	- - -	0.8	2.7	1.5	- - -	2.7	6.2	1.7	8.6	- - -	10.5	8.2	- - -	-0.7	1.4
5-Year	- - -	11.8	- - -	2.9	- - -	16.6	2.7	6.4	2.5	8.4	5.6	11.2	8.3	- - -	-0.4	1.9
7-Year	- - -	- - -	1.4	- - -	3.5	16.7	- - -	6.5	3.1	8.4	- - -	- - -	- - -	- - -	0.0	2.3
10-Year	- - -	12.0	2.2	3.1	3.6	16.7	3.9	6.4	3.6	8.5	- - -	11.2	8.9	- - -	0.4	2.5
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.0	- - -	8.6	- - -	- - -	9.3	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.6	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.0	- - -	- - -	- - -	- - -	9.6	- - -	1.2	3.2

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

Corporate Bonds Summary, December 12th 2016

		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	3.3	407	350
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.3	599	545
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.8	335	271
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	9.7	98	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.0	133	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.0	252	226
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.7	134	74
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.9	464	392
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.5	415	352
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.8	423	365
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	7.4	550	508

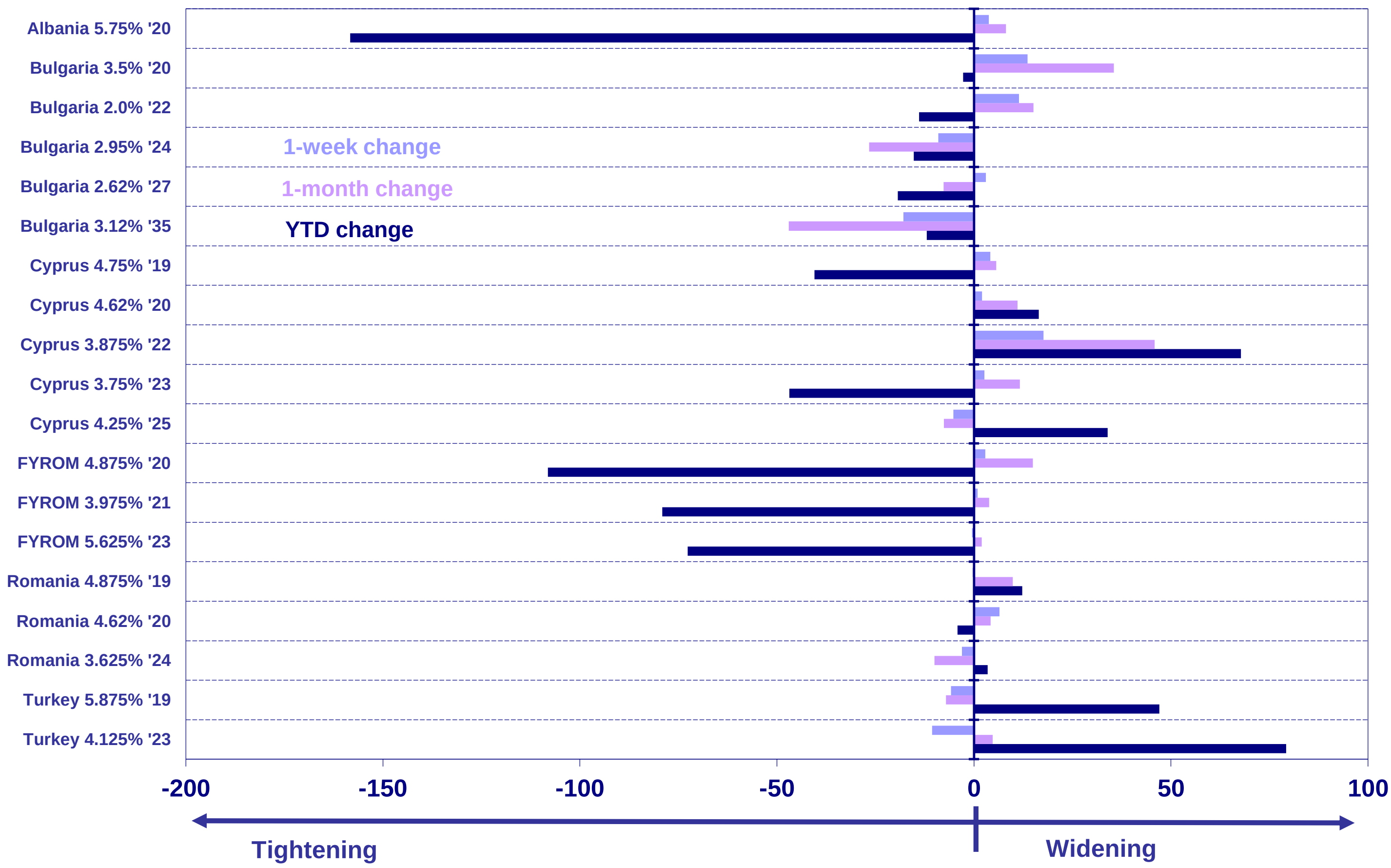
Credit Default Swap Spreads, December 12th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	285	147	112	251	445	- - -	136	111	190	209	280	221	- - -
10-Year	- - -	358	192	160	278	464	- - -	144	152	250	251	341	282	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, DECEMBER 12TH 2016

	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	3.2	372	329
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.6	139	81
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.1	154	94
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.9	176	140
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.5	206	160
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.3	239	194
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	1.5	229	173
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	2.1	281	229
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	3.4	383	321
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	3.5	365	309
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.6	327	293
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.5	408	356
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	3.9	436	488
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	5.1	531	476
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.4	111	56
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.5	110	59
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.0	207	162
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	2.0	274	222
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	3.7	387	335

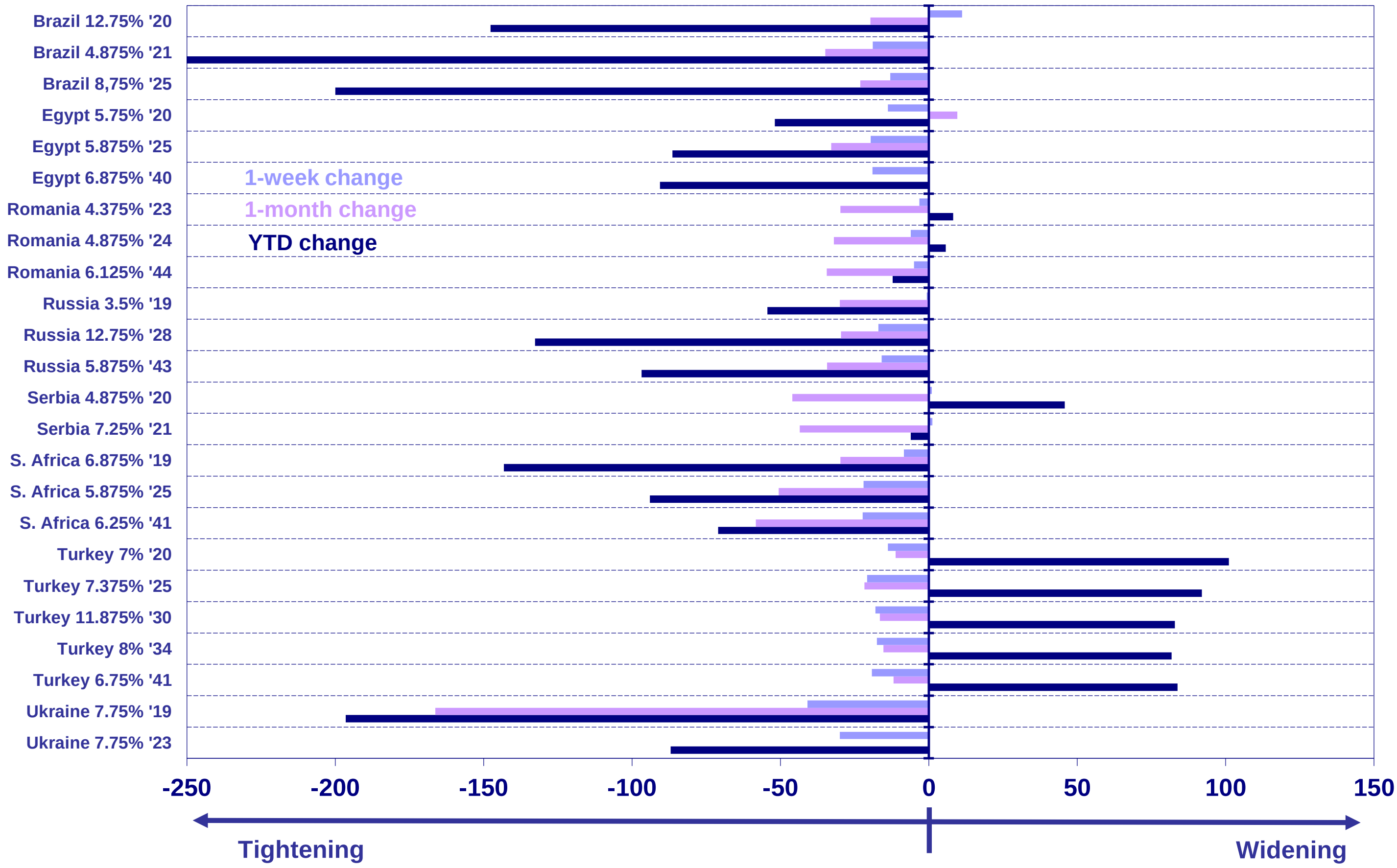
EUR-Denominated Eurobond Spreads (December 12th 2016)



USD-Denominated Sovereign Eurobond Summary, December 12th 2016

	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	3.6	218	230
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	4.1	223	235
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	5.3	308	348
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	5.7	433	404
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	7.3	485	471
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	8.1	496	488
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.9	169	185
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	4.0	172	187
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	5.0	184	257
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.9	174	148
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.9	244	355
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	5.2	206	270
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	4.4	295	274
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	4.6	274	290
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	3.3	186	187
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.8	235	264
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.5	236	302
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	4.8	340	322
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	6.0	369	387
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	6.4	388	502
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	6.8	429	446
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	6.8	367	383
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	8.3	693	663
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	9.1	683	659

USD-Denominated Eurobond Spreads (December 12th 2016)



STOCK MARKETS PERFORMANCE, DECEMBER 12TH 2016

	2016								2015		2014	
	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)	60,501	1.1	2.2	39.6	35.2	37,046	65,291	69.4	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	583	3.8	8.1	26.4	34.0	432	585	26.4	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,153	-1.6	-1.3	-11.8	-10.4	2,638	3,539	-14.8	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	63	-1.9	-5.0	-6.2	-6.5	63	70	-6.2	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	1,026	0.6	9.7	62.9	76.4	521	1,034	-26.3	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	2,199	-0.4	4.3	19.9	23.6	1,699	2,273	19.9	-0.6	-0.6	6.1	6.1
India (SENSEX)	26,515	0.6	-1.1	2.1	5.4	22,495	29,077	3.5	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,319	0.6	0.8	-1.7	-0.2	1,150	1,329	-1.0	2.6	1.6	3.7	3.5
Russia (RTS)	4,905	3.2	8.8	23.8	27.4	3,509	4,921	53.0	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	722	2.5	8.7	14.5	14.4	570	728	12.8	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	50,528	1.6	0.5	-0.5	5.1	45,976	54,704	16.8	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	76,240	3.6	1.4	4.2	10.0	68,230	86,931	-9.9	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	267	0.0	-0.6	10.7	11.4	215	269	3.2	-37.8	-54.8	28.7	-24.2
MSCI EMF	872	2.1	2.7	10.2	13.1	687	930	13.3	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,682	2.7	2.5	-2.7	1.0	1,492	1,735	0.0	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	640	3.2	9.9	4.8	8.5	421	659	4.8	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	11,190	4.7	4.9	4.2	10.4	8,699	11,232	4.2	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,890	2.1	2.4	9.8	17.3	5,500	7,130	-3.4	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	19,155	4.8	10.2	0.6	1.4	14,864	19,281	8.4	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	19,796	3.0	5.0	12.5	14.0	15,451	19,825	15.6	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,257	2.4	4.3	9.4	11.6	1,810	2,260	12.4	-0.7	10.9	11.4	26.6

Equity Indices (December 12th 2016)