South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

10 – 16 May 2016

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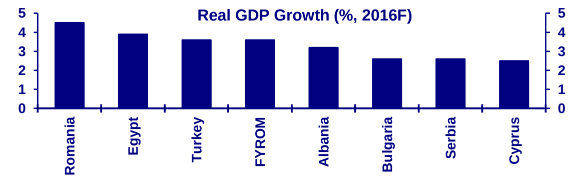
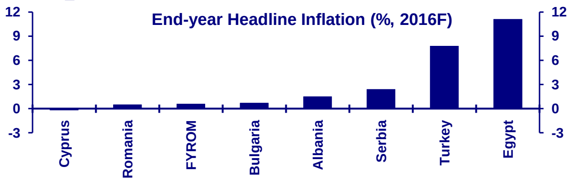
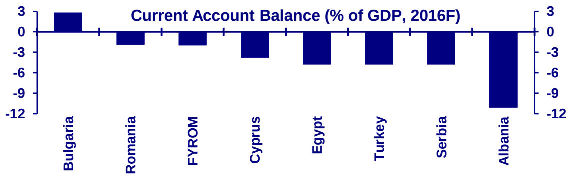
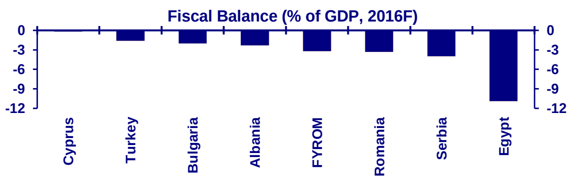


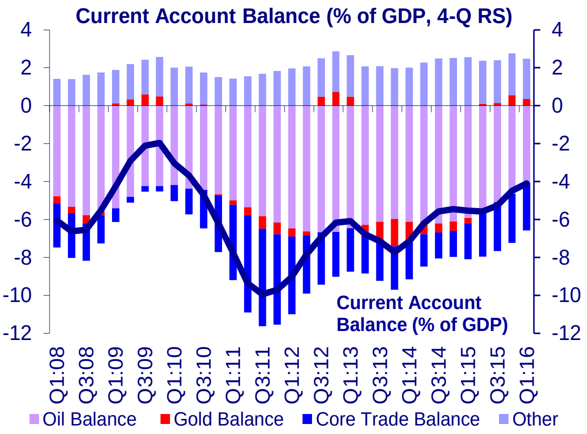


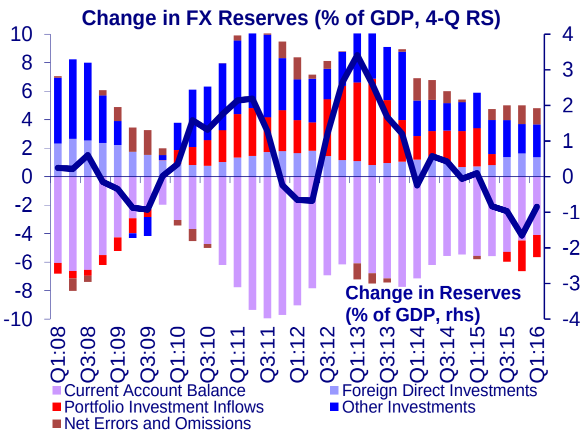


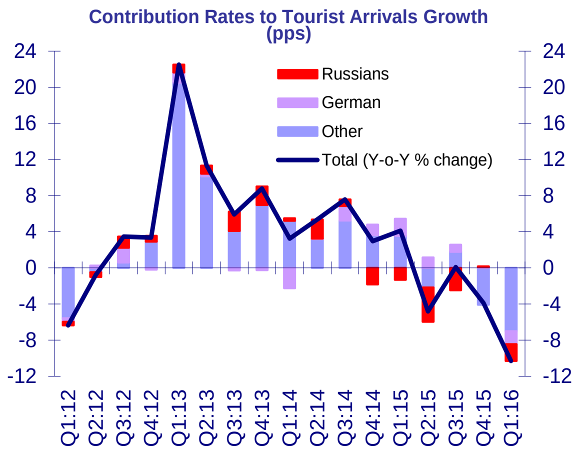


Turkey

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







	16 May	3-M F	6-M F	12-M F
1-m TRIBOR (%)	10.6	10.6	10.2	9.8
TRY/EUR	3.37	3.35	3.32	3.30
Sov. Spread (2019, bps)	213	205	190	170

	16May	1-W %	YTD %	2-Y %
ISE 100	77,000	-2.6	5.2	2.7

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	3.6	3.8
Inflation (eop, %)	7.4	8.2	8.8	7.8	7.0
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.8	-5.2
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.6	-1.2

B. Yildirim elected as new AKP leader and Prime Minister. Transport Minister B. Yildirim was elected as the new AKP leader at the May 22nd Party's Congress and was nominated just after by President Erdogan as the head of a new Government to be formed shortly. In his speech, Yildirim made it clear that his main priority will be to "legalize President Erdogan's *de facto* situation and push for new constitution and executive presidency".

Domestic markets held steady in the wake of this nomination but could experience strong volatility in the event that Deputy PM M. Simsek, seen as an anchor of investor confidence, is not included in the new cabinet.

External rebalancing continued in Q1:16, due to a favourable energy bill. The current account deficit (CAD) narrowed by 0.4 pps y-o-y to 1.1% of GDP in Q1:16. Specifically, a significant adjustment in the energy balance (by 0.6 pps of GDP y-o-y), in line with global oil price developments, more than offset a deterioration in the gold balance (by 0.2 pps of GDP y-o-y), reflecting a base effect from a spike in gold exports in Q1:15.

On the financing side, the capital and financial account (CFA) balance improved by 0.6 pps y-o-y to a surplus of 1.0% of GDP in Q1:16, supported by strengthening global risk appetite in the second half of Q1:16.

Reflecting the current account and CFA developments and large positive (net) errors and omissions (0.4% of GDP), the overall balance turned positive. The latter, along with valuation effects, boosted FX reserves by USD 2.4bn q-o-q to USD 95.3bn in Q1:16 -- equivalent to 5.3 months of imports of GNFS.

Going forward, we expect the current account to deteriorate sharply during the rest of the year (by 0.7 pps of GDP y-o-y), as the bulk of the anticipated improvement in the oil balance should be more than offset by a sharp decline in tourist receipts (see below) and the normalization of the gold balance. Overall, we see the CAD widening to USD 35.0bn (4.8% of GDP) in 2016 from USD 32.1bn (4.5%) in 2015.

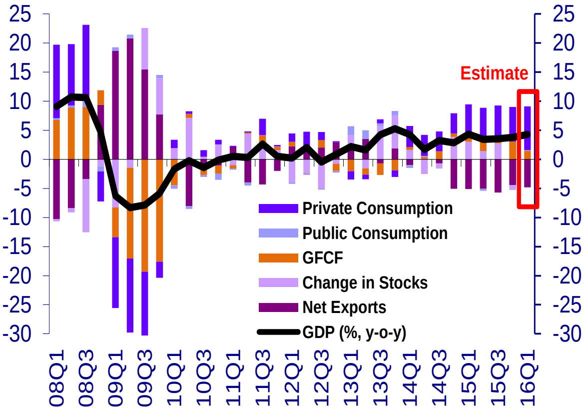
Tourist arrivals declined by 10.3% y-o-y in the first quarter, due to persisting tensions with Russia and rising security concerns. Arrivals from Russia -- the second largest source country, accounting for around 10.0% of total arrivals in 2015 – declined sharply by 56.2% y-o-y in Q1:16 (shaving 1.9 pps off overall arrivals growth), mainly reflecting the Russian sanctions following Turkey's downing of a Russian military jet in late-November. Arrivals from other countries also declined by 8.7% y-o-y in Q1:16, due to heightening domestic security concerns. More worrying, arrivals from Germany -- the largest source country, accounting for around 15.0% of total arrivals in 2015 -- posted the first decline in 8 quarters (down 11.7% y-o-y and shaving 1.4 pps off overall arrivals growth). Indeed, 50 terrorist attacks have been perpetrated in the past 11 months, killing 322 people, following the Government's involvement in the war against the ISIS and the collapse of a 2-year ceasefire with the Kurdistan Workers Party militant group.

For the year as a whole, in view of the year-to-date performance and recent trends, we expect tourist arrivals to post the sharpest decline since 1999 (down by around 20.0% to an 8-year low of 26.7mn). More worrying, tourist receipts – a major source of foreign currency – could decline at a faster pace than tourist arrivals (down by around 24.0% y-o-y or USD 6.4bn y-o-y to USD 20.2bn or 21.7% of end-2015 stock of FX reserves), reflecting mainly the sharp decline in the number of high-spending Russian and German tourists and the reduction in prices of holiday packages in an effort to make the country a more attractive destination.

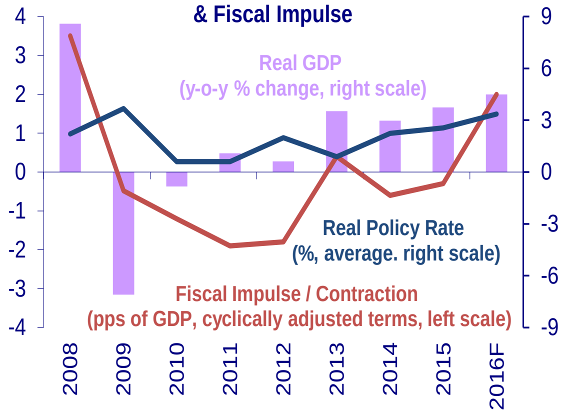
Romania

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

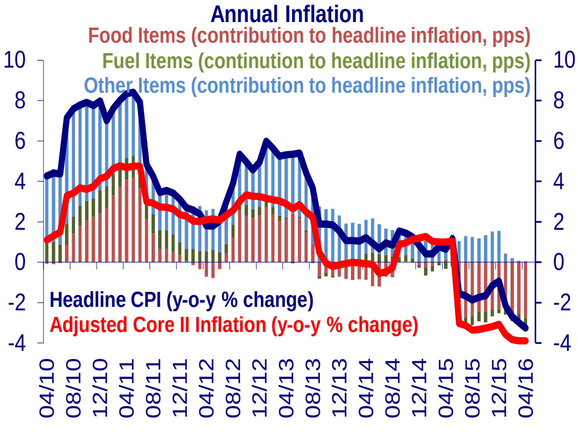
Contribution Rates to Real GDP Growth (pps)



Real GDP Growth, Real Policy Rate & Fiscal Impulse



Annual Inflation



	16 May	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.48	4.48	4.49	4.50
Sov. Spread (2024, bps)	225	210	180	150

	16 May	1-W %	YTD %	2-Y %
BET-BK	1,184	-0.7	-11.8	-1.0

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	3.5	3.0	3.8	4.5	3.4
Inflation (eop, %)	1.6	0.8	-0.9	0.5	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.5	-1.1	-1.9	-2.4
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.3	-2.5

Real GDP growth gains momentum in Q1:16 rising by 4.3% y-o-y. Seasonally-adjusted real GDP rose by a robust 1.6% q-o-q (flash estimate) in Q1:16, following an increase of 1.1% in Q4:15. As a result, the annual pace of economic growth improved to a strong 4.3% y-o-y in Q1:16 -- above consensus estimates of 3.9% -- from 3.8% in Q4:15.

Private consumption continues to provide the main impetus to growth, more than offsetting the slowdown in investment activity. Against the backdrop of record-low inflation, on the back of the 4 pp cut in the VAT rate (to 20.0%, excl. food items), we expect private consumption to have strengthened further in Q1:16, supported by a looser incomes policy (a broad-based 10.0% hike in public sector wages at end-2015 was followed by a 5.0% rise in pensions and targeted increases in wages in the broader public sector in January). We estimate the pick-up in private consumption to have more than offset the slowdown in investment activity (note that the index of construction works rose by only 3.8% y-o-y in 2M:16 against a robust 11.7% in Q4:15). Recall that investment growth peaked in Q4:15, underpinned by strong absorption of EU funds ahead of the completion of the 2007-13 programming period at end-2015. On a negative note, the drag from net exports on overall growth likely worsened in Q1:16, reflecting the rise in import growth, in line with stronger private consumption.

Economic growth to remain strong in FY:16, but increasingly unbalanced. Looking ahead, private consumption should continue to expand at a strong pace, reflecting: i) a looser incomes policy (including, in addition to the hikes in public sector wages, pensions and social benefits, a 19% rise in the minimum wage in May 2016) and its spillover to the private sector; ii) persistent low inflation (see below); and iii) tighter labour market conditions. At the same time, fixed investment should gain momentum, helped by improving business confidence, despite the expected slowdown in the absorption of EU funds in FY:16. Worryingly, in view of stagnant growth in the EU, net exports will remain a large drag on overall growth, in line with stronger domestic demand. All said, we see real GDP growth at 4.5% in FY:16 (supported by base effects from the sharp decline in agricultural production in FY:15, contributing more than 0.5 pps to GDP growth), well above its long-term potential of c. 3.0%.

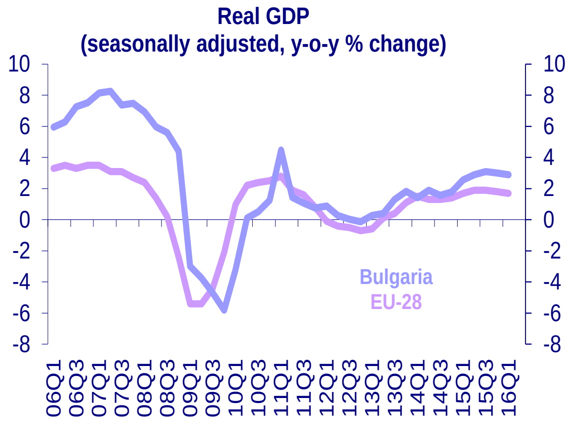
Headline inflation falls to a low of -3.3% y-o-y in April from -3.0% in March, due to lower food prices. Food inflation declined further in April (to -7.4% y-o-y from -6.8% in March), mainly driven by the sharp decline in prices of fruit and vegetables (-4.2% y-o-y in April against -0.6% in March). The latter is due to stronger agricultural production this year and lower costing imports from the EU amid a Russian ban on agricultural imports. At the same time, electricity prices were cut (by 2%), but the impact was nearly offset by the moderation in fuel deflation (to -6.6% y-o-y in April from -6.7% in March), in line with developments in global oil prices. As a result, excluding volatile and regulated prices, adjusted core II inflation was flat at -3.9% in April.

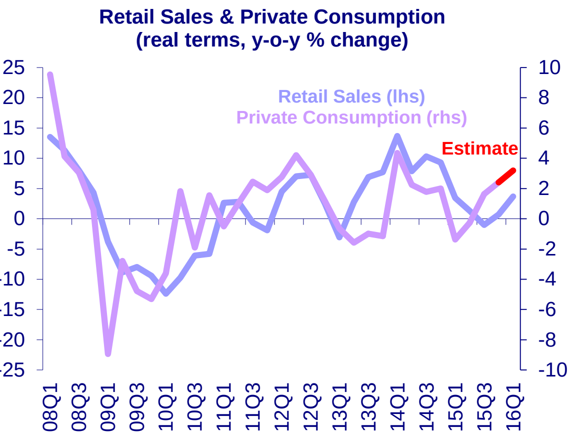
Headline inflation to remain subdued until end-2016, due to supply-side shocks. Looking ahead, positive base effects from the increase in food prices in the previous year should keep headline inflation at current levels in May. Thereafter, stronger demand-side pressures, together with negative base effects from the June 2015 VAT cut on food (by 15 pps to 9.0%) and a milder decline in global oil prices (we project the price of Brent to decline by 13.3% y-o-y in RON terms in 5-12M:16 against a drop of 33.7% in 4M:16), would bring headline inflation to 0.5% by end-2016. In turn, adjusted core II inflation is set to surpass headline inflation (0.8% at end-2016).

Bulgaria

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

Parliament Composition		Seats	%
Ruling Coalition	GERB	83	34.7
	Reformist Bloc (RB)	23	9.6
	Patriotic Front (PF)	18	7.5
Opposition	Socialist Party (BSP)	38	15.9
	Movements for Rights & Freedom (MRF)	30	12.6
	Bulgarian Democratic Centre	14	5.9
	Ataka	11	4.6
	Alternative for Bulgarian Revival (ABV)	11	4.6
	Independents	11	4.6
	Democrats for Strong Bulgaria (DSB)	10	4.2
	Resigned MPs	1	- - -
Total		240	100





	16 May	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 (2017, bps)	206	180	160	130

	16 May	1-W %	YTD %	2-Y %
SOFIX	440	-0.9	-4.4	-25.5

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.3	1.5	3.0	2.6	2.6
Inflation (eop, %)	-1.6	-0.9	-0.4	0.7	1.4
Cur. Acct. Bal. (% GDP)	1.3	0.9	1.4	2.8	2.1
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-1.6	-1.2

Cracks in the ruling coalition heighten political uncertainty 18 months after the previous elections. The Alternative for Bulgarian Revival (ABV) party withdrew its support from PM B. Borissov's Government due to disagreements over policy and changes in the election code. The centre-left ABV (11 seats) had guaranteed PM Borissov a narrow majority of 125 within the 240-seat Parliament.

Recall that the ruling coalition is led by the centre-right GERB (83 seats) and also comprises the Reformist Bloc (13 seats), an alliance of right-wing parties. It is supported by the nationalist Patriotic Front (PF, 18 seats), which has no cabinet members.

Against this backdrop, PM Borissov will have to seek parliamentary support on a case-by-case basis. The Bulgarian Democratic Centre (14 seats) has already announced its intention to support the Government.

All said, political uncertainty is set to remain elevated, jeopardising policy implementation and hurting investor confidence. Although the GERB has ruled out early elections, they appear increasingly likely. In fact, we expect tensions within the ruling coalition and its supporters to heighten ahead of the October Presidential elections. The risk remains, however, that early elections lead to another fragmented Parliament, failing to end the political stalemate.

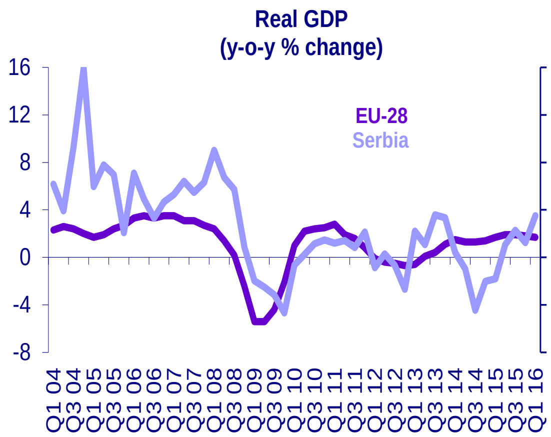
Economic growth maintains momentum in Q1:16. On a sequential basis, real GDP rose by 0.7% s.a. (flash estimate) for a 4th consecutive quarter in Q1:16. As a result, the annual pace of economic expansion eased marginally to 2.9% y-o-y s.a. from 3.0% in Q4:15.

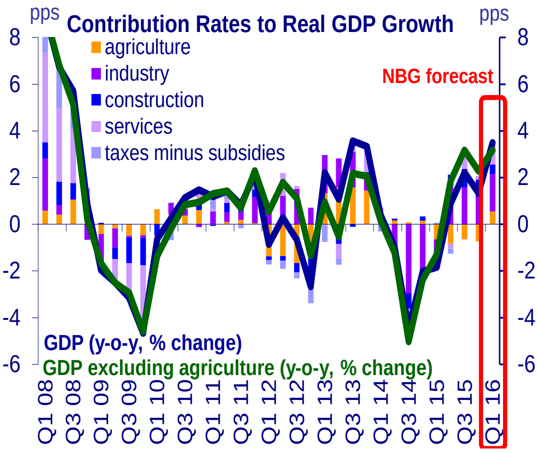
Private consumption strengthens in Q1:16, broadly compensating for the drop in fixed investment. We estimate private consumption to have improved further in Q1:16, supported by i) subdued inflation; ii) tighter labour market conditions (the LFS unemployment rate fell to a 6½-year low of 7.3% in March from 7.7% at and-2015 and its peak of 13.2% at end-2013); and iii) stronger consumer confidence (the NSI's relevant index stood at -28.7 in Q1:16 against a historical average of -36.0). On the other hand, fixed investment weakened in Q1:16, driven by the public sector (according to budget data, public investment was down 0.5 pps of GDP y-o-y in Q1:16). Recall that investment activity had surged in H2:15, on the back of faster absorption of EU funds ahead of the closing of the 2007-13 period at end-2015. On a positive note, we estimate the contribution of net exports to overall growth to have improved in Q1:16, albeit modestly, reflecting gains in competitiveness (see below).

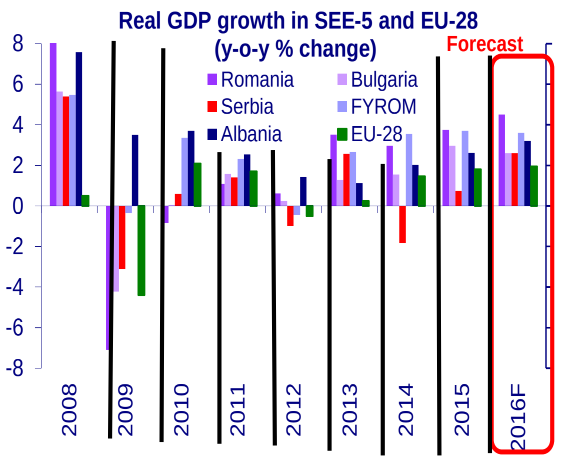
Domestic demand to shift from private consumption to investment. Considering the low investment-to-GDP ratio (currently at 21.0% against a pre-crisis high of 32.0%) and the increasing capacity utilization rate in the industrial sector (currently at 75.0% against a historical average of 70%), as well as favourable domestic liquidity conditions (the gross loan-to-deposit ratio stood at 83.2% in March, well below its mid-2009 peak of 146.7%), we expect fixed investment to gain momentum during the remainder of the year. On the other hand, private consumption should gradually weaken, in view of a slowdown in job creation, on the back, *inter alia*, of structural problems in the labour market (persistently high long-term unemployment, skills mismatches). Importantly, net exports should continue to support overall growth, reflecting the improving competitiveness of the economy (real GDP per employee has risen by 7.0% since end-2011, while the BGN has been stable in real terms during the same period). Policies will not support growth, in view of the envisaged fiscal consolidation (even adjusting for privatisation receipts, the budget deficit is projected to narrow to 2.3% of GDP in FY:16 from 2.9% in FY:15). Overall, we expect real GDP growth to moderate to 2.6% in FY:16 from 3.0% in FY:15.

Serbia

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







	16 May	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.2	3.4	3.8
RSD/EUR	122.6	123.2	124.0	125.0
Sov. Spread (2021, bps)	292	250	220	180

	16 May	1-W %	YTD %	2-Y %
BELEX-15	614	-0.8	-2.7	4.9

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.7	2.6	3.0
Inflation (eop, %)	2.2	1.7	1.5	2.4	2.8
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.8	-4.8	-5.3
Fiscal Bal. (% GDP)	-5.5	-6.6	-3.8	-4.0	-3.0

Activity accelerates to a 10-quarter high of 3.5% y-o-y in Q1:16. Real GDP rose sharply to a 2½-year high of 3.5% y-o-y in Q1:16, according to the flash estimate, following a weak rise of 0.7% and a (flood-related) decline of 1.8% in FY:14.

The strengthening of activity in Q1:16 is estimated to have been largely driven by the normalization in agricultural production, the rebound in consumption, on the back of the fading out of the impact of the large corrective fiscal measures implemented in FY:15 (including cuts in pensions and public sector wages), as well as the continued recovery in the industrial sector. With the strong Q1:16 performance, the 4-quarter rolling GDP returned to its pre-crisis level (standing 0.1% above the pre-crisis peak in Q4:08).

A broad-based recovery in activity in Q1:16. Though a detailed breakdown of the composition of output is not due until end-May, the normalization in agricultural output is estimated to have provided a strong boost to activity in Q1:16. In fact, growth in the primary sector likely turned positive, after having remained in negative territory throughout 2015 (subtracting 0.7 pps from real GDP growth). Excluding agriculture, the rebound in real GDP growth would have been milder (up 3.2% y-o-y in Q1:16 against an increase of 1.5% in FY:15).

Moreover, growth in the services sector (accounting for a sizeable 51.0% of GDP) is estimated to have accelerated significantly in Q1:16, after remaining flat in FY:15. The acceleration mainly reflects the waning negative impact of austerity measures implemented in FY:15 that weighed on both private and public consumption (in fact, fiscal policy turned less contractionary, with the primary fiscal balance improving by 0.2 pps of GDP y-o-y in Q1:16 against 0.8 pps per quarter in FY:15), as well as the positive impact from a looser monetary policy stance (an average *ex-post* real policy rate of 2.9% in Q1:16, far below 4.8% in FY:15) and the drop in inflation.

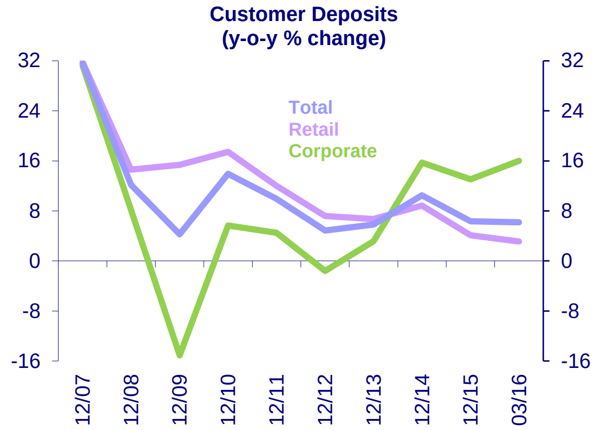
The industrial sector remained the main growth driver (20.8% of GDP). In fact, industrial production accelerated to 10.5% y-o-y in Q1:16 from 8.2% in FY:15. Growth in the manufacturing sector strengthened (across most of the sub-sectors), supported by: i) higher export growth (picking up to 11.2%, in EUR terms, in Q1:16 from 7.8% in FY:15); ii) lower production costs (in line with declining oil prices); and iii) stronger confidence, in view of the expected re-election of the ruling party in the April 24th parliamentary elections and its commitment to implement the IMF-supported reforms. The improvement in industrial production was also attributed to the restoration of electricity supply and the recovery in mining production, after the devastating floods in May 2014.

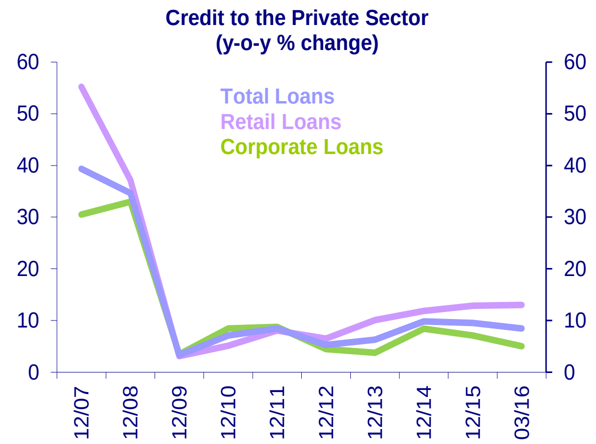
Economic activity is set to reach 2.6% in FY:16. Looking ahead, output growth is set to strengthen to 1.9% y-o-y in Q2-Q4:16 compared with 1.5% y-o-y in Q2-Q4:15, mainly supported by improved agricultural production -- that was a drag on overall growth in FY:15. Moreover, consumption is set to post positive growth (after 4 consecutive years of decline), on the back of a favourable fiscal stance and significant monetary policy easing. Growth should also be boosted this year by expected higher production in the steel plant, Smederevo, following its privatisation in mid-April.

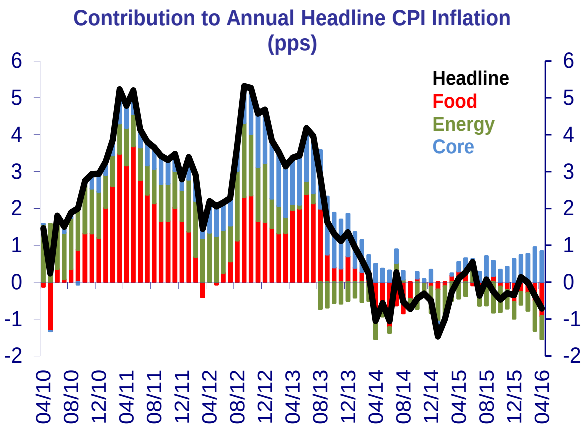
Activity is, however, set to be held back by negative base effects from: i) the flood-induced recovery in industrial production in Q2-Q4:15; and ii) the significant boost provided to the construction sector in Q2-Q4:15 following the introduction, in April 2015, of a law aimed at simplifying and accelerating the issuance of construction permits. Overall, we see FY:16 real GDP growth accelerating further, to a 3-year high of 2.6%.

F.Y.R.O.M.

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







	16 May	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.6	1.6	1.6	1.6
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	551	520	450	350

	16 May	1-W %	YTD %	2-Y %
MBI 100	1.745	-0.2	-4.8	0.7

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	2.7	3.5	3.7	3.6	3.4
Inflation (eop. %)	1.4	-0.5	-0.3	0.6	1.3
Cur. Acct. Bal. (% GDP)	-1.6	-0.8	-1.4	-2.0	-2.5
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.5	-3.2	-3.0

Bold moves to end the political deadlock. Parliament cancelled the June 5th elections and passed a law to enable the revocation of the disputed pardons issued by President G. Ivanov. These moves followed the threat of three of the main four political parties (including the junior partner of the outgoing government coalition, the Albanian Democratic Union for Integration) to boycott the elections, on the grounds that the terms of the July 2015 EU-mediated Przino agreement had been violated.

Recall that under the accord, a special prosecutor was appointed to investigate a wiretapping scandal and elections were scheduled for June 5th. However, in late April, President Ivanov pardoned prominent politicians alleged to be involved in the wiretapping affair and Parliament speaker, T. Veljanovski, called for early parliamentary elections for June 5th, while two conditions for ensuring fair elections, stipulated in the Przino agreement, have not yet been fulfilled (media reform and the conduct of a thorough review of the electoral roll).

Parliament has not yet scheduled a new date for the vote and the President will be able to revoke pardons until June 18th.

Deflation accelerated to -0.7% y-o-y in April from -0.4% y-o-y in March, mainly due to a sharper decline in food prices. Food deflation accelerated to -2.3% y-o-y in April from -1.2% y-o-y in March, due to a higher decline in the prices of volatile fruit & vegetables, reflecting favourable weather conditions and a decrease in other food prices, excluding fruit & vegetables.

At the same time, core inflation (excluding food and energy prices, and accounting for 44% of the CPI basket) decelerated to 1.9% in April from 2.1% y-o-y in March, reflecting easing demand-side pressures due to heightening domestic political uncertainty. Headline deflation would have been even higher had the pace of decrease in energy prices not decelerated to -4.3% y-o-y in April from -5.8% in March, despite a broadly flat decline in global oil prices.

Annual headline inflation is expected to rise to 0.6% by end-2016. Looking ahead, inflation should embark on an upward trend in June, on the back of: i) the planned increase in the excise duty on cigarettes from July 1st (by MKD 0.20 per cigarette and expected to add 0.3 pps to headline inflation); ii) the gradual normalization of volatile food prices from their current lows; and iii) a softer decline in fuel prices (we project the price of Brent to fall by 14.1% y-o-y in MKD terms in 5-12M:16 against a drop of 34.4% y-o-y in 4M:16).

Overall, we expect headline and core inflation to rise throughout the rest of the year, reaching 0.6% and 2.3% y-o-y, respectively, in December -- up from -0.3% and 1.4% at end-2015.

Customer deposits continued to grow at a robust rate in Q1:16 (6.2% y-o-y). Customer deposits increased by 6.2% y-o-y in March, only slightly unchanged from December 2015 (up 6.4%). Specifically, the acceleration in corporate deposit growth (to 16% y-o-y in March from 13% in December 2015), underpinned by the recovery in exports, almost offset the deceleration in retail deposit growth (to 3.1% y-o-y in March from 4.1% in December 2015), reflecting persisting domestic political uncertainty.

Credit to the private sector also posted strong growth in Q1:16 (8.5% y-o-y). Credit to the private sector expanded by a strong 8.5% y-o-y in March, following an increase of 9.5% in December 2015. The deceleration in overall credit expansion was driven by corporate loans (up 5.1% y-o-y in March against 7.1% in December 2015), mainly reflecting tighter credit conditions due to the deteriorating non-performing corporate loan ratio (up 15.5% in March from 15.0% in December 2015).

Albania

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

Balance of Payments (% of GDP)	FY:14	FY:15	FY:16F
Current Account Balance	-12.8	-11.2	-12.2
Trade Balance	-22.1	-22.2	-23.2
Exports	9.3	7.5	7.7
o/w energy exports	*6.1*	*4.5*	*3.8*
Imports	31.4	29.7	30.9
o/w energy imports	*6.4*	*4.2*	*4.1*
Services Balance	3.2	5.1	5.0
Income Balance	-1.2	-1.4	-1.4
Transfers Balance	7.2	7.4	7.4
Workers' Remittances	5.9	5.8	5.9
Capital & Financial Account (excluding IMF)	10.6	13.6	10.4
FDI	8.1	8.4	9.4
Portfolio Investments	-1.2	3.1	-1.2
Other Investments	3.7	2.0	2.2
Currency & Deposits	1.2	-0.8	0.8
Loans	1.6	1.4	1.5
Other	1.0	1.4	-0.1
Errors & Omissions	2.7	2.6	2.5
Overall Balance	0.4	5.0	0.6
IMF Disbursements	0.5	0.9	1.6
Change in Reserves (+ denotes increase)	1.0	5.9	2.2

External Financing (EUR bn)	2014	2015	2016F
Financing Needs	1.5	1.7	1.5
Current Account Deficit	1.3	1.2	1.3
Amortisations + Other	0.2	0.5	0.2
Financing Sources	1.6	2.3	1.7
FDI	0.8	0.9	1.0
Loans & Other	0.6	1.1	0.4
IMF	0.1	0.1	0.2
WB, EU, EBRD	0.2	0.3	0.1
Change in FX Reserves	0.2	0.7	0.2

	16 May	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.7	2.2	2.2	2.2
ALL/EUR	138.0	139.2	138.2	139.0
Sov. Spread (bps)	479	500	450	400

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

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.1	2.0	2.6	3.2	3.6
Inflation (eop, %)	1.9	0.7	2.0	1.5	2.0
Cur. Acct. Bal. (% GDP)	-10.9	-12.8	-11.2	-12.2	-12.0
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.3	-2.0

The current account deficit (CAD) narrowed in FY:15, to a still high level of 11.2% of GDP. The CAD narrowed by 1.7 pps y-o-y to 11.2% of GDP in FY:15. The positive performance is mainly attributed to the strong increase in the services surplus, by 1.8 pps of GDP y-o-y in FY:15, reflecting: i) an improvement in the tourism balance, largely on the back of lower spending by Albanian tourists abroad (down 1.2 pps of GDP y-o-y in FY:15); and ii) a rise in re-exporting industries (mainly labour-intensive footwear & textiles exports, especially to Italy) by 0.3 pps of GDP y-o-y in FY:15, in line with the strong rebound in economic activity in Italy (up 0.8% in 2015 against a drop of 0.3% in 2014).

Moreover, transfers strengthened (by 0.2 pps of GDP y-o-y in FY:15), despite a sharp decline in H2:15 (by 0.4 pps of GDP y-o-y). The latter is attributed to a sudden drop in workers' remittances, likely due to waning inflows from Greece (accounting for a large share of Albanian migrants), following the imposition of capital controls in late-June.

The trade deficit in FY:15 remained broadly unchanged from a year earlier (widening slightly, by 0.1 pp of GDP y-o-y). The trade balance was supported by the improved energy balance (turning to a surplus of c. 0.3% of GDP in FY:15 from a deficit of 0.3% in FY:14), as the sustained sharp decline in mineral and oil exports (accounting for c. 40.0% of total exports), on the back of the significant drop in both production and oil prices, was more than offset by the sharper decline in energy imports due to much lower global oil prices. The trade deficit was also contained by the sharp drop in household and government consumption in FY:15, that held back imports. This improvement was, however, offset by the high import content of investments, especially the construction of the Trans Adriatic Pipeline (TAP) and the Statkraft-Devoll Hydropower (contributing an estimated 0.9 pps of GDP in the FY:15 trade deficit, according to the IMF).

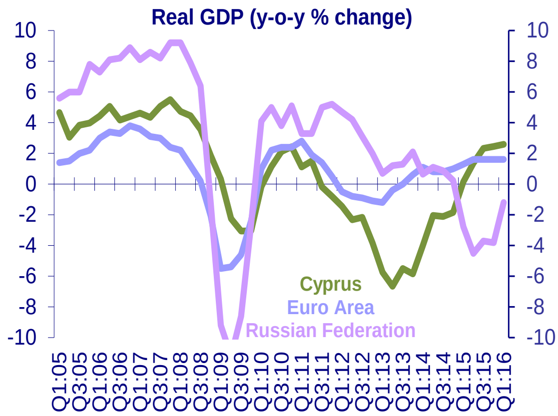
The capital and financial account (CFA) surplus increased markedly in FY:15, and more than covered the CAD. The CFA surplus (excluding the IMF) strengthened by 3.0 pps y-o-y to 13.6% of GDP in FY:15. The improvement was attributed to higher net lending from abroad, including: i) EUR 150mn (1.5% of GDP), following the issuance of the second EUR 450mn Eurobond in November that more than covered the repayment of the maturing EUR 300mn Eurobond in the same month; and ii) the EUR 250mn (2.4% of GDP) loan from Deutsche Bank, guaranteed by the World Bank, agreed in July.

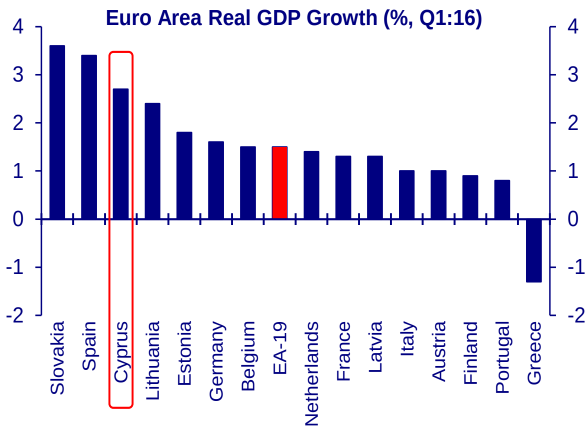
The CFA surplus more than covered the CAD in FY:15 and along with sizeable (positive) net errors and omissions (of 2.6% of GDP in FY:15) led to a balance of payments surplus of EUR 515mn (5.0% of GDP). This, combined with the disbursement of 3 tranches from the IMF (totalling EUR 94.7mn, or 0.9% of GDP), as well as valuation effects, led to an increase in FX reserves by EUR 688mn y-o-y in FY:15, to (a record-high) EUR 2.9bn, covering 7.6 months of GNFS imports (up from 5.6 months in FY:14).

The CAD is set to continue to widen this year. We expect the CAD to embark on a negative trend in FY:16 (up 1.0 pp y-o-y to 12.2% of GDP), mainly on the back of: i) higher investment-related imports (with TAP and the Statkraft estimated to add 2.5 pps of GDP in the FY:16 CAD, according to the IMF); and ii) a less favourable energy balance. Regarding financing, the bulk (more than ¾) of the CAD should continue to be covered by large non-debt generating FDI inflows (9.4% of GDP, supported by the above-mentioned energy projects), as well as steady inflows from errors and omissions. Assuming IFI support of 2.9% of GDP in FY:16 (of which EUR 172mn from the IMF and USD 100mn from the WB), we see an external financing surplus of c. EUR 240mn (2.2% of GDP). This should strengthen further FX reserves to EUR 3.1bn (covering 7.5 months of GNFS imports).

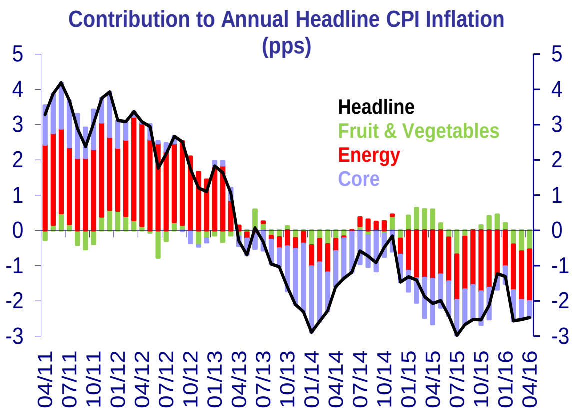
Cyprus

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





*Ireland, Luxembourg, Malta, Slovenia: not available



	16 May	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.35	-0.35	-0.35	-0.35
EUR/USD	1.13	1.08	1.06	1.05
Sov. Spread (2020. bps)	354	320	270	250

	16 May	1-W %	YTD %	2-Y %
CSE Index	68	-1.7	0.6	-36.6

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	-5.9	-2.5	1.6	2.5	2.6
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-4.5	-4.6	-3.6	-3.8	-4.2
Fiscal Bal. (% GDP)	-4.7	-0.3	-0.5	-0.2	0.2

Economic growth reached a 7-year high of 2.6% y-o-y in Q1:16. Real GDP recorded positive growth for a fifth successive quarter on a sequential seasonally-adjusted basis in Q1:16. It expanded by a robust 0.9% q-o-q in Q1:16, following increases of 0.4% q-o-q in Q4:15 and 0.5% q-o-q in Q3:15. As a result, the annual pace of economic expansion accelerated to a 7-year high of 2.6% y-o-y in Q1:16 from 2.5% in Q4:15.

Although a detailed breakdown will not be available until June 9th, we estimate the positive Q1:16 outcome was driven by an improvement in both domestic and external demand. Indeed, we estimate the contribution of domestic demand to overall growth to have increased significantly in Q1:16, supported, *inter alia*, by: i) the positive impact on real disposable income of continued favourable global oil prices; ii) strengthening consumer and business confidence in view of the imminent exit of the country from its 3-year adjustment programme at end-Q1:16; and iii) improving labour market conditions.

Furthermore, we estimate the contribution of net exports to have also improved in Q1:16, reflecting stronger tourism activity. Note that tourist arrivals rose sharply in Q1:16 (by an impressive 32.4% y-o-y following increases of 16.9% y-o-y and 8.9%, respectively, in Q4:15 and FY:15), mainly due to a sharp increase in arrivals from the UK and Russia.

Economic activity is set to accelerate to 2.5% this year -- significantly above the consensus forecast of 1.7% and the FY:15 outcome of 1.6%. Looking ahead, external demand should continue to expand at a strong pace, supported by more buoyant tourist activity. We foresee tourist arrivals rising by around 20.0% to an all-time high of 3.2mn in FY:16, from a 14-year high of 2.7mn in FY:15, benefiting from heightening security concerns in the neighbouring competitors -- Turkey and Egypt. However, the positive impact of strong exports on overall growth should be tempered by the negative impact of higher imports, reflecting stronger domestic demand. Indeed, despite the negative impact on private consumption of higher debt servicing, due to the higher pace of NPL restructuring, domestic demand should gain further momentum supported by: i) strengthening consumer and business confidence and ii) improving labour market conditions.

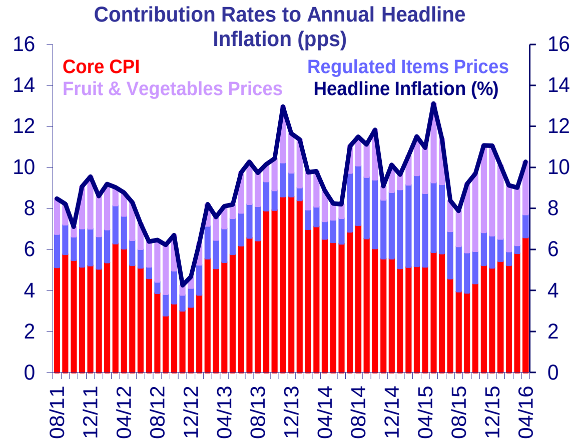
There is, however, a downside risk to our above-consensus growth forecast for FY:16, stemming from the uncertainty surrounding Brexit, which is widely expected to weaken sharply the UK's economic activity and domestic currency in 2015. Note that the UK is Cyprus' largest source of tourism (accounting for c. 40.0% of total arrivals in FY:15) and second largest trading partner, behind Greece.

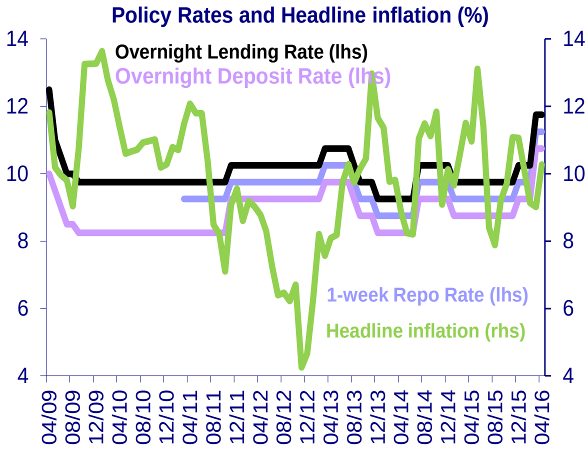
Headline deflation remained stable at -2.5% y-o-y in April. Prices of volatile fruit & vegetables declined by -4.6% y-o-y in May compared with a decrease of 6.4% y-o-y in April. At the same time, core deflation also decelerated (to -0.5% y-o-y in April from -0.6% in March), due to a slower decrease in other food prices, excluding fruit & vegetables, reflecting demand-side pressures fuelled by strong tourism activity. However, the slower decline in prices of volatile fruit & vegetables and core inflation was offset by a higher decrease in energy prices, down 16.4% y-o-y in April compared with -15.4% y-o-y in March, despite a broadly flat decline in global oil prices.

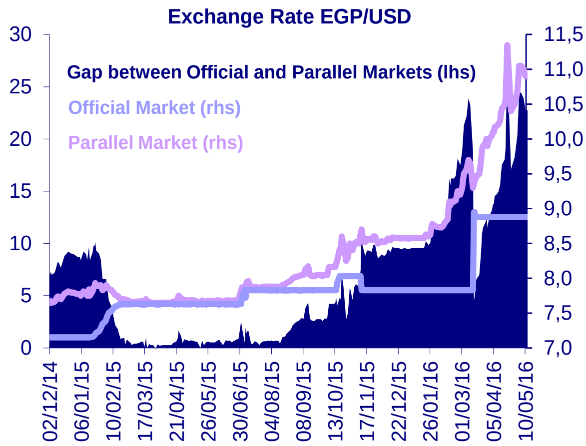
Deflation is set to ease sharply by end-2016. Looking ahead, inflation should accelerate throughout the rest of the year, reflecting: i) the continued recovery in domestic demand; ii) the gradual normalization of volatile food prices from their current lows; and iii) a softer decline in fuel prices. Overall, we expect headline and core inflation to rise throughout 2016, ending the year at -0.2% and 1.0% y-o-y, respectively, up from -1.2% and -0.4% at end-2015.

Egypt

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







	16 May	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	10.9	10.8	10.8	10.5
EGP/USD	8.88	8.95	9.20	9.50
Sov. Spread (2020. bps)	455	400	300	220

	16 May	1-W %	YTD %	2-Y %
HERMES 100	673	-3.5	6.8	-20.8

	12/13	13/14	14/15	15/16F	16/17F
Real GDP Growth (%)	2.1	2.1	4.2	3.0	4.5
Inflation (eop. %)	9.8	8.2	11.4	11.5	10.0
Cur. Acct. Bal. (% GDP)	-2.2	-0.9	-3.7	-5.6	-4.0
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.0

Headline inflation rose by 1.3 pps to 10.3% y-o-y between March and April, due to higher core inflation and, to lesser extent, accelerating regulated prices. Core inflation soared to a 20-month high of 9.5% y-o-y in April from 8.4% y-o-y in March, reflecting the residual pass-through from the mid-March devaluation of the domestic currency and exacerbating supply shortages. Recall that amid an acute USD shortage, the Central Bank of Egypt (CBE) imposed stricter rules on financing imports in early-January (prioritising the import of basic goods), aimed at reducing the country's import bill by 25% to USD 60bn in 2016. Moreover, in its efforts to reduce a fast-growing black market amid deepening foreign currency shortages, the CBE devalued the EGP against the USD by 12.7% to EGP 8.85 per USD on March 14th.

Moreover, regulated prices rose at a faster pace in April (up 5.9% y-o-y against 1.9% in March), reflecting base effects from a sharp correction in the prices of butane cylinders (down 41.9% m-o-m in April 2015 after a surge by a cumulative 99.1% in January-March 2015, reflecting supply bottlenecks in the distribution channels).

Headline inflation would have been even higher in April had volatile prices of fruit & vegetables not continued to normalize (up 21.8% y-o-y against 25.4% in March) after having soared by a 55-month high in December (42.4%).

Headline inflation to continue on its upward trend, ending the fiscal year at 11.5% y-o-y (June 2016). Looking ahead, despite the sharp hike in the policy rates, by 200 bps in the past five months, and the postponement to the next fiscal year of the replacement of the current complex sales taxes by a VAT (set to add 1.3 pps to headline inflation), we expect inflation to increase further in the rest of the fiscal year, on the back of worsening supply shortages and second-round effects from the mid-March devaluation. Overall, we foresee headline inflation reaching an 8-year high of 11.5% y-o-y at the end of the current fiscal year (June 2016) – broadly unchanged from the end-2014/15 outcome of 11.4%. Core inflation should end 2015/16 at 11.0% y-o-y against the end-2014/15 outcome of 8.1%.

The CBE is likely to keep its policy rates on hold until the end of the current fiscal year. Recall that in a bid to curb inflationary pressures from the mid-March sharp devaluation of the domestic currency and enhance demand for the EGP, the CBE increased its policy rates by 150 bps at its March 17th MPC meeting. This was the second hike since December, when the CBE initiated a cycle of monetary policy tightening, hiking its rates by 50 bps. As a result, the overnight deposit, 1-week repo, and overnight lending rates reached 7-year highs of 10.75%, 11.25%, and 11.75%, respectively (1.0%, 1.5% and 2.0% in *ex post*, real and compounded terms).

Going forward, despite the negative inflation outlook, we expect the CBE to maintain its key rates unchanged at least until end-June, in an effort to contain the ongoing slowdown of the domestic economy. Note that real GDP growth is set to ease significantly to 3.0% this fiscal year from 4.2% in FY:14/15, due, *inter alia*, to: i) the expected sharp decline in tourism activity (with a total contribution of 11.4% to GDP in 2015 according to the World Travel & Tourism Council), especially following the terrorist bombing of a Russian passenger plane on October 31st (the number of nights spent by tourists fell sharply by 62.5% y-o-y during November-March); and ii) continued FX shortages, which have disrupted production and hampered investment. Note that pressures on the domestic currency are on the rise, with the gap between the official and parallel FX markets currently at the pre-devaluation levels of 20.0%-25.0% (see chart).

Foreign Exchange Markets, May 16TH 2016

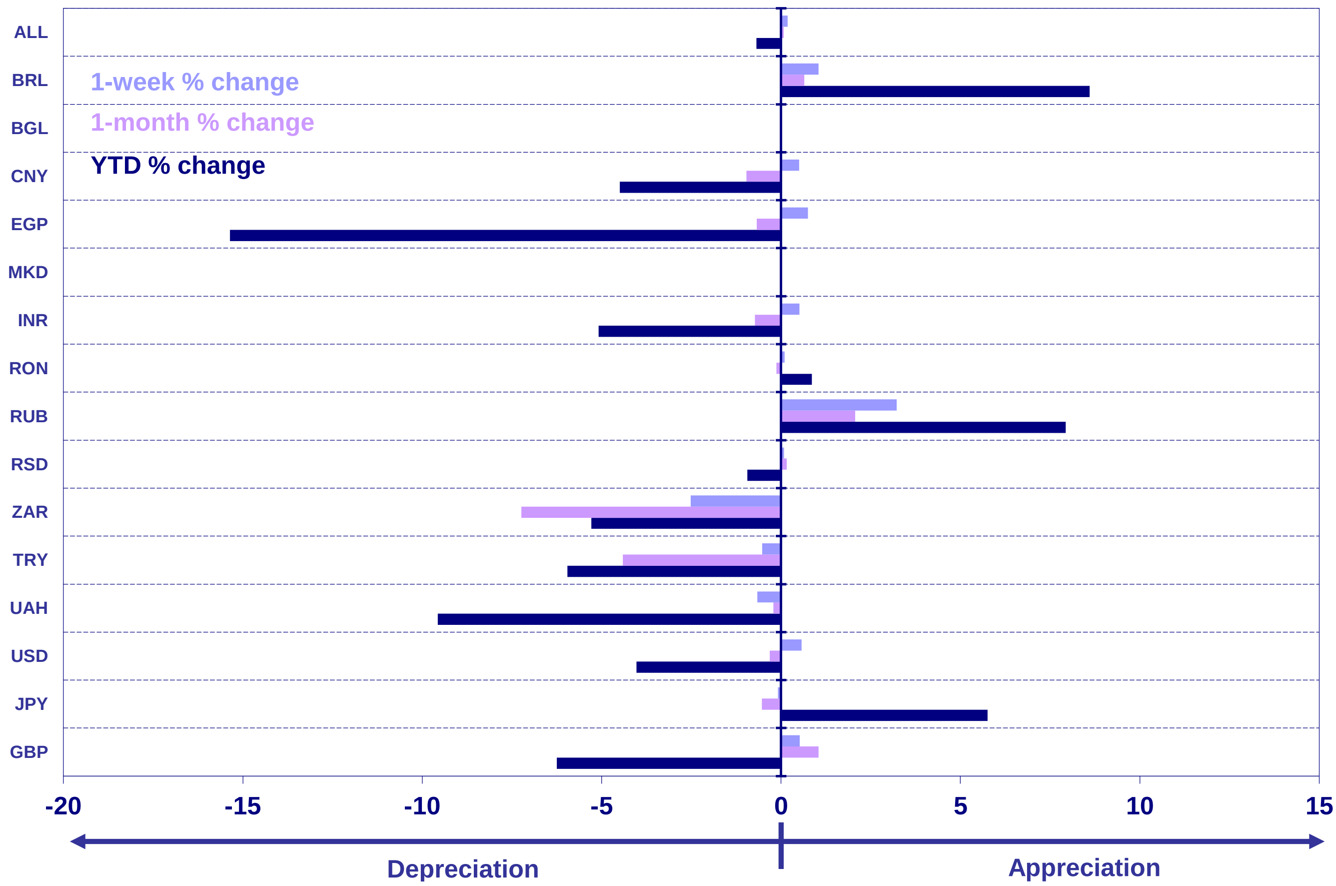
Against the EUR

	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	138.0	0.2	0.1	-0.7	2.1	137.5	139.5	138.6	138.3	136.7	2.0	0.1
Brazil	BRL	3.96	1.0	0.6	8.6	-14.1	3.90	4.55	4.53	4.51	4.48	-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	7.37	0.5	-1.0	-4.5	-4.2	6.99	7.52	7.60	7.60	7.60	6.7	10.8
Egypt	EGP	10.03	0.7	-0.7	-15.4	-14.0	8.26	10.23	- - -	- - -	- - -	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	75.7	0.5	-0.7	-5.1	-4.5	71.3	77.8	81.4	- - -	- - -	6.6	12.3
Romania	RON	4.48	0.1	-0.1	0.9	-0.7	4.45	4.56	4.48	4.49	4.49	-0.8	-0.5
Russia	RUB	73.4	3.2	2.1	7.9	-24.7	72.8	93.8	75.3	77.3	81.0	-15.1	-32.8
Serbia	RSD	122.6	0.1	0.2	-0.9	-1.8	121.6	123.7	123.0	123.4	- - -	-0.1	-5.6
S. Africa	ZAR	17.7	-2.5	-7.2	-5.3	-24.2	16.02	18.58	18.1	18.5	19.3	-16.6	3.0
Turkey	YTL	3.37	-0.5	-4.4	-6.0	-13.3	3.12	3.39	3.46	3.55	3.73	-10.8	4.4
Ukraine	UAH	28.8	-0.7	-0.2	-9.6	-13.6	25.06	30.16	35.1	- - -	- - -	-27.5	-40.8
US	USD	1.13	0.6	-0.3	-4.0	0.0	1.1	1.2	1.13	1.14	1.15	11.4	13.6
JAPAN	JPY	123.4	-0.1	-0.5	5.8	10.0	121.5	132.3	123.4	123.4	123.2	11.0	-0.1
UK	GBP	0.79	0.5	1.0	-6.2	-8.1	0.7	0.8	0.79	0.79	0.79	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 (May 16th 2016)



MONEY MARKETS, MAY 16TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.5	14.1	-0.1	2.0	- - -	10.9	- - -	- - -	0.4	11.0	- - -	10.5	8.1	18.4	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	11.0	2.9	- - -	7.6	- - -	- - -	- - -
S/W	1.6	14.1	-0.1	2.3	-0.4	- - -	1.3	- - -	- - -	11.1	2.9	- - -	7.8	19.0	-0.4	0.4
1-Month	1.7	14.1	0.0	2.8	-0.3	- - -	1.6	7.1	0.6	11.2	3.1	10.6	8.1	21.0	-0.3	0.4
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	11.3	3.2	10.7	8.3	- - -	-0.3	0.5
3-Month	1.9	14.1	0.1	2.9	-0.3	- - -	2.0	7.3	0.7	11.4	3.3	10.7	7.8	21.7	-0.3	0.6
6-Month	1.9	13.8	0.3	3.0	-0.1	- - -	2.4	- - -	1.0	11.4	3.5	10.7	8.6	- - -	-0.1	0.9
1-Year	2.0	13.2	0.8	3.0	0.0	- - -	2.9	- - -	1.2	11.7	- - -	10.7	8.9	- - -	0.0	1.2

LOCAL DEBT MARKETS, MAY 16TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	0.9	- - -	- - -	- - -	- - -	12.1	1.6	6.9	- - -	11.4	2.9	9.0	- - -	- - -	-0.5	0.3
6-Month	1.0	- - -	- - -	- - -	- - -	13.2	2.3	6.9	0.5	11.5	3.3	9.3	- - -	- - -	-0.5	0.4
12-Month	1.4	- - -	0.2	2.2	- - -	13.9	2.3	7.0	0.8	9.6	4.1	9.6	- - -	16.9	-0.5	0.5
2-Year	1.9	- - -	- - -	2.5	- - -	- - -	2.0	7.1	0.8	9.4	- - -	9.6	8.1	- - -	-0.5	0.8
3-Year	- - -	- - -	0.5	2.6	2.9	- - -	2.7	7.2	1.9	9.3	- - -	9.6	8.4	18.7	-0.5	0.9
5-Year	- - -	12.3	- - -	2.7	- - -	15.8	2.7	7.4	2.7	9.0	7.0	9.8	8.7	- - -	-0.4	1.3
7-Year	- - -	- - -	1.6	- - -	3.7	17.0	- - -	7.6	3.2	9.0	- - -	- - -	- - -	- - -	-0.2	1.6
10-Year	- - -	12.4	2.4	2.9	4.0	17.2	3.9	7.5	3.6	8.8	- - -	10.0	9.3	- - -	0.1	1.8
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.9	- - -	8.9	- - -	- - -	9.7	- - -	0.4	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.9	- - -	- - -	- - -	- - -	10.0	- - -	0.9	2.6

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

CORPORATE BONDS SUMMARY, MAY 16TH 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	4.9	540	491
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.3	580	546
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.5	295	251
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.8	108	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.6	118	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.0	281	291
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	147	112
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.9	344	305
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.6	308	270
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.4	395	335
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.0	477	461

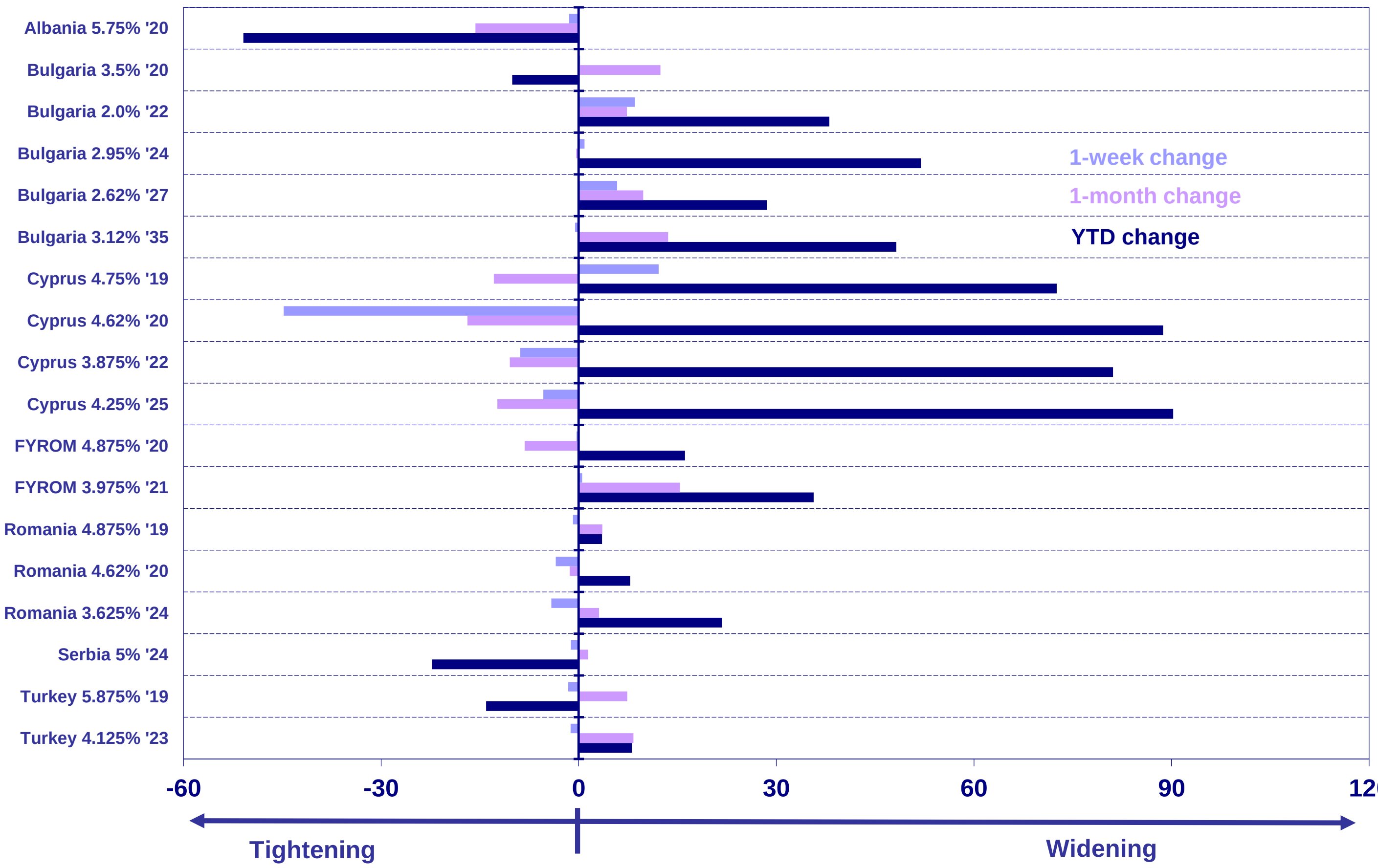
CREDIT DEFAULT SWAP SPREADS, MAY 16TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	320	158	127	- - -	495	- - -	- - -	117	246	254	266	305	- - -
10-Year	- - -	388	204	173	- - -	507	- - -	- - -	158	296	301	320	359	- - -

EUR-Denominated Sovereign Eurobond Summary, May 16th 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	4.2	479	433
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.8	131	98
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.8	206	167
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.3	243	200
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.7	254	202
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.7	299	247
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	2.9	342	311
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.0	354	316
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.7	396	355
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	4.0	384	350
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	4.6	532	464
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.7	551	554
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.6	103	73
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.8	122	88
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	225	193
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.7	380	351
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.6	213	187
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	3.0	316	283

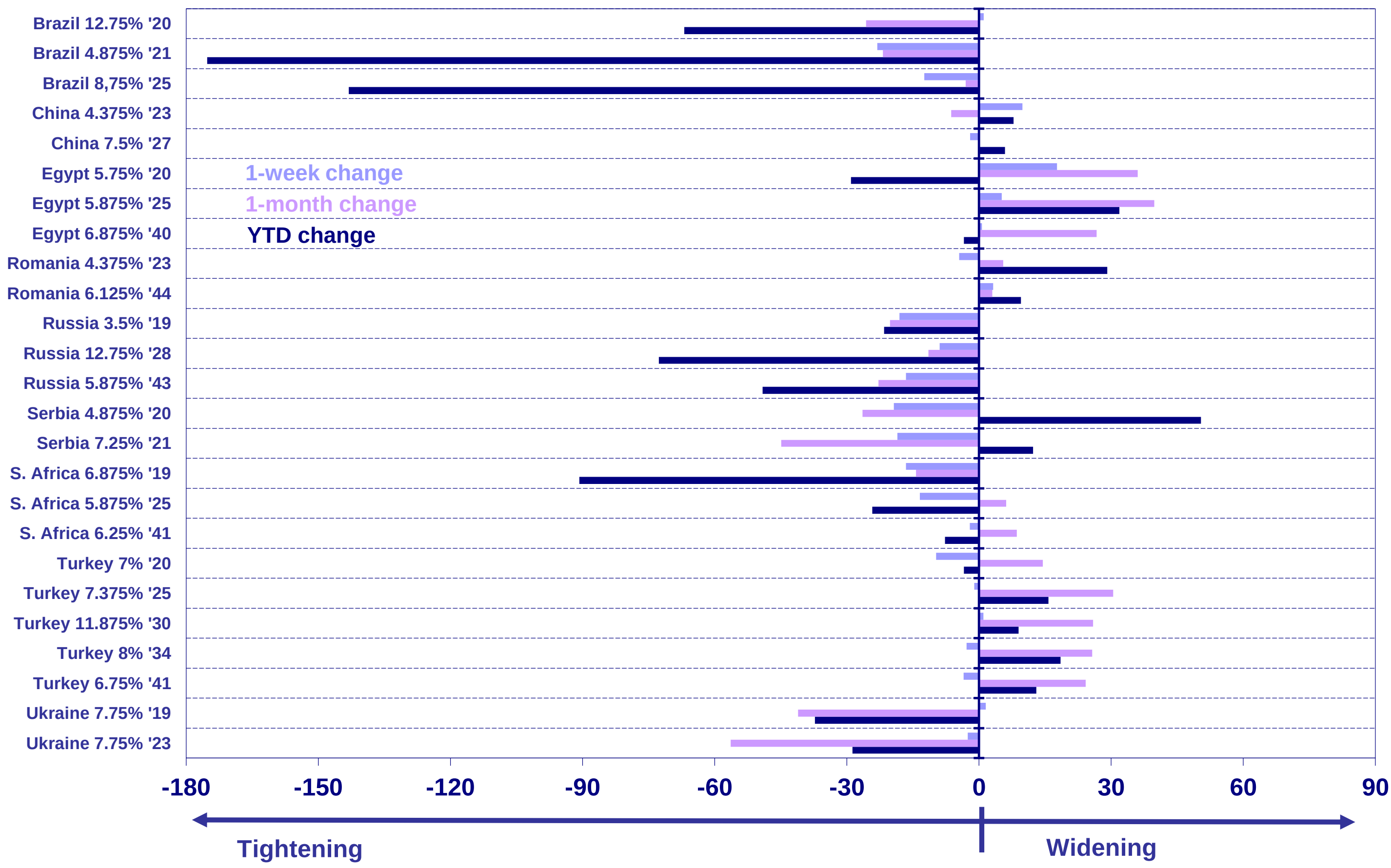
EUR-Denominated Eurobond Spreads (May 16th 2016)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MAY 16TH 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+/Baa3	15/1/2020	234	3.9	299	331
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	4.3	304	311
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	5.4	365	434
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.6	185	224
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	2.9	120	159
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.5	455	435
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	7.8	604	567
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.4	583	554
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.5	189	208
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.6	206	291
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.0	206	201
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.8	304	438
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.1	254	321
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	3.9	300	286
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.2	292	315
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.3	238	241
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.8	305	334
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.6	299	367
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	3.6	235	264
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.7	293	347
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	4.9	315	437
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.4	366	406
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.6	296	357
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,646	9.5	852	804
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	9.0	741	714

USD-Denominated Eurobond Spreads (May 16th 2016)



Stock Markets Performance, May 16th 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)	51,803	1.6	-2.7	19.5	-7.8	37,046	54,978	30.6	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	440	-0.9	0.8	-4.4	-10.1	432	462	-4.4	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,851	0.7	-7.4	-20.2	-33.4	2,638	3,539	-23.3	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	68	1.7	1.0	0.6	-12.3	64	70	0.6	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	673	-3.5	-1.7	6.8	-15.2	521	716	6.8	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,745	-0.2	-0.7	-4.8	4.7	1,735	1,842	-4.8	-0.6	-0.6	6.1	6.1
India (SENSEX)	25,653	-0.1	0.1	-1.2	-7.3	22,495	28,578	-5.1	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,184	-0.7	-5.8	-11.8	-14.7	1,171	1,329	-10.9	2.6	1.6	3.7	3.5
Russia (RTS)	4,203	0.9	-0.7	6.1	10.0	3,509	4,393	15.7	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	614	-0.8	0.1	-2.7	-15.6	570	637	-3.5	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	52,413	2.1	-1.2	3.2	-3.7	45,976	54,039	-1.0	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	77,000	-2.6	-10.0	5.2	-13.1	68,230	86,931	-0.4	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	220	-0.1	-5.6	-8.7	-39.3	219	256	-17.2	-37.8	-54.8	28.7	-24.2
MSCI EMF	797	-0.4	-5.8	0.8	-23.4	687	856	-2.7	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,638	0.0	-2.6	-5.2	-15.9	1,492	1,717	-8.4	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	621	1.7	8.0	1.6	-24.8	421	635	1.6	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,953	-0.3	-1.0	-7.4	-14.2	8,699	10,486	-7.4	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,151	0.6	-3.0	-2.0	-11.7	5,500	6,427	-8.0	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,466	1.5	-2.3	-13.5	-17.2	14,866	18,951	-7.6	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,711	0.0	-1.0	0.6	-3.2	15,370	18,351	-2.8	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,067	0.4	-0.7	0.2	-2.9	1,810	2,135	-3.3	-0.7	10.9	11.4	26.6

Equity Indices (May 16th 2016)