South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

3 – 9 May 2016

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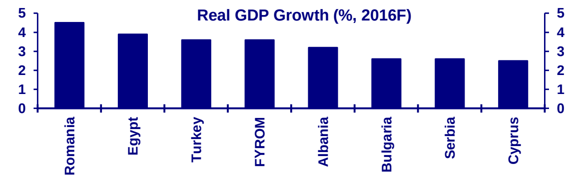
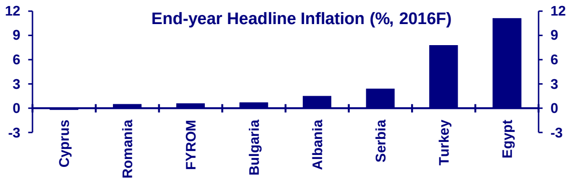
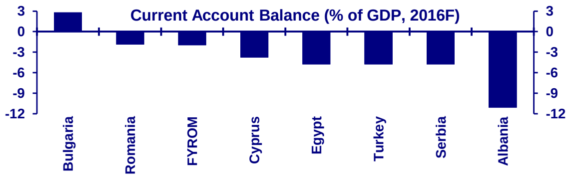
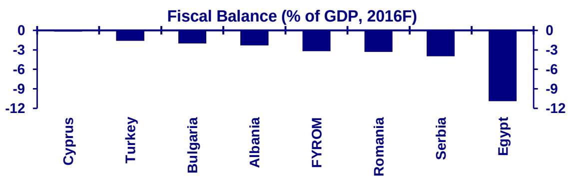


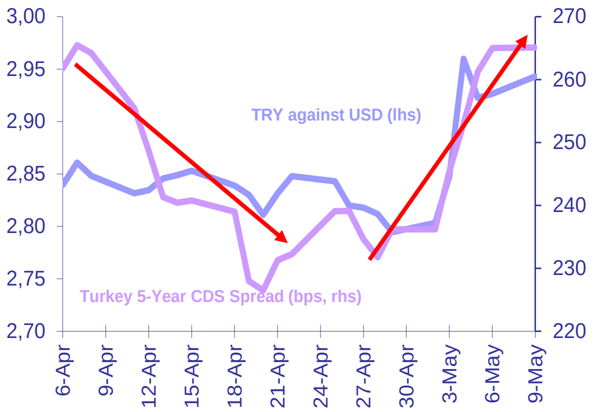


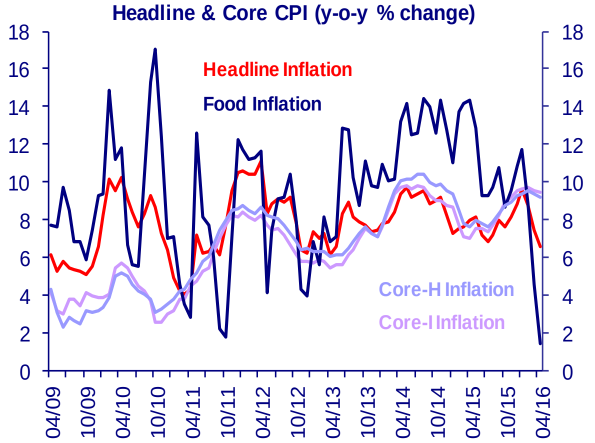


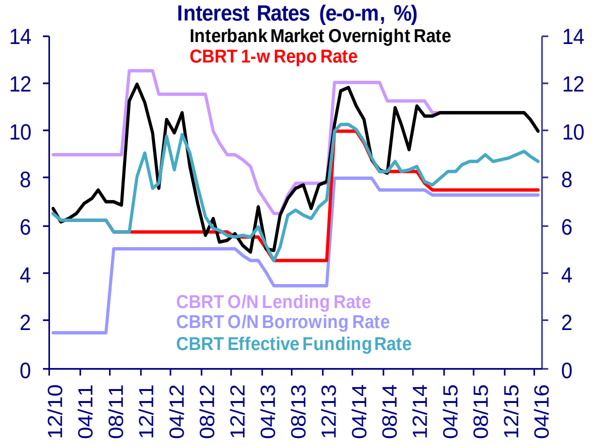


Turkey

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







	9 May	3-M F	6-M F	12-M F
1-m TRIBOR (%)	10.6	10.6	10.2	9.8
TRY/EUR	3.35	3.32	3.32	3.30
Sov. Spread (2019, bps)	215	205	190	170

	9 May	1-W %	YTD %	2-Y %
ISE 100	79,062	-5.7	8.0	4.6

	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

Political and economic uncertainty on the rise, following PM Davutoglu's resignation. PM A. Davutoglu announced that he will stand down at an extraordinary AKP congress on May 22nd. Davutoglu's departure follows weeks of tensions with President Erdogan regarding: i) the switch to an executive presidency; ii) their influence within the ruling AKP and the cabinet; and iii) the methods used to combat terrorism. Note that the resignation of Davutoglu has put at risk the implementation of the recently-signed EU-Turkey on migrants and visa-free travel. Brussels saw Davutoglu as the more liberal face in the Turkish Government. However, the refusal of the change to the anti-terror law in Turkey, two days ago, jeopardises the visa waiver for Turkish citizens which had been planned for end-June.

Davutoglu's successor is expected to be more willing to back Erdogan's aim of changing the constitution to shift to a presidential political system from the current parliamentary one. A single candidate is expected to run in the intra-party election at the May 22nd congress. Possible nominees could include Deputy PM, N. Kurtulmus, Justice Minister, B. Bozdag, presidential adviser, B. Yildirim, and energy minister, B. Albayrak, who is also President Erdogan's son-in-law.

Unsurprisingly, markets reacted negatively, reflecting rising risks of a change in economic policy and early elections. Market volatility could intensify further if: i) Deputy PM, M. Simsek, seen as an anchor by foreign investors, is excluded from the new cabinet; and/or ii) a referendum or a third election (in less than 18 months) is called to amend the constitution to a presidential system. Note that the AKP currently controls 317 seats in Parliament -- short of the ⅗ majority (at least 330 seats) needed to call a referendum and the ⅔ majority (at least 367 seats) to amend the constitution directly.

Headline inflation declined to a 3-year low of 6.6% y-o-y in April from 7.5% in March, mainly on the back of a sharp downward correction in food prices. Food inflation moderated significantly to its lowest level since the inception of the 2003-based CPI time series (1.4% y-o-y in April against 4.6% in March), reflecting improved domestic supply of unprocessed food.

Encouragingly, core inflation also continued on its downward trend, initiated in March following seven consecutive months of increase, suggesting that the bulk of the impact from the weakening of the TRY has already passed through to prices. The CBRT's favourite core inflation measures, i.e., CPI-H and CPI-I moderated to 9.2% y-o-y and 9.4% y-o-y, respectively, in April from 9.3% and 9.5% in March.

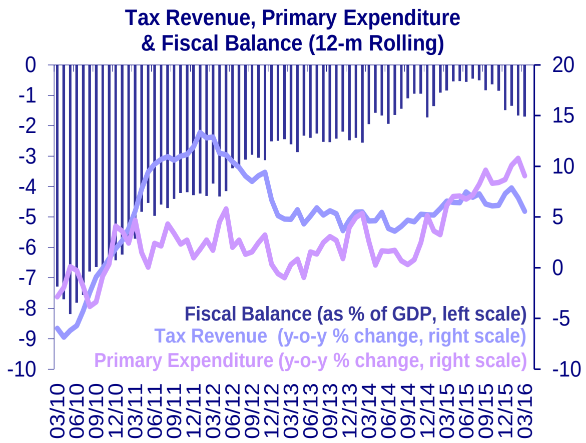
Looking ahead, we expect headline inflation to embark on a steady upward trend from May 2016, ending the year at 7.8% y-o-y, below the end-2015 outcome of 8.8% but above the CBRT's target of 5.0% and forecast of 7.5%. The expected acceleration in headline inflation from this month should be driven by: i) a gradual normalization in food prices; ii) less favourable global oil prices; and iii) second-round effects from the 30% hike in the minimum wage from January 1st.

Despite the sharp deceleration in inflation in April, we expect the CBRT to refrain from cutting further the upper bound of its interest rate corridor at the next MPC meeting on May 24th, due to the recent spike in risk aversion for Turkish financial assets. Recall that following a 12-month pause, the CBRT cut the upper bound of its corridor (overnight lending rate) by 75 bps to 10.0% at the past two MPC meetings. The central policy rate (1-week repo rate) as well as the lower bound of the interest rate corridor (the overnight borrowing rate) have been kept on hold at 7.5% and 7.25%, respectively, since February 2015, while the CBRT's effective funding continues to hug the upper bound of the corridor, reflecting the tight liquidity policy being followed by the CBRT.

Romania

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

Consolidated Budget (% of GDP)	2015 Outcome	3M:14	3M:15	2016 Budget	2016 NBG Forecast
Total Revenue	32.8	7.7	7.5	31.0	31.4
Tax Revenue	27.5	6.8	6.7	26.6	26.9
o/w PIT/CIT	5.7	1.3	1.4	5.4	5.4
VAT	8.0	2.0	1.9	7.0	7.4
Excise Duties	3.6	0.8	0.8	3.7	3.7
Property Tax	0.8	0.3	0.2	0.8	0.8
Soc. Sec. Contr.	8.1	1.9	1.9	8.3	8.2
Non-Tax Revenue	5.3	0.9	0.7	4.5	4.5
o/w EU grants	2.4	0.3	0.1	1.8	1.8
Total Expenditure	34.2	7.0	7.1	33.8	34.7
Current Spending	28.1	6.5	6.5	29.0	29.8
o/w Wages	7.3	1.8	1.9	7.7	8.0
Social Spending	10.7	2.6	2.7	10.7	11.1
Other Transfers	1.6	0.5	0.4	1.7	1.7
Goods & Services	5.7	1.1	1.1	5.8	5.8
Interest Paym.	1.3	0.2	0.3	1.5	1.5
Subsidies	0.9	0.2	0.1	0.9	0.9
Capital Expend.	6.1	0.5	0.6	4.9	4.9
Fiscal Balance	-1.5	0.7	0.4	-2.8	-3.3
Primary Balance	-0.1	0.9	0.7	-1.3	-1.8



	9 May	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)	229	210	180	150

	9 May	1-W %	YTD %	2-Y %
BET-BK	1,192	-1.6	-11.1	-1.5

	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

The fiscal performance deteriorated in 3M:16, with the 12-month rolling budget deficit widening to 1.7% of GDP from 1.5% in December. In 3M:16, the consolidated budget surplus narrowed by 0.3 pps y-o-y to 0.4% of GDP. Specifically, and contrary to initial expectations, tax revenue weakened only slightly in 3M:16 (by 0.1 pp of GDP y-o-y), despite tax cuts (the VAT rate on food and non-food items was reduced by 4 pps (to 20%) and 15 pps (to 9%) in January 2016 and June 2015, respectively). Non-tax revenue also declined in 3M:16 (by 0.2 pps of GDP y-o-y), mainly due to lower grants from the EU.

On the other side of the budget, primary current spending declined in 3M:16 (by 0.1 pp of GDP y-o-y), partly compensating for the increase in interest payments and capital spending (both up 0.1 pp of GDP y-o-y). Indeed, despite higher personnel expenses and social spending, on the back of the ongoing easing in incomes policy, primary current spending was contained in 3M:16, due to cuts in subsidies and lower discretionary transfers. Regarding incomes policy, recall that, following the broad-based 10.0% hike in public sector wages at end-2015, targeted increases in wages in the broader public sector were made in January. At the same time, pensions were raised (by 5.0%) and social benefits and allowances were increased. Note that the rise in personnel expenses would have been larger in 3M:16 had a court-mandated reinstatement of certain wages in the public sector not taken place in March 2015 (worth 0.2 pps of GDP).

The fiscal performance is set to deteriorate at a faster pace during the remainder of the year in the absence of additional correction measures, pushing the FY:16 budget deficit above its target of 2.8% of GDP. The main concern is the ongoing easing in incomes policy, the cost of which appears to be significantly understated in the Budget. Indeed, despite positive base effects (see above), personnel expenses and social spending are already up 0.2 pps of GDP y-o-y in 3M:16 compared with a targeted FY:16 increase of just 0.4 pps. More worryingly, the authorities plan to proceed with an unbudgeted hike in the minimum wage in May (by 19.0% to RON 1,250 or EUR 280), which is set to weigh further on outlays for social benefits. Overall, we see primary current spending overshooting its FY:16 budget target by 0.8 pps of GDP.

It is important to note that tax revenue should continue to overperform, partly offsetting the expected slippage in primary current spending. Indeed, despite massive tax cuts (including, in addition to the aforementioned cuts in VAT rates, the reduction in the dividend tax rate by 9 pps to 5%, higher personal tax deductions, and tax incentives for small businesses to hire employees), we expect the drop in tax revenue to be smaller than envisaged in the FY:16 budget, reflecting: i) stronger-than-budgeted second-round effects of the tax cuts on consumption; and ii) improved tax compliance as a result of the measures currently being implemented (connection of cash registers with the national tax authority, simplification of VAT reimbursement procedures, intensified tax inspections). As a result, we see tax revenue overperforming its FY:16 target by 0.3 pps of GDP.

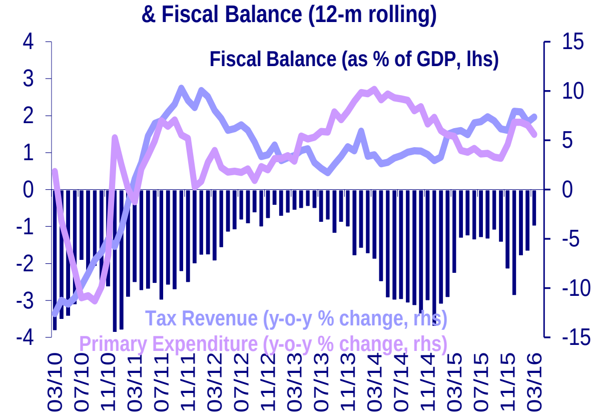
All said, unless corrective measures are adopted, we see the FY:16 budget deficit surpassing the EU's critical threshold of 3.0% of GDP, reaching 3.3% against 1.5% in FY:15. However, with local and parliamentary elections scheduled for mid and end-year, respectively, it is unlikely that the broad-backed technocratic Government will reverse any of the ongoing policies.

Bulgaria

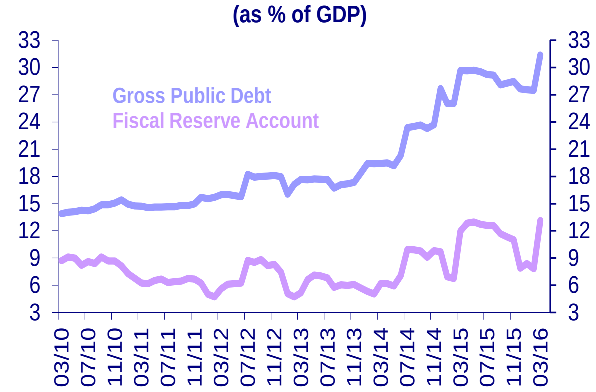
BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)					
	2015 Outcome	3M:15	3M:16	2016 Budget	2016 NBG Forecast
Total Revenue	37.3	9.0	10.3	37.2	37.5
Tax Revenue	28.8	6.9	7.4	29.3	29.6
Non-Tax Rev.	4.3	1.3	1.4	5.0	5.0
Grants	4.2	0.9	1.5	2.9	2.9
Total Expenditure	40.2	8.7	8.2	39.2	39.1
Current Spending	32.3	7.8	7.7	32.3	32.2
o/w Wages	5.4	1.3	1.3	5.4	5.4
Goods & Services	5.2	1.2	1.1	5.4	5.3
Subsidies	1.9	0.5	0.4	1.6	1.6
Social Spending	16.1	3.9	4.0	16.2	16.2
Interest Payments	0.8	0.3	0.4	0.9	0.9
Capital Expend.	7.9	0.9	0.4	6.9	6.9
Fiscal Balance	-2.9	0.3	2.1	-2.0	-1.6

Tax Revenue, Primary Expenditure & Fiscal Balance (12-m rolling)



Gross Public Debt & Fiscal Reserves (as % of GDP)



	9 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)	197	180	160	130

	9 May	1-W %	YTD %	2-Y %
SOFIX	444	0.4	-3.6	-26.5

	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

Significant fiscal consolidation in 3M:16, with the 12-month rolling budget deficit narrowing to 1.0% of GDP in March from 2.9% at end-2015. In the first three months of 2016, the consolidated budget surplus widened by a sizeable 1.8 pps y-o-y to 2.1% of GDP. This performance is largely attributed to an across-the-board improvement in budget revenue (up 1.3 pps of GDP y-o-y in 3M:16). Specifically, tax revenue increased in 3M:16 (by 0.6 pps of GDP y-o-y), reflecting the hike in the excise duty on tobacco and fuel, better tax collection as well as base effects from changes in the tax calendar. Moreover, non-tax revenue was up slightly in 3M:16 (by 0.1 pp of GDP y-o-y), while grants from the EU rose markedly (by 0.6 pps of GDP y-o-y), due to advance payments under the EU Operational Programmes available for use in 2014-20 and delayed refunds for expenses incurred at end-2015. At the same time, budget spending was contained (down 0.5 pps of GDP y-o-y in 3M:16), but this was solely due to temporary lower capital spending, rather than a sustained decline in current spending.

Although the fiscal performance is set to deteriorate during the remainder of the year, the FY:16 budget should overperform its deficit target of 2.0% of GDP. Tax revenue should weaken during the remainder of the year, reflecting the slow economic recovery (FY:16 nominal GDP growth is forecast at just 2.7%, due, *inter alia*, to persistently low inflation) and "pay-back" for the positive base effects of the first three months of the year. Nevertheless, we expect tax collection to overperform its FY budget target, in view of the performance y-t-d (up 11.1% y-o-y in 3M:16 against a FY:16 budget target of 4.6%) and improving tax compliance.

On the other side of the budget, the FY:16 current spending target (up 3.2%) appears attainable, in view of the y-t-d performance (up 2.3% y-o-y in 3M:16). Indeed, despite the hike in the minimum wage (by 10.5% to EUR 215 in January) and pensions (by 2.5% in July), social spending should remain broadly contained, in view of tighter means testing. The main risk could be from the healthcare system, which is significantly underfinanced (public expenditure on healthcare accounts for c. 4.5% of GDP, well below the EU average).

Public investment is also expected to accelerate during the remainder of the year, in view, *inter alia*, of the large discrepancy between the y-t-d absorption of EU funds and the execution of the investment programme. Note that EU fund allocations amount to 2.9% of GDP in FY:16, significantly lower compared with FY:15 (4.2%), as the authorities forfeit unused funding allocated for use during 2007-13.

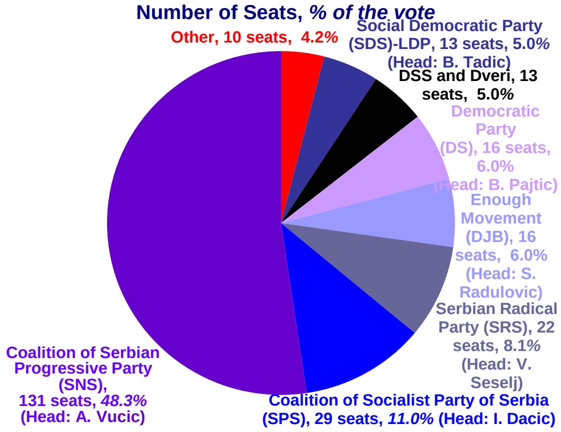
All said, we see the FY:16 budget deficit narrowing to 1.6% of GDP from 2.9% in FY:15, undershooting its target of 2.0%. Importantly, excluding receipts from the concession of Sofia and Plovdiv airports (expected in Q3:16 and projected at 0.7% of GDP), the envisaged fiscal consolidation would be smaller than suggested by headline figures.

Bulgaria's sovereign debt issue in March provides adequate financing until end-year. Recall that Bulgaria raised EUR 2.0bn (4.4% of GDP) from international capital markets in March, restoring its fiscal reserves to adequate levels (currently at 13.2% of GDP, still lower than a pre-crisis high of c. 18%). According to the Minister of Finance, the proceeds of the issue will be used to cover the budget deficit and build a liquidity buffer ahead of the completion of the asset quality review and stress tests which the BNB has recently launched. Overall, we project gross public debt to rise to 32.0% of GDP at end-2016 from 27.6% at end-2015, still far below the EU-28 average (c. 87% of GDP).

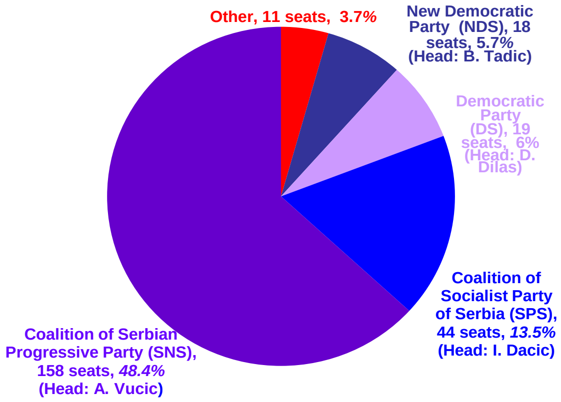
Serbia

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

Results of 2016 Parliamentary Elections
Number of Seats, *% of the vote*



Results of 2014 Parliamentary Elections
Number of Seats, *% of the vote*



Key Dates in Serbia's Path towards EU Membership	
14 December 2015	Negotiations open on two Chapters of the *acquis*: Chapter 32 on Financial control and Chapter 35 on the Normalization of relations with Kosovo
21 January 2014	Opening of Accession Negotiations
1 September 2013	The Stabilisation and Association Agreement (SAA) between the EU and Serbia enters into force
1 March 2012	The European Council grants Serbia EU candidate status
1 February 2010	Entry into force of the Interim Agreement on Trade
19 December 2009	Entry into force of the Visa liberalisation with Serbia

	9 May	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.2	3.4	3.8
RSD/EUR	122.7	123.2	124.0	125.0
Sov. Spread (2021, bps)	311	290	240	180

	9 May	1-W %	YTD %	2-Y %
BELEX-15	619	0.3	-1.9	6.4

	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

The pro-Presidential Serbian Progressive Party (SNS) remains in power, following a landslide victory in the April 24th parliamentary elections. The senior party of the outgoing Government-coalition, the pro-Presidential SNS, gained 48.3% of the vote in the April 24th legislative elections, retaining an absolute majority (131 seats in the 250-seat assembly). Note that although its rating remains unchanged from the 2014 legislative elections, the number of its seats declined by 27 in the new assembly, due to the entry of several parties to parliament (7 against 4 in 2014 elections, excluding minorities). The SNS leader, A. Vucic, is set to remain as PM for a new 4-year term.

Recall that the election -- held 2 years before schedule -- was sought by the SNS in view of the need for a strong 4-year mandate in order to be able to make tough decisions to ensure Serbia's EU membership in 2020 (as well as its rising popularity).

The SNS gained strong public support, outpacing its competitors by a wide margin, despite having implemented unpopular fiscal consolidation measures in 2014-15 (including sizeable pension and public sector wage cuts and tax hikes). The SNS voter support has benefited from its pro-EU agenda (that led to the opening of the first two negotiating Chapters in December), its efforts in the fight against corruption and tax evasion, and PM Vucic's strong personal popularity.

The junior coalition party, the Socialist Party (SPS), led by deputy PM and Foreign Minister, I. Dacic, was second, with 11.0% of the vote (slightly below the 13.5% in 2014 elections), securing 29 seats.

The opposition parties are fragmented and lagged far behind. In fact, two nationalist parties -- that did not succeed in entering parliament in 2014 -- passed the 5.0% threshold: i) the Serbian Radical Party (SRS), led by the recently-acquitted war-crimes suspect Vojislav Seselj, came third, becoming the main opposition party with 8.1% of the vote and 22 seats; and ii) the Democratic Party of Serbia (DSS), founded by the former PM V. Kostunica, secured 5.0% of the vote and 13 seats.

Three more parties entered the new assembly: i) the new reformist liberal party "Enough is Enough Movement", led by a former Minister of Economy, S. Radulovic, securing 6.0% of the vote and 16 seats; ii) the Democratic Party (DS), currently headed by B. Pajtic, with 6.0% of the vote and 16 seats; and iii) the coalition of the Social Democratic Party (SDS) of former President B. Tadic with the Liberal Democratic Party (LDP), gaining 5.0% of the vote and 13 seats. Minority parties hold 10 seats in the new assembly.

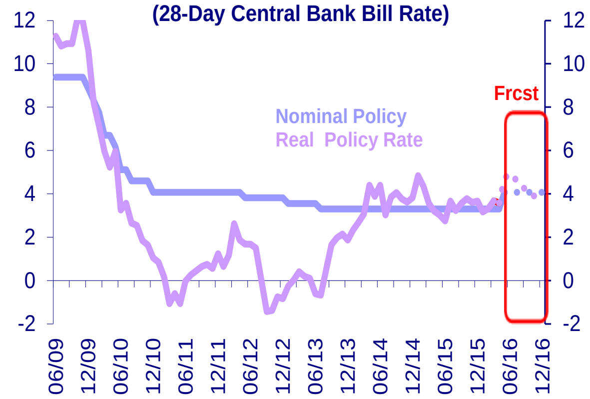
Despite gaining an outright majority, PM Vucic has announced his intention to form a coalition -- as he did in the wake of the 2014 elections -- in order to have broader support for his reforms. The formation of the new Government is expected by end May, and we expect it to entail the parties of the outgoing majority (SNS and SPS, together holding 160 seats) and some minority parties.

The strong mandate should enable the SNS implement long-awaited IMF-supported structural reforms, needed to contain the fiscal deficit and reverse the worsening public debt dynamics. Painful reforms agreed with the IMF include: i) public employment rightsizing (down by 10.8% by 2017); ii) the continued freeze in public sector wages and pensions until 2018; and iii) the resolution of 500 loss-making state-owned enterprises, as well as reforms in large public utilities and transport companies. Moreover, the Government, with the strong support of the new Parliament, is set to accelerate a wide-range of EU-related reforms, including enhanced efforts in the normalization of its relations with Kosovo, to meet its EU membership date target (2020). Note that accession negotiations could last 6-7 years, based on the Croatian experience. The ratification by all member states could take a further 2 years, implying that Serbia will not join the EU before 2022.

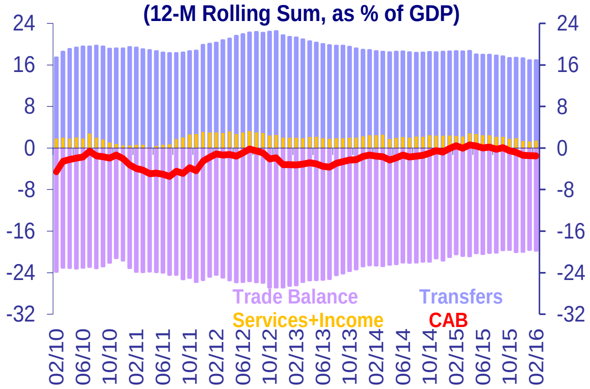
F.Y.R.O.M.

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

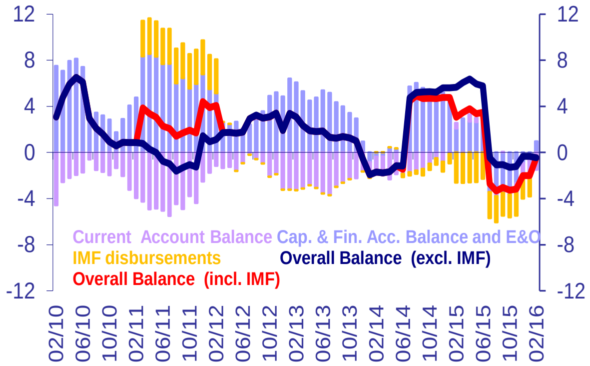
Policy Rate (%)
(28-Day Central Bank Bill Rate)



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



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



	9 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

	9 May	1-W %	YTD %	2-Y %
MBI 100	1.748	0.1	-4.7	-0.4

	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

The deepening domestic political crisis prompts the Central Bank to tighten its monetary policy stance. Despite subdued inflation (-0.7% y-o-y in April), the CB raised the ceiling of its key policy rate (the 28-day CB-bills rate) by 75 bps to 4.0% at its May meeting, after keeping it on hold for almost 3 years.

According to the Central Bank, this move was prompted by "*increased demand for foreign currency and pressures on banks' deposit base*", reflecting the escalating domestic political crisis, following the violation of the terms of the July 2015 EU-mediated Przino agreement, aimed at ending two years of domestic political uncertainty.

Under the Przino accord, a special prosecutor was appointed to investigate a wiretapping scandal, and elections were scheduled for June 5th. However, President G. Ivanov recently pardoned prominent politicians alleged to be involved in the wiretapping affair, including former PM N. Gruevski -- a political ally. Moreover, 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: i) media reform, to reduce government influence; and ii) the conduct of a thorough review of the electoral roll. These developments have resulted in: i) intensifying street protests; ii) the announcement of a boycott of the elections by the main opposition party, the SDSM; and iii) the EU threat of sanctions against politicians obstructing the implementation of the Przino agreement, including freezing of assets and travel bans. We expect the June 5th elections to be postponed, and the political crisis to end in Q4:16 with the help of the EU through a new agreement (Przino 2).

The current account deficit (CAD) widened to 1.5% of GDP in February from 1.4% at end-2015, on a 12-month rolling basis, due to lower transfers. During the first two months of 2016, the current account balance deteriorated by 0.1 pp y-o-y to a surplus of 0.3% of GDP. Specifically, the transfers surplus narrowed markedly in 2M:16 (by 0.3 pps y-o-y to 2.1% of GDP), due to base effects from: i) a surge in the conversion of "under the mattress" CHF (following recent strong appreciation of the CHF, which is accounted as private transfers by the CB); and, to a lesser extent, ii) large agricultural subsidies from the EU in 2M:15. The deterioration of the current account would have been sharper had the trade deficit not narrowed (by 0.2 pps y-o-y to 2.3% of GDP), mainly on the back of an increase in exports, in line with the ongoing broadening of the country's export base.

The capital and financial account (CFA) deficit narrowed by 0.3 pps y-o-y to 0.5% of GDP in 2M:16. The improvement in the CFA was mainly supported by lower "other net capital" outflows, on the back of a decline in net placement of deposits abroad by domestic banks. Reflecting CAB and CFA developments in 2M:16, the overall balance recorded a deficit of EUR 28.9mn (or 0.3% of GDP).

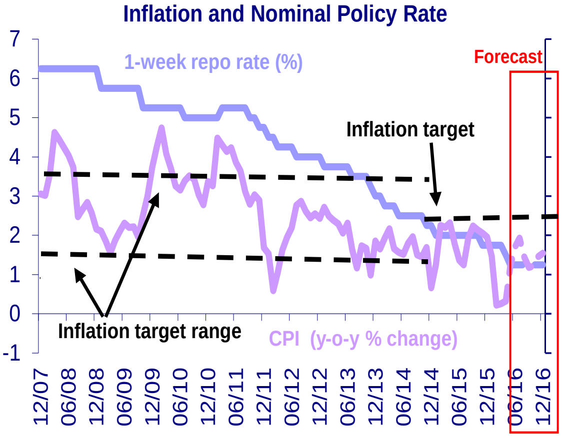
The CAD is set to widen further, ending the year at 2.0% of GDP. Importantly, despite no debt repayments to the IMF this year (against 1.8% of GDP in FY:15), filling the external financing gap should not be easy due to the ongoing political crisis. Projecting that: i) net FDI inflows decline to 1.4% of GDP against 1.9% of GDP in FY:15); ii) net portfolio investment inflows moderate (to c. 0% of GDP from 0.7% of GDP in FY:15); and iii) the maturing external debt rollover rate declines (to 90% from 100% in FY:15), we foresee FX reserves retreating significantly, by EUR 180mn in FY:16, following a decline of EUR 175mn in 2015, bringing down FX reserves to EUR 2.0bn at end-2016 (covering 4.0 months of GNFS imports).

Albania

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

Consolidated Fiscal Balance (% of GDP)	2015	3M:15	3M:16	2016 Budget	NBG 2016F
Revenue	26.2	6.1	6.4	27.5	26.2
Tax Revenue	23.8	5.3	5.9	24.8	24.0
PIT	2.0	0.4	0.5	2.1	1.9
CIT	1.7	0.6	0.7	1.6	1.7
VAT	8.7	1.9	2.0	9.1	8.7
Excises	2.7	0.5	0.6	2.9	2.5
Customs	0.4	0.1	0.1	0.4	0.4
Other taxes	8.3	1.8	2.0	8.7	8.7
Grants	0.6	0.1	0.1	0.9	0.6
Non-Tax Rev.	1.8	0.6	0.4	1.9	1.6
Expenditure	29.8	6.3	5.5	29.8	28.4
Current Exp.	24.1	5.2	5.0	25.3	24.6
Personnel	5.0	1.2	1.1	4.7	4.7
Operational	3.0	0.4	0.4	2.9	3.0
Subsidies	0.1	0.0	0.0	0.1	0.1
Social Insur.	9.5	2.2	2.2	10.0	9.7
Local Budget	2.3	0.4	0.4	3.3	3.0
Other Exp.	1.5	0.3	0.3	1.5	1.3
Int. Payments	2.7	0.6	0.6	2.8	2.8
Capital Exp.	4.1	0.6	0.4	3.9	3.5
Net Lending/Arrears	1.3	0.5	0.0	0.3	0.3
Contingency Reser.	0.3	0.0	0.0	0.2	0.0
Fiscal Bal.	-3.6	-0.4	0.9	-2.3	-2.3
Primary Bal.	-0.9	0.1	1.5	0.6	0.6
Fiscal Bal. [e]	-2.4	0.1	0.8	-2.3	-2.3
Primary Bal. [a]	0.3	0.6	1.5	0.6	0.6

a: excluding the clearance of arrears



	9 May	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.7	2.2	2.2	2.2
ALL/EUR	138.3	139.2	138.2	139.0
Sov. Spread (bps)	481	500	450	400

	9 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	-11.0	-10.9	-10.7
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.3	-2.0

Significant fiscal consolidation in Q1:16, due to a strong revenue performance as well as primary expenditure restraint. The cumulative fiscal surplus (excluding the repayment of arrears) increased by 0.7 pps y-o-y to 0.9% of GDP in Q1:16, due to a rise in revenue (up by 0.3 pps of GDP y-o-y in Q1:16) and lower expenditure (excluding arrears, down 0.3 pps of GDP y-o-y).

The impressive tax revenue performance in Q1:16 was broad-based (up 0.6 pps of GDP y-o-y). It was supported by higher excise tax revenue (up 0.1 pp of GDP y-o-y), due to a surge in tobacco imports (that remained low during the same period a year ago, due to advance imports ahead of the increase in the excise tax on cigarettes from January 1st 2015). The positive revenue performance was also underpinned by the Government's large-scale campaign against tax evasion, launched in early September, focusing on companies that are unregistered, understating payrolls, not using cash registers or not issuing invoices. As a result, VAT, social contributions, profit and personal income tax revenue increased (each up 0.1 pp of GDP), due to the large rise in the number of registered small businesses and registered employment and higher declared transactions.

On the other hand, expenditure restraint was mainly driven by lower capital expenditure (falling by 0.2 pps of GDP y-o-y in Q1:16).

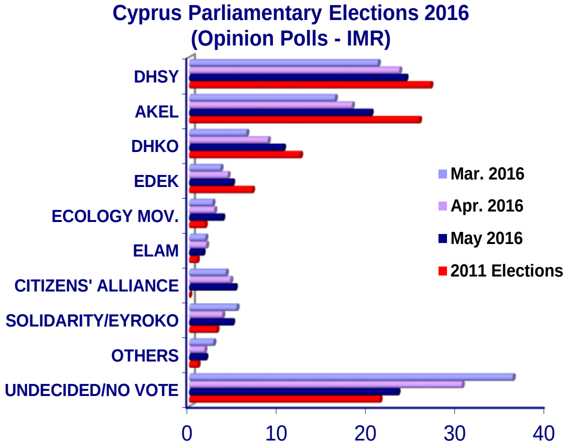
As a result, the 12-month rolling fiscal deficit (excluding the repayment of arrears) narrowed to a 17-month low of 1.7% of GDP in March from 2.4% at end-2015. Note that, including the clearance of accumulated arrears (down to 0.0 pps of GDP in Q1:16 from 0.7 pps in Q1:15), the 12-month rolling deficit narrowed at a faster pace, to an 8½-year low of 2.4% of GDP in March from 3.6% at end-2015.

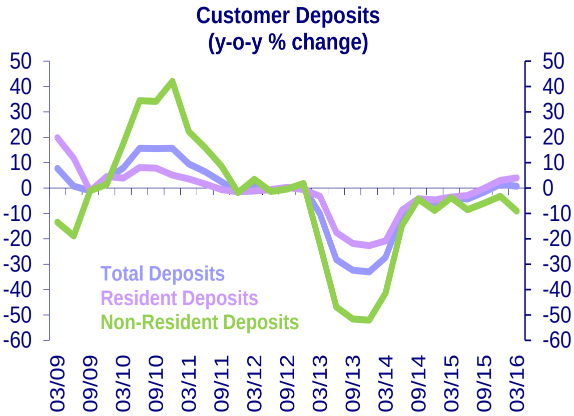
Meeting the 2016 fiscal deficit target requires expenditure restraint. The 2016 Budget envisages a broadly neutral stance, targeting a deficit of 2.3% of GDP, 0.1 pp below the FY:15 outcome, excluding arrears paid in FY:15 (a contractionary fiscal stance, projecting a deficit of 2.3% of GDP this year against an outcome of 3.6% in FY:15, including the clearance of arrears). The Budget revenue growth target of 10.7% appears overly optimistic, despite the good revenue performance in Q1:16. The latter was supported by low base effects and gains from the campaign against informal employment. Meanwhile, lower royalties are expected from the oil sector, due to the decline in global oil prices and domestic production, as well as lower profit tax in oil industries in 2015. Therefore, in the absence of any major new tax measures, we expect FY:16 revenue growth at 5.4% y-o-y, still above our nominal GDP growth forecast of 4.0% (implying a revenue shortfall of 1.3 pps of GDP). As a result, meeting the FY:16 fiscal deficit target will once again require a significant under-execution of spending (spending growth -- excluding arrears paid in FY:15 -- of 0.6% versus the target of 5.3%). Overall, we expect the FY:16 deficit to be in line with its target of 2.3% of GDP.

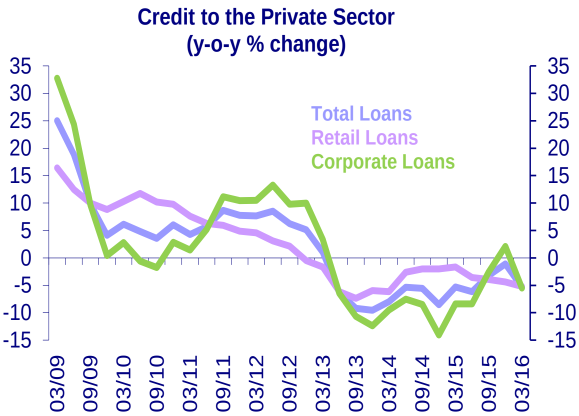
Record-low inflation strengthened the BoA's hand to cut the policy rate by an additional 25 bps in May. The BoA proceeded with a further 25 bp cut in its key policy rate (1-week repo rate) in May, to a record low of 1.25%, following a 25 bp cut in April. Scope for the loosening was provided by low inflation, with headline inflation easing to a low 0.3% y-o-y in April (far below the BoA's target of 3.0%), and core inflation turning negative, reaching -0.5% in April. Low inflation reflects a normalization of food prices, following a sharp flood-induced rise in H1:15, favourable global oil prices, combined with the absence of depreciation pressures on the ALL and a persistent negative output gap. Looking ahead, the BoA is expected to maintain its 1-week repo unchanged by end-2016, in view of the benign inflation outlook, sub-par real GDP growth, low imported inflation and a tight fiscal policy stance.

Cyprus

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







	9 May	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.35	-0.35	-0.35	-0.35
EUR/USD	1.14	1.08	1.06	1.05
Sov. Spread (2020. bps)	399	360	320	250

	9 May	1-W %	YTD %	2-Y %
CSE Index	67	-0.3	-1.1	-36.3

	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

A hung parliament expected in the May 22nd legislative elections. Latest opinion polls show a weakening in popularity for most of the traditional parties compared with the 2011 elections. Furthermore, a new party, Citizens' alliance, is set to enter parliament (possibly securing 4 seats out of 56). Specifically, the senior party of the outgoing government coalition, the conservative Democratic Rally (DISY), is expected to gain 18 seats against 20 in 2011; the main opposition party, the Communist Party (AKEL) 15 seats versus 19 in 2011; the centrist Democratic Party (DIKO) and the Socialist party (EDEK) should see their number of seats declining to 8 and 4, respectively, from 9 and 5 in the previous elections. The Ecology Movement and the junior party in the outgoing government coalition, EUROKO, in alliance with the newly-formed Solidarity Movement, should increase their seats to 3 and 4, respectively, from 1 and 2 in the 2011 elections.

The elections results will have no direct effect on the composition of the Government, as Cyprus operates a presidential political system -- i.e., the President appoints the Cabinet. However, it could complicate policy implementation. Recall that the last review of the 3-year adjustment programme, which expired last March, was not completed, as the privatization of the Cypriot Telecom Authority (CYTA) -- a prior action -- has been blocked by Parliament ahead of the May elections.

Although this year's net financing requirements will be covered by a government cash buffer, the Government needs the support of the new Parliament to resume the reform process. The latter, including the privatisation of CYTA, should help the achievement of an investment grade and enable the return to capital markets.

Growth in customer deposits remains in positive territory in Q1:16. Following an improving trend in the aftermath of the bail-in of uninsured deposits of the two largest banks in early 2013 (Bank of Cyprus and Laiki Bank), customer deposit growth eased to 0.6% y-o-y in March from 1.5% in December 2015. However, adjusted for FX variations, it accelerated to 1.5% y-o-y in March from -0.2% in December 2015, in view of the relatively large share of FX-denominated deposits in total deposits (c. 20.0%) and the weakening of the EUR against the USD (it depreciated by 5.7% y-o-y in March following an appreciation of 11.4% y-o-y in December).

The deceleration in overall deposit growth (unadjusted) was driven by a higher drag from non-resident deposits, accounting for c. 23% of total deposits -- down 9.1% y-o-y in March compared with a decline of 3.3% in December 2015. Specifically, deposits from third countries declined sharply (down 18.7% y-o-y in March against a decline of 12.8% y-o-y in December 2015), more than offsetting a strong increase in deposits from euro area countries (up 30.1% y-o-y in March compared with an increase of 37.9% in December 2015), on the back of rising confidence in the Cypriot economy and still attractive interest rates for households. Importantly, growth in resident deposits accelerated to 4.0% y-o-y in March from 3.0% y-o-y in December 2015, despite the removal of all restrictions on transferring money abroad since early-April 2015 and moderating interest rates.

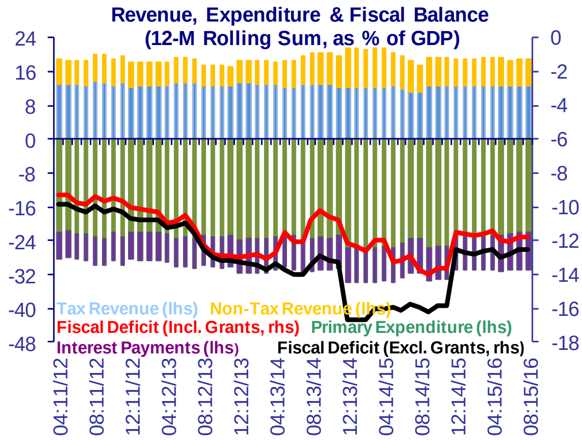
Banking sector deleveraging accelerates in Q1:16. Credit to the private sector declined by 5.3% y-o-y in March compared with a decrease of 1.1% in December 2015. Adjusted for FX variations, the decline in lending activity accelerated at a slower pace (down 4.7% in March against -2.4% in December 2015). The ongoing banking sector deleveraging reflects efforts to downsize the intermediation of domestically-owned banks (loans-to-GDP ratio receded to 278% of GDP in March from 287% in December 2015 and 315% in December 2012) towards the euro area average (c.106% of GDP in March).

Egypt

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

Fiscal Accounts (% of GDP)	2014/15 Outcome	8M: 2014/15 Outcome	8M: 2015/16 Outcome	2015/16 Budget	NBG 2015/16 Forecast
Revenue	19.1	8.6	9.0	22.1	19.7
Tax Revenue	12.6	6.2	6.5	15.0	13.6
Income Tax	5.3	2.0	2.1	5.6	5.6
Personal Income	1.6	0.9	0.9	1.8	1.7
Corporate Income	3.8	1.2	1.2	3.9	3.9
Property Taxes	0.9	0.6	0.6	1.5	1.0
Taxes on G. & S.	5.1	3.1	3.2	6.5	5.4
Taxes on Int. Trade	0.9	0.5	0.5	1.0	1.1
Other Taxes	0.4	0.0	0.1	0.4	0.5
Grants	1.0	0.3	0.1	0.1	0.1
Other Revenue	5.5	2.1	2.4	7.0	6.0
Expenditure	30.6	16.2	16.9	31.0	31.5
Wages & Salaries	8.2	5.2	4.8	7.7	7.6
Purch. of G. & S.	1.3	0.7	0.6	1.5	1.4
Interest Payments	7.9	4.4	5.4	8.7	9.1
Subsidies, grants & social benefits	8.2	3.2	3.5	8.2	8.6
Other Expenditure	5.1	2.8	2.6	4.9	4.8
Fiscal Balance	-11.5	-7.7	-7.9	-8.9	-11.8
Primary Balance	-3.6	-3.3	-2.5	-0.3	-2.7
Fiscal Balance *	-12.5	-8.0	-8.0	-9.0	-11.9
Primary Balance *	-4.6	-3.6	-2.6	-0.3	-2.8

*: Excluding grants



	9 May	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	10.8	10.8	10.8	10.5
EGP/USD	8.88	8.95	9.20	9.50
Sov. Spread (2020. bps)	438	400	300	220

	9 May	1-W %	YTD %	2-Y %
HERMES 100	697	-1.2	10.6	-14.9

	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	12.5	11.0
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

The fiscal deficit widened in the first eight months of the fiscal year, due to a sharp increase in interest payments. The primary fiscal deficit narrowed by 0.8 pps y-o-y to 2.5% of GDP in 8M:15/16 (July 2015-February 2016), due to both higher revenue and lower primary expenditure. However, a sharp increase in interest expenditure in 8M:15/16 (up 1.0 pp y-o-y to 5.4% of GDP), reflecting the ballooning stock of public debt and rising cost of borrowing, more than offset the improvement in the primary balance, raising the overall fiscal deficit to 7.9% of GDP from 7.7% in 8M:14/15.

Specifically, despite higher grants to the pension Fund, primary expenditure receded by 0.3 pps of GDP y-o-y, mainly on the back of a lower wage bill following the implementation of the new civil service law. The law is estimated to save as much as EGP 22.0bn (0.8% of 2015/16 GDP) this fiscal year. On the other hand, despite lower grants from Gulf countries, revenue in 8M:15/16 rose by 0.4 pps of GDP y-o-y, mainly on the back of stronger CBE dividends.

The FY:15/16 deficit is set to surpass not only its target of 8.9% of GDP but also the past year's outcome of 11.5% of GDP. The 2015/16 Budget targets a deficit of 8.9% of GDP compared with the FY:14/15 outcome of 11.5%. In view of the negative y-t-d performance, unrealistic 2015/16 Budget assumptions, and the negative impact of the recent devaluation of the domestic currency on interest payments and subsidies, the fiscal deficit target is set to be missed by a wide margin.

Indeed, the envisaged increase in tax revenue (up 38.1% versus the FY:14/15 outcome) appears highly over-optimistic, in view of the projected nominal GDP growth (16.0%) and the absence of revenue-enhancing measures. Note that the replacement of Egypt's current complex sales taxes by a VAT (projected to boost budget revenue by EGP 32.0bn or 1.7% of GDP) was the only measure envisaged for this fiscal year; however, its implementation, set to take effect last July, has been postponed. We expect a revenue shortfall of 2.4 pps of GDP.

On the other hand, the expenditure target (up 17.9% compared with the FY:14/15 outcome) also appears unattainable, in view of higher-than-budgeted subsidies and interest payments. Indeed, the positive impact on fuel subsidies from weaker-than-projected global oil prices will be more than offset by the negative impact from the sharp devaluation of the domestic currency (by 12.7% to EGP 8.95 per USD on March 14th), especially on food subsidies. Moreover, interest payments will exceed their target, following the CBE's sharp hike of its policy rates by 150 bps, 3 days after the devaluation.

Overall, without additional measures and/or assistance from Gulf countries (down 0.9 pps y-o-y to 0.1% of GDP this fiscal year), we see the FY:15/16 fiscal deficit at 11.8% of GDP, exceeding not only its target of 8.9% of GDP, but also the FY:14/15 outcome of 11.5% of GDP. However, excluding grants, the FY:15/16 deficit is set to moderate to 11.9% of GDP from 12.5% in FY:14/15.

A stand-by agreement with the IMF likely to be signed in early-2016/17. In view of the worsening twin deficits (see Table), the exacerbating FX shortages, and the difficult access to international capital markets, the authorities are expected to seal a deal with the IMF in Q1:16/17 (July-September). Encouragingly, the new Parliament, dominated by supporters of President el-Sissi, is about to approve a 2-year programme that could be the basis for talks on this agreement. The programme comprises a series of reforms recommended by a Fund delegation a few months ago, including: i) the long-awaited replacement of the current complex sales' taxes by a VAT; ii) additional cuts in energy subsidies; and iii) a gradual move towards a more flexible exchange rate policy.

FOREIGN EXCHANGE MARKETS, MAY 9TH 2016

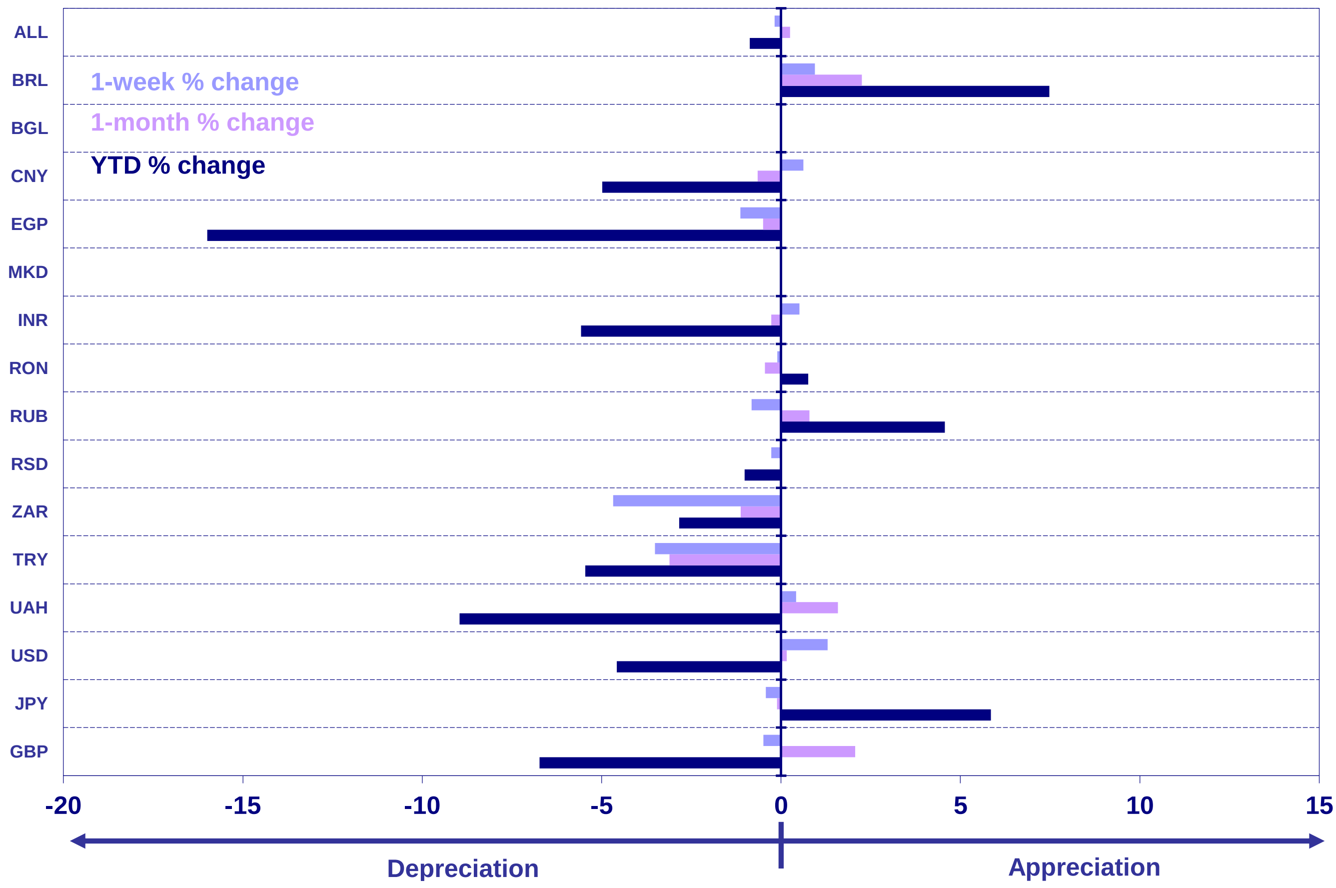
Against the EUR

	Currency	2016 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**	2015 % change*	2014 % change*
Albania	ALL	138.3	-0.2	0.3	-0.9	1.6	137.5	139.5	138.8	138.6	136.9	2.0	0.1
Brazil	BRL	4.00	0.9	2.2	7.5	-14.7	3.90	4.55	4.58	4.56	4.53	-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	7.41	0.6	-0.6	-5.0	-6.5	6.99	7.52	7.64	7.64	7.63	6.7	10.8
Egypt	EGP	10.10	-1.1	-0.5	-16.0	-16.2	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	76.1	0.5	-0.3	-5.6	-6.3	71.3	77.8	81.8	- - -	- - -	6.6	12.3
Romania	RON	4.49	-0.1	-0.4	0.8	-0.9	4.45	4.56	4.49	4.50	4.51	-0.8	-0.5
Russia	RUB	75.8	-0.8	0.8	4.6	-24.6	72.8	93.8	77.8	79.4	83.7	-15.1	-32.8
Serbia	RSD	122.7	-0.3	0.0	-1.0	-1.6	121.6	123.7	123.2	123.7	- - -	-0.1	-5.6
S. Africa	ZAR	17.3	-4.7	-1.1	-2.8	-22.0	16.02	18.58	17.6	18.0	18.8	-16.6	3.0
Turkey	YTL	3.35	-3.5	-3.1	-5.5	-10.3	3.12	3.37	3.44	3.53	3.71	-10.8	4.4
Ukraine	UAH	28.6	0.4	1.6	-9.0	-20.2	25.06	30.16	28.7	- - -	- - -	-27.5	-40.8
US	USD	1.14	1.3	0.2	-4.6	-2.0	1.1	1.2	1.14	1.14	1.15	11.4	13.6
JAPAN	JPY	123.3	-0.4	-0.1	5.8	8.6	121.5	132.3	123.3	123.3	123.2	11.0	-0.1
UK	GBP	0.79	-0.5	2.1	-6.7	-9.4	0.7	0.8	0.79	0.79	0.80	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 9th 2016)



Money Markets, May 9th 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	- - -	10.8	- - -	- - -	0.5	11.8	- - -	10.5	8.5	18.3	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.5	11.0	2.9	- - -	8.1	- - -	- - -	- - -
S/W	1.6	14.1	-0.1	2.3	-0.4	- - -	1.3	- - -	- - -	10.7	2.9	- - -	8.1	19.0	-0.4	0.4
1-Month	1.7	14.1	0.0	2.8	-0.3	- - -	1.6	7.1	0.6	11.5	3.1	10.6	8.1	21.0	-0.3	0.4
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	11.6	3.2	10.6	8.1	- - -	-0.3	0.5
3-Month	1.9	14.1	0.1	2.9	-0.3	- - -	1.9	7.3	0.8	11.4	3.3	10.7	8.3	21.7	-0.3	0.6
6-Month	2.0	13.9	0.3	2.9	-0.1	- - -	2.3	- - -	1.0	11.4	3.5	10.7	8.1	- - -	-0.1	0.9
1-Year	2.1	13.3	0.7	3.0	0.0	- - -	2.9	- - -	1.2	11.3	- - -	10.7	8.9	- - -	0.0	1.2

Local Debt Markets, May 9th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	0.9	- - -	- - -	- - -	- - -	12.7	1.6	6.8	- - -	11.5	2.9	9.0	- - -	- - -	-0.5	0.2
6-Month	1.2	- - -	- - -	- - -	- - -	13.7	2.1	6.9	0.6	11.6	3.3	9.3	- - -	- - -	-0.6	0.4
12-Month	1.5	- - -	0.2	2.2	- - -	13.9	2.6	7.0	0.8	9.5	4.1	9.5	- - -	18.3	-0.5	0.5
2-Year	1.9	- - -	- - -	2.6	- - -	- - -	2.0	7.1	0.9	9.5	- - -	9.7	7.9	19.6	-0.5	0.7
3-Year	- - -	- - -	0.6	2.7	2.8	- - -	2.7	7.3	2.0	9.3	- - -	9.6	8.3	20.0	-0.5	0.9
5-Year	- - -	12.6	- - -	2.7	- - -	16.1	2.7	7.4	2.8	9.1	7.0	9.7	8.5	- - -	-0.4	1.2
7-Year	- - -	- - -	1.7	- - -	3.8	17.2	- - -	7.6	3.2	9.0	- - -	- - -	- - -	- - -	-0.2	1.5
10-Year	- - -	12.8	2.5	2.9	4.0	17.3	3.9	7.4	3.6	8.9	- - -	9.7	9.1	- - -	0.1	1.8
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.9	- - -	9.0	- - -	- - -	9.6	- - -	0.4	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.9	- - -	- - -	- - -	- - -	9.9	- - -	0.8	2.6

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

Corporate Bonds Summary, May 9th 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	547	498
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.6	608	572
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.5	294	251
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.8	132	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.5	99	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.1	288	299
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	147	113
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.9	344	306
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.7	317	280
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.4	403	342
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.2	498	478

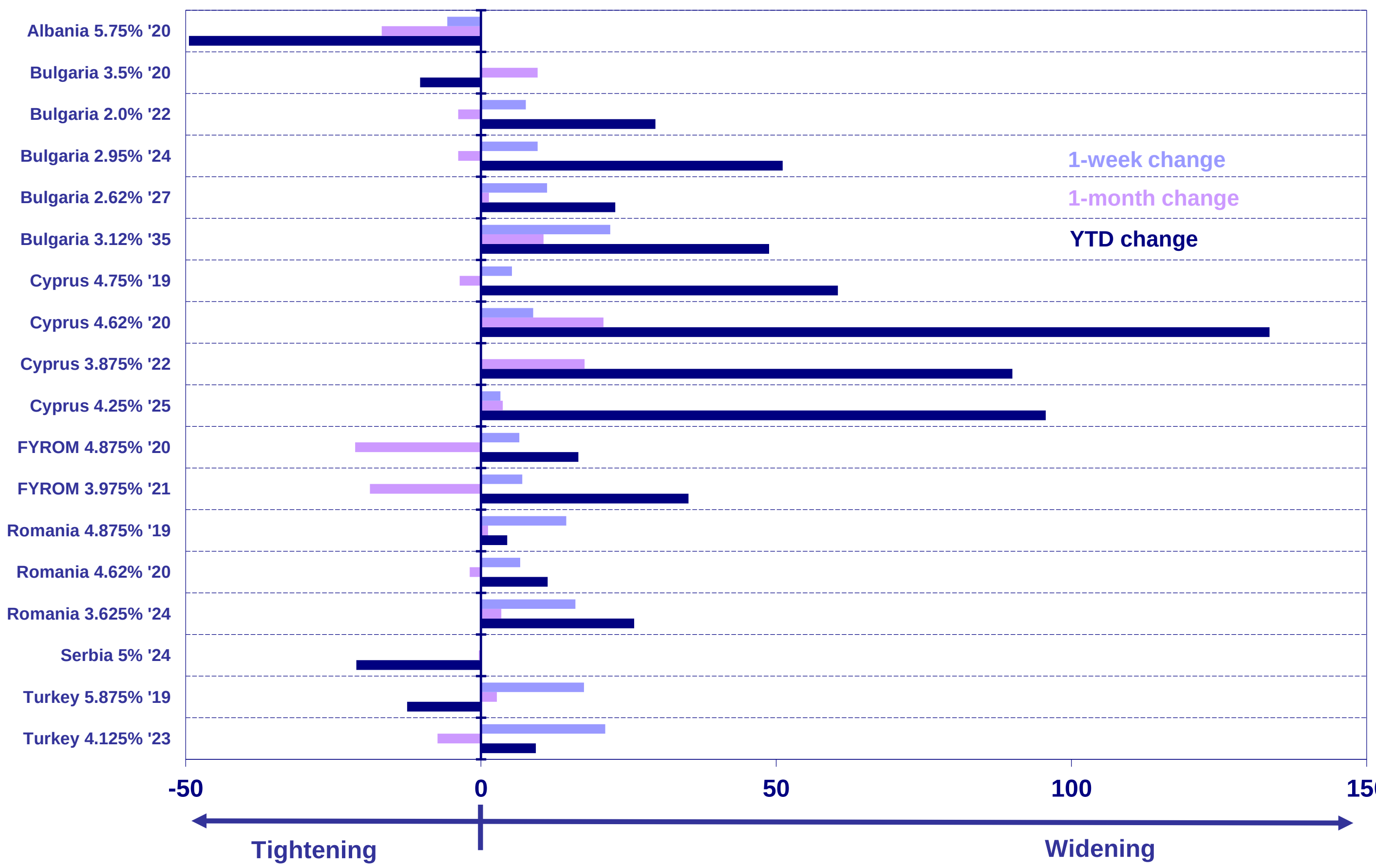
Credit Default Swap Spreads, May 9th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	339	159	128	- - -	494	- - -	- - -	117	260	257	265	303	- - -
10-Year	- - -	405	205	174	- - -	506	- - -	- - -	158	309	305	318	356	- - -

EUR-Denominated Sovereign Eurobond Summary, May 9th 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	481	436
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.8	131	99
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	197	160
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.3	242	199
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.6	248	198
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.6	300	247
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	2.8	330	300
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.4	399	356
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.8	405	363
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	4.0	389	354
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	4.6	533	466
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	104	75
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.8	126	93
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	229	197
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.7	382	354
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.6	215	189
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	2.9	317	285

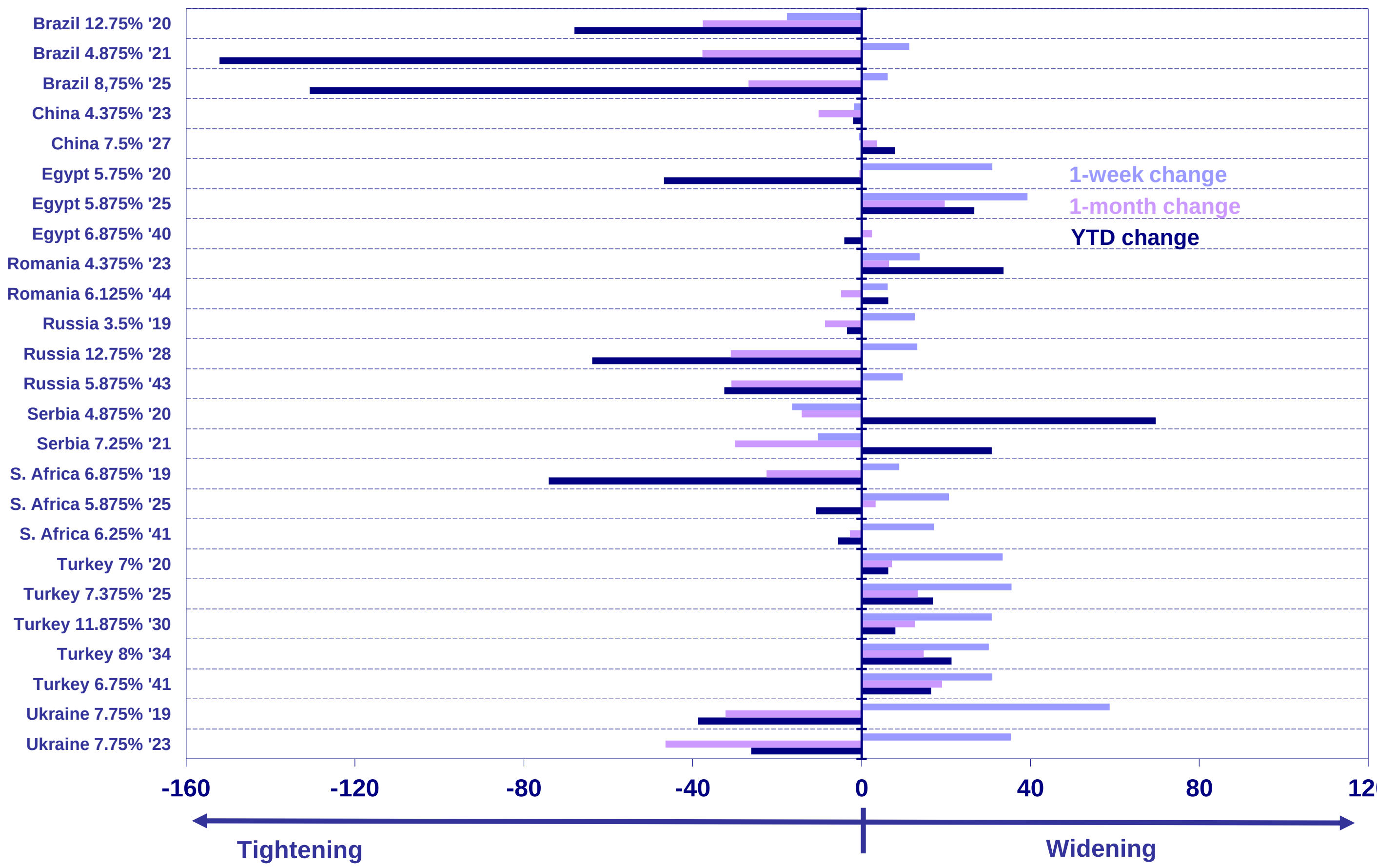
EUR-Denominated Eurobond Spreads (May 9th 2016)



USD-Denominated Sovereign Eurobond Summary, May 9th 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	3.8	298	329
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	4.5	327	333
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	5.5	377	450
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.5	175	219
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.0	122	164
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.6	438	448
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	7.7	598	566
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.4	582	554
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.5	194	212
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.6	202	290
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.1	224	217
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.9	313	450
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.3	271	334
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.1	319	303
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.3	311	333
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.4	255	256
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.9	318	348
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.6	301	369
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	3.7	245	275
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.7	294	351
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	4.9	314	438
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.4	369	409
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.6	299	360
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,646	9.4	850	801
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	9.0	744	716

USD-Denominated Eurobond Spreads (May 9th 2016)



STOCK MARKETS PERFORMANCE, MAY 9TH 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)	50,990	-4.8	1.4	17.6	-10.9	37,046	54,978	27.2	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	444	0.4	0.7	-3.6	-9.4	432	462	-3.6	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,832	-3.6	-5.1	-20.7	-34.6	2,638	3,539	-24.2	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	67	-0.3	-1.6	-1.1	-14.7	64	70	-1.1	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	697	-1.2	2.4	10.6	-11.2	521	716	10.6	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,748	0.1	-0.8	-4.7	4.8	1,735	1,842	-4.7	-0.6	-0.6	6.1	6.1
India (SENSEX)	25,689	1.0	4.1	-1.0	-6.6	22,495	28,578	-5.4	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,192	-1.6	-5.8	-11.1	-14.4	1,171	1,329	-10.3	2.6	1.6	3.7	3.5
Russia (RTS)	4,165	-2.9	-0.7	5.2	7.7	3,509	4,393	12.1	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	619	0.3	0.8	-1.9	-12.6	570	637	-2.8	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	51,349	-3.0	-0.1	1.1	-5.2	45,976	54,039	-0.5	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	79,062	-5.7	-4.2	8.0	-6.7	68,230	86,931	2.8	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	220	-2.2	-3.5	-8.7	-39.6	219	256	-16.6	-37.8	-54.8	28.7	-24.2
MSCI EMF	801	-4.1	-1.9	1.2	-22.7	687	856	-2.8	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,638	-2.9	0.8	-5.2	-14.8	1,492	1,717	-8.9	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	610	4.5	8.6	-0.1	-25.4	421	627	-0.1	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,980	-1.4	3.7	-7.1	-14.5	8,699	10,486	-7.1	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,115	-2.0	-1.4	-2.5	-13.0	5,500	6,427	-9.0	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,216	0.4	2.5	-14.8	-17.4	14,866	18,951	-8.9	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,706	-1.0	0.7	0.6	-2.2	15,370	18,351	-3.4	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,059	-1.1	0.5	-0.2	-2.2	1,810	2,135	-4.2	-0.7	10.9	11.4	26.6

Equity Indices (May 9th 2016)