South Eastern Europe and Mediterranean Emerging Market Economies
Weekly Report

31 May – 6 June 2016

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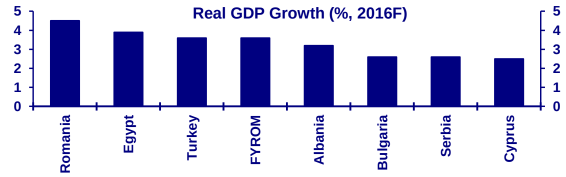
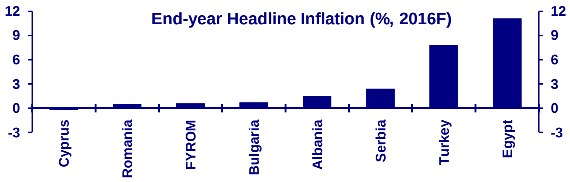
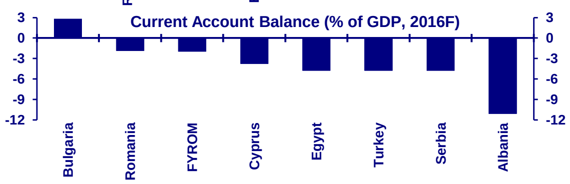
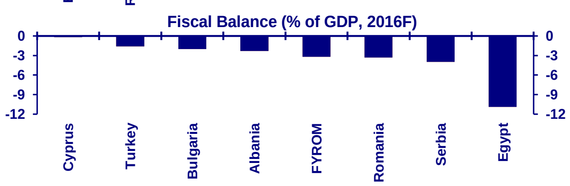


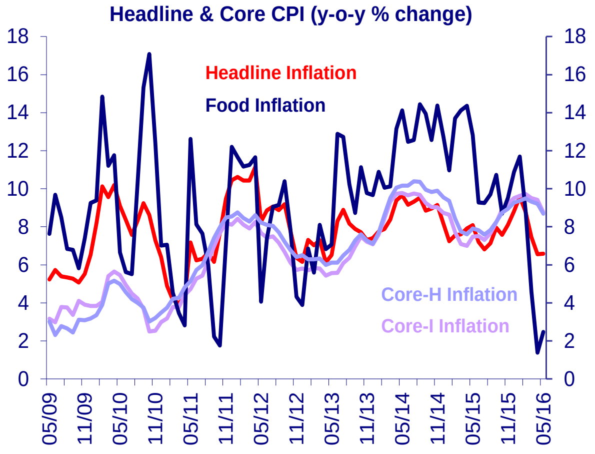


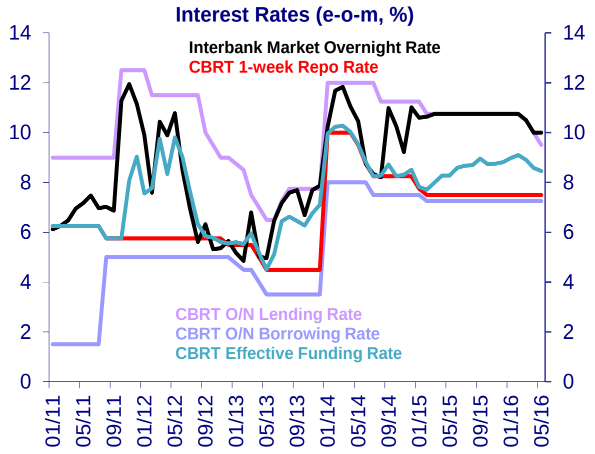


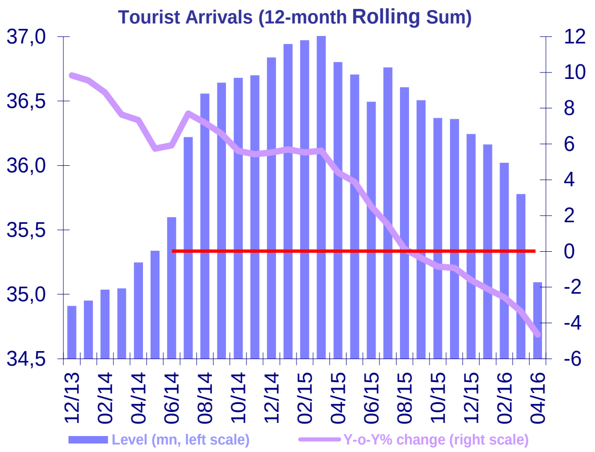


Turkey

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







	6 June	3-M F	6-M F	12-M F
1-m TRIBOR (%)	10.1	10.5	10.2	9.8
TRY/EUR	3.30	3.35	3.32	3.30
Sov. Spread (2019, bps)	202	212	190	170

	6 June	1-W %	YTD %	2-Y %
ISE 100	78,593	0.1	7.4	-2.2

	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

Headline inflation remained steady at a 3-year low of 6.6% y-o-y in May, supporting the case for the CBRT to cut its overnight lending rate by another 50 bps at its next MPC meeting. Headline inflation remained unchanged at 6.6% y-o-y in May, as the rise in food inflation was offset by the decline in core inflation. Indeed, food inflation increased to 2.5% y-o-y in May from its lowest level since the inception of the 2003-based CPI time series of 1.4% y-o-y in April. On the other hand, core inflation continued on its downward trend, initiated in March following seven consecutive months of increase. The CBRT's favourite core inflation measures, i.e., CPI-H and CPI-I moderated to 7-month lows of 8.7% y-o-y and 8.8% y-o-y, respectively, in May from 9.2% and 9.4% in April.

Looking ahead, we expect headline inflation to embark on a steady upward trend from June, 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 slightly above its forecast of 7.5%. The expected acceleration in headline inflation should be driven by: i) a continued 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, which will offset the fading impact of the exchange rate depreciation (the weakening of the TRY against the basket of "50%*EUR/TRY + 50%*USD/TRY" eased from -16.0% y-o-y in December to -10.8% y-o-y in May).

Going forward, in view of the new CBRT management's easing bias and the expected low, albeit increasing, headline inflation in June (we see it at 6.9% y-o-y), we expect the CBRT to: i) reduce, for the fourth consecutive month, the upper bound of the interest rate corridor (overnight lending rate) by a further 50 bps, to 9.0%; and ii) keep the central policy rate (1-week repo rate) as well as the lower bound of the interest rate corridor (the overnight borrowing rate) unchanged for a 16th consecutive month, at 7.5% and 7.25%, respectively, at the next MPC meeting on June 21st.

Tourist arrivals declined by 16.5% y-o-y in the first four months of the year, due to persisting tensions with Russia and rising security concerns. Arrivals from Russia, the second largest source country (c. 10.0% of total arrivals in 2015), declined sharply by 67.7% y-o-y in 4M:16, mainly reflecting the Russian sanctions following Turkey's downing of a Russian military jet in late-November. Arrivals from other countries also declined sharply by 14.2% y-o-y in 4M:16, due to heightening domestic security concerns. Indeed, 52 terrorist attacks have been perpetrated since July 2015, killing 344 and wounding 1,142 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.

Note that the sharp decline in arrivals from other countries in 4M:16 was mainly driven by the sharp drop in arrivals from Germany, the largest source country (c. 15.0% of total arrivals in 2015) -- down 21.5% y-o-y – and would have been deeper had arrivals from Georgia, the third largest source country (c. 5.5% of total arrivals in 2015) not soared -- up 30.1% y-o-y – largely driven by "shuttle trade" (undeclared small purchases of goods by foreign retailers to be sold outside Turkey).

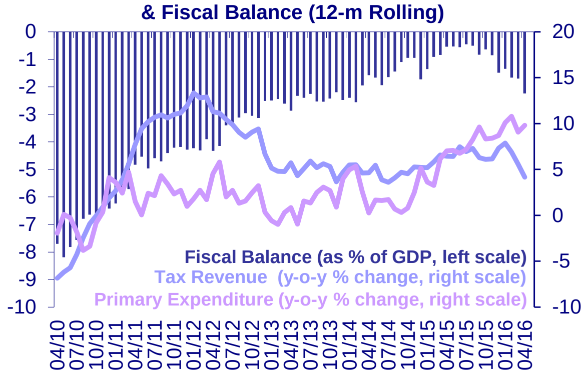
For the year as a whole, in view of the y-t-d performance and recent trends, we expect tourist arrivals to post their sharpest decline since 1999 (down by around 20.0% to an 8-year low of 26.7mn). More worrying, tourist receipts – a major source of foreign currency – could decline at a faster pace than 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).

Romania

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

Consolidated Budget (% of GDP)					
	2015 Outcome	4M:14	4M:15	2016 Budget	2016 NBG Forecast
Total Revenue	32.8	10.6	9.9	31.0	31.3
Tax Revenue	27.5	9.4	9.0	26.5	26.8
o/w PIT/CIT	5.7	1.3	1.4	5.4	5.5
VAT	8.0	2.8	2.4	7.0	7.2
Excise Duties	3.6	1.1	1.1	3.7	3.7
Property Tax	0.8	0.4	0.3	0.8	0.8
Soc. Sec. Contr.	8.1	2.6	2.6	8.3	8.2
Non-Tax Revenue	5.3	1.2	0.9	4.5	4.5
o/w EU grants	2.4	0.4	0.1	1.8	1.8
Total Expenditure	34.2	9.8	9.9	33.8	34.6
Current Spending	28.1	9.0	9.0	28.9	29.7
o/w Wages	7.3	2.4	2.5	7.7	7.9
Social Spending	10.7	3.5	3.6	10.7	11.1
Other Transfers	1.6	0.6	0.4	1.7	1.7
Goods & Services	5.7	1.5	1.5	5.8	5.8
Interest Paym.	1.3	0.5	0.5	1.5	1.5
Subsidies	0.9	0.3	0.3	0.9	0.9
Capital Expend.	6.1	0.8	0.9	4.9	4.9
Fiscal Balance	-1.5	0.8	0.0	-2.8	-3.3
Primary Balance	-0.1	1.3	0.5	-1.3	-1.8

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



	6 June	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.51	4.48	4.49	4.50
Sov. Spread (2024, bps)	231	210	180	150

	6 June	1-W %	YTD %	2-Y %
BET-BK	1,206	2.9	-10.1	-1.2

	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

Local elections mark a strong come-back for the centre-left Social Democratic party (PSD). The PSD scored an unexpected victory in the local elections of June 5th, winning 37.5% of the vote compared with 33.0% for the centre-right Liberal party (PNL). G. Firea of the PSD won the post of mayor of Bucharest, receiving about 42% of the vote. Note that voter turnout was low, at 48% nationwide.

The results were disappointing for the PNL, which had been leading in the polls late last year, when the PSD resigned from Government amid anti-corruption protests. Overall, the outcome of the local elections suggests that the PSD is best-positioned to win the upcoming parliamentary elections, scheduled for end-year, although it will be difficult to secure an absolute majority. Worryingly, we expect tensions between the two largest parliamentary parties to escalate ahead of the elections, limiting further the efficiency and policy-making ability of the caretaker technocrat Government in office since last December.

The 12-month rolling budget deficit widened significantly to 2.2% of GDP in April from 1.5% in December. The consolidated budget was balanced in 4M:16 against a surplus of 0.8% of GDP in 4M:15. Specifically, tax revenue unsurprisingly weakened in 4M:16 (by 0.4 pps of GDP y-o-y), on the back of sharp 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 4M:16 (by 0.3 pps of GDP y-o-y), mainly due to lower grants from the EU.

On the other side of the budget, current spending was contained in 4M:16. Indeed, cuts in discretionary transfers offset higher personnel expenses and social spending, on the back of the ongoing easing in incomes policy. Recall that, following the 10% 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 were increased. Note that the rise in personnel expenses would have been larger in 4M:16 had a court-mandated reinstatement of certain public sector wages not taken place in March 2015 (worth 0.2 pps of GDP), creating a negative base effect.

The fiscal performance is set to deteriorate further during the remainder of the year, 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, personnel expenses and social spending are already up 0.2 pps of GDP y-o-y in 4M:16 compared with a targeted FY:16 rise of just 0.4 pps. Worryingly, the authorities hiked the minimum wage in May (by 19.0%), which is set to weigh on outlays for social benefits, and are planning to proceed with further targeted increases in public sector wages in August. The cost of these initiatives, neither of which are included in the original budget, is estimated at c. 0.4 pps of GDP. Overall, we see current spending overshooting its FY:16 budget target by 0.8 pps of GDP.

Importantly, tax revenue should overperform, partly offsetting the expected slippage in current spending. Indeed, despite massive tax cuts, we expect the drop in tax revenue to be smaller than envisaged in the FY:16 budget, reflecting stronger-than-budgeted second round effects of the tax cuts on consumption and improved tax compliance. As a result, we see tax revenue overperforming its FY:16 target by 0.3 pps of GDP.

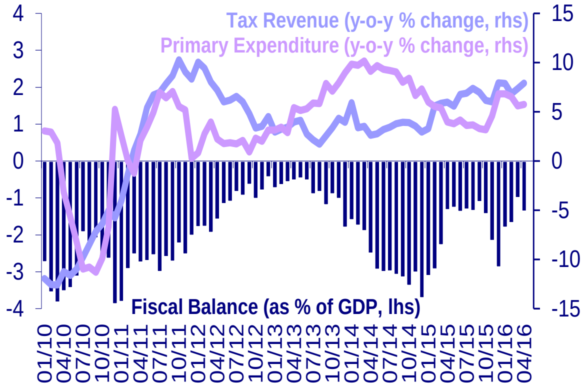
All said, unless corrective measures are adopted, the FY:16 budget deficit could widen to 3.3% of GDP from 1.5% in FY:15, surpassing the EU's threshold (3.0%). However, with general elections due at end-year, it is unlikely that the Government will reverse any of the policies.

Bulgaria

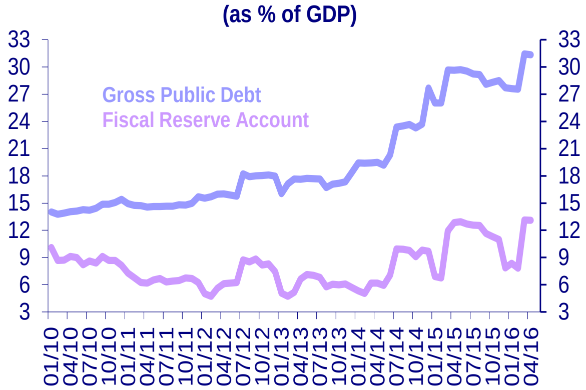
BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)	2015 Outcome	4M:15	4M:16	2016 Budget	2016 NBG Forecast
Total Revenue	37.3	13.1	13.7	37.2	37.6
Tax Revenue	28.8	9.6	10.4	29.3	29.7
Non-Tax Rev.	4.3	1.7	1.8	5.0	5.0
Grants	4.2	1.7	1.5	2.9	2.9
Total Expenditure	40.2	11.9	11.1	39.2	39.2
Current Spending	32.3	10.6	10.5	32.3	32.3
o/w Wages	5.4	1.7	1.7	5.4	5.4
Goods & Services	5.2	1.6	1.5	5.4	5.3
Subsidies	1.9	0.6	0.6	1.6	1.7
Social Spending	16.1	5.4	5.5	16.2	16.2
Interest Payments	0.8	0.3	0.4	0.9	0.9
Capital Expend.	7.9	1.3	0.6	6.9	6.9
Fiscal Balance	-2.9	1.2	2.7	-2.0	-1.6

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



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



	6 June	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)	203	180	160	130

	6 June	1-W %	YTD %	2-Y %
SOFIX	444	0.7	-3.6	-24.1

	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 4M:16, with the 12-month rolling budget deficit narrowing to 1.4% of GDP in April from 2.9% at end-2015. In the first four months of 2016, the consolidated budget surplus widened by a sizeable 1.5 pps y-o-y to 2.7% of GDP. This performance is largely attributed to an across-the-board improvement in budget revenue (up 0.6 pps of GDP y-o-y in 4M:16). Specifically, tax revenue increased in 4M:16 (by 0.7 pps of GDP y-o-y), reflecting the hike in the excise duty on tobacco and fuel, strong employment growth (up 0.9% y-o-y in Q1:16, marking the 9th consecutive quarter of increase) as well as base effects from changes in the tax calendar. Non-tax revenue was also up slightly in 4M:16 (by 0.1 pp of GDP y-o-y), partly offsetting the decline in grants from the EU (by 0.2 pps of GDP y-o-y, see below). At the same time, budget spending was contained (down 0.8 pps of GDP y-o-y in 4M: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 "pay-back" for the positive base effects of the first four months of the year. Nevertheless, we expect tax revenue to overperform its FY:16 target, in view of the performance y-t-d (up 10.5% y-o-y in 4M:16 against a FY:16 target of 4.6% and a FY:16 nominal GDP growth of just 2.7%) 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 3.1% y-o-y in 4M: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. At the same time, higher public consumption (mainly spending related to defense) should be offset by a cut in subsidies. The main risk could arise 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 forfeited 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, overperforming vis-à-vis 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, pushing up further its fiscal reserves (currently at 13.1% of GDP, still lower than a pre-crisis high of c. 17.0%). The proceeds of the issue will help meet the sovereign's funding needs (estimated at EUR 1.4bn, including debt repayments worth EUR 0.7bn) 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 27.7% at end-2015, still far below the EU-28 average (c. 87.0% of GDP).

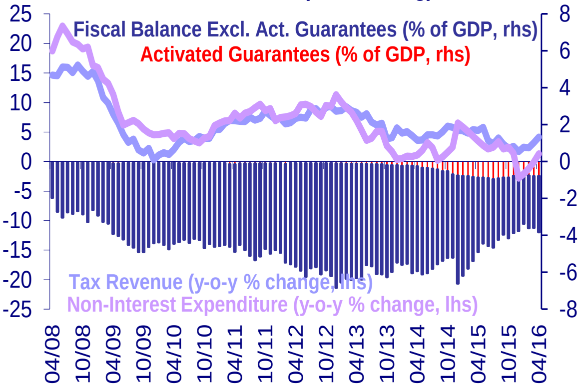
Serbia

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

Consolidated Fiscal Balance (% of GDP)

	2014	2015	4M:15	4M:16	2016 Budget
Revenue	41.5	42.7	13.2	13.7	41.3
Tax Revenue	36.8	36.8	11.2	11.8	36.6
PIT	3.7	3.7	1.1	1.1	3.6
CIT	1.9	1.6	0.5	0.5	1.6
VAT	10.5	10.5	3.3	3.6	10.3
Excises	5.4	5.9	1.6	1.9	6.1
Customs	0.8	0.8	0.3	0.3	0.8
Other taxes	1.5	1.6	0.4	0.4	1.6
Soc. Contrib.	13.0	12.7	4.0	4.0	12.5
Non-Tax Rev.	4.4	5.6	2.0	1.8	4.5
Grants	0.2	0.2	0.0	0.0	0.3
Expenditure	48.1	46.4	13.8	14.3	45.2
Current Exp.	43.4	42.7	13.0	13.3	41.5
Personnel	11.7	10.6	3.4	3.2	10.4
Goods & Services	6.6	6.5	1.8	1.9	6.5
Subsidies	3.0	3.4	0.6	0.7	2.7
Social Assist.	17.8	17.9	5.7	5.6	17.3
o/w Pensions	13.0	12.3	4.1	3.9	12.3
Other	1.4	1.1	0.3	0.4	1.1
Int. Payments	2.9	3.3	1.3	1.4	3.5
Capital Exp.	2.5	2.9	0.5	0.7	2.9
Activated Guarant.	0.8	0.8	0.2	0.3	0.8
Net Lending	1.4	0.1	0.0	0.0	0.1
Fiscal Balance	-6.6	-3.8	-0.6	-0.6	-4.0
Primary Balance	-3.7	-0.5	0.8	0.8	-0.5
Fiscal Bal. excl. once-off	-6.6	-3.0	-0.6	-0.6	-4.0

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



	6 June	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.2	3.2	3.4	3.8
RSD/EUR	123.2	123.2	124.0	125.0
Sov. Spread (2021, bps)	287	250	220	180

	6 June	1-W %	YTD %	2-Y %
BELEX-15	617	0.8	-2.2	5.2

	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

A neutral fiscal stance in 4M:16, keeping the 12-month rolling fiscal deficit unchanged from its end-2015 level of 3.8% of GDP. The consolidated fiscal deficit widened slightly by 0.1 pp y-o-y to 0.6% of GDP in 4M:16, despite a strong rise in revenue (by 0.4 pps of GDP y-o-y). The positive overall revenue performance in 4M:16 was driven by a robust increase in tax revenue (by 0.6 pps of GDP y-o-y in 4M:16). The latter was due to: i) stronger VAT revenue (by 0.3 pps of GDP y-o-y in 4M:16), reflecting the rebound in private consumption (up by 0.7% y-o-y in Q1:16, following a decline of 0.2% in Q1:15, that reflected the impact of public sector wage and pension cuts in FY:15); and ii) higher excise tax revenue (up 0.2 pps of GDP y-o-y), reflecting the introduction of the electricity excise duty (in August 2015), and the increase in oil excise duties (in January 2016), as well as the Government's efforts to fight the grey economy.

The positive revenue performance was broadly offset by higher expenditure (up 0.5 pps of GDP y-o-y in 4M:16). Indeed, outlays increased due to: i) a rise in purchases of goods & services (by 0.2 pps of GDP y-o-y), partially boosted by spending at end-April related to the general and local elections; and ii) higher capital expenditure (up 0.3 pps of GDP y-o-y). The rise in spending in 4M:16 was, however, held back by the continued suspension of the indexation of public sector wages and pensions (started in October 2014). In fact, personnel and pension expenditure (together accounting for ½ of total expenditure) declined by 0.3 pps of GDP y-o-y in 4M:16.

As a result, the 12-month rolling deficit remained stable at 3.8% of GDP in April, broadly unchanged from its end-2015 level.

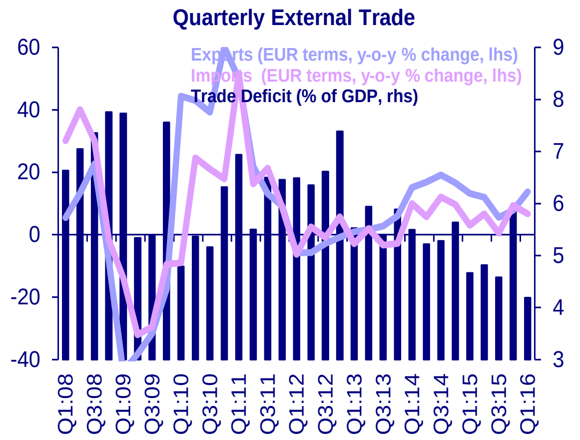
The 2016 deficit target of 4.0% requires the full implementation of the planned corrective fiscal measures. Looking forward, we expect the fiscal performance to deteriorate slightly in 5-12M:16 (by 0.2 pps of GDP y-o-y) in line with the 2016 Budget, targeting a deficit of 4.0% of GDP. In fact, we foresee overall revenue declining by 1.8 pps of GDP y-o-y in 5-12M:16 following an increase of 0.4 pps y-o-y in 4M:16, due to: i) weaker non-tax revenue, set to fall by 1.0 pp of GDP y-o-y in 5-12M:16, following (unusually large) dividends and other (once-off) proceeds from state-owned companies throughout 2015; and ii) weaker excise tax revenue, due to the fading impact of hikes in electricity excise taxes in August 2015.

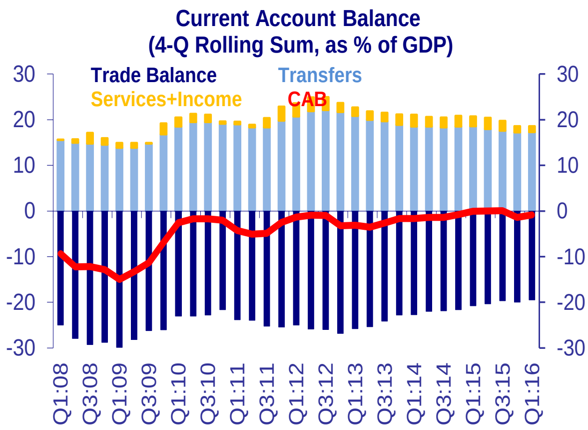
On the other hand, we foresee expenditure declining broadly at the same pace as overall revenue in 5-12M:16 (by 1.6 pps of GDP y-o-y following an increase of 0.5 pps y-o-y in 4M:16), reflecting: i) the once-off expenses that occurred in December 2015 (0.8% of GDP); and ii) the full implementation of the planned expenditure-saving measures (equivalent to 1.0 pp of GDP) after the formation of a new Government, expected by mid-June. These measures consist of: i) the continued suspension of the indexation of public sector wages and pensions (estimated to save 0.4 pps of GDP in FY:16); ii) public sector employment downsizing (by 6.0% in 2016, saving 0.2 pps of GDP in FY:16); and iii) lower subsidies (0.3 pps of GDP in FY:16), mainly in agriculture. The Government is also aiming to restructure and resolve 500 loss-making state-owned enterprises (through bankruptcy or privatisation), as well as reform large public utilities and transportation companies. Should this year's fiscal deficit target be met, the public debt-to-GDP ratio would increase at a slower pace than a year ago, reaching a 14-year high of 78.9% at end-2016 – up from 77.4% in 2015.

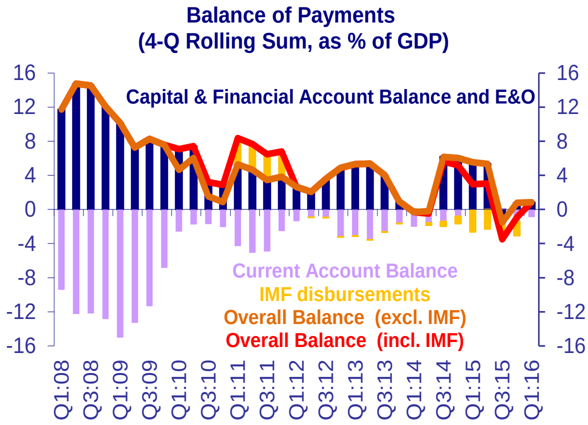
There is, however, an upside risk to our fiscal deficit forecast, stemming from a possible (unbudgeted) once-off loan repayment of the state-owned petrochemical producer, Petrohemija, to the oil-supplier, NIS, controlled by Russian Gazprom (estimated at 0.3 pps of GDP).

F.Y.R.O.M.

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







	6 June	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.8	1.8	1.8	1.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	546	520	450	350

	6 June	1-W %	YTD %	2-Y %
MBI 100	1,708	-1.1	-6.8	-1.0

	2013	2014	2015	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 current account deficit (CAD) narrowed to 0.9% of GDP in Q1:16 from 1.4% in Q4:15 on a 4-quarter rolling basis, due to buoyant exports and a favourable energy bill. The current account balance (CAB) improved significantly by 0.5 pps y-o-y to 0% of GDP in Q1:16, following a cumulative deterioration of 0.6 pps y-o-y in FY:15. The improvement resulted mainly from a significant narrowing in the trade deficit (by 0.5 pps y-o-y to 4.2% of GDP). Indeed, exports increased for a 13th successive quarter (by 0.5 pps y-o-y to 7.8% of GDP in Q1:16), due to: i) the ongoing broadening of the country's export base in the flourishing sector of machinery and transport equipment (accounting for 28.5% of total exports), and higher exports of chemicals and manufactured products (c. 25.0% of total exports) from the technological industrial development zones, which more than compensated for the decline in traditional export sectors (iron and steel, clothing and textile); as well as ii) stronger demand from Germany -- the country's main trading partner (absorbing 44.3% of FYROM's exports in FY:15 and up 19.8% y-o-y in Q1:16), and Belgium (absorbing 3.2% of the country's exports in FY:15 and up 40.8% y-o-y in Q1:16). On the other hand, imports remained unchanged on an annual basis at 12.0% of GDP in Q1:16, as a sharp decline in imports of energy (by 0.6 pps of GDP y-o-y), in line with global oil price developments, compensated for the increase in investment-related imports, accounting for ⅔ of the economy's exports.

The improvement in the CAB in Q1:16 was also supported by a slight increase in overall transfers (up 0.1 pp to 3.6% of GDP), on the back of higher transfers from the EU (related to agricultural subsidies).

As a result, the 4-quarter rolling CAD narrowed to 0.9% of GDP in Q1:16 from 1.4% at end-2015.

The capital and financial account (CFA) balance improved by just 0.1 pp of GDP y-o-y to 0.2% in Q1:16. The CFA surplus remained broadly unchanged on an annual basis in Q1:16 (up 0.1 pp y-o-y to 0.2% of GDP) in Q1:16, with slightly higher (net) private sector borrowing offsetting a marginal retreat in (net) FDI.

Reflecting CAB and CFA developments as well as slight negative errors and omissions in Q1:16, the overall balance recorded a surplus of EUR 13.5mn (or 0.1% of GDP). However, accounting for valuation effects (the international price of gold increased by 10.9% q-o-q in EUR terms and the USD weakened by 4.6% q-o-q against the EUR at end-Q1:16), FX reserves increased by only EUR 5mn q-o-q to EUR 2.3bn in Q1:16, covering 4.5 months of imports of GNFS.

The CAD is set to widen significantly in 4-12M:16, ending the year at 2.0% of GDP. Looking forward, we expect the current account gains in Q1:16 to be reversed during the remainder of the year, as the expected mild decline in energy imports will not be sufficient to compensate for continued robust growth in non-energy imports (we project the average price of Brent to retreat by c. 10.0% y-o-y in 4-12M:16 following a decline of c.35.0% y-o-y in Q1:16 in EUR terms). We see the CAD widening, for a second successive year, by 0.6 pps of GDP y-o-y to 2.0% of GDP in FY:16.

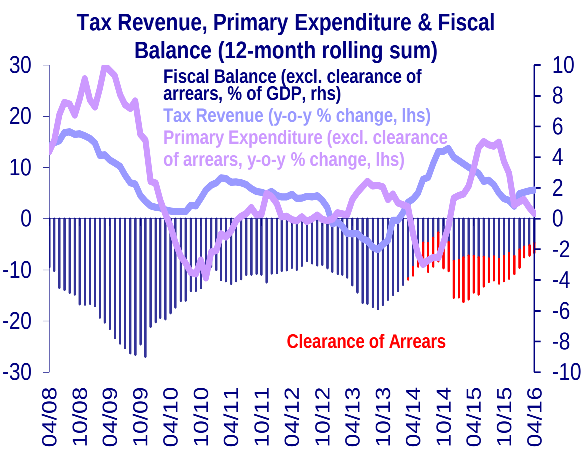
Importantly, despite no debt repayments to the IMF this year (against 1.8% of GDP in FY:15), filling the external financing gap will not be easy due to the ongoing domestic political crisis. Projecting that: i) net FDI inflows decline (to 1.4% of GDP from 1.9% of GDP in FY:15); ii) net portfolio investment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

Albania

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

Consolidated Fiscal Balance (% of GDP)	2015	4M:15	4M:16	2016 Budget	NBG 2016F
Revenue	26.2	8.4	8.7	27.9	26.6
Tax Revenue	23.8	7.4	8.0	25.1	24.4
PIT	2.0	0.6	0.7	2.1	2.0
CIT	1.7	0.7	0.9	1.6	1.7
VAT	8.7	2.6	2.7	9.2	8.8
Excises	2.7	0.7	0.8	3.0	2.6
Customs	0.4	0.1	0.1	0.4	0.4
Other taxes	8.3	2.6	2.8	8.8	8.8
Grants	0.6	0.2	0.2	0.9	0.6
Non-Tax Rev.	1.8	0.9	0.6	1.9	1.6
Expenditure	29.8	8.6	7.6	30.2	28.9
Current Exp.	24.1	7.1	6.9	25.7	25.0
Personnel	5.0	1.6	1.5	4.8	4.8
Operational	3.0	0.7	0.6	2.9	3.0
Subsidies	0.1	0.0	0.0	0.1	0.1
Social Insur.	9.5	3.0	3.0	10.2	9.9
Local Budget	2.3	0.6	0.6	3.3	3.0
Other Exp.	1.5	0.5	0.4	1.6	1.4
Int. Payments	2.7	0.8	0.8	2.9	2.9
Capital Exp.	4.1	1.0	0.7	4.0	3.6
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	-0.2	1.1	-2.3	-2.3
Primary Bal.	-0.9	0.6	1.9	0.6	0.6
Fiscal Bal. [a]	-2.4	0.3	1.1	-2.3	-2.3
Primary Bal. [a]	0.3	1.1	1.9	0.6	0.6

a: excluding the clearance of arrears



	6 June	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.8	2.2	2.2	2.2
ALL/EUR	138.2	139.2	138.2	139.0
Sov. Spread (bps)	462	430	400	350

	6 June	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

Significant fiscal consolidation in 4M:16, due to a strong revenue performance as well as primary expenditure restraint. The cumulative fiscal surplus (excluding the repayment of arrears) increased by 0.8 pps y-o-y to 1.1% of GDP in 4M:16, due to higher revenue (up by 0.3 pps of GDP y-o-y in 4M:16) and lower expenditure (excluding arrears, down 0.5 pps of GDP y-o-y).

Specifically, the tax revenue performance was impressive (up 0.6 pps of GDP y-o-y), more than offsetting the decline in non-tax revenue (down 0.3 pps of GDP y-o-y). The improvement in tax revenue in 4M:16 was broad-based, mainly supported by: i) a rebound in private consumption (following a sharp drop in Q1:15, due to payments of electricity bill arrears); and ii) the success from the Government's large-scale campaign against tax evasion. The latter was launched in early-September and targeted 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). Moreover, excise tax revenue also increased (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 increase in overall revenue would have been even stronger had non-tax revenue not moderated, due to: i) lower royalties (a drop of 60.0% y-o-y in Q1:16 to virtually 0.0% of GDP), reflecting the decline in global oil prices and domestic production; and ii) a base effect from the sale of a telecom licence for ALL 1.8bn, or 0.1% of GDP, in early 2015.

On the other hand, expenditure restraint was mainly driven by lower capital expenditure (down by 0.3 pps of GDP y-o-y in 4M:16).

As a result, the 12-month rolling fiscal deficit (excluding the repayment of arrears) narrowed to a 17-month low of 1.6% of GDP in April from 2.4% at end-2015. Note that, including the clearance of accumulated arrears (down to 0.0 pps of GDP in 4M:16 from 0.5 pps in 4M:15), the 12-month rolling deficit narrowed at a faster pace, to a 9½-year low of 2.2% of GDP in April 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 (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).

In our view, meeting the FY:16 fiscal deficit target requires lower-than-budgeted expenditure, as the Budget revenue target appears overly optimistic. In fact, in the absence of any major new tax measures and despite the strong performance in 4M:16, we expect FY:16 overall revenue to undershoot its target by 1.3 pps of GDP. The weak revenue performance in 5-12M:16 should result from: i) the fading impact of the Government's campaign against the grey economy; and ii) lower royalties from the oil sector (an estimated decline of 45.0% y-o-y in FY:16 to 0.2% of GDP), as well as lower profit income tax from oil industries.

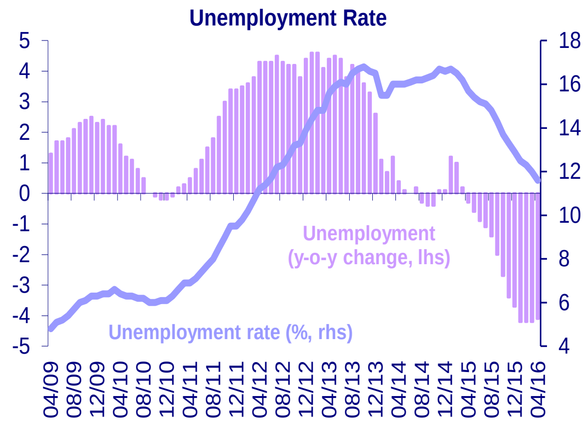
Against this backdrop, meeting the FY:16 fiscal deficit target will, once again, require an under-execution of spending (1.3 pps of GDP lower than budgeted). The latter should mainly occur through cuts in capital expenditure and the saving of contingency reserves.

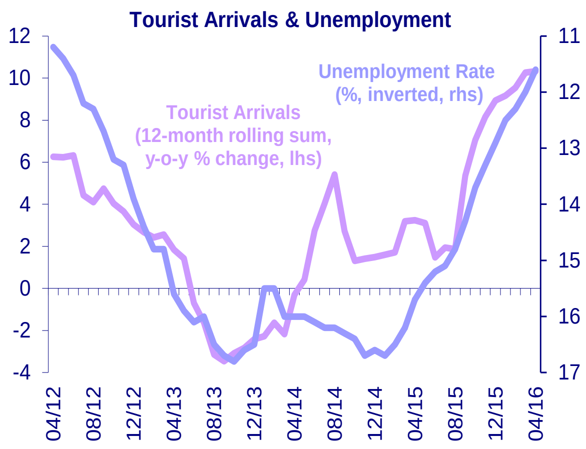
Overall, in view of the authorities' track record, we expect the FY:16 deficit to be in line with its target of 2.3% of GDP.

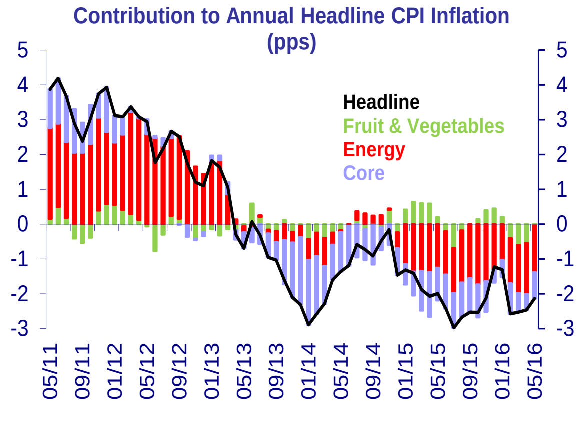
Should our FY:16 fiscal deficit forecast materialise, the public debt-to-GDP ratio would narrow, for the first time in 6 years, to 70.4% from a 15-year high of 71.9% in 2015.

Cyprus

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







	6 June	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)	334	300	260	250

	6 June	1-W %	YTD %	2-Y %
CSE Index	69	2.9	2.5	-40.0

	2013	2014	2015	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	0.0	-0.2	0.2

Unemployment rate reached a 4-year low of 11.6% in April. The unemployment rate declined for a twelfth consecutive month on an annual basis, to a 4-year low of 11.6% in April. Importantly, the pace of decline of the unemployment rate averaged a high of 4.1 pp y-o-y in 4M:16.

The improvement in 4M:16 is largely attributed to stronger activity in the labour-intensive tourism sector, accounting for c. 20.0% of total employment. Indeed, tourist arrivals rose by a sizeable 21.9% y-o-y in 4M:16, to a 15-year high of 477k, following increases of 13.7% y-o-y in 4M:15 and 16.9% y-o-y in Q4:15. The strong performance in tourist arrivals in 4M:16 was mainly driven by a sharp increase in arrivals from the UK -- the main source country, accounting for c. 39.0% in FY:15 -- and Russia -- the second largest source country with a share of 20.0% in FY:15. Indeed, the number of British and Russian tourists increased by 21.6% y-o-y and 54.6%, respectively, in 4M:16, contributing 8.5 pps and 5.8 pps to the overall annual rise in the same period. The sharp increase in Russian and British tourists came in the aftermath of terrorist attacks in Egypt and Turkey, which led, *inter alia*, the UK and Russia to ban flights to Egypt, and Russian to impose sanctions against Turkey. Even excluding British and Russians, tourist arrivals increased significantly (up 16.4% y-o-y in 4M:16), reflecting the island's reputation as a safe destination.

The construction sector, accounting for c. 8.0% of total employment, may have also contributed to the decline in the unemployment rate in 4M:16, in view of its recovery in H2:15 (up 2.9% and 8.9% y-o-y in Q3:15 and Q4:15, respectively) following 5 consecutive years of contraction.

Going forward, in view of the y-t-d performance and recent trends in tourism and construction activity, we expect the unemployment rate to ease significantly to 11.2% in FY:16 from 15.0% in FY:15. We also project employment to increase by 2.0% in FY:16, following 4 successive years of decline (CAGR of -2.4%), in line with the recovery in economic activity (we foresee real growth rebounding to 2.5% this year -- above the EC's forecast of 1.7% -- from 1.6% in FY:15).

Headline deflation slowed to -2.1% y-o-y in May from -2.5% in April, mainly due to a softer decline in the prices of volatile fruit and vegetables. Prices of volatile fruit and vegetables (accounting for 3.5% of the CPI basket) declined by 1.0% y-o-y in May compared with a decrease of 15.7% y-o-y in April. At the same time, the pace of decline in energy prices (accounting for 9.0% of the CPI basket) moderated to -15.1% y-o-y in May from -16.4% in April, in line with developments in global oil prices (the price of Brent was down 28.3% y-o-y in EUR terms in May against a decrease of 32.4% y-o-y in April).

The slowdown in headline deflation would have been even sharper had core deflation (excluding volatile food and energy prices and accounting for 87.6% of the CPI basket) not accelerated to -0.9% in May from -0.5% y-o-y in April, due to a sharper decline in food prices, excluding fruit & vegetables (-1.6% y-o-y in May from 1.5% in April), underpinned by low imported inflation.

Deflation set to ease sharply by end-2016. Looking ahead, inflation should continue on its upward trend started in February, reflecting mainly: i) the continued recovery in domestic demand (we see real GDP growth accelerating to 2.5% in FY:16 from 1.6% in FY:15); and ii) a softer decline in fuel prices (we project the price of Brent to decline by 4.4% y-o-y in EUR terms in 6-12M:16 against a drop of 33.1% y-o-y in 5M:16). Overall, we expect headline and core inflation to end the year at -0.2% and 1.0% y-o-y, respectively, up from -1.2% and -0.4% at end-2015.

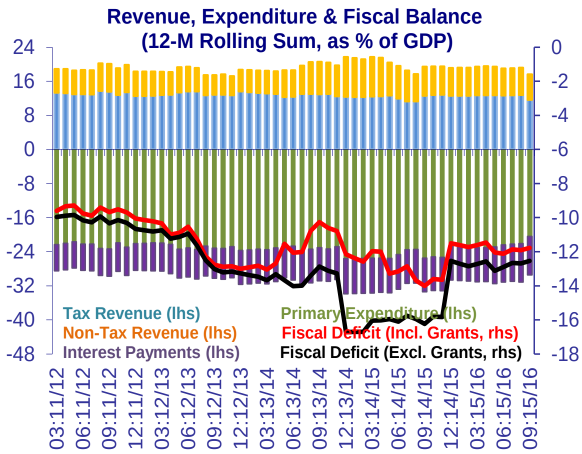
Egypt

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

Fiscal Accounts (% of GDP)

	2014/15 Outcome	9M: 2014/15 Outcome	9M: 2015/16 Outcome	2015/16 Budget	NBG 2015/16 Forecast
Revenue	19.1	11.6	10.5	22.5	19.0
Tax Revenue	12.6	8.4	7.7	15.2	13.1
Income Tax	5.3	3.5	2.5	5.7	5.4
Personal Income	1.6	1.0	1.0	1.8	1.6
Corporate Income	3.8	2.4	1.5	3.9	3.8
Property Taxes	0.9	0.6	0.7	1.5	0.9
Taxes on G. & S.	5.1	3.6	3.6	6.6	5.2
Taxes on Int. Trade	0.9	0.7	0.6	1.0	1.1
Other Taxes	0.4	0.1	0.2	0.4	0.4
Grants	1.0	0.3	0.1	0.1	0.1
Other Revenue	5.5	2.9	2.7	7.1	5.8
Expenditure	30.6	20.6	19.7	31.5	30.8
Wages & Salaries	8.2	5.9	5.6	7.9	7.7
Purch. of G. & S.	1.3	0.8	0.8	1.5	1.3
Interest Payments	7.9	5.2	6.4	8.8	9.1
Subsidies, grants & social benefits	8.2	5.5	3.8	8.3	7.7
Other Expenditure	5.1	3.2	3.1	5.0	4.8
Fiscal Balance	-11.5	-9.0	-9.2	-9.1	-11.8
Primary Balance	-3.6	-3.8	-2.8	-0.3	-2.7
Fiscal Balance *	-12.5	-9.3	-9.3	-9.1	-11.9
Primary Balance *	-4.6	-4.1	-2.9	-0.3	-2.7

*: Excluding grants



	6 June	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)	458	400	300	220

	6 June	1-W %	YTD %	2-Y %
HERMES 100	695	1.6	10.4	-17.7

	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

The fiscal deficit widened in the first nine months of the fiscal year, due to a sharp increase in interest payments. The primary fiscal deficit narrowed by 1.0 pp y-o-y to 2.8% of GDP in 9M:15/16 (July 2015-March 2016), as the decline in overall revenue (down 1.1 pps y-o-y to 10.5% of GDP) was milder than that in primary expenditure (down 2.1 pps y-o-y to 13.3% of GDP). However, a sharp increase in interest payments in 9M:15/16 (up 1.2 pp y-o-y to 6.4% 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 9.2% of GDP from 9.0% in 9M:14/15.

Specifically, the decline in primary expenditure in 9M:15/16 was mainly driven by delays in disbursements of subsidies to the Egyptian Petroleum Company (EGPC, 0% of GDP in 9M:15/16 against 1.8 pps of GDP in 9M:14/15) and a favourable wage bill following the implementation of the new civil service law, estimated to save as much as EGP 22.0bn (0.8% of 2015/16 GDP) this fiscal year.

On the other hand, the decline in overall revenue in 9M:15/16 reflects almost exclusively delays in payments of the corporate income tax and dividends by the EGPC (0% of GDP in 9M:15/16 against a total of 1.6 pps of GDP in 9M:15/16). Importantly, under the assumption of no change in net payments to the EGPC (+0.2 pps of GDP) in 9M:15/16 from 9M:14/15, the primary deficit narrowed by 0.8 pps of GDP y-o-y.

As a result, the 12-month rolling fiscal deficit widened to 11.8% of GDP in March from 11.5% in June (end-2014/15) – far above the FY:15/16 target of 8.9%. Excluding support from Gulf countries, the 12-month rolling deficit stood at 12.5% of GDP in March, unchanged from its end-2014/15 level.

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 y-t-d performance, unrealistic revenue growth assumption, and the negative impact of the recent devaluation of the domestic currency on interest payments and food subsidies, the fiscal deficit target is set to be missed by a wide margin. Recall that in its efforts to dampen heightening depreciation pressures on the domestic currency, the CBE proceeded with a sharp devaluation of the EGP (by 12.7% to EGP 8.95 per USD) on March 14th and hiked its policy rates three days later (by 150 bps).

Indeed, the envisaged increase in tax revenue (up c. 38.0% versus the FY:14/15 outcome) appears highly over-optimistic, in view of the projected nominal GDP growth (c. 16.0%) and the absence of revenue-enhancing measures. We expect a revenue shortfall of 3.5 pps of GDP.

On the other hand, despite higher-than-budgeted interest payments, the expenditure target (up c. 17.0% compared with the FY:14/15 outcome) appears highly over-pessimistic, in view of lower-than-projected primary expenditure – particularly subsidies. The latter should be 0.6 pps of GDP lower than budgeted, with the positive impact on fuel subsidies from weaker-than-projected global oil prices more than offsetting the negative impact from the sharp devaluation of the domestic currency on food subsidies.

Overall, without 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.

FOREIGN EXCHANGE MARKETS, JUNE 6TH 2016

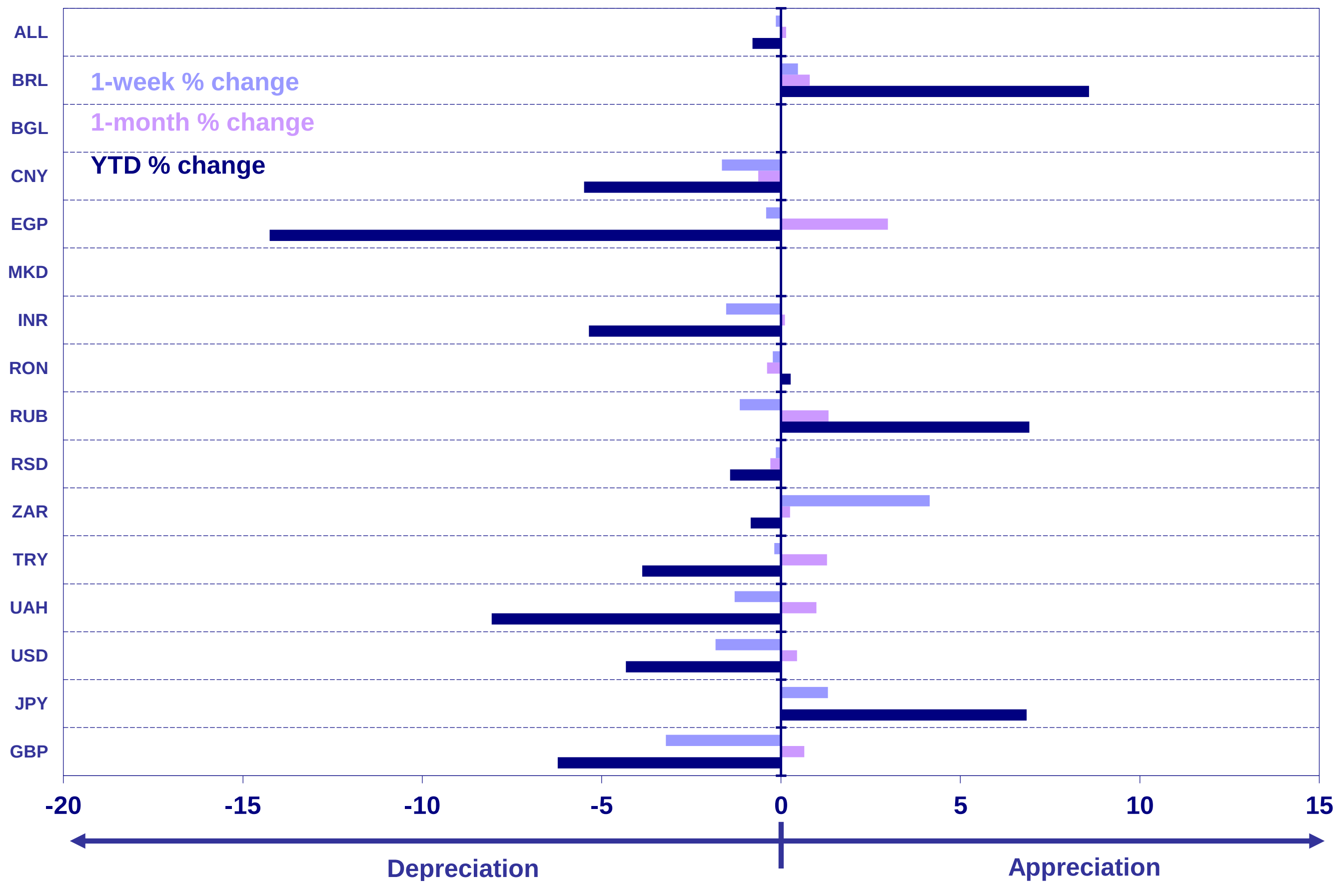
Against the EUR

	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	138.2	-0.1	0.1	-0.8	1.9	137.5	139.5	138.5	138.5	136.8	2.0	0.1
Brazil	BRL	3.96	0.5	0.8	8.6	-11.3	3.90	4.55	4.53	4.51	4.47	-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	7.45	-1.7	-0.6	-5.5	-7.3	6.99	7.52	7.69	7.68	7.68	6.7	10.8
Egypt	EGP	9.90	-0.4	3.0	-14.3	-14.9	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	75.9	-1.5	0.1	-5.4	-5.2	71.3	77.8	81.6	- - -	- - -	6.6	12.3
Romania	RON	4.51	-0.2	-0.4	0.3	-0.8	4.45	4.56	4.52	4.53	4.56	-0.8	-0.5
Russia	RUB	74.1	-1.1	1.3	6.9	-14.7	72.6	93.8	76.3	78.2	81.8	-15.1	-32.8
Serbia	RSD	123.2	-0.1	-0.3	-1.4	-2.2	121.6	123.7	123.8	124.6	- - -	-0.1	-5.6
S. Africa	ZAR	16.9	4.1	0.2	-0.8	-16.8	16.02	18.58	17.3	17.6	18.4	-16.6	3.0
Turkey	YTL	3.30	-0.2	1.3	-3.9	-5.7	3.12	3.39	3.38	3.46	3.63	-10.8	4.4
Ukraine	UAH	28.3	-1.3	1.0	-8.1	-16.0	25.06	30.16	34.5	- - -	- - -	-27.5	-40.8
US	USD	1.14	-1.8	0.4	-4.3	-0.5	1.1	1.2	1.14	1.14	1.15	11.4	13.6
JAPAN	JPY	122.1	1.3	0.0	6.8	15.1	120.8	132.3	122.1	122.1	122.0	11.0	-0.1
UK	GBP	0.79	-3.2	0.6	-6.2	-6.5	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 (June 6th 2016)



Money Markets, June 6th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	14.1	-0.1	2.0	- - -	10.9	- - -	- - -	0.4	11.5	- - -	10.0	7.5	17.8	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	11.5	2.9	- - -	7.5	- - -	- - -	- - -
S/W	1.5	14.1	0.0	2.3	-0.4	- - -	1.4	- - -	- - -	11.0	2.9	- - -	7.8	18.7	-0.4	0.4
1-Month	1.8	14.1	0.0	2.8	-0.4	- - -	1.8	7.0	0.6	11.2	3.2	10.1	7.7	20.0	-0.4	0.4
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	11.8	3.3	10.2	8.0	- - -	-0.3	0.5
3-Month	1.9	14.0	0.1	2.9	-0.3	- - -	2.1	7.2	0.8	11.4	3.4	10.2	8.3	21.3	-0.3	0.7
6-Month	1.9	13.7	0.3	3.0	-0.2	- - -	2.4	- - -	1.0	11.5	3.6	10.4	8.2	- - -	-0.2	1.0
1-Year	2.0	13.0	0.8	3.1	0.0	- - -	3.0	- - -	1.2	11.3	- - -	10.4	8.7	- - -	0.0	1.3

Local Debt Markets, June 6th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	0.9	- - -	- - -	- - -	- - -	12.7	1.5	6.8	- - -	11.5	3.4	8.7	- - -	- - -	-0.6	0.3
6-Month	1.0	- - -	- - -	- - -	- - -	13.7	2.3	6.9	0.6	11.5	3.7	8.9	- - -	- - -	-0.6	0.4
12-Month	1.3	- - -	0.0	2.4	- - -	13.9	2.6	7.0	0.8	9.8	4.3	9.4	- - -	16.9	-0.5	0.6
2-Year	1.6	- - -	- - -	2.6	- - -	- - -	2.0	7.1	0.7	9.5	- - -	9.0	7.8	- - -	-0.5	0.8
3-Year	- - -	- - -	0.5	2.6	2.6	- - -	2.7	7.2	1.9	9.4	- - -	8.8	8.2	- - -	-0.5	0.9
5-Year	- - -	12.3	- - -	2.8	- - -	15.7	2.7	7.4	2.7	9.1	7.0	9.1	8.5	- - -	-0.4	1.2
7-Year	- - -	- - -	2.0	- - -	3.5	17.1	- - -	7.6	3.2	8.9	- - -	- - -	- - -	- - -	-0.3	1.5
10-Year	- - -	12.4	2.6	3.0	3.9	17.3	3.9	7.5	3.6	8.7	- - -	9.3	9.1	- - -	0.1	1.7
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.9	- - -	8.8	- - -	- - -	9.5	- - -	0.3	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.7	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.8	- - -	- - -	- - -	- - -	9.8	- - -	0.8	2.5

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

Corporate Bonds Summary, June 6th 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	5.0	559	499
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.0	550	521
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.5	297	254
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.3	73	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.5	102	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.1	289	297
	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	3.0	355	316
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.5	306	268
	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	473	456

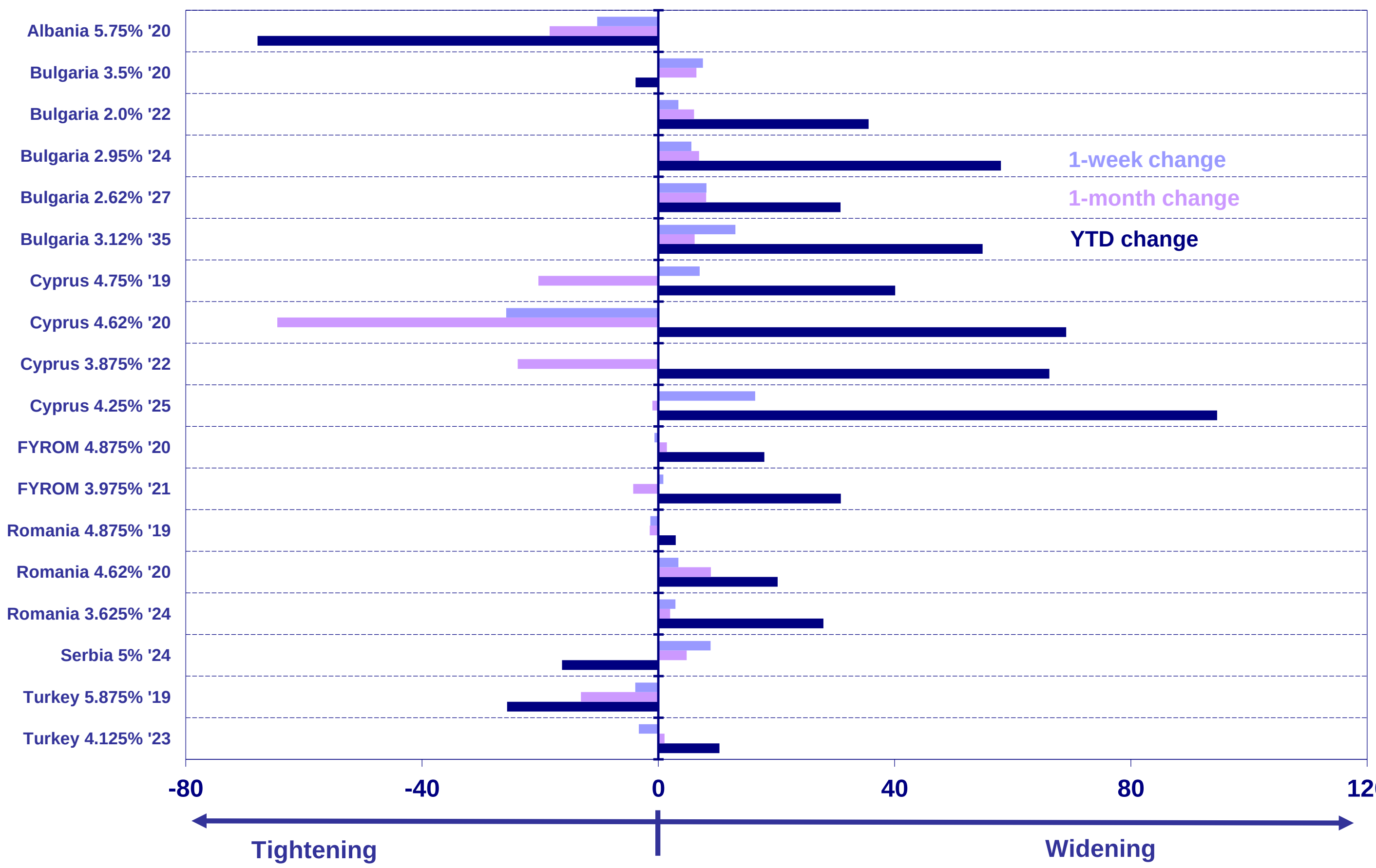
Credit Default Swap Spreads, June 6th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	320	151	123	- - -	488	- - -	- - -	115	239	250	249	282	- - -
10-Year	- - -	390	197	168	- - -	500	- - -	- - -	156	291	297	304	338	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JUNE 6TH 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	4.1	462	432
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.8	137	105
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	203	164
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.3	249	206
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.6	256	203
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.6	306	249
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	2.6	310	280
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	2.9	334	306
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.5	381	341
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.9	388	345
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	4.6	534	468
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.7	546	556
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.5	102	68
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.9	134	103
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	231	199
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.7	386	355
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.5	202	175
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	2.9	318	283

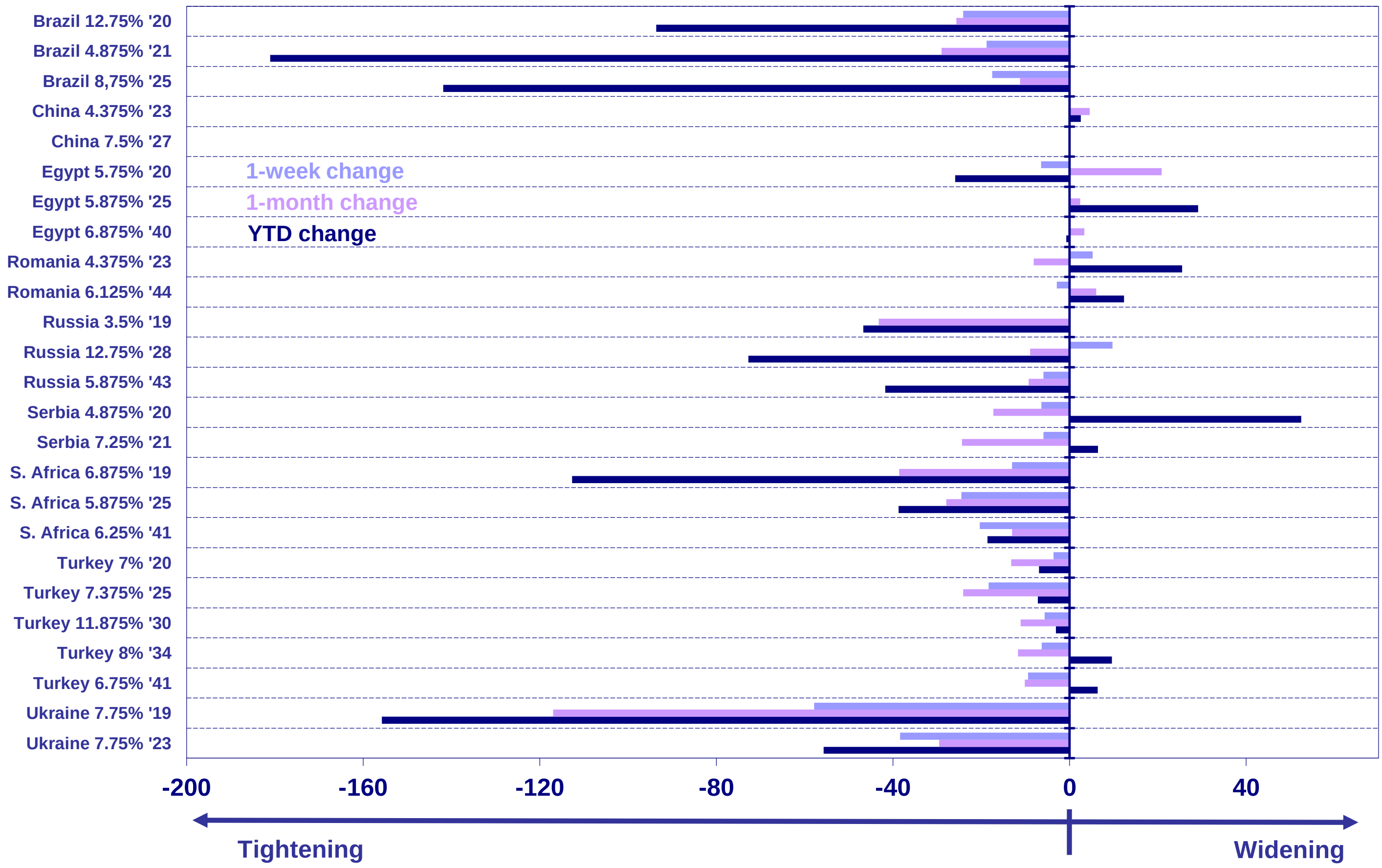
EUR-Denominated Eurobond Spreads (June 6th 2016)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JUNE 6TH 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	3.7	272	298
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	4.2	298	304
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	5.4	366	434
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.5	180	218
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	2.9	- - -	- - -
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.5	458	435
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	7.7	601	565
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.4	586	556
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.4	186	202
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.6	208	293
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	2.7	181	174
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.8	304	437
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.2	261	327
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.0	302	286
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.1	287	307
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.1	216	216
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.6	291	320
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.4	288	359
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	3.6	232	258
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.4	270	323
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	4.8	302	423
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.3	357	399
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.4	289	352
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,646	8.3	733	702
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	8.7	714	693

USD-Denominated Eurobond Spreads (June 6th 2016)



STOCK MARKETS PERFORMANCE, JUNE 6TH 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)	50,432	3.0	-2.5	16.3	-4.5	37,046	54,978	27,1	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	444	0.7	-0.1	-3.6	-9.1	432	462	-3,6	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,934	4.0	0.7	-17.9	-42.8	2,638	3,539	-21,8	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	69	2.9	2.9	2.5	-12.5	64	70	2,5	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	695	1.6	1.0	10.4	-10.0	521	716	-4,6	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,708	-1.1	-1.9	-6.8	2.9	1,699	1,842	-6,8	-0.6	-0.6	6.1	6.1
India (SENSEX)	26,777	0.2	6.1	3.1	1.0	22,495	28,578	-1,2	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,206	2.9	1.3	-10.1	-12.0	1,165	1,329	-9,7	2.6	1.6	3.7	3.5
Russia (RTS)	4,279	-0.2	2.7	8.0	15.2	3,509	4,393	16,7	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	617	0.8	0.0	-2.2	-11.5	570	637	-3,5	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	53,991	-0.9	5.0	6.3	4.6	45,976	54,704	6,7	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	78,593	0.1	0.3	7.4	1.0	68,230	86,931	3,9	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	222	2.1	1.0	-7.7	-36.9	215	256	-14,9	-37.8	-54.8	28.7	-24.2
MSCI EMF	823	1.9	2.2	4.0	-15.7	687	856	0,1	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,677	0.3	2.3	-2.9	-10.0	1,492	1,717	-6,5	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	639	-0.3	5.5	4.6	-16.4	421	656	4,6	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	10,121	-2.1	2.5	-5.8	-8.5	8,699	10,486	-5,8	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,273	0.0	2.4	0.0	-7.6	5,500	6,427	-6,2	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,580	-2.9	2.9	-12.9	-19.0	14,866	18,951	-6,0	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,920	0.3	1.0	1.8	0.9	15,370	18,189	-2,0	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,109	0.5	2.5	2.2	1.4	1,810	2,133	-1,6	-0.7	10.9	11.4	26.6

Equity Indices (June 6th 2016)