



**NBG - Economic Analysis Division**

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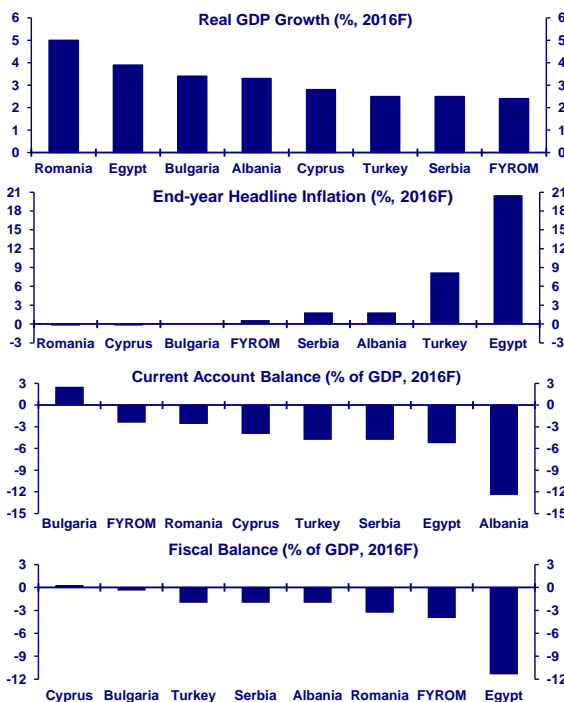
Economic growth reaches an 8-year high of 2.9% y-o-y in Q3:16

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The unemployment rate declines by 0.2 pps y-o-y to 12.5% in Q1:16/17 (July-September 2016)

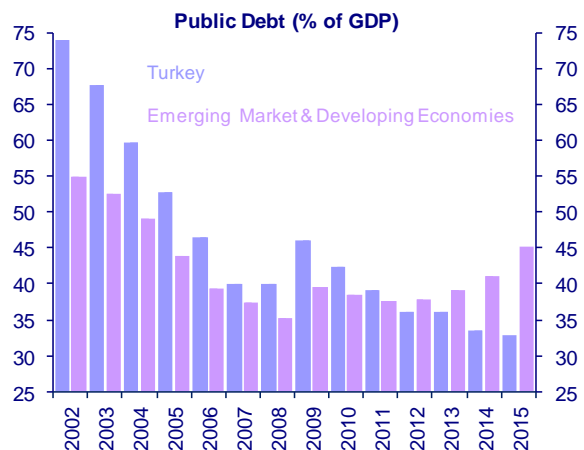
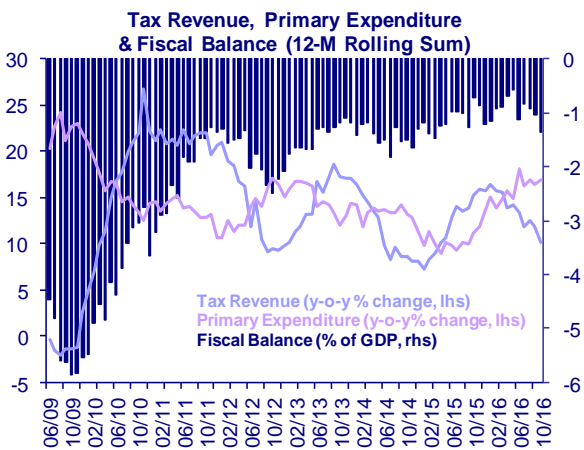
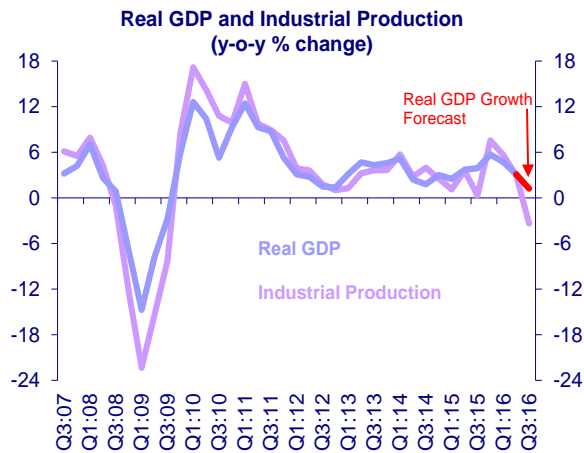
The tourism crisis is set to ease gradually, following a sharp depreciation of the domestic currency and the removal of travel bans by key source countries in Q2:16/17

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# Turkey

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



	21 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	8.9	9.2	9.5	9.0
TRY/EUR	3.57	3.50	3.46	3.40
Sov. Spread (2019, bps)	288	260	240	200

	21 Nov.	1-W %	YTD %	2-Y %
ISE 100	75,544	1.5	3.2	-9.3

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	2.5	3.0
Inflation (eop, %)	7.4	8.2	8.8	8.2	7.5
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.8	-5.2
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-2.0	-3.0

**Industrial production (IP) suggests a sharp slowdown in economic activity in Q3:16.** IP contracted by 3.4% y-o-y in Q3:16 after having increased by 3.0% in Q2:16 and 5.6% in Q1:16. The deterioration reflects mainly heightening uncertainty following the July 15<sup>th</sup> failed coup and the subsequent imposition of an emergency rule, which have dealt a severe blow to business and consumer confidence.

Further evidence of a marked slowdown in economic activity in Q3:16 is provided by other leading indicators. Indeed, the retail sales index (volume terms) contracted (down 0.8% y-o-y in Q3:16 to 137.4 versus a rise of 2.1% in Q2:16), the Purchasing Managers' Index deteriorated at a faster pace (down 1.2 pps y-o-y in Q3:16 to 48.2 against a decline of 0.7 pps in Q2:16), and the capacity utilisation ratio rose at a slower pace (up just 0.3 pps y-o-y in Q3:16 against an increase of 1.0 pp y-o-y in Q2:16). We estimate real GDP growth moderated to 1.2 y-o-y in Q3:16 from 3.1% in Q2:16 and 4.7% in Q1:16.

Looking ahead, we expect economic activity to slow further in Q4:16, in view of heightened uncertainty since early-October, mainly reflecting the Government's renewed efforts to hold a referendum on an executive presidency (likely in March 2017), the arrest of the co-leaders as well as 7 other lawmakers of the pro-Kurdish People's Democratic Party in the context of a terrorism investigation, and a stronger involvement in the conflicts in neighbouring Syria and Iraq. Indeed, the exchange rate has depreciated by c. 10% against the basket of "50%\*USD/TRY\*50%\*EUR/TRY" since early-October, and the CBRT increased its central interest rate for the first time in 3 years (up to 50 bps to 8.0%). All said, we revise our FY:16 real GDP growth to 2.5% from 3.2%.

**The Government initiated an expansionary fiscal policy in October in an effort to boost the waning economy.** The fiscal balance deteriorated significantly, by 0.4 pps of GDP in October, more than reversing the cumulative gain of 0.2 pps of GDP y-o-y in the first 9 months of the year. The negative outcome in October was driven by both lower revenue and higher expenditure.

Specifically, revenue declined by 1.0% y-o-y in October following a solid rise of 14.2% in 9M:16, due to a contraction in both tax revenue (down 1.7% y-o-y) and non-tax revenue (down 16.3% y-o-y) and, to a lesser extent, a further weakening of domestic demand. The sale of 4G licences in October 2015 was the main driver of the decline in tax revenue (through VAT proceeds) and non-tax revenue (through Property Income). Excluding the base effect, revenue rose by an estimated 12.9% y-o-y in October.

On the other hand, spending rose sharply by 18.9% y-o-y in October, compared with 13.3% in 9M:16, marking the start of a cycle of fiscal policy loosening, aimed at containing the slowdown of economic activity and the rise in unemployment. The rise in spending in October is attributed to more generous transfers (health & retirement spending, social assistance, and agricultural subsidies) and a boost in capital expenditure (up 38.8% y-o-y following a decline of 3.5% y-o-y in 9M:16).

With the October outturn, the 12-month rolling budget deficit widened sharply to 1.4% of GDP from 1.0% in September -- below its upwardly-revised end-year target of 1.6% in the new MTP (from 1.3%). Looking ahead, in view of the deteriorating growth outlook, the Government is set to increase further the fiscal stimulus in the coming months. As a result, FY:16 and FY:17 fiscal deficits could reach 2.0% and 3.0% of GDP, respectively, surpassing their respective targets of 1.6% and 2.0% and the FY:15 outcome of 1.2% of GDP. This would imply a fiscal stimulus to the economy of 0.7 pps of GDP in FY:16 and 1.1 pp of GDP in FY:17, on a cyclically-adjusted basis.

# Romania

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

**Real GDP growth slows in Q3:16.** Seasonally-adjusted real GDP rose by 0.6% q-o-q s.a. (flash estimate) in Q3:15, following a robust 1.5% in Q2:16. As a result, the annual pace of economic expansion eased to a still strong 4.4% y-o-y in Q3:16, bringing 9M:16 growth to 4.9% y-o-y compared with 3.7% in 9M:15.

**Private consumption remains the main driver of economic growth.** Private consumption continued to be supported by the loose incomes policy (including targeted increases in public wages – exceeding 15% in some sectors – and social benefits and a 5.0% rise in pensions in January) and its spillover to the private sector; nevertheless, we estimate its growth rate to have moderated in Q3:16, due to a base effect from the cut in VAT on food (by 15 pps to 9%) in June 2015. At the same time, with no help from the public sector (public investment was down 0.5 pps of GDP y-o-y), fixed investment likely declined in Q3:16. On a negative note, net exports continued to weigh significantly on overall growth, reflecting still strong private consumption.

Looking ahead, despite negative base effects from the faster absorption of EU funds last year, GDP growth is expected to rebound in Q4:16, supported by a large pre-election fiscal impulse. Overall, we see growth at an impressive 5.0% in FY:16 (an implied 5.2% y-o-y in Q4:16), well above its FY:15 outcome of 3.8%.

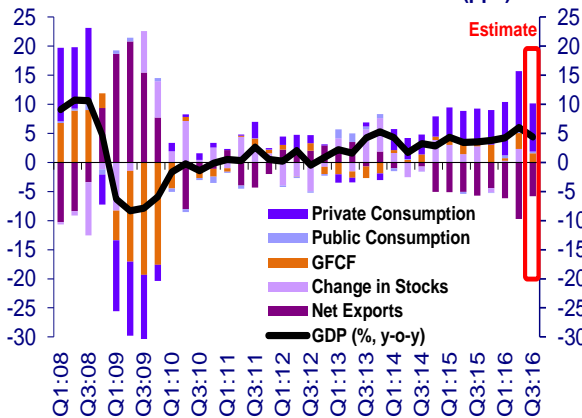
**Real GDP growth set to ease in FY:17, in line with a smaller fiscal stimulus.** Next year's fiscal plans envisage further tax cuts (see below) and targeted hikes in public sector wages, which translate into a fiscal impulse of least 0.7 pps of GDP against an expected 1.8 pps in FY:16. In this context, private consumption should expand at a solid pace (albeit not as strong as in FY:16, due to base effects and higher inflation), reflecting higher disposable income and a tighter labour market. Fixed investment should also pick up, assisted by improving business confidence and stronger absorption of EU funds. Worryingly, in view of sluggish growth in the EU, net exports will remain a large drag on overall growth, in line with robust domestic demand. All said, we see real GDP growth at 3.5% in FY:17, still above its long-term potential of 3.0%.

Risks to the economic outlook are tilted to the upside, reflecting a larger-than-expected fiscal stimulus. Indeed, there are several legislative initiatives (including, *inter alia*, a c. 40% hike in pensions and a 5 pp cut in social security contributions) awaiting parliamentary approval, which could further widen the budget deficit. We believe that these measures are unlikely to be passed in their current form; however, even their partial implementation could jeopardise macroeconomic and financial stability.

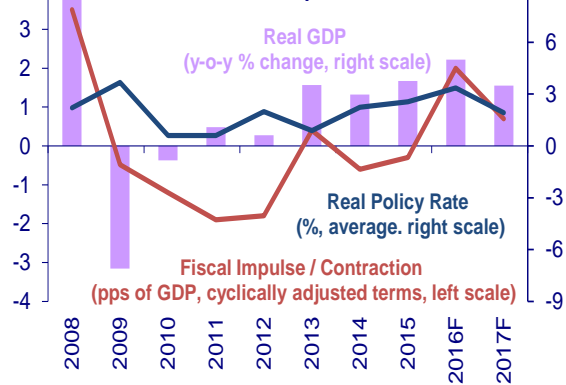
**Headline inflation rises to -0.4% y-o-y in October from -0.6% in September, due to higher fuel prices.** Fuel deflation eased further in October (to 0.0% y-o-y from -2.6% in September), in line with developments in global oil markets. Excluding volatile and regulated prices, adjusted core II inflation was broadly flat at 0.5% y-o-y for a fifth consecutive month in October.

**Inflation is set to pick up rapidly in FY:17, despite tax cuts.** Looking ahead, stronger domestic demand, combined with higher energy prices (up 15.7% y-o-y in RON terms in 11-12M:16 and 24.5% in FY:17 -- against a decline of 20.8% in 10M:16) and higher imported inflation, should put upward pressure on headline inflation. This trend could be interrupted in January 2017, when the VAT rate will be cut by 1 pp to 19% and the special excise duty on fuels eliminated, together shaving 0.6 pps off headline inflation. Overall, we see headline inflation rising to 2.0% at end-2017 from a projected -0.2% at end-2016, within the NBR's target range (2.5±1%). Adjusted core II inflation should rise even further to 2.8% at end-2017 compared with 1.0% at end-2016.

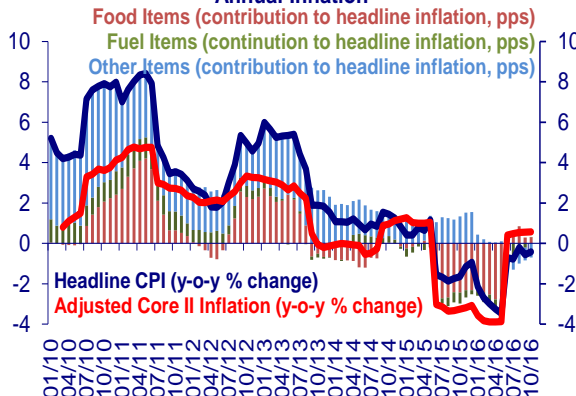
Contribution Rates to Real GDP Growth (pps)



Real GDP Growth, Real Policy Rate & Fiscal Impulse



Annual Inflation



	21 Nov.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.7	0.9	1.2	1.5
RON/EUR	4.51	4.48	4.49	4.50
Sov. Spread (2024, bps)	209	175	165	150

	21 Nov.	1-W %	YTD %	2-Y %
BET-BK	1,306	-0.3	-2.7	-0.5

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



# Bulgaria

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

**Economic growth maintains momentum in Q3:16.** On a sequential basis, GDP rose by a solid 0.8% s.a. (flash estimate) for a 6<sup>th</sup> consecutive quarter in Q3:16. As a result, the annual pace of economic expansion was 3.5% y-o-y in Q3:16, broadly unchanged since Q1:16.

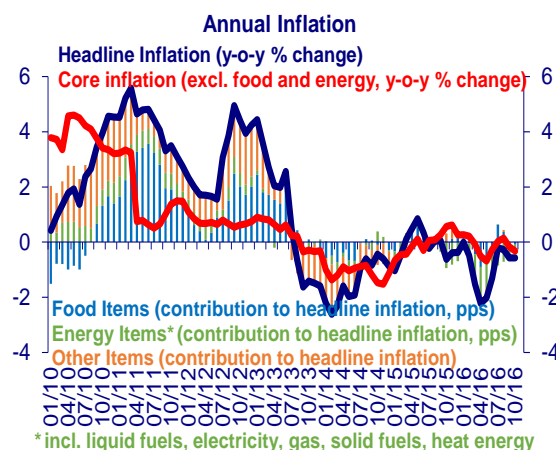
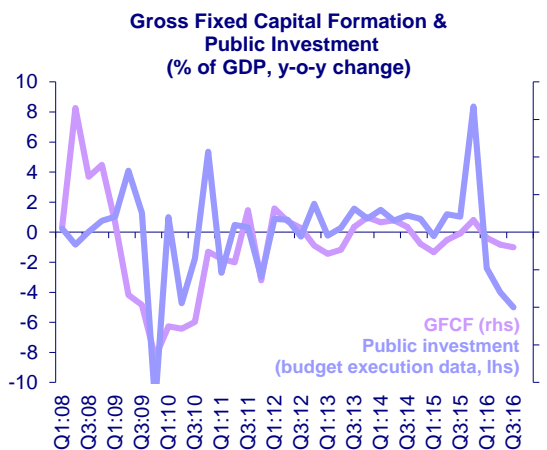
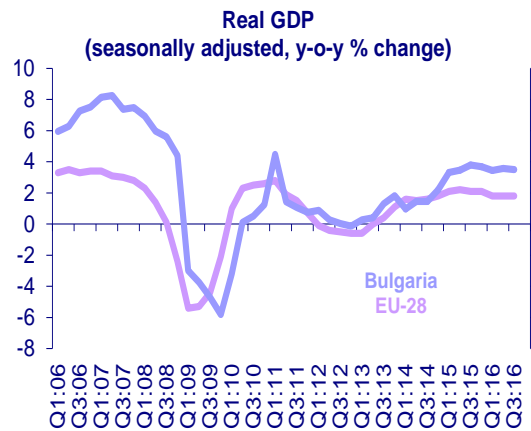
**Final consumption and net exports sustain economic activity in Q3:16.** We expect private consumption to have expanded strongly in Q3:16, supported by tight labour market conditions (the LFS unemployment rate fell to a 7-year low of 7.0% in September from 8.0% at end-2015 and its peak of 13.4% in early-2014) and improved consumer confidence (the relevant index rose to -25.7 in Q3:16 from -28.7 in Q2:16). Higher public consumption, on the back of a relatively looser fiscal stance (the budget surplus, excluding capital spending, narrowed by 0.3 pps of GDP y-o-y in Q3:16 following a decline of 0.2 pps in Q2:16) likely also sustained final consumption in Q3:16. On the other hand, fixed investment weakened in Q3:16, driven by the public sector (public investment was down 1.0 pp of GDP y-o-y in Q3:16 following a decline of 0.8 pps in Q2:16). On a positive note, we estimate the contribution of net exports to overall growth to have improved slightly in Q3:16, reflecting competitiveness gains (see below).

**Growth momentum set to ease amid heightened political uncertainty.** Recall that, following the defeat of its candidate in the recent Presidential elections, the GERB-led coalition Government resigned, paving the way for early elections, most likely in spring 2017. The risk remains, however, that elections could lead to another fragmented parliament, failing to end the political stalemate.

As a result, with economic sentiment expected to deteriorate in the period ahead, GDP should weaken. Importantly, however, the structure of domestic demand should shift from private consumption to investment. Indeed, fixed investment is set strengthen gradually, in line with the low investment-to-GDP ratio (20.8% against a pre-crisis high of 32.0%) and the increasing capacity utilization rate in the industrial sector (73.5% against a historical average of 69.0%), as well as favourable domestic liquidity conditions (the loan-to-deposit ratio stands at 81.9%). At the same time, private consumption should weaken, in view of slower employment growth, on the back of structural problems in the labour market (high long-term unemployment, skills mismatches) and slightly higher inflation. On a positive note, net exports should continue to support overall growth, reflecting the improving competitiveness of the economy (real GDP per employee has risen by 9.5% since end-2011, while the BGN was stable in real terms in the same period). Overall, we expect real GDP growth to ease slightly to 3.1% in FY:17 from a projected 3.4% in FY:16 (an implied 3.0% y-o-y in Q4:16) and a high of 3.6% in FY:15.

**Headline inflation remains flat at -0.6% y-o-y in October.** Energy deflation moderated in October (to -1.8% y-o-y from -2.1% in September), in line with developments in global oil markets. Subdued demand-side pressures, however, as reflected in the slight decline in core inflation (excl. food and energy) to -0.3% y-o-y in October from -0.2% in September offset the hike in energy inflation.

**Headline inflation to remain subdued at least until end-2017.** Despite weak domestic demand, we expect headline inflation to embark on a mild upward trend, reflecting: i) higher global oil prices (the price of Brent is projected to rise by 14.9% y-o-y in BGN terms in 11-12M:16 and 24.1% in FY:17 against a drop of 21.6% in 10M:16) and imported inflation; and ii) an expected upside correction in volatile food prices due to a poor harvest in FY:16. All said, we see headline inflation picking up to 0.0% at end-2016 and 0.6% at end-2017, still well below its long-term average. Core inflation should also remain depressed, ending 2016 at -0.2% and rising to 0.2% at end-2017.



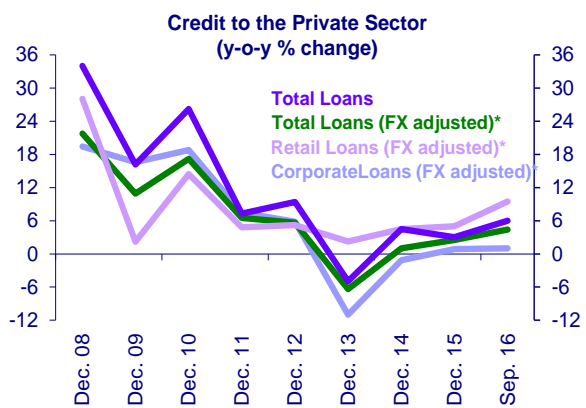
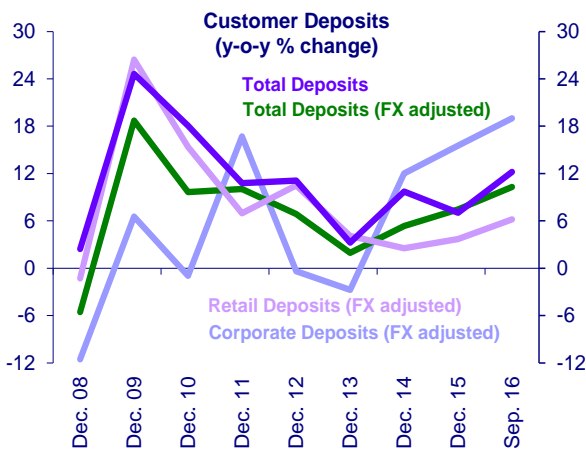
	21 Nov.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	135	130	122	110

	21 Nov.	1-W %	YTD %	2-Y %
SOFIX	540	0.9	17.1	4.7

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

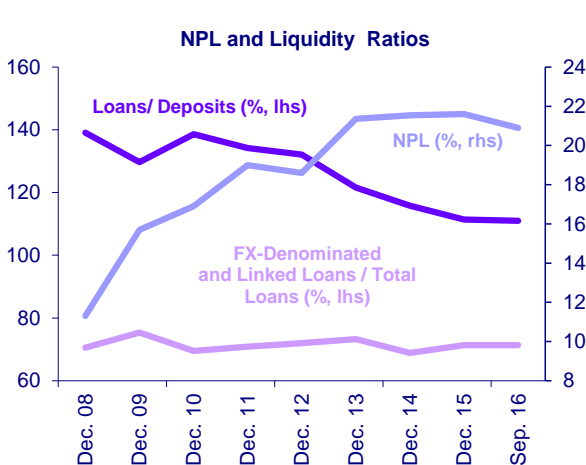
# Serbia

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



\* NBG estimates before 2009

\*\* FX loans include FX denominated and linked Loans



	21 Nov.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.5	3.8
RSD/EUR	123.2	125.1	125.4	125.7
Sov. Spread (2021, bps)	277	230	220	180

	21 Nov.	1-W %	YTD %	2-Y %
BELEX-15	680	2.1	7.7	-1.4

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.7	2.5	2.7
Inflation (eop, %)	2.2	1.7	1.5	1.8	2.2
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.8	-4.8	-5.0
Fiscal Bal. (% GDP)	-5.5	-6.6	-3.8	-2.0	-2.0

**FX-adjusted customer deposit growth reached a 7-year high of 10.3% y-o-y in September, reflecting strengthening confidence in the domestic economy.** Adjusted for FX variations, deposits accelerated to a 7-year high of 10.3% y-o-y in September, from 7.4% at end-2015, reflecting strengthening consumer and business confidence, on the back of significant progress on EU membership negotiations, good relations with the Fund, and an improving operating environment. The acceleration in deposits occurred despite the sharp decline in their remuneration, especially in the LC component (the average interest rate on new LC term deposits fell to a historical low of 2.7% in 9M:16 from 4.9% in FY:15). The latter followed large policy rate cuts and increased bank liquidity through the reduction in RRRs.

From a segment perspective, the acceleration in (FX-adjusted) overall deposits was driven by the continued rebound in both the retail and corporate segments. Retail deposits (2/3 of total deposits) rose to a 3-year high of 6.2% y-o-y in September from 3.7% at end-2015. This is mainly attributed to an improvement in real disposable income, reflecting tighter labour market conditions (unemployment rate fell to a 7-year low of 17.1% in H1:16 from 17.7% in FY:15, while (net) wages rose by 3.8% y-o-y in 9M:16 following a decline of 0.2% in FY:15).

Moreover, (FX adjusted) overall corporate deposits also strengthened (solely driven by the FC component) to a pre-crisis peak of 19.0% y-o-y in September, up from 15.5% at end-2015, likely reflecting a strong rebound in exports (rising by 10.5 y-o-y in 8M:16 following an increase of 6.6% in FY:15, in EUR terms).

**FX-adjusted credit activity growth accelerated to a 4-year high of 4.4% y-o-y in September, supported by stronger loan supply and demand.** Adjusted for FX variations, the loan book expanded to a 15-quarter high of 4.4% y-o-y in September from 2.5% at end-2015 and a weak 0.9% in December 2014. The strengthening in lending activity solely reflects the rebound in LC loan book (less than 1/3 of total loans) in both retail and corporate segments. This was supported by:

i) the easing of the monetary policy stance and the concomitant decline in LC lending interest rates (RSD lending rates on new loans declined sharply, by 530 bps y-o-y to a historical low of 9.1% in 9M:16 from 12.7% in FY:15 and to 8.0% in real terms in 9M:16 from 11.1% in FY:15); as well as ii) improved bank asset quality (the NPL ratio declined to 20.2% in Q2:16 from a peak of 23.0% in Q3:14).

Specifically, LC corporate loan growth turned positive in September after remaining in negative territory since July 2015 (up 8.6% y-o-y in September against a drop of 21.1% at end-2015), mainly reflecting the maturation in June 2016 of the state-subsidised loans provided in 2014. Note that the credit support programme targeted LC-denominated loans and amounted to RSD 136.1bn in FY:14, of which RSD 110bn was repaid in FY:15 and the rest (RSD 26bn) in H1:16.

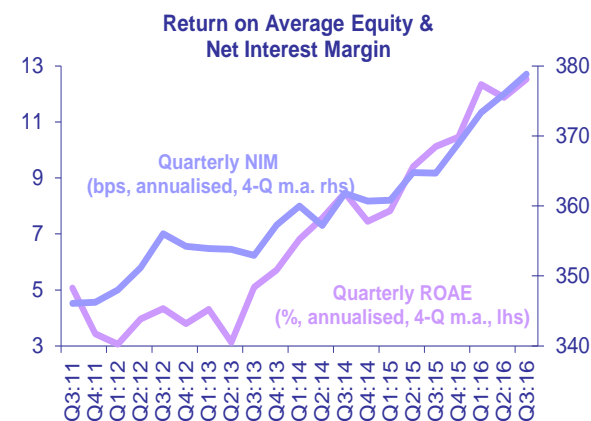
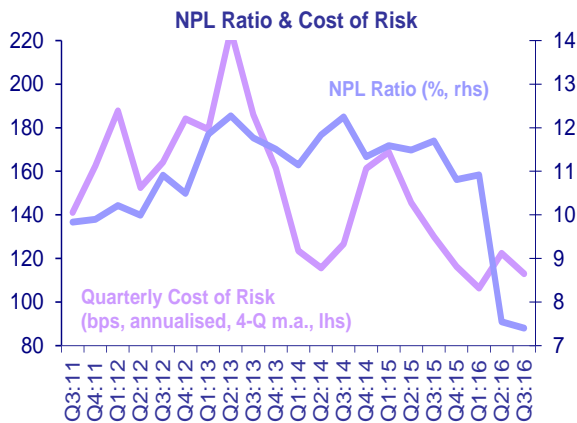
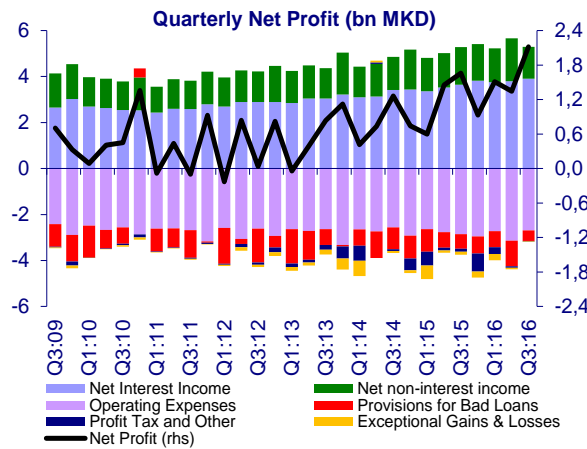
LC household loans expanded at a faster pace than LC corporate loans -- up 20.0% y-o-y in September from c. 10.0% at end-2015.

On the other hand, growth in the FC loan book turned negative, solely due to the drop in FC-denominated and indexed loans to corporates (down 1.2% y-o-y in September against a strong 3½-year high rise of 9.5% at end-2015, FX-adjusted). The decline reflects a negative base effect, stemming from the gradual rebound in lower interest-bearing FC loans, started in Q3:15, following the phasing-out of the 2014 state-subsidised credit support programme, which targeted exclusively LC-denominated loans.

With deposits increasing at a faster pace than loans (for an 8<sup>th</sup> successive year), the (gross) loan-to-deposit ratio continued to moderate, reaching a still high 108.0% in Q3:16 -- down from 111.4% at end-2015 and a peak of 146.5% in Q1:09.

# F.Y.R.O.M.

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



**Banking sector profitability reached an 8-year high in Q3:16.** Net profit (after tax) increased by 27.5% y-o-y to a 33-quarter high of EUR 34.5mn or 0.4% of GDP in Q3:16, following an average of EUR 23.3mn per quarter in H1:16. The strong performance in Q3:16 was driven by a sharp decline in NPL provisions, as well as a significant increase in pre-provision earnings and lower impairment charges on foreclosed non-financial assets (contributing 11.4 pps, 9.7 pps and 6.3 pps, respectively, to Q3:16 net profit growth).

As a result, cumulative and (annualised) ROAE and ROAA improved to 13.9% and 1.6%, respectively, in 9M:16 – surpassing their corresponding levels of 11.1% and 1.2% in 9M:15, and 10.4% and 1.1% in FY:15.

**NPL provisions declined on an annual basis in Q3:16, as the NPL ratio fell.** P/L provisions declined by 29.6% y-o-y in Q3:16, reflecting a payback to overprovisioning in Q2:16 (up by a sizeable 63.8% y-o-y), when political uncertainty reached its peak, as well as improved quality of banks' loan portfolios. Indeed, the NPL ratio (comprising loan balances 90 dpd) declined by 430 bps y-o-y (of total loans) to a 7-year low of 7.4% in Q3:16 -- the lowest in SEE-5. The sharp decline in the NPL ratio was supported by a central bank regulation, issued last December, obliging banks to write off their fully provisioned loans held in "loss" category for more than two years within H1:16. As a result, the (annualised) cost of risk (the ratio of P/L provisions-to-average gross loans) narrowed by 28 bps y-o-y (down 100 bps q-o-q) to an 11-quarter low of 69 bps in Q3:16.

**Pre-provision earnings remained robust in Q3:16, due to lower operating expenses.** Pre-provision earnings rose by 6.6% y-o-y in Q3:16, due to a significant decline in operating expenses (down 5.4% y-o-y), reportedly reflecting lower reserves for off-balance sheet activities and lower losses from the sale and/or valuation of foreclosed assets.

Net income remained broadly flat in Q3:16 (up 0.1% y-o-y), as a significant increase in net interest income (NII) (up 7.1% y-o-y in Q3:16) was offset by a sharp decline in net non-interest income (NNII), (down 15.3% y-o-y in Q3:16). Specifically, NII was supported by higher interest earning assets (up 4.3% y-o-y in Q3:16) and an improved net interest margin (up 11 bps y-o-y to 387 bps in Q3:16). The increase in the NIM was underpinned by a significant increase in CB bill rates (up 75 bps y-o-y to 4% in Q3:16) and government domestic debt yields (the 6-month and 12-month T-bill rates rose by 100 bps and 93 bps, respectively, to 2.3% and 2.6% in Q3:16), following the monetary policy tightening initiated in early-May.

**Net profit also benefited from a sharp decline in impairments for non-financial assets in Q3:16.** The latter fell by 82.1% y-o-y in Q3:16, reflecting a regulatory impairment charge imposed since 2014 -- a 20% haircut on banks' foreclosed assets per year -- acting as an incentive to the sale of foreclosed assets.

As operating expenses declined and gross operating income remained broadly flat, the banking sector's efficiency improved significantly, with the cost-to-income ratio declining by 298 bps y-o-y to 55.4% in Q3:16.

**Banking sector profitability is set to reach an 8-year high in 2015.** Looking ahead, we expect the recent positive trends to continue in Q4:16. However, the expected improvement in ROAE in Q4:16 (to an estimated 9.2% (annualised) from 8.1% in Q4:15) should be milder than in 9M:16, due to the fact that the bulk of profit taxes will be paid in Q4:16. Overall, we see FY:16 ROAE reaching an 8-year high of c. 12.5% in 2016, up from 10.4% in 2015.

	21 Nov.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.7	1.7	1.7	1.7
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	434	400	380	350

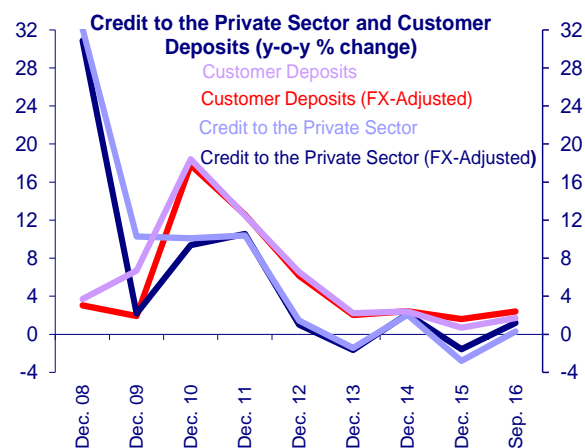
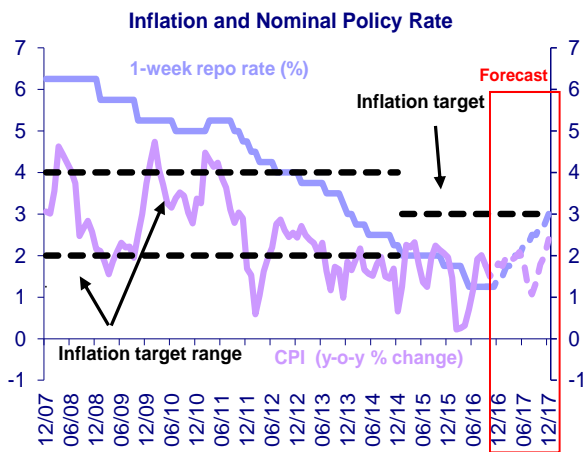
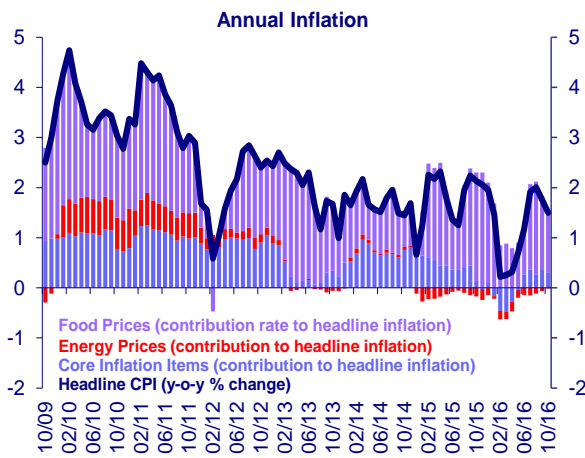
	21 Nov.	1-W %	YTD %	2-Y %
MBI 100	2,253	5.5	22.9	21.2

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



# Albania

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



**Headline inflation slowed to 1.5% y-o-y in October, supported by favourable food prices and softer core inflation.** Headline inflation moderated to 1.5% y-o-y in October from 1.8% in September and a peak of 2.0% in August – remaining well below the BoA’s current target of 3.0% for almost five years. The decline was largely driven by a significant moderation in food inflation to 3.1% y-o-y in October from 3.7% in September – shaving 0.2 pps off headline inflation between September and October – exclusively reflecting favourable volatile prices of fruit and vegetables. Moreover, core inflation also contributed to the positive October outcome. Indeed, core inflation eased slightly to 0.6% y-o-y in October from 0.7% in September -- shaving 0.1 pp off headline inflation -- reflecting a still negative output gap (-0.5% in Q3:16 on a 4-quarter rolling basis) and favourable imported inflation.

**Headline inflation is set to converge towards the BoA’s target by end-2017.** Inflation is set to end this year at 1.8% -- almost half the BoA’s target, and 0.2 pps below the end-2015 outcome. The expected upward trend will mainly reflect less favourable international oil and food prices. Upside risks to our end-2016 forecast arise from frequent end-year floods and their impact on volatile food items. For 2017, we expect headline inflation to continue its upward trend, reaching a 7-year high of 2.4% in December but remaining below the BoA’s target for a sixth successive year. The negative inflation performance next year should result from higher global oil and food prices and a closing output gap (0% in Q4:17 on a 4-quarter rolling basis).

**Increasing inflationary pressures and a risk of overheating of the economy strengthen the BoA’s hand in initiating a new cycle of monetary policy tightening.** The BoA maintained unchanged its key policy rate (1-week repo) unchanged, for a fifth month in a row, at a record low of 1.25% at its November 9<sup>th</sup> meeting. Note that the BoA had cut its central rate by 25 bps in both April and May, bringing total cuts to 400 bps since the initiation of the cycle of monetary policy easing in September 2011. Looking ahead, we expect the BoA to hike its 1-week repo rate by 175 bps by end-2017, in its efforts to contain increasing inflationary pressures and prevent an overheating of the economy. Should our forecasts materialise, the *ex post* real policy rate should increase to 0.6% at end-2017 from 0.0% at end-2016.

**Customer deposit growth (FX-adjusted) remained subdued in Q3:16 (up 2.4% y-o-y), due to competition from the attractive domestic debt market.** Customer deposits (FX-adjusted) continued to grow at around 2.0% for a fourth consecutive year, mainly due to the preference by households for higher-yielding domestic debt. Note that, although narrowing, the difference between the 12-month T-bill yield and the 12-month deposit interest rate stood at 0.8 pps in 9M:16 and that between the 3-year bond yield and the 3-year deposit interest rate reached 2.0 pps in Q3:16.

**Credit growth, adjusted for write-offs and FX variations, gained momentum in Q3:16 (up c. 5.0% y-o-y), supported by improving loan supply.** Adjusted only for FX variations, the loan book rose by 1.2% y-o-y in September after having receded by 1.6% at end-2015. The improvement could be attributed to loosening credit conditions by banks, due to improved economic prospects and, to a large extent, a significant decline in the NPL ratio. The latter was driven mainly by large compulsory write-offs of loans held in “loss” category for more than 3 years in 2015 (estimated at ALL 27bn in 2015 or 5.3% of the end-2015 stock of loans) and 2016 (likely to amount to ALL 11bn). Adjusting for the write-offs, credit growth (FX-adjusted) is estimated to have accelerated to 4.9% y-o-y in September from 2.9% at end-2015 and 2.1% at end-2014.

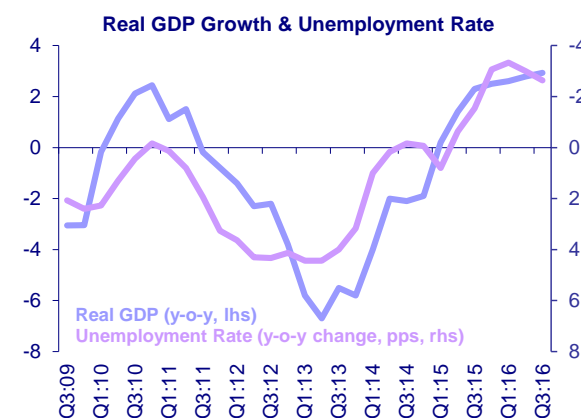
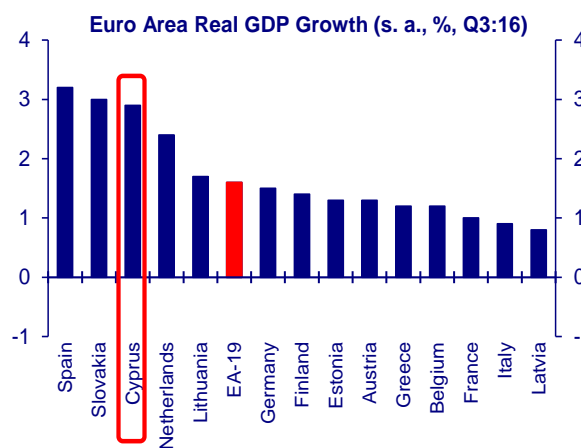
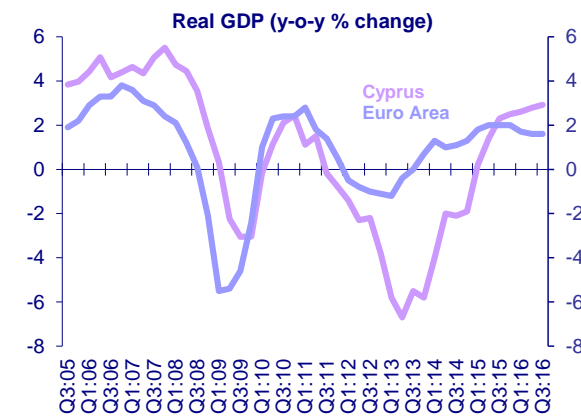
	21 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.0	2.4	2.8
ALL/EUR	135.5	138.5	138.7	139.0
Sov. Spread (bps)	371	360	340	300

	21 Nov.	1-W %	YTD %	2-Y %
Stock Market	---	---	---	---

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

# Cyprus

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



## Economic growth reached an 8-year high of 2.9% y-o-y in Q3:16.

Real GDP recorded positive growth for a seventh successive quarter on a sequential seasonally-adjusted basis in Q3:16. It expanded by a robust 0.7% q-o-q in Q3:16, similar to H1:16. As a result, the annual pace of economic expansion accelerated to an 8-year high of 2.9% y-o-y in Q3:16, from 2.7% in H1:16, bringing real GDP growth to 2.8% y-o-y in 9M:16.

Although a detailed breakdown will not be available until December 9<sup>th</sup>, we estimate the positive Q3:16 outcome was mainly driven by an improvement in domestic demand. Indeed, the contribution of domestic demand to overall growth likely increased significantly in Q3:16, supported by: i) strengthening consumer and business confidence (the Consumer Confidence Index and the Economic Sentiment Index increased to pre-Lehman highs of -7.1 and 112.1, respectively, in Q3:16 from -8.4 and 111.5 in Q2:16) following the conclusion of the 3-year adjustment programme at end-Q1:16; and ii) improving labour market conditions (the s.a. unemployment rate declined by 2.6 pps y-o-y to a 4-year low of 12.0% in Q3:16).

Furthermore, we estimate the contribution of net exports to have also improved in Q3:16, reflecting stronger tourism activity. Note that tourist arrivals rose sharply in Q3:16 (by 16.6% y-o-y, following increases of 21.2% y-o-y and 8.9%, respectively, in H1:16 and FY:15), benefiting from heightening security concerns in neighbouring competitors -- Turkey and Egypt.

## Economic activity is likely to moderate slightly in 2017 (to 2.4%).

Looking ahead, in view of the better-than-expected y-t-d performance and stronger-than-initially-forecast Q4:16 growth (2.7% y-o-y), we revised up our FY:16 growth forecast to 2.8% from 2.6% previously -- in line with the EC's recently revised forecast and 1.1 pp stronger than the FY:15 outcome. Growth in Q4:16 should be supported by both domestic and external demand, as in 9M:16.

For 2017, we expect economic activity to slow to 2.4%, 0.1 pp below the EC's recently revised forecast. The slowdown will reflect less buoyant tourism activity, following the Brexit and the depreciation of the GBP (see below), the gradual return of Russian tourists to Turkey following the recent normalization of Russian-Turkish relations, and the attractiveness of neighbouring Egypt following the recent sharp depreciation of its local currency (c. 50% against the USD), as well as the removal of travel bans by key source countries.

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

Note that our growth forecast includes the impact of the June 23<sup>rd</sup> Brexit vote on the island's economic activity (set to shave 0.1 pp this year and 0.5 pps next year off overall GDP growth). Indeed, the slowdown in the UK and the marked depreciation of the GBP will weigh heavily on the island's economy in 2017, as the UK is the country's largest source of tourism (accounting for c. 40.0% of total arrivals in FY:15) and the second largest trading partner, behind Greece.

	21 Nov.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.06	1.08	1.08	1.05
Sov. Spread (2020. bps)	259	250	230	200

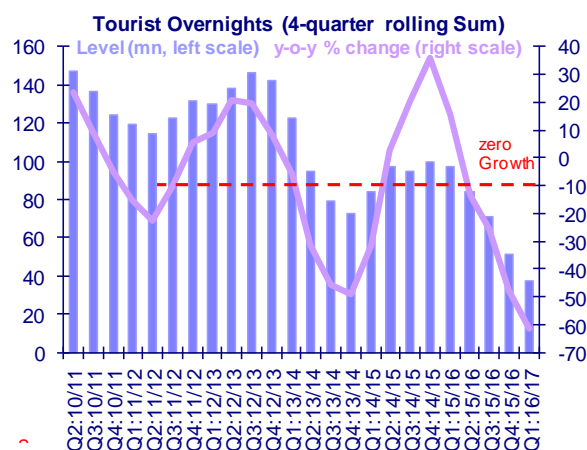
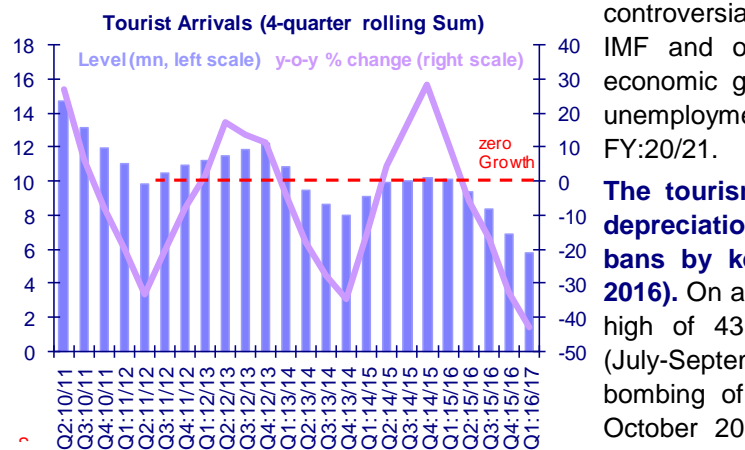
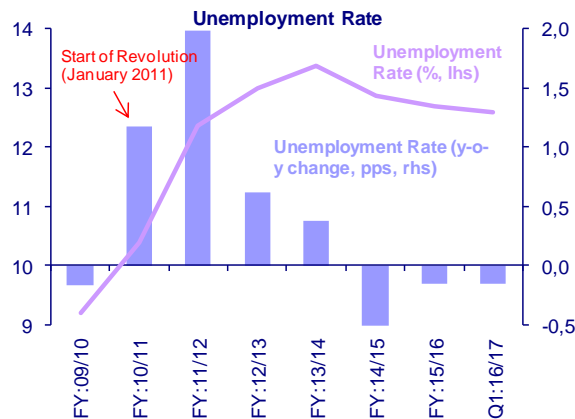
	21 Nov.	1-W %	YTD %	2-Y %
CSE Index	66	-0.4	-2.0	-27.8

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



# Egypt

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



The unemployment rate declined by 0.2 pps y-o-y to 12.5% in Q1:16/17 (July-September 2016). Unemployment continues to remain high due to the following factors. First, the severe crisis in the labour-intensive tourism sector (see below). Second, persisting FX shortages, which reduced imported inputs and created backlogs that hampered production and exports. The FX crisis was the result of the end of financial assistance from the country's primary benefactors, Saudi Arabia, Kuwait and the UAE at end-2014/15, the sharp decline in workers' remittances, the significant drop in tourist receipts, and the difficult access to international capital markets.

Looking ahead, following the implementation of a series of bold reforms in the past 3 months and provided that the IMF-supported 3-year economic programme – effective from November 9<sup>th</sup> -- remains on track, most of the above-mentioned obstacles to a significant decline in the unemployment rate will be lifted. The recently-introduced reforms comprise: i) the floatation of the domestic currency; ii) the cut in fuel and gas subsidies (through price increases); iii) the introduction of a VAT at 13.0%; and iv) the parliamentary approval of the controversial civil service law (set to contain the wage bill). Under the IMF and our long-term growth projections (implying an average economic growth rate of 5% per annum during the next 5 years), unemployment could come down to the pre-Revolution level of 9.0% in FY:20/21.

The tourism crisis is set to ease gradually, following a sharp depreciation of the domestic currency and the removal of travel bans by key source countries in Q2:16/17 (October-December 2016). On a 4-quarter rolling basis, tourist arrivals declined by a record high of 43.1% y-o-y to a multi-year low of 5.7mn in Q1:16/17 (July-September 2016). The deterioration is attributed to the terrorist bombing of a Russian passenger plane in the Sinai Peninsula in October 2015, the hijacking of a domestic flight by a passenger wearing a fake suicide belt in March, and the loss of an Egypt Air plane in the Mediterranean Sea in May. The terrorist attack on the Russian plane led: i) Russia (the largest source country, which accounted for more than 30% of total tourists in 2014) to ban flights to Egypt; ii) the UK (the second largest source country, which accounted for more than 10% of total tourists in 2014) to suspend all flights to Egypt's tourism flagship city of Sharm-el-Sheikh; and iii) several other countries to issue warnings against travel to Egypt. More worrying, the number of nights spent by tourists declined by an all-time high of 61.7% y-o-y to a multi-year low of 37.1mn in Q1:16/17, on a 4-quarter rolling basis -- a sharper pace than that of arrivals during the same period (down 43.1%).

Looking ahead, the tourism crisis is set to ease gradually in the coming quarters, following the floatation of the domestic currency in early-November and the removal of travel bans by key source countries. Indeed, Egypt has become a more attractive destination, due to a sharp depreciation of the domestic currency (by c. 50% against the EUR since early-November). Moreover, following a significant improvement of security conditions in Egyptian airports over the past 10 months, Germany and the UK resumed their charter flights, respectively, to Sharm-el-Sheikh and Luxor, in mid-October. The return of Russian flights to Egypt is expected next January.

Recall that the tourism sector: i) saw its contribution to FX reserves decline sharply to a 13-year low of USD 3.8bn in FY:15/16 from USD 7.4bn in FY:14/15; and ii) is estimated to have shaved 0.4 pps off overall GDP growth in FY:15/16 (estimated at 4.3%) after having added 0.3 pps to growth in FY:14/15 (4.4%).

	21 Nov.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	14.9	17.0	17.0	16.5
EGP/USD	17.3	16.8	16.4	16.0
Sov. Spread (2020. bps)	399	350	300	220

	21 Nov.	1-W %	YTD %	2-Y %
HERMES 100	1,005	6.9	59.6	14.1

	13/14	14/15	15/16	16/17F	17/18F
Real GDP Growth (%)	2.2	4.4	4.3	3.5	4.5
Inflation (eop. %)	8.2	11.4	14.0	18.0	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-5.5	-5.0	-3.5
Fiscal Bal. (% GDP)	-12.2	-11.5	-12.2	-10.5	-9.0

**FOREIGN EXCHANGE MARKETS, NOVEMBER 21<sup>ST</sup> 2016**

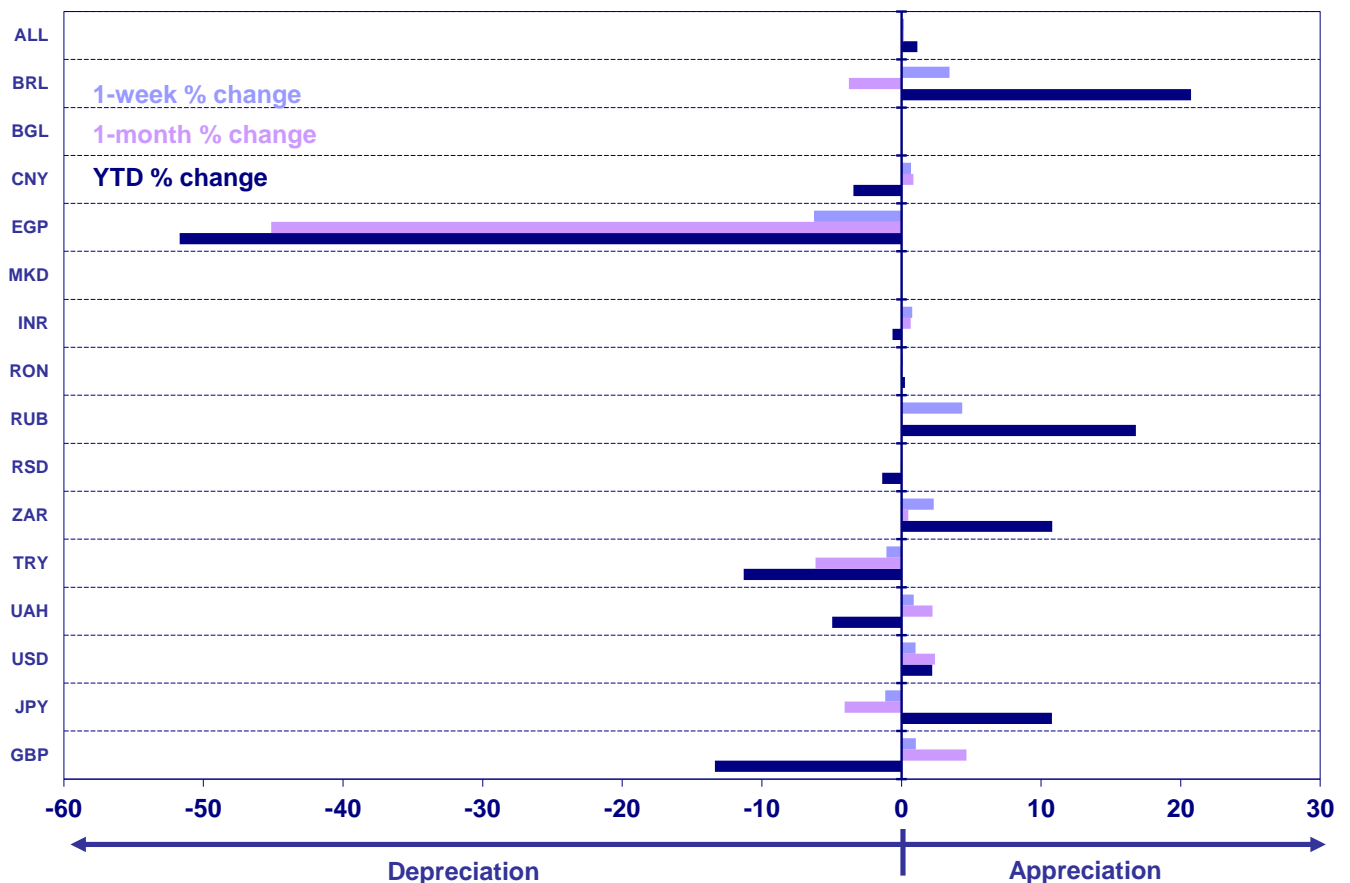
*Against the EUR*

Currency		2016										2015	2014
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	135.5	0.2	0.2	1.1	0.6	135.5	139.5	135.9	136.0	135.2	2.0	0.1
Brazil	BRL	3.56	3.4	-3.8	20.7	11.4	3.38	4.55	4.06	4.04	4.01	-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	7.29	0.7	0.9	-3.4	-6.9	6.99	7.64	7.53	7.52	7.52	6.7	10.8
Egypt	EGP	17.57	-6.3	-45.2	-51.7	-52.9	8.26	19.85	---	---	---	2.1	10.6
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	72.3	0.8	0.7	-0.6	-2.6	71.3	77.8	77.1	---	---	6.6	12.3
Romania	RON	4.51	0.1	-0.1	0.3	-1.5	4.49	4.56	4.52	4.52	4.53	-0.8	-0.5
Russia	RUB	67.9	4.4	0.1	16.8	3.1	67.4	75.1	69.7	71.3	74.7	-15.1	-32.8
Serbia	RSD	123.2	0.0	-0.1	-1.4	-2.0	121.6	124.3	123.7	124.1	---	-0.1	-5.6
S. Africa	ZAR	15.1	2.3	0.5	10.8	-1.1	14.50	18.58	15.5	15.8	16.5	-16.6	3.0
Turkey	YTL	3.57	-1.1	-6.2	-11.3	-15.1	3.12	3.68	3.67	3.76	3.98	-10.8	4.4
Ukraine	UAH	27.4	0.9	2.2	-5.0	-7.6	25.06	30.32	32.5	---	---	-27.5	-40.8
US	USD	1.06	1.0	2.4	2.2	0.1	1.1	1.2	1.07	1.07	1.08	11.4	13.6
JAPAN	JPY	117.8	-1.2	-4.1	10.8	10.9	109.6	132.3	117.5	117.5	117.5	11.0	-0.1
UK	GBP	0.85	1.0	4.6	-13.4	-17.3	0.7	0.9	0.85	0.85	0.86	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 (November 21<sup>st</sup> 2016)**



### MONEY MARKETS, NOVEMBER 21<sup>ST</sup> 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	13.9	0.0	2.3	---	14.9	---	---	0.5	10.4	---	8.5	7.4	14.9	---	0.4
T/N	---	---	---	---	---	---	---	---	0.5	10.5	3.0	---	7.8	---	---	---
S/W	1.4	13.9	0.0	2.4	-0.4	---	1.3	---	---	9.1	3.1	---	7.6	15.8	-0.4	0.5
1-Month	1.6	13.8	0.0	2.8	-0.4	---	1.7	6.3	0.7	10.7	3.3	8.9	7.9	17.0	-0.4	0.6
2-Month	---	13.6	0.1	---	-0.3	---	---	---	---	10.8	3.4	9.4	8.3	---	-0.3	0.7
3-Month	1.8	13.5	0.1	3.0	-0.3	---	2.0	6.4	0.8	10.8	3.5	9.5	8.5	18.3	-0.3	0.9
6-Month	2.1	13.2	0.4	3.0	-0.2	---	2.4	---	1.0	10.4	3.7	10.2	9.0	---	-0.2	1.3
1-Year	2.6	12.5	0.8	3.1	-0.1	---	3.0	---	1.2	10.4	---	10.3	9.1	---	-0.1	1.6

### LOCAL DEBT MARKETS, NOVEMBER 21<sup>ST</sup> 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	1.2	---	---	---	---	16.8	1.6	6.0	---	10.1	3.1	8.3	---	---	-0.8	0.4
6-Month	1.6	---	---	---	---	17.9	2.3	6.0	0.6	10.1	3.4	9.4	---	---	-0.7	0.6
12-Month	2.4	---	0.2	2.2	---	18.1	2.6	6.2	0.8	8.8	4.0	9.4	---	15.3	-0.7	0.8
2-Year	---	---	---	2.4	---	---	2.8	6.2	0.9	8.8	---	10.3	7.9	---	-0.7	1.1
3-Year	---	---	0.6	2.4	1.6	---	2.7	6.1	1.6	8.8	---	9.8	8.2	15.8	-0.6	1.4
5-Year	---	11.8	---	2.7	---	16.8	2.7	6.3	2.5	8.8	5.6	10.7	8.4	---	-0.4	1.8
7-Year	---	---	1.7	---	3.4	16.9	---	6.3	3.2	8.8	---	---	---	---	-0.2	2.1
10-Year	---	11.9	2.2	2.9	3.5	17.0	3.9	6.3	3.6	8.7	---	10.8	9.0	---	0.3	2.3
15-Year	---	---	---	---	---	---	4.3	6.9	---	8.9	---	---	9.4	---	0.5	---
25-Year	---	---	---	---	---	---	---	---	---	---	---	---	9.7	---	---	---
30-Year	---	---	---	---	---	---	---	6.9	---	---	---	---	9.7	---	0.9	3.0

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

### CORPORATE BONDS SUMMARY, NOVEMBER 21<sup>ST</sup> 2016

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	Bulgaria Energy Hld 4.25% '18	EUR	NA/NA	7/11/2018	500	3.3	397	345
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.5	581	533
Cyprus	Aroundtown Property 3% '21	EUR	NA/NA	9/12/2021	200	2.9	338	280
Russia	Gazprom 8.2% '19	RUB	BB+/NA	9/4/2019	10,000	10.3	141	---
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.6	177	---
South Africa	FirstRand Bank Ltd 4.25% '20	USD	BBB-/Baa2	30/4/2020	500	3.9	259	234
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.7	131	75
Turkey	Vakiflar Bankasi 3.5% '19	EUR	NA/Baa3	17/6/2019	500	4.0	466	403
	Garanti Bankasi 3.38% '19	EUR	NA/Baa3	8/7/2019	500	3.7	437	375
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.8	419	368
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	7.3	555	514

### CREDIT DEFAULT SWAP SPREADS, NOVEMBER 21<sup>ST</sup> 2016

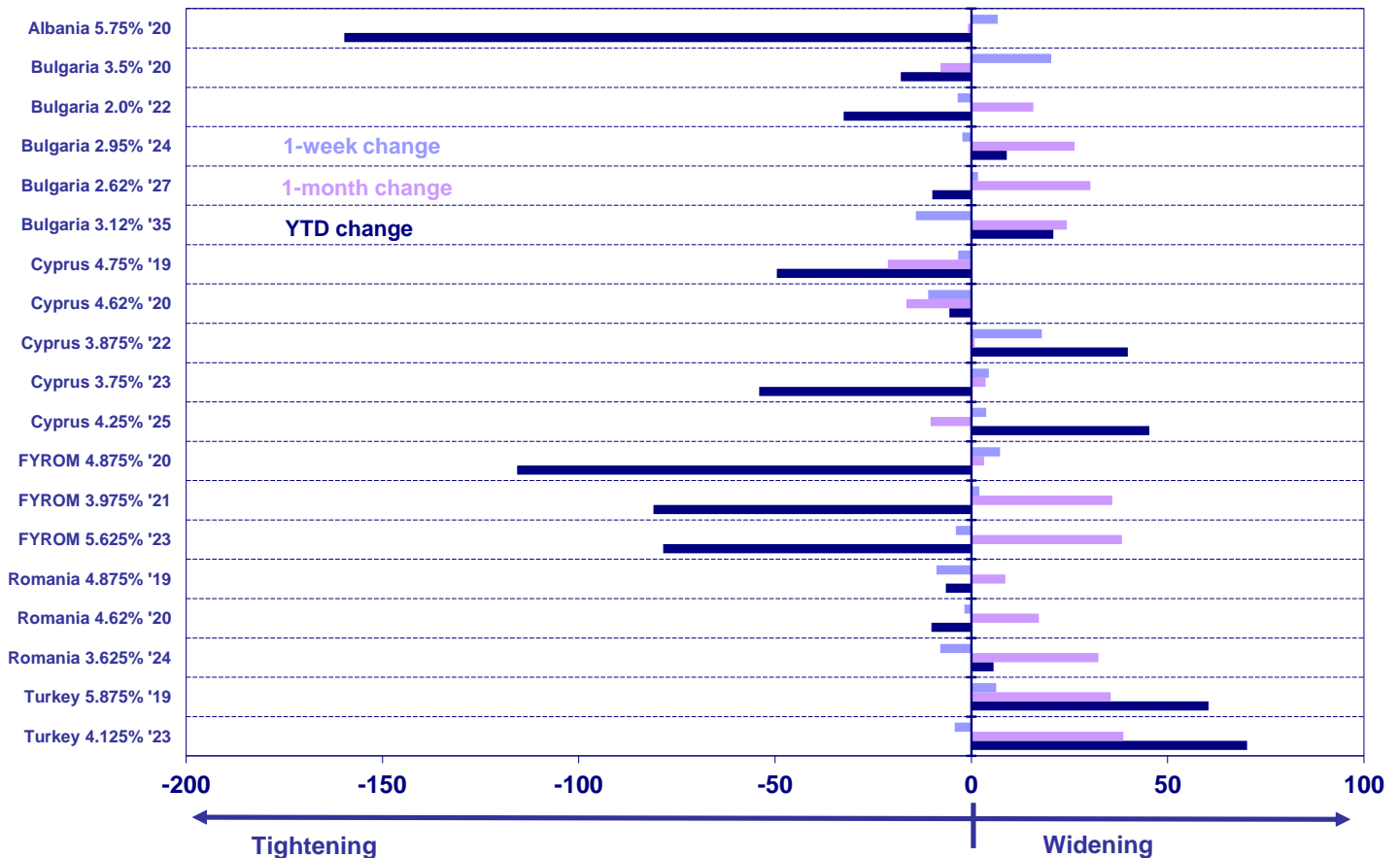
	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	---	300	147	121	251	480	---	136	110	224	209	285	250	---
10-Year	---	372	192	169	278	490	---	144	151	283	251	343	310	---



**EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, NOVEMBER 21<sup>ST</sup> 2016**

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	3.2	371	333
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.6	123	68
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.1	135	92
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.0	200	158
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.4	215	172
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.4	272	220
Cyprus 4.75% '19	EUR	BB-/NA	25/6/2019	566	1.6	220	174
Cyprus 4.62% '20	EUR	BB-/B1	3/2/2020	770	2.0	259	210
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	3.3	355	311
Cyprus 3.75% '23	EUR	NA/NA	26/7/2023	1,000	3.4	358	308
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.5	339	300
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.5	400	354
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.0	435	504
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	5.1	526	480
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.3	93	39
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.5	104	59
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.1	209	175
Turkey 5.875% '19	EUR	NR/Baa3	11/4/2023	1,250	2.2	288	242
Turkey 4.125% '23	EUR	B+/B1	12/11/2020	1,000	3.6	378	335

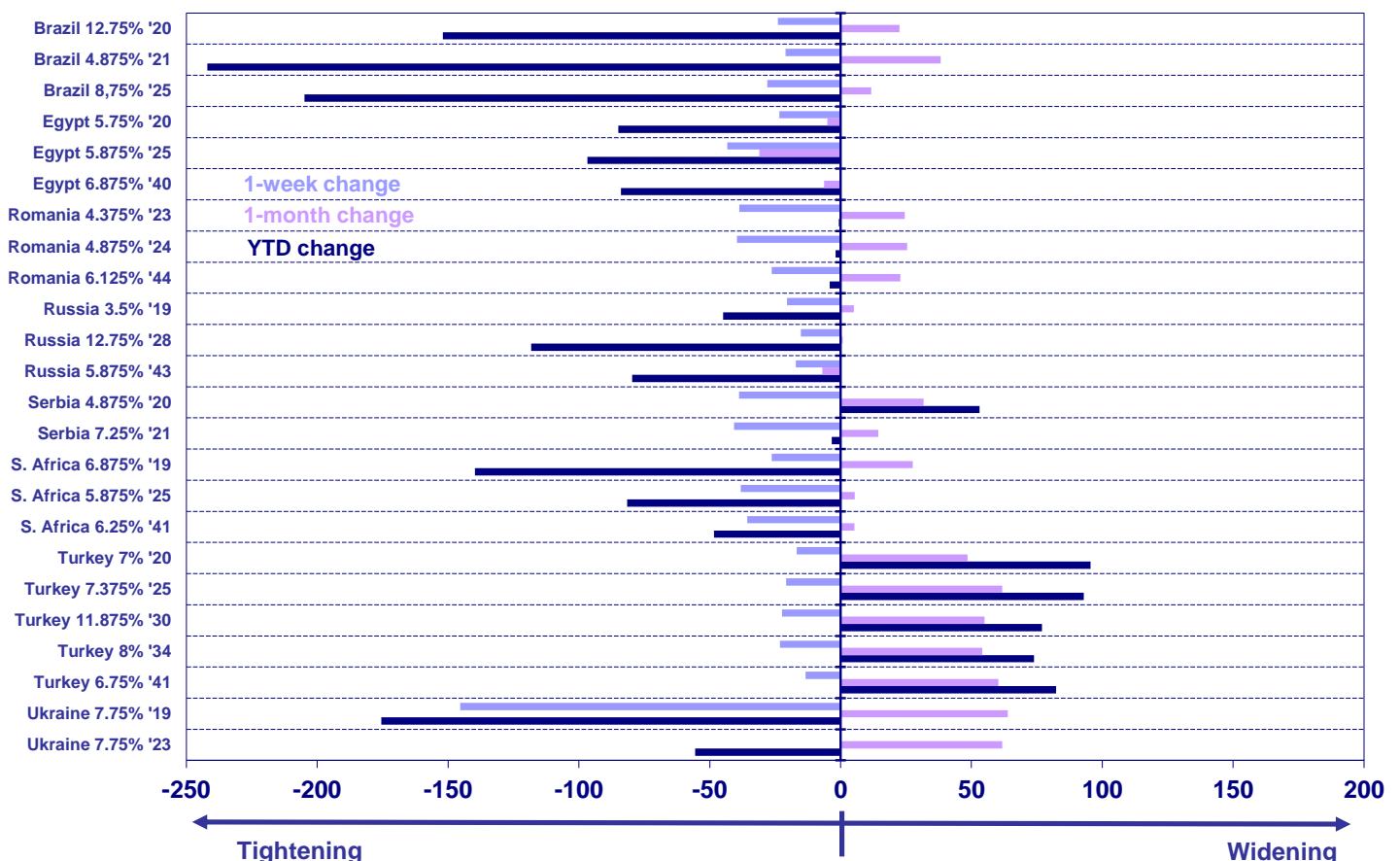
**EUR-Denominated Eurobond Spreads (November 21<sup>st</sup> 2016)**



**USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, NOVEMBER 21<sup>ST</sup> 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/Baa2	15/1/2020	234	3.5	214	230
Brazil 4.875% '21	USD	BB/Baa2	22/1/2021	2,988	4.2	237	248
Brazil 8.75% '25	USD	BB/Baa2	4/2/2025	969	5.2	303	349
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	5.3	399	376
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	7.1	475	468
Egypt 6.875% '40	USD	BBB-/Baa3	22/8/2023	500	8.0	503	504
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.7	160	177
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.8	164	181
Romania 6.125% '44	USD	BB+/Baa1	16/1/2019	1,000	4.9	192	275
Russia 3.5% '19	USD	BB+/Baa1	24/6/2028	1,500	2.9	183	158
Russia 12.75% '28	USD	BB+/Baa1	16/9/2043	2,500	4.9	258	379
Russia 5.875% '43	USD	BB-/B1	25/2/2020	1,500	5.2	223	294
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	4.4	302	283
Serbia 7.25% '21	USD	BBB-/Baa2	27/5/2019	2,000	4.5	277	293
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	2,000	3.3	189	193
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.8	248	278
S. Africa 6.25% '41	USD	NR/Baa3	5/6/2020	750	5.6	258	330
Turkey 7% '20	USD	NR/Baa3	5/2/2025	2,000	4.7	334	321
Turkey 7.375% '25	USD	NR/Baa3	15/1/2030	3,250	5.8	370	393
Turkey 11.875% '30	USD	NR/Baa3	14/2/2034	1,500	6.2	383	505
Turkey 8% '34	USD	NR/Baa3	14/1/2041	1,500	6.6	421	451
Turkey 6.75% '41	USD	B-/Caa3	1/9/2019	3,000	6.7	365	393
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	8.5	714	685
Ukraine 7.75% '23	USD	BB/Baa2	15/1/2020	1,355	9.3	714	686

**USD-Denominated Eurobond Spreads (November 21<sup>st</sup> 2016)**



**STOCK MARKETS PERFORMANCE, NOVEMBER 21<sup>ST</sup> 2016**

	2016							2015		2014		
	Local Currency 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)	61,070	2.4	-4.7	40.9	26.8	37,046	65,291	71.2	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	540	0.9	6.3	17.1	21.6	432	565	17.1	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,218	0.2	4.1	-9.9	-10.9	2,638	3,539	-12.8	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	66	-0.4	0.8	-2.0	-4.2	64	70	-2.0	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	1,005	6.9	37.6	59.6	71.0	521	984	-22.3	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	2,253	5.5	10.8	22.9	27.8	1,699	2,273	22.9	-0.6	-0.6	6.1	6.1
India (SENSEX)	25,765	-3.9	-8.2	-0.8	-0.2	22,495	29,077	-0.6	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,306	-0.3	-0.4	-2.7	-5.4	1,150	1,329	-2.3	2.6	1.6	3.7	3.5
Russia (RTS)	4,532	0.9	2.2	14.4	7.6	3,509	4,688	35.0	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	680	2.1	1.4	7.7	11.1	570	689	6.4	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	50,597	1.7	-2.0	-0.4	-3.1	45,976	54,704	11.8	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	75,544	1.5	-4.2	3.2	-5.3	68,230	86,931	-7.8	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	267	0.1	9.2	11.0	7.7	215	269	5.8	-37.8	-54.8	28.7	-24.2
MSCI EMF	847	1.0	-7.0	7.1	0.7	687	930	10.1	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,625	-0.1	-2.8	-5.9	-6.8	1,492	1,735	-3.3	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	616	6.2	3.7	0.8	-4.3	421	659	0.8	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	10,685	-0.1	-0.2	-0.5	-3.7	8,699	10,828	-0.5	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,778	0.4	-3.5	8.0	7.5	5,500	7,130	-6.3	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	18,106	2.5	5.4	-4.9	-8.9	14,864	18,951	6.4	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	18,957	0.5	4.5	7.7	6.5	15,451	18,961	10.7	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,198	1.6	2.7	6.5	5.3	1,810	2,194	9.6	-0.7	10.9	11.4	26.6

**Equity Indices (November 21<sup>st</sup> 2016)**

