South Eastern Europe
and Mediterranean
Emerging Market Economies
Weekly Report

8 – 14 November 2016

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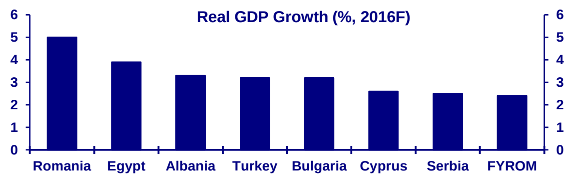
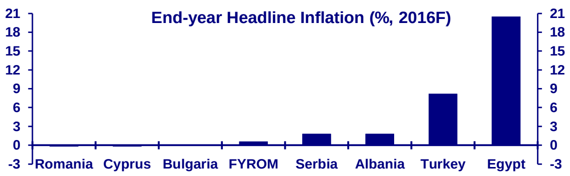
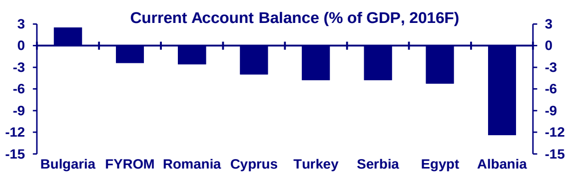
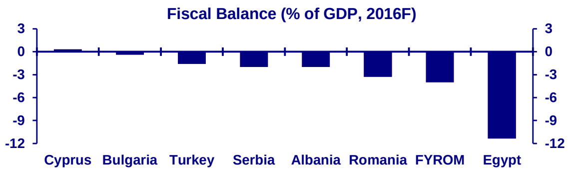




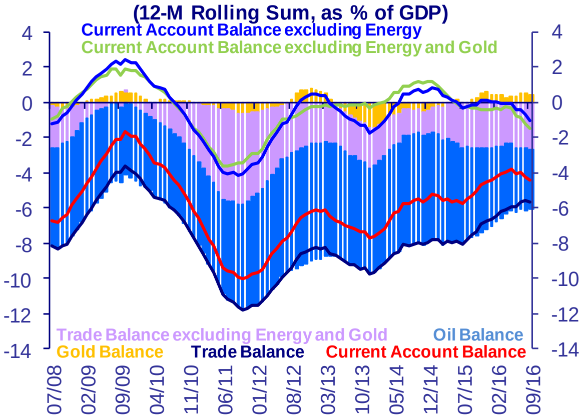




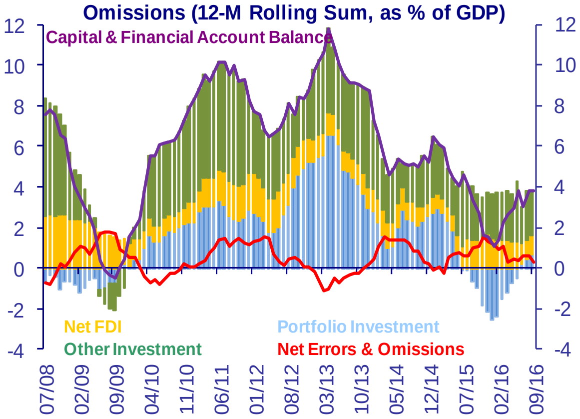
Turkey

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

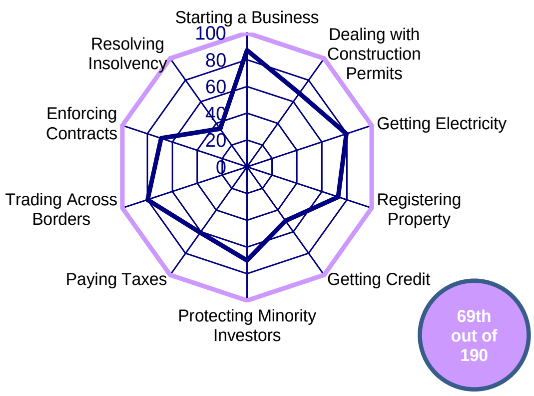
Trade and Current Account Balances (12-M Rolling Sum, as % of GDP)



Capital & Financial Account and Errors & Omissions (12-M Rolling Sum, as % of GDP)



Ease of Doing Business Index 2017



	14 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	8.9	9.2	9.5	9.0
TRY/EUR	3.53	3.50	3.46	3.40
Sov. Spread (2019, bps)	281	260	240	200

	14 Nov.	1-W %	YTD %	2-Y %
ISE 100	74,419	-1.7	1.7	-8.4

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	3.2	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	-1.6	-2.2

The EU warns Turkey that its candidacy for membership is at risk. In its 2016 progress report on Turkey, the EU stressed the country's backsliding on issues of rule of law, human rights, freedom of expression and the independence of the judiciary, following the failed military coup on July 15th. According to the EU Enlargement Commissioner, Mr Hahn, the attempted coup was "*an attack on democracy per se*" and a swift reaction was merited; however, the measures taken since July "*seem to be increasingly incompatible with Turkey's official desire to become a member of the EU*". The report did not recommend the halt of membership talks or the imposition of sanctions.

In response to the EU stance, Turkey's Minister in charge of EU negotiations, Çelik, said that the report is "*far from being constructive and offering a way forward*", while President Erdoğan challenged the EU to make a "final decision" on Turkey's chances to join the bloc.

The current account deteriorated for a second consecutive month in September, due to lower tourist receipts and a less favourable energy bill. The current account balance weakened, for a second month in a row, by 0.25 pps of GDP y-o-y in September, partially offsetting the cumulative gain of 0.5 pps of GDP y-o-y in 7M:16. The negative performance resulted mainly from weaker tourist receipts (down 2.1 pps of GDP y-o-y in annualized terms, in August and September against a decline of 1.0 pp of GDP y-o-y in 7M:16), reflecting the exacerbating crisis in the tourism sector. In addition, there was a slower adjustment in the energy balance (down 0.9 pps of GDP y-o-y in annualized terms in August and September against a decline of 1.9 pps y-o-y in 7M:16) in line with global oil price developments. With the September outcome, the cumulative current account deficit (CAD) in 9M:16 stood at 4.4% of GDP, back up to the same level of 2015.

On the financing side, the capital and financial account (CFA) balance posted the weakest performance since the beginning of the year in September -- a deficit of 0.4% of GDP against an average surplus of 0.5% of GDP per month in 8M:16. The negative CFA performance in September was mainly driven the redemption of a sovereign Eurobond and large (net) loan repayments by banks.

Reflecting the current account and CFA developments, the overall balance recorded the worst performance since the beginning of the year in September – a deficit of 0.7% of GDP versus an average surplus of 0.2% of GDP per month in 8M:16. Despite the September outcome, FX reserves have risen by USD 6.1bn y-t-d to USD 99.0bn at end-September -- c. 5.6 months of imports of GNFS.

Going forward, we expect the negative current account trends to continue during the rest of the year, bringing the 12-month rolling CAD to USD 35.0bn (4.8% of GDP) in December from USD 32.4bn (4.4% of GDP) in September and USD 32.2bn (4.5% of GDP) a year ago.

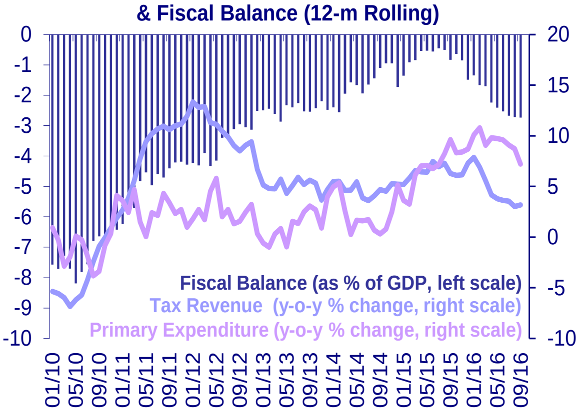
Turkey falls six places in the World Bank's Ease of Doing Business Ranking 2017. Turkey dropped six places to 69th among 190 countries in the World Bank's Ease of Doing Business Report. The deterioration is mainly attributed to the negative performance in the "access to electricity" category, reflecting higher administrative and operational costs to obtain an electricity connection for new businesses. The ranking would have been more unfavourable had the categories of "starting a business" and "paying taxes" not improved, following the launch of online tax registration for new companies and the introduction of electronic invoicing and electronic bookkeeping. Looking ahead, in view of the expropriation of hundreds of companies in the context of state of emergency measures in the wake of the failed coup on July 15th, Turkey's ranking is expected to deteriorate even further in next year's report.

Romania

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

Consolidated Budget (% of GDP)	2015 Outcome	9M:15	9M:16	2016 Revised Budget	2016 NBG Forecast
Total Revenue	32.8	23.7	22.2	31.4	31.4
Tax Revenue	27.5	20.4	19.8	26.7	26.7
o/w PIT/CIT	5.7	5.8	5.9	5.7	5.7
VAT	8.0	6.0	5.2	7.1	7.1
Excise Duties	3.6	2.7	2.7	3.7	3.7
Soc. Sec. Contr.	8.1	5.9	6.0	8.2	8.2
Non-Tax Revenue	5.3	3.3	2.4	4.7	4.7
o/w EU Grants	2.4	1.1	0.4	1.8	1.8
Total Expenditure	34.2	22.9	22.7	34.2	34.7
Current Spending	28.1	20.2	20.4	29.3	29.8
o/w Wages	7.3	5.3	5.6	7.9	8.1
Social Spending	10.7	7.9	8.1	10.8	11.1
Other Transfers	1.6	1.0	0.9	1.6	1.6
Goods & Services	5.7	3.8	3.6	5.8	5.8
Interest Paym.	1.3	1.1	1.1	1.5	1.5
Subsidies	0.9	0.6	0.6	0.9	0.9
Capital Expend.	6.1	2.7	2.3	4.9	4.9
Fiscal Balance	-1.5	0.9	-0.5	-2.8	-3.3
Primary Balance	-0.2	2.0	0.6	-1.3	-1.8

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



	14 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)	217	175	165	150

	14 Nov.	1-W %	YTD %	2-Y %
BET-BK	1,309	1.3	-2.4	0.2

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

The fiscal balance deteriorated sharply, by 1.6 pps y-o-y, to a deficit of 0.5% of GDP in 9M:16 ahead of the December general elections. Specifically, tax revenue weakened in 9M:16 (by 0.6 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%, respectively, in January 2016 and June 2015). Non-tax revenue also declined in 9M:16 (by 0.9 pps of GDP y-o-y), mainly due to lower grants from the EU (down 0.7 pps of GDP y-o-y), with the latter also reflected in the drop in public investment (by 0.4 pps of GDP y-o-y).

On the other side of the budget, current spending increased in 9M:16 (by 0.2 pps of GDP y-o-y), mainly on the back of a looser incomes policy. Recall that, following a 10% hike in public sector wages at end-2015, targeted increases in wages in local government and some state institutions were applied in January. At the same time, pensions were raised (by 5.0%) and benefits were increased.

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. Worryingly, the authorities proceeded with further targeted hikes in public sector wages and benefits in August, which imply an additional cost of c. 0.3 pps of GDP to the FY:16 budget. Overall, we see current spending overshooting its FY:16 budget target by 0.5 pps of GDP and the 2015 outcome by 1.7 pps of GDP. On the other hand, tax revenue should comfortably meet its target, albeit falling short of the 2015 outcome by 0.8 pps of GDP. In fact, despite large tax cuts (also including the reduction in the dividend tax rate by 9 pps to 5% and higher personal tax deductions), tax collection is set to remain on track, reflecting strong second-round effects of the tax cuts on consumption and employment as well as improved tax compliance. All said, we see the FY:16 budget deficit widening to 3.3% of GDP from 1.5% in FY:15 and a budget target of 2.8%, breaching the EU threshold (3.0%)

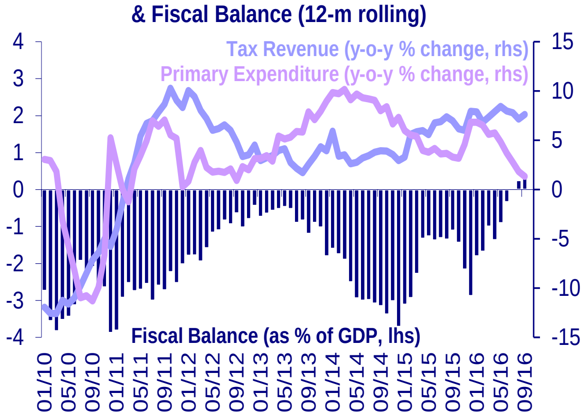
High risk of further fiscal slippage in FY:17, unless corrective measures are adopted by the next Government. Next year's fiscal plans envisage a further 1 pp cut in the standard VAT rate to 19% (at a gross budget cost of 0.3% of GDP), the abolition of the special excise duty on fuels (0.4% of GDP) and special property tax (0.1% of GDP) and further targeted increases in public sector wages (0.6% of GDP). These measures have already been adopted by Parliament and should translate into a budget deficit of at least 4.0% of GDP in FY:17. More worryingly, there are several legislative initiatives at various stages of parliamentary approval which could widen the budget deficit further. These include a two-stage increase in the value of a pension point to 45% of gross wages from 33% currently (implying a c. 40% hike in pensions at a budget cost of 3.0% of GDP), a 5 pp cut in social security contributions (1.0% of GDP) and a reduction in VAT for utilities (0.2% of GDP) and income tax for pensioners (0.3% of GDP). We believe that these measures are unlikely to be passed by Parliament in their current form. In fact, the current technocrat Government has stated that it will challenge the wage hikes in the public sector with the Constitutional Court. However, even the partial implementation of these measures could send the FY:17 budget deficit to unsustainably high levels (above 5.0% of GDP), putting at risk the country's economic and financial stability. All said, the Government that emerges from the December elections will need to take corrective measures so as to bring the budget deficit into line with EU requirements. At the same time, monetary policy will need to react by tightening significantly, raising rates from 1.75% to c. 4%.

Bulgaria

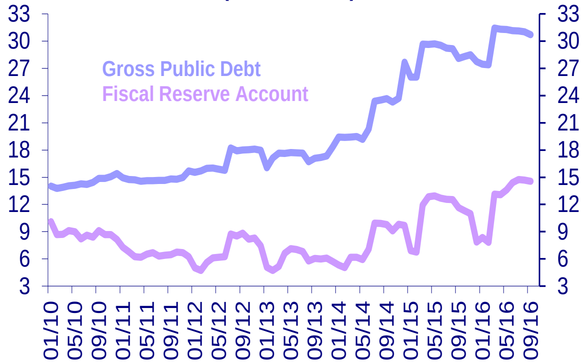
BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)					
	2015 Outcome	9M:15	9M:16	2016 Budget	2016 NBG Forecast
Total Revenue	36.4	27.3	28.1	36.2	37.0
Tax Revenue	28.1	21.0	22.1	28.5	29.3
Non-Tax Rev.	4.2	3.2	3.5	4.9	4.9
Grants	4.1	3.1	2.5	2.8	2.8
Total Expenditure	39.2	26.6	24.5	38.2	37.4
Current Spending	31.5	22.7	22.8	31.5	31.7
o/w Wages	5.3	3.8	3.8	5.3	5.3
Goods & Services	5.1	3.4	3.3	5.2	5.1
Subsidies	1.9	1.2	1.3	1.6	1.8
Social Spending	15.7	11.7	11.8	15.8	15.9
Interest Payments	0.8	0.7	0.7	0.9	0.9
Capital Expend.	7.7	3.9	1.7	6.7	5.7
Fiscal Balance	-2.8	0.7	3.7	-2.0	-0.4

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



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



	14 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)	139	130	122	110

	14 Nov.	1-W %	YTD %	2-Y %
SOFIX	535	3.7	19.6	2.7

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	0.9	1.3	3.6	3.2	3.0
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

PM B. Borisov resigns following the election as President the opposition candidate, R. Radev. As expected, the outturn of the presidential runoff was a landslide victory for R. Radev, supported by the Bulgarian Socialist Party (BSP), over T. Tsacheva of the ruling GERB (59.4% versus 36.2% of the vote). In our view, Radev's victory can be attributed to growing discontent over the Government's failure to show tangible results in fighting corruption and restructuring inefficient sectors, such as healthcare, energy and education. Note that, albeit largely a ceremonial figure, the president appoints top security and judicial officials and can veto legislation.

In light of the defeat in the Presidential elections and in view of the lack of parliamentary majority, PM Borisov was forced to resign. Recall that the GEBR-led ruling coalition (also comprising the Reformist Block) lost its parliamentary majority in May, when the ABV withdrew from the Government, and has been relying on the Patriotic Front and independent MPs since then. Both the GERB and the BSP said that they would not seek support to form a new Government within the current Parliament, thus opening the way for early elections, most likely in spring 2017. A caretaker Government is expected to run the country until then. The risk remains, however, that elections lead to another fragmented parliament, failing to end the political stalemate. Worryingly, a prolonged period of political uncertainty could lead to a deterioration in investor and consumer sentiment, constraining economic growth.

Impressive fiscal consolidation in 9M:16, due to under-execution of capital spending and, to a smaller extent, higher tax revenue. In 9M:16, the consolidated budget surplus improved by a sizeable 3.0 pps y-o-y to 3.7% of GDP. Specifically, tax revenue increased markedly in 9M:16 (by 1.1 pp of GDP y-o-y), reflecting the hike in the excise duty on tobacco and fuel, the rise in the presumptive insurance income threshold, strong employment growth, as well as base effects from changes in the tax calendar. Non-tax revenue was also up slightly in 9M:16 (by 0.2 pps of GDP y-o-y), partly offsetting the decline in grants from the EU (by 0.6 pps of GDP y-o-y). At the same time, budget spending fell sharply (by 2.1 pps of GDP y-o-y in 9M:16), but this was solely due to lower capital spending, which may subsequently reverse.

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. We expect tax revenue to overshoot its FY:16 target, in view of the y-t-d performance (up 8.3% y-o-y in 9M:16 against a FY:16 target of 4.6% and a projected FY:16 nominal GDP growth of c. 3.0%) and improving tax compliance. This overperformance should more than compensate for the envisaged slippage on the spending side of the budget. In fact, we expect current spending to expand at a faster pace in Q4:16, reflecting the need to close the financing gap of the pension and health system, as well as higher social payments. 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 (1.6 pps of GDP). Nevertheless, it is unlikely to reach the targeted level.

All said, we see the budget deficit narrowing to 0.4% of GDP in FY:16 from 2.8% in FY:15, overperforming its target of 2.0%. Excluding receipts from the concession of Sofia and Plovdiv airports (expected to yield 0.7% of GDP in Q4:16), the envisaged fiscal consolidation (1.7 pps of GDP) should be smaller than suggested by headline figures (2.4 pps).

In view of the upcoming elections and the existing fiscal space, we expect fiscal policy to become more expansionary, going forward.

Serbia

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

Key Dates in Serbia's Path towards EU Membership	
18 July 2016	Negotiations opened on "Rule of Law" Chapters (Chapter 23 on Judiciary and fundamental rights and Chapter 24 on Justice, freedom and security)
14 December 2015	Negotiations opened on two Chapters of the *acquis*: Chapter 32 on Financial control and Chapter 35 on the Normalization of relations with Kosovo
25 March 2015	Completion of the "Screening"
21 January 2014	Opening of Accession Negotiations
17 December 2013	The European Council adopts the negotiating framework
1 September 2013	The Stabilisation and Association Agreement (SAA) between the EU and Serbia enters into force
28 June 2013	The European Council approves the opening of EU membership negotiations by January 2014 at the latest
22 April 2013	EC recommends the opening of accession negotiations
1 March 2012	The European Council grants Serbia EU candidate status
12 October 2011	European Commission (EC) recommends the status of EU candidate for Serbia
31 January 2011	Serbia files the questionnaire on its readiness to join the EU
19 January 2011	European Parliament ratifies the SAA with Serbia
24 November 2010	EC hands Serbia questionnaire in order to assess country's readiness for EU membership
25 October 2010	EU Foreign Ministers agree to ask the EC to access Serbia's eligibility for EU membership
14 June 2010	EU Foreign Ministers agree to start ratification of Stabilisation and Association Agreement with Serbia
1 February 2010	Entry into force of the Interim Agreement on Trade
22 December 2009	Serbia submits its application for EU membership
19 December 2009	Entry into force of the Visa liberalisation with Serbia
7 December 2009	EU Foreign Ministers agree to unblock the Interim Agreement on Trade and Trade-related issues
29 April 2008	Signing of the SAA

	14 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)	317	230	220	180

	14 Nov.	1-W %	YTD %	2-Y %
BELEX-15	666	0.7	5.6	-3.5

	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

The European Commission (EC) states that Serbia's EU accession pace hinges on sustained progress in two key areas. In its 2016 "Enlargement Package", the EC commended Serbia's progress, especially in the areas of rule of law and normalization of its relations with Kosovo, which had led to the opening of the first 4 (out of 35) Chapters in EU accession negotiations. Recall that the EU opened the first 2 negotiating Chapters of Serbia's EU accession talks (Chapter 32 on Financial control and Chapter 35 on Other issues, that covers negotiations on the normalization of relations with Kosovo) on December 2015 -- almost 2 years after the formal launch of the accession talks. On July 18th 2016, two further Chapters of the *acquis communautaire* were opened (the "Rule of Law" Chapters 23 and 24).

The opening of the first 4 Chapters was an acknowledgement of the country's progress on:

i) political reforms. The EC acknowledged the adoption of a comprehensive public financial management reform, set to step up internal control, improve Budget forecasting and debt management, enhance tax collection, and strengthen public investment. It also adopted a series of laws in view of simplifying administrative procedures and optimizing the public salary system (promoting equal pay). Steps were taken in the judicial sector, towards promoting a merit-based recruitment system, pursuing the reduction of backlog and harmonising jurisprudence. A new police law and the reorganisation of the Ministry of Interior (aimed at eradicating political influence) provided some progress for the fight against organised crime.

The EC also confirmed Serbia's commitment in implementing the agreements reached with Kosovo in the EU-facilitated dialogue. Although progress was limited (due to Serbia's early parliamentary elections in April, followed by a lengthy process for the formation of a government, and the domestic situation in Kosovo), momentum has improved since the formation of the Serbian Government in August, with the start of work on the reopening of the Mitrovica Bridge and the implementation of the agreement on freedom of movement (related to license plates). Moreover, the EC noted that Kosovo-Serb police and civil protection personnel are now fully integrated into the Kosovo system, while all former Serbian judicial personnel are expected to be integrated by autumn 2016.

ii) EU-related reforms. The EC acknowledged Serbia's continued alignment of its legislation to the EU *acquis communautaire* across the board, as well as the continued implementation of the Stabilisation and Association Agreement;

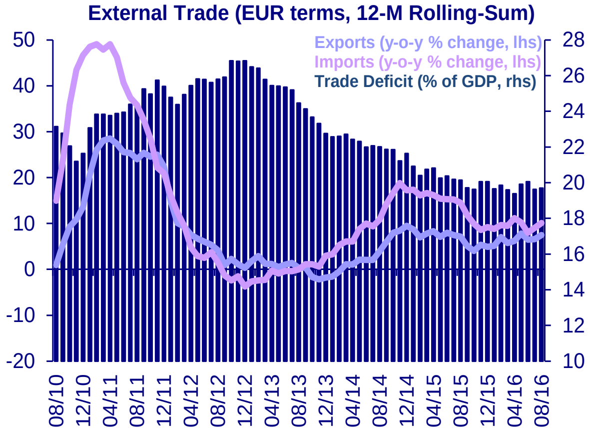
iii) economic reforms, including strong fiscal consolidation, leading to the reduction of domestic and external imbalances, improved growth prospects and low inflation. Moreover, there has been further progress in restructuring state-owned enterprises and public administration reform.

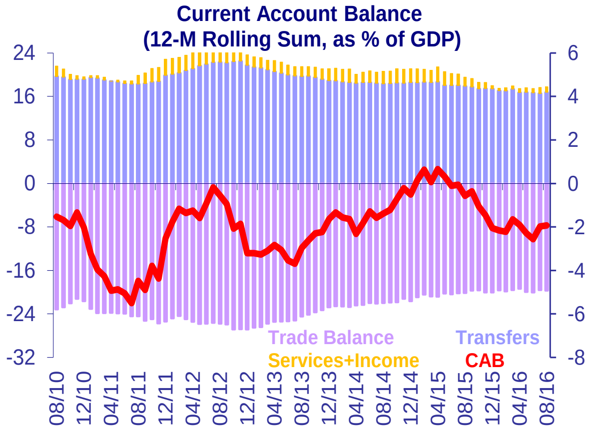
The EC also praised Serbia's constructive cooperation and significant contribution to the management of migrant flows.

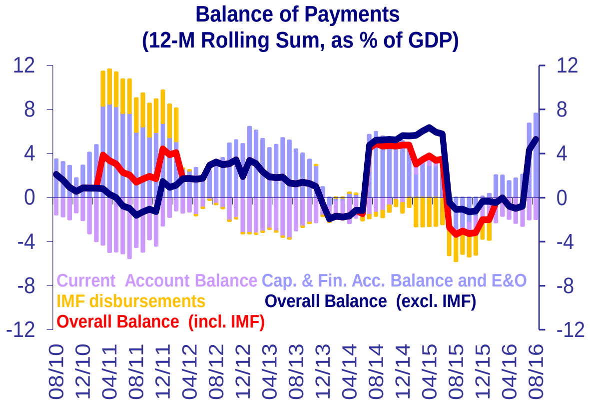
According to the EC, however, the overall pace of negotiations will depend particularly on sustainable progress in two key areas: the Rule of Law (in an attempt to depoliticise the administration and judiciary and fight prevalent corruption) and deepening efforts in the normalization of its relations with Kosovo (including the implementation of all agreements). The EC also underlined the need for Serbia to align its foreign policy progressively with that of the EU (including EU restrictive measures against Russia), and fully implement the rulings of the International Criminal Tribune for the former Yugoslavia (ICTY). Although no additional Chapters were opened, "*the EC looks forward to the opening of further Chapters in the coming period*".

F.Y.R.O.M.

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







	7 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)	433	390	380	350

	7 Nov.	1-W %	YTD %	2-Y %
MBI 100	2,136	1.9	16.5	14.0

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

The European Commission (EC) maintains a conditional recommendation to open accession negotiations with FYROM. The EC highlighted the country's ongoing severe political crisis, reflecting "*a divisive political culture and a lack of capacity for compromise*". However, it acknowledged the recent progress on the implementation of the 2015 EU-brokered Przino Agreement, which increases optimism for an end to the 2-year domestic political impasse. Recall that the leaders of the main political parties agreed on August 31st to hold parliamentary elections on December 11th (15 months ahead of schedule).

In view of persisting uncertainty, the EC conditioned its recommendation for opening accession negotiations on the full implementation of Przino Agreement and the administration of a credible electoral process.

The current account deficit (CAD) remained broadly unchanged, on an annual basis, at 1.0% of GDP in 8M:16. The CAD declined by 0.1 pp y-o-y to 1.0% of GDP in 8M:16, as a weaker transfers balance (by 0.6 pps of GDP y-o-y) was more than offset by stronger trade and services balances. Indeed, exports increased sharply (by 1.4 pps of GDP y-o-y in 8M:16), due to the ongoing broadening of the country's export base and imports of energy declined significantly (by 0.9 pps of GDP y-o-y), in line with global oil price developments. The improvement in the trade balance was, however, contained by higher non-energy imports (by 1.9 pps of GDP y-o-y in 8M:16), mostly reflecting the high import content of exports.

The positive performance of the services balance was driven by higher receipts from telecommunication and business services, while the deterioration in the transfers balance was mainly due to strong purchases of foreign currency by residents (accounted as transfers' outflows by the Central Bank), especially when the political crisis reached its peak in April-May.

Eurobond proceeds boost FX reserves in 8M:16. The capital and financial account (CFA) improved significantly in 8M:16 (by 5.8 pps y-o-y to 5.5% of GDP), mainly due to a sharp increase in portfolio investment (to a sizeable 4.4% of GDP from -0.2% in 8M:15), reflecting the proceeds from the placement of a 7-year sovereign Eurobond worth EUR 450mn (4.7% of GDP) in July. Reflecting CAB and CFA developments, FX reserves rose to EUR 2.7bn in August from EUR 2.3bn at end-2015, covering 5.2 months of imports of GNFS.

The CAD is set to widen to 2.4% of GDP in FY:16 from 2.1% in FY:15. Looking ahead, we expect the CAD to rise during the remainder of the year, by 0.4 pps of GDP y-o-y in 9-12M:16, as the ongoing gradual normalization in private transfers, reflecting dissipating uncertainty following the end-August agreement on the date of early legislative elections (December 11th), will not be sufficient to compensate for the expected widening in the trade deficit. The latter should result from an expansionary fiscal policy ahead of the elections and less favourable global oil prices. Overall, we see the CAD widening for a second successive year, reaching 2.4% of GDP in FY:16 – up from 2.1% in FY:15 and -0.5% in FY:14.

Importantly, with no debt repayments to the IMF this year (against 1.7% of GDP in FY:15) and the large July Eurobond, external financing needs should be comfortably covered. Projecting that: i) net FDI inflows increase (to 2.5% of GDP from 2.2% of GDP in FY:15); and ii) the maturing external debt rollover rate deteriorates (to c. 90% from 100% in FY:15), we foresee FX reserves increasing significantly, by EUR 250mn y-o-y to EUR 2.5bn at end-2016 (covering 4.8 months of GNFS imports), more than reversing the decline of EUR 175mn in 2015.

Albania

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

Key Dates in Albania's Path towards EU Membership	
Nov. 2016	European Commission (EC) recommends the opening of accession negotiations
Jun. 2014	European Council grants Albania the status of candidate country for EU membership
Oct. 2013	EC identifies 5 key priorities for opening accession negotiations
Oct. 2013	EC recommends Tirana EU candidate status on the understanding that Albania continues to take action in the fight against organised crime and corruption
Oct. 2012	EC recommends Tirana EU candidate status subject to completion of key measures in certain areas
Oct. 2011	EC again denies Tirana EU candidate status
Dec. 2010	Entry into force of the Visa liberalisation
Nov. 2010	EC denies Tirana EU candidate status
May 2010	EC starts "Opinion process" on Albania's EU membership application
Apr. 2010	Albania files the questionnaire on its readiness to join the EU
Dec. 2009	EC hands Albania questionnaire in order to assess country's readiness for EU membership
Nov. 2009	EU Foreign Ministers agree to proceed with Albania's membership application
Apr. 2009	Albania submits its application for EU membership
Apr. 2009	Entry into force of the SAA
June 2006	Signing of the SAA
Jan. 2003	EC launches the negotiations for a SAA between the EU and Albania
2001	EC recommends the start of negotiations on Stabilisation and Association Agreement (SAA) with Albania

IPA II indicative allocations for 2014-2020

(EUR mn)	Preparation for EU Membership	Socio-Economic & Regional Development	Other	Total
2014	78.7	0.0	5.0	83.7
2015	59.9	18.0	9.0	86.9
2016	12.7	50.0	27.0	89.7
2017	74.9	0.0	18.0	92.9
2018-2020	94.3	100.0	102.0	296.3
Total	320.5	168.0	160.9	649.4

Source: Directorate General for Enlargement

	14 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	135.8	138.5	138.7	139.0
Sov. Spread (bps)	364	340	320	300

	14 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

The European Commission (EC) granted Albania a conditional recommendation to open EU accession talks. In view of Albania's steady progress towards fulfilling all of the 5 key areas for the opening of EU accession negotiations (see below), the EC recommended the start of EU membership talks with Albania (a candidate country since June 2014). However, the recommendation is conditional on "*credible and tangible progress in the implementation of the judicial reform"*. The 5 key areas comprise:

i) the judicial system. On July 22nd, Parliament unanimously adopted Constitutional amendments launching a (long-awaited) comprehensive judiciary reform -- seen as Albania's most significant challenge. Moreover, Parliament passed a series of laws required for the enactment of the justice reform (including the "Vetting Law", that allows the assessment of property holdings and professional efficiency of judges and prosecutors, in an attempt to remove corrupt judges, as well as other key laws providing for the institutional reorganisation of the judicial structures). The judicial reform is set to eradicate bribery and corruption, reinforce independence, efficiency and accountability of judges, as well as enhance decision enforcement.

ii) the fight against corruption. A law on whistle-blower protection was adopted in June, the efficiency of police investigations was enhanced, and an independent anti-corruption body was created. Moreover, the "decriminalisation law", banning criminal offenders from public offices, was consensually approved at end-2015, prompting all nominated and elected officials to submit self-declarations on assets and criminal records (resulting in resignations and dismissals at local levels).

iii) the fight against organised crime. Police structures were profoundly modernised and progress was made on destroying drug cultivation.

iv) public administration. The implementation of more transparent, merit-based recruitment and promotion procedures for civil servants continued. The financial management strategy was steadily implemented (including arrears clearance, the campaign against widespread informality, and amendments to the organic budget law were adopted, aimed at eliminating optimistic bias, strengthening medium-term budget planning, and introducing a fiscal rule targeting a long-term public debt ceiling pf 45% of GDP).

v) protection of fundamental rights. The legal framework is broadly in line with EU standards and human rights are broadly respected. Moreover, a new law on restitution or compensation of property nationalised under the communist regime was adopted in December.

Beyond the progress in addressing the 5 key priorities, the EC acknowledged Albania's continued full alignment of its legislation to that of the EU and the continued smooth implementation of its obligations under the Stabilisation and Association Agreement -- that came into effect in April 2009. Moreover, the EC praised Albania for initiating an electoral reform (set to be finalised ahead of the mid-2017 parliamentary elections), aimed at addressing politicisation and lack of professionalism of the electoral administration, and enhancing transparency in party financing.

Note that even if the European Council endorses the opening of accession negotiations in December, they could last 6-7 years, based on the Croatian experience, while the ratification by all member states could take a further 2 years, implying that Albania is not expected to join the EU before 2023. Nevertheless, EU membership talks should provide an important policy anchor and reform drive. Moreover, Albania will benefit from EU financial assistance under the Instrument for Pre-Accession Assistance II (IPA II), amounting to EUR 649.4mn (equivalent to 5.9% of 2016 GDP) in 2014-2020, following the allocation of total EUR 594mn under the IPA 2007-13.

Cyprus

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

General Government Budget (% of GDP)					
	2015	9M:15	9M:16	Revised 2016 Target*	NBG 2016 Forecast
Revenue	38.6	27.5	27.4	38.3	38.4
Tax Revenue	32.7	23.5	23.8	33.0	33.4
Indirect Taxes	14.6	10.8	10.8	14.8	15.0
Direct Taxes	9.6	6.6	6.7	9.6	9.7
Soc. Contrib.	8.6	6.1	6.3	8.6	8.7
Non-Tax revenue	5.8	4.0	3.6	5.3	5.0
Expenditure	38.6	26.9	26.6	38.6	38.1
Cur. Expenditure	35.9	25.4	25.0	35.8	35.5
G.& Services	3.7	2.4	2.3	3.5	3.5
Wag.& Salaries	12.7	8.8	8.5	12.6	12.6
Soc. Transfers	14.0	9.9	10.2	14.2	14.0
Int.Payments	2.8	2.3	2.2	2.6	2.6
Subsidies	0.4	0.3	0.3	0.6	0.5
Other	2.4	1.7	1.6	2.3	2.2
Capital Expend.	2.7	1.6	1.5	2.8	2.7
Fiscal Balance	0.0	0.6	0.8	-0.3	0.3
Primary Balance	2.8	2.8	2.9	2.3	2.8

General Government Budget (% of GDP)				
	Revised 2016 Target*	NBG 2016 Forecast	2017 Budget	NBG 2017 Forecast
Revenue	38.3	38.4	38.0	38.2
Tax Revenue	33.0	33.4	32.6	32.8
Indirect Taxes	14.8	15.0	14.7	14.9
Direct Taxes	9.6	9.7	9.3	9.3
Soc. Contrib.	8.6	8.7	8.6	8.6
Non-Tax revenue	5.3	5.0	5.4	5.4
Expenditure	38.6	38.1	38.6	38.2
Cur. Expenditure	35.8	35.5	35.8	35.7
G.& Services	3.5	3.5	3.5	3.4
Wag.& Salaries	12.6	12.6	12.8	12.8
Soc. Transfers	14.2	14.0	14.0	14.0
Int.Payments	2.6	2.6	2.5	2.5
Subsidies	0.6	0.5	0.6	0.6
Other	2.3	2.2	2.4	2.3
Capital Expend.	2.8	2.7	2.8	2.6
Fiscal Balance	-0.3	0.3	-0.6	0.0
Primary Balance	2.3	2.8	2.0	2.5

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	14 Nov.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.07	1.09	1.08	1.05
Sov. Spread (2020. bps)	270	260	250	230

	14 Nov.	1-W %	YTD %	2-Y %
CSE Index	67	-0.3	-1.6	-26.3

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	-6.0	-1.5	1.7	2.6	2.2
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

Fiscal discipline was maintained, with a broadly unchanged primary surplus of 2.9% of GDP in 9M:16. The overall fiscal surplus rose by 0.2 pps y-o-y to 0.8% of GDP in 9M:16, mainly due to lower spending. Specifically, despite higher transfers (up 0.3 pps of GDP y-o-y in 9M:16), overall expenditure declined by 0.3 pps y-o-y to 26.6% of GDP in 9M:16, due to lower primary expenditure, reflecting reduced personnel expenditure and public consumption, as well as lower interest payments, on the back of easing borrowing costs.

The fiscal performance would have improved further had revenue not decreased slightly, due to a decline in non-tax revenue (down 0.4 pps of GDP y-o-y), mainly reflecting a lower dividend payment by the Central Bank, as a result of a decline in Emergency Liquidity Assistance (ELA) funding (by EUR 3.6bn y-o-y to EUR 1.3bn at end-9M:16). Encouragingly, tax revenue rose significantly in 9M:16 (up 0.3 pps of GDP y-o-y), due to higher direct taxes and social security contributions, in line with the accelerating economic activity and improving labour market conditions.

The FY:16 fiscal deficit is likely to overperform its revised target of 0.3% of GDP. The FY:16 fiscal balance could outperform its target this year, in view of: i) the positive y-t-d performance; ii) a stronger-than-expected recovery in activity; and iii) continued spending restraint. Overall, we see the fiscal balance posting a surplus of 0.3% of GDP in FY:16 – comparing favourably with its target of a deficit of 0.3% of GDP and the FY:15 outcome of 0% of GDP. This positive performance should help the public debt-to-GDP ratio reverse its course, for the first time in 8 years – down to 107% in 2016 from 107.5% in 2015.

Note that this year's net financing requirements (excluding short-term government securities) stand at EUR c. 1.0bn (5.6% of GDP). They should be easily covered by a government cash buffer of an equivalent amount, accumulated following two Eurobond issues, each of EUR 1bn, in April and October 2015.

A measured fiscal loosening in sight next year. This year's Budget envisages a looser fiscal stance, targeting a deficit of 0.6% of GDP compared with a revised deficit target of 0.3% of GDP for FY:16 and our forecast of a surplus of 0.3% of GDP for FY:16.

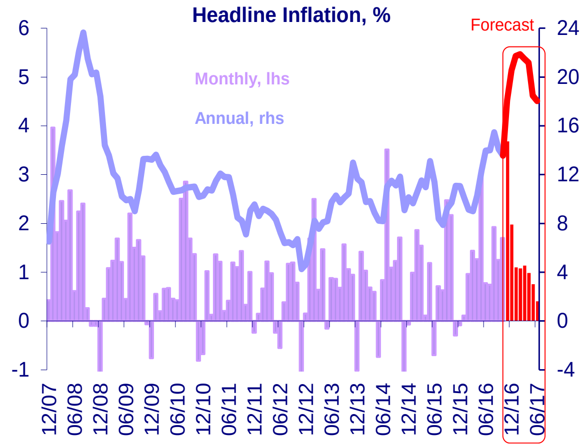
According to 2017 budget projections, tax revenue is set to recede in FY:17, mainly due to: i) the abolition of the immovable property tax (with an impact of 0.5 pps of GDP); and ii) the elimination of the temporary contribution of employees, levied in response to the crisis (with an impact of 0.1% of GDP). Importantly, in the absence of new tax measures, the decline in tax revenue is projected to amount to only 0.4 pps of GDP compared with its FY:16 target, due to strong second-round effects of the tax cuts on consumption and improved tax compliance.

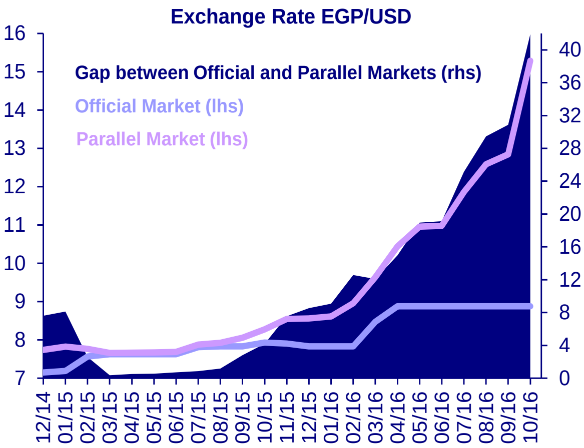
At the same time, total expenditure is projected to remain unchanged from its FY:16 target (at 38.6% of GDP), despite a looser incomes policy, reflecting the expiration of the freeze on public sector hiring and wage increments at end-2016, as well as the recruitment of 3,000 professional soldiers in November (set to increase the wage bill by 0.2 pps of GDP). The projected rise in the wage bill is expected to be compensated by lower social transfers.

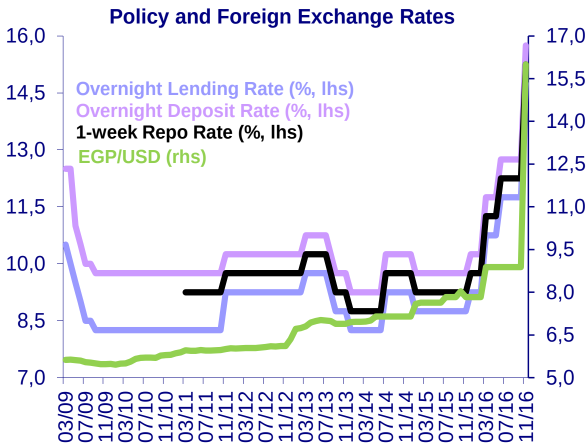
In our view, while the FY:16 spending target is over-estimated (by 0.5 pps) and the FY:16 revenue target is under-estimated (by 0.1 pp of GDP), the envisaged fiscal loosening in FY:17 of 0.3 pps of GDP is reasonable. Indeed, under no policy change, we see the budget moving to balance in FY:17 from our forecast of a surplus of 0.3% of GDP for FY:16 – comparing favourably with the FY:17 fiscal deficit target of 0.6% of GDP.

Egypt

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







	14 Nov.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	14.8	17.0	17.0	16.5
EGP/USD	15.0	15.0	15.2	16.0
Sov. Spread (2020. bps)	423	350	300	220

	14 Nov.	1-W %	YTD %	2-Y %
HERMES 100	940	9.3	49.3	6.4

	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

Egypt secures large financial support from the IMF. The IMF Executive Board approved a USD 12bn (SDR 8.6bn or 422% of Egypt's quota) 3-year extended fund facility (EFF) for Egypt, following the completion of a series of prior actions. These included: i) the flotation of the domestic currency; ii) a cut in fuel and gas subsidies (through 30%-50% price increases); iii) the introduction of the long-awaited VAT at 13.0%; and iv) parliamentary approval of the controversial civil service law (set to contain the wage bill). The approval of the EEF allowed the immediate disbursement of the first USD 2.75bn tranche. The remainder will be phased over the duration of the facility, subject to five reviews.

Headline inflation declines to 13.6% y-o-y in October from 14.1% y-o-y in September, as a significant downside correction in prices of fruit & vegetables offset a sharp rise in core inflation. The pace of growth in volatile prices of fruit & vegetables moderated sharply to an almost 9-year low of 4.6% y-o-y in October from 16.8% in September. The positive impact from prices of fruit & vegetables was, however, partly offset by a sharp rise in core inflation. Indeed, core inflation rose to an 8-year high of 15.7% y-o-y in October from 13.9% in September, reflecting severe supply shortages (especially food commodities) amid an exacerbating foreign currency crisis.

Headline inflation is set to peak at c. 22.0% in February 2017. Looking ahead, in view of the recent floatation of the domestic currency and increases in petroleum prices, we foresee headline inflation peaking at 22.0% y-o-y in February 2017 and thereafter embarking on a downward trend supported by favourable base effects. Recall that on November 3rd, the Central Bank decided to fully float the EGP to put an end to the parallel foreign currency market, in which the USD was exchanged for EGP 18 at end-October against EGP 8.88 in the official market. Projecting the stabilization of the domestic currency at around EGP 15.0 per USD, following the signing of the 3-year agreement with the IMF, the implied depreciation (c. 40.0%) could add c. 6.0 pps to headline inflation, assuming a pass-through of 15% to prices over the next 12 months. Recall also that, on November 3rd, the Government increased the prices of fuel by between 30% and 50%, as part of its plan to reduce sharply its petroleum subsidy bill in the FY:16/17 Budget by 43.5% to reach EGP 35bn (1.1% of GDP). We estimate the increase in energy prices to add 3 pps to headline inflation. Overall, we expect headline inflation to end the current fiscal year (June 2017) at 18.0% y-o-y -- above the end-2015/16 outcome of 14.0%. Core inflation should end 2016/17 at 17.4% -- above the end-2015/16 outcome of 12.4%.

The CBE increases its policy rates sharply, by 300 bps, in early-November. In a bid to dampen inflationary pressures from the recent flotation of the domestic currency and the reduction of energy subsidies, as well as to enhance demand for the EGP, the CBE increased significantly its policy rates by 300 bps on November 3rd. As a result, the overnight deposit rate, the overnight lending rate and the 1-week repo rate reached multi-year highs of 14.75%, 15.75% and 15.25%, respectively. In our view, the recent rate hikes, although aggressive, are not sufficient to temper significantly heightening inflationary pressures and support the EGP. We expect the CBE to raise further its policy rates by 200 bps by end-Febuary, bringing total hikes to 800 bps since the initiation of the cycle of monetary policy tightening in December 2015. This will bring the overnight deposit rate, the overnight lending rate and the 1-week repo rate to 0.2%, 1.2% and 0.6%, respectively, in *ex post*, real and compounded terms at end-2016/17 (June 2017) -- up from -1.0%, 0.0%, and -0.5% in October. Further rate hikes may be required depending on inflation developments.

FOREIGN EXCHANGE MARKETS, NOVEMBER 14TH 2016

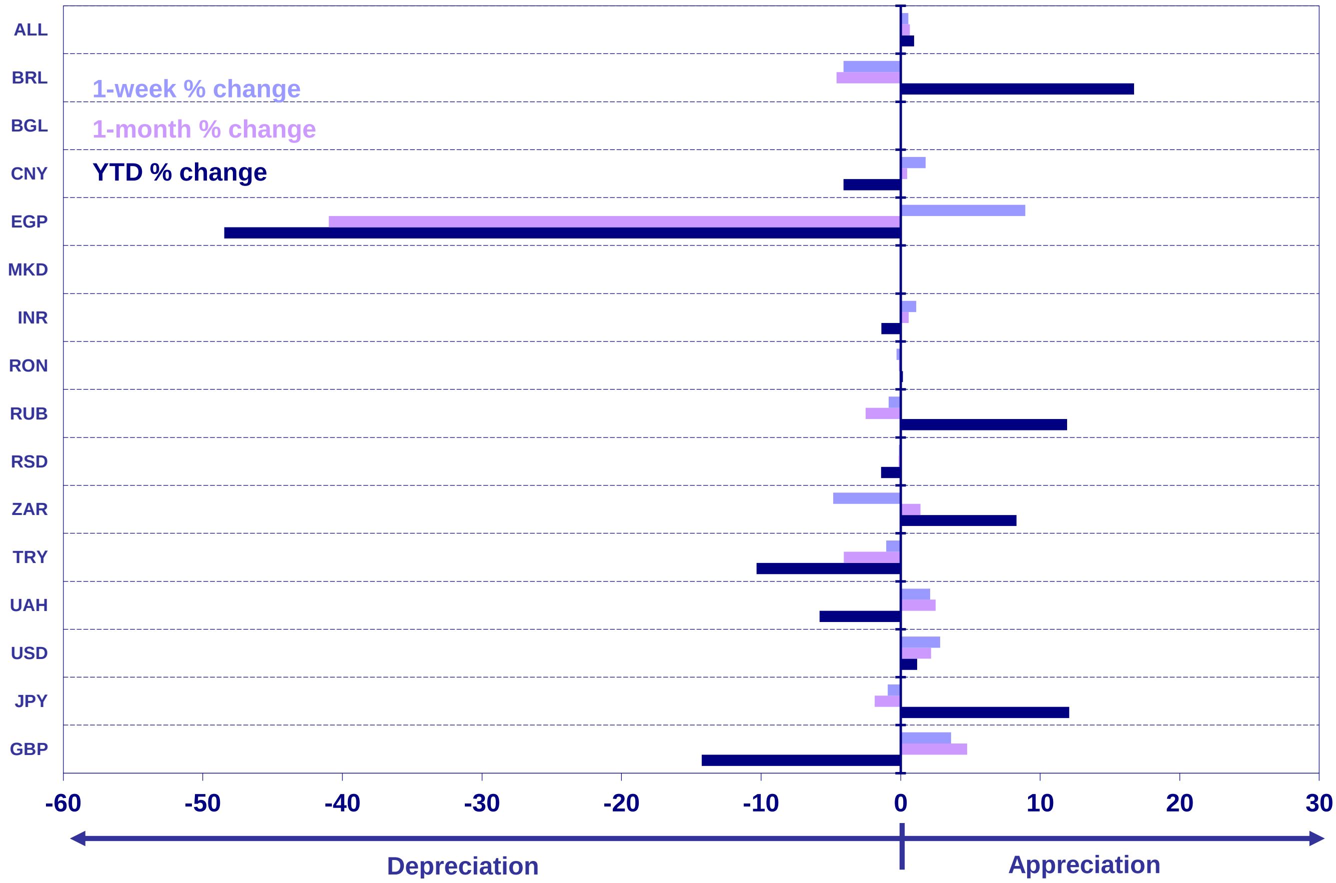
Against the EUR

	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	135.8	0.6	0.7	1.0	1.5	135.9	139.5	136.2	136.2	135.5	2.0	0.1
Brazil	BRL	3.68	-4.1	-4.6	16.7	10.8	3.38	4.55	4.20	4.18	4.14	-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	7.34	1.8	0.5	-4.1	-7.4	6.99	7.64	7.58	7.57	7.57	6.7	10.8
Egypt	EGP	16.47	8.9	-41.0	-48.5	-49.4	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	72.8	1.1	0.6	-1.4	-3.0	71.3	77.8	73.0	- - -	- - -	6.6	12.3
Romania	RON	4.51	-0.3	-0.1	0.2	-1.7	4.49	4.56	4.52	4.53	4.57	-0.8	-0.5
Russia	RUB	70.8	-0.9	-2.5	11.9	-1.4	67.4	75.1	72.7	73.9	76.9	-15.1	-32.8
Serbia	RSD	123.2	-0.1	-0.1	-1.4	-2.4	121.6	124.3	123.7	124.1	- - -	-0.1	-5.6
S. Africa	ZAR	15.5	-4.8	1.4	8.3	-1.3	14.50	18.58	15.8	16.2	16.9	-16.6	3.0
Turkey	YTL	3.53	-1.0	-4.1	-10.3	-12.8	3.12	3.68	3.62	3.71	3.92	-10.8	4.4
Ukraine	UAH	27.6	2.1	2.5	-5.8	-9.6	25.06	30.32	32.7	- - -	- - -	-27.5	-40.8
US	USD	1.07	2.8	2.2	1.2	-0.5	1.1	1.2	1.08	1.08	1.09	11.4	13.6
JAPAN	JPY	116.4	-0.9	-1.9	12.1	13.1	109.6	132.3	116.4	116.4	116.3	11.0	-0.1
UK	GBP	0.86	3.6	4.8	-14.2	-18.2	0.7	0.9	0.86	0.86	0.87	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 14th 2016)



MONEY MARKETS, NOVEMBER 14TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	13.9	0.0	2.2	- - -	14.8	- - -	- - -	0.6	10.8	- - -	8.4	7.9	14.0	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.5	10.5	3.0	- - -	7.8	- - -	- - -	- - -
S/W	1.3	13.9	0.0	2.4	-0.4	- - -	1.3	- - -	- - -	9.4	3.0	- - -	7.9	15.0	-0.4	0.5
1-Month	1.6	13.8	0.0	2.8	-0.4	- - -	1.7	6,5	0.7	11.3	3.3	8.9	8.0	16.5	-0.4	0.5
2-Month	- - -	13.7	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	9.6	3.4	9.2	8.3	- - -	-0.3	0.7
3-Month	1.8	13.6	0.1	2.9	-0.3	- - -	2.0	6,6	0.8	9.6	3.5	9.3	8.9	17.8	-0.3	0.9
6-Month	2.1	13.2	0.4	2.9	-0.2	- - -	2.4	- - -	1.0	9.9	3.6	10.0	8.9	- - -	-0.2	1.3
1-Year	2.5	12.4	0.7	3.0	-0.1	- - -	3.0	- - -	1.1	11.5	- - -	10.2	9.1	- - -	-0.1	1.6

LOCAL DEBT MARKETS, NOVEMBER 14TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	1.3	- - -	- - -	- - -	- - -	18.1	1.6	6.3	- - -	10.1	3.1	8.6	- - -	- - -	-0.8	0.5
6-Month	1.6	- - -	- - -	- - -	- - -	18.5	2.3	6.4	0.6	10.1	3.1	9.5	- - -	- - -	-0.7	0.6
12-Month	2.5	- - -	0.3	2.2	- - -	20.3	2.6	6.4	0.8	8.9	4.0	9.4	- - -	15.3	-0.7	0.8
2-Year	2.0	- - -	- - -	2.4	- - -	- - -	2.0	6.4	0.8	8.8	- - -	9.9	8.1	- - -	-0.6	1.0
3-Year	- - -	- - -	0.8	2.4	1.7	- - -	2.7	6.4	1.5	9.0	- - -	9.7	8.4	15.8	-0.6	1.3
5-Year	- - -	12.4	- - -	2.6	- - -	18.5	2.7	6.6	2.4	9.0	5.6	10.7	8.6	- - -	-0.3	1.6
7-Year	- - -	- - -	1.7	- - -	3.4	18.4	- - -	6.7	3.2	9.0	- - -	- - -	- - -	- - -	-0.1	2.0
10-Year	- - -	12.3	2.0	2.9	3.5	18.4	3.8	6.7	3.6	9.0	- - -	10.8	9.2	- - -	0.3	2.2
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.2	- - -	9.1	- - -	- - -	9.6	- - -	0.5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.2	- - -	- - -	- - -	- - -	9.9	- - -	1.0	3.0

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

CORPORATE BONDS SUMMARY, NOVEMBER 14TH 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	3.2	381	333
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.2	581	533
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.8	328	273
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10.000	9.7	75	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10.000	10.6	161	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.5	258	238
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.7	128	75
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	4.4	502	438
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	4.3	492	427
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4.3	466	410
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1.000	7.0	537	500

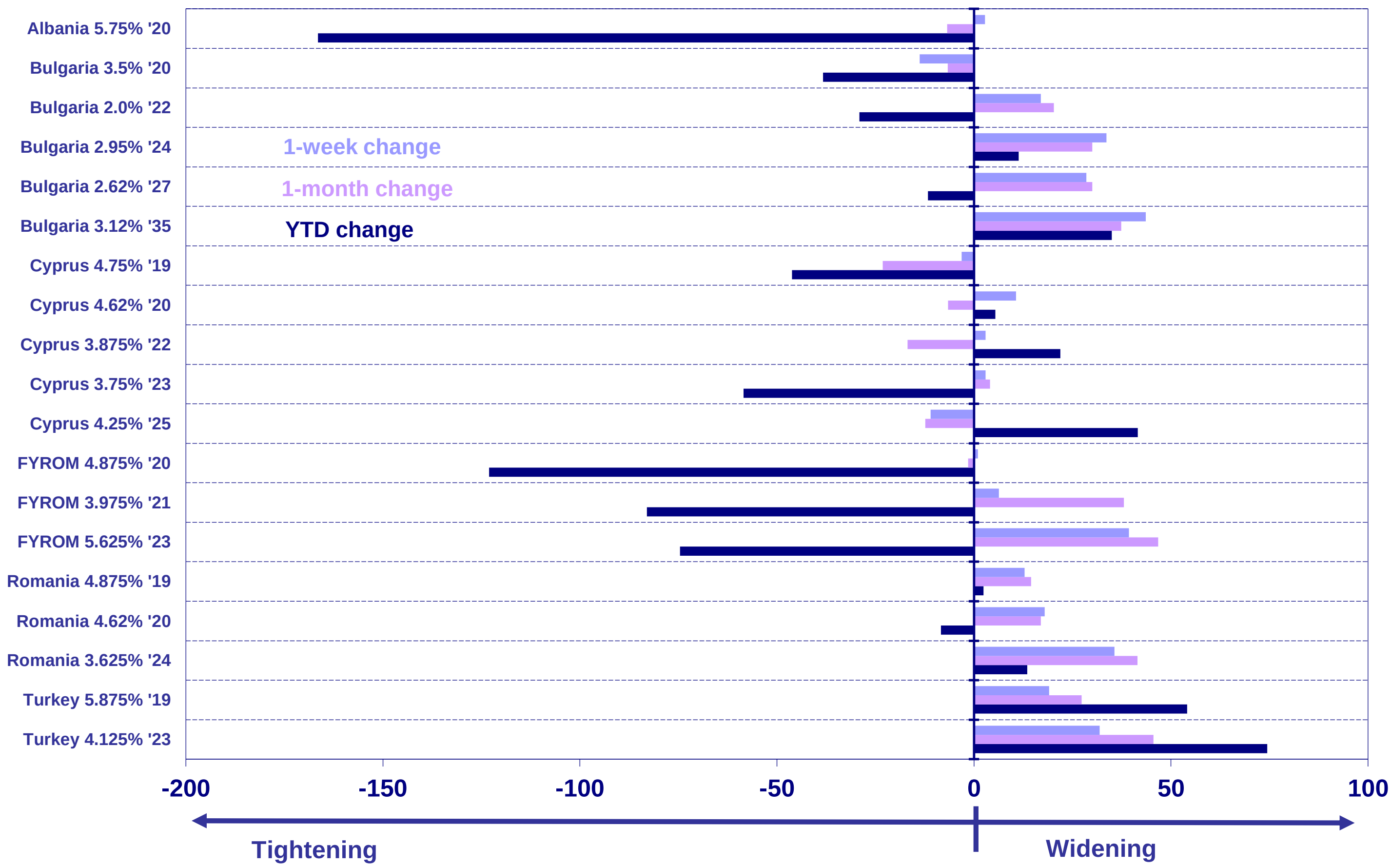
CREDIT DEFAULT SWAP SPREADS, NOVEMBER 14TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	315	142	124	252	480	- - -	136	107	239	206	296	265	- - -
10-Year	- - -	386	188	171	278	491	- - -	144	149	298	249	354	325	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, NOVEMBER 14TH 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	364	328
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.4	103	51
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.1	139	96
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.0	202	162
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.5	214	172
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.6	286	232
Cyprus 4.75% '19	EUR	BB-/NA	25/6/2019	566	1.7	224	180
Cyprus 4.62% '20	EUR	BB-/B1	3/2/2020	770	2.1	270	224
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	3.1	337	294
Cyprus 3.75% '23	EUR	NA/NA	26/7/2023	1,000	3.4	354	302
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.5	335	297
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.5	393	349
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.0	433	491
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	5.2	530	483
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.4	101	52
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.6	106	62
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	217	185
Turkey 5.875% '19	EUR	NR/Baa3	11/4/2023	1,250	2.2	281	240
Turkey 4.125% '23	EUR	B+/B1	12/11/2020	1,000	3.7	383	338

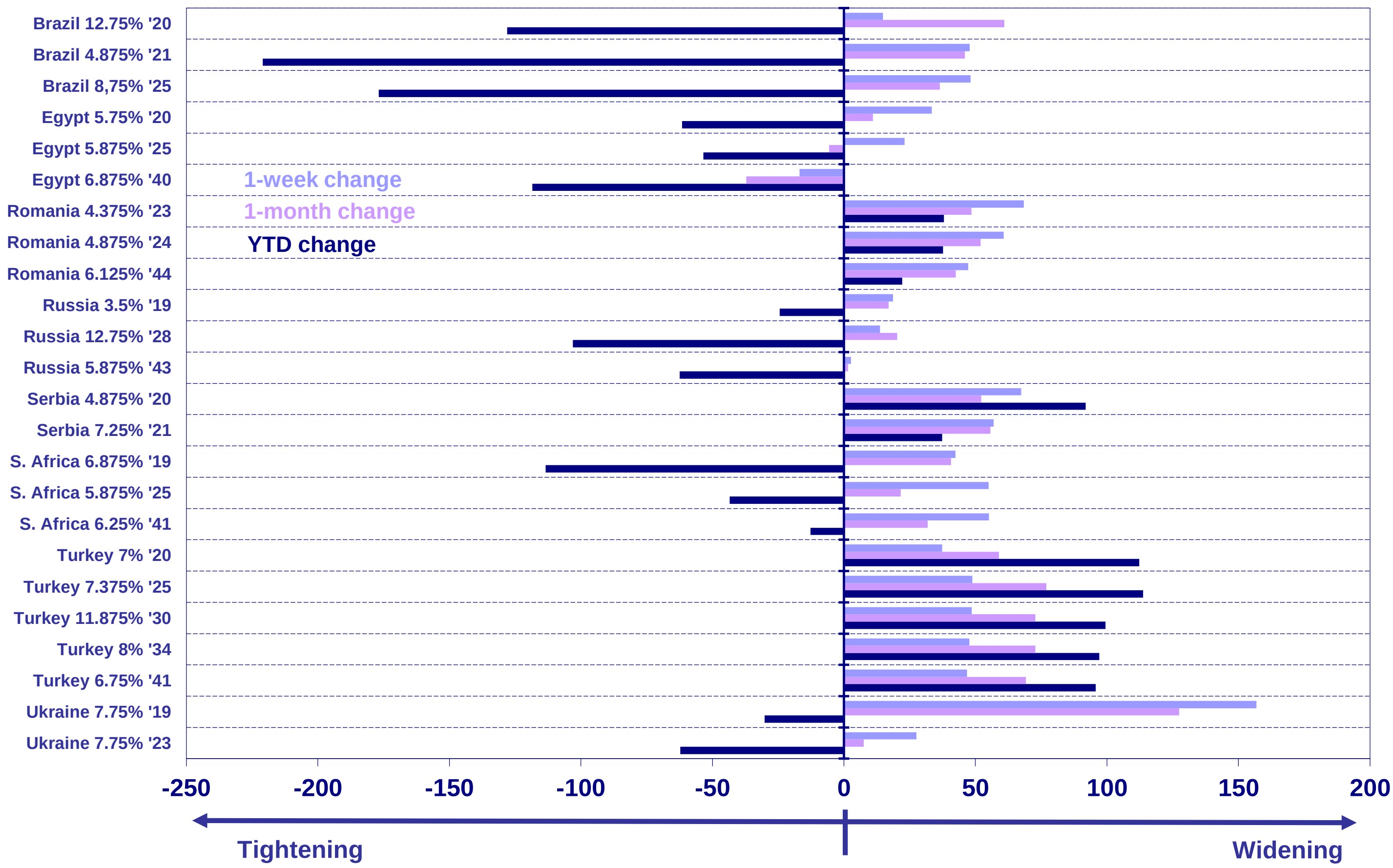
EUR-Denominated Eurobond Spreads (November 14th 2016)



USD-Denominated Sovereign Eurobond Summary, November 14TH 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	234	3.6	238	254
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	4.2	258	263
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	5.3	331	373
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	5.5	423	396
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	7.4	518	499
Egypt 6.875% '40	USD	BBB-/Baa3	22/8/2023	500	7.6	468	491
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	4.0	198	212
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	4.0	204	217
Romania 6.125% '44	USD	BB+/Ba1	16/1/2019	1,000	5.2	218	294
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	3.0	204	175
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.9	274	393
Russia 5.875% '43	USD	BB-/B1	25/2/2020	1,500	5.4	241	304
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	4.6	341	317
Serbia 7.25% '21	USD	BBB-/Baa2	27/5/2019	2,000	4.8	317	330
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	2,000	3.4	215	217
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	5.1	286	311
S. Africa 6.25% '41	USD	NR/Baa3	5/6/2020	750	5.9	294	354
Turkey 7% '20	USD	NR/Baa3	5/2/2025	2,000	4.8	351	337
Turkey 7.375% '25	USD	NR/Baa3	15/1/2030	3,250	5.9	391	408
Turkey 11.875% '30	USD	NR/Baa3	14/2/2034	1,500	6.3	405	524
Turkey 8% '34	USD	NR/Baa3	14/1/2041	1,500	6.7	444	464
Turkey 6.75% '41	USD	B-/Caa3	1/9/2019	3,000	6.8	379	399
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	9.8	859	807
Ukraine 7.75% '23	USD	BB/Ba2	15/1/2020	1,355	8.7	708	687

USD-Denominated Eurobond Spreads (November 14th 2016)



Stock Markets Performance, November 14th 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)	59,657	-6.9	-3.4	37.6	27.3	37,046	65,291	61.7	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	535	-3.0	5.1	16.0	21.7	432	565	16.0	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,210	2.5	4.8	-10.1	-11.0	2,638	3,539	-13.3	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	67	-0.3	-0.7	-1.6	-6.6	64	70	-1.6	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	940	9.3	24.9	49.3	60.0	521	954	-22.5	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	2,136	1.9	7.7	16.5	23.9	1,699	2,139	16.5	-0.6	-0.6	6.1	6.1
India (SENSEX)	26,819	-2.3	-3.1	3.3	4.1	22,495	29,077	2.4	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,309	1.3	0.3	-2.4	-4.0	1,150	1,329	-2.1	2.6	1.6	3.7	3.5
Russia (RTS)	4,491	3.9	0.5	13.4	11.9	3,509	4,688	28.2	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	666	0.7	4.1	5.6	10.3	570	689	4.2	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	49,732	-1.1	-2.8	-2.1	-3.5	45,976	54,704	7.4	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	74,419	-1.7	-4.0	1.7	-8.2	68,230	86,931	-8.2	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	267	-0.5	8.5	10.9	3.4	215	269	4.7	-37.8	-54.8	28.7	-24.2
MSCI EMF	839	-6.2	-6.5	6.0	3.1	687	930	7.9	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,627	-1.2	-2.2	-5.8	-4.6	1,492	1,735	-4.1	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	580	-0.1	-1.6	-5.1	-9.9	421	659	-5.1	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	10,694	2.3	1.1	-0.5	-0.2	8,699	10,828	-0.5	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,753	-0.8	-3.7	7.6	9.9	5,500	7,130	-7.6	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	17,673	2.9	4.8	-7.2	-8.9	14,864	18,951	5.1	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	18,869	3.3	4.0	7.2	7.9	15,451	18,934	9.1	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,164	1.5	1.5	4.9	5.4	1,810	2,194	6.8	-0.7	10.9	11.4	26.6

Equity Indices (November 14th 2016)