South Eastern Europe and Mediterranean Emerging Market Economies
Weekly Report

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NBG - Economic Analysis Division
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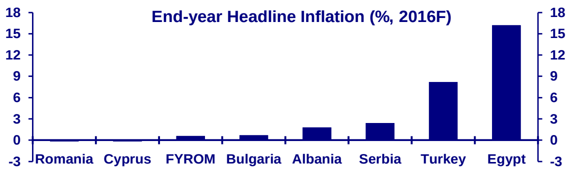
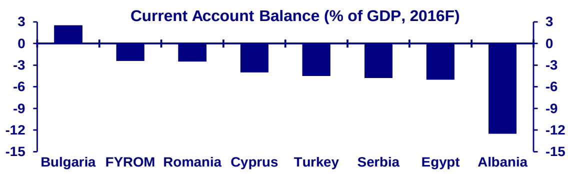
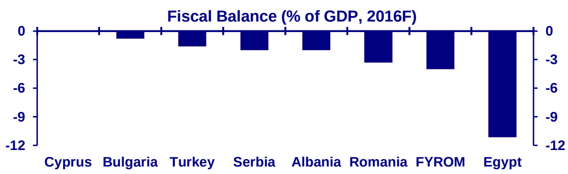






Turkey

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

The new Medium-Term Plan (MTP) eases fiscal policy this year and next to support economic growth. The MTP for the period 2017-19, which was unveiled by PM Yildrim, aims to boost economic growth, employment and competitiveness, while containing inflation and the twin deficits. Note that Turkey fell four places to 55th among 138 economies in this year's World Economic Forum-Global Competitiveness Report, recording the fourth consecutive year of decline.

Importantly, almost all the MTP macroeconomic forecasts for FY:16 were revised to more realistic levels. Specifically,

i) growth forecast for FY:16 was revised down significantly to 3.2% from the previous MTP projection of 4.5% -- in line with our forecast. GDP growth eased sharply to 3.1% y-o-y in Q2:16 from 4.7% in Q1:16 and is set to moderate further in H2:16, as suggested by leading indicators. The expected slowdown should mainly reflect weaker consumer and business confidence following the mid-July failed coup, still elevated geopolitical and domestic security risks, and tighter global liquidity conditions ahead of the resumption of interest rate hikes by the Fed at end-Q4:16.

ii) inflation is projected at 7.5% at end-2016, unchanged from the previous MTP projection and in line with the revised CBRT forecast, but below our forecast of 8.2%. Headline inflation stood at 7.3% y-o-y in September and is set to accelerate in Q4:16, despite weaker domestic demand. The acceleration should reflect: i) the normalization in food prices and the resumption of agricultural exports to Russia (bringing food inflation from 4.2% y-o-y in September to 8.0% in December -- in line with the CBRT's revised forecast and slightly below its long-term average of 9.0%); ii) unfavourable global oil prices (we project the price of Brent to increase by c. 17.3% y-o-y in Q4:16 following a decline of 16.1% y-o-y in 9M:16 in TRY terms); and iii) cost-push pressures from the 30% hike in the minimum wage from January 1st (nominal growth of gross wages in the sectors of industry, services & trade, and construction accelerated to 17.9%, 20.8%, and 15.8% y-o-y, respectively, in H1:16 from 13.7%, 12.1%, and 3.4% in FY:15).

iii) the FY:16 current account deficit (CAD) forecast was revised up to USD 31.3bn (4.3% of GDP) from the previous MTP projection of 28.6bn (3.9% of GDP) but remained well below our forecast of USD 36.0bn (4.8% of GDP). Despite weakening domestic demand, we expect the CAD to reverse its 8M:16 gains (down 0.3 pps y-o-y to 3.1% of GDP) during the rest of the year, as the support from the energy balance will cease (we project the price of Brent to increase by c. 8.0% y-o-y in USD terms in 9-12M:16 following a decline of 26.3% y-o-y in 8M:16) and tourist receipts will continue to decline (by another 0.4 pps of GDP y-o-y in 9-12M:16).

iv) the FY:16 budget deficit forecast was revised up to 1.6% of GDP from the previous MTP projection of 1.3% of GDP – in line with our forecast. We expect the Budget balance to more than reverse its 8M:16 gains during the rest of the year (0.2 pps y-o-y to a surplus of 0.2% of GDP, exclusively on the back of lower interest payments, largely reflecting their non-uniform distribution throughout the year). The expected deterioration in 9-12M:16 should result from: a) weaker tax revenue, stemming from the ongoing slowdown in economic activity; b) higher defense and security expenditure, on the back of persisting geopolitical and domestic security risks; c) larger interest payments, as a payback to their sharp decline in 8M:16; and more importantly d) the Government's reluctance to proceed with the necessary spending cuts, amid growing growth concerns.

2017-19 Medium-Term Programme (MTP)

	2016 [a]	2016 [b]	2017 [c]	2018 [c]	2019 [c]
Nominal GDP (TRY bn)	2,207	2,148↓	2,404	2,686	2,987
GDP Growth (%)	4.5	3.2↓	4.4	5.0	5.0
Inflation (%, eop)	7.5	7.5 =	6.5	5.0	5.0
C/A Deficit (USD bn)	28.6	31.3↑	32.0	31.7	31.2
Current Account Deficit (% of GDP)	3.9	4.3↑	4.2	3.9	3.5
Central Government (CG) Deficit (% of GDP)	1.3	1.6↑	1.9	1.6	1.3
CG Expenditure (% of GDP)	25.8	27.1↑	26.8	25.9	25.1
CG Revenue (% of GDP)	24.5	25.4↑	24.9	24.2	23.8
CG Primary.Surplus (% of GDP).	1.2	0.8↓	0.4	0.7	1.1
CG Interest Payments (% of GDP)	2.5	2.4↓	2.4	2.3	2.4
EU Defined Public Debt (% of GDP)	31.7	32.8↑	31.9	31.0	29.9
Unemployment Rate (%)	10.2	10.5↑	10.2	10.1	9.8

Source: Ministry of Development
a: 2016-2018 MTP Projections (January 2016)
b: 2017-2019 MTP Forecasts (October 2016)
c: 2017-2019 MTP Projections (October 2016)
↑: up, =: equal, ↓: down

2017-19 MTP Forecasts versus NBG Forecasts for 2016

	New MTP	NBG
GDP Growth (%)	3.2	3.2
Inflation (%, eop)	7.5	8.2
Central Government (CG) Deficit (% of GDP)	1.6	1.6
Current Account Deficit (% of GDP)	4.3	4.8
Unemployment Rate (%)	10.5	10.6

	10 Oct.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	8.7	9.2	9.5	9.8
TRY/EUR	3.42	3.36	3.32	3.30
Sov. Spread (2019, bps)	248	250	230	200

	10 Oct.	1-W %	YTD %	2-Y %
ISE 100	77,835	0.8	6.3	5.9

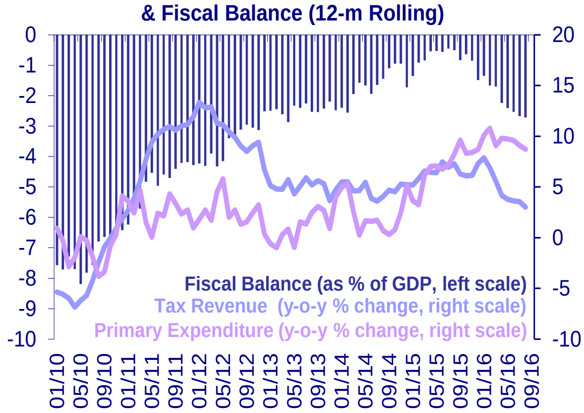
	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	3.2	3.0
Inflation (eop, %)	7.4	8.2	8.8	8.2	7.5
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.8	-5.2
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.6	-2.2

Romania

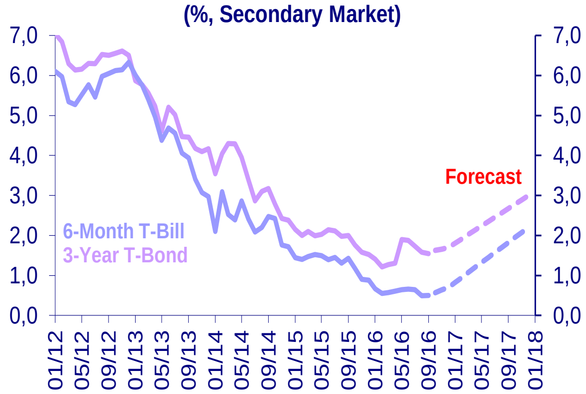
BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)					
	2015 Outcome	8M:15	8M:16	2016 Revised Budget	2016 NBG Forecast
Total Revenue	32.8	21.0	19.7	31.4	31.4
Tax Revenue	27.5	18.1	17.5	26.7	26.7
o/w PIT/CIT	5.7	3.8	3.8	5.7	5.7
VAT	8.0	5.4	4.7	7.1	7.1
Excise Duties	3.6	2.3	2.3	3.7	3.7
Soc. Sec. Contr.	8.1	5.2	5.3	8.2	8.2
Non-Tax Revenue	5.3	2.9	2.2	4.7	4.7
Total Expenditure	34.2	20.1	20.1	34.2	34.7
Current Spending	28.1	17.9	18.2	29.3	29.8
o/w Wages	7.3	4.7	5.0	7.9	8.1
Social Spending	10.7	7.0	7.2	10.8	11.1
Other Transfers	1.6	1.0	0.8	1.6	1.6
Goods & Services	5.7	3.3	3.2	5.8	5.8
Interest Paym.	1.3	1.1	1.1	1.5	1.5
Capital Expend.	6.1	2.2	1.9	4.9	4.9
Fiscal Balance	-1.5	0.9	-0.4	-2.8	-3.3

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



Domestic Debt Yields (%, Secondary Market)



	10 Oct.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.49	4.48	4.49	4.50
Sov. Spread (2024, bps)	174	180	170	150

	10 Oct.	1-W %	YTD %	2-Y %
BET-BK	1,307	-0.5	-2.6	1.6

	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	-1.1	-2.5	-3.1
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.3	-3.0

The 12-month rolling budget deficit rose sharply to 2.7% of GDP in August from 1.5% in December, mainly due to tax cuts and lower grants from the EU. In 8M:16, the consolidated budget turned to a deficit of 0.4% of GDP from a surplus of 0.9% in 8M:15. Specifically, tax revenue weakened in 8M: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 fell sharply in 8M:16 (by 0.7 pps of GDP y-o-y), largely due to lower grants from the EU, with the latter also reflected in the drop in public investment (by 0.3 pps of GDP y-o-y). At the same time, current spending rose in 8M:16 (by 0.3 pps of GDP y-o-y), mainly on the back of a looser incomes policy. Recall that, following a 10% across-the-board hike in public sector wages at end-2015, targeted increases in wages in the local government and some state institutions of the broader public sector were made in January, pensions were raised (by 5%) and social 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 understated in the budget. Worryingly, the authorities proceeded with further targeted hikes in wages and social 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.

On the other hand, tax revenue should comfortably meet its target. In fact, tax collection is set to remain on track, reflecting strong second-round effects of the tax cuts on consumption and improved tax compliance. All said, unless corrective measures are adopted, the FY:16 budget deficit could widen to 3.3% of GDP from 1.5% in FY:15, surpassing the EU threshold (3.0%). However, with general elections scheduled for December, the Government is unlikely to reverse policy.

Debt financing costs are set to rise. Looking ahead, debt yields are set to embark on an upward trend, reflecting the increased domestic financing needs of the state (RON 53bn or 7.1% of GDP in FY:16 -- out of which c. 66.0% has been covered so far -- and c. RON 60bn or 7.6% of GDP in FY:17), on the one hand, and the envisaged tightening in monetary policy on the other. Indeed, amid an environment of rising inflation (see Table), we expect the NBR to tighten its policy stance, in an effort to counterbalance the looser fiscal policy (assuming that the proposed cut in social security contributions by 5 pps is passed by Parliament, the budget deficit could widen up to 4.0% of GDP in FY:17) and prevent an overheating of the economy. As a result, we expect the NBR to raise its key rate by 25 bps to 2.0% by end-2016 and by a further 200 bps to 4.0% by end-2017. In this context, we see the yield of the 6-month T-bill and 3-year T-bond rising to 0.7% and 1.7% by end-2016, respectively, and further to 2.2% and 3.0% at end-2017 from the current (low) levels of 0.5% and 1.6%.

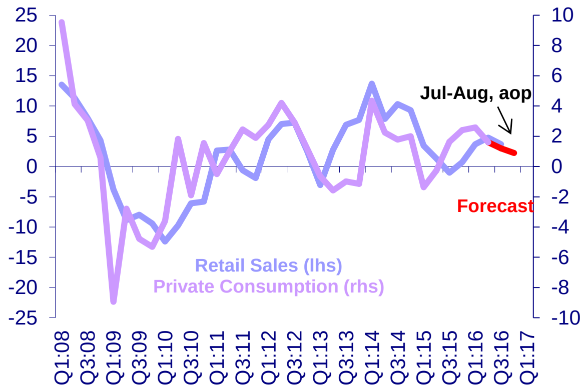
At the same time, the pressure on external financing costs should be milder, in view of the ECB's accommodative policy and limited external financing needs. Note that Romania has raised EUR 3.25bn (2.0% of GDP) from international markets so far this year through 3 Eurobond issues. Next year's foreign funding target stands at EUR 2.5bn (1.4% of GDP). Importantly, the country also has access to funding worth up to EUR 1.5bn from IFIs (World Bank, EIB).

All said, Romania should fund the budget deficit and roll over the maturing public domestic and external debt this year and next, albeit at a higher cost. We see gross public debt rising to 41.8% of GDP at end-2016 and 44.2% at end-2017 from 38.4% at end-2015, still low by EU standards.

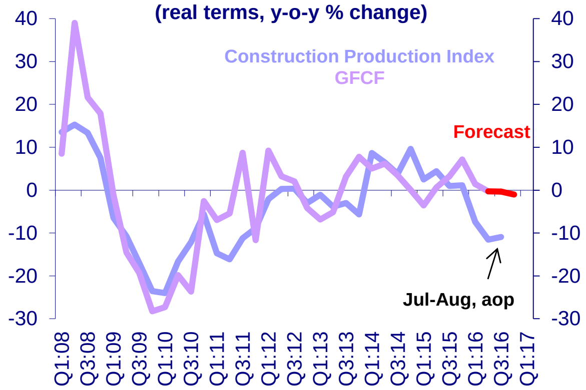
Bulgaria

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

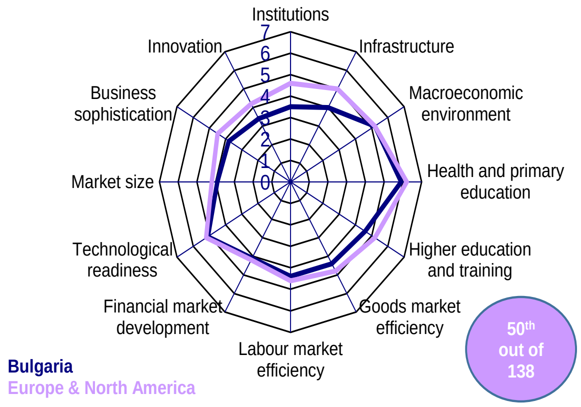
Retail Sales & Private Consumption (real terms, y-o-y % change)



Gross Fixed Capital Formation & Construction Production Index (real terms, y-o-y % change)



Global Competitiveness Index 2016-2017



	10 Oct.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.1	0.1	0.1	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	119	128	125	120

	10 Oct.	1-W %	YTD %	2-Y %
SOFIX	508	0.1	10.1	-4.6

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.3	1.5	3.0	2.8	2.6
Inflation (eop, %)	-1.6	-0.9	-0.4	0.7	1.4
Cur. Acct. Bal. (% GDP)	1.3	0.1	0.4	2.5	1.3
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-1.6	-1.2

Industrial production (IP) picks up slightly in Q3:16, sustained by external demand. IP rose by 2.5% y-o-y in July-August, against an increase of just 1.0% in Q2:16. The industrial sector continued to be underpinned by external demand, mainly from the EU, which expanded further in Q3:16, reflecting gains in external competitiveness. Note that the competitiveness of the industrial sector has improved markedly over recent years (the Gross Value Added per employed person in the sector has risen by 9.5% since end-2011, while the CPI-based REER BGN has remained broadly stable in the same period). At the same time, domestic demand (absorbing 67% of total IP) remained sluggish, due, *inter alia*, to still tight credit conditions (credit to the private sector, excluding mortgages, was down by 0.5% y-o-y in real terms in August).

Retail sales lose steam in Q3:16, pointing to a weakening in private consumption. Retail sales (volume terms) expanded by 3.7% y-o-y in July-August against a rise of 4.8% in Q2:15. Indeed, despite better labour market conditions (the s.a. LFS unemployment rate stood at a 7-year low of 7.2% in August, far lower than its peak of 13.4% in early-2014), private consumption is unlikely to have improved, due to: i) the impact of the sizeable fiscal consolidation on disposable income (the budget surplus widened by 0.7 pps of GDP y-o-y in July-August, bringing the y-t-d fiscal contraction to 3.0 pps of GDP); ii) the continuing build-up of precautionary savings (retail deposits were up 6.5% y-o-y in real terms in August); and iii) weaker consumer confidence.

Investment activity remains subdued in Q3:16. Construction activity remained depressed, falling by 10.9% y-o-y in July-August following declines of 11.6% in Q2:16 and 7.4% in Q1:16. We believe that this performance was driven by the public sector. Indeed, according to budget execution data, public investment was down 0.7 pps of GDP y-o-y in July-August, bringing the y-t-d decline to 2.0 pps of GDP y-o-y. Recall that investment activity had surged in H2:15, in line with the acceleration in the absorption of EU funds ahead of the closing of the 2007-13 programming period at end-2015.

All said, economic growth has likely lost its momentum in Q3:16, despite a rebound in net exports. We estimate real GDP growth to ease slightly to 2.7% y-o-y in Q3:16 from 2.9% in Q2:15.

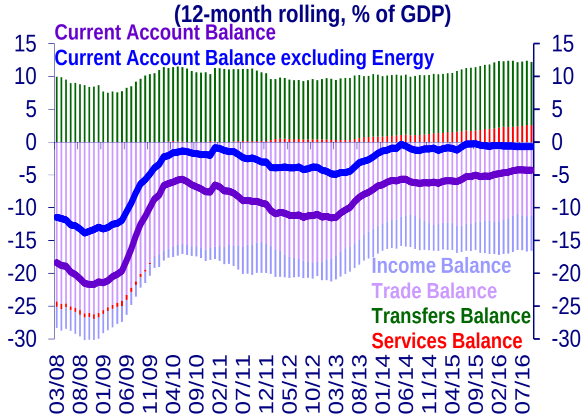
This trend should continue in Q4:16. Indeed, fixed investment is set to remain subdued, due to negative base effects from the faster absorption of EU funds last year, while private consumption should weaken further, in line with slower employment growth and slightly higher inflation, on the back of unfavourable commodity prices. As a result, we expect the pace of economic expansion to moderate further to 2.5% in Q4:16, bringing FY:16 real GDP growth to 2.8%, slightly below the FY:15 outcome.

Bulgaria rose to 50th place in the World Economic Forum's Global Competitiveness Index. Specifically, the country's ranking improved for a 5th consecutive year in 2016, climbing 4 places from last year. Indeed, despite its small market size and a somewhat weaker macroeconomic environment, Bulgaria's competitiveness improved further, mainly reflecting a more favourable assessment of its technological readiness, especially in the areas of information and communication, and innovation drive, on the back of increased R&D spending. The strengthening of the country's institutional framework and the improvement of its labour market efficiency, which was in turn translated into a slowdown in labour force migration, also helped. All said, Bulgaria has emerged as the most competitive economy in SEE-5, followed by Romania, FYROM, Albania and Serbia (ranking 62nd, 68th, 80th and 90th, respectively).

Serbia

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

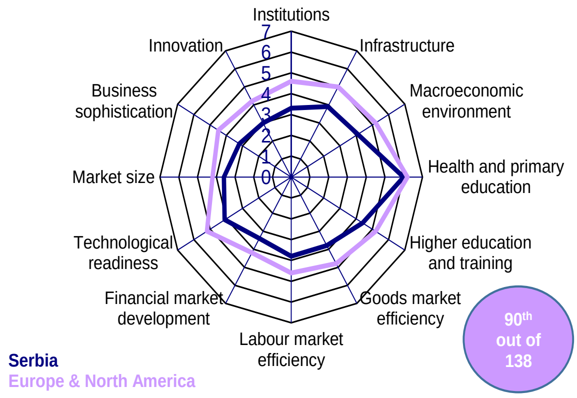
Current Account Balance (12-month rolling, % of GDP)



External Financing (EUR bn)		
	2015	2016F
Financing Needs	5.0	5.2
Current Account Deficit	1.6	1.6
Amortisations + Other	3.4	3.6
Financing Sources	5.6	4.7
FDI	1.8	1.8
Loans & Other	3.8	2.9
External Financing Balance	0.6	-0.5
IMF	-0.1	0.0*
Change in FX Reserves	0.5	-0.5

* Assuming no disbursements from the IMF

Global Competitiveness Index 2016-2017



	10 Oct.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.5	3.8
RSD/EUR	123.1	125.1	125.4	125.7
Sov. Spread (2021, bps)	252	230	220	180

	10 Oct.	1-W %	YTD %	2-Y %
BELEX-15	642	0.9	1.8	-6.8

	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	2.4	2.8
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

External rebalancing continued in 7M:16, with the current account deficit (CAD) easing to 4.3% in July (on a 12-month rolling basis), supported by favourable energy prices and buoyant exports. In 7M:16, the CAD shrank by 0.5 pps to 2.0% of GDP, largely driven by a smaller trade deficit (down 0.9 pps y-o-y to 5.7% of GDP in 7M:16). The improvement in the trade balance was due to both the strong rebound in exports and a slowdown in energy imports. In fact, exports accelerated strongly (up 10.4% y-o-y, in EUR terms, in 7M:16 against a rise of 6.6% in 7M:15), underpinned by past years' FDIs (largely directed towards export-oriented sectors, with 35% of FDIs in 2014-15 in manufacturing). The narrowing trade deficit was also reinforced by lower energy imports (accounting for 8.5% of total imports), declining by 22.7% y-o-y in 7M:16, in line with global oil prices (by 29.3% y-o-y, in EUR terms, in 7M:16), shaving an estimated 0.7 pps of GDP off the CAD in 7M:16. Non-energy imports, however, rose by a robust 8.8% y-o-y in 7M:16, mainly reflecting investment-related imports.

The capital and financial account (CFA) deteriorated significantly in 7M:16. The CFA balance turned into a deficit of 1.5% of GDP in 7M:16 from a surplus of 3.0% in 7M:15. The bulk of the CFA deterioration was due to large portfolio outflows (amounting to 1.7% of GDP in 7M:16, against slight inflows of 0.3% of GDP in 7M:15), reflecting increasing uncertainty ahead of the April 24th elections along with a sharp decline in domestic debt yields (average yield on 12-month T-bills fell by 369 bps y-o-y to a record low of 4.0% in 7M:16). Importantly, FDI inflows remained strong (up 0.3 pps y-o-y to 3.1% of GDP in 7M:16), leading to a positive basic balance (CAD & FDI) of 1.1% of GDP in 7M:16. As a result, and despite large (net) positive errors & omissions (1.0% of GDP in 7M:16), the overall balance turned negative in 7M:16 (minus EUR 0.8bn, or -2.5% of GDP), and was financed through a drawdown in FX reserves. Nevertheless, the stock of FX reserves remained at the comfortable level of EUR 9.6bn (covering 6.0 months of GNFS imports).

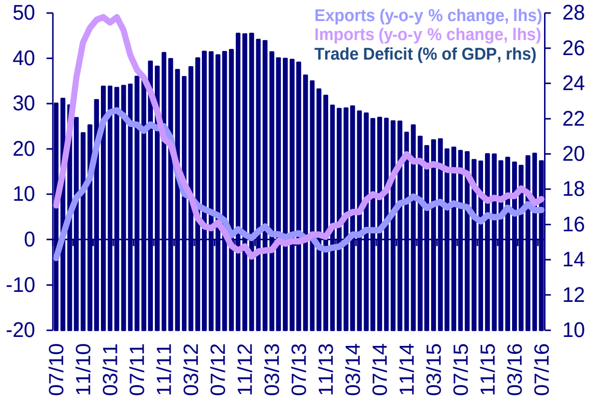
The CAD is set to reverse its downward trend in 8-12M:16, ending 2016 at the past year's level of 4.8% of GDP. The anticipated CAD deterioration in 8-12M:16 should reflect a continued rebound in imports, reinforced by less favourable global oil prices, and the sustained recovery in consumption, as well as a moderation in exports. Regarding financing, the bulk of the CAD in 8-12M:16 should again be covered by large FDI inflows. Moreover, assuming positive capital inflows of 1.8% of GDP in 8-12M:16, underpinned by strengthening confidence after the formation of the new Cabinet and continued good relations with the IMF, we see an external financing surplus of EUR 0.4bn (1.1% of GDP) in 8-12M:16. Should our forecasts materialise, the FY:16 external financing gap would be contained at EUR 0.5bn (1.4% of GDP), bringing reserves to EUR 9.9bn this year (covering 6.2 months of GNFS imports).

Serbia's competitiveness improved in 2016-17. According to the WEF Global Competitiveness Index, Serbia climbed 4 places in 2016-17 (ranking 90th among 138 economies), mainly due to the improved macroeconomic performance, especially the significant fiscal consolidation. The improvement in competitiveness index was also supported by a more favourable business environment, following the introduction in April 2015 of a law aimed at simplifying and accelerating the issuance of construction permits, and the strong reform momentum prompted by the opening of EU-membership talks and the ongoing IMF programme. Despite the improvement, Serbia remains the least competitive country in SEE-5. Key challenges to competitiveness remain further structural reforms to improve business environment, labour market efficiency, infrastructure, and trust in public institutions.

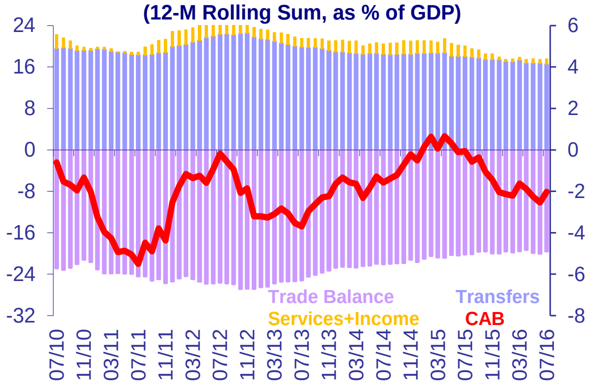
F.Y.R.O.M.

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

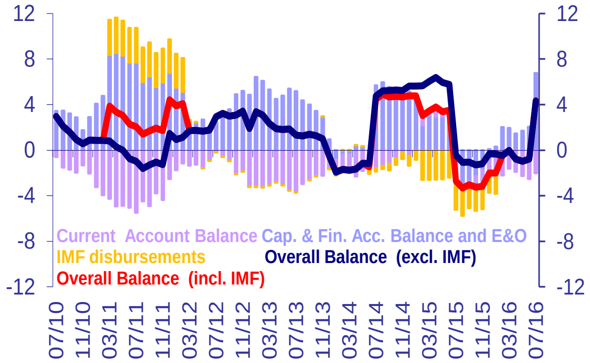
External Trade (EUR terms, 12-M Rolling-Sum)



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



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



	10 Oct.	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)	389	390	380	350

	10 Oct.	1-W %	YTD %	2-Y %
MBI 100	1,978	0.8	7.9	10.5

	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 current account deficit (CAD) remained unchanged at 1.5% of GDP, on an annual basis, in 7M:16. A narrowing in the trade deficit (by 0.4 pps of GDP y-o-y) and a widening in the services surplus (by 0.4 pps of GDP y-o-y) were offset by a sharp decline in transfers (by 0.8 pps of GDP y-o-y). The improvement in the trade deficit is attributed to a sharp increase in exports (by 1.1 pp y-o-y in 7M:16), due to the ongoing broadening of the country's export base in the flourishing sector of machinery and transport equipment (accounting for 28.5% of total exports and contributing 5.6 pps of GDP to the annual 7M:16 increase), and higher exports of chemicals and manufacturing products (c. 25% of total exports, contributing 2.9 pps of GDP to the annual 7M:16 rise) from the technological industrial development zones. This rise more than compensated for the decline in the traditional export sectors (iron and steel, clothing and textiles).

The narrowing in the trade deficit would have been larger had non-energy imports not increased significantly (by 1.6 pps of GDP y-o-y in 7M:16), mostly reflecting the high import content of exports. The increase in overall imports was, however, contained at 0.7 pps GDP y-o-y in 7M:16, due to a significant decline in imports of energy (by 0.9 pps of GDP y-o-y), in line with global oil price developments.

The widening in the services surplus reflects higher receipts from business and telecommunication services.

The deterioration in the transfers balance resulted from a sharp decline in private transfers (by 1.0 pp of GDP y-o-y), 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.

Eurobond proceeds boost FX reserves in 7M:16. The capital and financial account (CFA) improved significantly in 7M:16 (by 5.0 pps y-o-y to 4.9% of GDP), mainly due to a sharp increase in portfolio investment (to a sizeable 4.4% of GDP from -0.2% in 7M: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, as well as slightly negative (net) errors and omissions in 7M:16, the overall balance improved by 4.6 pps y-o-y to a surplus of 3.3% of GDP in 7M:16, with FX reserves rising to EUR 2.6bn in July from EUR 2.3bn at end-2015, covering 5.1 months of imports of GNFS.

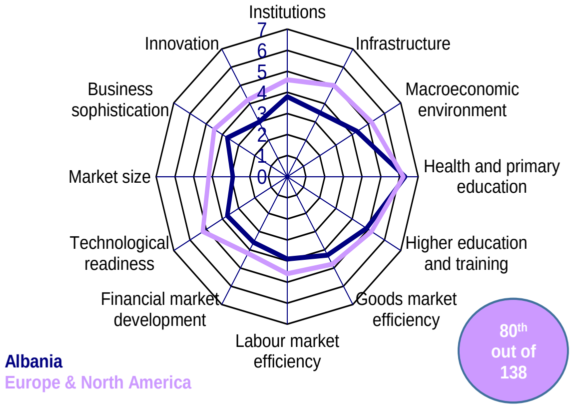
The CAD is set to widen to 2.4% of GDP in FY:16 (from 2.0% of GDP in FY:15). Looking ahead, we expect the CAD to widen during the remainder of the year, by 0.4 pps of GDP y-o-y in 8-12M:16, as: i) the trade deficit should increase, mainly due to a further decline in the traditional export sectors and unfavourable global oil prices (we expect global oil prices to rise by 5.1% y-o-y in 8-12M:16 following a decline of 29.3% in 7M:16), and ii) the withdrawn FX deposits (accounted as private transfers by the Central Bank) so far this year are unlikely to return to the banking system before the December 11th legislative elections. 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), external financing needs should be comfortably covered in view of the July Eurobond. Projecting that: i) net FDI inflows moderate (to 2.0% 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 200mn 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.

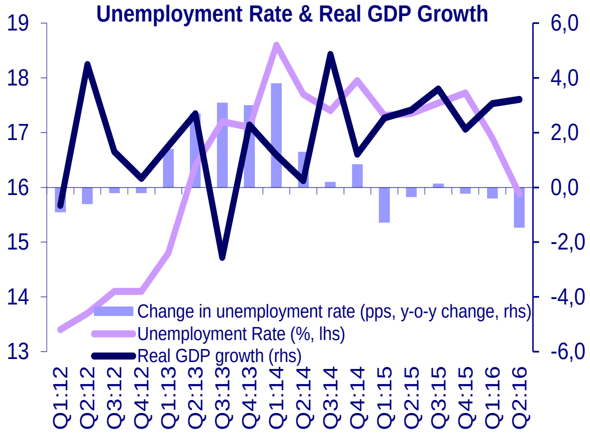
Albania

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

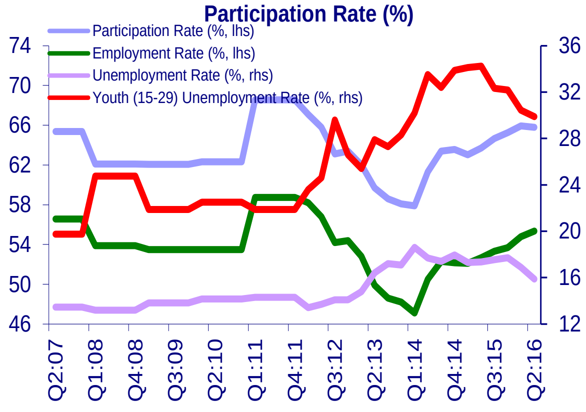
Global Competitiveness Index 2016-2017



Unemployment Rate & Real GDP Growth



Unemployment, Employment & Labour Force Participation Rate (%)



	10 Oct.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	136.9	138.5	138.7	139.0
Sov. Spread (bps)	345	340	320	300

	10 Oct.	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

Albania's competitiveness improved markedly in 2016-17. According to the WEF Global Competitiveness Index, Albania rose 13 places to 80th among 138 economies in 2016-17. Importantly, Albania was by far the best performer in SEE-5. The impressive performance reflects: i) the improved macroeconomic environment, supported by the marked fiscal consolidation and the decline in the public-debt-to GDP ratio; and ii) strengthened trust in public institutions and the business environment, on the back of a stable political environment, and the strong reform momentum (including the launch of the campaign against informality and the energy sector reform).

With this year's significant rise, Albania reduced its competitiveness gap with the 3 most competitive SEE countries -- Bulgaria, Romania and FYROM, ranking 50th, 62nd and 68th, respectively.

Albania's competitiveness remains constrained in the following areas: i) an underdeveloped financial market (including the lack of a stock exchange); ii) infrastructure gaps; and iii) its small market size.

The unemployment rate declined further, to (a 3-year low of) 15.9% in Q2:16. The unemployment rate declined markedly by 1.5 pps y-o-y to a still high 15.9% in Q2:16, following a decline of 0.4 pps y-o-y in both Q1:16 and FY:15. This improvement was mainly driven by the continued recovery in employment, for a 9th successive quarter.

In fact, employment rose by 5.8% y-o-y in Q2:16, as in Q1:16, following a rise of 5.1% in FY:15 and a modest increase of 1.9% in FY:14. The significant rise in Q2:16 was driven by the services and industry sectors (representing 41.4% and 12.7% of total employment, respectively, and up by 8.9% and 13.9% y-o-y). Employment in the agricultural sector also increased in Q2:16, albeit at a slower pace (by 1.6% y-o-y), with its share in total employment continuing to decline (38.9% of total employment -- yet just 22.4% of GDP -- in Q2:16 from 41.3% in FY:15 and 51.5% in FY:12), in line with the modernization of the economy. Employment has been boosted by: i) the continued strengthening in economic growth (up 3.1% y-o-y in H1:16 from 2.8% in FY:15 and a CAGR of 1.4% in 2012-14); and ii) the Government's campaign, initiated last August, to minimize large informal employment (estimated by the EC at 40% of employment outside agriculture).

Although labour market slack remains, it has been declining. In fact, the employment rate improved further, rising to 55.3% in Q2:16 from 54.8% in Q1:16 from a trough of 47.1% in Q4:14, and approaching the peak of 58.7% reached in Q4:11. Moreover, the labour force participation rate stood at 65.8% in Q2:16, broadly unchanged from Q1:16, well above a trough of 57.9% in Q1:14, and close to its high of 68.5% in Q4:11, boosted by: i) the establishment of employment offices in rural areas, facilitating job search; and ii) lower remittances (down to 5.8% of GDP in 2013-15 from 8.0% in 2009-12), whose steady inflow until 2012 had been a disincentive to job search.

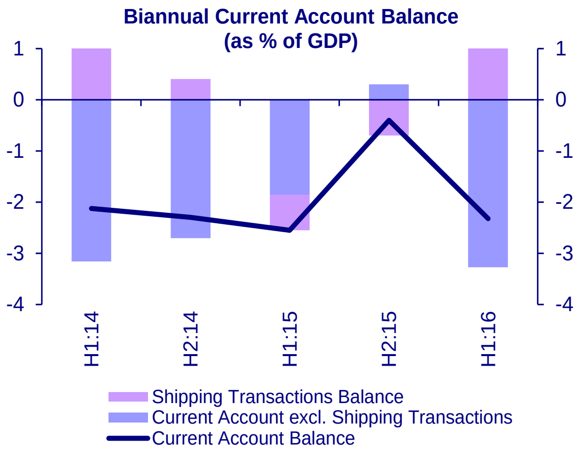
It is important to note that, although declining, the unemployment rate remains above its average level of 13.8% in 2007-12, reflecting the return of Albanian migrants, mainly during 2012-13 (especially from Greece, accounting for c. 46.0% of Albanian migrants in 2012, and 70.8% of returnees in 2009-13).

We expect unemployment to decline by 1.5 pps to 15.5% in FY:16, following a decline of 0.4 pps in FY:15, and two successive years of increase (by 1.5 pps and 2.6 pps, respectively, in FY:14 and FY:13). The continued drop in the unemployment rate in H2:16 should reflect: i) strengthening economic activity; ii) sustained high FDI inflows, supported by the construction of three major energy projects, EU membership prospects and efforts to improve the business climate; as well as iii) the ongoing large-scale campaign against informality.

Cyprus

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

Balance of Payments (% of GDP)	FY:15A	H1:15A	H1:16A	FY:16F
Current Acc.Balance	-3.0	-2.6	-2.3	-4.0
Trade Balance	-18.2	-8.7	-9.6	-19.6
Exports	14.2	8.1	7.9	- - -
Imports	32.4	16.9	17.5	- - -
Tr. Bal., excl. Ships	-16.8	-8.0	-10.6	-19.6
Exp., excl. Ships	9,1	4.6	4.6	- - -
Imp., excl. Ships	25.9	12.6	15.2	- - -
Ship Balance	-1.4	-0.7	1.0	0.0
Ship Exports	5.1	3.5	3.3	- - -
Ship Imports	6.5	4.2	2.3	- - -
Services Balance	18.5	8.0	10.0	20.9
Tourism	7.4	2.0	2.4	8.1
Income Balance	-0.4	-0.4	-1.5	-2.4
Transfers Balance	-2.9	-1.4	-1.1	-2.9
Capital & Financial Account (excl. IMF)	-7.5	-2.6	1.9	4.0
FDI	-49.0	-17.5	-0.8	-1.8
Other Investments	41.4	14.9	2.7	5.8
Errors & Omissions	4.7	5.1	0.4	0.0
Overall Balance	-5.8	0.0	-0.1	0.0



	10 Oct.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.11	1.11	1.08	1.05
Sov. Spread (2020. bps)	278	260	250	230

	10 Oct.	1-W %	YTD %	2-Y %
CSE Index	66	-0.1	-2.0	-41.8

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	-5.9	-2.5	1.6	2.4	2.1
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-5.0	-4.4	-3.0	-4.0	-4.4
Fiscal Bal. (% GDP)	-4.7	-0.3	0.0	0.0	0.2

The current account deficit (CAD) narrowed by 0.3 pps y-o-y to 2.3% of GDP in the first half of the year, on the back of a sharp improvement in the balance of services. The services surplus rose sharply in H1:16 (by 2.0 pps of GDP y-o-y), mainly due to increases in receipts from: i) business services -- i.e. research & development and consulting (by 0.8 pps y-o-y) and telecommunication and information technology services (by 0.5 pps y-o-y); and ii) tourism (by 0.4 pps y-o-y). The latter reflects strong tourism activity -- tourist arrivals and receipts rose by 21.2% y-o-y and 13.7% y-o-y, respectively, in H1:16, benefiting mainly from heightening security concerns in neighbouring competitors -- Turkey and Egypt. The positive CAD performance in H1:16 was also supported by a weaker transfers deficit (down 0.3 pps of GDP y-o-y), likely reflecting delays in the disbursement of the country's contribution to EU funds.

The improvement in the services and transfers balances in H1:16 was, however, tempered by a significant widening in the income and trade deficits (by 1.1 pp of GDP y-o-y and 0.9 pps of GDP y-o-y, respectively). The deterioration in the income deficit is attributed to higher repatriation of dividends and profits by foreign companies established in Cyprus.

The deterioration in the overall trade deficit in H1:16 was driven by a sharp widening in the trade deficit, excluding ship transactions (by 2.6 pps y-o-y to 10.6% of GDP), exclusively driven by a sharp rise in imports (up 2.6 pps of GDP y-o-y), reflecting stronger domestic demand (up 5.0% y-o-y in real terms in H1:16). Note that the increase in imports, excluding shipping, would have been even sharper in H1:16 had energy imports not declined (by 1.2 pps of GDP y-o-y in the same period), in line with global oil price developments.

The deterioration in the overall trade deficit in H1:16 was contained by a significant improvement in the ship trade balance (by 1.7 pps of GDP y-o-y) to a surplus of 1.0% of GDP, mainly due to lower imports of ships (by 2.1 pps of GDP y-o-y). As a result, the 4-quarter rolling CAD narrowed to 2.7% of GDP in Q2:16 from 3.0% in Q4:15.

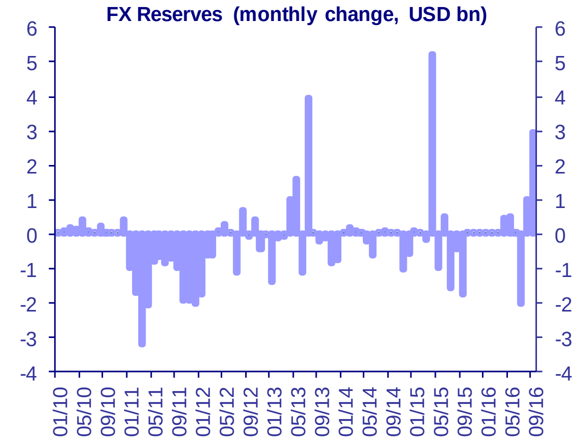
The capital and financial account (CFA) balance turned positive in H1:16, but fell short of covering the CAD. The CFA balance improved by 4.4 pps y-o-y to a surplus of 1.9% of GDP in H1:16, as the sharp decline in net FDI outflows (by 16.6 pps of GDP y-o-y) more than offset the decrease in "other net capital inflows" (by 12.2 pps of GDP y-o-y).

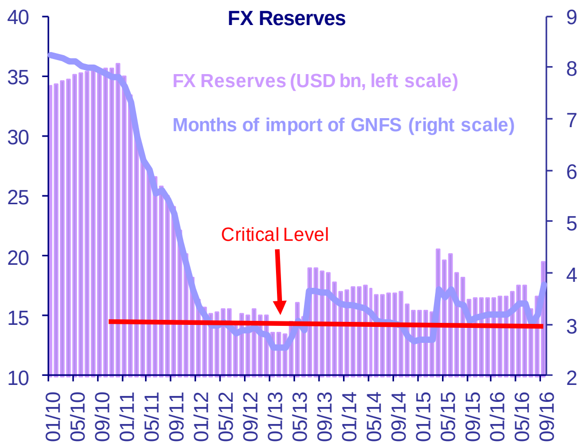
Although the CFA surplus fell short of covering the CAD, the resulting gap in H1:16 was fully covered by positive (net) errors and omissions inflows (c. 0.4% of GDP).

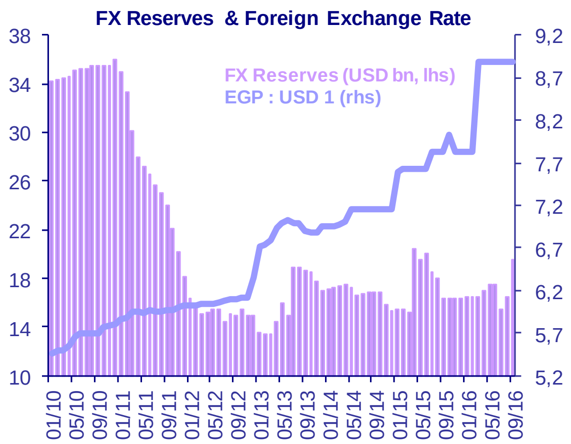
The CAD, excluding ship transactions, is set to widen by 2.4 pps to 4.0% of GDP in FY:16, on the back of stronger domestic demand and higher repatriation of profits and dividends. Looking ahead, assuming a normalization in ship transactions (balanced full-year ship trade following a deficit of 1.4% in FY:15 and a surplus of an equivalent amount in FY:14), we see the CAD widening by 1.3 pps of GDP y-o-y in H2:16, more than reversing its H1:16 gains (0.3 pps of GDP y-o-y). The expected negative CAD performance in H2:16 should be driven by: i) a further build-up in domestic demand (we see real GDP growth accelerating to 2.4% in FY:16 from 1.6% in FY:15), ii) the deterioration in the balance of transfers, reflecting a payback to the postponed payments of the contribution to the EU in H1:16; and iii) the projected normalization of the ship trade balance. Overall, we see the CAD widening by 1.0 pp to 4.0% of GDP this year.

Egypt

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







	10 Oct.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	11.9	13.8	12.8	11.5
EGP/USD	8.88	10.5	10.5	11.5
Sov. Spread (2020. bps)	414	350	300	220

	10 Oct.	1-W %	YTD %	2-Y %
HERMES 100	738	1.7	17.3	-19.4

	12/13	13/14	14/15	15/16E	16/17F
Real GDP Growth (%)	2.1	2.2	6.2	4.2	5.0
Inflation (eop. %)	9.8	8.2	11.4	14.0	13.8
Cur. Acct. Bal. (% GDP)	-2.4	-0.8	-3.7	-5.5	-4.0
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.5

FX reserves rose sharply by USD 3.0bn m-o-m to a 15-month high of USD 19.5bn in September. FX reserves rose significantly by USD 3.0bn m-o-m to USD 19.5bn or 3.8 months of imports of goods and non-factor services (GNFS) in September, more than reversing a USD 1.0bn loss in the previous 2 months. As a result, FX reserves recovered by USD 2.0bn in Q1:16/17, following a drop of USD 2.5bn in FY:15/16.

The sharp rise in September was unexpected, in view of unchanged negative trends of the country's main sources of foreign currency -- exports of merchandises, tourism, and workers' remittances -- and the disbursement of the first USD 1bn tranche of a USD 3bn World Bank loan in early-September. The CBE has yet to reveal the sources of this rise. Note that despite the Q1:16/17 large increase, FX reserves have almost halved (down 45.8%), declining by USD 16.5bn from a high of USD 36bn (7.8 months of imports of GNFS) since the beginning of the political turmoil in January 2011.

Looking ahead, should the IMF Executive Board approve the USD 12bn 3-year extended fund facility (EEF) in the coming weeks, FX reserves would strengthen further. Encouragingly, the Finance Minister stated in the past week that the Government is about to complete the last prior action needed for the approval, according to which the Government must secure USD 5-6bn in bilateral financing for the first year of its 2016-19 reform programme. The signing of this deal will enable the immediate disbursement of the first EEF tranche, worth USD 2.5bn, and facilitate the planned issuance of a USD 3bn Eurobond.

Parliament approved the controversial civil service law -- a pillar of the Government's 3-year reform programme. The new law aims to reform the country's administration in order to reduce the wage burden on state finances (c. 27.0% of expenditure in FY:15/16) and encourage investments by curbing bureaucratic inefficiencies and streamlining hiring practices and wage-structures in the public sector. According to the new law -- which governs 6.3mn civil servants -- basic salaries would constitute 80% of overall wages in the public sector as opposed to the older unit-by-unit system of determination, while bonuses, traditionally dependent on seniority, will be calculated based on performance.

The new law was initially rejected by the newly-elected Parliament in January and returned to the parliamentary committee on labour issues for review and amendment of its mostly-contested articles 37 and 38 – regulating salaries.

Indeed, Parliament approved article 37, stating that salaries of public sector employees will be raised by 7% annually from the initially-planned 5%. This rise will, however, be 3 pps lower than in the past year.

Parliament also passed the amended article 38, stipulating that: i) public sector employees' financial incentive (as a share of their basic salaries) will be raised to 5% from an initially-planned 2½%; ii) employees who benefit from this incentive should be evaluated as "highly efficient" over 2 years and cannot receive this incentive more than once in 3 years; and iii) the number of eligible employees should not exceed 10% of the total number of public sector employees in one year.

Importantly, with parliamentary approval of the controversial law in the past week, further progress was made in the implementation of the Government's 2016-19 reform programme, following the entry into force of the long-awaited VAT in September and the reduction of electricity subsidies in August. The approval of the new law increases further the chance for an imminent approval of the much-needed USD 12bn 3-year extended fund facility (EEF) by the IMF Executive Board.

FOREIGN EXCHANGE MARKETS, OCTOBER 10TH 2016

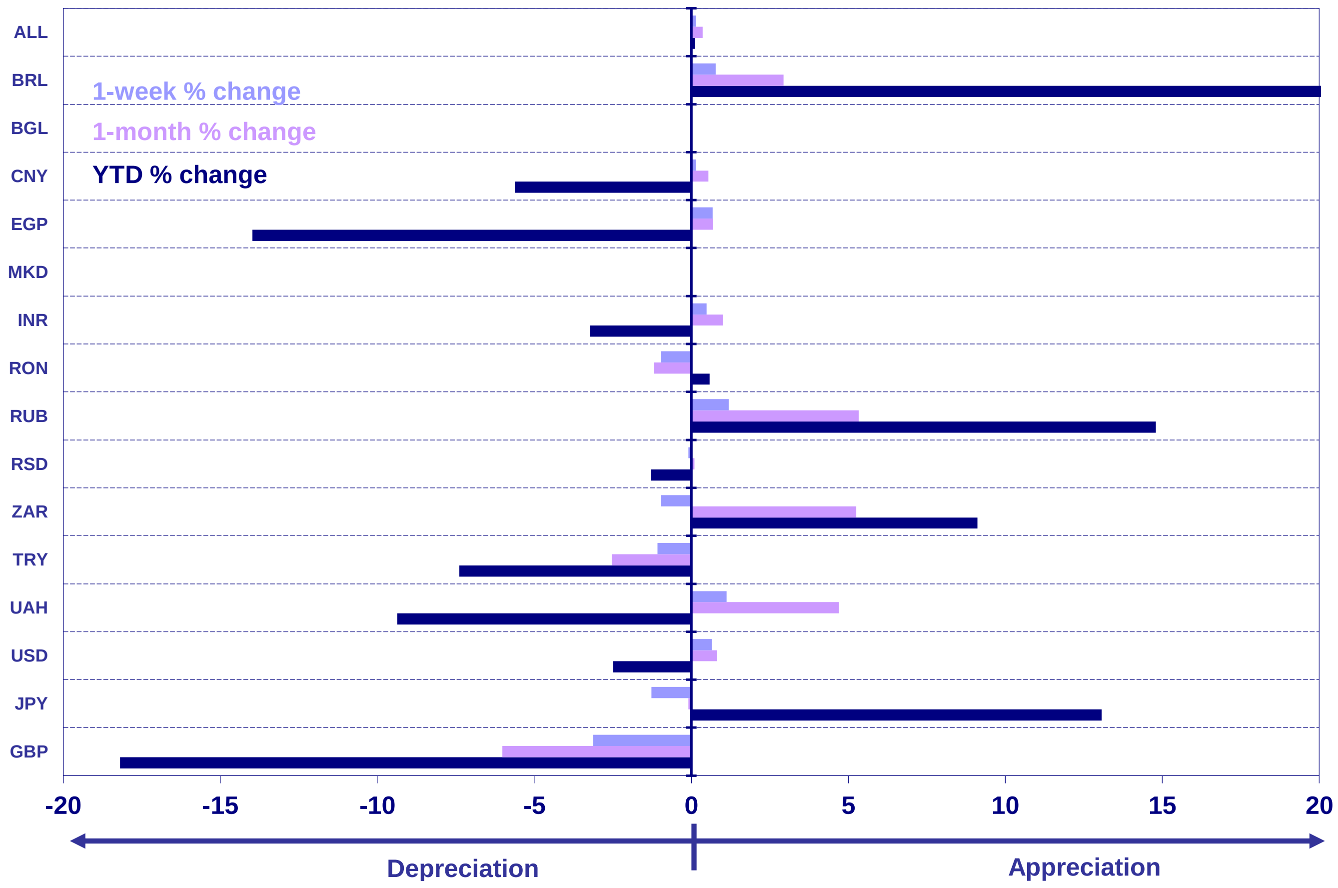
Against the EUR

	Currency	2016 SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	2015 % change*	2014 % change*
Albania	ALL	136.9	0.1	0.4	0.1	1.9	135.9	139.5	137.3	137.1	136.0	2.0	0.1
Brazil	BRL	3.57	0.8	2.9	20.5	19.7	3.48	4.55	4.07	4.05	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	7.46	0.1	0.5	-5.6	-3.7	6.99	7.56	7.69	7.69	7.69	6.7	10.8
Egypt	EGP	9.86	0.7	0.7	-14.0	-10.1	8.26	10.23	- - -	- - -	- - -	2.1	10.6
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	74.2	0.5	1.0	-3.2	-0.8	71.3	77.8	79.4	- - -	- - -	6.6	12.3
Romania	RON	4.49	-1.0	-1.2	0.6	-1.8	4.44	4.56	4.50	4.50	4.51	-0.8	-0.5
Russia	RUB	69.0	1.2	5.3	14.8	1.9	68.9	75.1	70.8	72.4	75.8	-15.1	-32.8
Serbia	RSD	123.1	-0.1	0.1	-1.3	-2.7	121.6	124.3	123.5	123.9	- - -	-0.1	-5.6
S. Africa	ZAR	15.4	-1.0	5.3	9.1	-1.6	14.77	18.58	15.7	16.1	16.8	-16.6	3.0
Turkey	YTL	3.42	-1.1	-2.5	-7.4	-2.8	3.12	3.44	3.50	3.58	3.74	-10.8	4.4
Ukraine	UAH	28.7	1.1	4.7	-9.4	-14.6	25.06	30.32	34.1	- - -	- - -	-27.5	-40.8
US	USD	1.11	0.6	0.8	-2.5	2.0	1.1	1.2	1.12	1.12	1.13	11.4	13.6
JAPAN	JPY	115.4	-1.3	-0.1	13.1	18.0	109.6	132.3	115.4	115.4	115.3	11.0	-0.1
UK	GBP	0.90	-3.1	-6.0	-18.2	-17.9	0.7	0.9	0.90	0.90	0.91	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 (October 10th 2016)



Money Markets, October 10th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	14.1	0.0	2.2	- - -	11.9	- - -	- - -	0.4	10.4	- - -	8.3	6.5	16.3	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	10.5	3.0	- - -	6.5	- - -	- - -	- - -
S/W	1.3	14.1	0.0	2.4	-0.4	- - -	1.3	- - -	- - -	9.6	3.0	- - -	7.5	16.5	-0.4	0.5
1-Month	1.6	13.9	0.1	2.7	-0.4	- - -	1.7	6.6	0.6	10.7	3.3	8.7	7.6	17.5	-0.4	0.5
2-Month	- - -	13.8	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	10.7	3.4	8.9	7.8	- - -	-0.3	0.7
3-Month	1.7	13.6	0.1	2.8	-0.3	- - -	2.1	6.7	0.7	10.8	3.5	9.0	8.1	18.3	-0.3	0.9
6-Month	1.9	13.1	0.4	2.9	-0.2	- - -	2.4	- - -	0.9	10.4	3.7	9.3	8.6	- - -	-0.2	1.3
1-Year	2.2	12.2	0.7	3.0	-0.1	- - -	3.0	- - -	1.1	10.4	- - -	9.5	9.0	- - -	-0.1	1.6

Local Debt Markets, October 10th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	0.9	- - -	- - -	- - -	- - -	14.5	1.6	6.4	- - -	10.0	2.8	8.0	- - -	- - -	-0.8	0.3
6-Month	0.9	- - -	- - -	- - -	- - -	15.8	2.3	6.4	0.5	10.0	3.1	8.1	- - -	- - -	-0.7	0.5
12-Month	1.8	- - -	0.0	2.2	- - -	16.4	2.6	6.6	0.7	9.4	3.9	8.4	- - -	15.2	-0.7	0.6
2-Year	1.9	- - -	- - -	2.3	- - -	- - -	2.0	6.6	0.7	8.7	- - -	8.6	7.7	- - -	-0.7	0.8
3-Year	- - -	- - -	0.2	2.4	1.9	- - -	2.7	6.6	1.5	8.7	- - -	8.3	7.9	- - -	-0.7	1.0
5-Year	- - -	11.2	- - -	2.5	- - -	17.4	2.7	6.7	2.3	8.6	5.5	9.0	8.1	16.0	-0.5	1.3
7-Year	- - -	- - -	1.2	- - -	3.2	17.4	- - -	6.8	2.7	8.4	- - -	- - -	- - -	- - -	-0.4	1.6
10-Year	- - -	11.4	2.0	2.7	3.4	17.5	3.8	6.8	3.0	8.3	- - -	9.5	8.7	- - -	0.1	1.7
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.1	- - -	8.4	- - -	- - -	9.1	- - -	0.2	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.3	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.2	- - -	- - -	- - -	- - -	9.4	- - -	0.7	2.5

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

Corporate Bonds Summary, October 10th 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	2.7	340	299
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.3	593	547
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.1	272	227
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	9.7	110	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.7	113	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.3	212	219
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.5	117	73
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.1	373	326
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.8	347	301
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.3	383	342
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.9	464	451

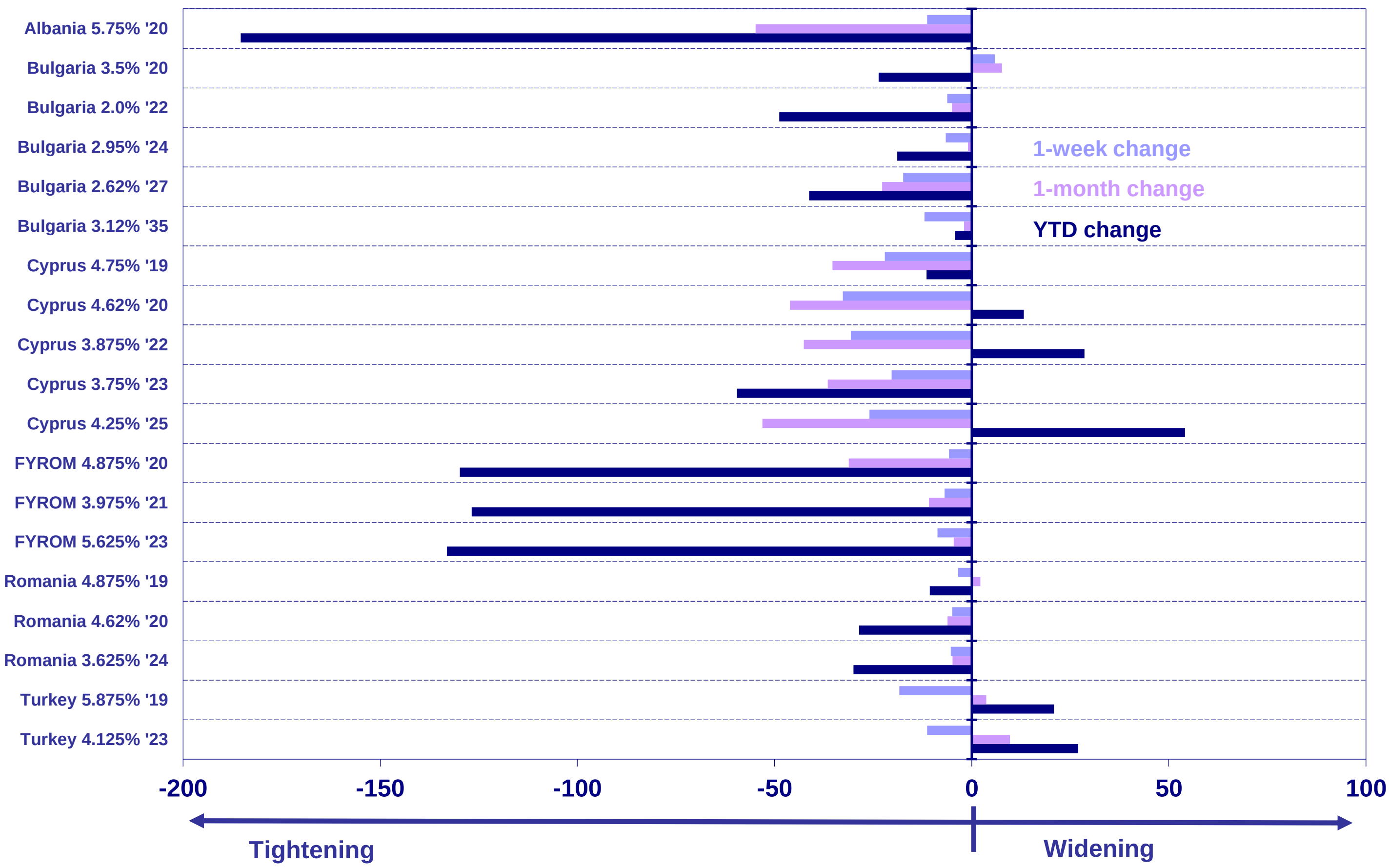
Credit Default Swap Spreads, October 10th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	265	139	105	256	480	- - -	136	106	223	197	245	247	- - -
10-Year	- - -	333	185	153	283	490	- - -	144	148	280	248	302	304	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, OCTOBER 10TH 2016

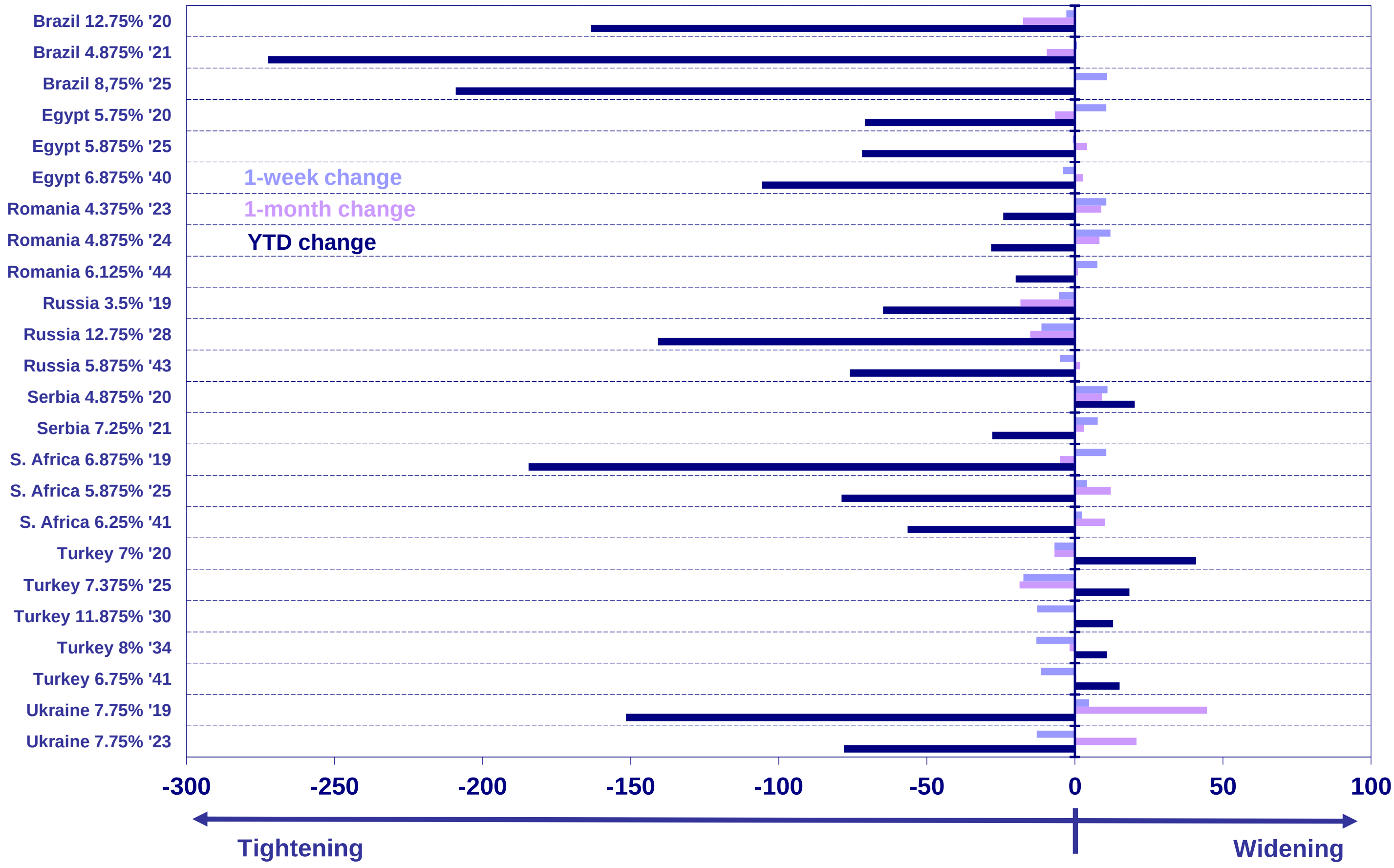
	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	2.9	345	316
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.5	118	74
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.8	119	82
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.5	172	135
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.9	184	146
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.9	247	204
Cyprus 4.75% '19	EUR	BB-/NA	25/6/2019	566	1.9	258	221
Cyprus 4.62% '20	EUR	BB-/B1	3/2/2020	770	2.1	278	241
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	3.0	344	307
Cyprus 3.75% '23	EUR	NA/NA	26/7/2023	1,000	3.2	352	312
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.4	347	311
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.3	386	349
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	3.4	389	515
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.4	471	439
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.2	88	46
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.3	86	46
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.5	174	144
Turkey 5.875% '19	EUR	NR/Baa3	11/4/2023	1,000	1.8	248	214
Turkey 4.125% '23	EUR	B+/B1	12/11/2020	450	3.0	335	301

EUR-Denominated Eurobond Spreads (October 10th 2016)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, OCTOBER 10TH 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	3.0	202	215
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.3	206	215
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.5	299	354
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,500	5.1	414	393
Egypt 5.875% '25	USD	B-/B3	30/4/2040	500	6.7	500	498
Egypt 6.875% '40	USD	BBB-/Baa3	22/8/2023	1,500	7.3	481	515
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,000	2.9	136	158
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	2.9	138	160
Romania 6.125% '44	USD	BB+/Ba1	16/1/2019	1,500	4.2	176	277
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	2,500	2.5	163	139
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	1,500	4.1	236	361
Russia 5.875% '43	USD	BB-/B1	25/2/2020	1,500	4.7	227	312
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	2,000	3.7	270	253
Serbia 7.25% '21	USD	BBB-/Baa2	27/5/2019	2,000	3.8	252	271
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	2,000	2.4	144	139
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	750	4.2	250	288
S. Africa 6.25% '41	USD	NR/Baa3	5/6/2020	2,000	5.0	250	341
Turkey 7% '20	USD	NR/Baa3	5/2/2025	3,250	3.8	280	273
Turkey 7.375% '25	USD	NR/Baa3	15/1/2030	1,500	4.5	296	334
Turkey 11.875% '30	USD	NR/Baa3	14/2/2034	1,500	4.9	318	450
Turkey 8% '34	USD	NR/Baa3	14/1/2041	3,000	5.3	358	414
Turkey 6.75% '41	USD	B-/Caa3	1/9/2019	1,744	5.4	298	369
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,355	8.4	737	703
Ukraine 7.75% '23	USD	BB/Ba2	15/1/2020	234	8.5	692	681

USD-Denominated Eurobond Spreads (October 10th 2016)



STOCK MARKETS PERFORMANCE, OCTOBER 10TH 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)	61,668	3.7	6.3	42.3	25.0	37,046	61,275	72.5	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	508	0.1	7.6	10.1	14.6	432	520	10.1	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,048	1.4	-1.0	-14.7	-7.3	2,638	3,539	-19.0	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	66	-0.1	-3.1	-2.0	-10.3	64	70	-2.0	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	738	1.7	0.9	17.3	8.9	521	750	13.7	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,978	0.8	0.6	7.9	15.6	1,699	1,990	7.9	-0.6	-0.6	6.1	6.1
India (SENSEX)	28,082	-0.6	-2.5	8.2	4.4	22,495	29,077	6.1	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,307	-0.5	-0.9	-2.6	-3.4	1,150	1,329	-1.9	2.6	1.6	3.7	3.5
Russia (RTS)	4,562	1.3	-1.0	15.2	16.4	3,509	4,688	33.6	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	642	0.9	0.6	1.8	1.6	570	647	0.6	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	51,676	0.0	-3.1	1.7	-2.1	45,976	54,704	12.4	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	77,835	0.8	1.0	6.3	-1.8	68,230	86,931	-0.8	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	243	1.4	6.4	1.0	-17.1	215	256	-8.2	-37.8	-54.8	28.7	-24.2
MSCI EMF	919	0.8	1.0	16.1	6.2	687	930	13.9	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,693	-0.6	-0.8	-2.0	-3.7	1,492	1,735	-3.8	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	583	2.4	2.9	-4.5	-14.3	421	659	-4.5	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	10,624	1.1	0.5	-1.1	5.0	8,699	10,802	-1.1	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	7,098	1.6	4.7	13.1	11.4	5,500	7,122	-7.4	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,860	1.6	-0.6	-11.4	-8.6	14,864	18,951	1.3	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	18,329	0.4	1.3	4.1	7.0	15,451	18,668	2.2	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,164	0.1	1.7	4.9	7.2	1,810	2,194	2.9	-0.7	10.9	11.4	26.6

Equity Indices (October 10th 2016)