South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

NBG - Economic Analysis Division

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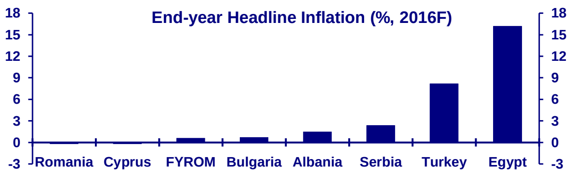
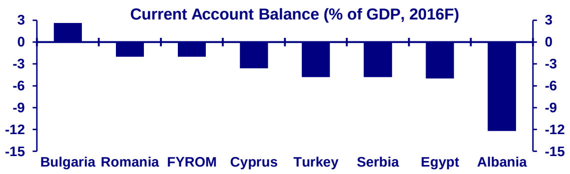
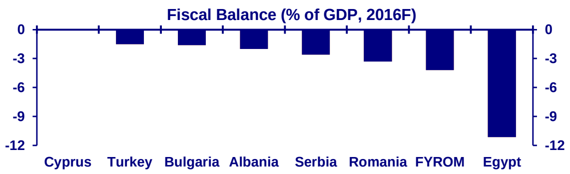




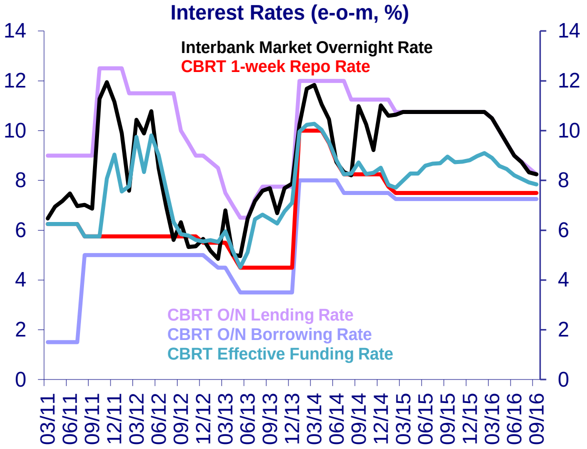


13 – 19 September 2016

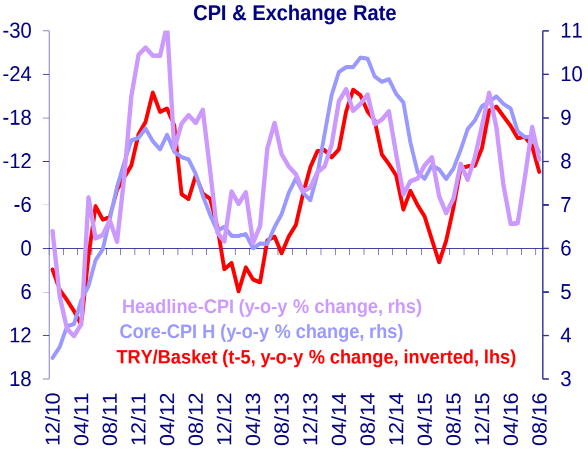
Turkey

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

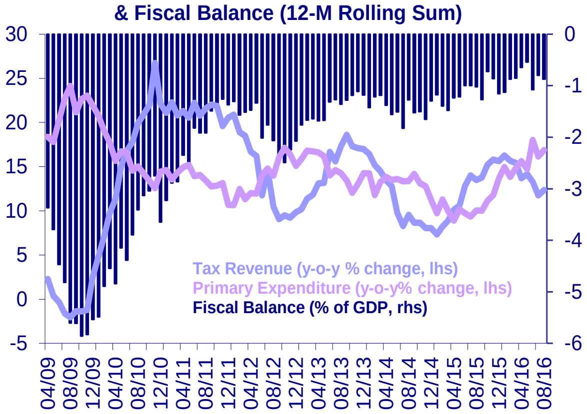
Interest Rates (e-o-m, %)



CPI & Exchange Rate



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



	19 Sep.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	8.9	9.2	9.5	9.8
TRY/EUR	3.33	3.36	3.32	3.30
Sov. Spread (2019, bps)	242	250	230	200

	19 Sep.	1-W %	YTD %	2-Y %
ISE 100	77,671	0.8	6.1	1.0

	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	-1.5	-1.6

The CBRT cut its overnight lending rate, by 25 bps, to 8.25%. The CBRT cut the upper bound of the interest rate corridor (the overnight lending rate) by 25 bps to 8.25%, following six cuts in the previous six months totaling 225 bps. Moreover, the central policy rate (1-week repo rate) as well as the lower bound of the interest rate corridor (the overnight borrowing rate) were maintained unchanged for a 20th consecutive month, at 7.5% and 7.25%, respectively. The CBRT labelled the cut as a further step towards the simplification of its monetary policy framework, which should lead to a single policy rate. The move was supported by lower-than-projected headline and core inflation in August, the absence of depreciation pressures on the domestic currency (the TRY has remained stable against the basket of "50%*USD/TRY+50%*EUR/TRY" since the August MPC meeting), and a slower-than-expected rate hike path by the Fed.

Going forward, in view of the CBRT easing bias and continued improvement in core inflation (CBRT's favourite core inflation measures, i.e., CPI-H and CPI-I slowed to 11-month lows of 8.2% y-o-y and 8.4% y-o-y, respectively, in August from 8.6% and 8.7% in July), and barring any notable increase in market volatility, we expect the CBRT to proceed with a further cut of the overnight lending rate, by 25 bps to 8.0%, at its MPC meeting on October 20th.

The primary fiscal balance, albeit remaining in surplus, deteriorated slightly in 8M:16. The primary fiscal balance deteriorated by 0.2 pps y-o-y to a surplus of 1.8% of GDP in 8M:16, as primary expenditure rose at a faster pace than revenue. At the same time, the overall fiscal balance improved by 0.2 pps y-o-y to a surplus of 0.2% of GDP, on the back of lower interest payments (down 0.4 pps of GDP y-o-y), largely reflecting their non-uniform distribution throughout the year.

Specifically, despite cuts in capital spending (down c. 6.0% y-o-y), primary spending rose significantly by 16.6% y-o-y in 8M:16, surpassing its FY:16 target (up 13.7%), mainly on the back of strong increases in the wage bill and transfers (to finance the social security deficit).

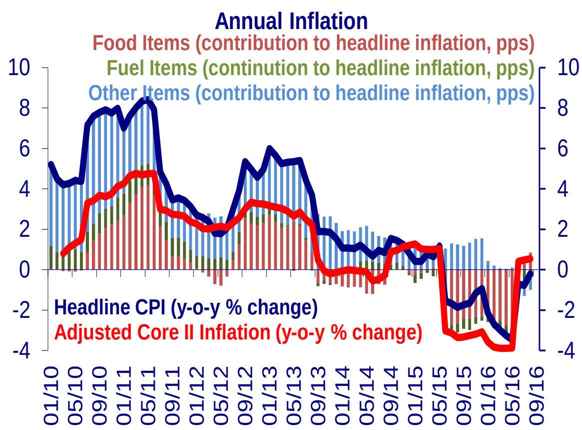
On the other hand, overall revenue increased by a solid 15.0% y-o-y in 8M:16, on the back of large non-tax proceeds (up 36.2% y-o-y, mainly reflecting payments from the past year's privatisation transactions and a sharp rise in transfers of CBRT profits to the Treasury). Worryingly, tax revenue underperformed its FY:16 target (up 10.9% y-o-y in 8M:16 versus up 12.7%), despite the increase in: i) the minimum wage (by 30.0% to TRL1.3k); and ii) taxes on tobacco, alcoholic beverages and mobile phones (up 10%, 15% and 30%, respectively), both from January 1st.

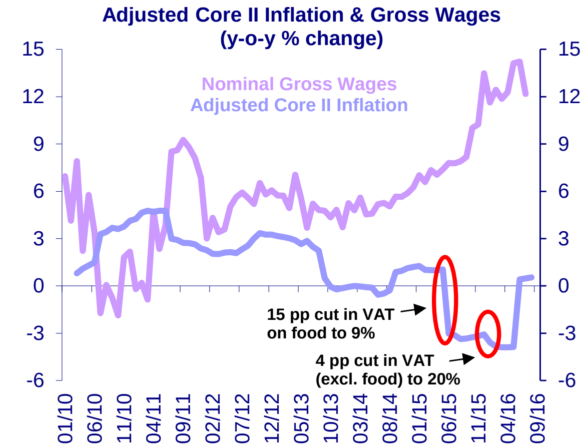
Looking ahead, we expect both the overall and the primary fiscal balances to deteriorate on an annual basis during the rest of the year. The deterioration will reflect: i) weaker tax revenue, stemming from the ongoing slowdown in economic activity; ii) higher defense and security expenditure, on the back of persisting geopolitical and domestic security risks; iii) larger interest payments, as a payback to their sharp decline in 8M:16; and more importantly iv) the government's refusal to proceed with the necessary spending cuts, amid growing growth concerns.

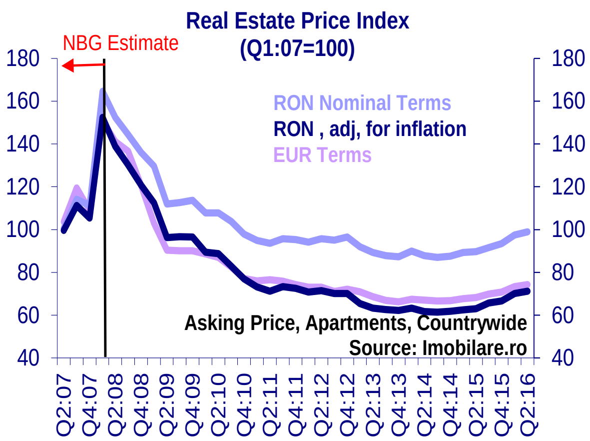
Overall, we see the FY:16 overall fiscal and primary fiscal balances at -1.5% and +1.0% of GDP, respectively, underperforming their targets of -1.3% and +1.5% of GDP and comparing unfavourably with their past year's levels of -1.2% and +1.6% of GDP. Fiscal policy is expected to provide a fiscal stimulus of about 0.4 pps of GDP on a cyclically-adjusted basis to the economy in FY:16.

Romania

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







	19 Sep.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.5	0.9	1.2	1.5
RON/EUR	4.45	4.48	4.49	4.50
Sov. Spread (2024, bps)	179	180	170	150

	19 Sep.	1-W %	YTD %	2-Y %
BET-BK	1,316	0.9	-1.9	0.7

	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	-2.0	-2.8
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.3	-3.0

Headline inflation rises to -0.2% y-o-y in August from -0.8% in July, on the back of higher food and fuel prices. Food inflation picked up for a third consecutive month in August (to 2.3% y-o-y from 1.6% in July), mainly due to negative base effects from the delayed pass-through of the June 2015 cut in VAT on food (by 15 pps to 9%). At the same time, fuel deflation eased sharply (to -4.5% y-o-y in August from -7.2% in July), in line with developments in global oil prices (the price of Brent was down 2.0% y-o-y in RON terms in August against a decline of 17.6% in July). Excluding volatile and regulated prices, adjusted core II inflation was broadly flat at 0.5% y-o-y in August.

Headline inflation should remain subdued until end-2016. Stronger domestic demand, on the back of a looser incomes policy (including large hikes in public wages (exceeding 15.0% in some sectors), pensions (up 5.0%) and social benefits) and its spillover to the private sector, together with higher global oil prices (we project the price of Brent to rise by 5.8% y-o-y in RON terms in 9-12M:16 against a drop of 25.8% in 8M:16) should put pressure on headline inflation. This pressure should be broadly offset, however, by a correction in food inflation, reflecting supply-side effects from a bumper harvest. As a result, we see headline inflation remaining broadly flat at -0.2% by end-2016, with adjusted core II inflation picking up to 0.8% at the same time.

The residential real estate market continues to improve in Q2:16. The index for the price of apartments rose by 8.9% y-o-y in EUR terms in Q2:16, marking the 5th consecutive quarterly increase (up 8.3% y-o-y in Q1:16 following 5.5% in H2:15 and a weak 1.1% in H1:15) after 6 years of decline. Indeed, real estate demand has strengthened, reflecting: i) the solid increase in gross disposable income (up by a CAGR of 6.2% in EUR terms over the past 3 years); and ii) robust activity in mortgage lending (up by a CAGR of 12.0% in EUR terms over the past 3 years, supported by the First House (FH) programme, under which the state guarantees mortgage loans for first-time buyers). Note that the domestic real estate market is still relatively undervalued, with the price-to-income ratio estimated at 11.0 against 13.5 for the region.

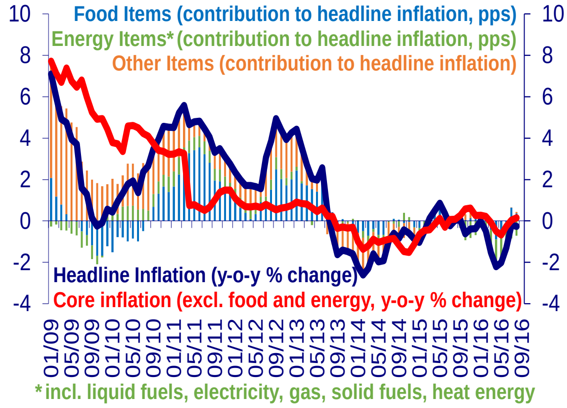
Real estate market set to lose steam in the aftermath of the passage of the "Debt Settlement Law" (DSL). The DSL allows debtors to settle debts in full by forfeiting their homes. It applies only to individuals and for credits up to EUR 250k, but excludes loans granted under the FH programme (c. 42% of total mortgage loans). In this context, most commercial banks have tightened significantly their credit standards, with most of them increasing the down payment required for mortgage loans to 30-40% of the loan value from 15% previously, and some also shortening the loan repayment period. Note that recourse to the DSL is still limited, due to the high tax cost of transferring a property back to the bank (which is soon to be abolished) and the uncertainty surrounding its implementation (note that the law was recently challenged in the Constitutional Court).

The negative impact of the DSL on mortgage lending should be moderated, however, by the extension of the FH programme. Indeed, the Government has announced its intention to supplement this year's programme budget (amounting to RON 2.1bn or 0.3% of GDP but already exhausted) with another RON 500mn, and extend the programme's duration by 5 years. All said, assuming the implementation of the DSL in its current form, we see annual growth in mortgage lending slowing to c. 8.0% from current levels of 17.0%. As a result, despite the robust economic growth in the country, we expect the residential real estate market to slow gradually, with price growth decelerating to low single-digit figures.

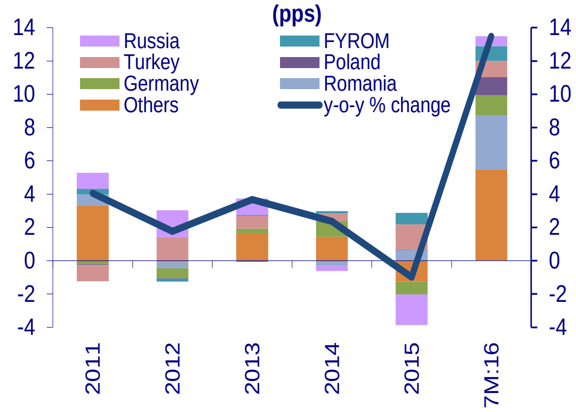
Bulgaria

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

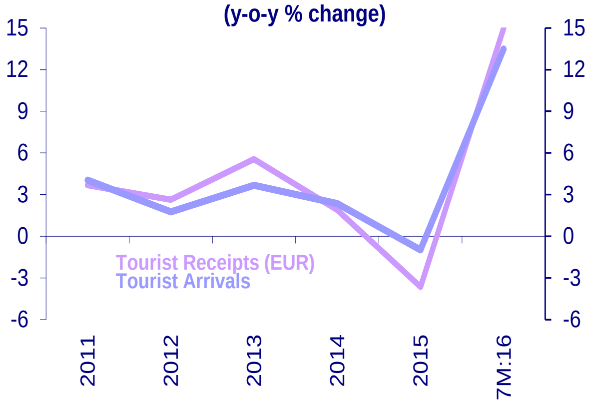
Annual Inflation



Contribution Rates to Tourist Arrivals Growth (pps)



Tourist Receipts & Arrivals (y-o-y % change)



	12 Sep.	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)	127	136	135	130

	12 Sep.	1-W %	YTD %	2-Y %
SOFIX	477	1.2	3.5	-12.9

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.3	1.5	3.0	2.8	2.3
Inflation (eop, %)	-1.6	-0.9	-0.4	0.7	1.4
Cur. Acct. Bal. (% GDP)	1.3	0.9	1.4	2.6	1.5
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-1.6	-1.2

Headline inflation declines to -0.3% y-o-y in August from -0.2% in July, on the back of lower food prices. Food inflation eased in August (to 1.1% y-o-y from 1.9% in July, still higher than its June reading -- down 0.7% y-o-y), following a sharp increase in July due to supply-side effects from unfavourable weather conditions in the summer. On the other hand, energy deflation moderated in August (to -4.0% y-o-y from -4.8% in July), in line with developments in global oil markets (the price of Brent was down 2.8% y-o-y in BGN terms in August against a decline of 18.5% in July).

Adjusting for food and energy prices, core inflation rose slightly to 0.1% y-o-y in August from 0.0% in July, mainly driven by higher prices of entertainment and accommodation services, on the back of a rebound in tourism activity. Note that core inflation has been hovering around zero for almost 5 years, reflecting the absence of demand-side pressures, spare production capacity and imported low inflation.

Headline inflation to remain subdued at least until end-2017. Despite weak domestic demand and widening profit margins (the CPI-PPI gap currently stands at more than 3.0 pps against just 0.5 pps a year ago), we expect headline inflation to continue on a mild upward trend, reflecting: i) higher global oil prices (we project the price of Brent to rise by 4.6% y-o-y in BGN terms in 9-12M:16 against a drop of 26.5% in 8M:16); and ii) a further increase in volatile food prices. All said, we see headline inflation rising to 0.7% at end-2016, still below its long-term average. At the same time, core inflation should remain subdued, ending the year at 0.3%.

The tourism sector recovered strongly in 7M:16, sustaining economic growth. Tourism receipts increased by 15.0% y-o-y in 7M:16 against a decline of 3.6% in FY:15. At the same time, tourist arrivals rose by 13.5% y-o-y in 7M:16 against a drop of 1.0% in FY:15, suggesting an increase in spending per tourist compared with FY:15.

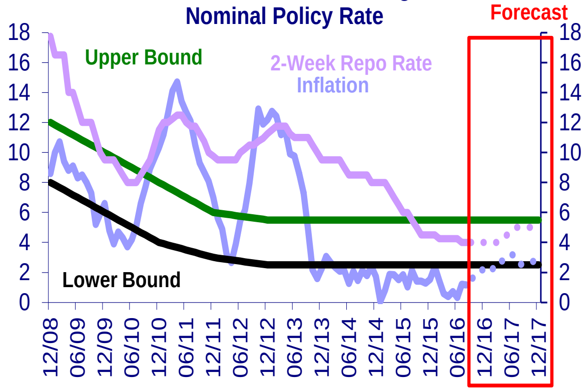
Regarding tourist arrivals, the improved performance was mainly driven by Romania, Germany, Poland and FYROM -- accounting for 16.1%, 8.9%, 3.1% and 5.4%, respectively, of total arrivals in FY:15 -- up 19.1%, 14.7%, 46.8%, and 16.2% y-o-y in 7M:16. Indeed, Bulgarian tourism appears to have strongly benefited from security concerns in Turkey and Egypt. The increase in the number of direct flights, mostly low-cost charters from northern Europe, has also helped. Importantly, following a sharp decline in FY:15 (by 26.8%), tourist arrivals from Russia (accounting for 5.3% of total arrivals) rebounded in 7M:16 (by 14.0% y-o-y), reflecting not only the stabilisation of the RUB against the EUR, but also the reduction in visa fees by Bulgaria. Note that Bulgaria's performance is better than that of its neighbouring competitors Romania, Serbia and FYROM (up 10.5%, 10.9% and 8.5% y-o-y, respectively, in 7M:16).

Looking ahead, with security concerns unlikely to ease soon in Turkey and Egypt (Turkey has entered a 3-month state of emergency, following an attempted military coup in mid-July, while terrorist attacks in the country are continuing), we expect tourist activity to remain buoyant during the remainder of the year, sustaining economic growth (the tourism sector contributes 13.0% and 12.0%, respectively, to GDP and employment). Importantly, with this season's holidays largely pre-sold, the impact of Brexit should be small (note that arrivals from the UK accounted for just 2.7% of total arrivals in FY:15). All said, we see tourist arrivals rising by 14.0% to a high of 10.6mn in FY:16, with receipts growing at a slightly faster pace -- up 15.5% to EUR 3.3bn or 7.2% of GDP.

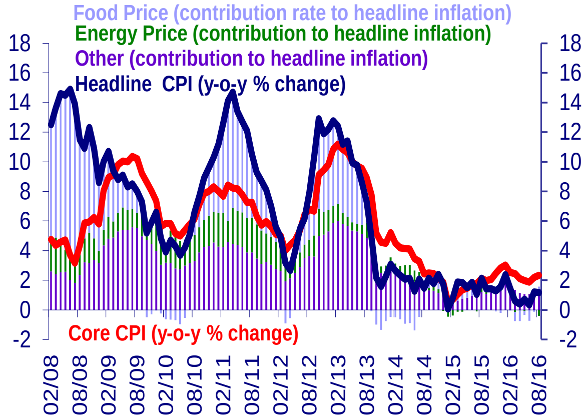
Serbia

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

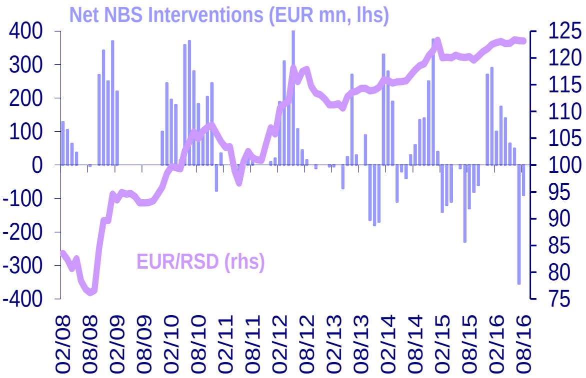
Headline Inflation, Inflation Target and Nominal Policy Rate



Annual Inflation



NBS Interventions & Exchange Rate



	19 Sep.	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)	239	240	220	180

	19 Sep.	1-W %	YTD %	2-Y %
BELEX-15	640	0.9	1.4	-0.7

	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	-2.6	-2.8

Headline inflation remained flat at 1.2% y-o-y in August. Headline inflation stood at 1.2% y-o-y in August, unchanged from July, but well above a record low of 0.3% in June. Note that, although it has embarked on an upward trend since its trough in June, inflation has remained below the lower bound of the NBS target band (of 4±1.5%) for 2½ years.

Headline inflation in August remained flat, as the acceleration in food inflation was offset by the fading away of the unfavourable effect of the 12.2% hike in electricity prices in August 2015 (that had added 0.6 pps to headline inflation since August 2015).

In fact, food prices (with a 28.6% share in the CPI basket) grew by 1.1% y-o-y in August after having declined (for a 6th successive month) by 0.4% in July, on the back of a normalization in fresh meat prices (that rose by 5.9% y-o-y in August, contributing 0.4 pps to annual headline inflation, after having declined by a cumulative 4.1% since September 2015). Headline inflation would have accelerated in August had fruit and vegetable prices -- which usually increase during the summer -- not unexpectedly declined (together subtracting 0.3 pps from August inflation), owing to good crops this year.

Moreover, core inflation (that excludes food and energy prices, and accounts for 55.8% of the CPI basket) also contributed to the stabilization of headline inflation between July and August. It stood at 2.3% y-o-y in August, broadly unchanged from 2.2% in July, but above a trough of 1.9% in June, due to the gradual rebound in consumption.

Inflation is set to gradually converge towards the lower bound of the NBS target range by end-2016. Inflation should remain on a mild upward trend during the remainder of this year, reaching the NBS lower bound of 2.4% by end-2016. The increase will result from: i) the continued normalization of food prices from their end-2015 low; ii) the sustained rebound in consumption in H2:16; iii) higher global oil prices (up by an estimated 7.7% y-o-y in RSD terms in 9-12M:16 against a drop of 25.1% in 8M:16); and iv) the impact of the expected 3.8% hike in electricity prices from October 1st, set to add 0.2 pps to inflation.

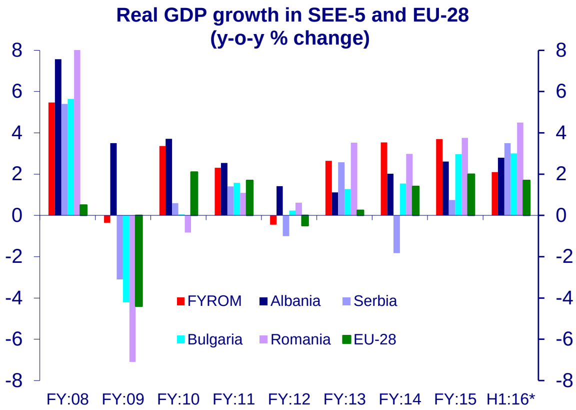
Inflation is set to return to within the NBS target band by early-2017. It should reach 2.8% y-o-y at end-2017, on the back of still higher global oil and food prices, as well as the recovery in domestic demand.

Monetary policy loosening has likely come to an end. The NBS maintained its 2-week repo rate unchanged, for a 2nd successive month, at its September meeting, at a record low of 4.0% (albeit still by far the highest in SEE-5), following a 25 bp cut in July. Despite low inflation (undershooting the NBS target), marked and better-than-expected fiscal consolidation and RSD stability, the NBS appears to have refrained from a policy rate cut, due to persistent uncertainties in international commodity and financial markets. Note that cumulative rate cuts have reached 775 bps since the initiation of the cycle of monetary policy easing in May 2013. Moreover, further monetary policy easing has been provided through the reduction in RRRs on FX liabilities since last September, when the NBS announced that RRRs on both long-term (over two years) and short-term FX liabilities will be cut gradually by 6 pps to 13% and 20%, respectively, by February.

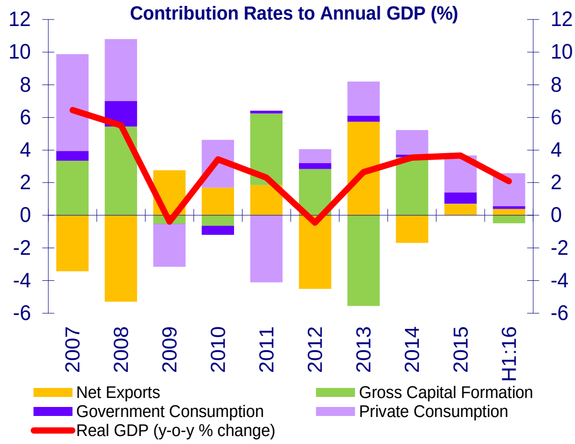
Going forward, the NBS is set to maintain its policy rate unchanged at 4.0% until end-year, in view of the uncertain global risk appetite for emerging market assets and increasing inflationary pressures. Thereafter, monetary policy tightening is set to resume in 2017. We expect the NBS to gradually increase the key policy rate, by 100 bps by end-2017, to 5.0%. Should our forecast materialise, the monetary policy stance will remain broadly neutral, with the *ex post* policy rate, in real and compounded terms, standing at 1.8% and 2.2% at end-2016 and end-2017, respectively, below its 2007-15 average of 4.0%.

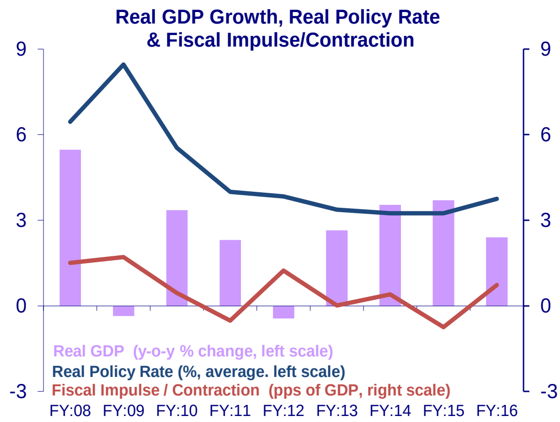
F.Y.R.O.M.

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



* Albania Q1:16





	19 Sep.	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)	417	400	380	350

	19 Sep.	1-W %	YTD %	2-Y %
MBI 100	1,947	-1.0	6.2	14.4

	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	-0.8	-1.4	-2.0	-2.5
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.5	-4.2	-3.5

Real GDP growth moderated sharply to 2.1% y-o-y in H1:16 from 3.7% y-o-y in FY:15. The annual pace of economic expansion slowed to 2.1% y-o-y in H1:16 from a 7-year high of 3.7% in FY:15 -- the weakest performance among the SEE-5 in H1:16.

The slowdown was mainly driven by domestic demand, hindered by rising domestic political uncertainty. Gross capital formation (including gross fixed capital formation, changes in inventories and statistical discrepancies) declined in H1:16 (down 1.6% y-o-y against a broadly flat performance in FY:15). While a breakdown of gross capital formation is not available, we believe the bulk of the decline resulted from a sharp drop in private investment, due to the deterioration in business confidence, reflecting the exacerbation of the domestic political crisis in mid-H1:16. Recall that early legislative elections were postponed in both April and June, due to a boycott threat by the main opposition party, SDSM, mainly on the grounds that two conditions of the July 2015 EU-mediated Przino agreement, aimed at ending the two years domestic political impasse, had not been met.

At the same time, public consumption decelerated sharply in H1:16 (up 1.1% y-o-y against 4.6% in FY:15), due to a decline in public spending on goods and services (down 13.1% y-o-y in H1:16 compared with a rise of 16.9% in FY:15). Furthermore, in line with a deterioration in consumer confidence, private consumption slowed in H1:16 (up 2.8% y-o-y against 3.5% in FY:15). The deceleration in private consumption in Q2:16 would have been stronger had labour market conditions not continued to improve (the unemployment rate declined by 2.8 pps y-o-y to a low 24.2% in H1:16, and employment and net wages increased by 2.7% y-o-y and 2.6% y-o-y, in real terms, respectively, in H1:16) and incomes policy had not been eased (including a 14.7% increase in the minimum wage to EUR 179 from January 1st, in addition to the 5% hike in public sector pensions, effective since October 2015).

Net exports also contributed to the slowdown in activity in H1:16. Indeed, the contribution of net exports to overall growth, albeit still positive, moderated in H1:16 (to 0.4 pps of GDP from 0.7 pps in FY:15). The rise in export growth (to 10.6% y-o-y from 4.6% in FY:15), following the recent extension of the country's export base, mostly in the technological industrial development zones, was more than offset by the acceleration in import growth (to 7.2% y-o-y in H1:16 from 2.4% in FY:15), reflecting the high import content of exports.

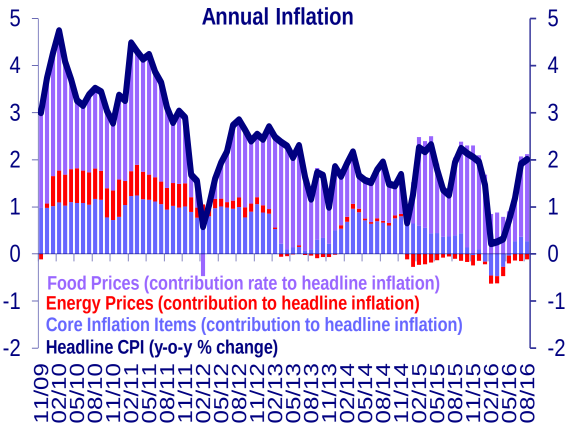
Economic growth set to moderate to a 4-year low of 2.4% in FY:16, hindered by persistent domestic political uncertainty ahead of the December elections. Looking ahead, we expect the slowdown in domestic demand to continue in H2:16, albeit at a slower pace following the agreement, in late-August, between the main political parties to hold general elections on December 11th (15 months ahead of schedule). The agreement was reached after the fulfillment of two conditions of the Przino deal: i) media reform, to reduce government influence; and ii) the conduct of a thorough review of the electoral roll.

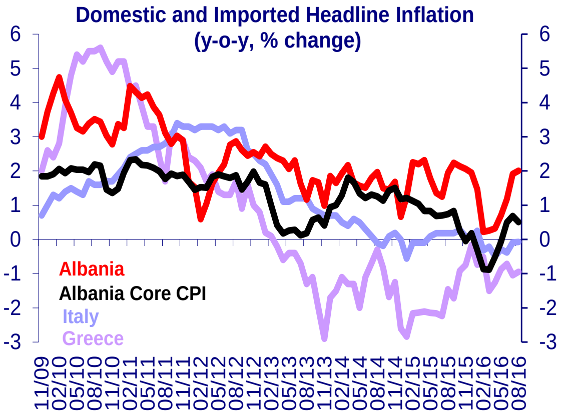
On a positive note, fiscal policy should be supportive of growth, in view of the projected expansionary fiscal stance (we expect a large fiscal impulse of 1.2 pps of GDP in H2:16 against a fiscal contraction of 0.5 pps of GDP in H1:16). The monetary policy stance should, however, remain broadly neutral (we foresee the *ex-post* real policy rate at 4% in H2:16, unchanged from H1:16).

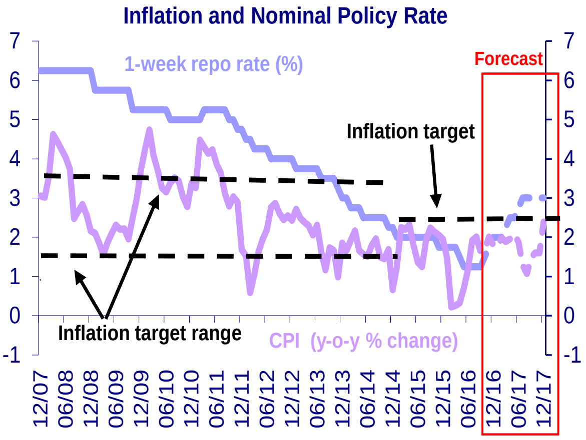
Overall, in view of the gradual normalization of the political situation and the envisaged large fiscal impulse in H2:16, we revise up our FY:16 real GDP growth to 2.4% (from 1.8% previously) -- still below the FY:15 outcome of 3.7% and the country's long-term potential rate of 3.5%.

Albania

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







	19 Sep.	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)	402	430	400	350

	19 Sep.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.0	1.8	2.8	3.1	3.2
Inflation (eop, %)	1.9	0.7	2.0	1.8	2.4
Cur. Acct. Bal. (% GDP)	-10.9	-12.9	-11.2	-12.2	-12.4
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.0	-2.0

Headline inflation has embarked on an upward trend, rising to 2.0% y-o-y in August, due to a deterioration in food and core inflation. Headline inflation is recovering from low levels, accelerating to an 8-month high of 2.0% y-o-y in August from 1.9% in July and a record low of 0.2% in February. It is important to note that, despite the gradual rise, headline inflation has remained well below the BoA's target of 3.0% for almost five years.

The increase was largely driven by the gradual acceleration in food prices (39.3% of the CPI basket and up 4.7% y-o-y in August from 4.3% in July and a low of 2.0% in April), due to a rise in prices of vegetables as well as higher diary product prices (together contributing 1.3 pps to inflation in August against 1.0 pp in July and a mere 0.3 pps in April).

Inflationary pressures were also reinforced by a deterioration in core inflation (that excludes food and energy, and accounts for 53.2% of the CPI basket). Indeed, core inflation rose to 0.5% y-o-y in August after having remained in negative territory in the first five months of the year (reaching a trough of -0.9% in March), in line with the gradual recovery in domestic demand. Note that, albeit rising, core inflation remains weak, with its gap from headline inflation narrowing only slightly, to 1.5 pps in August from 1.8 pps in December 2015, pointing to still low demand-side inflationary pressures. Moreover, subdued core inflation is still supported by low imported inflation (continued deflation in major trading partners, see chart), combined with a relatively stable exchange rate, a persistent negative output gap and spare production capacity.

Headline inflation is set to end 2016 at 1.8% -- below the 2015 outcome and the BoA's target. Inflation is set to fluctuate around its current level during the remainder of the year, ending 2015 at 1.8%. In fact, inflationary pressures arising from the gradual recovery in domestic demand and higher international oil and food prices will be broadly offset by favourable imported inflation, combined with the absence of depreciation pressures on the domestic currency and a tight fiscal policy stance. Overall, we see headline inflation ending 2016 at 1.8% -- almost half the BoA's target, and 0.2 pps below the end-2015 outcome, while core inflation is set to end 2016 at 1.0% y-o-y -- up from a mere 0.2% at end-2015.

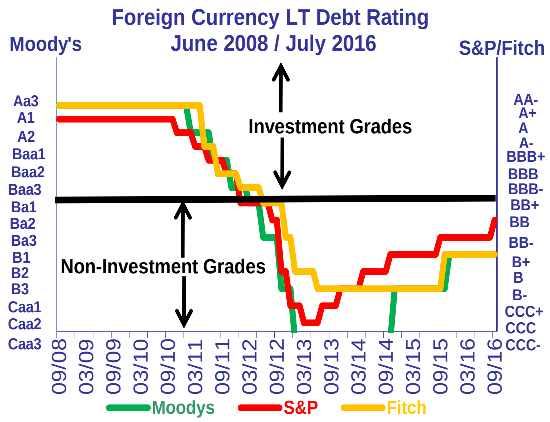
Inflation is set to pick up gradually in FY:17, reaching a 7-year high of 2.4% at the end of the year, due to higher global oil and food prices and a sustained rise in core inflation. Nevertheless, inflation will remain well anchored and significantly below BoA's target (for a 7th successive year) on the back of the persistent negative output gap (-0.2% in FY:17 as in FY:16). We foresee the gap between core and headline inflation narrowing to 0.4 pps in FY:17 from an expected 0.8 pps in FY:16.

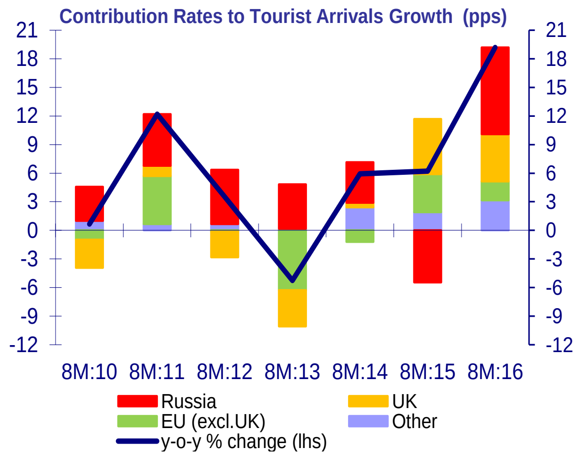
Increasing inflationary pressures and a risk of overheating strengthen the BoA's hand to initiate a new cycle of monetary policy tightening. Despite steadily rising inflation, the BoA has maintained its key policy rate (1-week repo) unchanged at a record low 1.25%, following two consecutive cuts in April and May by a cumulative 50 bps. Note that since the initiation of the cycle of monetary policy easing in September 2011, the policy rate has been cut by a sizeable 400 bps, with the *ex post* policy rate in real and compounded terms currently at a negative 0.7%.

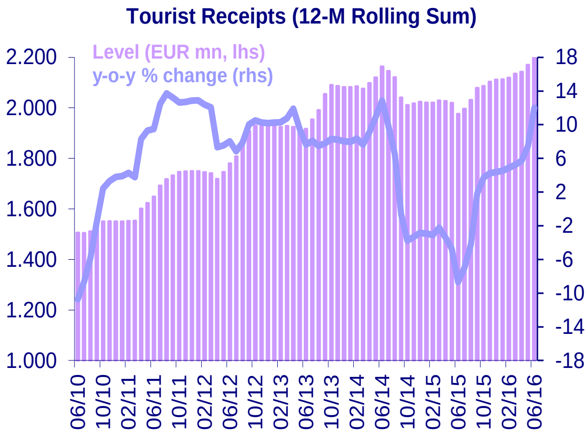
Looking ahead, we expect the BoA to raise its 1-week repo rate by 75 bps in Q4:16 and a further 100 bps by end-2017, reflecting increasing inflationary pressures and efforts to prevent the overheating of the economy. Should our forecasts materialise, the monetary policy stance would remain relatively accommodative in 2016 and 2017, with the *ex post* policy rate increasing to 0.2% and 0.6%, respectively, at end-2016 and end-2017 in real and compounded terms, up from -0.2% at end-2015, gradually moving towards its 2004-15 average of 2.2%.

Cyprus

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







	19 Sep.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.12	1.10	1.08	1.05
Sov. Spread (2020. bps)	293	270	260	250

	19 Sep.	1-W %	YTD %	2-Y %
CSE Index	68	-0.9	0.1	-38.7

	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)	-4.5	-4.6	-3.6	-3.6	-4.5
Fiscal Bal. (% GDP)	-4.7	-0.3	0.0	0.0	0.2

S&P upgraded Cyprus' long-term sovereign debt rating by one notch to BB, with a positive outlook. On September 16th, S&P upgraded the long-term sovereign debt rating by one notch to BB (two notches below investment grade). The move was motivated by the better-than-expected macroeconomic and fiscal performance and the steady improvement in bank asset quality. Specifically, the agency: i) revised up real GDP growth for 2016 to 2.7% from 2% previously and foresees real GDP CAGR of 2.5% in 2017-19; ii) expects the unemployment rate to drop below 12% by 2018 from 15% at end-2015; and iii) expects the fiscal performance to improve further over the next two years, at close to balance or in surplus, and public debt to decline gradually below 85% of GDP in 2019 from 109% of GDP in 2015.

S&P also maintained the country's positive outlook, suggesting a further rating upgrade in the next 12 months. The latter will hinge on a continued improvement in bank asset quality, through an accelerating decline in non-performing exposures. Note that S&P currently rates Cyprus two notches above Moody's (B1) and Fitch (B+).

Tourist arrivals rose sharply in 8M:16, benefiting mainly from heightening security concerns in neighbouring competitors -- Turkey and Egypt. Tourist arrivals rose by an impressive 19.2% y-o-y to a record high of 2.0mn in 8M:16, following a rise of 8.9% to 3.2mn in FY:15. The improved performance was mainly driven by Russia, the second largest source country (c. 20% of total arrivals in FY:15) and the UK, the main source country (c. 39% of total arrivals in FY:15). Indeed, the number of Russian and British tourists rose by 43.1% y-o-y and 12.8% y-o-y, respectively, in 8M:16, contributing 9.0 pps and 5.1 pps to the overall annual rise in the corresponding period. The main factor was heightening security concerns in neighbouring competitors – Turkey and Egypt – following a series of terrorist attacks since late-October 2015. Furthermore, tourist arrivals from third countries (excluding the UK and Russia) also recorded a strong y-t-d performance (up 12.8% y-o-y in 8M:16), confirming the island's reputation as a safe destination.

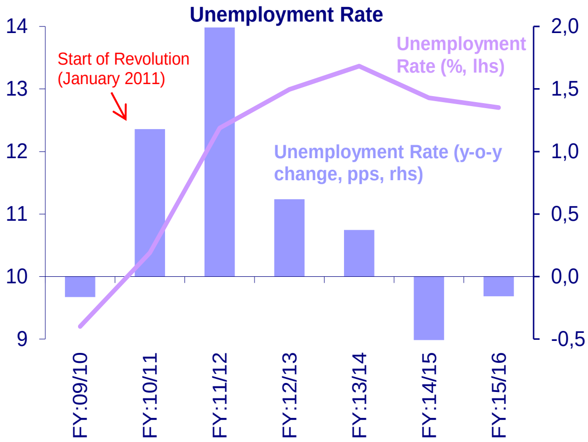
Tourist receipts reached an all-time high of 4.4% of GDP in H1:16. Tourist receipts rose sharply in H1:16 -- by 13.7% y-o-y to a record high EUR 831mn or 4.7% of GDP following an increase of 4.4% in FY:15. However, the rise in tourist receipts was slower than that in arrivals in the same period (up 21.2% y-o-y in H1:16), due to lower average spending per tourist (down 6.1% y-o-y to EUR 662 in H1:16), mainly reflecting a sharp increase in lower-spending Russian tourists. Indeed, Russian arrivals increased sharply by 47.7% in H1:16, while spending per Russian tourist declined by 15.5% in the same period.

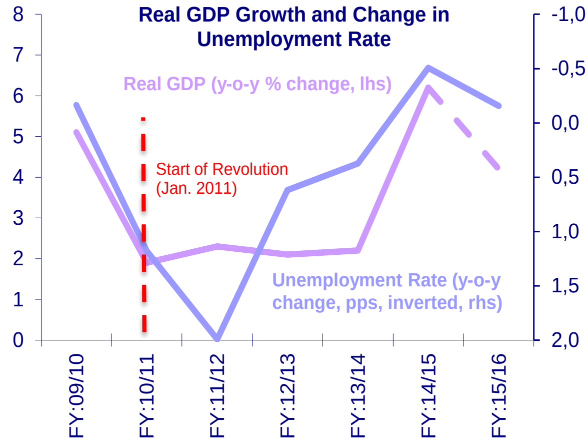
Tourist arrivals growth is set to reach c. 20% in 2016. Looking ahead, in view of the y-t-d performance and recent trends, we expect the positive momentum in tourist arrivals to continue during the remainder of the year, mainly on the back of continued gains from persisting security concerns in neighbouring countries – Turkey and Egypt. Specifically, despite the recent normalization of Russian-Turkish relations, the return of Russian tourists to Turkey is expected to be slow. Furthermore, although the UK is the country's 2nd largest source of tourism, the impact from the Brexit vote should be modest this year, due to the fact that the season's holidays have largely been pre-sold.

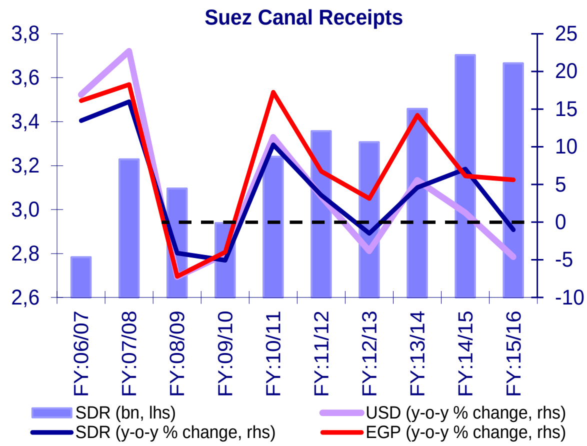
With tourism accounting for roughly 19.0% of GDP, we see real GDP growth accelerating to 2.4% in FY:16 from 1.6% in 2015. Moreover, with tourism accounting for c. 20.0% of employment, we see unemployment declining to 11.2% in FY:16 from 15.0% in FY:15. Finally, in view of the strong increase in tourist arrivals this year and the decline in spending per tourist in H1:16, we expect FY:16 tourist receipts to rise by around 10%, to an all-time high of EUR 2.3bn (13.1% of GDP), from EUR 2.1mn in FY:15.

Egypt

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







	19 Sep.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	12.0	11.8	12.8	11.5
EGP/USD	8.88	10.5	10.5	11.5
Sov. Spread (2020. bps)	419	400	300	220

	19 Sep.	1-W %	YTD %	2-Y %
HERMES 100	715	-2.4	13.5	-23.8

	12/13	13/14	14/15	15/16F	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)	-2.2	-0.9	-3.7	-6.0	-4.0
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.5

IMF Executive Board to approve a USD 12bn financing programme for Egypt. In conjunction with approval of the IMF EEF, the Egyptian Government is set to secure USD 5-6bn in bilateral financing of its 3-year economic programme. Indeed, according to the Ministry of Finance, Egypt is in advanced talks to obtain USD 2-3bn from Saudi Arabia and USD 2.0bn from China.

The unemployment rate declined for a second consecutive year in FY:15/16, albeit at a slower pace. The unemployment rate declined to 12.7% in FY:15/16 (July 2015-June 2016) from 12.9% in FY:14/15 and a peak of 13.4% in FY:13/14. Unemployment had been on a long upward path, starting in early-H2:10/11 (January 2011 Revolution). However, despite the positive performance in the past two years, the unemployment rate remained well above its pre-Revolution level of 9.2%.

Worryingly, the pace of decline in the unemployment rate moderated to 0.2 pps in FY:15/16 from 0.5 pps a year earlier. The milder improvement in the unemployment rate in FY:15/16 was in line with the slowdown in economic activity (we estimate real GDP growth to have slowed sharply to 4.2% in FY:15/16 from a 7-year high of 6.2% in FY:14/15). Outflow has slowed for the following three reasons. First, deteriorating confidence in the Egyptian economy, as the ambitious 3-year fiscal reform programme, launched in early-H1:14/15 (July 2014), has been frozen since early-H1:15/16 (July 2015), due to the parliamentary elections (that ended in December). Second, the severe crisis in the tourism sector (which accounts for around 11% of total employment), which was exacerbated by the terrorist bombing of a Russian passenger plane over the Sinai desert on October 31st, leading Russia (the largest source country, which accounted for more than 30% of total tourists in 2014) to ban flights to Egypt, and several countries to issue warnings against travel to Egypt. Third, persisting FX shortages, which reduced imported inputs and created backlogs that hampered production and exports. The FX crisis was the result of the end of financial assistance from the country's primary benefactors, Saudi Arabia, Kuwait and the UAE at end-2014/15, the sharp decline in workers' remittances, the significant drop in tourist receipts, and the difficult access to international capital markets.

Suez Canal receipts (SCR) remain resilient in FY:15/16 in the face of a slowdown in global trade. SCR, one of Egypt's main foreign currency earners -- along with tourism, oil & gas exports, and workers' remittances – declined by just 1.0% to SDR 3,666mn (1.5% of GDP) in FY:15/16. Recall that the Canal Authority uses the SDR (which is a basket of currencies) as a currency unit to collect transit fees in order to avoid sharp fluctuations in its revenue.

Importantly, the unchanged transit tolls since May 2013 and the small decline in revenue suggest that despite the slowdown in global trade (growth of world trade volume of goods and services moderated to 2.7% in FY:15/16 from 3.1% in FY:14/15, according to the latest IMF estimates -- July 2016 WEO Update), total (net) tonnage of ships crossing the Canal in FY:15/16 remained broadly unchanged from a year earlier.

As a result and due to currency valuation effects (the SDR depreciated by 3.6% against the USD and appreciated by 7.6% against the EGP in FY:15/16), we estimate the contribution of SCR to: i) FX reserves to have declined, for the first time in 3 years, by 4.6% or USD 247mn to USD 5.125mn (1.5% of GDP); and ii) Budget revenue (through corporate income tax and dividends) to have increased by c. 8.0% or EGP 2.6mn to EGP 35.2mn (1.3% of GDP) in FY:15/16.

FOREIGN EXCHANGE MARKETS, SEPTEMBER 19TH 2016

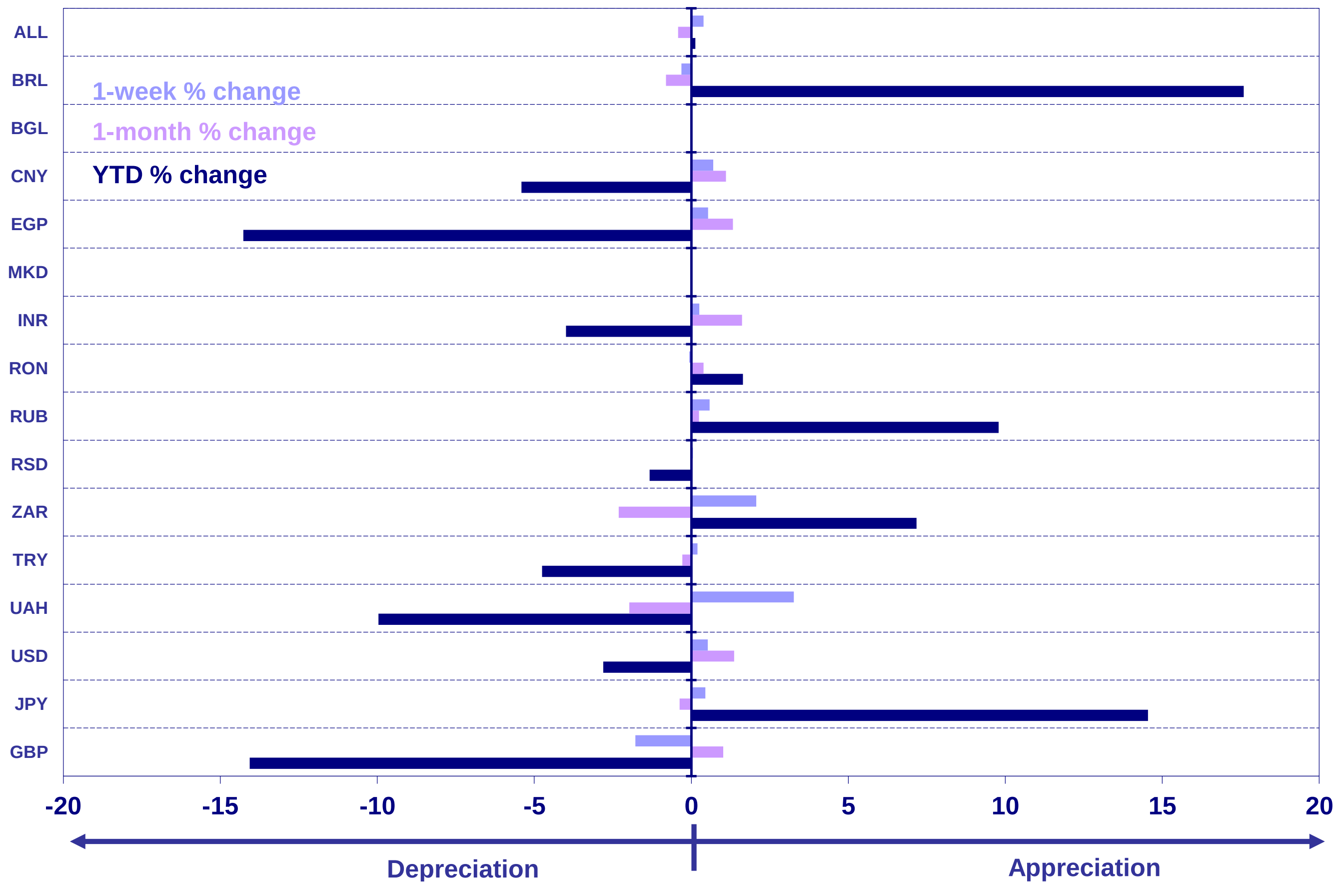
Against the EUR

	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	136.9	0.4	-0.4	0.1	1.6	135.9	139.5	137.2	137.0	135.8	2.0	0.1
Brazil	BRL	3.66	-0.3	-0.8	17.6	21.9	3.48	4.55	4.18	4.16	4.13	-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	7.44	0.7	1.1	-5.4	-4.3	6.99	7.56	7.67	7.67	7.67	6.7	10.8
Egypt	EGP	9.90	0.5	1.3	-14.3	-11.7	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	74.8	0.3	1.6	-4.0	-1.7	71.3	77.8	80.2	- - -	- - -	6.6	12.3
Romania	RON	4.45	-0.1	0.4	1.6	-0.6	4.44	4.56	4.45	4.46	4.49	-0.8	-0.5
Russia	RUB	72.2	0.6	0.2	9.8	2.4	69.4	75.1	74.1	75.8	79.6	-15.1	-32.8
Serbia	RSD	123.1	0.0	0.0	-1.3	-2.5	121.6	124.3	123.6	125.4	- - -	-0.1	-5.6
S. Africa	ZAR	15.7	2.1	-2.3	7.2	-3.8	14.77	18.58	16.0	16.3	17.1	-16.6	3.0
Turkey	YTL	3.33	0.2	-0.3	-4.8	1.2	3.12	3.41	3.40	3.48	3.64	-10.8	4.4
Ukraine	UAH	28.9	3.3	-2.0	-10.0	-16.1	25.06	30.32	34.4	- - -	- - -	-27.5	-40.8
US	USD	1.12	0.5	1.4	-2.8	0.1	1.1	1.2	1.12	1.13	1.14	11.4	13.6
JAPAN	JPY	113.9	0.4	-0.4	14.5	18.4	109.6	132.3	113.9	113.8	113.8	11.0	-0.1
UK	GBP	0.86	-1.8	1.0	-14.1	-15.9	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 (September 19th 2016)



MONEY MARKETS, SEPTEMBER 19TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	14.1	0.0	2.2	- - -	12.0	- - -	- - -	0.4	10.5	- - -	8.7	7.8	15.8	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.5	10.5	3.0	- - -	7.8	- - -	- - -	- - -
S/W	1.2	14.1	0.0	2.4	-0.4	- - -	1.3	- - -	- - -	10.2	3.0	- - -	7.9	16.5	-0.4	0.5
1-Month	1.6	14.1	0.0	2.7	-0.4	- - -	1.7	6.9	0.5	10.9	3.3	8.9	7.3	17.8	-0.4	0.5
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	10.9	3.4	9.1	8.2	- - -	-0.3	0.7
3-Month	1.7	14.0	0.1	2.8	-0.3	- - -	2.1	6.9	0.7	11.0	3.5	9.3	8.2	18.7	-0.3	0.9
6-Month	1.8	13.6	0.3	2.9	-0.2	- - -	2.4	- - -	1.0	11.1	3.7	9.7	8.8	- - -	-0.2	1.3
1-Year	1.9	12.9	0.8	3.0	-0.1	- - -	3.0	- - -	1.1	11.1	- - -	9.8	9.1	- - -	-0.1	1.6

LOCAL DEBT MARKETS. SEPTEMBER 19TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	0.9	- - -	- - -	- - -	- - -	14.2	1.6	6.5	- - -	10.1	3.0	8.1	- - -	- - -	-0.7	0.3
6-Month	0.9	- - -	- - -	- - -	- - -	15.7	2.3	6.6	0.7	10.1	3.3	8.3	- - -	- - -	-0.7	0.5
12-Month	1.6	- - -	0.1	2.2	- - -	15.9	2.6	6.7	0.7	9.3	3.9	8.6	- - -	15.6	-0.6	0.6
2-Year	1.7	- - -	- - -	2.4	- - -	- - -	2.0	6.8	0.6	8.8	- - -	8.8	7.6	- - -	-0.7	0.8
3-Year	- - -	- - -	0.3	2.4	2.3	- - -	2.7	6.8	1.6	8.7	- - -	8.5	7.9	- - -	-0.6	0.9
5-Year	- - -	12.0	- - -	2.6	- - -	17.4	2.7	6.9	2.2	8.5	5.5	9.3	8.0	16.0	-0.5	1.2
7-Year	- - -	- - -	1.3	- - -	3.5	17.5	- - -	7.0	2.6	8.4	- - -	- - -	- - -		-0.4	1.5
10-Year	- - -	12.3	2.0	2.8	3.6	17.5	3.7	7.1	3.0	8.3	- - -	9.6	8.6	- - -	0.0	1.7
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.3	- - -	8.4	- - -	- - -	9.1	- - -	0.2	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.2	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.3	- - -	- - -	- - -	- - -	9.3	- - -	0.6	2.4

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

CORPORATE BONDS SUMMARY. SEPTEMBER 19TH 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	334	294
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.6	619	585
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.0	264	219
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.5	172	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.4	152	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.6	244	251
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.5	114	72
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.3	395	348
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.0	361	316
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.5	420	361
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.1	489	470

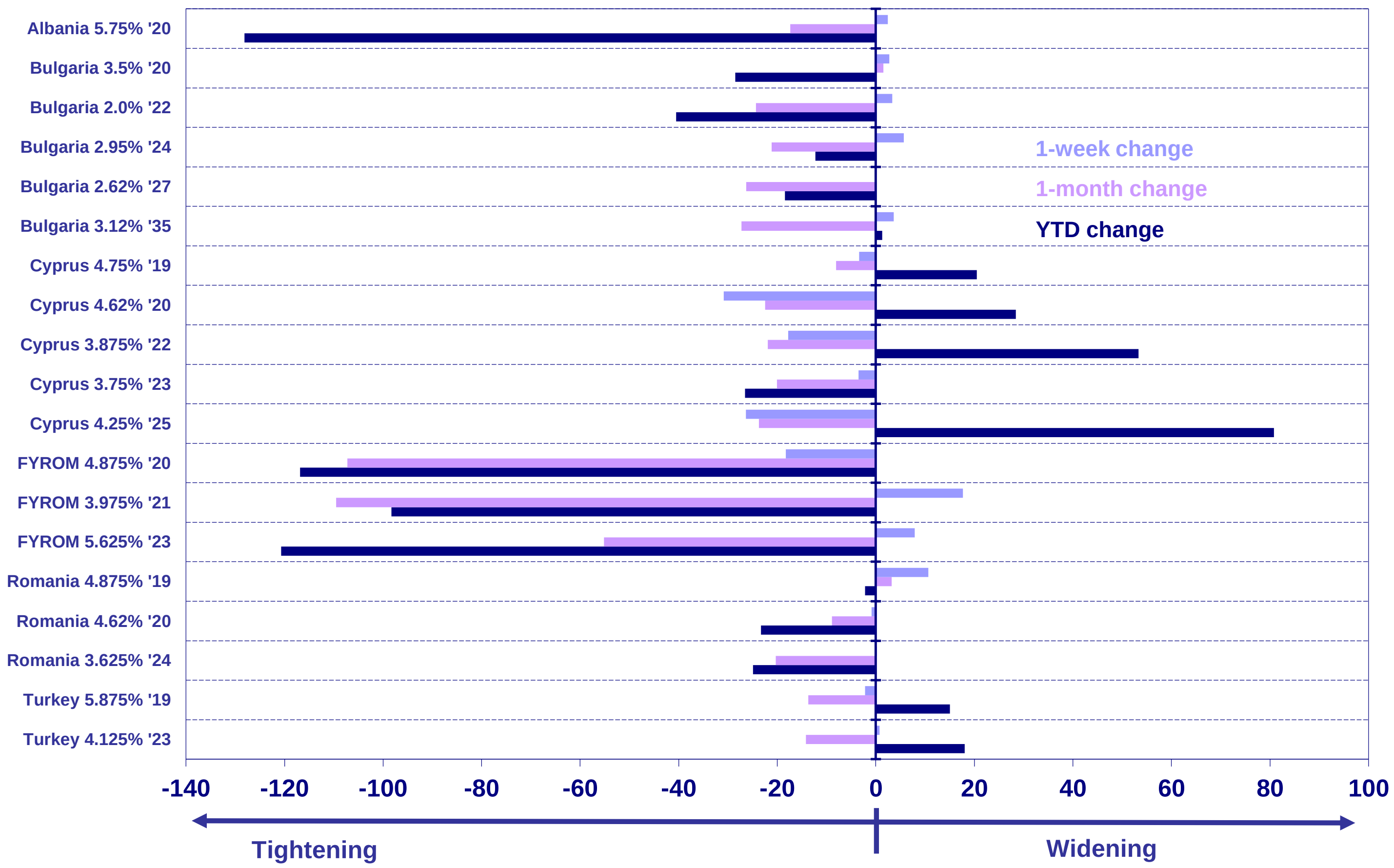
CREDIT DEFAULT SWAP SPREADS. SEPTEMBER 19TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	262	134	99	267	478	- - -	134	107	199	192	238	238	- - -
10-Year	- - -	339	180	147	309	489	- - -	144	149	258	248	296	299	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY. SEPTEMBER 19TH 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	3.4	402	372
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.5	113	72
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.8	127	91
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.5	179	144
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.9	207	157
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.9	252	213
Cyprus 4.75% '19	EUR	BB-/NA	25/6/2019	566	2.3	290	255
Cyprus 4.62% '20	EUR	BB-/B1	3/2/2020	770	2.3	293	259
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	3.2	368	331
Cyprus 3.75% '23	EUR	NA/NA	26/7/2023	1,000	3.5	385	343
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.6	374	338
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.4	399	362
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	3.5	417	518
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.5	483	452
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.3	97	58
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.3	91	51
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.5	179	151
Turkey 5.875% '19	EUR	NR/Baa3	11/4/2023	1,000	1.8	242	211
Turkey 4.125% '23	EUR	B+/B1	12/11/2020	450	2.9	326	295

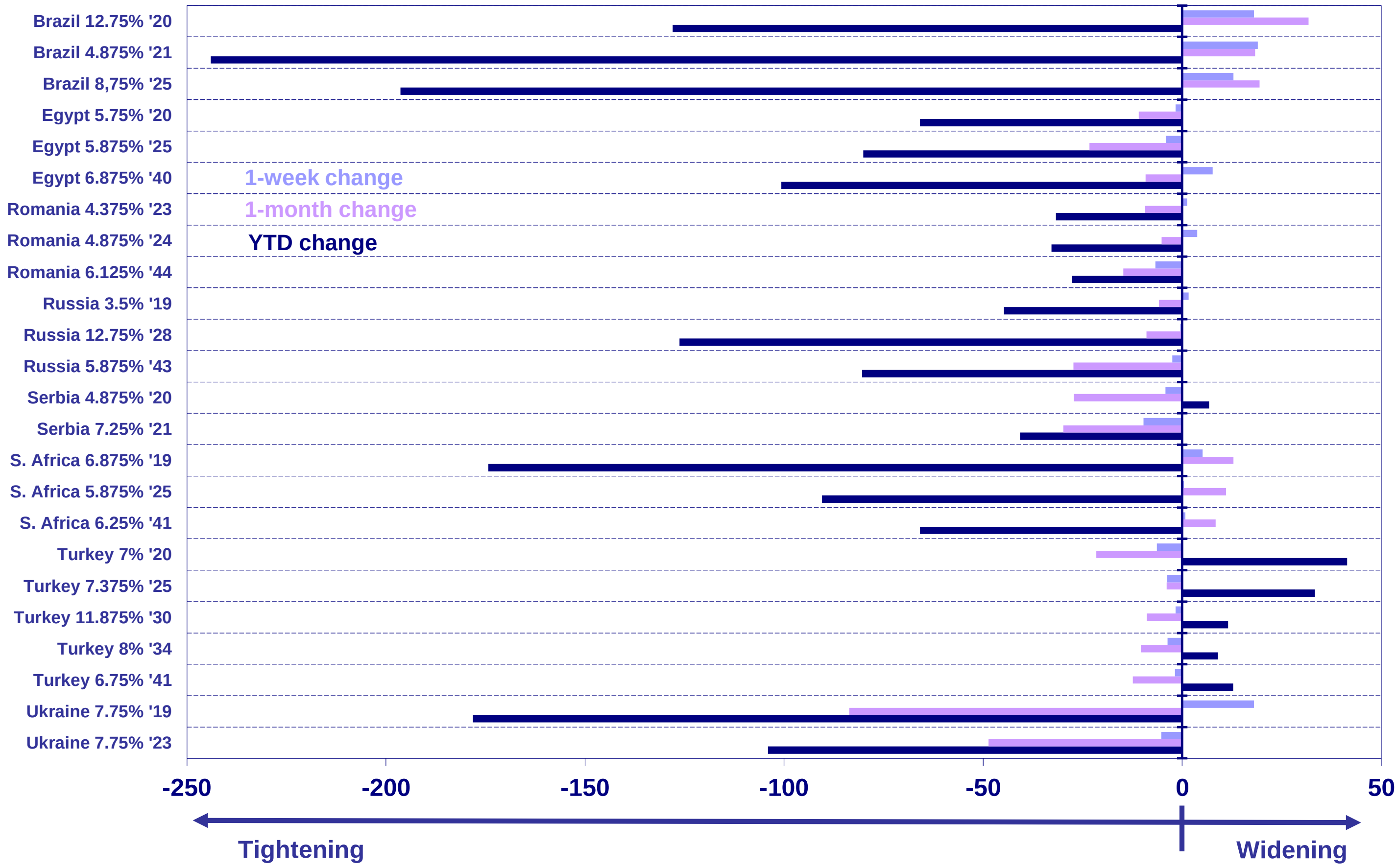
EUR-Denominated Eurobond Spreads (September 19th 2016)



USD-Denominated Sovereign Eurobond Summary. September 19th 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	3.3	238	253
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.6	235	241
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.6	311	366
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,500	5.1	419	395
Egypt 5.875% '25	USD	B-/B3	30/4/2040	500	6.6	492	492
Egypt 6.875% '40	USD	BBB-/Baa3	22/8/2023	1,500	7.3	486	518
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,000	2.8	128	149
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	2.8	133	156
Romania 6.125% '44	USD	BB+/Ba1	16/1/2019	1,500	4.1	168	270
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	2,500	2.6	183	155
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	1,500	4.2	250	379
Russia 5.875% '43	USD	BB-/B1	25/2/2020	1,500	4.7	223	310
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	2,000	3.5	256	238
Serbia 7.25% '21	USD	BBB-/Baa2	27/5/2019	2,000	3.6	239	257
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	2,000	2.5	154	147
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	750	4.1	239	277
S. Africa 6.25% '41	USD	NR/Baa3	5/6/2020	2,000	4.8	241	334
Turkey 7% '20	USD	NR/Baa3	5/2/2025	3,250	3.7	280	271
Turkey 7.375% '25	USD	NR/Baa3	15/1/2030	1,500	4.6	310	347
Turkey 11.875% '30	USD	NR/Baa3	14/2/2034	1,500	4.9	317	449
Turkey 8% '34	USD	NR/Baa3	14/1/2041	3,000	5.3	356	412
Turkey 6.75% '41	USD	B-/Caa3	1/9/2019	1,744	5.4	296	367
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,355	8.0	711	678
Ukraine 7.75% '23	USD	BB/Ba2	15/1/2020	234	8.2	666	662

USD-Denominated Eurobond Spreads (September 19th 2016)



STOCK MARKETS PERFORMANCE. SEPTEMBER 19TH 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)	57,350	-2.1	-3.0	32.3	23.1	37,046	60,311	56.6	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	477	1.2	2.2	3.5	7.3	432	477	3.5	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,026	0.1	-2.6	-15.3	-4.1	2,638	3,539	-19.3	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	68	-0.9	1.7	0.1	-9.9	64	70	0.1	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	715	-2.4	-3.4	13.5	9.9	521	750	10.0	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,947	-1.0	1.5	6.2	15.4	1,699	1,990	6.2	-0.6	-0.6	6.1	6.1
India (SENSEX)	28,635	1.0	2.0	10.3	9.3	22,495	29,077	7.1	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,306	0.4	2.1	-2.6	-3.2	1,150	1,329	-0.9	2.6	1.6	3.7	3.5
Russia (RTS)	4,510	-1.6	2.2	13.9	17.0	3,509	4,688	26.3	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	640	0.9	3.3	1.4	2.6	570	647	0.1	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	51,976	-1.6	-1.5	2.3	2.4	45,976	54,704	11.1	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	77,671	0.8	-0.6	6.1	2.4	68,230	86,931	1.8	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	231	1.3	4.0	-4.0	-28.6	215	256	-13.3	-37.8	-54.8	28.7	-24.2
MSCI EMF	898	0.9	-1.4	13.4	10.1	687	930	10.9	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,681	-0.5	-1.1	-2.7	-1.0	1,492	1,735	-4.8	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	557	0.0	-0.7	-8.8	-19.6	421	659	-8.8	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	10,374	-0.6	-1.6	-3.4	4.3	8,699	10,802	-3.4	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,814	1.7	-0.7	8.6	11.5	5,500	6,955	-6.6	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,519	-0.9	-0.2	-13.2	-8.6	14,864	18,951	0.2	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	18,120	-1.1	-2.3	2.9	9.8	15,451	18,668	0.7	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,139	-0.9	-2.0	3.7	8.8	1,810	2,194	1.4	-0.7	10.9	11.4	26.6

Equity Indices (September 19th 2016)