NATIONAL BANK

South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

NBG - Economic Analysis Division

Paul Mylonas, ***NBG Group Chief Economist***
☎ : +30 210 33 41 521
✉ : pmylonas@nbg.gr

Emerging Markets Research

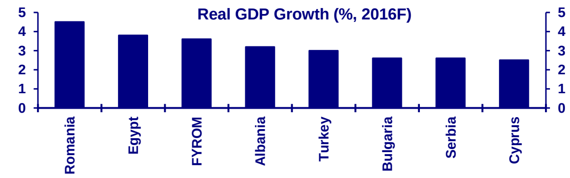
Head: **Michael Loufir**
☎ : +30 210 33 41 211
✉ : mloufir@nbg.gr

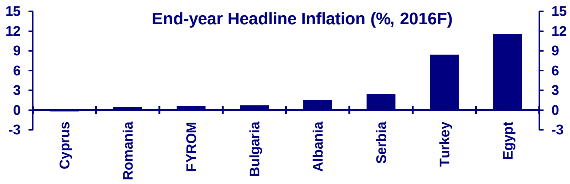
Analysts:

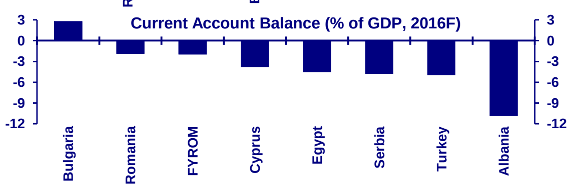
Evlabia Fetsi
☎ : +30 210 33 41 667
✉ : efetsi@nbg.gr

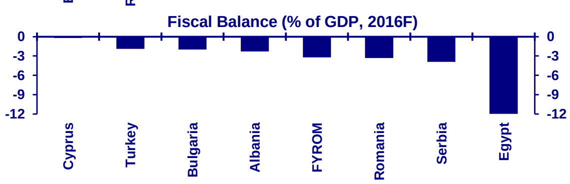
Konstantinos Romanos-Louizos
☎ : +30 210 33 41 225
✉ : romanos.louizos.k@nbg.gr

Louiza Troupi
☎ : +30 210 33 41 696
✉ : troupi.louiza@nbg.gr









12 – 18 April 2016

TURKEY 1

The CBRT cuts its overnight lending rate by 50 bps

The fiscal balance improves in Q1:16, supported by capital spending restraint and large privatisation proceeds

External rebalancing continues in 2M:16, due to a favourable energy bill

ROMANIA 2

Current account deficit widens to 1.3% of GDP on a 12-month rolling basis in February from 1.1% at end-2015, due to stronger domestic demand

BULGARIA 3

Headline inflation falls to a 21-month low of -1.5% y-o-y in March

A better trade performance and lower income outflows push the current account surplus to 2.5% of GDP on a 12-month rolling basis in February

SERBIA 4

Headline inflation slows to 0.6% y-o-y in March, due to favourable food and energy prices

NBS to end its cycle of monetary policy loosening after the April 24th legislative elections

FYROM 5

Political crisis escalates due to the violation of the Przino agreement

Tourist arrivals reach an all-time high of 42.4k in 2M:16

ALBANIA 6

Economic growth strengthens to a 5-year high of 2.6% in FY:15

Record-low inflation encourages the BoA to proceed with an additional 25 bp policy rate cut in April

CYPRUS 7

Headline deflation declines to -2.5% y-o-y in March from -2.6% in February, due to slower core deflation

Tourist arrivals rise sharply in November-March, mainly due to heightening security concerns in neighbouring competitors

EGYPT 8

Headline inflation declines by 0.1 pp to 9.1% y-o-y between February and March

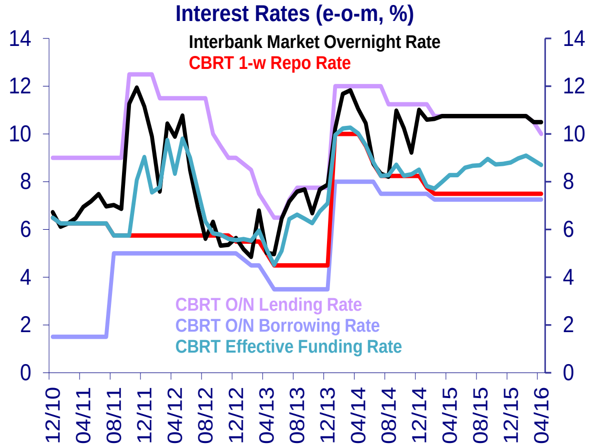
CBE likely to keep its policy rates on hold until the end of the current fiscal year

APPENDIX: FINANCIAL MARKETS 9

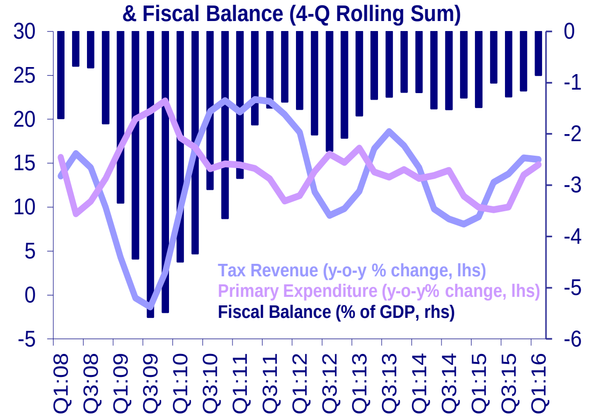
Turkey

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

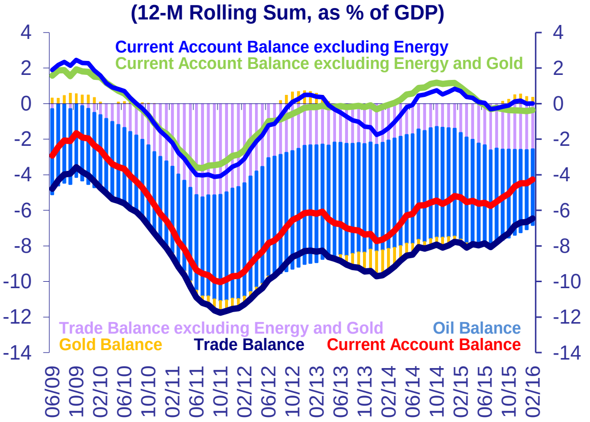
Interest Rates (e-o-m, %)



Tax Revenue, Primary Expenditure & Fiscal Balance (4-Q Rolling Sum)



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



	18 Apr.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	10.9	10.6	10.2	9.8
TRY/EUR	3.21	3.25	3.30	3.40
Sov. Spread (2019, bps)	206	200	190	170

	18 Apr.	1-W %	YTD %	2-Y %
ISE 100	86,344	2.8	18.0	17.5

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	3.6	3.8
Inflation (eop, %)	7.4	8.2	8.8	7.8	7.2
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.8	-5.2
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.9	-1.6

The CBRT cuts its overnight lending rate by 50 bps. At the first MPC meeting chaired by the new CBRT Governor, M. Cetinkaya, on April 20th, the upper bound of the interest rate corridor (the overnight lending rate) was reduced by 50 bps to 10.0%, following a smaller cut of 25 bps a month earlier. 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 14th consecutive month, at 7.5% and 7.25%, respectively.

Going forward, against the backdrop of a benign inflation outlook and strong global tailwinds in the near term, we expect the CBRT to reduce the overnight lending rate by a further 50 bps, to 9.5%, at the next MPC meeting on May 24th. With the overnight interbank rate up against the ceiling of the corridor, the reduction of the latter will lead to a monetary policy loosening.

The fiscal balance improved in Q1:16, supported by capital spending restraint and large privatisation proceeds. The overall fiscal balance strengthened by 0.3 pps y-o-y to a surplus of 0.3% of GDP in Q1:16, on the back of an improved primary fiscal balance (by 0.1 pp of GDP y-o-y) and weaker interest payments (by 0.2 pps of GDP y-o-y). Indeed, overall revenue increased significantly by 16.4% y-o-y in Q1:16, mainly on the back of large non-tax proceeds (up 37.1% y-o-y, reflecting payments from the past year's privatisation transactions). Encouragingly, tax revenue (up 12.7% y-o-y in Q1:16) rose at a faster pace than nominal GDP (11.8% y-o-y), following the implementation of a series of measures from January 1st. On the other hand, primary spending rose at a slower pace than overall revenue in Q1:16 (up 14.6% y-o-y), with strong increases in the wage bill and transfers (to finance the social security deficit) partly offset by large cuts in capital spending.

Looking ahead, the fiscal performance is expected to deteriorate significantly by the end of the year, due to a higher-than-projected net burden of November 2015 pre-election promises (we see these at 0.6 pps of GDP against a budgeted 0.4 pps) and higher-than-budgeted defense and security expenditure. The latter is due to rising geopolitical and domestic security risks, following the Government's involvement in the war against the ISIS and the collapse of a 2-year ceasefire with the Kurdistan Workers Party militant group last July. Overall, we see the fiscal deficit at 1.9% of GDP in FY:16, compared with its target of 1.3% of GDP and the FY:15 outcome of 1.2% of GDP.

External rebalancing continued in 2M:16, due to a favourable energy bill. The current account deficit (CAD) narrowed by 0.2 pps y-o-y to 0.6% of GDP in 2M:16. Specifically, a significant adjustment in the energy balance (by 0.4 pps of GDP y-o-y), in line with global oil price developments, more than offset a deterioration in the gold balance (by 0.2 pps of GDP y-o-y), reflecting a base effect from a spike in gold exports in 2M:15.

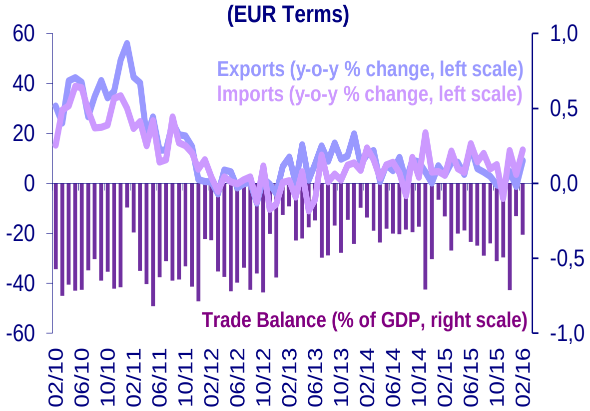
On the financing side, the capital and financial account (CFA) balance deteriorated by 0.3 pps y-o-y to a surplus of 0.4% of GDP in 2M:16, in line with weaker investor appetite for emerging markets. However, large positive (net) errors and omissions (USD 1.8bn) more than covered the gap between the current account and the CFA, leading to a positive overall balance. The latter, along with valuation effects, strengthened FX reserves by USD 0.8bn y-t-d to USD 93.7bn.

Going forward, we expect the current account to deteriorate during the rest of the year, as the anticipated improvement in the oil balance should be more than offset by a decline in tourist receipts and the normalization of the gold balance. Overall, we see the CAD widening to USD 34.8bn (4.8% of GDP) in 2016 from USD 32.1bn (4.5%) in 2015.

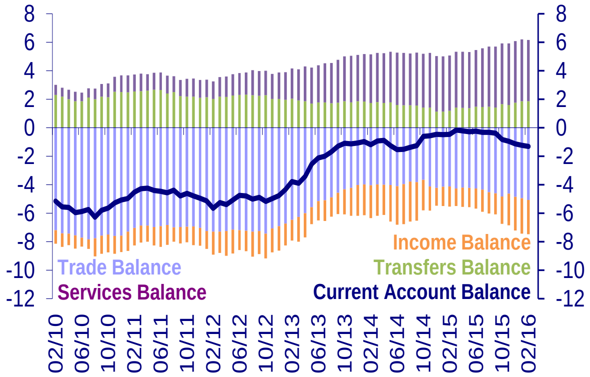
Romania

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

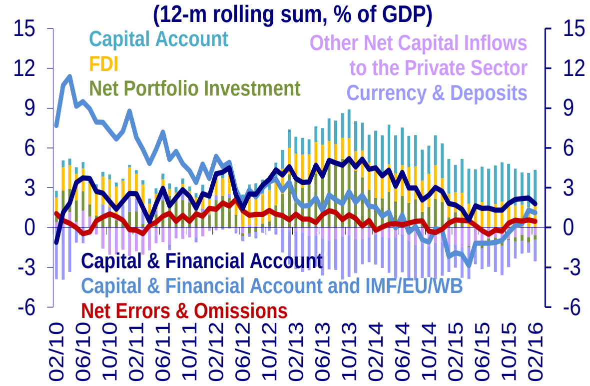
External Trade (EUR Terms)



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



Capital & Financial Account, IMF and Net Errors & Omissions (12-m rolling sum, % of GDP)



	18 Apr.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.47	4.48	4.49	4.50
Sov. Spread (2024, bps)	222	210	180	150

	18 Apr.	1-W %	YTD %	2-Y %
BET-BK	1,249	-1.1	-6.9	3.3

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	3.5	3.0	3.8	4.5	3.4
Inflation (eop, %)	1.6	0.8	-0.9	0.5	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.5	-1.1	-1.9	-2.4
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.3	-2.5

The current account deficit (CAD) widened to 1.3% of GDP on a 12-month rolling basis in February from 1.1% at end-2015, due to stronger domestic demand. The current account shifted to a deficit of 0.2% of GDP in the first two months of 2016 from a balanced position in the same period in 2015. Specifically, the trade deficit widened markedly in 2M:16 (by 0.3 pps y-o-y to 0.6% of GDP), in line with stronger domestic demand. Indeed, massive tax cuts (the VAT rate on food and non-food items was reduced by 15 pps (to 9%) and 4 pps (to 20%) in June 2015 and January 2016, respectively), together with a looser incomes policy (a broad-based 10% hike in public sector wages at end-2015 was followed by a 5% rise in pensions and targeted increases in wages in the broader public sector in January), have boosted private consumption. The CAD would have been larger had the transfers surplus not improved slightly in 2M:16 (by 0.1 pp y-o-y to 0.1% of GDP), on the back of higher official transfers from the EU (comprising subsidies to the agricultural sector and transfers from the Social Fund).

FX reserves remain under pressure in 2M:16, mainly due to continued capital outflows from the banking system. Capital outflows from the banking system accelerated in 2M:16 (to 1.1% of GDP from 0.5% in 2M:15), due to deleveraging from foreign banks and, to a lesser extent, net placements of short-term deposits abroad by domestic banks. Moreover, net lending to the non-financial private sector remained weak (with net repayments of 0.2% of GDP in 2M:16, broadly unchanged compared with 2M:15), suggesting that corporates' access to external financing remains constrained. On the other hand, net portfolio investments were contained (to 0% of GDP in 2M:16 from -0.1% in 2M:15, with the former also including net sovereign debt repayments worth 0.2% of GDP), and net FDI inflows picked up (to 0.2% of GDP in 2M:16 from 0.1% in 2M:15). All said, the overall balance (excluding debt repayments to the IMF/EU) deteriorated (by 0.3 pps y-o-y) to a deficit of 0.8% of GDP in 2M:16. As a result, FX reserves declined further to EUR 30.8bn in February from EUR 32.2bn at end-2015.

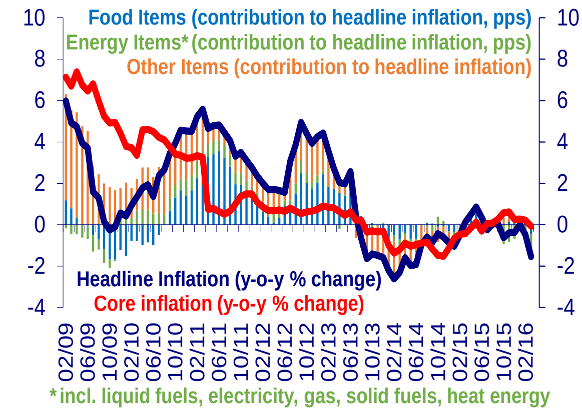
The CAD is set to widen markedly to 1.9% of GDP in FY:16 from 1.1% in FY:15, due to a further strengthening in domestic demand. We expect pressures on the trade deficit to increase during the remainder of the year, in view of a further build-up in domestic demand, on the back, *inter alia*, of a sizeable fiscal stimulus (projected at 1.6 pps of GDP y-o-y in 3-12M:16). Note that Romania -- a small net importer of energy -- will benefit only marginally from the continuing decline in global fuel prices this year (the energy trade balance is set to narrow by c. 0.2 pps of GDP y-o-y in 3-12M:16, assuming an average price of Brent of EUR 39/bbl in the same period). The deterioration in the trade deficit should be partly offset, however, by lower income outflows, reflecting improved business confidence and base effects.

Importantly, with virtually no debt repayments to IFIs in FY:16 (just 0.1% of GDP against 1.9% in FY:15), filling the external financing gap should not be a problem. According to our baseline scenario, projecting that: i) net FDI inflows remain broadly unchanged compared with FY:15 (at 1.9% of GDP); ii) the rollover of maturing sovereign external debt (1.9% of GDP) contains net portfolio investments close to zero for a second consecutive year in FY:16; iii) the maturing private external debt rollover rate remains at FY:15 levels (c. 85%); and iv) a decline in capital transfers (to 2.0% of GDP in FY:16 from 2.5% in FY:15), as the authorities forfeit EU funding allocated for use during the 2007-13 programming period, we foresee FX reserves declining slightly by EUR 0.3bn to a still comfortable level of EUR 31.9bn at end-2016 (covering more than 5 months of GNFS imports).

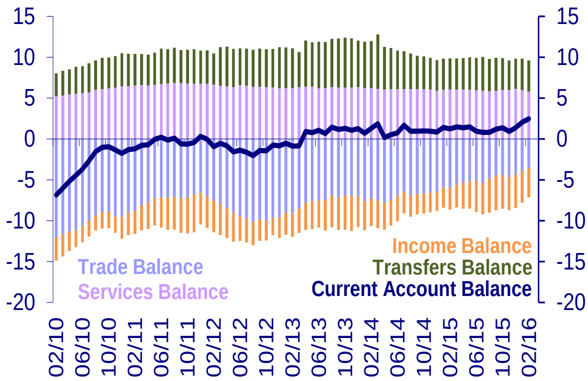
Bulgaria

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

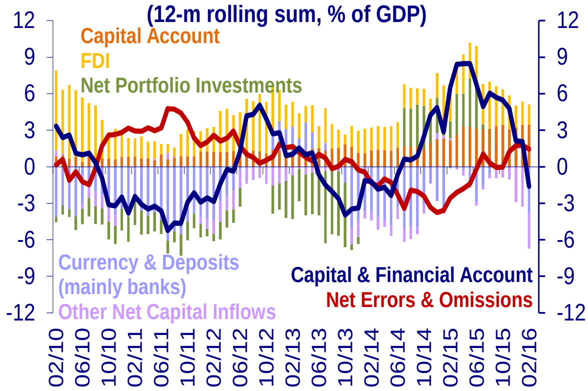
Annual Inflation



Current Account Balance (12-m rolling sum, as % of GDP)



Capital & Financial Account and Net Errors & Omissions (12-m rolling sum, % of GDP)



	18 Apr.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2017, bps)	198	180	160	130

	18 Apr.	1-W %	YTD %	2-Y %
SOFIX	435	-1.5	-5.6	-27.5

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	1.3	1.5	3.0	2.6	2.6
Inflation (eop, %)	-1.6	-0.9	-0.4	0.7	1.4
Cur. Acct. Bal. (% GDP)	1.3	0.9	1.4	2.8	2.1
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-2.0	-1.5

Headline inflation falls to a 21-month low of -1.5% y-o-y in March from -0.5% in February. Food deflation deepened in March (to -1.3% y-o-y from -0.2% in February), due to a sharp decline in prices of fruit and vegetables (-5.9% y-o-y in March against -0.4% in February). The latter was supported by the restoration of supply chains following the opening of the blockades set up in Bulgarian borders by Greek farmers in February. Similarly, energy deflation accelerated in March (to -6.0% y-o-y from -3.1% in February), despite a milder decline in global oil prices. Adjusting for food and energy prices, core inflation fell to -0.1% y-o-y in March from 0.2% in February, mainly due to a cut in telecommunication prices.

Headline inflation is set to remain subdued at least until end- 2016. Despite weak domestic demand, we expect headline inflation to gradually embark on a mild upward trend, reflecting: i) a softer decline in global oil prices (we project the price of Brent to drop by 17.5% y-o-y in BGN terms in 4-12M:16 against a decline of 35.2% in FY:16); and ii) the gradual normalization of volatile food prices from their current lows. All said, we see headline inflation at 0.7% at end-2016, still well below its long-term average. At the same time, core inflation should gradually converge towards headline inflation, ending 2016 at 0.5%.

A better trade performance and lower income outflows push the current account surplus (CAS) to a high of 2.5% of GDP on a 12-month rolling basis in February from 1.2% at end-2015. The current account recorded a surplus of 0.4% of GDP in the 2M:16 against a deficit of 0.7% in 2M:15. Specifically, the trade deficit narrowed sharply in 2M:16 (by 0.8 pps y-o-y to 0.1% of GDP), mainly reflecting weak domestic demand and favourable global oil prices. Similarly, the income deficit improved in 2M:16 (by 0.5 pps y-o-y to 0.1% of GDP), due to lower profit and dividend outflows, supporting further the CAS.

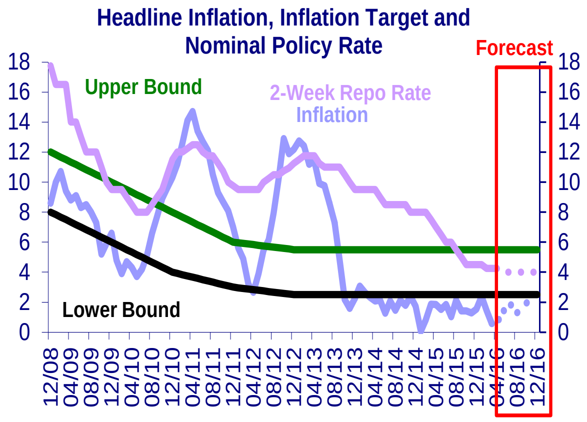
Large capital outflows from the banking sector and weaker FDI inflows push the overall balance "into the red" in 2M:16. Capital outflows from the banking system resumed in 2M:16 (reaching 2.5% of GDP against inflows of 1.5% in 2M:15), largely due to the placement of deposits abroad by domestic banks. At the same time, net FDI inflows plunged (to 0.1% of GDP in 2M:16 from 1.1% in 2M:15), mainly on lower intercompany lending. All said, the overall balance deteriorated (by 2.8 pps y-o-y) to a deficit of 1.7% of GDP, with FX reserves down to EUR 18.3bn in February from EUR 19.0bn at end-2015.

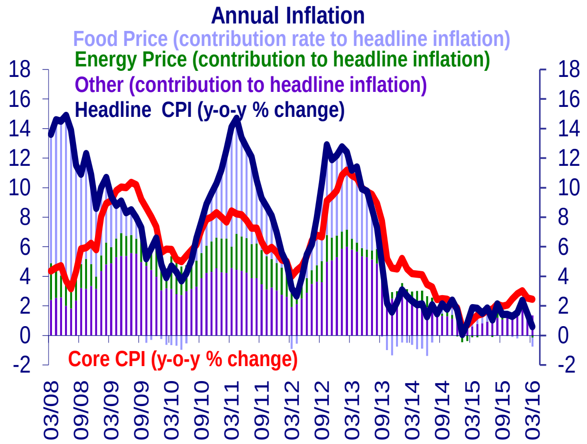
Bulgaria is set to remain the best performer in the region in FY:16, with the CAS widening to 2.8% of GDP. The trade deficit should decline further during the remainder of the year, reflecting: i) lackluster domestic demand; ii) favourable global oil prices (the energy trade balance is projected to narrow by c. 0.6 pps of GDP in 3-12M:16, assuming an average price of Brent of EUR 39/bbl); and iii) improving competitiveness (real GDP per employee has risen by 7% since end-2011, while the BGN has been broadly stable in real terms during the same period). At the same time, lower profit and dividend outflows should support the current account.

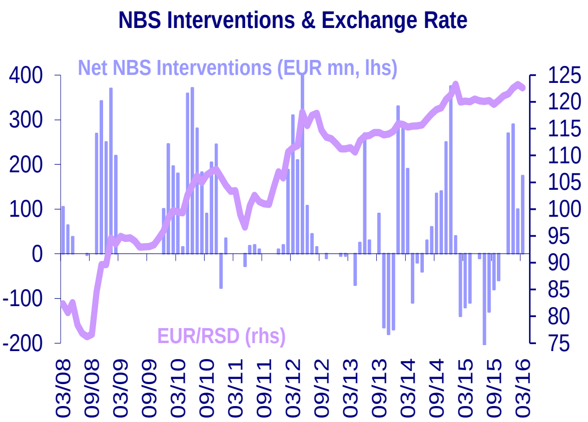
Filling the external financing gap should not be a problem, in view of lower external debt payments (18% of GDP in FY:16 against 24% in FY:15). Projecting that: i) FDI inflows moderate in FY:16 (to 2.8% of GDP from 3.4% in FY:15); ii) portfolio investment increases (to 2.4% of GDP in FY:16 from 1.3% in FY:15, with the former including the issuance of a sovereign Eurobond worth 4.4% of GDP in March); and iii) the maturing debt rollover rate returns to more normal levels (90% in FY:16 against 105% in FY:15), we see FX reserves rising by EUR 3.2bn to a high of EUR 22.2bn at end-2016 (11 months of GNFS imports and 300% of short-term external debt excluding trade credits).

Serbia

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







	18 Apr.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.2	3.4	3.8
RSD/EUR	122.8	123.2	124.0	125.0
Sov. Spread (2021, bps)	337	290	240	180

	18 Apr.	1-W %	YTD %	2-Y %
BELEX-15	608	0.0	-3.7	4.7

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.7	2.6	3.0
Inflation (eop, %)	2.2	1.7	1.5	2.4	2.8
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.8	-4.8	-5.3
Fiscal Bal. (% GDP)	-5.5	-6.6	-3.8	-4.0	-3.0

Headline inflation slowed to 0.6% y-o-y in March, due to favourable food and energy prices. Headline inflation slowed to a 14-month low of 0.6% y-o-y in March from 1.5% in February and 2.3% in January. It has remained below the lower bound of the NBS target band (of 4±1.5%) for more than 2 years.

The moderation in March inflation resulted from the drop in food prices (with a 28.6% share in the CPI basket, subtracting 0.6 pps from annual headline inflation in March after contributing 0.0 pps in February). This was largely driven by the decline in volatile prices of fruit and vegetables. Note that food inflation has also been contained by the sharper fall in international food prices (by 6.8% y-o-y in RSD terms in March against a drop of 3.5% in February).

The slowdown in inflation in March was also supported by the sharper decline in domestic prices of fuels and lubricants (subtracting 0.6 pps from headline inflation in March against -0.4 pps in February), despite a milder drop in global oil prices (down 30.5% y-o-y in March, in RSD terms, against -40.8% in February).

Moreover, core inflation (that excludes food and energy prices, and accounts for 55.8% of the CPI basket) remained low. It stood at 1.4% y-o-y in March, unchanged from February and below 1.7% in January. This occurred despite the rise in (non-energy) administered prices (accounting for 13.8% of the CPI basket) that contributed an estimated 2.1 pps to March core inflation compared with 2.0 pps in February and 1.3 pps in December. The low core inflation points to still weak domestic demand in Q1:16, along with RSD stability.

Inflation is set to reach the lower bound of the NBS target range by end-2016. Inflation is set to remain subdued in Q2:16, fluctuating around 1.0% -- well below the lower bound of the NBS target range -- despite the impact of the expected 7% hike in electricity prices, likely in May, set to add 0.6 pps to the inflation. Low inflation will be supported by the anticipated weak final consumption in Q2:16, along with the continued decline in food and global oil prices in Q2:16.

Thereafter, inflation should embark on a mild upward trend, reaching the NBS lower bound of 2.4% by end-2016. The increase will result from: i) the gradual normalization of food prices from their end-2015 low; ii) the gradual rebound in consumption in H2:16; and iii) the easing in the decline in global oil prices (down by an estimated 3.0% y-o-y in RSD terms in H2:16 against an expected decline of 34.1% in Q2:16).

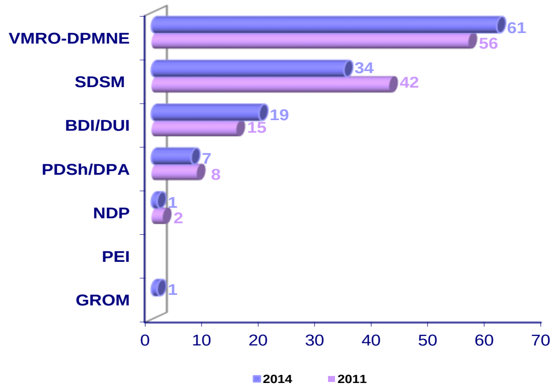
The NBS is set to end its long cycle of monetary policy loosening after the April 24th legislative elections. The NBS kept its 2-week repo rate unchanged, for a 2nd successive month, at its April 7th meeting at 4.25% -- by far the highest in SEE-5 (in both real and nominal terms) -- following a 25 bp cut in February. Note that cumulative rate cuts since the initiation of the cycle of monetary policy easing in May 2013 have reached 750 bps. 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 gradually cut by 6 pps to 13% and 20%, respectively, by February.

Going forward, we expect the NBS to proceed with another cut of its key rate by June in view of a benign inflation near-term outlook, and the resumption IMF-related reforms, after the April 24th elections. In fact, we expect the NBS to lower its key policy rate by an additional 25 bps by end H1:16, to a historical low of 4.0%, and thereafter maintain it unchanged until end-year. Should our forecast materialise, the average *ex post* policy rate, in real and compounded terms, would stand at 2.6% in 2016, below its 2007-15 average of 4.0%.

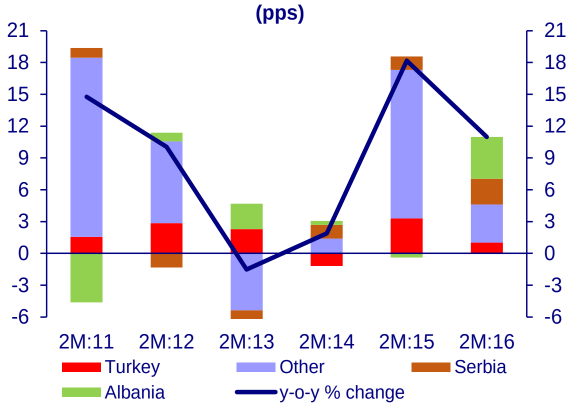
F.Y.R.O.M.

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

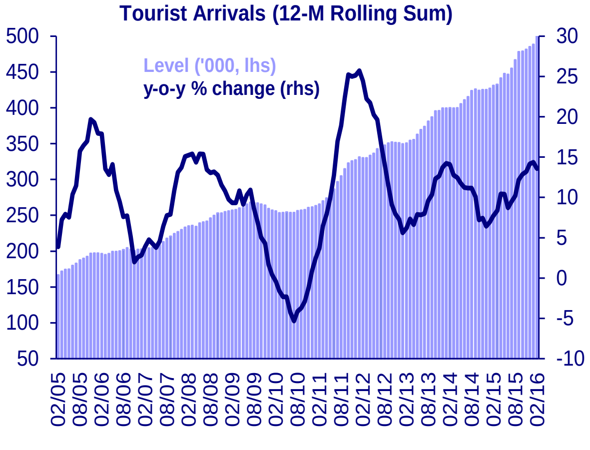
Results of April 2014 Parliamentary Elections (Number of Seats)



Contribution Rates to Tourist Arrivals Growth (pps)



Tourist Arrivals (12-M Rolling Sum)



	18 Apr.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.5	1.5	1.5
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	536	500	450	350

	18 Apr.	1-W %	YTD %	2-Y %
MBI 100	1.767	0.0	-3.6	2.5

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	2.7	3.5	3.7	3.6	3.4
Inflation (eop. %)	1.4	-0.5	-0.3	0.6	1.3
Cur. Acct. Bal. (% GDP)	-1.6	-0.8	-1.4	-2.0	-2.5
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.5	-3.2	-3.0

Political crisis escalates due to the violation of the Przino agreement. Street protests have intensified during the past week due to the violation of the July 2015 EU-mediated Przino agreement, aimed at ending two years of domestic political uncertainty.

Indeed, under the Przino accord, a special prosecutor was appointed to investigate a wiretapping scandal. However, on March 13th, President G. Ivanov pardoned prominent politicians alleged to be involved in this affair, including former PM N. Gruevski -- a political ally. According to the opposition leader, Z. Zaev, the wiretapping was orchestrated by Gruevski and his counter-intelligence chief, S. Mijalkov, and revealed the government control over journalists, judges, public sector recruitment and the manipulation of elections.

The crisis deepened two days later, when the Parliament Speaker, T. Veljanovski, called for early parliamentary elections for June 5th, while two conditions for fair elections, stipulated in the Przino agreement, have not yet been fulfilled: i) media reform, to reduce government influence; and ii) the conduct of a thorough review of the electoral roll. Indeed, following the announcement, the main opposition party, the SDSM, said it will boycott the elections.

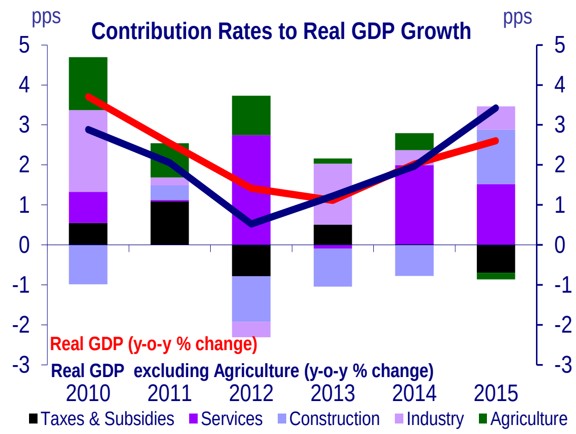
Encouragingly, EU Enlargement Commissioner, J. Hahn, is set to meet the leaders of the four main political parties to discuss ways to end the escalating crisis and ensure the implementation of the Przino agreement.

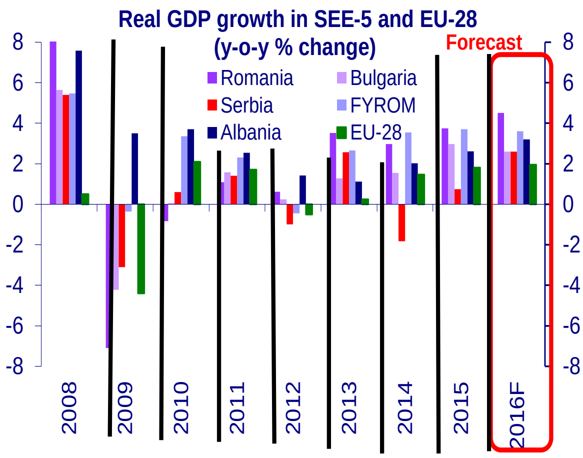
Tourist arrivals reached an all-time high of 42.4k in 2M:16. Tourist arrivals increased by 11.0% y-o-y to a high 42.4k in the first two months of the year, following a rise of 14.2% in FY:15. The strong performance was driven mainly by a sharp increase in arrivals from: i) neighbouring countries Albania and Serbia -- accounting for 3.8% and 9.0%, respectively, of total tourists in 2015 -- up 44.0% y-o-y and 23.6% in 2M:16; and ii) Turkey – the main source country, accounting for 18.7% of total tourist in FY:15 – up 10.8% y-o-y in 2M:16. Excluding Albanian, Serbian and Turkish tourists, total arrivals increased by a modest 5.0% y-o-y in 2M:16 compared with a strong 19.9 y-o-y in 2M:15 – hindered by a significant decline in tourist arrivals from Greece (by 15.2% y-o-y), accounting for 8.0% of total tourists in FY:15. Importantly, the increase in the number of nights spent by tourists during 2M:16 (up 13.8% y-o-y) was even higher than that of arrivals during the same period (up 11.0% y-o-y).

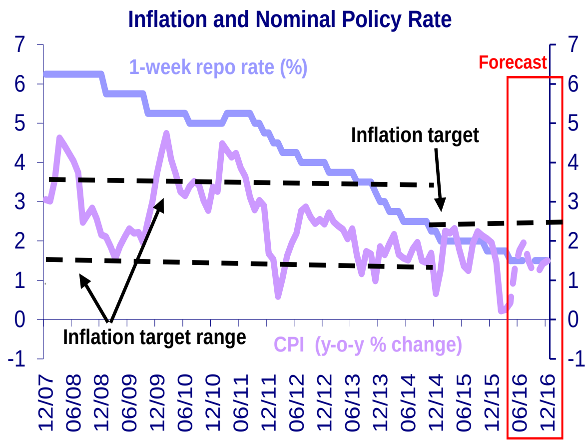
We expect the positive momentum in tourism activity to continue during the remainder of the year. Going forward, we foresee tourist arrivals maintaining their positive trend in the coming months, supported, *inter alia*, by: i) an extensive advertising campaign abroad, especially in the largest tourist destination countries; ii) the ongoing establishment of tourism development zones; iii) tourist agency efforts to attract tourists through special packages, especially in religious and monastic, lake-based and medical tourism; and iv) an increase in the number of direct flights from March, mostly low-cost charters from northern Europe. However, the positive momentum is set to weaken slightly this year due to base effects from the sharp increase in FY:15. All said, we see tourist arrivals rising by 10.0% to 534k in 2016 against an increase of 14.2% (485.5k) in 2015, with receipts increasing at a slower pace – up 6% to EUR 255mn or 2.7% of GDP – in line with recent trends – resulting in a strengthening in FX reserves (adding EUR 15mn more than in FY:15). With tourism accounting for roughly 5% of GDP, we maintain our 2016 real GDP growth forecast of 3.6%, broadly unchanged from the FY:15 outcome (3.5%). Moreover, with tourism accounting for roughly 5% of employment, we foresee unemployment declining to 25.0% in FY:16 from 26.5% in FY:15.

Albania

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







	18 Apr.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.8	2.2	2.2	2.2
ALL/EUR	138.1	139.2	138.2	139.0
Sov. Spread (bps)	495	500	450	400

	18 Apr.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.1	2.0	2.6	3.2	3.6
Inflation (eop, %)	1.9	0.7	2.0	1.5	2.0
Cur. Acct. Bal. (% GDP)	-10.9	-12.8	-11.0	-10.9	-10.7
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.3	-2.0

Economic growth strengthened to 2.6% in FY:15. Real GDP growth accelerated to a 5-year high of 2.6% in FY:15 from 2.0% in FY:14 and a trough of 1.1% in FY:13.

The construction and manufacturing sectors were the main drivers of the rebound in FY:15. Growth in the construction sector turned positive, following 3 successive years of decline, rising by 14.1% y-o-y in FY:15 compared with a drop of 7.3% in FY:14 (contributing 1.4 pps to overall GDP growth in FY:15 after subtracting 0.8 pps from FY:14 real GDP growth). The surge in construction reflects the restoration and construction of roads and bridges in H2:15, needed for the Trans-Adriatic natural gas pipeline (TAP), and the construction of the Statkraft/Devoll hydropower plant. The rebound was also supported by the liquidity injection through the payment of Government arrears for infrastructure projects (amounting to 1.1% of GDP in 2014-15).

The acceleration in real GDP growth in FY:15 was also supported by industrial output (up 4.6% y-o-y in FY:15 against a rise of 2.9% in FY:14, and contributing 0.6 pps to overall real GDP growth in FY:15 against 0.4 pps in FY:14), reflecting the rebound in the manufacturing sub-sector (contributing 0.4 pps to overall real GDP growth in FY:15 against a mere 0.1 pp in FY:14). The surge in electricity production (by 24.1% y-o-y, to 5.9GWh, in FY:15 following a 32.1% decline in FY:14), on the back of abundant rainfall, also supported the pick-up in industrial output (contributing an estimated 0.3 pps to overall GDP growth in FY:15 after subtracting 0.5 pps in FY:14). The expansion in industrial production would had been stronger had output of extraction industries not declined (subtracting an estimated 0.4 pps from overall real GDP growth in FY:15 after contributing 0.8 pps in FY:14), due to lower demand for low-quality Albanian oil and a sharp fall in global oil prices.

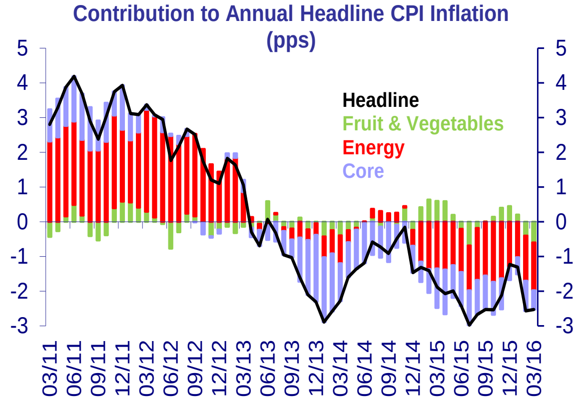
The expansion in activity in FY:15 was, however, held back by the slowdown in the services sector. Activity in the services sector moderated to 3.4% y-o-y in FY:15 from 4.5% in FY:14 (contributing 1.5 pps to GDP growth in FY:15 compared with 2.0 pps FY:14), due mainly to the decline in both private consumption (reflecting the compulsory payment of electricity bills in H1:15, following the implementation of the power sector reform, as well as lower remittances from Greece in H2:15) and public consumption (due to significant fiscal consolidation). Moreover, agricultural sector growth turned negative, due to floods that disrupted production and livestock. Excluding agriculture, activity accelerated at a faster pace, to 3.4% in FY:15 from 2.0% in FY:14.

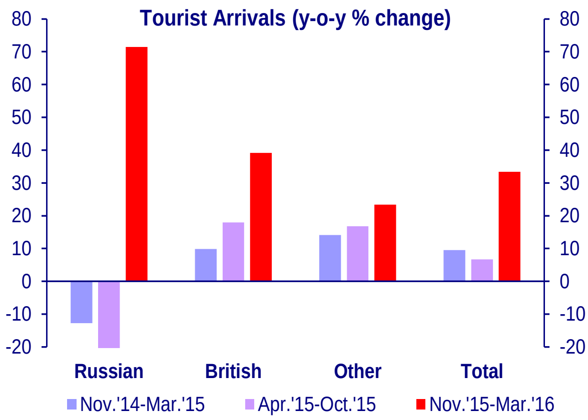
Economic growth is set to accelerate further, to a 6-year high of 3.2% in 2016. We expect activity to strengthen further this year, supported by: i) gradually rising domestic demand; ii) the intensification in construction of major energy projects; iii) improved confidence in the domestic economy on the back of large external financial support and EU membership prospects; and iv) a rebound in agricultural production (set to contribute 0.2 pps to GDP after subtracting 0.2 pps in FY:15).

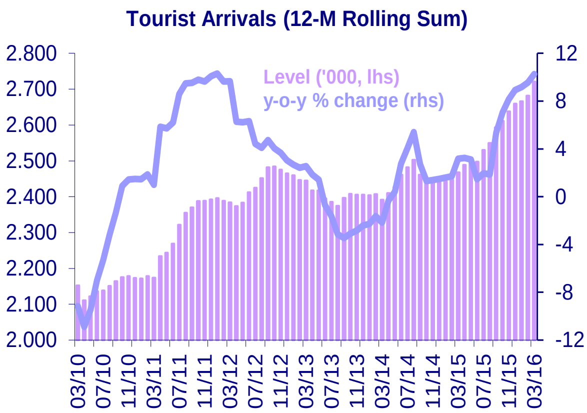
Record-low inflation encouraged the BoA to proceed with an additional 25 bp policy rate cut in April. After a 3-month pause, the BoA proceeded with a 25 bp cut in its key policy rate at its April meeting, to a record low of 1.5%. Scope for the loosening was provided by low inflation, with headline inflation at 0.3% y-o-y in March (far below the BoA's target of 3%), while core inflation turned negative, reaching a record low of -0.9% in March. Low inflation reflects a normalization of food prices, following a sharp flood-induced rise in H1:15, favourable global oil prices, combined with the absence of depreciation pressures on the domestic currency and a persistent negative output gap. Looking ahead, the BoA is expected to maintain its 1-week repo unchanged by end-2016, in view of the benign inflation outlook, sub-par real GDP growth, low imported inflation and a tight fiscal policy stance.

Cyprus

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







	18 Apr.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.34	-0.34	-0.34	-0.34
EUR/USD	1.13	1.08	1.06	1.05
Sov. Spread (2020. bps)	371	335	300	250

	18 Apr.	1-W %	YTD %	2-Y %
CSE Index	67	-0.3	-0.7	-41.2

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	-5.9	-2.5	1.6	2.5	2.6
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-4.5	-4.6	-3.6	-3.8	-4.2
Fiscal Bal. (% GDP)	-4.7	-0.3	-0.5	-0.2	0.2

Headline deflation moderated to -2.5% y-o-y in March from -2.6% in February, due to slower core deflation. Core deflation (excluding volatile food and energy prices and accounting for 87.6% of the CPI basket) decelerated to -0.6% in March from -1.0% y-o-y in February, reflecting strengthening domestic demand. Headline deflation would have been even slower had the pace of decline in prices of volatile fruit & vegetables and energy not accelerated to -17.2% y-o-y and -15.4% y-o-y, respectively, in March from -11.5% y-o-y and -14.6% in February.

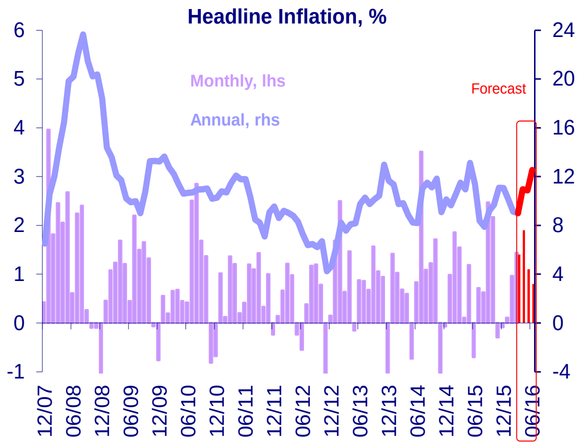
Deflation set to ease sharply by end-2016. Looking ahead, inflation should resume a mild upward trend, reflecting: i) the continued recovery in domestic demand (we see real GDP growth accelerating to 2.5% in FY:16 from 1.6% in FY:15); ii) the gradual normalization of volatile food prices from their current lows; and; iii) a softer decline in fuel prices (we project the price of Brent to fall by 17.4% y-o-y in EUR terms in 4-12M:16 against a drop of 35.2% y-o-y in Q1:16). Overall, we expect headline and core inflation to rise throughout 2016, ending the year at -0.2% and 1.0% y-o-y, respectively, up from -1.2% and -0.4% at end-2015.

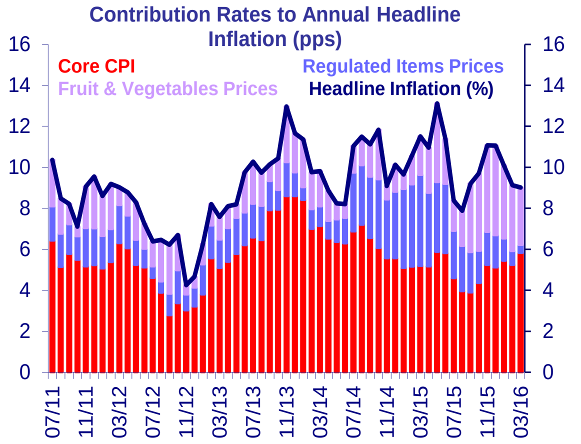
Tourist arrivals rose sharply in the period November-March, mainly due to heightening security concerns in neighbouring competitors -- Turkey and Egypt. Tourist arrivals were up by an impressive 33.4% y-o-y to an 11-year high of 251.6mn during November-March, following an increase of 7.4% y-o-y in 10M:15. This strong performance was mainly due to a sharp increase in arrivals from the UK -- the main source country, accounting for 39.3% in FY:15 – and Russia -- the second largest source country with a share of 20.0% in FY:15. Indeed, the number of British tourists rose by 39.1% y-o-y in November-March (with a 14.0 pp contribution to the annual increase in that period), following an increase of 18.0% in 10M:15. Moreover, the number of Russians tourists rose sharply by 71.4% y-o-y in November-March, following a decline of 19.9% y-o-y in 10M:15, contributing 6.5 pps to the overall annual rise in the corresponding period. The sharp increase in Russian and British tourists followed: i) the terrorist bombing of a Russian passenger plane in the Sinai Peninsula in late October, which led Russia to ban flights to Egypt, the UK to suspend all flights to Egypt's tourism flagship city of Sharm el-Sheikh and several other countries to issue warnings against travel to Egypt; ii) Russian sanctions against Turkey following the downing of a Russian warplane by the Turkish air force near Syria's border in late November; and iii) heightening security concerns in Turkey, with six deadly terrorist attacks between July and March, following the Government's involvement in the war against the ISIS and the collapse of a 2-year ceasefire with the Kurdistan Workers Party militant group last July. Tourist arrivals, excluding British and Russians, also accelerated (up 23.4% y-o-y in November-March following a rise of 17.0% in 10:15), reflecting the island's reputation as a safe destination. As a result, the 12-month rolling sum of tourist arrivals increased by 10.3% y-o-y to 2.7mn in March compared with rises of 7.1% and 8.2% in October and December, respectively.

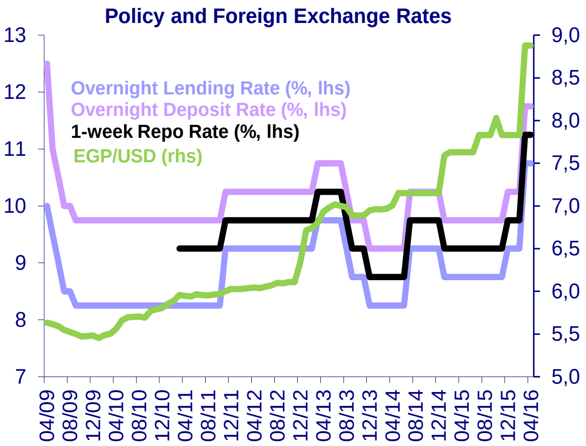
Tourist arrivals growth is set to rise to c. 20% in 2016. We expect the positive momentum in tourist arrivals to continue this year, on the back of significant gains from heightening security concerns in neighbouring countries – Turkey and Egypt. Overall, we foresee tourist arrivals rising by around 20.0% to an all-time high of 3.2mn in FY:16, from a 14-year high of 2.7mn in FY:15. In view of a better-than-initially-expected performance of tourist arrivals and with tourism accounting for roughly 21% of GDP and 23% of employment, we revise our FY:16 real GDP growth forecast up to 2.5% from 2.0% and our FY:16 unemployment rate down to 14.2% from 14.5%.

Egypt

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







	18 Apr.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	10.9	10.8	10.8	10.5
EGP/USD	8.88	8.95	9.20	9.50
Sov. Spread (2020. bps)	419	400	300	220

	18 Apr.	1-W %	YTD %	2-Y %
HERMES 100	701	4.4	11.2	-13.0

	12/13	13/14	14/15	15/16F	16/17F
Real GDP Growth (%)	2.1	2.1	4.2	3.0	4.5
Inflation (eop. %)	9.8	8.2	11.4	12.5	11.0
Cur. Acct. Bal. (% GDP)	-2.2	-0.9	-3.7	-5.6	-4.0
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.0

Headline inflation declined by 0.1 pp to 9.1% y-o-y between February and March, as decelerating regulated prices and prices of fruit & vegetables compensated for higher core inflation. Regulated prices rose at a slower pace in March (up 1.9% y-o-y against 3.5% in February), reflecting base effects from the increase in the prices of butane cylinders (up 27.9%), due to supply bottlenecks in the distribution channels and, to a lesser extent, the adjustment in the prices of water supply in March 2015 (by 2.3%). On the other hand, volatile prices of fruit & vegetables continued to normalize (up 25.4% y-o-y against 30.4% in February) after having soared by a 55-month high in December (42.4%).

Worryingly, core inflation rose to a 17-month high of 8.4% y-o-y in March from 7.5% in February, on the back of the sharp devaluation of the domestic currency in mid-March and exacerbating supply shortages. Indeed, facing an acute USD shortage, the Central Bank of Egypt (CBE) imposed stricter rules on financing imports in early-January (prioritising the import of basic goods), aimed at reducing the country's import bill by 25% to USD 60bn in 2016. Moreover, in its efforts to reduce a fast-growing black market amid deepening foreign currency shortages, the CBE devalued the EGP against the USD by 12.7% to EGP 8.85 per USD on March 14th.

Headline inflation to resume its upward trend this month (April), ending the fiscal year at 12.5% y-o-y (June 2016). Looking ahead, despite the sharp hike of the policy rates by 200 bps in the past four months and the likely postponement to the next fiscal year of the replacement of the current complex sales taxes by a VAT (set to add 1.3 pps to headline inflation), we expect inflation to embark on an upward trend in April. The latter will reflect residual pass-through from the mid-March sharp devaluation and worsening supply shortages. Overall, we foresee headline inflation reaching an 8-year high of 12.5% y-o-y at the end of the current fiscal year (June 2016) -- well above the end-2014/15 outcome of 11.4%. Core inflation should end 2015/16 at 11.8% y-o-y against the end-2014/15 outcome of 8.1%.

The CBE will likely keep its policy rates on hold until the end of the current fiscal year. Recall that in a bid to curb inflationary pressures from the recent sharp devaluation of the domestic currency and enhance demand for the EGP, the CBE increased aggressively its policy rates by 150 bps at its March 17th MPC meeting. This was the second hike since December, when the CBE initiated a cycle of monetary policy tightening, hiking its rates by 50 bps. As a result, the overnight deposit, 1-week repo, and overnight lending rates reached 7-year highs of 10.75%, 11.25%, and 11.75%, respectively (2.1%, 2.7% and 3.2% in *ex post*, real and compounded terms).

Going forward, despite the negative inflation outlook, we expect the CBE to maintain its key rates unchanged at least until end-June, in an effort to contain the ongoing slowdown of the domestic economy.

Note that real GDP growth is set to ease significantly to 3.0% this fiscal year from 4.2% in FY:14/15, due, *inter alia*, to i) the expected sharp decline in tourism activity (with a total contribution of 11.4% to GDP in 2015 according to the World Travel & Tourism Council), especially following the terrorist bombing of a Russian passenger plane on October 31st (the number of nights spent by tourists fell sharply by 61.3% y-o-y during November-February); and ii) continued FX shortages, which have disrupted production and hampered investment.

FOREIGN EXCHANGE MARKETS, APRIL 18TH 2016

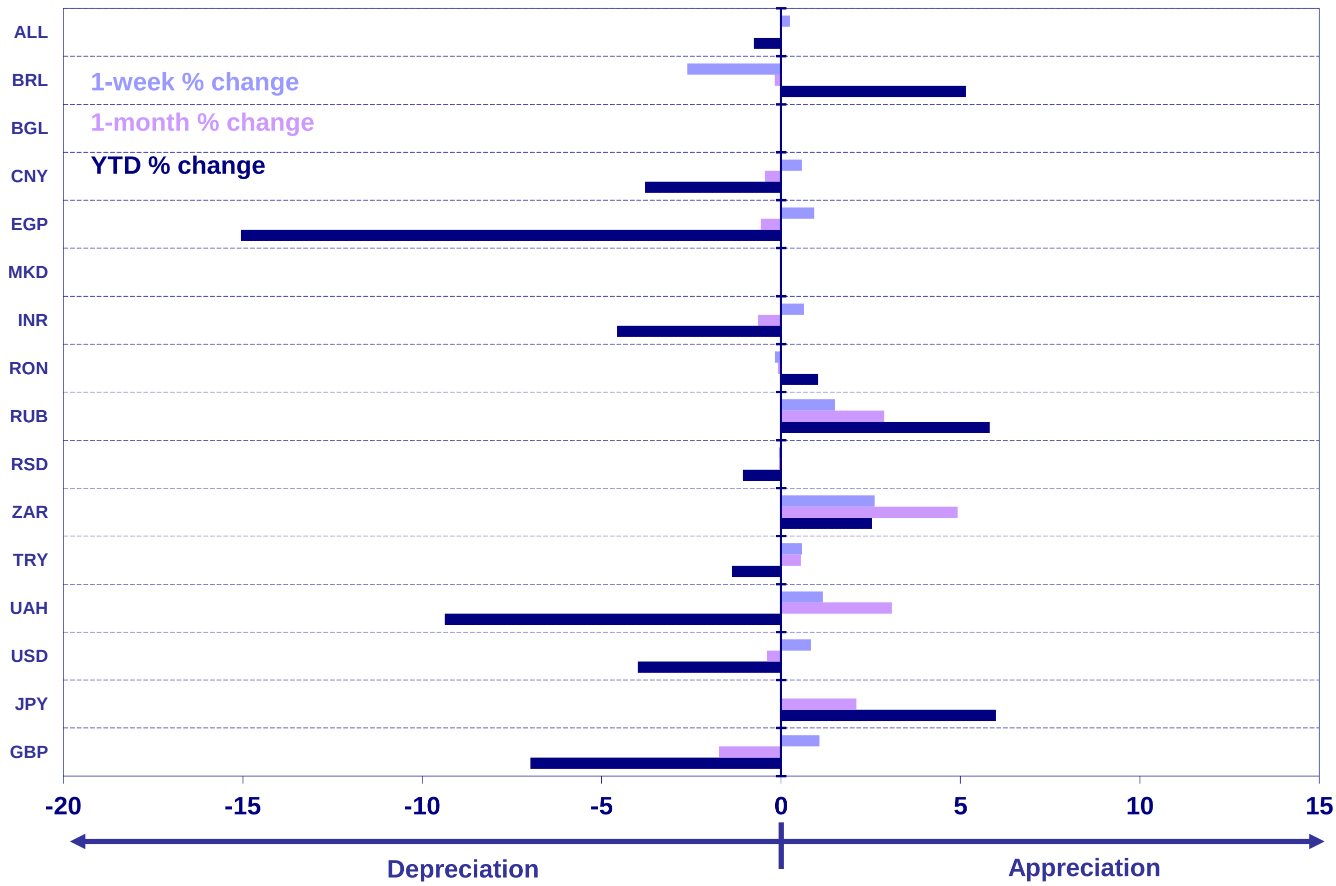
Against the EUR

	Currency	2016 SPOT	2016 1-week %change	2016 1-month %change	2016 YTD %change*	2016 1-year %change	2016 Year-Low	2016 Year-High	2016 3-month Forward rate**	2016 6-month Forward rate**	2016 12-month Forward rate**	2015 % change*	2014 % change*
Albania	ALL	138,1	0,3	0,0	-0,8	1,3	137,5	139,5	138,7	138,4	137,1	2.0	0.1
Brazil	BRL	4,09	-2,6	-0,2	5,2	-20,4	3,90	4,55	4,68	4,66	4,64	-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	7,32	0,6	-0,5	-3,8	-8,8	6,99	7,46	7,54	7,54	7,54	6.7	10.8
Egypt	EGP	9,99	0,9	-0,6	-15,1	-18,5	8,26	10,12	- - -	- - -	- - -	2.1	10.6
FYROM	MKD	61,3	0,0	0,0	0,0	0,0	61,3	61,3	61,3	61,3	61,3	0.0	0.0
India	INR	75,3	0,6	-0,6	-4,6	-9,8	71,3	77,8	80,9	- - -	- - -	6.6	12.3
Romania	RON	4,47	-0,2	-0,1	1,0	-1,0	4,45	4,56	4,48	4,49	4,52	-0.8	-0.5
Russia	RUB	74,9	1,5	2,9	5,8	-23,5	73,8	93,8	76,7	78,4	82,5	-15.1	-32.8
Serbia	RSD	122,8	-0,1	-0,1	-1,1	-2,4	121,6	123,7	123,7	124,7	- - -	-0.1	-5.6
S. Africa	ZAR	16,4	2,6	4,9	2,5	-20,4	16,29	18,58	16,7	17,1	17,8	-16.6	3.0
Turkey	YTL	3,21	0,6	0,6	-1,4	-9,8	3,12	3,35	3,30	3,38	3,55	-10.8	4.4
Ukraine	UAH	28,7	1,2	3,1	-9,4	-15,5	25,06	30,16	35,7	- - -	- - -	-27.5	-40.8
US	USD	1.13	0.8	-0.4	-4.0	-5.1	1.1	1.1	1.13	1.14	1.15	11.4	13.6
JAPAN	JPY	123.1	0.0	2.1	6.0	3.9	121.7	132.3	123.1	123.0	122.9	11.0	-0.1
UK	GBP	0.79	1.1	-1.7	-7.0	-9.0	0.7	0.8	0.79	0.80	0.80	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 (April 18th 2016)



MONEY MARKETS, APRIL 18TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.6	14.1	-0.1	2.0	- - -	10.9	- - -	- - -	0.4	12.0	- - -	11.0	8.1	19.6	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	11.0	2.9	- - -	7.3	- - -	- - -	- - -
S/W	1.6	14.1	-0.1	2.3	-0.4	- - -	1.3	- - -	- - -	11.1	2.9	- - -	8.0	20.8	-0.4	0.4
1-Month	1.8	14.1	0.0	2.8	-0.3	- - -	1.5	7.0	0.6	12.3	3.1	10.9	7.1	23.2	-0.3	0.4
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	12.0	3.2	10.9	7.2	- - -	-0.3	0.5
3-Month	2.0	14.1	0.1	2.8	-0.2	- - -	1.8	7.2	0.8	11.8	3.3	11.0	8.3	23.8	-0.2	0.6
6-Month	2.1	13.9	0.3	2.9	-0.1	- - -	2.2	- - -	1.0	11.8	3.5	11.1	8.0	- - -	-0.1	0.9
1-Year	2.2	13.4	0.7	3.0	0.0	- - -	2.7	- - -	1.2	12.8	- - -	11.2	9.2	- - -	0.0	1.2

LOCAL DEBT MARKETS, APRIL 18TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	12.1	1.6	6.8	- - -	11.7	3.3	8.6	- - -	- - -	-0.5	0.2
6-Month	1.2	- - -	- - -	- - -	- - -	13.6	2.2	6.9	0.6	11.9	3.4	8.9	- - -	- - -	-0.5	0.3
12-Month	1.6	- - -	0.1	2.2	- - -	14.1	2.6	7.1	0.8	10.1	4.3	9.0	- - -	- - -	-0.5	0.5
2-Year	2.1	- - -	- - -	2.5	- - -	- - -	2.0	7.1	0.9	9.6	- - -	9.0	7.9	19.6	-0.5	0.7
3-Year	- - -	- - -	0.4	2.6	3.1	- - -	2.7	7.3	1.2	9.6	- - -	9.0	8.3	20.0	-0.5	0.9
5-Year	- - -	12.8	- - -	2.7	- - -	16.2	2.7	7.4	2.7	9.4	7.0	9.0	8.5	- - -	-0.4	1.2
7-Year	- - -	- - -	1.7	- - -	3.8	17.2	- - -	7.6	3.1	9.3	- - -	- - -	- - -	- - -	-0.2	1.5
10-Year	- - -	13.0	2.5	2.9	4.1	17.3	3.9	7.4	3.5	9.3	- - -	9.1	9.0	- - -	0.2	1.8
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.9	- - -	9.3	- - -	- - -	9.4	- - -	0.5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.6	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.8	- - -	- - -	- - -	- - -	9.7	- - -	0.8	2.6

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

CORPORATE BONDS SUMMARY, APRIL 18TH 2016

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	5.3	577	525
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.0	552	521
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	3.4	371	323
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	11.0	136	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.5	115	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.1	284	296
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	146	112
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.9	342	305
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.7	317	280
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.6	415	350
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.0	423	459

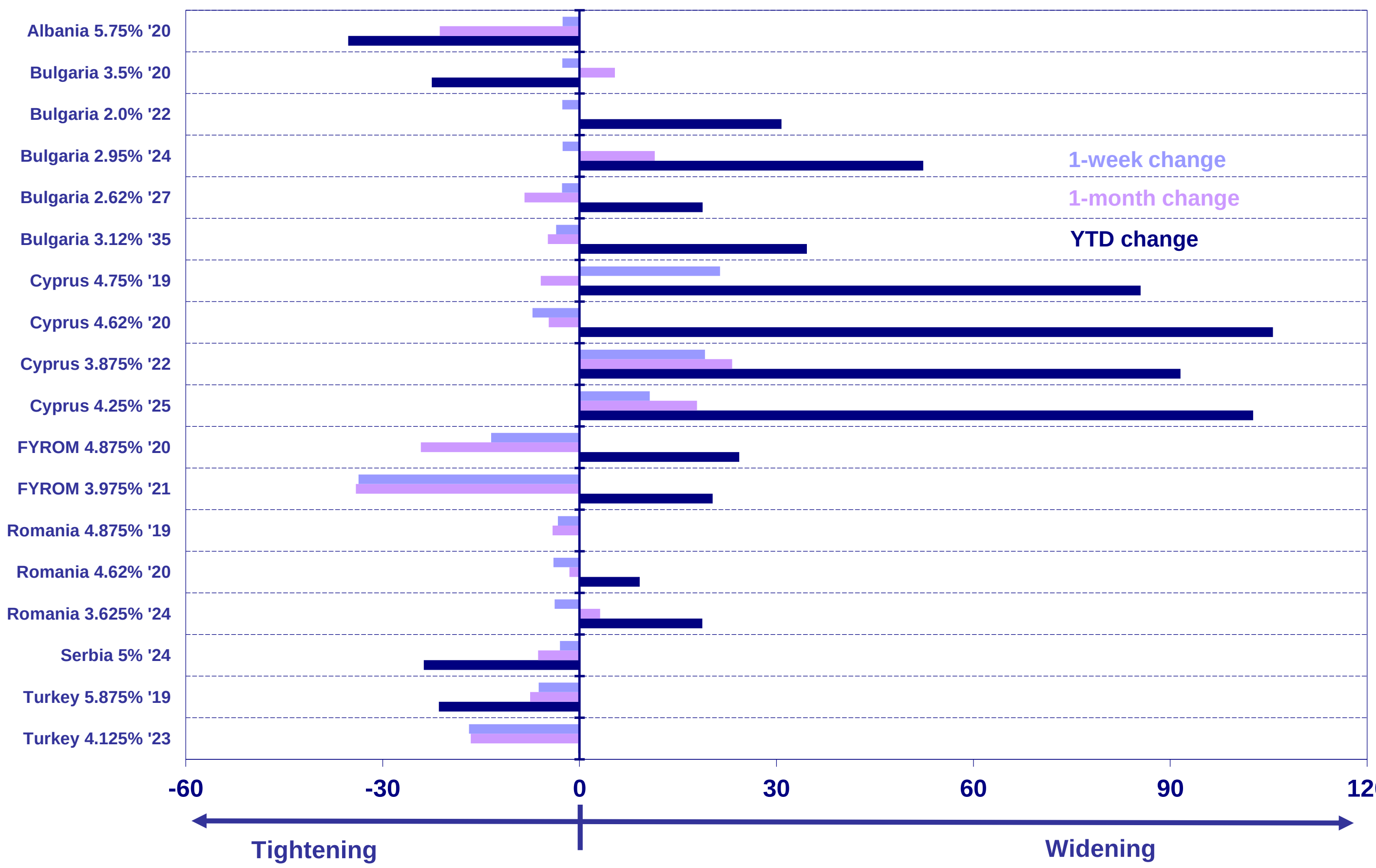
CREDIT DEFAULT SWAP SPREADS, APRIL 18TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	336	161	119	- - -	494	- - -	- - -	119	269	264	241	290	- - -
10-Year	- - -	404	207	168	- - -	504	- - -	- - -	160	318	306	294	342	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, APRIL 18TH 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B/B1	12/11/2020	450	4.3	495	446
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.7	119	88
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	198	158
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.4	243	200
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.6	244	194
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.5	286	239
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	3.1	355	325
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.2	371	332
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.8	407	362
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	4.1	396	359
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	4.7	540	470
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.6	536	540
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.6	99	72
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.8	123	91
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.1	222	190
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.7	379	350
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.6	206	182
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	2.9	308	274

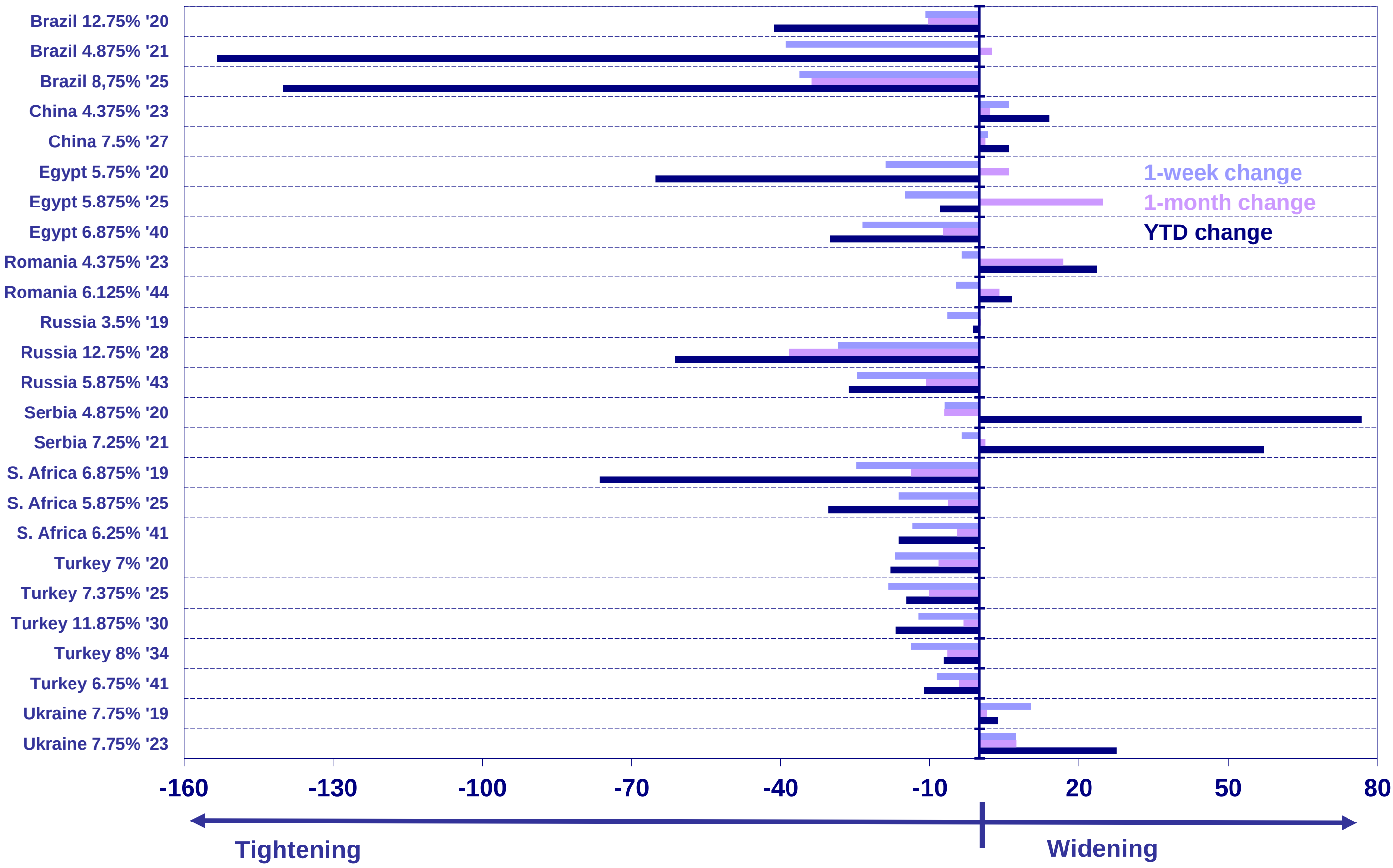
EUR-Denominated Eurobond Spreads (April 18th 2016)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, APRIL 18TH 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB+/Baa3	15/1/2020	234	4.1	324	359
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	4.5	326	331
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	5.4	368	439
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.7	191	232
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.0	120	161
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.4	419	431
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	7.4	564	540
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.2	556	540
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.4	184	202
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.6	203	287
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.2	227	220
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.9	315	453
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.4	277	337
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.2	326	310
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.6	337	357
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.4	252	255
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.8	299	329
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.5	291	359
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	3.4	221	251
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.4	262	319
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	4.7	289	408
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.2	340	384
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.3	272	338
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,646	9.8	893	837
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	9.5	797	752

USD-Denominated Eurobond Spreads (April 18th 2016)



STOCK MARKETS PERFORMANCE, APRIL 18TH 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)	52,894	5.4	4.1	22.0	-1.6	37,046	53,844	29.1	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	435	-1.5	-2.9	-5.6	-13.4	434	462	-5.6	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,034	0.0	2.7	-15.1	-28.1	2,638	3,539	-17.7	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	67	-0.3	-2.8	-0.7	-17.4	64	70	-0.7	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	701	4.4	4.0	11.2	-11.0	521	696	11.2	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,767	0.0	-1.9	-3.6	0.8	1,758	1,842	-3.6	-0.6	-0.6	6.1	6.1
India (SENSEX)	25,816	3.2	3.5	-0.6	-7.4	22,495	28,578	-3.8	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,249	-1.1	-2.2	-6.9	-9.8	1,171	1,329	-5.8	2.6	1.6	3.7	3.5
Russia (RTS)	4,207	-1.2	-2.5	6.2	11.1	3,509	4,334	13.6	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	611	0.5	1.4	-3.2	-16.3	570	637	-4.2	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	53,167	3.4	-1.2	4.6	-1.3	45,976	53,827	8.7	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	86,344	2.8	4.1	18.0	4.9	68,230	86,387	17.2	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	233	1.9	-7.2	-3.3	-34.0	222	256	-12.1	-37.8	-54.8	28.7	-24.2
MSCI EMF	844	2.4	2.0	6.6	-18.4	687	848	3.0	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,677	2.7	1.0	-2.9	-11.6	1,492	1,716	-6.2	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	574	2.4	4.7	-6.0	-21.2	421	627	-6.0	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	10,120	4.5	1.7	-5.8	-14.9	8,699	10,486	-5.8	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,354	2.5	2.6	1.3	-9.9	5,500	6,374	-5.7	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,276	3.3	-2.7	-14.5	-17.1	14,866	18,951	-8.5	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	18,004	2.6	2.3	2.3	-0.2	15,370	18,351	-1.2	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,094	2.6	2.2	1.5	-0.3	1,810	2,135	-1.9	-0.7	10.9	11.4	26.6

Equity Indices (April 18th 2016)