Economic Analysis Division
Emerging Markets Research

Bi-Weekly Report *10 – 23 October 2017*

NBG - Economic Analysis Division
https://www.nbg.gr/en/the-group/press-office/e-spot/reports

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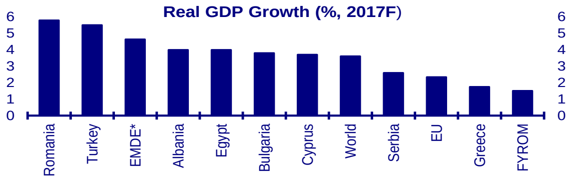
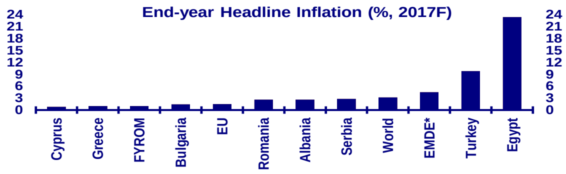


* EMDE: Emerging Market & Developing Economies



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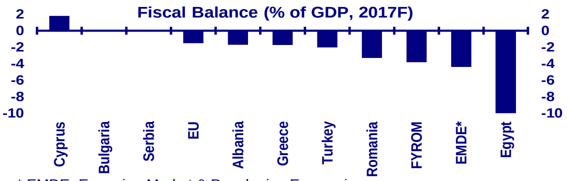

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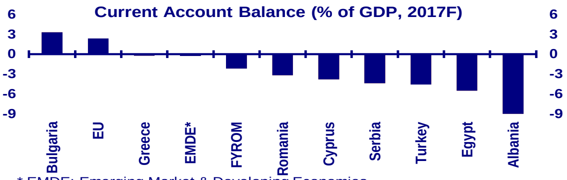


* EMDE: Emerging Market & Developing Economies

TURKEY 1

Lending activity (FX-adjusted) rose sharply in 9M:17, largely benefiting from the Government's credit guarantees and relaxed macro-prudential measures

Customer deposits (FX-adjusted) accelerated in 9M:17, supported by dissipating uncertainty after the mid-April referendum and more attractive remuneration rates

The seasonally-adjusted unemployment rate receded by 0.4 pps q-o-q to 11.2% in Q2:17

ROMANIA 2

Headline inflation rose to a 4-year high of 1.8% y-o-y in September from -0.5% at end-2016, on the back of stronger domestic demand and higher food prices

Credit activity picked up rapidly in 9M:17, sustaining economic activity

BULGARIA 3

Headline inflation rose sharply to 2.1% y-o-y in September from 0.1% at end-2016, mainly due to higher energy prices

Credit expansion strengthened in 9M:17, underpinning the economic recovery

Customer deposits gained momentum in 9M:17, due to solid economic growth

SERBIA 4

Inflationary pressures heightened in 9M:17, but remained well anchored

NBS to keep its key rate on hold until the initiation of a new cycle of monetary policy tightening in Q3:18

FYROM 5

The ruling coalition is set to secure a landslide victory in the local elections, strengthening its hand to proceed with ambitious reforms

Customer deposit growth maintained momentum in 9M:17

Credit to the private sector picked up in 9M:17

ALBANIA 6

Electricity generation declined markedly in H1:17, due to adverse weather conditions

Headline inflation has eased since the beginning of the year due to softer food inflation (excluding fruit and vegetables)

CYPRUS 7

Banking sector bottom line deteriorated markedly in H1:17 due to a sharp rise in NPL provisions

EGYPT 8

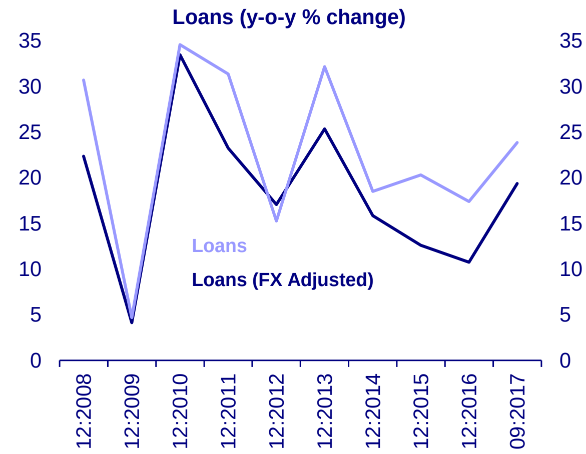
Headline inflation eased for a 2nd consecutive month in September – down to 31.6% y-o-y from a 3-decade high of 33.0% y-o-y in July

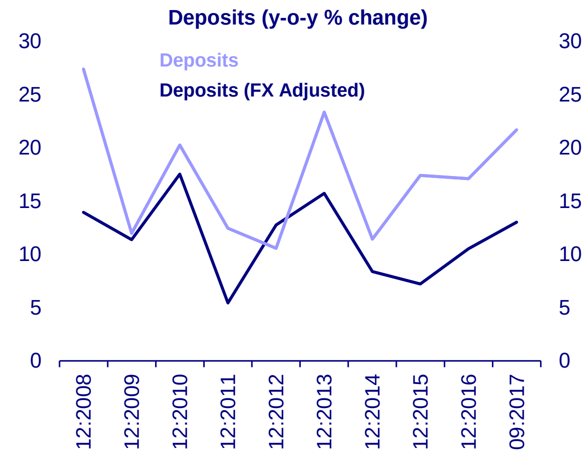
A sharp decline in inflation during the next two months to strengthen the CBE's hand to initiate a new cycle of monetary policy loosening in January

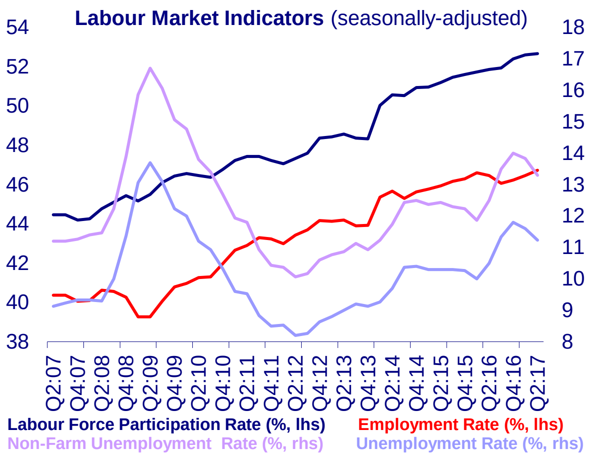
APPENDIX: FINANCIAL MARKETS 9

Turkey

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







	23 Oct.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.1	12.5	12.0	11.0
TRY/EUR	4.37	4.36	4.36	4.36
Sov. Spread (2020, bps)	179	175	165	150

	23 Oct.	1-W %	YTD %	2-Y %
ISE 100	107,303	0.8	37.3	33.9

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	5.2	6.1	3.2	5.5	4.0
Inflation (eop, %)	8.2	8.8	8.5	10.5	9.5
Cur. Acct. Bal. (% GDP)	-4.7	-3.7	-3.8	-4.6	-4.4
Fiscal Bal. (% GDP)	-1.1	-1.0	-1.1	-2.0	-2.3

Lending activity (FX-adjusted) rose sharply in 9M:17, largely benefiting from the Government's credit guarantees and relaxed macro-prudential measures. Lending growth, adjusted for FX variations, rose to a 3½-year high of 19.4% y-o-y at end-September from 10.8% at end-2016, mainly reflecting the authorities' efforts to boost economic activity, which had slowed sharply in FY:16, following the mid-July 2016 failed coup.

Indeed, in the aftermath of the coup attempt, the BRSA relaxed some of the macro-prudential measures implemented over the previous 5 years to prevent overheating of the economy and preserve financial stability. Specifically, the BRSA increased the term limits for consumer loans and credit cards, and lowered the provisioning on unsecured retail loans. As a result, retail lending growth reached a 3½-year high of 17.8% y-o-y in September, up from 10.1% at end-2016 and a 7-year low of 5.7% at the time of the failed coup (i.e. in July).

Moreover, in March, the Government increased considerably the amount allocated to the credit guarantee fund (CGF) – established in the early nineties to stimulate lending to SMEs -- to TRY 25bn from TRY 2bn, bringing the Treasury credit guarantees up to TRY 250bn (c. 15% of end-2016 banking sector loans) from TRY 20bn. Loans under guarantee are subject to preferential risk weighting of 0% and the Treasury takes credit risk for up to 7% of the total fund limit. With TRY 200bn having been utilized by September, (FX-adjusted) corporate lending growth rose to a 2¼-year high of 20.1% y-o-y in September from 11.1% at end-2016 and a recent low of 9.7% in July 2016. Some analysts estimate that the full use of the CGF facility this year would contribute 1.5 pps to the estimated FY:17 economic growth of 5.5%.

Customer deposits (FX-adjusted) accelerated in 9M:17. Growth in customer deposits, adjusted for FX variations, rose to a 3¼-year high of 13.0% y-o-y at end-September from 10.5% at end-2016, underpinned by strengthening confidence in the Turkish economy following the mid-April referendum and higher deposit remuneration rates, due to tighter liquidity conditions. Indeed, with the surge in lending activity, the bank deposit funding gap widened further, leading to a significant increase in interest rates on TRY, USD and EUR deposits (by 2.3, 0.5 and 0.2 pps y-t-d, respectively, to 11.9%, 2.8% and 1.3%).

The seasonally-adjusted (s.a.) unemployment rate declined by 0.4 pps q-o-q to 11.2% in Q2:17. Importantly, the decline in the s.a. unemployment rate accelerated to 0.4 pps q-o-q in Q2:17 from 0.2 pps q-o-q in Q1:17, following sharp increases during the previous 3 quarters (totalling 1.8 pps), mainly reflecting deteriorating confidence. The latter was the result of the resignation of the reformist PM Davutoglu in early-May 2016 and the failed coup in mid-July 2016, as well as the deepening crisis in the tourism sector. Non-farm unemployment (s.a.) also declined to 13.3% in Q2:17 from 13.8% in Q1:17.

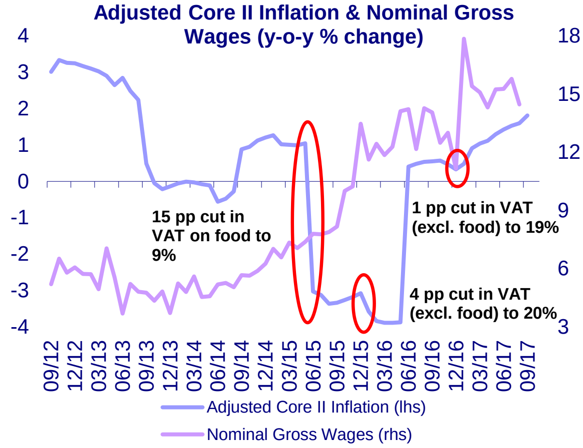
The stronger improvement in the quarterly unemployment rate in Q2:17 was driven by the rebound in economic activity, supported by a counter-cyclical fiscal policy, buoyant credit activity, stronger external demand, improved competitiveness of Turkish exports and a recovery in the tourism sector. The number of jobs created in Q2:17 was up 270k q-o-q or 1.0% q-o-q, bringing the employment rate to an all-time high of 46.7% from 46.5% in Q1:17. On an annual basis, employment increased by 2.6% y-o-y in Q2:17.

Looking ahead, we expect the s.a. unemployment rate to decline at a faster pace on a quarterly basis during the rest of the year (an average quarterly decline of 0.6 pps q-o-q), supported by buoyant economic activity. However, despite this improvement, the unemployment rate will likely reach an 8-year high of 11.2% in FY:17, up from 10.9% in FY:16.

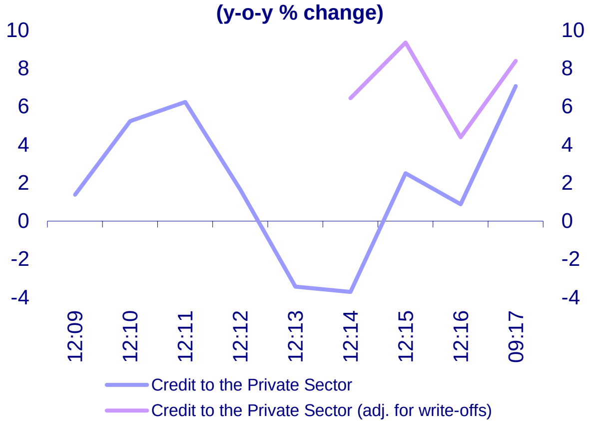
Romania

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

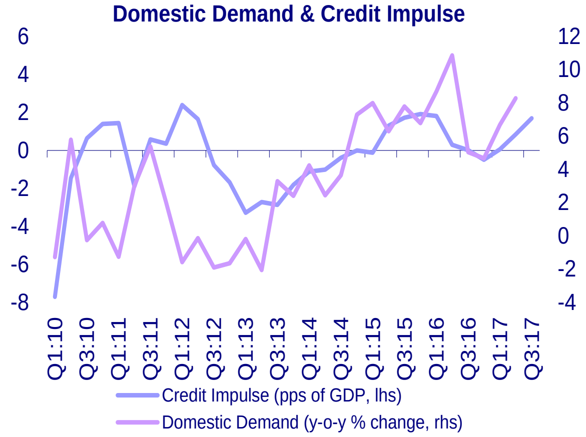
Adjusted Core II Inflation & Nominal Gross Wages (y-o-y % change)



Credit to the Private Sector (y-o-y % change)



Domestic Demand & Credit Impulse



	23 Oct.	3-M F	6-M F	12-M F
1-m ROBOR (%)	1.8	2.0	2.2	2.5
RON/EUR	4.59	4.57	4.55	4.55
Sov. Spread (2024, bps)	123	120	116	110

	23 Oct.	1-W %	YTD %	2-Y %	
BET-BK	1,640	-0.8	22.0	21.4	
	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.1	3.9	4.8	5.8	4.2
Inflation (eop, %)	0.8	-0.9	-0.5	2.6	3.2
Cur. Acct. Bal. (% GDP)	-0.7	-1.2	-2.3	-3.2	-3.6
Fiscal Bal. (% GDP)	-1.7	-1.5	-2.4	-3.3	-4.0

Headline inflation rose to a 4-year high of 1.8% y-o-y in September from -0.5% at end-2016, on the back of stronger domestic demand and higher food prices. The sharp rise in headline inflation between December and September was mainly driven by a pick-up in food prices (up 2.8% y-o-y in September against 0.7% in December), on the back of stronger-than-usual seasonal patterns for volatile food prices, and soaring domestic demand (as suggested by adjusted core II inflation rising to 1.8% y-o-y from 0.3% in December). The latter was fueled by the ongoing easing in incomes policy and its spillover to the private sector (see chart) and, to a far lesser extent, the sharper depreciation of the RON (-3.3% y-o-y against the EUR in September against -0.2% y-o-y in December).

Inflation is set to continue on its upward trend until mid-2018. We expect inflationary pressures to persist during the remainder of the year, in line with: i) stronger domestic demand; ii) higher imported inflation; iii) the reinstatement of the special excise duty on fuels, which had been abolished at the beginning of the year (adding c. 0.3 pps to headline inflation); and iv) hikes in administered gas and electricity prices in October (up 6.0% and 5.5%, respectively, adding 0.2 and 0.3 pps to headline inflation). Overall, we see headline inflation rising to 2.6% y-o-y at end-2017 (revised up from 2.0% previously), with adjusted core II inflation trailing behind at 2.2% y-o-y.

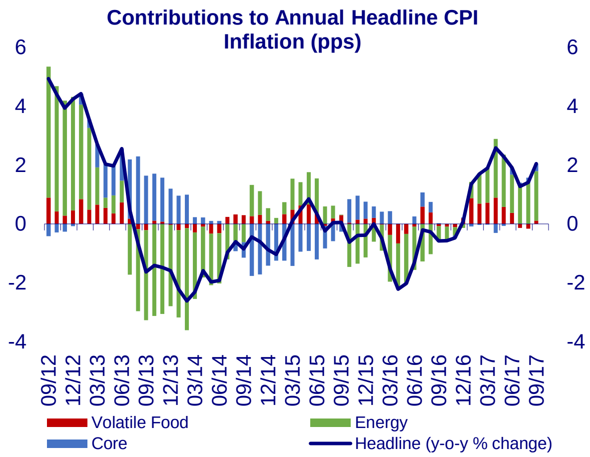
Robust domestic demand, on the back of a further easing in fiscal policy (implying an impulse of 0.7 pps of GDP in FY:18), should continue to fuel inflation throughout H1:18. Tighter monetary conditions (see below) and positive base effects from the aforementioned hikes in administered prices in H2:17 should, however, lead to a deceleration in headline inflation in H2:18, ending the year at 3.2%, still within the NBR's target range (2.5±1%). At the same time, adjusted core II inflation should gradually converge towards headline inflation.

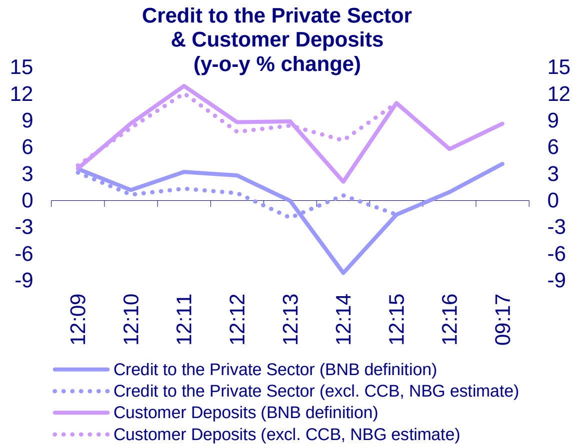
Credit activity picked up rapidly in 9M:17, sustaining economic activity. Credit to the private sector rose by 7.1% y-o-y in September against 0.9% at end-2016. This has been the highest growth rate since mid-2012, implying a significant credit impulse (defined as the change in the flow of credit scaled by nominal GDP) of 1.7 pps in Q3:17 against 0 pps in Q3:16. Note that our calculations are somewhat understated, however, due to large write-offs, which have pushed down the NPL ratio to an estimated 8.1% in September from 10.0% a year ago and a peak of 26.8% in early-2014. Adjusted for write-offs, credit to the private sector is estimated to have increased by 8.5% y-o-y in September against 4.8% at end-2016.

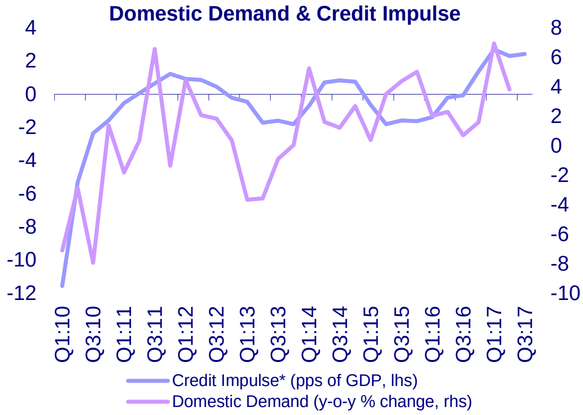
Credit activity to be contained by a tighter monetary policy next year. Rapidly rising overheating pressures (as suggested by GDP growth running well above its long-term potential of 3.0% for a 3rd consecutive year, and the current account deficit more than quadrupling from its FY:14 low -- see table) combined with the pro-cyclical fiscal stance should prompt a monetary policy response. In this context, we expect the NBR to raise its policy rate to 4.0% by end-2018 from 1.75% currently, with the first hike in Q1:18 and the increases frontloaded. As a result, despite an otherwise accommodative environment (as reflected in the country's low lending penetration rate -- 28.2% of GDP -- and the banking system's ample liquidity -- the loan-to-deposit ratio stands at 83.7%), we expect credit activity to slow next year. Note that increased NPL recognition ahead of an AQR should keep the underlying ratio at current levels until end-2018. All said, we see credit to the private sector expanding by 5.0% in FY:18 against 7.0% in FY:17 and just 0.9% in FY:16.

Bulgaria

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







*Adjusted for the bankruptcy of CCB in 2014

	23 Oct.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	44	47	49	50

	23 Oct.	1-W %	YTD %	2-Y %
SOFIX	667	-0.4	13.8	49.4

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.3	3.6	3.9	3.8	3.6
Inflation (eop, %)	-0.9	-0.4	0.1	1.4	1.8
Cur. Acct. Bal. (% GDP)	0.1	-0.1	4.1	3.2	2.4
Fiscal Bal. (% GDP)	-3.7	-2.8	1.6	0.0	-1.0

Headline inflation rose sharply to 2.1% y-o-y in September from 0.1% at end-2016, mainly due to higher energy prices. Energy inflation picked up to 4.8% y-o-y in September from -0.1% at end-2016, reflecting the lagged pass-through of global oil prices to domestic prices as well as a series of hikes in administered gas and heating prices in Q2:17 (adding 0.5 pps to headline inflation). On the other hand, after a sharp rise at the beginning of the year, volatile food inflation moderated further to 1.9% y-o-y in September, below its end-2016 outcome (up 3.5% y-o-y), due to a good summer harvest. Excluding volatile food and energy prices, core inflation rose slightly to 0.4% y-o-y in September from 0% at end-2016, on the back of stronger private consumption.

Headline inflation to moderate over the next 2 quarters. Looking ahead, strong domestic demand and tighter profit margins (note that the CPI-PPI gap stands at -2.8 pps on average in 9M:17 against 2.2 pps in FY:16) should put upward pressure on headline inflation. This pressure is set to be offset, however, over the next two quarters by: i) a sharp decline in energy inflation (the price of Brent oil is projected to remain broadly at current levels until end-year, implying a decline of 7.3% y-o-y in December against an increase of 10.6% y-o-y in September); and ii) positive base effects from a weather-related agriculture supply shock in Q1:17. All said, we see headline inflation increasing to 1.8% y-o-y at end-2018 from a projected 1.4% at end-2017, still below its long-term average. At the same time, adjusted core II inflation should gradually converge towards headline inflation.

Credit expansion strengthened in 9M:17, underpinning economic recovery. Credit to the private sector expanded by 4.1% y-o-y in September against 1.0% at end-2016. As a result, the loan-to-GDP ratio reached 51.9% of GDP, above the SEE-4 average (32.7%), and the credit impulse (defined as the change in the flow of credit scaled by nominal GDP) rose to 2.4 pps in Q3:17 from -0.1 pp in Q3:16. Specifically, FX lending continued to decline in September (down 10.9 y-o-y following a similar decline at end-2016), despite the lower interest rates offered (3.4% for FX loans against 5.4% for LC loans) and the absence of FX risk. At the same time, LC lending picked up (up 16.8% y-o-y in September following a rise of 12.7% at end-2016), on the back of ample BGN liquidity (the LC loan-to-deposit ratio stood at 78%).

In our view, the pick-up in credit expansion is due to the easier credit standards by banks. Indeed, the solid economic growth, combined with the introduction of negative interest rates on banks' excess reserves by the BNB and the increased transparency in the aftermath of the 2016 AQR, as well as the continuing -- albeit at a slow pace -- decline in the NPL ratio (to 12.1% in June from 12.9% at end-2016 and 14.5% at end-2015), have increased banks' appetite for lending.

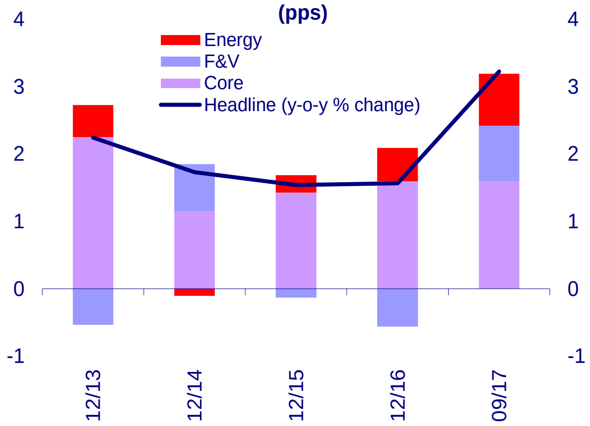
Customer deposits gained momentum in 9M:17, due to solid economic growth. Growth in customer deposits strengthened to 8.7% y-o-y in September from 5.8% at end-2016. Specifically, LC deposits (up 11.1% y-o-y in September against 8.8% at end-2016) continued to overperfrom against FX deposits (up 4.9% y-o-y in September against 1.4% at end-2016), pointing to a declining deposit euroization (FX deposits account for 38% of total deposits against a peak of 54% at end-2009).

Credit activity to gain steam in 2017-18. Against the backdrop of increased liquidity in the system (the loan-to-deposit ratio stands at 78%), we expect the pace of credit expansion to pick up, in line with the continuing economic recovery and the sustained decline in NPLs. Stronger demand for real estate should also help. All said, we see credit to the private sector expanding by 5.0% in FY:17 and 7.5% in FY:18.

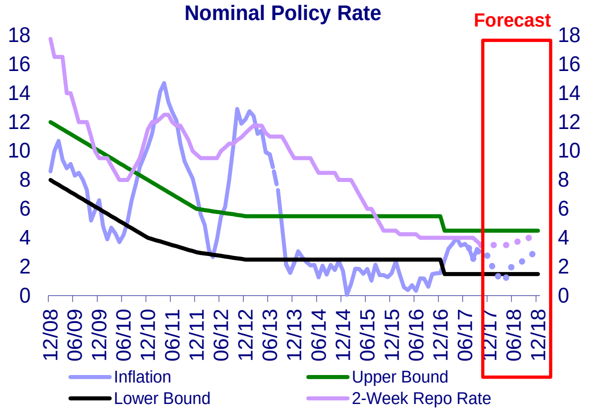
Serbia

BB- / Ba3 / BB- (S&P / Moody's / Fitch)

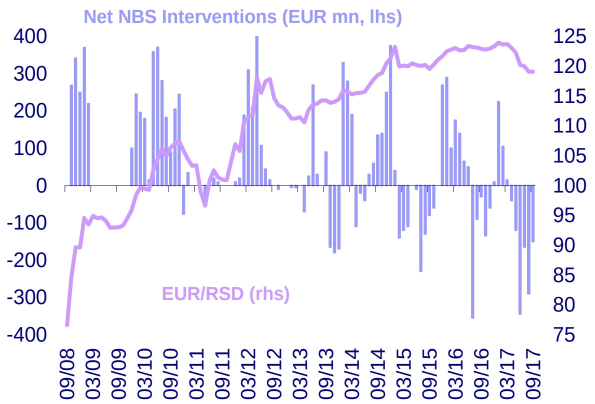
Contributions to Annual Headline CPI Inflation (pps)



Headline Inflation, Inflation Target and Nominal Policy Rate



NBS Interventions & Exchange Rate



	23 Oct.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.8	3.2	3.4	3.8
RSD/EUR	119.1	119.8	120.0	120.3
Sov. Spread (2021, bps)	140	112	110	100

	23 Oct.	1-W %	YTD %	2-Y %
BELEX-15	728	-0.4	1.5	16.7

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.8	0.8	2.8	2.0	3.6
Inflation (eop, %)	1.7	1.5	1.6	2.8	3.0
Cur. Acct. Bal. (% GDP)	-6.0	-4.7	-4.0	-4.4	-4.4
Fiscal Bal. (% GDP)	-6.6	-3.7	-1.3	0.0	0.0

Inflationary pressures heightened in 9M:17, but remained well anchored. Headline inflation rose to 3.2% y-o-y in September from 1.6% at end-2016. Importantly, inflation has returned to within the NBS' target band (of 3±1.5%) since January, after remaining persistently low (below the NBS lower bound for 3 successive years).

Elevated inflationary pressures between December and September largely reflect the gradual pick-up in fruit & vegetable prices from their end-2016 low, combined with an unusually cold winter followed by months of protracted summer drought this year (contributing 0.8 pps to September inflation after subtracting 0.6 pps in December).

Elevated inflationary pressures between December and September were also driven by an increase in energy prices, due to the rise in global oil prices (contributing 0.8 pps to September inflation -- yet below 1.1 pp in April -- against 0.5 pps in December).

Importantly, core inflation (that excludes prices of fruit & vegetables and energy, and accounts for 77.5% of the CPI basket) remained flat, at a low of 2.1% y-o-y in September, unchanged from December. This occurred due to: i) stable non-energy regulated prices (as higher cigarette prices were offset by lower telecommunication services prices); ii) a stronger dinar (appreciating by 3.6% against the EUR in 9M:17); and iii) still subdued demand-side pressures amid a markedly tight fiscal stance and a persistent negative output gap.

Inflation is set to embark on a steady downward trend in Q4:17, ending 2017 at 2.8%. Looking ahead, inflation is set to ease to 2.8% by end-2017 -- within the NBS' target of 3±1.5% -- mainly due to a normalization in volatile prices of fruit & vegetables and energy prices in Q4:17, but remain well above the end-2016 outcome of 1.6%.

Inflation is set to remain on a mild downward path in H1:18, converging towards the lower bound of the NBS target band, on the back of continued favourable volatile prices of fruit & vegetables and energy prices. We expect inflation to increase gradually thereafter, reaching a 6-year high of 3.0% y-o-y at end-2018 -- still well within its target band. The increase will result solely from the rebound in domestic demand.

The NBS unexpectedly proceeded with an additional 25 bp rate cut to 3.5%. Following a 25 bp cut in September, the NBS surprisingly lowered its 2-week repo rate, by a further 25 bps, at its October meeting, to a record low 3.5% -- still the highest in SEE-5.

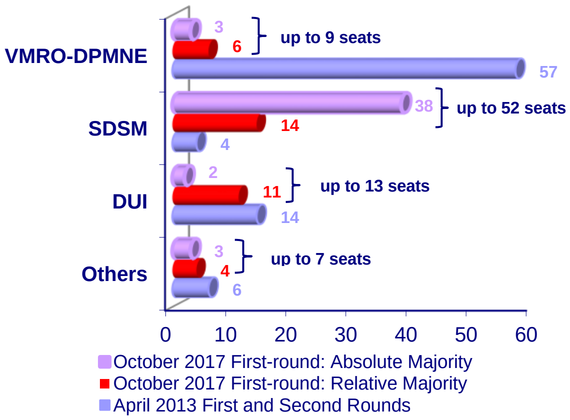
The resumption of the easing policy in September, after a pause of more than a year, was supported by: i) a benign inflation outlook and a still low core inflation (see above); ii) the sharper-than-expected fiscal consolidation; and iii) weaker-than-expected economic activity. Note that the NBS proceeded with the two central rate cuts due to appreciation pressures on the RSD (see chart) prompted by the gradual return of confidence, despite NBS interventions (purchases of EUR 1.1bn since April, or 10.9% of end-2016 FX reserves).

NBS to keep its key rate on hold until the initiation of a new cycle of monetary policy tightening in Q3:18. Going forward, in view of persistently low inflation in H1:18 (set to fluctuate close to the lower bound of the NBS' target band), we expect the NBS to keep its policy rate on hold until June 2018, in a bid to dampen the ongoing appreciation pressures on the RSD, which are hindering the already weak export-driven growth. Thereafter, monetary policy tightening is set to resume in H2:18, in view of mounting inflationary pressures. In fact, we expect the NBS to gradually increase the key policy rate, by a cumulative 50 bps in H2:18, to 4.0%. Should our forecasts materialise, the monetary policy stance will tighten slightly, with the *ex post* policy rate, in real and compounded terms, standing at 1.0% at end-2018 up from 0.8% at end-2017.

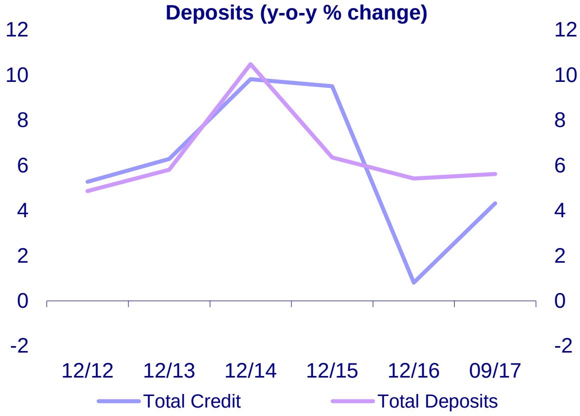
F.Y.R.O.M

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

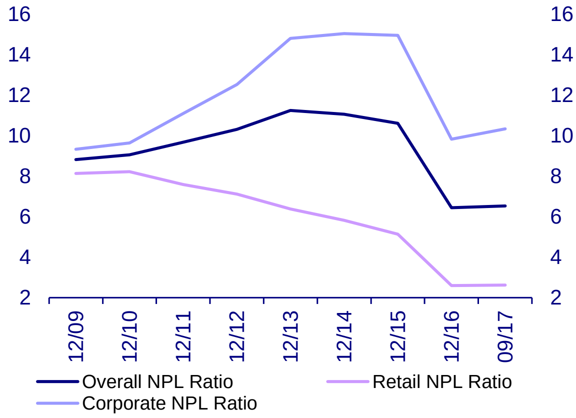
Results of Local Elections



Credit to the Private Sector & Customer Deposits (y-o-y % change)



NPL Ratio (%)



	23 Oct.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	270	260	250	240

	23 Oct.	1-W %	YTD %	2-Y %
MBI 100	2,630	-1.1	23.2	55.2

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.6	3.9	2.9	1.5	3.7
Inflation (eop. %)	-0.5	-0.3	-0.2	1.0	2.0
Cur. Acct. Bal. (% GDP)	-0.5	-2.1	-3.1	-2.2	-1.9
Fiscal Bal. (% GDP)	-4.2	-3.5	-2.6	-3.8	-2.8

The ruling coalition is set to secure a landslide victory in the local elections, strengthening its hand to proceed with ambitious reforms. In the first round of local elections held on October 15th -- initially scheduled for mid-May but postponed due to the failure to form a Government at that time -- the senior party of the ruling coalition, the Social Democrats (SDSM) led by Prime Minister Zaev, secured 38 out of 81 mayoral seats in the first round, including the capital Skopje, against only 4 seats in both rounds of April 2013 local elections. The main opposition party -- the nationalist VMRO-DPMNE, led by former Prime Minister Gruevksi, who was ousted from power after 10 years due to criminal investigations over a wiretapping scandal -- suffered a heavy defeat, winning only 3 mayoral seats against a majority of 57 seats in both rounds of April 2013 local elections. The junior party in the SDSM-led government coalition, the Democratic Union for Integration (DUI), won only 2 mayoral seats against 14 seats in both rounds of April 2013 local elections.

In the run-off elections for mayoral seats where an absolute majority was not reached in the first round, scheduled for October 29th, the DUI will likely regain a large part of its lost ground, and the VMRO-DPMNE should improve slightly. Indeed, in view of the high relative majority received in the first round, the SDSM, the DUI and the VMRO-DPMNE could secure up to 14, 11 and 6 additional seats, respectively, in the second round.

Importantly, local elections are seen as a seal of public approval for the new Government coaltion's political and economic agenda. Recall that the SDSM came to power in late-May, along with two ethnic Albanian parties -- DUI and the Alliance for Albanians -- after President Ivanov gave the mandate to Zaev to form a government following the December 11th inconclusive election results and Gruevski's failure to do so by end-January. Its reform programme includes a set of measures to be implemented by the Government to secure the country's EU and NATO membership.

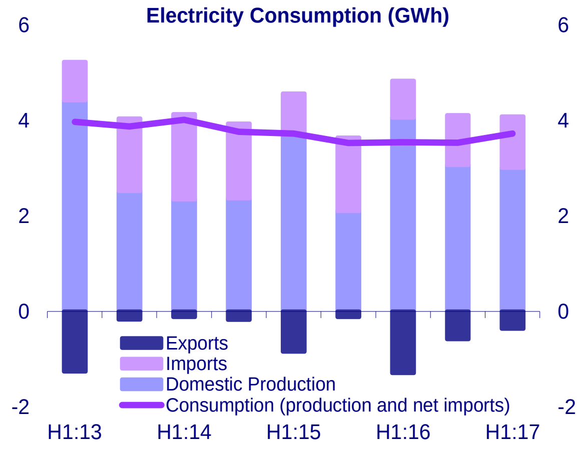
Overall, the outcome of the local elections is investor-friendly, as it should strengthen the recently-reinstated domestic political stability and encourage the Government to proceed with its ambitious reform agenda.

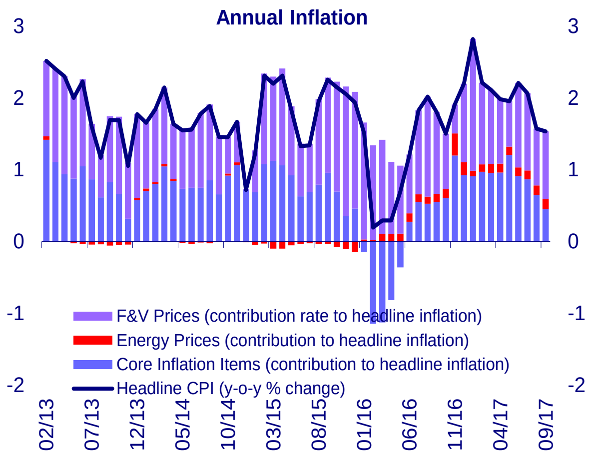
Customer deposit growth maintained momentum in 9M:17, as the gradual recovery of confidence in the banking system offset the negative impact of lower remuneration rates. Customer deposits grew by a solid 5.6% y-o-y in September, broadly unchanged from its end-2016 outcome (up 5.4%). Strong deposit growth was supported exclusively by the retail sector (up 5.6% y-o-y in September from 2.5% at end-2016). The acceleration in retail deposits reflects improved confidence in the banking system, in line with the gradual normalization of the political environment after the formation of the new Government in late-May. The increase in overall deposits would have been stronger in September had deposit remuneration rates not declined across the board since the beginning of the year.

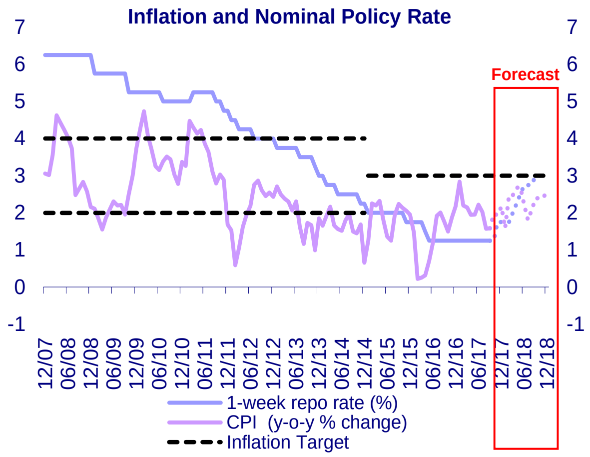
Credit to the private sector picked up in 9M:17, underpinned by improved bank asset quality and a positive political and economic outlook. Growth in lending activity accelerated to 4.3% y-o-y in September from a multi-year low of 0.8% at end-2016, driven by both the corporate segment and the retail sector. Stronger credit activity was supported by: i) easing credit standards in view of a brighter political and economic outlook; ii) the recent clean-up of banks' balance sheets (FYROM enjoys the lowest overall NPL ratio among the SEE-5 countries -- 6.5% in September); and iii) a still solid liquidity (the LC loan-to-deposit ratio stood at 92.0% last December).

Albania

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







	23 Oct.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	133.3	132.3	131.7	130.7
Sov. Spread (bps)	224	220	210	200

	23 Oct.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.8	2.2	3.4	4.0	4.4
Inflation (eop, %)	0.7	2.0	2.2	2.2	2.6
Cur. Acct. Bal. (% GDP)	-10.8	-8.6	-7.6	-9.0	-8.4
Fiscal Bal. (% GDP)	-5.2	-4.1	-1.8	-1.7	-1.6

Electricity generation declined markedly in H1:17, due to adverse weather conditions. Domestic electricity production dropped by 25.9% y-o-y in H1:17 after increasing considerably for two successive years (by 21.7% in FY:16 and 24.1% in FY:15 as a result of heavy rainfall). The deterioration reflects lower rainfall and several months of drought (recall that Albania's electricity generation remains totally dependent on hydroelectric production). The sharp decline in domestic electricity production led to a sharp drop in electricity exports by 72.0% y-o-y in H1:17 and a sharp rise in imports by 39.2% (covering 28.9% of total consumption in H1:17). The adverse weather conditions took their toll on: i) growth, as the drop in electricity production is estimated to have subtracted 0.2 pps from overall growth in H1:17; ii) the current account deficit (with the impact from higher net energy exports estimated at 0.7 pps of GDP in H1:17); and iii) public finances (note that the 2017 Budget was revised to include an increase in net lending for energy by 0.2 pps of GDP, due to the unexpected increase in energy imports).

On a positive note, the strong implementation of the electricity sector reform (launched at end-2014 with the support of the World Bank) continues to bring about good results. As a result, large unbilled electricity, reflecting not only technical losses (due to the low quality of the electricity network), but most importantly large non-technical losses, due to extensive electricity theft, has been gradually reduced. Indeed, (unbilled) distribution losses fell to 25.2% of total consumption in H1:17 from a peak of 39.4% in FY:13, with non-technical losses declining to 30.4% of total losses in H1:17 from a high 61.0% in FY:13.

Headline inflation has eased since the beginning of the year due to softer food inflation (excluding fruit and vegetables). Headline inflation moderated to 1.6% y-o-y in September from 2.2% at end-2016 -- remaining persistently low and well below the BoA's target of 3.0% for five successive years. The decline was almost exclusively driven by a significant moderation in core inflation (that excludes prices of fruit & vegetables and energy, and accounts for 85.8% of the CPI basket). Core inflation eased to 0.5% y-o-y in September from 1.1% in December 2016, as pressures from the gradual recovery in domestic demand were more than offset by lower food inflation, excluding fruit and vegetables, reflecting a positive supply shock and lower imported food inflation (with cereals, milk and sugar contributing 0.1 pp to inflation in September against 0.5 pps in December).

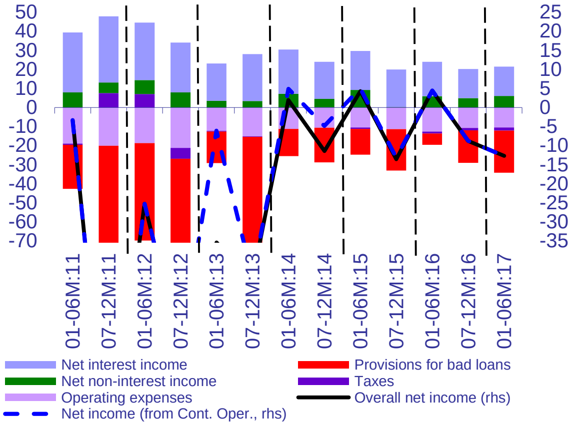
Headline inflation to rise to 2.2% y-o-y in December, but remain below the BoA's target. The acceleration should result from the gradual pick-up in core inflation, due to strengthening domestic demand, and the expected sharp rise in volatile prices of fruit and vegetables in Q4:17, due to the persisting drought. However, it should remain well anchored (below BoA's target of 3% for a 7th year in a row). For 2018, we expect headline inflation to continue its mild upward trend, reaching an 8-year high of 2.6% in December -- the highest end-year inflation since 2010 -- but still remaining below the BoA's target. The negative inflation performance next year should result from mounting domestic demand pressures, with the output gap finally turning positive in Q3:18 (on a 4-quarter rolling basis).

The BoA is set to initiate a cycle of policy tightening. The BoA has maintained its key policy rate unchanged since June 2016, at a record low of 1.25%, following two cuts in Q2:16 by a cumulative 50 bps. Looking ahead, we expect the BoA to gradually hike its 1-week repo rate by 175 bps to 3.0% by end-2018 -- 0.4% in *ex post*, real and compounded terms from an expected -0.4% at end-2017 -- in an effort to contain the overheating of the economy (GDP growth of c. 4.5% in 2018 and a positive output gap) and temper inflationary pressures.

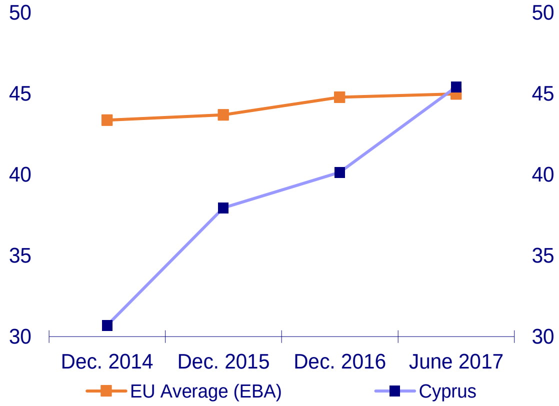
Cyprus

BB+ / Ba3 / BB (S&P / Moody's / Fitch)

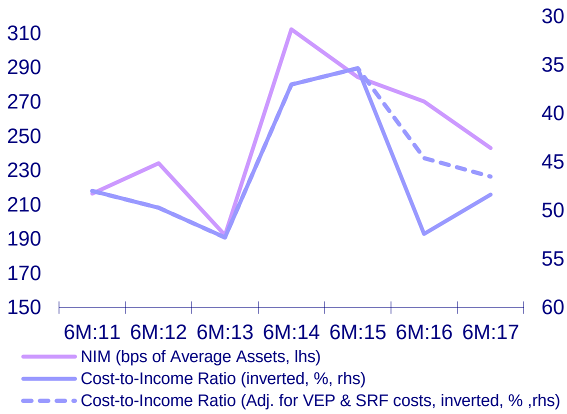
Semi-annual Net Income (bn, EUR, annualised)



Non-Performing Loans (NPLs) Coverage



Net Interest Margin & Cost-to-Income Ratio



	23 Oct.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.17	1.19	1.18	1.20
Sov. Spread (2020. bps)	112	105	95	80

	23 Oct.	1-W %	YTD %	2-Y %
CSE Index	74	1.4	12.2	1.5

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.4	2.0	3.0	3.7	3.4
Inflation (eop. %)	-1.5	-1.0	-0.3	0.8	1.5
Cur. Acct. Bal. (% GDP)	-4.3	-1.5	-4.9	-3.8	-3.0
Fiscal Bal. (% GDP)	-8.8	-1.2	0.4	1.8	1.8

Banking sector bottom line deteriorated markedly in H1:17 due to a sharp rise in NPL provisions. The banking sector posted losses of EUR 635mn (3.3% of GDP) in H1:17 against profits of EUR 222mn (1.2% of GDP) in H1:16. This was mainly due to a sharp rise in banks' provisions for problematic loans (up 273% y-o-y or EUR 747mn y-o-y in H1:17). As a result, ROAE and ROAA deteriorated markedly to -15.9% and -1.7%, respectively, in H1:17, from 6.4% and 0.6% in H1:16.

Banks increased sharply provisions for problematic loans in H1:17, bringing the NPL coverage to the EU-average. In H1:17, NPL provisions posted the largest semi-annual increase since the 2013 banking crisis – EUR 747mn y-o-y -- despite sizeable declines in their stock of NPLs, due to restructuring activity, write-offs and debt for asset swaps. The latter fell by 7.8% y-o-y to EUR 17.5bn or 92.2% of GDP, reducing the NPL ratio by 2.8 pps y-o-y to a recent low of 33.8% since the change of the calculation methodology in December 2014.

The sharp rise in NPL provisions on an annual basis in H1:17 reflects: i) a reassessment of banks' collateral values held against their loan portfolios; ii) tighter accounting standards ahead of the transition to IFRS 9 (to take place in January 2018) and ECB stress tests (scheduled for H1:17); and iii) banks' efforts to comply with the official lenders' recommendation to accelerate the pace of resolution of problematic loans. As a result, the NPL coverage ratio improved significantly, rising to with the EU-average of 45.0% at end-H1:17. Moreover, the (4-quarter rolling) cost of risk rose sharply, by 117 bps y-o-y to (a 3-year high of) 346 bps in Q2:17 from 198 bps in Q4:16.

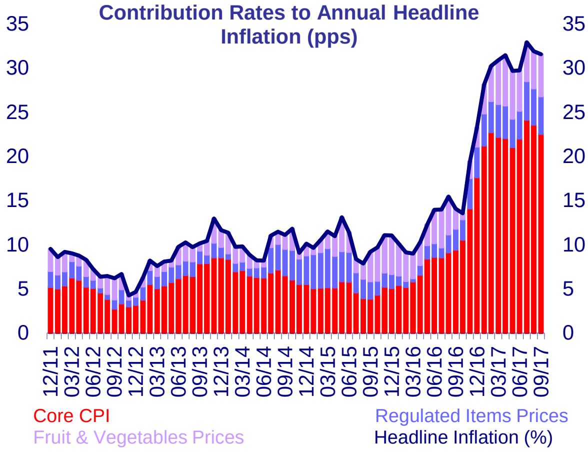
Pre-provision income (PPI before tax) fell modestly by 2.9% y-o-y in H1:17, as the negative impact from lower net interest income (NII) was almost offset by higher net non-interest income (NNII) and lower operating expenditure. NII declined by 14.6% y-o-y, due to: a) lower average interest-earning assets (down c. 5.0% y-o-y), in line with the ongoing deleveraging (average interest-earning assets declined to 333% of GDP in H1:17 from 370% in FY:16); and b) a weaker net interest margin (NIM, down 27 bps y-o-y to 243 bps), reflecting, *inter alia*, increased loan restructurings and tighter lending-deposit spreads in a more competitive interest rate environment.

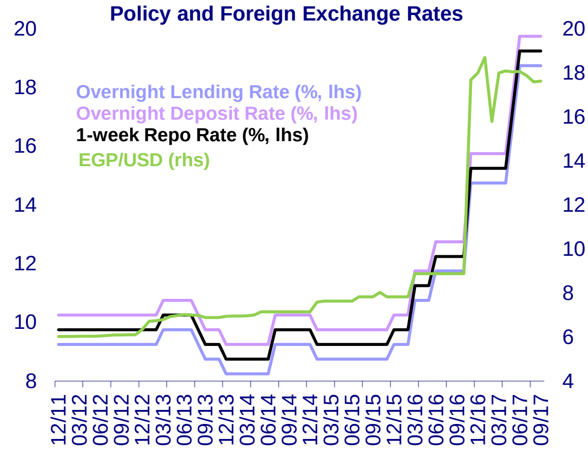
The deterioration in PPI (before tax) in H1:17 was tempered by both higher NNII and lower operating expenses. Indeed, NNII rose by 1.6% y-o-y in H1:17 despite unfavourable base effects from once-off gains from the sale of banks' shares in Visa Europe in H1:16 (a total of EUR 78.4mn for the island's leading banks -- BoC, Hellenic Bank and the Cooperative Central Bank). Excluding the once-off gains, NNII rose by 37.3% y-o-y in H1:17, supported, *inter alia*, by higher net income from fees and commissions, reflecting banks' continuing efforts to increase fee income in a low interest rate environment, as well as gains from the disposal of property assets held for sale as part of a customers' debt settlement.

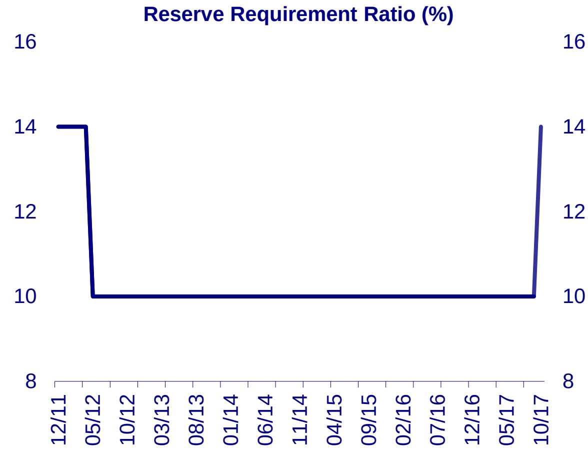
On the other hand, operating expenses declined by 17.4% y-o-y in H1:17, exclusively due to a sharp decline in personnel expenditure by 26.1% y-o-y, reflecting base effects from the once-off cost of the voluntary retirement schemes (VEP) of BoC and Alpha Bank in H1:16. Excluding VEP, operating expenses posted positive growth in H1:17, due, *inter alia*, to higher administrative expenses in the form of a special levy as a contribution to the European Single Resolution Fund (SRF, estimated at EUR 20mn) as well as the recently-signed collective agreement with the Cyprus Union of Bank Employees – but effective from January 1st 2017 -- envisaging the reinstatement of automatic wage increases (after a 4-year freeze) and higher increases for low-wage employees.

Egypt

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







	23 Oct.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	18.9	19.0	18.0	17.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	244	250	240	220

	23 Oct.	1-W %	YTD %	2-Y %
HERMES 100	1,313	2.3	20.5	92.3

	13/14	14/15	15/16	16/17E	17/18F
Real GDP Growth (%)	2.9	4.4	4.3	3.5	4.5
Inflation (eop. %)	8.2	11.4	14.0	29.8	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-5.8	-6.5	-5.0
Fiscal Bal. (% GDP)	-12.2	-11.5	-12.5	-10.5	-9.5

Headline inflation declined for the second consecutive month in September -- down to 31.6% y-o-y from a 3-decade high of 33.0% y-o-y in July. Headline inflation declined to 31.6% y-o-y in September from 31.9% in August and a 30-year high of 33.0% in July. The July peak resulted from further adjustments in regulated prices (prices of fuel and electricity were increased by up to 50% and 42%, respectively, on July 1st) and a rise in the VAT rate (by 1 pp to 14% on July 1st), in the context of the ongoing 3-year IMF-supported programme.

Recall that headline inflation had already risen sharply to a multi-year high of 29.8% y-o-y last June (end-2016/17) from 14.0% in the same month a year earlier, following the implementation of long-awaited reforms ahead of the signing of a USD 12bn loan deal with the IMF in early-November 2016. These reforms included: i) the flotation of the domestic currency (on November 3rd 2016, which has led to a sharp depreciation of the EGP by c. 50.0% against the USD since then); ii) a sharp cut in energy subsidies through price increases (fuel prices were increased by 30%-50% on November 3rd 2016 following a hike in electricity prices by 20-40% in early-August 2016); and iii) the replacement of the complex sales taxes by a VAT of 13% in early-September 2016.

The 1.4 pp decline in headline inflation between July and September was driven exclusively by core inflation. Indeed, core inflation eased to 33.3% y-o-y in September from 35.3% in July, on the back of the previous policy rate hikes, the absorption of excess liquidity through open market operations, and the stabilisation of the EGP against trading partners' currencies. Note that, in view of the elevated level of headline inflation at end-2016/17 (June 2017) and intensifying inflationary pressures following the new regulated price adjustments and VAT rate increase (both in early July), the CBE hiked aggressively its key policy rates by a cumulative 400 bps in May and June, bringing the total increase in policy rates to 700 bps since the signing of the IMF deal last November and 1000 bps since the initiation of a cycle of monetary policy tightening in December 2015. The overnight deposit rate, the overnight lending rate and the 1-week repo rate currently stand at 18.75%, 19.75% and 19.25%, respectively.

Headline inflation is set to fall significantly throughout the rest of the current fiscal year, reaching 13.5% y-o-y in June (end-2017/18). Assuming no further regulated price adjustments this fiscal year -- in view of the May 2018 presidential elections – and a continued tight policy mix, headline inflation is set to continue to decline during the rest of the fiscal year. We foresee headline inflation reaching a 3-year low of 13.5% y-o-y in June (end-2017/18) – well within the CBE's (announced Q2:18/19) target range of 10%-16%. Note that, on October 10th, the CBE tightened further its monetary policy stance through a 4 pp increase in the bank reserve requirement ratio to 14.0%.

A sharp decline in inflation during the next two months to strengthen the CBE's hand to initiate a new cycle of monetary policy loosening in January. In view of a sharp decline in inflation in November-December (to c. 18.0% y-o-y in January from 31.6% in September), reflecting mainly the fading impact of the flotation of the EGP and the hike in fuel prices in November 2016 (see above), the CBE is likely to embark on a new cycle of monetary policy easing in January. We expect the CBE to cut its policy rates by 400 bps in H2:17/18 (January-June 2018). Should our forecasts materialise, the overnight deposit, 1-week repo, and overnight lending rates would ease to 14.75%, 15.25%, and 15.75%, respectively, at end-2017-18 (to 2.1%, 2.6% and 3.1%, respectively, in June 2018 in *ex post*, real and compounded terms from -8.3%, -7.9% and -7.4% in September).

FOREIGN EXCHANGE MARKETS, OCTOBER 23RD 2017

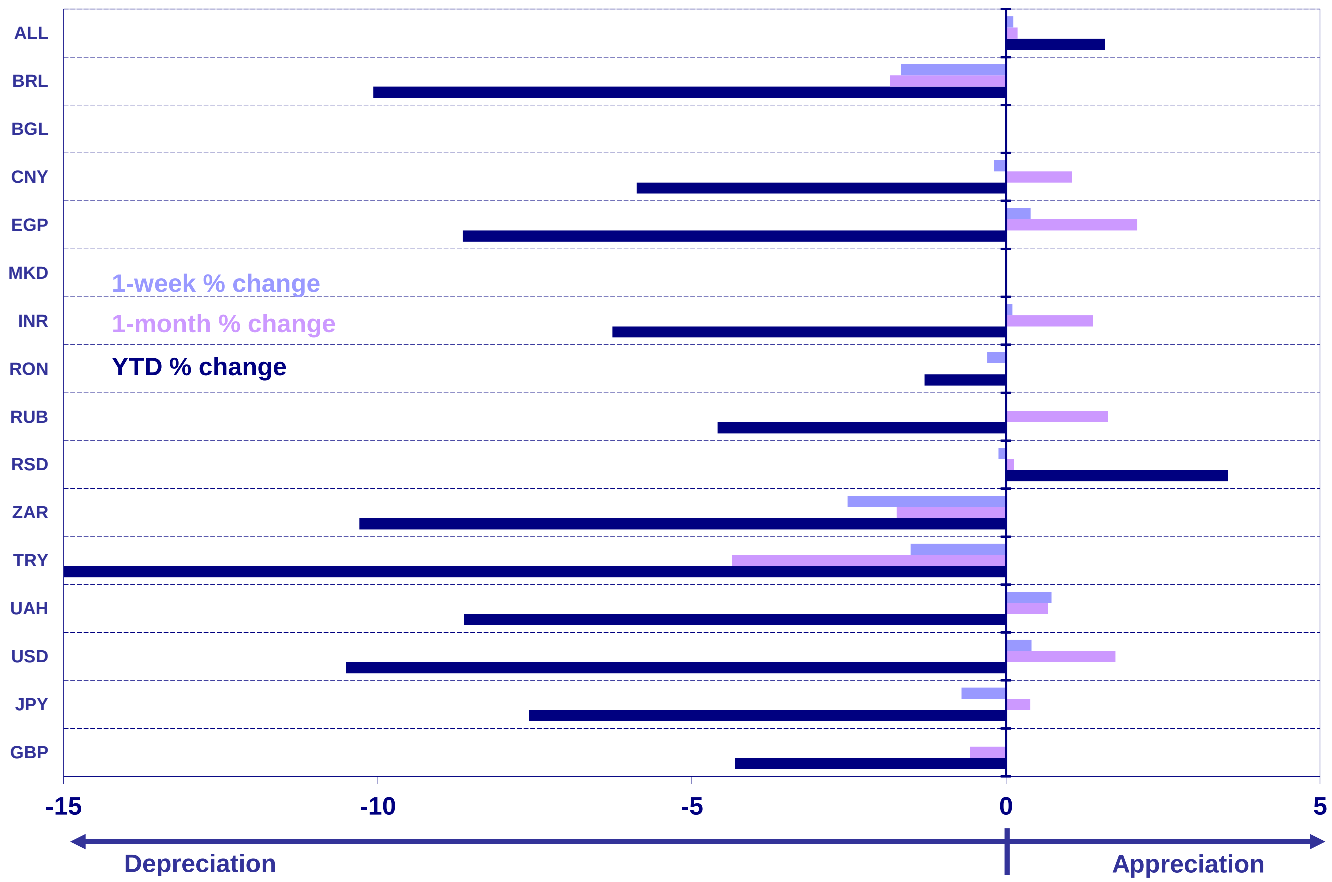
Against the EUR

	Currency	2017										2016	2015
		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	133.3	0.1	0.2	1.6	2.1	132.1	137.3	133.7	133.6	133.2	1.2	2.0
Brazil	BRL	3.80	-1.7	-1.8	-10.1	-10.7	3.23	3.82	4.09	4.08	4.08	25.7	-25.2
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	7.79	-0.2	1.1	-5.9	-5.5	7.20	7.99	8.16	8.15	8.15	-4.0	6.7
Egypt	EGP	20.65	0.4	2.1	-8.6	-53.4	16.62	21.29	- - -	- - -	- - -	-55.0	2.1
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	76.3	0.1	1.4	-6.3	-4.6	68.2	77.8	81.4	- - -	- - -	0.4	6.6
Romania	RON	4.59	-0.3	0.0	-1.3	-2.0	4.49	4.61	4.62	4.63	4.72	-0.4	-0.8
Russia	RUB	67.6	0.0	1.6	-4.6	0.1	59.5	72.1	69.0	70.2	72.9	22.9	-15.1
Serbia	RSD	119.1	-0.1	0.1	3.5	3.3	0.1	124.1	119.5	119.8	- - -	-1.5	-0.1
S. Africa	ZAR	16.1	-2.5	-1.7	-10.3	-6.0	13.38	16.26	16.4	16.7	17.4	16.2	-16.6
Turkey	YTL	4.37	-1.5	-4.4	-15.0	-23.3	3.70	4.39	4.51	4.65	4.95	-14.7	-10.8
Ukraine	UAH	31.2	0.7	0.7	-8.6	-10.2	27.22	32.03	36.2	- - -	- - -	-8.6	-27.5
US	USD	1.17	0.4	1.7	-10.5	-7.4	1.0	1.2	1.18	1.19	1.20	3.3	11.4
JAPAN	JPY	133.3	-0.7	0.4	-7.6	-15.0	114.9	134.4	133.3	133.4	133.4	6.0	11.0
UK	GBP	0.89	0.0	-0.6	-4.3	0.0	0.8	0.9	0.89	0.89	0.90	-13.5	5.3

* Appreciation (+) / Depreciation (-)

** Forward rates have been calculated using the uncovered interest rate parity for Brazil, China, Egypt, India and Ukraine

Currencies against the EUR (October 23rd 2017)



MONEY MARKETS, OCTOBER 23RD 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	8.1	-0.1	2.6	- - -	18.9	- - -	- - -	0.8	8.4	- - -	12.9	7.3	12.5	- - -	1.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.8	8.4	2.5	- - -	7.3	- - -	- - -	- - -
S/W	1.4	8.0	-0.1	2.8	-0.4	- - -	1.2	- - -	- - -	7.9	2.5	- - -	8.1	13.0	-0.4	1.2
1-Month	1.6	7.6	0.0	4.0	-0.4	- - -	1.5	6.3	1.8	8.5	2.8	13.1	6.9	14.3	-0.4	1.2
2-Month	- - -	7.3	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	8.6	2.9	13.1	7.0	- - -	-0.3	1.3
3-Month	1.9	7.2	0.1	4.4	-0.3	- - -	1.7	6.3	1.9	8.6	3.1	13.2	7.1	15.8	-0.3	1.4
6-Month	2.2	7.0	0.2	4.4	-0.3	- - -	2.0	- - -	2.0	8.5	3.3	13.2	7.5	- - -	-0.3	1.6
1-Year	2.9	7.1	0.5	4.4	-0.2	- - -	2.4	- - -	2.1	8.0	- - -	13.3	8.0	- - -	-0.2	1.8

LOCAL DEBT MARKETS, OCTOBER 23RD 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	18.9	- - -	6.1	- - -	8.0	3.3	11.8	- - -	- - -	-0.8	1.1
6-Month	1.8	- - -	- - -	- - -	- - -	18.6	- - -	6.2	2.0	8.0	3.4	12.0	- - -	- - -	-0.9	1.3
12-Month	2.5	- - -	-0.1	3.5	- - -	17.8	1.9	6.2	2.1	7.8	3.4	12.1	- - -	14.3	-0.8	1.4
2-Year	2.8	- - -	- - -	3.6	- - -	- - -	- - -	6.4	2.3	7.5	- - -	12.1	7.2	- - -	-0.7	1.6
3-Year	- - -	- - -	0.0	3.6	0.8	- - -	- - -	6.5	2.7	7.4	- - -	12.0	7.5	14.5	-0.6	1.7
5-Year	- - -	9.4	- - -	3.7	0.7	15.5	- - -	6.7	3.2	7.4	5.1	12.0	7.7	- - -	-0.3	2.0
7-Year	- - -	- - -	0.6	- - -	- - -	15.5	- - -	6.9	3.9	7.5	- - -	- - -	- - -	- - -	0.0	2.2
10-Year	- - -	9.7	1.5	3.7	- - -	15.7	- - -	6.8	4.2	7.6	- - -	11.3	8.8	- - -	0.4	2.4
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.3	- - -	7.7	- - -	- - -	9.5	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.3	- - -	- - -	- - -	- - -	9.9	- - -	1.2	2.9

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

CORPORATE BONDS SUMMARY, OCTOBER 23RD 2017

		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	0.7	141	96
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	0.5	- - -	- - -
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	8.7	127	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	8.5	79	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.2	159	129
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	111	55
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.1	285	240
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.1	187	142
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.1	260	209
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.8	380	368

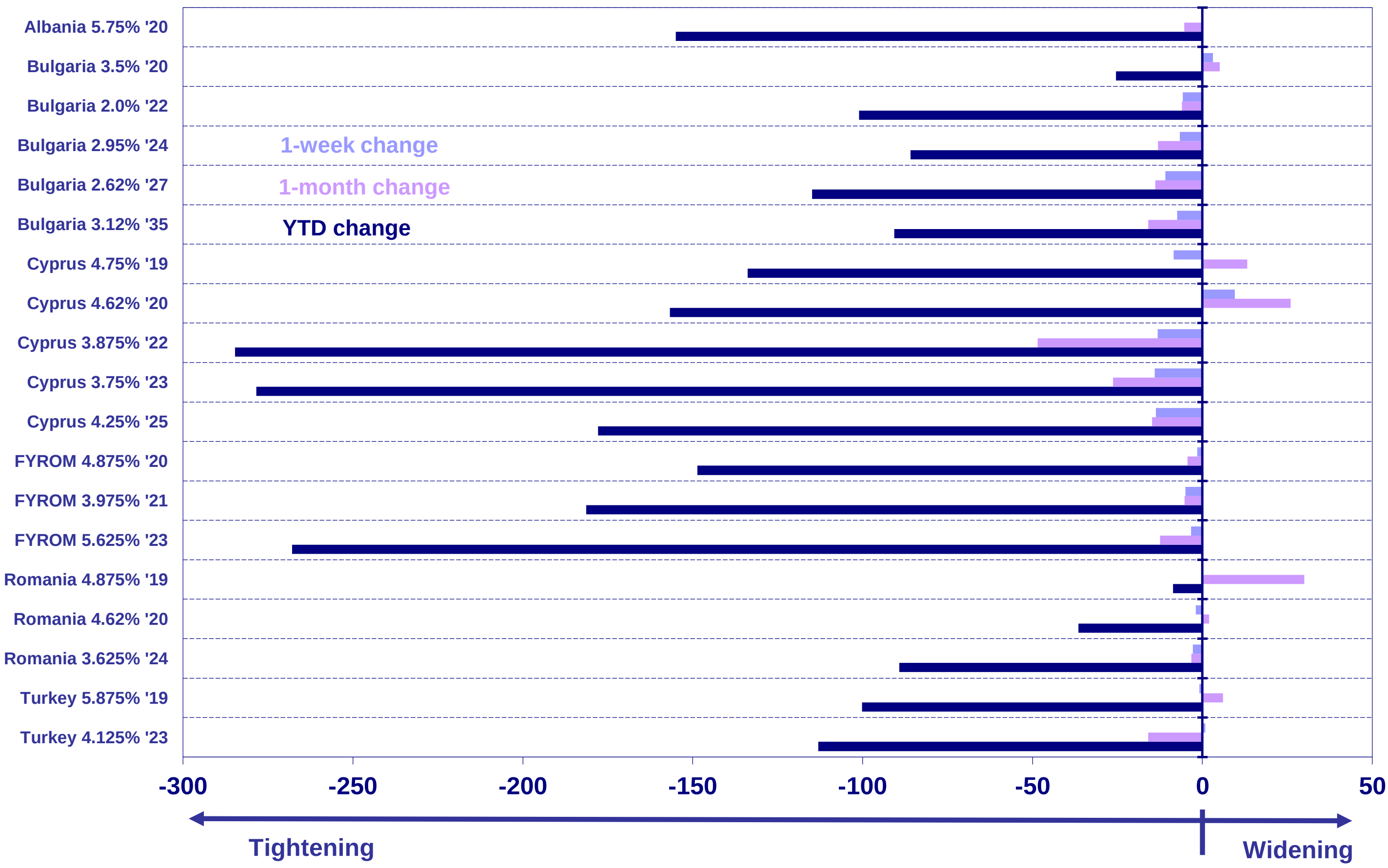
CREDIT DEFAULT SWAP SPREADS, OCTOBER 23RD 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	170	105	54	231	347	- - -	80	100	130	129	175	172	- - -
10-Year	- - -	267	143	91	248	396	- - -	89	137	195	164	260	245	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, OCTOBER 23RD 2017

	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	1.6	224	176
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.2	97	42
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.2	44	2
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	0.8	85	36
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.4	94	60
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.5	156	119
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	0.2	90	46
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	0.4	112	58
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	0.7	99	59
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	1.2	134	93
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	1.8	165	125
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	2.0	263	213
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.2	270	434
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	3.2	336	304
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.4	108	58
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	67	11
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	123	83
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.7	147	108
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.6	282	243

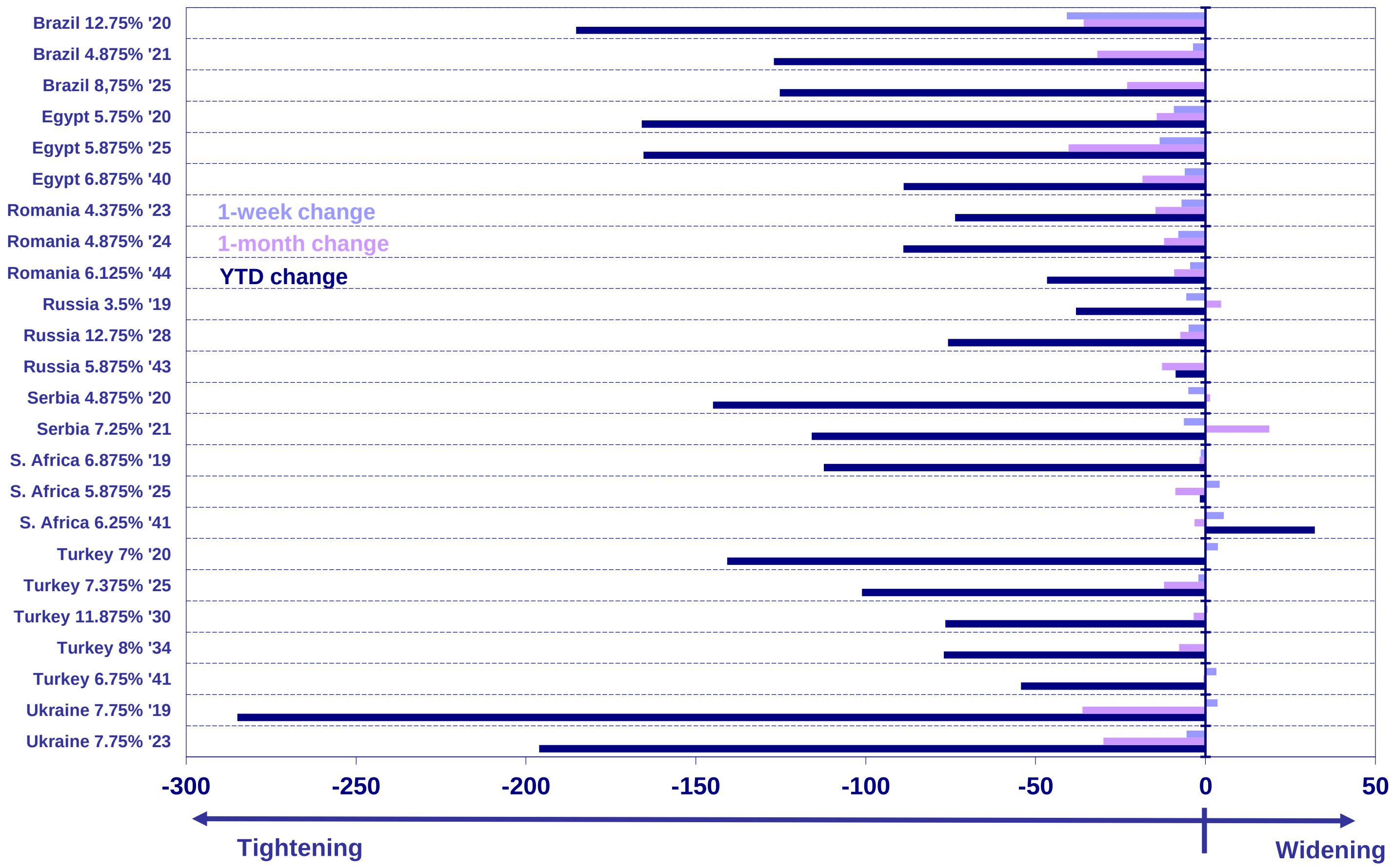
EUR-Denominated Eurobond Spreads (October 23rd 2017)



USD-Denominated Sovereign Eurobond Summary, October 23rd 2017

	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	1.9	33	9
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	2.6	85	63
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.0	181	211
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.1	244	229
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	5.6	335	332
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	7.0	415	434
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.0	96	86
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.0	80	90
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.3	146	207
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.4	103	77
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.0	165	240
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.9	198	247
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	2.9	135	109
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.1	140	119
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.5	98	83
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.7	247	251
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.7	279	321
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.5	179	167
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	4.8	262	281
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.4	305	402
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.8	341	371
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	5.9	303	331
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	4.8	321	303
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	6.5	451	446

USD-Denominated Eurobond Spreads (October 23rd 2017)



STOCK MARKETS PERFORMANCE, OCTOBER 23RD 2017

	2017								2016		2015	
	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)	75,413	-1.9	0.0	25.2	17.7	59,371	78,024	12.4	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	667	-0.4	-1.6	13.8	30.3	583	733	13.8	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,381	0.1	0.8	8.9	8.1	3,017	3,410	2.0	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	74	1.4	2.3	12.2	13.6	65	79	12.2	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,313	2.3	4.5	20.5	81.6	1,071	1,318	9.4	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,630	-1.1	-1.8	23.2	29.3	2,135	2,706	23.2	16.5	16.5	-0.6	-0.6
India (SENSEX)	32,507	-0.4	1.8	22.1	15.4	25,718	32,700	14.2	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,640	-0.8	-0.5	22.0	25.0	1,365	1,666	20.4	0.2	0.0	2.6	1.6
Russia (RTS)	4,353	-2.3	-0.2	-11.5	-1.8	3,838	5,089	-15.6	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	728	-0.4	0.4	1.5	8.2	694	753	5.1	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	58,000	-0.3	3.9	14.5	12.2	50,338	58,372	2.7	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	107,303	0.8	3.1	37.3	34.2	75,657	110,531	16.7	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	298	0.4	2.6	12.5	22.2	265	298	2.8	10.2	1.0	-37.8	-54.8
MSCI EMF	1,116	-1.4	1.2	29.4	21.5	858	1,132	15.8	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,997	-0.4	1.0	18.6	19.4	1,677	2,006	6.1	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	735	-4.1	-5.1	14.1	23.8	602	860	14.1	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	13,003	0.0	3.3	13.3	20.8	11,415	13,095	13.3	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,524	0.0	2.9	5.3	7.7	7,094	7,599	0.8	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	23,274	1.4	4.1	17.8	27.7	17,884	23,329	5.4	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,565	0.3	2.5	14.6	19.2	2,245	2,575	2.5	9.5	13.2	-0.7	10.6

Equity Indices (October 23rd 2017)