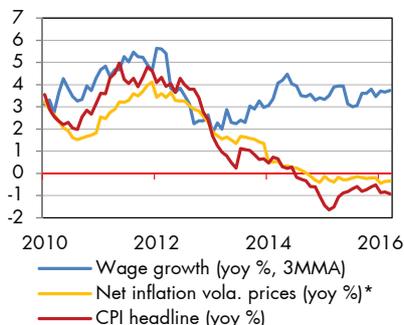


PL: Decoupling inflation from wages



* NBP net inflation: CPI inflation net of most volatile prices
Source: NBP, RBI/Raiffeisen RESEARCH

Market snapshot

	curr.*	Jun-16	Sep-16	Dec-16
Poland				
EUR/PLN	4.32	4.35	4.30	4.30
Key rate	1.50	1.50	1.50	1.50
10y bond	3.0	2.9	3.0	3.2
Hungary				
EUR/HUF	310.3	315	315	315
Key rate	1.20	1.00	1.00	1.00
10y bond	3.1	3.1	3.2	3.3
Czech Rep.				
EUR/CZK	27.0	27.0	27.0	27.0
Key rate	0.05	0.05	0.05	0.05
10y bond	0.5	0.3	0.6	0.7
Romania				
EUR/RON	4.48	4.45	4.40	4.40
Key rate	1.75	1.75	1.75	1.75
10y bond	3.6	3.5	3.6	3.8
Croatia				
EUR/HRK	7.49	7.55	7.60	7.65
10y bond	3.8	3.9	3.9	3.9
Russia				
USD/RUB	66.0	75.0	65.0	67.0
Key rate	11.00	11.00	10.50	10.00
10y bond	9.2	9.2	9.0	8.8
Turkey				
USD/TRY	2.83	2.95	2.90	2.95
Key rate**	7.50	8.50	9.00	9.00
10y bond**	9.0	10.7	10.3	10.0
EUR/USD	1.13	1.10	1.10	1.05

* prices as of 22 April 2016, 09:29 a.m. CET;
** forecasts under revision
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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Highlights

This week, economic data for Russia in March came out mixed: while industrial output recovered, especially on a strong performance of the mining sector, retail sales data slumped further, indicating continued weakness of consumer demand. Nevertheless, the Russian Q1 GDP growth rate will be better than the -3.8% yoy seen in Q4, likely between -1% and -2% yoy. This poses an upside risk to our GDP forecast for 2016 of -2.0% yoy. At the upcoming CBR meeting next Friday on 29 April, we do not expect a cut in the key rate. Instead we see a restart of the rate cutting cycle in Russia only for H2 2016.

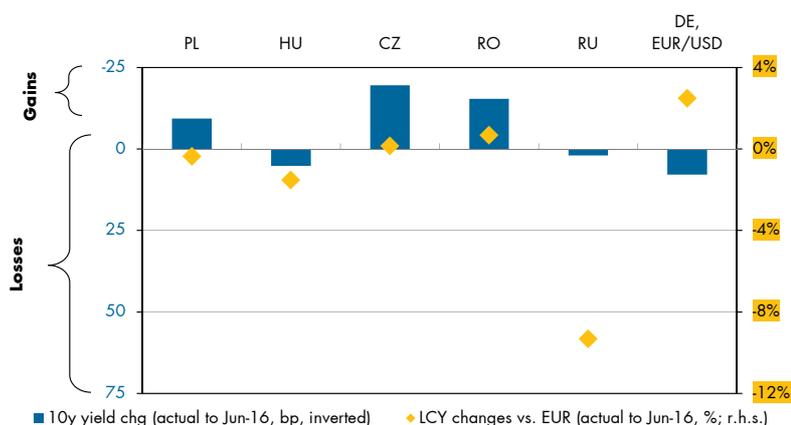
This compares to a continuation of the rate cutting cycle in Hungary, where we expect another policy easing step by 10bp to 1.1% (and another one of the same size in May). In Poland, data on wage dynamics are robust, while retail sales and industrial output growth showed a – possibly temporary – setback in March. Especially given the launch of the child care benefits, we see a positive stimulus to domestic demand going forward. We keep our flat key rate outlook for Poland (see also yesterday's [Strategy Note on Poland](#)).

In Ukraine, the central bank used the receding inflation rate (down to 20% from 60% last April) to cut the key rate by 3pp to 19%. However, upcoming energy price increases mandated by the IMF will put upward pressure on prices again. We think that the new Ukrainian government will make at least some positive steps with regards to reforms, which could be enough to unfreeze the IMF programme.

For Romania, the most important event of the week could be Moody's rating review due for today. Currently the credit rating for long-term FCY sovereign debt is Baa3 with a positive outlook. We do not expect any rating/outlook adjustment at the moment.

Financial analyst: Andreas Schwabe, CFA, RBI Vienna

Expected changes until June 2016



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Data highlights upcoming week

Date	Indicator	Period	est.	High	Mean	Low	Prev.
26-Apr	HU: Key rate, %	Apr	1.10	1.10	1.05	1.00	1.20
29-Apr	PL: CPI, % yoy	Apr	-1.1	-0.8	-0.9	-1.3	-0.9
29-Apr	RU: PMI, points	Apr	n.a.	49.80	49.00	48.00	48.30
29-Apr	RU: Key rate, %	Apr	11.00	11.00	11.00	10.50	11.00

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Data releases and country coverage

This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Prev.	Indicator	Period	est.	High	Mean	Low	Prev.
Friday, 15 April					Tuesday, 26 April						
RU: Industrial output, % yoy	Mar	-0.5	n.a.	1.0	HU: Key rate, %	Apr	1.10	1.10	1.05	1.00	1.20
Monday, 18 April					Thursday, 28 April						
BY: Industrial output, % yoy	Mar	-2.0	n.a.	-3.9	RS: Retail sales, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	11.80
Tuesday, 19 April					Friday, 29 April						
PL: Industrial output sold, % yoy	Mar	0.5	4.8	6.7	RS: Industrial output, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	14.00
PL: Retail sales, % yoy	Mar	0.8	3.6	3.9	HR: Industrial output, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	4.4
RU: Real wages, % yoy	Mar	-3.0	n.a.	0.6	PL: CPI, % yoy	Apr	-1.1	-0.8	-0.9	-1.3	-0.9
RU: Retail sales, % yoy	Mar	-5.8	n.a.	-4.3	RU: PMI, points	Apr	n.a.	49.8	49.0	48.0	48.3
Wednesday, 20 April					RU: Key rate, %						
TR: Key rate, %	Apr	7.25	7.50	7.50	SI: Retail sales, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	-1.4
Thursday, 21 April					SI: CPI, % yoy						
UA: Key rate, %	Apr	19.00	18.00	22.00	Apr	n.a.	n.a.	n.a.	n.a.	n.a.	-0.9
UA: Industrial output, % yoy	Mar	4.8	n.a.	7.6							

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Croatia (HR) – The current week's main highlight was undoubtedly the EDP report on the fiscal deficit and public debt in 2015. As we expected, preliminary data on total public debt was confirmed (at the end of 2015, total public debt reached HRK 289.7 bn or 86.7% of GDP). Despite growing by 1.9% in annual terms, the share of public debt in GDP recorded a slower increase by 0.2pp due to positive GDP growth in 2015 after six consecutive years of recession.

Improved economic activity strongly influenced by an excellent tourist season also contributed to better revenue collection, thereby impacting positively on the overall fiscal balance. Paired with a notable drop in budget expenditure on GFCF (-22% yoy) this resulted in a significant fiscal deficit decline to 3.2% of GDP (in accordance with ESA2010 methodology).

However, it should be noted that last year's fiscal adjustment was strongly supported by lower budget spending during the pre/post-election period.

Next week will bring industrial production data for March. After favourable output figures in the first two months we expect a continuation of the solid growth rates (+2.5 yoy), primarily based on recovered demand from the main foreign partners.

Financial analyst: Tomislava Ujevic (+385 1 6174 606), Raiffeisenbank Austria d.d., Zagreb

Czech Republic (CZ) – For the next week the data and event calendar is empty. At the beginning of May the CNB will have a monetary policy meeting where the new forecast will be published, so we might hear some new statements ahead of the meeting. So far the board members have admitted that they can imagine introducing negative interest rates. We continue to rule out the introduction of negative interest rates from our baseline scenario. Nevertheless, there is a risk the CNB will use that tool as a weapon if the speculative capital inflow becomes too high, which so far is not the case. The key variable for monetary policy remains inflation development.

Financial analyst: Michal Brozka (+420 234 401 498), Raiffeisenbank a.s., Prague

Hungary (HU) – In the last couple of days we have again seen that the forint is still under so-called constant appreciation pressure, which has pushed the EUR/HUF down and out of the already familiar 310-315 range. For us it means that the expected key rate cut in next week's rate decision is much more likely. Many in the bond market are also pondering on that as yields declined 2-8bps. Our baseline scenario is that the central bank will lower the key rate to 1% in the first half of the year, meaning the MPC will surely cut by 10bps on Tuesday and by another 10bps next month or in June. The latest inflation data, which surprised on the downside (-0.2% year-over-year vs. the expected 0.1%) also supported the expectations for further easing measures. However, even with the disappointing March figure, the yearly average forecast on our side is still more optimistic than the 0.3% that the MPC is currently banking on. Besides the rate decision, the Hungarian unemployment rate for March is due to be released, which is expected to decrease further from 6.1% to 6.0%. By the end of the year it could slide to 5.8%.

Financial analyst: Gergely Pálffy (+36 1 484 4313), Raiffeisen Bank Zrt., Budapest

Poland (PL) – Among the recent data publications, the labour market results for March once again surprised on the upside with employment rising by 2.7% yoy. Wage growth temporarily slowed to 3.3% yoy but should stay closer to 4% in the second half of the year. Overall, with the real wage fund at 7% yoy, the labour market data suggests strong conditions still and a supportive environment for increasing consumption later in 2016. Meanwhile, data on retail sales and industrial output for March disappointed with sales rising by merely 0.8% yoy vs. 3.9% yoy in February. However, especially given the launch of the PLN 500+ benefit program in April, we expect this was a temporary setback. More troubling was the downturn in industrial output which grew by only 0.4% yoy – the lowest since November 2014. Also, the seasonally adjusted growth disappointed with output falling in 11 branches. Although the results for April will be supported moderately by calendar factors, the March data is disappointing and serves as a reminder that Q1 probably brought weaker GDP growth compared to Q4 2015.

On the fiscal side new details from the convergence report update emerged. The Ministry of Finance expects quite strong growth close to 4% yoy in the coming years, which is optimistic compared to our forecast or the consensus. The plan also assumes a deficit-to-GDP ratio well below the 3% threshold (with only a temporary rise to 2.9% in 2017). However, the forecast does not include the Ministry's plans to increase the tax free amount, or the reduction in the retirement age, which, along with overly optimistic GDP forecasts, poses risks to the assumptions of the deficit-to-GDP ratio.

Financial analyst: Dorota Strauch, CFA (+4860920663), Raiffeisen Polbank, Warsaw

Romania (RO) – The public budget deficit under ESA2010 standards stood at 0.7% of GDP in 2015. Moreover, the figure for 2014 was revised downwards to 0.9% of GDP from 1.4% previously. However, in 2016 the public budget deficit is expected to jump to 3% of GDP due to the ample fiscal easing measures enforced. The most important event of the week is Moody's rating review due for today. Currently the credit rating for long-term FCY sovereign debt is Baa3 with a positive outlook. We do not expect any rating/outlook adjustment at the moment. We recall that in December Moody's improved the rating outlook to positive.

Next week is also rather light in terms of macroeconomic releases. On Monday, the dynamics of lending activity in March will be released. Also, the public budget execution for March should be published next week. After two months, the public budget posted a surplus of around 0.1% of GDP, but a larger surplus is likely to have been recorded for the full first quarter.

Financial analyst: Silvia Rosca (+40 799 718 083), Raiffeisen BANK S.A., Bucharest

Russia (RU) – At the auctions this week the MinFin managed to place the whole offered amount (RUB 25 bn). We note that this time the MinFin offered only traditional papers, while a typical set-up comprises a traditional issue and a floater. The cut-off yields (YTM 9.21% and YTM 9.33%, respectively) did not signal a large premium to the secondary market. After the auctions there was price growth on the market driven by positive oil price dynamics. The yields on long-term issues (OFZ 26207 and OFZ 26212) fell below YTM 9.05%, close to the local minimum. It is likely that the OFZ yield could go below 9% should the rally on the oil market continue as 1) there is RUB liquidity excess and a low offer from the MinFin and 2) lower yields on EM local sovereign bonds (low expectations of US rate hike in the medium term).

Financial analyst: Denis Poryvay (+7 495 221-9843), AO Raiffeisenbank, Moscow

Serbia (RS) – Today sees the start of the election silence, lasting 48 hours before the 24th election. The polls carried out from 17 to 20 April show that support for the Serbian Progressive Party (SNS) has remained intact (50.9%), and for the Socialist Party of Serbia (SPS) with 12.3% in decided voters. Other parties had negligible changes in voter support. The Democratic Party (DS) is now supported with 5.5% after 5.7% in the early April survey, while the Serbian Radical Party (SRS) has 7.9% support after 7.8% in early April. We maintain that the SNS will win the elections, though the support percentage might fall below the survey result. According to the Constitution, the government must be set up in 30 days from the elections.

The unusually stable EUR/RSD sentiment, supported by sound fundamentals, intensive FX interventions (EUR 720 mn ytd) and cautious monetary policy finally shifted towards a weakening mood in the election week, reflecting the muted market disposition towards the elections. The post-election exchange rate drift will depend upon the outcome.

Following the no auction period during April, on 28 April the Public Debt Management (PDA) will re-open the 3Y RSD denominated T-bills issue. We are unsure about the risk appetite for the post-election issue. On the one hand there is sufficient RSD liquidity that could not be swallowed by the NBS repo auction (the average April auction amount was EUR 280 mn), waiting to be channelled. On the other hand, the market might be risk averse, demanding a higher risk premium, amidst the almost stagnant reform agenda during the pre-election campaign.

The Statistical Office will release industrial production and foreign trade data for March next week. We reckon the upbeat sentiment from the beginning of the year will prevail until May, when the base effect in the energy sector expires.

Financial analyst: Ljiljana Grubic (+381 11 2207178), Raiffeisenbank a.d., Belgrade

Ukraine (UA) - Key rate cut by 3pp to 19% on declining inflation. On 22 April, as expected, the National Bank of Ukraine decreased the key policy rate by 3pp to 19%. The motivation was simple – mitigate inflation risks due to the stabilisation of the FX market and growth in the domestic food supply. The annual inflation rate fell from over 60% in April 2015 to now around 20%. Nevertheless, the regulator left the CPI forecast unchanged at 12% yoy by the end of 2016. We are even more sceptical with an estimate of 14% yoy.

The Central Bank also improved its monetary policy mechanism. The key rate became more practically relevant as it has been unified with the interest rate on 2-week certificates of deposit (major container of excess banking liquidity now). Thus, the key rate is now a real benchmark for market interest rates. In addition, there were some other changes in the operational design of monetary policy (in interest rate borders, regular tenders on certificates of deposit, etc.). The NBU announced that it would continue with monetary policy liberalisation after the resumption of cooperation with the IMF.

Financial analyst: Sergii Drobot (+380 44 59056-21), Raiffeisen Bank Aval JSC, Kiev

Monetary policy and money markets overview

CEE key interest and money markets outlook

Poland	curr.*	Jun-16	Sep-16	Dec-16	5y high	5y low
Key interest rate (% eop)	1.50	1.50	1.50	1.50	4.75	1.50
3m money market rate (% eop)	1.57	1.70	1.70	1.70	5.04	1.55
6m money market rate (% eop)	1.74	1.80	1.80	1.80	5.07	1.56
Hungary						
Key interest rate (% eop)	1.20	1.00	1.00	1.00	7.00	1.20
3m money market rate (% eop)	1.19	1.05	1.05	1.05	7.65	1.19
6m money market rate (% eop)	1.12	1.15	1.15	1.15	7.93	1.12
Czech Rep.						
Key interest rate (% eop)	0.05	0.05	0.05	0.05	0.75	0.05
3m money market rate (% eop)	0.29	0.30	0.30	0.30	1.25	0.28
6m money market rate (% eop)	0.36	0.40	0.40	0.40	1.58	0.36
Romania						
Key interest rate (% eop)	1.75	1.75	1.75	1.75	6.25	1.75
3m money market rate (% eop)	0.78	1.10	1.40	1.60	6.20	0.54
6m money market rate (% eop)	1.02	1.30	1.50	1.65	6.40	0.73
Russia						
Key interest rate (% eop)	11.00	11.00	10.50	10.00	17.00	5.50
3m money market rate (% eop)	11.61	11.70	11.30	10.80	29.93	3.75
6m money market rate (% eop)	11.78	11.90	11.80	11.40	30.31	4.12
Turkey**						
Key interest rate (% eop)	7.50	8.50	9.00	9.00	10.00	4.50
3m money market rate (% eop)	10.85	11.00	10.50	10.00	12.15	4.74
6m money market rate (% eop)	10.87	11.10	10.60	10.10	12.48	5.12
Benchmark key rates (% eop)						
ECB key interest rate (% eop)	0.00	0.00	0.00	0.00	1.50	0.00
Fed key interest rate (% eop)	0.37	0.75	0.75	1.00	0.64	0.01

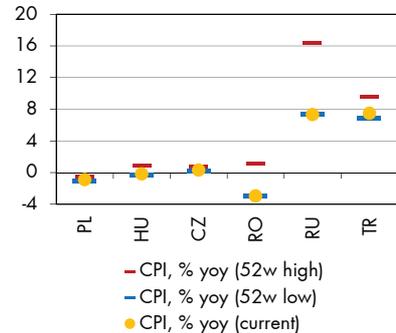
* Bid rates (for Hungary ask rates) as of 22 April 2016, 09:14 a.m. CET, ** forecasts under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	NBP remains neutral balancing between solid economic activity and deepening deflation. Reshuffled MPC does not display politically-driven dovishness as feared. Further disappointments in terms of reflation dynamics can again embolden "doves" on the MPC panel in the medium-term. However, even if rate cuts are not resumed, which remains our baseline, some unconventional MP easing including further bond-market-friendly measures could be in the pipeline.
Hungary (MNB)	MNB resumed rate cuts in line with our long-held view and will most likely slash the 3m deposit further in April. Conventional interest rate cuts could go even below our target of 1% with latest disappointing CPI numbers/HUF recovery underscoring this possibility. On the unconventional front, o/n deposit was also lowered into negative territory, to -0.05%, and other measures like capping 3m deposit amounts cannot be excluded.
Czech Rep. (CNB)	Exit from FX intervention regime – introduced for keeping CZK above the floor of EUR/CZK 27.00 – is likely to be delayed to the "middle of 2017" according to the most recent CB language. Speculations on negative base/deposit rate are on the CB's agenda, but MPC did not vote on this option at its March meeting.
Romania (BNR)	No resumption of rate cuts despite strong tax-cut-induced slump in CPI. Deterioration of fiscal policy outlook likely to constrain MPC policy. Therefore, exit from ultra-loose liquidity conditions is starting gradually on promising reflation prospects, recently also flagged officially by CB comments.
Serbia (NBS)	Central bank remained on hold for the 2nd consecutive month after the surprise cut in February. With political/fiscal headline risks expected to decrease after the new elections next weekend, one final 25bp cut could be expected with benign global CB backdrop and stuttering local reflation dynamics underscoring this scenario.
Russia (CBR)	CBR already hinted on the possibility of rate cuts if CPI inflation decline keeps pace and affects inflation expectations of the private sector positively. A too strong RUB is also taken into consideration. So far the scope for re-starting remains in place, but inflation should only peak in mid-2016 according to our calculations. Our assumption targets cumulative rate reduction of about 100bp through H2.
Turkey (TCMB)	New governor Cetinkaya slashed the o/n lending rate by 50bp to 10.0% at ist first meeting. Further technical cuts to the upper boundary of the o/n IR corridor are likely symmetrizing the latter around the 7.50% 1w repo. However, flagged simplification of MP toolkit can be only taken seriously if the TCMB adjusts the 1w repo towards the weighted average costs of funding. Our forecasts are currently under revision.

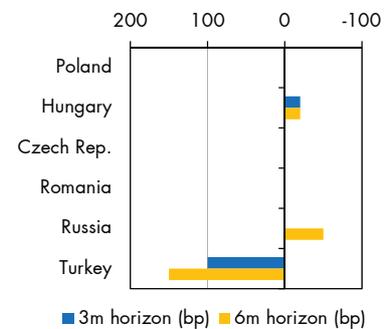
Source: RBI/Raiffeisen RESEARCH

Inflation snapshot



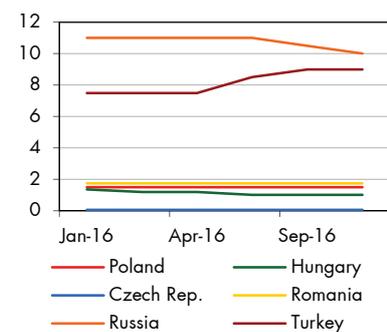
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)*



* TR forecasts under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends*



* TR forecasts under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	Apr	May
Poland (NBP)	6	13
Hungary (MNB)	26	24
Czech Rep. (CNB)	-	5
Romania (BNR)	-	5
Serbia (NBS)	7	17
Russia (CBR)	29	-
Turkey (TCMB)	20	24

Source: National Central Banks, RBI/Raiffeisen RESEARCH

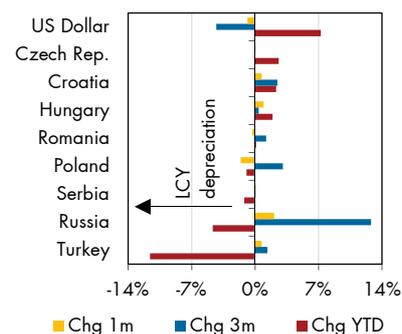
Foreign exchange market overview

FX forecasts

EUR vs	current ¹	Jun-16	Sep-16	Dec-16	5y high	5y low	Comment
PLN	4.33	4.35	4.30	4.30	4.57	3.91	EUR/PLN retreated back above 4.30 recently as expected; threats of additional rating downgrades, budget woes and political uncertainty to weigh on PLN in the coming months
HUF	310.3	315.0	315.0	315.0	322.6	262.3	Expectation of additional monetary policy easing by the Hungarian Central Bank to counterbalance HUF strengthening; possible rating outlook upgrade might give short-term support; EUR/HUF projected to remain in a trading range of 310-315
CZK	27.03	27.00	27.00	27.00	28.37	24.06	EUR/CZK to remain near intervention level of 27.0; FX intervention data currently does not indicate the need of the central bank to react, but speculation on negative deposit rates could re-emerge in the coming months; end to FX regime currently expected for Q2 2017 given anti-inflationary risks
RON	4.48	4.45	4.40	4.40	4.64	4.07	ECB measures and US Fed statements pave the way for investors to continue their preferential treatment to Romanian assets; levels below EUR/RON 4.45 could be tested
HRK	7.49	7.55	7.60	7.65	7.72	7.36	EUR/HRK could oscillate within this week's range 7.47-7.51 kuna per euro.
RSD	122.9	122.0	124.0	125.0	123.7	96.7	EUR/RSD exchange rate is quite stable due to positive fundamentals, but parliamentary elections might weigh on EUR/RSD, however, central bank is softening pressure on RSD via FX interventions
RUB	74.75	82.50	71.50	70.35	90.88	38.43	see USD/RUB below
UAH	28.60	29.70	29.70	30.45	37.78	9.74	see USD/UAH below
BYR	22,205	26,950	27,500	26,775	25,167	4,334	see USD/BYR below
TRY	3.20	3.25	3.19	3.10	3.46	2.19	see USD/TRY below
USD	1.13	1.10	1.10	1.05	1.49	1.05	Expectation on further US Fed rate hikes to support USD against euro
USD vs	current ¹	Jun-16	Sep-16	Dec-16	5y high	5y low	
RUB	66.25	75.00	65.00	67.00	82.28	27.28	RUB is expected to continue following the oil price movement closely with possible setback for Q2; we expect speculation on rate cuts and FX reserve replenishing to limit RUB additional strengthening potential
UAH	25.31	27.00	27.00	29.00	33.75	7.95	Some UAH recovery on the hope of political calming; prolongation of most critical administrative FX restrictions to prevent stronger depreciation for UAH; the central bank commitment will determine how fast and when we will see more depreciation; IMF support key for FX stabilisation
BYR	19,686	24,500	25,000	25,500	22,150	3,002	BYR support from a loan agreement with Eurasian Fund (USD 2bn through 2016-2018), but BYR depreciation trend to remain throughout 2016 with close correlation to RUB movements
TRY	2.83	2.95	2.90	2.95	3.06	1.52	TRY might (also) be affected by renewed political pressure on the Turkish central bank to cut interest rates; Basci's successor Murat Cetinkaya might not offer resistance like Basci

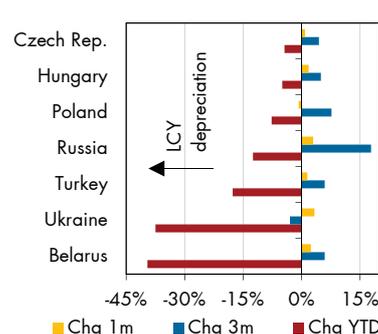
¹ as of 22 April 2016, 09:17 a.m. CET; Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



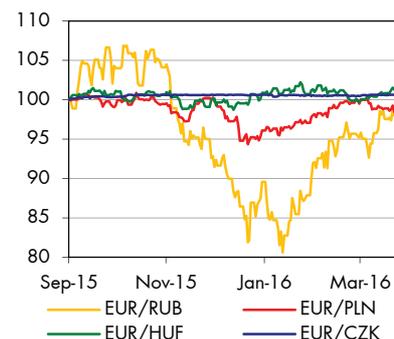
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

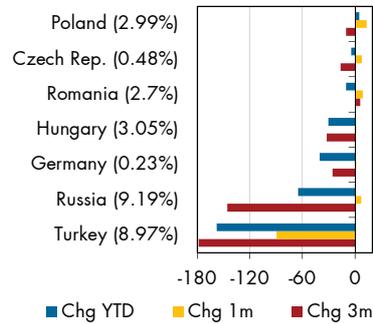
Exchange rate comparison



Indexed Sep 2015 = 100
Source: Bloomberg

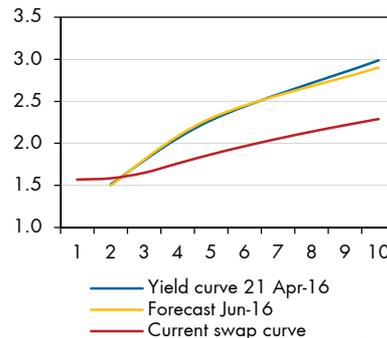
Local currency bond market overview

Change of LCY 10y bond yields (bp)



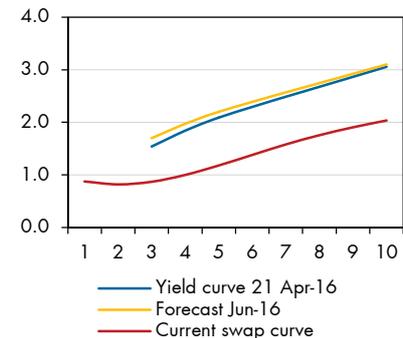
Source: Bloomberg, RBI/Raiffeisen RESEARCH

PLN yield curve



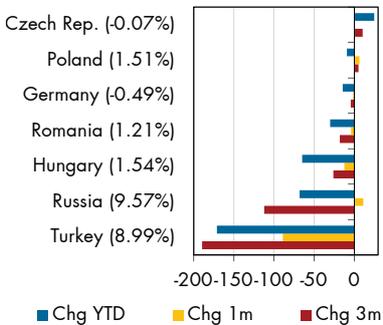
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



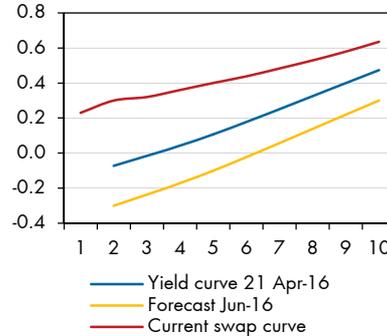
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



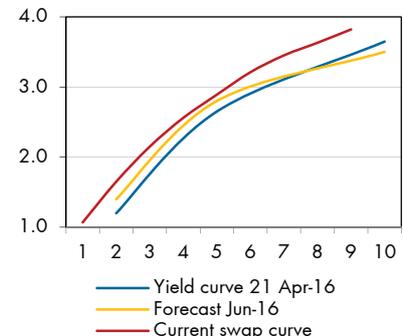
Source: Bloomberg, RBI/Raiffeisen RESEARCH

CZK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

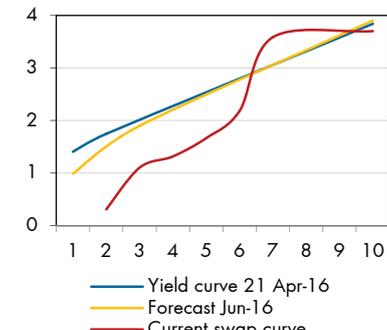
5y USD CDS spreads



Turkey 5y high 343.7, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4

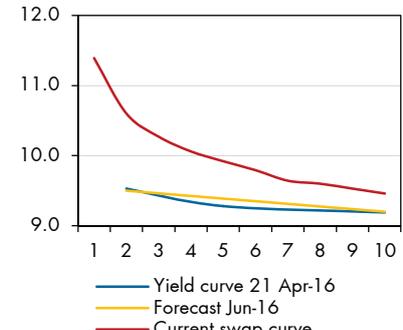
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RUB yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Yield forecasts

2y T-bond yields (%)							10y T-bond yields (%)						
	current*	Jun-16	Sep-16	Dec-16	5y high	5y low		current*	Jun-16	Sep-16	Dec-16	5y high	5y low
Poland	1.51	1.5	1.6	1.7	5.1	1.3	Poland	2.99	2.9	3.0	3.2	6.1	2.0
Hungary**	1.54	1.7	1.8	1.9	10.2	1.5	Hungary	3.05	3.1	3.2	3.3	10.7	2.7
Czech Rep.	-0.07	-0.3	-0.3	-0.4	2.0	-0.4	Czech Rep.	0.47	0.3	0.6	0.7	4.3	0.3
Romania	1.20	1.4	1.6	1.8	7.3	0.9	Romania	3.65	3.5	3.6	3.8	7.6	2.6
Croatia	1.75	1.9	1.9	1.9	6.3	1.5	Croatia	3.84	3.9	3.9	3.9	4.3	3.7
Russia	9.53	9.5	9.3	9.0	17.5	5.5	Russia	9.18	9.2	9.0	8.8	16.1	6.5
Turkey***	8.81	10.5	10.0	9.8	11.3	4.9	Turkey***	8.99	10.7	10.3	10.0	11.0	6.0
Eurozone	-0.49	-0.5	-0.5	-0.5	1.9	-0.6	Eurozone	0.23	0.3	0.5	0.8	3.3	0.1
USA	0.81	1.0	1.0	1.3	1.1	0.2	USA	1.86	2.2	2.3	2.5	3.4	1.4

* Bid yields as of 22 April 2016, 09:37 a.m. CET; ** 3y; *** forecasts under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

	Maturity	Coupon, %	Ask Price	YTM, %	Spread to Bunds, bp	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25/04/2018	3.75	104.41	1.48	198	1.9	Political and rating risks keep risk premia at elevated levels. More bond-market-friendly regulatory easing locally and global CB support should help lessen pressure, though. Net-net, we expect POLGBs to remain rather stable at least in the s/t and maintain our Hold recommendation.
PLN 5y Gov. Bond	25/04/2021	2.00	98.77	2.26	258	4.7	
PLN 10y Gov. Bond	25/07/2026	2.50	95.85	2.98	275	9.0	
Hungary							
HUF 3y Gov. Bond	30/10/2019	2.00	101.97	1.42	191	3.4	LCY debt market continues facing some outflows from non-residents, but locals' absorption capacity, albeit shrinking, remains in place. With more MP easing likely including stepped-up bond-market-friendly MNB measures room for gains left, but long-end HGBs already trade on par with government bonds of much higher-rated Poland.
HUF 5y Gov. Bond	27/10/2021	2.50	102.58	2.00	232	5.2	
HUF 10y Gov. Bond	27/10/2027	3.00	100.48	2.95	272	9.8	
Czech Republic							
CZK 2y Gov. Bond	17/03/2018	0.85	101.84	-0.12	38	n.a.	Since loose MP conditions set to stay longer with us, renewed spread tightening could be in the cards. Long-term CZK appreciation potential due to exit from FX regime is a major pull factor for non-residents' play.
CZK 5y Gov. Bond	29/09/2021	3.85	120.52	0.06	38	5.0	
CZK 10y Gov. Bond	26/06/2026	1.00	105.73	0.42	19	9.7	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	108.16	1.48	180	2.1	One more week with calm trading is expected.
HRK 10y Gov. Bond	14/12/2026	4.25	104.59	3.72	349	8.7	
Romania							
RON 3y Gov. Bond	29/04/2019	2.50	102.27	1.71	220	2.9	LCY debt market should remain fairly stable in the s/t despite intensifying political headline risks due to June's upcoming local elections. Front-end should start to rise on waning excess liquidity conditions, whilst long-end should feel headwinds from elections uncertainty. Nevertheless, our forecasts see only a moderate upward trend in RON yields.
RON 5y Gov. Bond	22/03/2021	3.25	103.19	2.54	286	4.6	
Russia							
RUB 2y Gov. Bond	15/03/2018	7.50	97.18	9.36	985	1.8	We would recommend reentering OFZs only after CPI inflation would peak during Q2 while CBR likely to resume rate cuts in Q3 only. We are inclined to see OFZ market attractiveness getting more attention in H2 in reflection of policy rate cuts sustainability.
RUB 5y Gov. Bond	03/08/2016	6.90	99.21	10.06	1038	0.3	
RUB 8y Gov. Bond	24/11/2021	6.50	91.00	8.82	859	4.7	
Turkey							
TRY 2y Gov. Bond	14/06/2017	9.60	100.83	10.49	1098	1.1	Precarious mix of risks stemming from the (geo)political and MP front are still in place, but TURKGBs enjoy demand. However, we would prefer to see further MP normalisation and calming (geo)politics before underwriting Turkish risk. Our – presumably – too pessimistic forecasts are under revision.
TRY 5y Gov. Bond	17/02/2021	10.70	106.95	8.90	922	4.0	
TRY 10y Gov. Bond	11/02/2026	10.60	110.45	8.97	874	6.6	

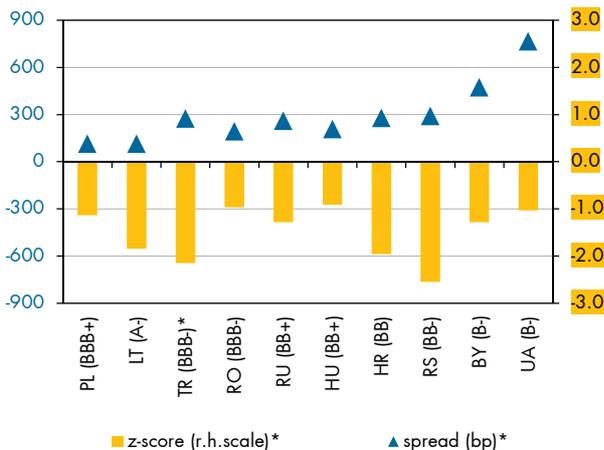
Data as of 22 April 2016, 09:30 a.m. CET; Source: Bloomberg, RBI/Raiffeisen RESEARCH

Bond auctions

		ISIN	Coupon	Maturity	Volume
25 April 2016					
RO	5y T-bonds	RO1521DBN041	3.25%	22 Mar-21	RON 0.6 bn
27 April 2016					
CZ	2y T-bonds	CZ0001004709	0.00%	22 Jan-18	CZK 6 bn
CZ	8y T-bonds	CZ0001004600	0.45%	25 Oct-23	CZK 1 bn
CZ	12y T-bonds	CZ0001004253	2.40%	17 Sep-25	CZK 3 bn
RU	T-bonds	n.a.	n.a.	n.a.	n.a.
28 April 2016					
HU	T-bonds	n.a.	n.a.	n.a.	n.a.

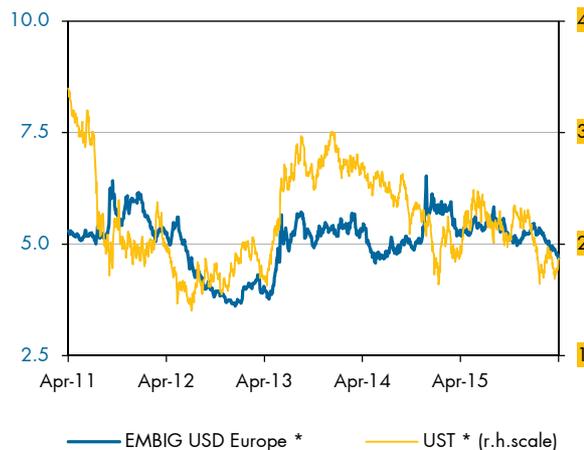
Eurobond market overview

CEE USD EMBIG spread valuation*



* z-score - EMBIG USD country spread deviation from mean normalised by 1 standard deviation, score at or below minus 1 = expensive, at or above 1 = cheap
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CEE EMBIG USD vs. UST YTM*



* YTM - yield to maturity EMBI Global USD, UST - 10-year US Treasury note
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Issuer/rate/due	Market Price		YTM mid.		Spread vs. Bmk, bp	Mdur. years	ISIN
	Bid	Ask	w/w %	5y max			
EUR							
BGARIA 4 1/4 07/09/17	104.9	105.2	0.00	111.8	100.3	0.05	52 1.2 XS0802005289
CROATI 5 7/8 07/09/18	109.7	110.1	0.04	112.1	88.8	1.29	178 2.0 XS0645940288
REPHUN 5 3/4 06/11/18	110.9	111.5	0.04	115.1	79.7	0.44	93 2.0 XS0369470397
REPHUN 6 01/11/19	113.6	115.0	0.11	118.4	86.4	0.66	114 2.5 XS0625388136
LITHUN 4.85 02/07/18	108.7	109.1	-0.13	114.3	94.5	-0.14	35 1.7 XS0327304001
POLAND 5 5/8 06/20/18	112.0	112.3	-0.17	122.6	102.1	-0.01	47 2.0 XS0371500611
POLAND 1 5/8 01/15/19	104.1	104.4	0.06	105.5	98.0	0.06	54 2.7 XS0874841066
POLAND 3 3/4 01/19/23	119.5	120.0	-0.10	125.5	99.9	0.73	90 6.0 XS0794399674
POLAND 3 3/8 07/09/24	115.8	118.8	0.21	125.6	99.6	1.16	114 7.1 XS0841073793
ROMANI 5 1/4 06/17/16	100.7	101.0	0.02	108.7	95.8	-0.69	-19 0.1 XS0638742485
ROMANI 4 7/8 11/07/19	115.4	115.8	0.08	117.8	99.3	0.42	85 3.3 XS0852474336
TURKEY 5 7/8 04/02/19	112.5	113.3	-0.30	119.4	101.2	1.36	183 2.7 XS0285127329
TURKEY 5 1/8 05/18/20	111.8	112.6	-0.16	115.9	95.4	1.97	237 3.6 XS0503454166
USD							
BELRUS 8.95 01/26/18	104.9	105.7	0.48	111.2	70.0	5.73	497 1.6 XS0583616239
CROATI 6 3/8 03/24/21	109.7	110.2	-0.12	117.8	86.7	4.12	279 4.2 XS0607904264
CROATI 5 1/2 04/04/23	106.4	107.0	-0.10	108.6	94.4	4.37	273 5.8 XS0908769887
REPHUN 5 3/8 02/21/23	110.4	110.7	-0.08	113.9	93.1	3.61	198 5.7 US445545AH91
REPHUN 7 5/8 03/29/41	141.3	142.2	-0.25	150.3	79.5	4.75	227 13.2 US445545AF36
LITHUN 7 3/8 02/11/20	118.4	118.8	-0.22	130.7	104.8	2.23	110 3.3 XS0485991417
LITHUN 6 5/8 02/01/22	121.0	121.5	-0.29	128.6	101.0	2.63	117 4.9 XS0739988086
LATVIA 2 3/4 01/12/20	102.2	102.7	-0.10	102.7	91.4	2.06	95 3.5 XS0863522149
LATVIA 5 1/4 06/16/21	113.8	114.3	0.01	117.2	90.9	2.33	97 4.5 XS0638326263
POLAND 6 3/8 07/15/19	113.8	114.2	-0.12	125.9	107.4	1.87	84 2.9 US731011AR30
POLAND 3 03/17/23	101.0	101.4	-0.21	103.6	87.6	2.81	116 6.2 US731011AT95
ROMANI 6 3/4 02/07/22	118.3	118.6	-0.18	124.4	99.2	3.22	175 4.8 US77586TAA43
ROMANI 4 3/8 08/22/23	106.2	106.6	-0.22	109.5	90.8	3.38	171 6.2 US77586TAC09
RUSSIA 4 1/2 04/04/22	104.0	104.5	0.32	114.7	82.0	3.69	220 5.2 XS0767472458
RUSSIA 7 1/2 03/31/30	122.1	122.6	0.09	128.6	99.6	2.45	42 4.2 XS0114288789
RUSSIA 5 5/8 04/04/42	104.5	105.3	0.17	124.9	76.0	5.28	275 13.8 XS0767473852
SERBIA 5 1/4 11/21/17	103.4	103.7	0.04	107.1	96.8	2.92	222 1.5 XS0856951263
SERBIA 4 7/8 02/25/20	102.5	103.0	0.01	104.6	89.6	4.10	296 3.4 XS0893103852
TURKEY 6 1/4 09/26/22	112.3	112.8	0.15	127.0	101.0	4.00	243 5.3 US900123BZ27
TURKEY 6 7/8 03/17/36	120.2	120.9	0.40	139.6	99.2	5.20	293 11.5 US900123AY60
TURKEY 6 3/4 05/30/40	119.7	120.4	0.38	139.4	97.3	5.27	282 12.6 US900123BG46
UKRAIN 7 3/4 09/01/19	96.1	96.8	1.83	99.0	88.0	8.99	794 2.8 XS1303918269
UKRAIN 7 3/4 09/01/23	93.0	93.8	2.25	97.8	84.6	9.00	733 5.4 XS1303921487
UKRAIN 7 3/4 09/01/27	90.0	90.7	2.11	97.0	81.2	9.13	720 7.1 XS1303927179

* w/w - week on week, 5y - 5-year low and high, YTM mid - yield to maturity based on mid market price, Bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 22 April 2016, 10:29 a.m. CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Summary: Ratings & macro data

Country ratings: CE, SEE, EE

	S&P			Moody's			Fitch		
	LCY	FCY	Outlook	LCY	FCY	Outlook	LCY	FCY	Outlook
CE									
Poland	A-	BBB+	negative	A2	A2	stable	A	A-	stable
Hungary	BB+	BB+	stable	Ba1	Ba1	positive	BBB-	BB+	positive
Czech Rep.	AA	AA-	stable	A1	A1	stable	AA-	A+	stable
Slovakia *	A+	A+	stable	A2	A2	stable	A+	A+	stable
Slovenia *	A-	A-	positive	Baa3	Baa3	stable	BBB+	BBB+	positive
SEE									
Romania	BBB-	BBB-	stable	Baa3	Baa3	positive	BBB	BBB-	stable
Bulgaria	BB+	BB+	stable	Baa2	Baa2	stable	BBB	BBB-	stable
Croatia	BB	BB	negative	Ba2	Ba2	negative	BB+	BB	negative
Serbia	BB-	BB-	stable	B1	B1	positive	B+	B+	positive
CIS									
Russia	BBB-	BB+	negative	Ba1	Ba1	negative	BBB-	BBB-	negative
Ukraine	B-	B-	stable	Caa3	Caa3	stable	CCC	CCC	stable
Belarus	B-	B-	stable	Caa1	Caa1	negative	B-	B-	stable
Kazakhstan	BBB-	BBB-	negative	Baa2	Baa2	stable	A-	BBB+	stable
Turkey	BBB-	BB+	negative	Baa3	Baa3	negative	BBB	BBB-	stable

* Euro area (Euro currency) members; positive rating/outlook changes (in previous week) in green, negative changes in red; NA - not applicable; NR - not rated
Source: rating agencies websites

Main macro data & forecasts¹

Country	Year	GDP, % avg. yoy	CPI, % avg. yoy	Unemployment, %	Nominal wages, EUR	Fiscal balance, % GDP	Public debt, % GDP	Export ² , % GDP	C/A, % GDP	Ext. debt, % GDP	FXR ³ % ext. debt	Import cover, months
Croatia	2015	1.6	-0.5	16.6	1058	-4.5	86.0	24.7	4.7	108.2	29.0	9.6
	2016e	1.5	0.0	16.2	1069	-3.9	87.2	25.6	2.0	108.0	27.8	9.1
	2017f	1.5	1.5	15.8	1076	-3.5	87.6	26.3	2.2	108.5	26.0	8.5
Czech Rep.	2015	4.3	0.3	6.5	970	-1.3	40.9	75.0	1.4	70.6	51.2	6.1
	2016e	2.0	0.7	5.9	1021	-0.9	39.9	77.7	1.5	74.3	69.5	8.4
	2017f	2.9	1.7	5.7	1089	-0.8	39.3	79.8	0.8	76.4	71.1	8.6
Hungary	2015	2.9	0.0	7.0	800	-2.0	75.5	83.4	4.4	105.7	26.5	4.4
	2016e	2.2	0.4	6.2	840	-1.5	74.3	85.1	4.5	98.3	23.6	3.6
	2017f	2.9	2.2	5.7	891	-1.0	71.5	84.6	4.2	89.2	22.9	3.2
Poland	2015	3.6	-0.9	10.5	932	-3.1	51.9	40.1	-0.2	70.1	29.1	6.2
	2016e	3.8	0.0	9.4	948	-3.2	52.9	42.0	-0.9	72.9	24.7	5.1
	2017f	3.4	1.7	9.0	1009	-3.4	53.6	41.3	-1.2	73.1	23.5	4.9
Romania	2015	3.7	-0.6	6.8	568	-1.2	38.5	30.7	-1.1	56.9	39.2	7.5
	2016e	4.0	-0.5	6.5	618	-3.0	39.3	31.5	-2.5	55.2	38.7	6.9
	2017f	3.6	2.7	6.5	671	-3.2	40.0	31.5	-3.3	53.6	37.6	6.3
Russia	2015	-3.7	15.6	5.6	499	-3.6	12.7	25.9	5.0	39.3	73.0	23.3
	2016e	-2.0	8.4	6.5	454	-4.4	13.5	24.7	4.2	40.2	82.4	26.6
	2017f	1.5	7.9	6.0	535	-3.3	14.0	25.9	4.6	32.2	83.6	21.5
Ukraine	2015	-9.9	48.7	11.5	172	-2.3	72.6	39.2	-0.2	131.5	11.4	4.2
	2016e	1.5	14.1	11.0	n.a.	-3.5	81.3	38.3	-3.4	142.9	14.7	5.4
	2017f	2.0	12.9	10.0	n.a.	-3.0	84.9	39.0	-4.7	142.5	15.4	5.2
Turkey	2015	3.5	7.7	10.3	n.a.	-1.2	34.0	21.2	-4.5	59.9	26.6	6.9
	2016e	3.0	8.3	10.0	n.a.	-1.5	32.0	21.5	-5.0	60.6	25.6	6.7
	2017f	3.5	7.9	10.0	n.a.	-1.5	33.0	20.3	-4.9	56.6	24.7	6.3

1) only for countries regularly included in CEE Weekly; 2) Export of goods only; 3) FXR - Foreign exchange reserves;
Source: Thomson Reuters, National Statistics, RBI/Raiffeisen RESEARCH

Risk notifications and explanations

Warnings

- Figures on performance refer to the past. Past performance is not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service. This is particularly true in cases when the financial instrument, financial index or securities service has been offered for less than 12 months. In particular, this very short comparison period is not a reliable indicator for future results.
- Performance of a financial instrument, a financial index or a securities service is reduced by commissions, fees and other charges, which depend on the individual circumstances of the investor.
- The return on an investment in a financial instrument, a financial or securities service can rise or fall due to exchange rate fluctuations.
- Forecasts of future performance are based purely on estimates and assumptions. Actual future performance may deviate from the forecast. Consequently, forecasts are not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service.

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Detailed information on sensitivity analyses (procedure for checking the stability of potential assumptions made in the context of financial analyses) can be found at: www.raiffeisenresearch.com/sensitivity_analysis

The distribution of all recommendations relating to the calendar quarter prior to the publications date, as well as the distribution of recommendations in the context of which investment banking services within the meaning of § 48f (6) Z 6 Stock Exchange Act (BörseG) have been provided in the past 12 months, are available under: www.raiffeisenresearch.com/distribution_of_recommendation

Bonds

Financial instruments/Company	Date of the first publication
Eurobonds	01/01/2001
LCY bonds	01/01/1997

Recommendations history: Local currency government bonds (I: no change)*

Date of change	CZ				HU				PL				RO				RU				TR			
	2y	5y	10y	CZK	2y	5y	10y	HUF	2y	5y	10y	PLN	2y	5y	10y	RON	2y	5y	10y	RUB	2y	5y	10y	TRY
24/03/2015	Hold	Hold	Hold	Hold	Buy	Hold	Hold	Sell	Hold	Hold	Hold	Sell	Buy	Buy	Buy	Hold	Hold	Sell	Sell	Buy	Hold	Hold	Sell	
28/04/2015												Hold	Hold	Hold	Hold	Hold	Buy	Hold	Hold				Hold	
15/05/2015		Buy	Buy																					
02/06/2015		Hold	Hold		Hold			Hold											Hold		Buy	Buy	Buy	
24/06/2015			Buy				Sell				Sell				Sell			Buy	Buy		Sell	Sell	Sell	
06/08/2015			Hold			Sell				Sell				Sell			Hold	Hold	Hold		Hold		Hold	
03/09/2015																			Buy				Buy	
22/09/2015																					Sell			
04/11/2015					Buy	Buy	Buy			Hold	Hold			Hold	Hold					Hold	Hold	Hold	Hold	
17/12/2015								Buy	Buy	Buy			Buy	Buy	Buy	Buy	Buy	Buy		Buy				
25/01/2016		-	Buy		Hold	-		Hold		-			Hold	-	Hold		-	-	-	-		-		
11/02/2016																	Hold	-	Hold	Hold				
23/02/2016		-				-			Hold	-				-		Hold		-				-	Buy	
24/03/2016		-	Hold			-				-		Sell		-				-		Sell	Sell	-	Sell	

* recommendations based on absolute expected performance in LCY; FX vs EUR; 5y segment not covered anymore

Recommendations history: Sovereign Eurobonds (I: no change)*

Date of change	BG		HR		CZ		HU		KZ		LT		PL		RO	
	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD
24/03/2015	Hold	-			Hold	Hold	Hold	Hold	-	-	Buy	Buy	Buy	Hold	Buy	Buy
17/04/2015		-							-	-						
28/04/2015		-							-	-						
02/06/2015	Sell	-							-	-	Hold	Hold		Buy	Hold	Hold
24/06/2015	Hold	-							-	-				Hold		
06/08/2015		-	Sell	Sell					-	Buy	Buy		Hold			
03/09/2015		-							-		Hold					
22/09/2015		-					Buy	Buy	-				Buy		Buy	Buy
04/11/2015		-							-	Hold	Buy			Buy		
03/12/2015		-							-	Buy						
17/12/2015		-							-		Hold					
25/01/2016		-	Hold	Hold			Hold	Hold	-	Hold					Hold	Hold
23/02/2016		-					Buy	Buy	-	Buy						
17/03/2016		-							-							
24/03/2016		-					Hold	Hold	-							
29/03/2016	Buy	-							-		Buy			Hold		
20/04/2016		-							-							

* recommendations based on absolute expected performance, i.e. expected spread change; Source: RBI/Raiffeisen RESEARCH

Recommendations history: Sovereign Eurobonds (I: no change)*

Date of change	RU		RS		SK		SI		TR		UA		BY		MK	
	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD
24/03/2015	Buy	Buy	-	Hold	-	-	-	-	Hold	Hold	Sell	Sell	-	Hold	-	-
17/04/2015	Hold	Hold	-		-	-	-	-					-		-	-
28/04/2015			-		Hold	-	Buy	-	Buy	Buy	Hold	Hold	-	Buy	Buy	-
02/06/2015			-	Sell		-		-					-			-
24/06/2015			-			-		-		Hold			-			-
06/08/2015			-			-	Hold	-	Hold		Sell	Sell	-	Sell	Hold	-
03/09/2015			-			-		-			Hold	Hold	-			-
22/09/2015			-			-		-	Sell	Sell			-			-
04/11/2015	Buy	Buy	-			-		-	Hold	Hold	-		-	Hold		-
03/12/2015	Hold	Hold	-			-		-			-	Sell	-			-
17/12/2015			-			-		-	Buy	Hold	-		-			-
25/01/2016	Buy	Buy	-			-	Buy	-		Buy	-		-		Buy	-
23/02/2016			-	Hold		-		-			-		-			-
17/03/2016	Hold	Hold	-			-		-			-		-			-
24/03/2016			-			-		-			-		-			-
29/03/2016			-			-		-			-	Hold	-			-
20/04/2016			-			-		-			-		-		Hold	-

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