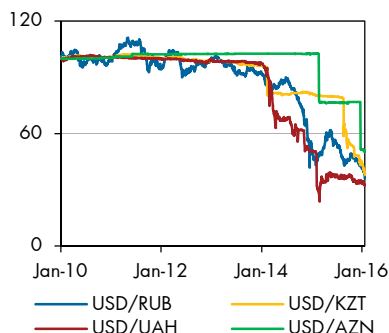


## RUB comparison to regional peers



Indexed chart: Jan-2010 = 100  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## Market snapshot

|                   | curr.*      | Mar-16      | Jun-16      | Sep-16      |
|-------------------|-------------|-------------|-------------|-------------|
| <b>Poland</b>     |             |             |             |             |
| EUR/PLN**         | 4.45        | 4.25        | 4.20        | 4.20        |
| Key rate          | 1.50        | 1.50        | 1.50        | 1.50        |
| 10y bond          | 3.1         | 3.3         | 3.4         | 3.4         |
| <b>Hungary</b>    |             |             |             |             |
| EUR/HUF           | 313.8       | 310         | 315         | 315         |
| Key rate          | 1.35        | 1.00        | 1.00        | 1.00        |
| 10y bond          | 3.4         | 3.0         | 3.2         | 3.3         |
| <b>Czech Rep.</b> |             |             |             |             |
| EUR/CZK           | 27.0        | 27.0        | 27.0        | 27.0        |
| Key rate          | 0.05        | 0.05        | 0.05        | 0.05        |
| 10y bond          | 0.6         | 0.7         | 0.8         | 0.9         |
| <b>Romania</b>    |             |             |             |             |
| EUR/RON           | 4.53        | 4.40        | 4.45        | 4.40        |
| Key rate          | 1.75        | 1.75        | 1.75        | 1.75        |
| 10y bond          | 3.6         | 3.7         | 3.9         | 4.0         |
| <b>Croatia</b>    |             |             |             |             |
| EUR/HRK           | 7.67        | 7.68        | 7.60        | 7.65        |
| 10y bond          | 4.0         | 4.2         | 4.3         | 4.3         |
| <b>Russia</b>     |             |             |             |             |
| USD/RUB**         | 81.1        | 70.0        | 66.0        | 60.0        |
| Key rate          | 11.00       | 10.00       | 10.00       | 10.00       |
| 10y bond          | 10.9        | 10.3        | 10.5        | 10.4        |
| <b>Turkey</b>     |             |             |             |             |
| USD/TRY           | 3.01        | 3.05        | 3.00        | 2.95        |
| Key rate          | 7.50        | 9.50        | 9.50        | 9.50        |
| 10y bond          | 10.8        | 11.0        | 10.7        | 10.3        |
| <b>EUR/USD</b>    | <b>1.08</b> | <b>1.05</b> | <b>1.03</b> | <b>1.01</b> |

Currencies per 1 EUR  
\* prices as of 22 January 2016, 09:37 a.m. CET;  
\*\* under revision  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## Content

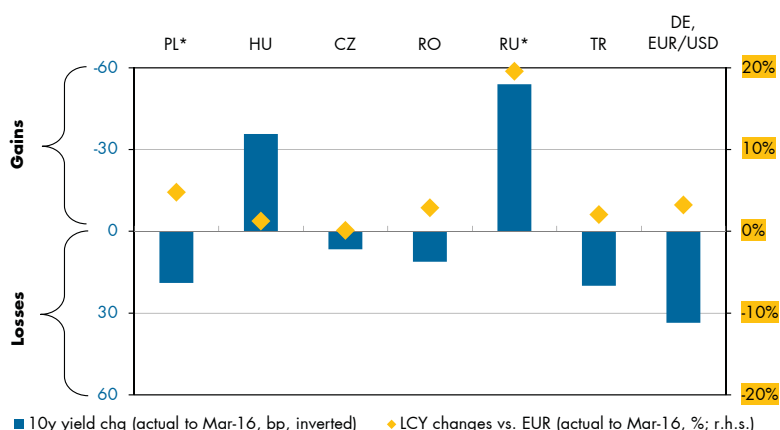
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## Highlights

Jittery oil market in combination with policy ambiguity (weak RUB as main tool to shield the budget? How deep the RUB can fall before CBR steps in?) contributed to massive RUB selling and volatility. In light of a pending revision to our upbeat oil view we had to put our RUB forecasts under revision and are inclined to see now an annual USD/RUB average around 75 at best (still in an optimistic commodity scenario with balanced oil markets in H2), down from ~USD/RUB 65 at present. Such a scenario may also imply even less rate cuts than already flagged in our conservative CBR view (easing next week seems off the table). Mr. Draghi's defended his deflation fighting credibility and flagged more QE measures in March in case of ongoing commodity price softness. This is basically supportive for CE/SEE markets. Polish Eurobonds regained attractiveness recently – especially when compared to the euro area periphery spreads – following a significant spread widening triggered by the surprise S&P downgrading. LCY bonds, in contrast, remained better shielded during this turbulent week. Verbal interventions by the NBP governor and comments from future MPC members pointing to a prudent policy stance took some pressure from PLN markets and we would expect a further calming-down going forward. Politics dominate also the newsflow in the Western Balkans. Croatia's new Prime Minister Oreskovic will face a vote of confidence in Parliament today seeking support for his cabinet line-up presented yesterday. The latest tightening of HRK bond spreads suggest that market participants are placing lots of confidence in the new government. The proclamation of new elections in Serbia raises eye brows and puts (international) investors' confidence that was hardly acquired by fiscal consolidation efforts at risk. The auction of a 2y RSD bond in the planned amount of RSD 25bn will be certainly a litmus test for risk appetite next week. In Hungary, finally, the central bank is expected to leave interest rates unchanged next week. We are currently revising downwards our inflation forecast for 2016/17 mainly due to bearish oil price developments.

Financial analyst: Gunter Deuber, RBI Vienna

## Expected changes from today until March 2016



\*FX forecasts under revision; gains/losses on bonds refer to principal; Source: Bloomberg, RBI/Raiffeisen RESEARCH

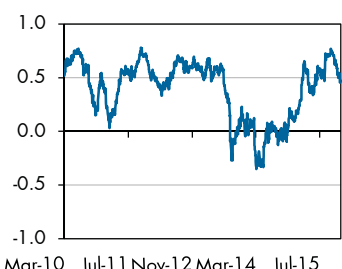
## Data highlights upcoming week

| Date   | Indicator       | Period | est.  | High  | Mean  | Low   | Prev. |
|--------|-----------------|--------|-------|-------|-------|-------|-------|
| 26-Jan | HU: Key rate, % | Jan    | 1.35  | 1.35  | 1.35  | 1.35  | 1.35  |
| 27-Jan | PL: GDP, % yoy  | 2015   | 3.5   | 3.7   | 3.5   | 3.4   | 3.4   |
| 28-Jan | UA: Key rate, % | Jan    | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 |
| 29-Jan | RU: Key rate, % | Jan    | 11.00 | 11.00 | 11.00 | 10.50 | 11.00 |

Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Focus on: Growing uncertainty regarding CBR reaction function

### RUB-oil correlation remains high



— 50-day correlation USD/RUB and oil price (Brent, USD/barrel)

Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

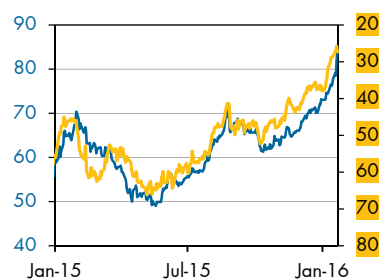
### Rising but still moderate volatility



— 30-day USD/RUB volatility

Source: Bloomberg, RBI/Raiffeisen RESEARCH

### RUB trailing oil movement

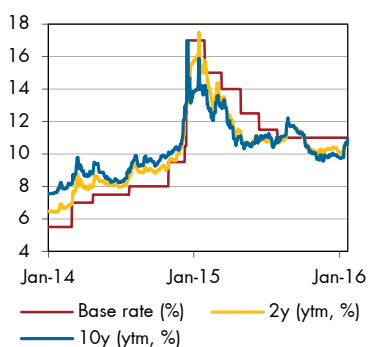


— USD/RUB

— Brent oil (USD/barrel, inv., r.h.s.)

Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

### OFZs and base rate



— Base rate (%) — 2y (ytm, %)

— 10y (ytm, %)

Source: Bloomberg, RBI/Raiffeisen RESEARCH

With oil continuing its decline and increasing concerns about the global and country-specific fallout from the oil collapse seen over the last months the RUB is witnessing ongoing depreciation pressure. In the context of broader market concerns it is worth highlighting that as of today Moody's placed the ratings of some 32 integrated energy companies in the CEE/EMEA region on review for a potential downgrade, including major Russian companies. Downsides for the RUB increased throughout the week as some market participants also started to bet on the closure of the still existing gap between losses on oil markets and the RUB (with budget implications) that has opened up recently (i.e. oil has fallen more than the RUB). Recent wobbles on the oil market even pushed USD/RUB temporarily beyond the 85 level (with high volumes involved), a move that could be expected in a bearish oil market environment in light of a certain decoupling of RUB and oil in recent weeks. We have not seen any reaction by the Central Bank of Russia (CBR) – at least up until yesterday – while it seems that Russian policymakers are increasingly seeing the RUB as main tool to shield the budget. Within scenario calculations that are trying to match USD/RUB, oil price (in USD) and basically the receipts Russia gets from selling oil in RUB an USD/RUB rate at around 75-85 definitely looks plausible; the oil/RUB gap that has opened up in recent weeks would also justify a USD/RUB rate of at least 85-90.

That said in recent weeks, i.e. at still lower USD/RUB levels than yesterday, economists and central bank watchers had already been speculating about the necessity for the CBR to intervene and at what levels such interventions may become likely. Rising expectations with regards to CBR action are getting apparent when taking some recent comments from the political scene into account (e.g. presidential adviser Glaziev). Not only that he criticized the CBR for installing a floating exchange rate in the first place, but also that the CBR is not intervening on the FX market given the current depreciation pressure. Moreover, on Thursday the CBR governor Nabiullina did cancel her visit to the World Economic Forum on short notice to meet with banks. However, at the other side of the spectrum there is also moderating wording, stating that the RUB is currently trading at fair levels, while the recent RUB weakening is no (systemic) issue to worry about. We have seen such wording from the CBR or even government officials. The latter train of thought is also backed by the fact that we do not see a broader and very extreme market panic up to now despite the substantial recent RUB weakening, which even resulted in the breach of some psychological thresholds (e.g. USD/RUB peak during the previous 2014/2015 sell-off).

### Options to stabilize the RUB

There are a number of tools the CBR and the government could use to stabilize the rouble in the current environment, starting from verbal interventions, some coordination among larger market players (be it exporters or banks), more active use of the FX repo tools once again going over to real FX interventions to renewed massive interest rate hikes or as a last line of defense introducing capital controls. Whereas we think that a more active use of FX repo tools, verbal and FX interventions would be among the first measures that could be introduced in the near-term (possibly including some coordination among relevant market players), we would currently not regard one-off interest rate hikes a likely option. Capital controls are in our view not an option on the table (like it had been no real option in 2014/2015). Our assessment is by and large shared by most participants in most recent Bloomberg surveys on the topic. 70% of economists taking part in the survey saw verbal interventions as a measure the CBR could take, addition-

ally 70% of participants saw renewed emergency rate hikes as an option. With 74% considering currency interventions a viable option this option was thereby the highest rated of all. Only 48% of the 23 economists see capital controls as a viable solution, thereby underpinning our view that this would be a last line of defence. Then again the CBR is well aware that FX interventions will only contribute to stabilization in the short-term while using up FX reserves in the process. That said the policy of FX interventions can merely be a temporary solution in case of extreme market overshooting. FX interventions in an environment of a trend weakening of oil, other commodity-driven (EM) currencies as well as the RUB (with no country- or currency-specific underperformance like in 2014/2015) do not look feasible at all. After having elaborated on the possible measures the CBR could use, the second question will be at what USD/RUB levels the CBR could start using any of these measures. Again turning to a recent Bloomberg survey of economists, 60% of participants saw the CBR intervening at levels above USD/RUB 90, 25% at USD/RUB 90 and 5% at USD/RUB 85. This finding was confirmed by a very recent Bloomberg survey (this week) where 13 out of 15 economists estimated that the CBR would enter the market with the RUB falling to USD/RUB 90.

**Our take and likely RUB path**

The current situation is definitely characterized by a policy dilemma for the CBR. On the one hand markets may try to test the CBR limits and without any guidance this process can continue, on the other hand any intervention around current levels in the very fragile commodity market setting may result in too much need for continuous interventions. Whereas the precise timing of a CBR intervention will be difficult to estimate, we think that levels of around USD/RUB 90 could be a relevant zone for CBR reaction. That said the CBR will be well aware that FX interventions would merely sooth the short-term RUB pressure while at the same time eating up FX reserves in the following months. Therefore, FX interventions would only make sense to stabilize RUB in case we either see massive overshooting or continuing downward-pressure in combination with first signs of a more balanced oil market. Within such scenarios the CBR could succeed with modest interventions and let market forces take over again. From our interpretation the CBR has no willingness to enter the market with large intervention amounts given growing concerns about a drain on Russian reserve assets due to the recent deterioration of the oil market and domestic economic/fiscal outlook. Nevertheless, we think that the most recent round of RUB weakening and increasing uncertainty with regards to the inflation outlook is already sufficient to change the monetary policy outlook/stance substantially. We see decreasing chances for rate cuts from a short-term perspective, while we may even see no key rate cuts at all in 2016 (if oil markets are not stabilizing soon, resulting in a bounce-back of the RUB), a scenario that can be finally also slightly positive for the RUB. **Given the recent deterioration on oil markets we have put our RUB forecasts (and oil forecasts) under revision. Depending on the final outcome of oil market revisions and the overall market stance towards commodity-driven FX rates we would now rather see USD/RUB in a range of 80-85 in Q1 (currently 70) and 75-80 in Q2 (currently 68), with an annual 2016 average then at around 75 (some 65 according to our current forecasts).** We think that this more moderate forecast path will still put us in the upper/bullish range of the market consensus in light of the most recent deterioration seen on markets (not reflected in consensus forecasts yet).

Financial analyst: Gunter Deuber, Wolfgang Ernst, CEFA; RBI Vienna

**Reserves stabilised with end of FX peg**



Source: Bloomberg, RBI/Raiffeisen RESEARCH

**Previous forecasts overview**

| EUR/RUB               | Mar-16 | Jun-16 | Dec-16 |
|-----------------------|--------|--------|--------|
| Raiffeisen RESEARCH** | 73.5   | 68.0   | 63.6   |
| Bloomberg consensus   | 74.0   | 71.8   | 68.9   |
| Forward               | 84.8   | 87.1   | 91.7   |

| USD/RUB               | Mar-16 | Jun-16 | Dec-16 |
|-----------------------|--------|--------|--------|
| Raiffeisen RESEARCH** | 70.0   | 66.0   | 63.0   |
| Bloomberg consensus   | 70.0   | 70.0   | 68.4   |
| Forward               | 78.0   | 79.8   | 83.5   |

| EUR/RUB avg.          | 2015 | 2016e | 2018f |
|-----------------------|------|-------|-------|
| Raiffeisen RESEARCH** | 68.0 | 67.0  | 81.9  |
| Consensus economics   |      | 73.3  | 70.0  |

| USD/RUB, avg.         | 2015 | 2016e | 2018f |
|-----------------------|------|-------|-------|
| Raiffeisen RESEARCH** | 61.3 | 65.7  | 66.9  |
| Consensus economics   |      | 68.6  | 61.6  |

| Oil, Brent USD/bbl    | 2015 | 2016e | 2018f |
|-----------------------|------|-------|-------|
| Raiffeisen RESEARCH** | 52.1 | 56.0  | 80.0  |
| Bloomberg consensus   |      | 52.5  | 68.8  |

\* Updated on 14 January 2016, Bloomberg consensus is median, Consensus Economics January 2016; \*\* Forecasts under revision; Source: Bloomberg, Consensus Economics, 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. |
|-----------------------------------|--------|--------|----------|-------|------------------------------|--------|-------|-------|-------|-------|-------|
| <b>Friday, 15 January</b>         |        |        |          |       | <b>Friday, 22 January</b>    |        |       |       |       |       |       |
| HR: CPI, % yoy                    | Dec    | -0.6   | -0.4     | -0.9  | HR: Unemployment rate, %     | Dec    | 17.8  | n.a.  | n.a.  | n.a.  | 17.7  |
| PL: CPI, % yoy final              | Dec    | -0.5   | n.a.     | -0.6  | <b>Tuesday, 26 January</b>   |        |       |       |       |       |       |
| RU: Trade balance, USD bn         | Nov    | 9.1    | 11.5     | 10.1  | HU: Key rate, %              | Jan    | 1.35  | 1.35  | 1.35  | 1.35  | 1.35  |
| RU: FX reserves, USD bn           | Dec    | 368.4  | n.a.     | 364.7 | <b>Wednesday, 27 January</b> |        |       |       |       |       |       |
| <b>Monday, 18 January</b>         |        |        |          |       | PL: GDP, % yoy               | 2015   | 3.5   | 3.7   | 3.5   | 3.4   | 3.4   |
| RU: C/A balance, USD bn           | Q4     | 13.0   | n.a.     | 7.5   | RU: Industrial output, % yoy | Dec    | -3.2  | -3.2  | -4.0  | -7.7  | -3.5  |
| SI: Unemployment rate, %          | Nov    | 11.7   | n.a.     | 11.7  | RU: Real wages, % yoy        | Dec    | -9.0  | -7.3  | -8.5  | -10.5 | -9.0  |
| <b>Tuesday, 19 January</b>        |        |        |          |       | RU: Retail sales, % yoy real | Dec    | -15.0 | -11.0 | -15.0 | -18.0 | -13.1 |
| SK: CPI, % yoy                    | Dec    | -0.5   | n.a.     | -0.4  | RU: Investments, % yoy       | Dec    | -4.8  | -3.0  | -5.5  | -10.0 | -4.9  |
| TR: Key rate, %                   | Jan    | 7.5    | n.a.     | 7.50  | <b>Thursday, 28 January</b>  |        |       |       |       |       |       |
| <b>Thursday, 21 January</b>       |        |        |          |       | UA: Key rate, %              | Jan    | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 |
| PL: Industrial output, % yoy sold | Dec    | 6.7    | 4.8      | 7.8   | <b>Friday, 29 January</b>    |        |       |       |       |       |       |
| PL: Retail sales, % yoy real      | Dec    | 7.0    | 5.3      | 5.7   | HR: Industrial output, % yoy | Dec    | 1.4   | n.a.  | n.a.  | n.a.  | 2.7   |
| UA: Industrial output, % yoy      | Dec    | -2.1   | n.a.     | -4.9  | RS: Industrial output, % yoy | Dec    | n.a.  | n.a.  | n.a.  | n.a.  | 11.7  |
|                                   |        |        |          |       | RS: Retail sales, % yoy      | Dec    | n.a.  | n.a.  | n.a.  | n.a.  | 2.3   |
|                                   |        |        |          |       | RU: Key rate, %              | Jan    | 11.00 | 11.00 | 11.00 | 10.50 | 11.00 |
|                                   |        |        |          |       | SI: Retail sales, % yoy      | Dec    | n.a.  | n.a.  | n.a.  | n.a.  | 1.4   |

Source: Bloomberg, RBI/Raiffeisen RESEARCH

**Croatia (HR)** – The week was lean in terms of important macroeconomic data, and thus the focus was on the formation of the new government. Yesterday, PM Mr Oreskovic held a press conference at which he publicly disclosed the names of future cabinet candidates (ministers and vice-presidents). The candidates for ministries are mostly publicly unknown, without significant political engagement in the past. The main objectives and measures of the new government will be on the agenda at today's Parliamentary session. Before the start of the voting process on approving the new Croatian government, instead of political speech, the PM will give a half-hour presentation on the current situation in the economy, focusing on Croatia's major problems and solutions. In anticipation of the new government programme, it is currently expected that the focus will be on crucial structural reforms which should have an immediate impact on the 2016 budget that is not expected before the second half of February. According to the rating calendar, a renewed assessment of Croatia by the rating agency Fitch is scheduled for the end of next week. Nevertheless, as in the case of the Standard&Poor's assessment last week, we do not expect any changes before the new budget is approved in Parliament. Furthermore, the budget will be a crucial indicator of whether the new government is ready to implement reforms and fiscal consolidation to put public debt on a sustainable path. In the meantime, there are some first positive signs on the market (yields on Croatian Eurobonds showed a downward trend during the last couple of days). The data calendar for the next week will feature the figure on industrial production for December which is expected to confirm growth widely supported by external demand.

Financial analyst: Mate Rosan (+385 1 6174 388), Raiffeisenbank Austria d.d., Zagreb

**Czech Republic (CZ)** – The spread on Czech government bonds over German benchmarks remains elevated. We ascribe this development to several factors. First, higher global risk aversion and lower inflation is pushing German Bund yields down. On the Czech side, lower inflation translates into weaker demand for CZK-denominated assets as speculation about future CZK appreciation has declined. Consequently, the globally increased risk aversion is not supporting Czech debt either. Moreover, the Ministry of Finance planned to sell as much as CZK 60 bn of mid to long-term government bonds at the beginning of the year. In the course of the year, we think that the spread on Czech government bonds over the German benchmark will decline. The condition of the Czech budget remains solid, the economy is expected to do well, and later on speculation about CZK appreciation should creep into the market, which would be supportive for Czech govies. The crucial part of the scenario is the return of inflation.

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

**Hungary (HU)** – Hungary’s central bank will likely leave monetary policy on hold next week, but will keep a close eye on consumer price data going forward. The central bank does not foresee any additional monetary easing even as it plans to cut its inflation forecast for 2016 because of the larger-than-expected decline in the price of oil, according to an executive director at the regulator on Wednesday. Taking that into account, there are chances of no action in following months, but the longer the oil price stays depressed, the harder it is to anticipate where it will eventually lead. Besides falling oil prices, the rise in food prices will be even more subdued than we had previously estimated, so we revised down our forecast for consumer price increases in 2016 and 2017. Accordingly, we are still confident in our call for further monetary policy easing.

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

**Poland (PL)** – In recent days, domestic politics were in focus after a surprising cut to the Polish rating by S&P to “BBB+” from “A-” with negative outlook. The agency pointed to the risk of deterioration in the independence and functioning of Poland’s major institutions and plans of fiscal loosening as indicated by S&P’s increased deficit-to-GDP forecast for 2016 (to 3.2%). At the same time, it underlined Poland’s solid economic fundamentals. These were further enhanced by data publications for December this week as indicators such as employment, retail sales, and industrial output all surprised on the upside. Given those results which suggest that Q4 might have seen the highest consumption dynamics in 2015 as a whole, it also bodes well for 2016. Adding to that the increased public expenditures and higher exports due to PLN weakness, we see rising chances of GDP dynamics closer to 3.8% yoy this year. Next week will not feature important data publications. The unemployment rate (Tue) will probably increase due to seasonal factors to around 9.8% (Labour Ministry estimate) from 9.6% in November.

*Financial analyst: Michal Burek (+48609921092), Raiffeisen Polbank, Warsaw*

**Romania (RO)** – In recent days the local media has run some interesting statements on issuances of government T-bonds denominated in EUR both internally and abroad in Q1. Mr Nanu, director of the State Treasury, said that Romania intends to issue a Eurobond denominated in EUR with a maturity of at least 10 years in Q1. Furthermore, there would be two Eurobonds issuances in 2016 in a total amount of EUR 3 bn, most likely in H1 if there are favourable conditions. The issuance of a USD-denominated Eurobond is not seen as an option given the EUR/USD exchange rate volatility. In February, the Ministry of Finance wants to issue a local EUR-denominated government bond with five-year maturity, Mr Nanu said, without giving details on the amount. We recall that a domestic EUR-denominated bond in the amount of EUR 1.6 bn matures next month (26 February). The cut to the MRR rate for FCY-denominated liabilities starting with the maintenance period for 24 January – 23 February 2016, which releases EUR 0.5 bn in the system, will provide help to roll over this bond.

Next week is also light in terms of macroeconomic releases. However, the public budget execution for 2015 might be released after 25 January. According to local media, public expenses increased significantly in December and the public budget deficit reached about 1.4% of GDP in 2015. Also, a domestic T-bond denominated in RON in the amount of roughly RON 7 bn will mature next week (27 January).

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

**Serbia (RS)** – Following the Prime Minister’s decision to hold the second early parliamentary elections in the spring (probably April), the market’s reaction was further EUR/RSD depreciation as the National Bank of Serbia (NBS) softened the reaction via FX interventions (January 2016: EUR 90 mn). Investors are concerned whether the elections will slow down the public sector reforms for H2 2016. The PM did not touch on the issue of reform dynamics when announcing the elections, nor has the IMF yet provided an official statement regarding the whole exercise, but it will do so in the period ahead. We do have concerns about the extent to which a slowdown in reform dynamics will affect the budget deficit-to-GDP ratio, which is planned at around 4% for this year, in terms of potential overshooting and its impact on public debt. Next week, the Ministry of Finance will auction the 2y RSD 25 bn (4% coupon) T-bills and then we will know more about how the market perceives the elections decision. Yields remained flat on the initial RSD-denominated T-bills auctions and we assume this will be the prevailing sentiment in the period ahead. On 29 January, the Statistical office will publish industrial production and foreign trade data for December 2015. The GDP growth flash estimate (in real terms) for Q4 2015 will be also released. We expect nice performance after economic growth of 2.2% in Q3 2015, supported by investments and exports.

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

# Monetary policy and money markets overview

## CEE key interest and money markets outlook

| Poland                             | curr.* | Mar-16 | Jun-16 | Sep-16 | 5y high | 5y low |
|------------------------------------|--------|--------|--------|--------|---------|--------|
| Key interest rate (% eop)          | 1.50   | 1.50   | 1.50   | 1.50   | 4.75    | 1.50   |
| 1m money market rate (% eop)       | 1.51   | 1.63   | 1.63   | 1.63   | 4.82    | 1.51   |
| 3m money market rate (% eop)       | 1.60   | 1.70   | 1.70   | 1.71   | 5.04    | 1.55   |
| 6m money market rate (% eop)       | 1.75   | 1.75   | 1.75   | 1.76   | 5.07    | 1.56   |
| <b>Hungary</b>                     |        |        |        |        |         |        |
| Key interest rate (% eop)          | 1.35   | 1.00   | 1.00   | 1.00   | 7.00    | 1.35   |
| 1m money market rate (% eop)       | 1.36   | 1.00   | 1.05   | 1.05   | 7.30    | 1.34   |
| 3m money market rate (% eop)       | 1.35   | 1.00   | 1.05   | 1.05   | 7.65    | 1.35   |
| 6m money market rate (% eop)       | 1.35   | 1.10   | 1.15   | 1.15   | 7.93    | 1.35   |
| <b>Czech Republic</b>              |        |        |        |        |         |        |
| Key interest rate (% eop)          | 0.05   | 0.05   | 0.05   | 0.05   | 0.75    | 0.05   |
| 1m money market rate (% eop)       | 0.20   | 0.22   | 0.22   | 0.20   | 1.00    | 0.19   |
| 3m money market rate (% eop)       | 0.29   | 0.30   | 0.30   | 0.30   | 1.25    | 0.28   |
| 6m money market rate (% eop)       | 0.37   | 0.40   | 0.40   | 0.45   | 1.58    | 0.36   |
| <b>Romania</b>                     |        |        |        |        |         |        |
| Key interest rate (% eop)          | 1.75   | 1.75   | 1.75   | 1.75   | 6.25    | 1.75   |
| 1m money market rate (% eop)       | 0.56   | 1.10   | 1.55   | 1.70   | 6.33    | 0.36   |
| 3m money market rate (% eop)       | 0.91   | 1.30   | 1.60   | 1.75   | 6.20    | 0.70   |
| 6m money market rate (% eop)       | 1.26   | 1.40   | 1.65   | 1.80   | 6.40    | 0.96   |
| <b>Russia</b>                      |        |        |        |        |         |        |
| Key interest rate (% eop)          | 11.00  | 10.00  | 10.00  | 10.00  | 17.00   | 5.50   |
| 1m money market rate (% eop)       | 11.78  | 10.65  | 10.70  | 10.80  | 29.16   | 3.43   |
| 3m money market rate (% eop)       | 11.93  | 10.70  | 10.80  | 10.90  | 29.93   | 3.75   |
| 6m money market rate (% eop)       | 12.11  | 10.75  | 10.90  | 11.00  | 30.31   | 4.12   |
| <b>Turkey</b>                      |        |        |        |        |         |        |
| Key interest rate (% eop)          | 7.50   | 9.50   | 9.50   | 9.50   | 10.00   | 4.50   |
| 1m money market rate (% eop)       | 11.93  | 12.00  | 11.50  | 11.00  | 12.04   | 4.61   |
| 3m money market rate (% eop)       | 11.97  | 12.10  | 11.60  | 11.10  | 12.15   | 4.74   |
| 6m money market rate (% eop)       | 12.02  | 12.10  | 11.60  | 11.10  | 12.48   | 5.12   |
| <b>Benchmark key rates (% eop)</b> |        |        |        |        |         |        |
| ECB key interest rate (% eop)      | 0.05   | 0.05   | 0.05   | 0.05   | 1.50    | 0.05   |
| Fed key interest rate (% eop)      | 0.35   | 0.75   | 1.00   | 1.25   | 0.37    | 0.01   |

\* Bid rates (for Hungary ask rates) as of 22 January 2016, 09:20 a.m. CET;

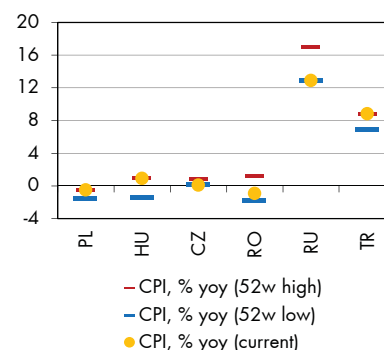
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Central bank watch

|                             |   |
|-----------------------------|---|
| <b>Poland (NBP)</b>         | Our call of a stable base rate, i.e. no resumed rate cuts by a presumably more dovish MPC taking office by March, received another boost due to latest market hiccup and central bank comments. While more unconventional easing measures cannot be excluded, rate hikes are not likely before H2 2017.   |
| <b>Hungary (MNB)</b>        | MNB remains in easing mood in light of relabeled cheap loan program and cancellation of 2w depo facility. The latter should channel additional liquidity in longer-dated tenors, including HGBs. In contrast to consensus, finally, we still see significant chances for another downward adjustment to the base rate especially if bearish oil pricing prevails. |
| <b>Czech Republic (CNB)</b> | Exit from FX intervention regime – introduced to keeping CZK above EUR/CZK 27.00 – could be delayed beyond Q4 2016. We do not expect a negative base rate, even more excessive CZK appreciation remains the major challenge for CNB in times of exit; rate liftoff not earlier than Q2 2017 expected.   |
| <b>Romania (BNR)</b>        | Rate cutting cycle likely over despite dramatic tax-cut-induced fall in CPI. More cuts to MRR expected following the latest cut to FX MRR, although deterioration in fiscal outlook weighs increasingly on MP outlook. Exit from ultra-loose liquidity conditions as early as Q2-16 major monetary policy challenge in 2016.                                      |
| <b>Serbia (NBS)</b>         | Central bank remained on-hold in December, which eases somewhat our concerns in terms of overdoing rate cuts and of related financial stability. Rate cutting cycle likely over, low-rate environment intended to be maintained as long as possible.  |
| <b>Russia (CBR)</b>         | CBR is set to pause its rate cuts due to RUB weakness and/or inflationary risks. Drop in CPI most recently, but latest RUB depreciation decreases chances for resumption of rate cuts. Our forecasts are under revision.  |
| <b>Turkey (TCMB)</b>        | TCMB dropped simplification of MP toolkit out of its latest statement after it held rates stable anew. Central bank seems paralyzed. We believe that TCMB will be forced to adjust key rate upwards on mounting market pressure which seems the only way of stabilising TRY under the assumption of calming geopolitical and inflationary risks.                  |

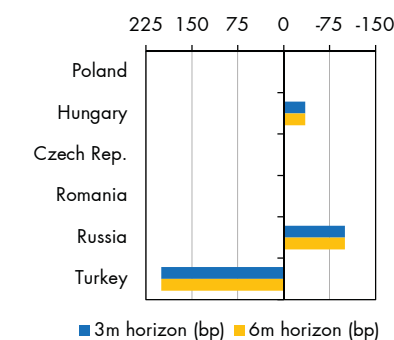
Source: Bloomberg, Reuters, RBI/Raiffeisen RESEARCH

## Inflation snapshot



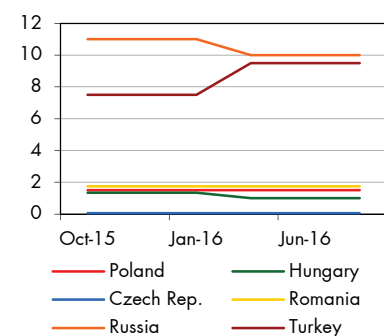
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Key rate trends



Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Rate setting meetings

|                  | Jan | Feb |
|------------------|-----|-----|
| Poland (NBP)     | 14  | 3   |
| Hungary (MNB)    | 26  | 23  |
| Czech Rep. (CNB) |     | 4   |
| Romania (BNR)    | 7   | 5   |
| Serbia (NBS)     | 12  | 11  |
| Russia (CBR)     | 29  | 18  |
| Turkey (TCMB)    | 19  | 23  |

Source: National Central Banks, RBI/Raiffeisen RESEARCH

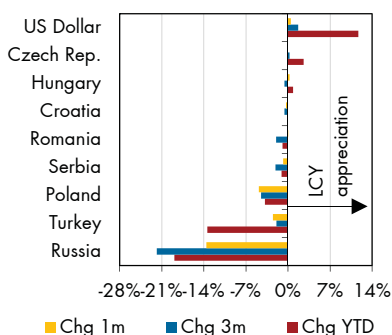
# Foreign exchange market overview

## FX forecasts

| EUR vs | current <sup>1</sup> | Mar-16 | Jun-16 | Sep-16 | 5y high | 5y low | Comment   |
|--------|----------------------|--------|--------|--------|---------|--------|---|
| PLN*   | 4.46                 | 4.25   | 4.20   | 4.20   | 4.57    | 3.88   | EUR/PLN at elevated levels due to external news-flow (especially China) and political uncertainties (accompanied rating downgrade by S&P, influence on monetary policy, conflict with EU over laws); given these circumstances we have put EUR/PLN under revision       |
| HUF    | 313.8                | 310.0  | 315.0  | 315.0  | 322.6   | 262.3  | Despite short-term break-outs EUR/HUF expected to remain in 310-315 range; but 2016 likely to bring moderate depreciation for forint on central bank policy and US rate hikes   |
| CZK    | 27.03                | 27.00  | 27.00  | 27.00  | 28.37   | 23.99  | EUR/CZK to remain near intervention level of 27.0; CNB wording seems to change towards a later abandoning of the FX regime (we currently estimate Q1 2017); CPI and intervention amounts could give further indication on the FX regime abandoning                      |
| RON    | 4.52                 | 4.40   | 4.45   | 4.40   | 4.64    | 4.07   | RON affected by external topics such as tumbling financial markets in China and monetary policy in US   |
| HRK    | 7.67                 | 7.68   | 7.60   | 7.65   | 7.72    | 7.36   | Corporate sector FCY demand could calm next week stabilizing EUR/HRK in the range of 7.65 to 7.68 kuna per euro.  |
| RSD    | 122.7                | 123.0  | 122.0  | 124.0  | 123.7   | 96.7   | Early elections weigh on EUR/RSD, central bank is softening pressure on RSD via FX interventions  |
| RUB*   | 87.89                | 73.50  | 67.98  | 60.60  | 89.47   | 38.43  | see USD/RUB below   |
| UAH    | 26.71                | 25.20  | 25.75  | 27.27  | 37.78   | 9.74   | see USD/UAH below   |
| BYR*   | 23,044               | 22,470 | 22,506 | 22,523 | 23,778  | 4,071  | see USD/BYR below   |
| TRY    | 3.27                 | 3.20   | 3.09   | 2.98   | 3.46    | 2.13   | see USD/TRY below   |
| USD    | 1.08                 | 1.05   | 1.03   | 1.01   | 1.49    | 1.05   | Expectation on further US Fed rate hikes to support USD against euro  |
| USD vs | current <sup>1</sup> | Mar-16 | Jun-16 | Sep-16 | 5y high | 5y low | Comment   |
| RUB*   | 81.14                | 70.00  | 66.00  | 60.00  | 82.28   | 27.28  | RUB is expected to continue following the oil price movement closely; given our oil price projection under revision we are putting our RUB forecast under revision as well  |
| UAH    | 24.70                | 24.00  | 25.00  | 27.00  | 33.75   | 7.93   | Prolongation of most critical administrative FX restrictions until 4 March 2016 will prevent stronger depreciation pressure for UAH; for 2016 central bank commitment will determine how fast and when we will see more depreciation                                    |
| BYR*   | 21,275               | 21,400 | 21,850 | 22,300 | 21,950  | 3,002  | Central Bank announced that Belarussian rouble will be redenominated from 1 July 2016; depreciation tendency of BYR to remain, while receiving additional pressure from weakening RUB; given the revision in RUB we are putting our BYR forecast under revision as well |
| TRY    | 3.01                 | 3.05   | 3.00   | 2.95   | 3.06    | 1.51   | Security concerns, political statements, tensions between Russia and Turkey, rate hikes in US, troubles in China are bound to keep TRY under pressure   |

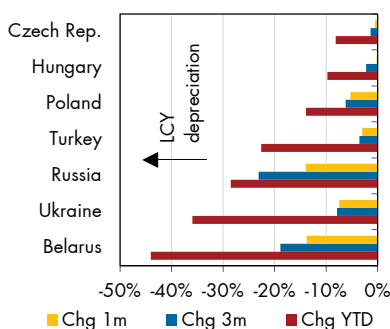
<sup>1</sup> as of 22 January 2016, 09:18 a.m. CET; \* under revision  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

### Change of LCY value to EUR (%)



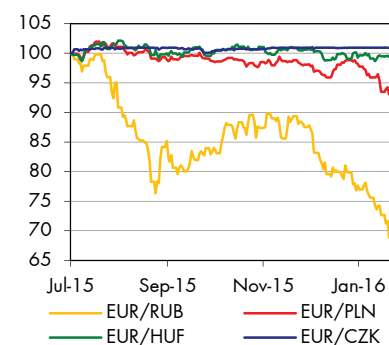
Source: Bloomberg, RBI/Raiffeisen RESEARCH

### Change of LCY value to USD (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

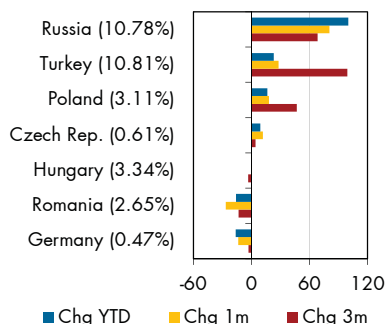
### Exchange rate comparison



Indexed Jul 2015 = 100  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

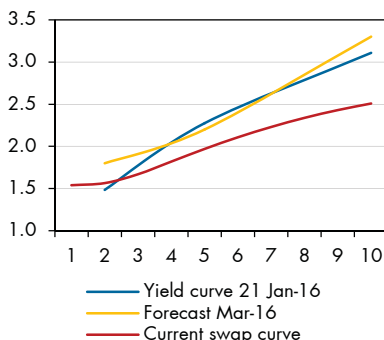
# Local currency bond market overview

Change of LCY 10y bond yields (bp)



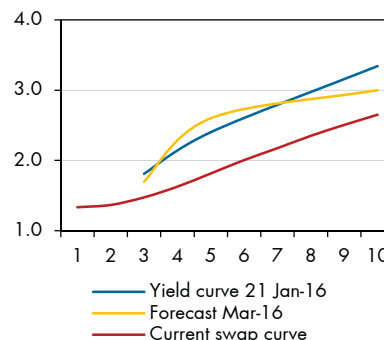
Source: Bloomberg, RBI/Raiffeisen RESEARCH

PLN yield curve



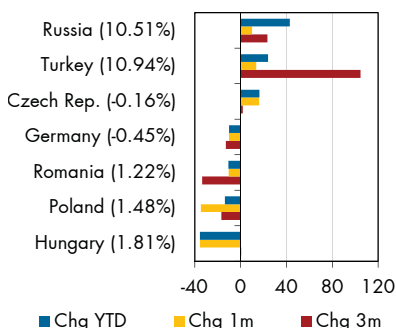
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



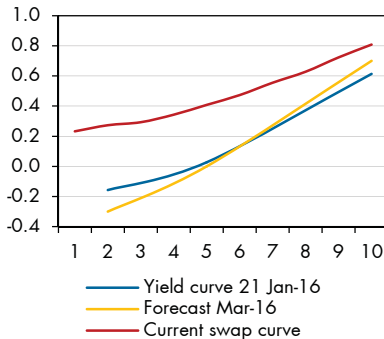
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



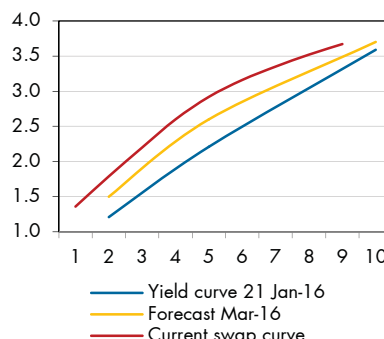
Source: Bloomberg, RBI/Raiffeisen RESEARCH

CZK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



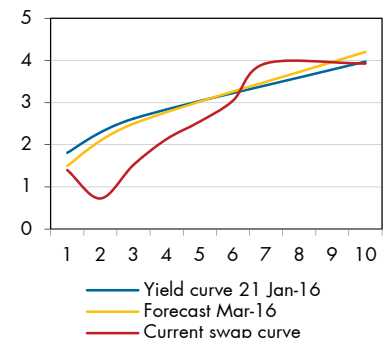
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



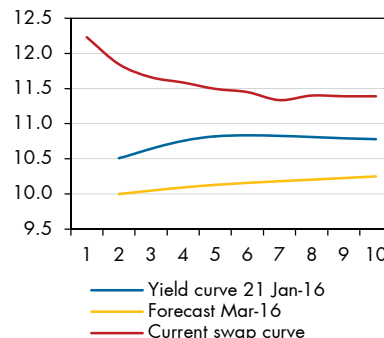
Turkey 5y high 343.7, 5y low 111.7; Russia 5y high 628.7, 5y low 118.7  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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* | Mar-16 | Jun-16 | Sep-16 | 5y high | 5y low |                       | current* | Mar-16 | Jun-16 | Sep-16 | 5y high | 5y low |
| Poland               | 1.48     | 1.8    | 1.9    | 2.0    | 5.1     | 1.3    | Poland                | 3.11     | 3.3    | 3.4    | 3.4    | 6.4     | 2.0    |
| Hungary**            | 1.81     | 1.7    | 1.7    | 1.8    | 10.2    | 1.5    | Hungary               | 3.34     | 3.0    | 3.2    | 3.3    | 10.7    | 2.7    |
| Czech Rep.           | -0.16    | -0.3   | -0.3   | -0.2   | 2.0     | -0.4   | Czech Rep.            | 0.61     | 0.7    | 0.8    | 0.9    | 4.3     | 0.3    |
| Romania              | 1.21     | 1.5    | 1.6    | 1.7    | 7.3     | 1.1    | Romania               | 3.59     | 3.7    | 3.9    | 4.0    | 7.6     | 2.6    |
| Croatia              | 2.24     | 2.5    | 2.5    | 2.6    | 6.3     | 1.6    | Croatia               | 3.97     | 4.2    | 4.3    | 4.3    | 4.3     | 3.9    |
| Russia               | 10.51    | 10.0   | 10.0   | 10.0   | 17.5    | 5.5    | Russia                | 10.77    | 10.3   | 10.5   | 10.4   | 16.1    | 6.5    |
| Turkey               | 10.97    | 11.0   | 10.5   | 10.0   | 11.3    | 4.9    | Turkey                | 10.82    | 11.0   | 10.7   | 10.3   | 11.0    | 6.0    |
| Eurozone             | -0.45    | -0.3   | -0.3   | -0.3   | 1.9     | -0.4   | Eurozone              | 0.47     | 0.8    | 0.9    | 1.1    | 3.5     | 0.1    |
| USA                  | 0.86     | 1.2    | 1.4    | 1.6    | 1.1     | 0.2    | USA                   | 2.05     | 2.6    | 2.8    | 2.9    | 3.7     | 1.4    |

\*Bid yields as of 22 January 2016, 09:27 a.m. CET; \*\* 3y  
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   |
|-----------------------|------------|-----------|-----------|--------|---------------------|-------|---|
| <b>Poland</b>         |            |           |           |        |                     |       |   |
| PLN 2y Gov. Bond      | 25/10/2017 | 5.25      | 106.66    | 1.36   | 181                 | 1.7   | Local bonds weathered rating downgrade well despite weaker zloty. Rate cut bets are diminishing, but more bond-market-friendly regulatory easing and possible ECB backing could support local debt market, especially the front-end of the POLGB curve.   |
| PLN 5y Gov. Bond      | 25/10/2020 | 5.25      | 113.39    | 2.24   | 248                 | 4.3   |   |
| PLN 10y Gov. Bond     | 25/07/2025 | 3.25      | 101.58    | 3.05   | 259                 | 8.2   |   |
| <b>Hungary</b>        |            |           |           |        |                     |       |   |
| HUF 3y Gov. Bond      | 22/06/2018 | 2.50      | 101.79    | 1.73   | 216                 | 2.3   | LCY debt market continues to shrugging-off souring of broader EM sentiment. Going forward LCY debt market should remain supported by expected rate cuts, bond-market-friendly MNB measures and, finally, rising speculations in terms of more ECB accommodation.  |
| HUF 5y Gov. Bond      | 24/06/2020 | 3.50      | 104.90    | 2.32   | 256                 | 4.1   |   |
| HUF 10y Gov. Bond     | 24/06/2025 | 5.50      | 117.97    | 3.25   | 279                 | 7.6   |   |
| <b>Czech Republic</b> |            |           |           |        |                     |       |   |
| CZK 2y Gov. Bond      | 17/03/2018 | 0.85      | 102.27    | -0.21  | 24                  | n.a.  | CZGB spread widened on deflationary concerns. Positioning for strong CZK appreciation once the FX cap was to be removed should re-intensify, so spread over Bunds is set to tighten again.  |
| CZK 5y Gov. Bond      | 12/09/2020 | 3.75      | 117.46    | -0.02  | 22                  | n.a.  |   |
| CZK 10y Gov. Bond     | 17/09/2025 | 2.40      | 117.16    | 0.57   | 10                  | 8.8   |   |
| <b>Croatia</b>        |            |           |           |        |                     |       |   |
| HRK 2y Gov. Bond      | 25/11/2017 | 6.25      | 107.95    | 1.81   | 205                 | 1.8   | Today's appointment of the new Croatian Government might increase next week trading volumes.  |
| HRK 10y Gov. Bond     | 09/07/2025 | 4.50      | 105.23    | 3.84   | 337                 | 7.8   |   |
| <b>Romania</b>        |            |           |           |        |                     |       |   |
| RON 3y Gov. Bond      | 17/01/2018 | 3.25      | 103.82    | 1.28   | 171                 | 2.0   | In line with CE peers, Romanian local debt market felt broader EM jitters only moderately and remained on solid footing. Front-end remains hardly cemented on excess liquidity conditions, especially in light of further expected MRR cuts by the BNR. Back-end of RON curve expected to remain quite stable in the short run. |
| RON 5y Gov. Bond      | 29/04/2020 | 5.75      | 114.71    | 2.10   | 234                 | 3.8   |   |
| <b>Russia</b>         |            |           |           |        |                     |       |   |
| RUB 2y Gov. Bond      | 15/03/2018 | 7.50      | 94.85     | 10.50  | 1095                | 1.9   | We turned bearish on OFZs following the latest RUB weakness which began to increasingly feed into bond price performance. Likelihood of rate cuts is diminishing, hence, and lowers also the attractiveness of short-dated OFZs.  |
| RUB 5y Gov. Bond      | 03/08/2016 | 6.90      | 98.55     | 10.04  | 1028                | 0.5   |   |
| RUB 8y Gov. Bond      | 24/11/2021 | 6.50      | 85.65     | 10.12  | 966                 | 4.9   |   |
| <b>Turkey</b>         |            |           |           |        |                     |       |   |
| TRY 2y Gov. Bond      | 14/06/2017 | 9.60      | 98.45     | 10.49  | 1094                | 1.3   | LCY debt market hit by recent GEM jitters in contrast to other CE/SEE markets. In light of expected rate hikes on inflation risks and lira weakness we maintain our bearish view on TURKGBs, especially since local/geo-politics remain a huge risk factor.   |
| TRY 5y Gov. Bond      | 08/07/2020 | 9.40      | 94.98     | 10.85  | 1109                | 3.6   |   |
| TRY 10y Gov. Bond     | 12/03/2025 | 8.00      | 84.00     | 10.79  | 1033                | 6.1   |   |

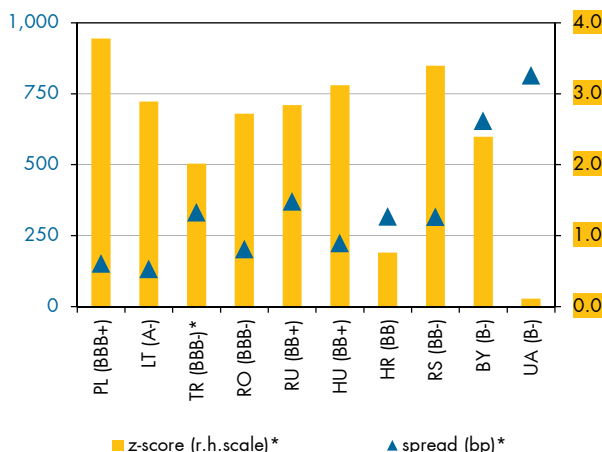
Data as of 22 January 2016, 09:27 a.m. CET  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Bond auctions

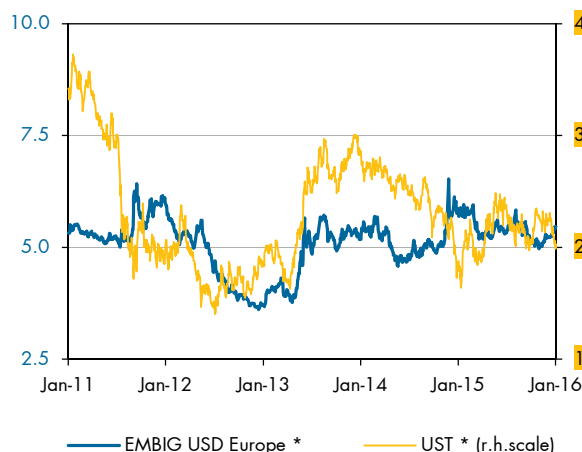
|                        |              | ISIN         | Coupon   | Maturity  | Volume     |
|------------------------|--------------|--------------|----------|-----------|------------|
| <b>25 January 2016</b> |              |              |          |           |            |
| RO                     | 5y T-bonds   | RO1521DBN041 | 3.25%    | 22 Mar-21 | RON 500 mn |
| BG                     | 10y T-bonds  | n.a.         | n.a.     | 2026      | n.a.       |
| TR                     | 4y T-bonds   | n.a.         | 9.40%    | 2020      | n.a.       |
| TR                     | 1/L T-bonds* | n.a.         | n.a.     | n.a.      | n.a.       |
| TR                     | 1y T-bonds   | n.a.         | 9.60%    | 2017      | n.a.       |
| <b>26 January 2016</b> |              |              |          |           |            |
| TR                     | 6y T-bonds   | n.a.         | floating | 2022      | n.a.       |
| TR                     | 9y T-bonds   | n.a.         | 8.00%    | 2025      | n.a.       |
| UA                     | T-bonds      | n.a.         | n.a.     | n.a.      | n.a.       |
| <b>27 January 2016</b> |              |              |          |           |            |
| CZ                     | 4y T-bonds   | CZ0001004717 | 0.00%    | 17 Jul-19 | CZK 10 bn  |
| CZ                     | 14y T-bonds  | CZ0001004105 | floating | 19 Nov-27 | CZK 5 bn   |
| CZ                     | 12y T-bonds  | CZ0001004253 | 2.40%    | 17 Sep-25 | CZK 3 bn   |
| UA                     | T-bonds      | n.a.         | n.a.     | n.a.      | n.a.       |
| RU                     | T-bonds      | n.a.         | n.a.     | n.a.      | n.a.       |
| <b>28 January 2016</b> |              |              |          |           |            |
| RS                     | 2y T-bonds   | n.a.         | 4.00%    | 01 Feb-18 | RSD 25 bn  |
| PL                     | T-bonds      | n.a.         | n.a.     | n.a.      | n.a.       |
| HU                     | T-bonds      | n.a.         | floating | n.a.      | n.a.       |

# Eurobond market overview

CEE USD EMBIG spread valuation\*



CEE EMBIG USD vs. UST YTM\*



\* 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

\* 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 | 5y min |                    |             |      | % p. a.      |
| <b>EUR</b>            |              |       |          |        |        |                    |             |      |              |
| BGARIA 4 1/4 07/09/17 | 105.8        | 106.2 | -0.19    | 111.8  | 100.3  | 0.11               | 53          | 1.4  | XS0802005289 |
| CROATI 5 7/8 07/09/18 | 109.3        | 109.8 | -0.09    | 112.2  | 87.7   | 1.85               | 229         | 2.3  | XS0645940288 |
| REPHUN 3 1/2 07/18/16 | 101.5        | 101.6 | -0.05    | 104.6  | 76.8   | 0.23               | 62          | 0.5  | XS0240732114 |
| REPHUN 5 3/4 06/11/18 | 111.4        | 112.0 | -0.09    | 115.1  | 79.7   | 0.76               | 120         | 2.2  | XS0369470397 |
| REPHUN 6 01/11/19     | 114.0        | 116.0 | 0.00     | 118.4  | 86.4   | 0.85               | 126         | 2.8  | XS0625388136 |
| LITHUN 4.85 02/07/18  | 110.1        | 110.4 | -0.10    | 114.3  | 94.5   | -0.16              | 29          | 1.9  | XS0327304001 |
| POLAND 3 5/8 02/01/16 | 100.0        | 100.1 | -0.07    | 109.0  | 97.8   | 0.01               | 38          | 0.0  | XS0242491230 |
| POLAND 1 5/8 01/15/19 | 103.2        | 103.4 | -0.86    | 105.5  | 98.0   | 0.50               | 92          | 2.9  | XS0874841066 |
| POLAND 3 3/4 01/19/23 | 115.6        | 116.0 | -2.28    | 125.5  | 99.9   | 1.36               | 136         | 6.2  | XS0794399674 |
| POLAND 3 3/8 07/09/24 | 111.7        | 111.9 | -1.94    | 125.6  | 99.6   | 1.85               | 164         | 7.3  | XS0841073793 |
| ROMANI 5 1/4 06/17/16 | 101.9        | 102.2 | -0.15    | 108.7  | 95.8   | 0.00               | 39          | 0.4  | XS0638742485 |
| ROMANI 4 7/8 11/07/19 | 115.5        | 115.9 | -0.04    | 117.8  | 99.3   | 0.66               | 101         | 3.5  | XS0852474336 |
| TURKEY 5 7/8 04/02/19 | 112.1        | 112.9 | -0.32    | 119.4  | 101.2  | 1.79               | 219         | 2.8  | XS0285127329 |
| TURKEY 5 1/8 05/18/20 | 110.5        | 111.3 | -0.27    | 115.9  | 95.4   | 2.43               | 272         | 3.8  | XS0503454166 |
| <b>USD</b>            |              |       |          |        |        |                    |             |      |              |
| BELRUS 8.95 01/26/18  | 102.1        | 103.0 | 0.09     | 111.2  | 70.0   | 7.55               | 670         | 1.8  | XS0583616239 |
| CROATI 6 3/8 03/24/21 | 107.9        | 108.5 | 0.65     | 117.8  | 86.7   | 4.58               | 309         | 4.3  | XS0607904264 |
| CROATI 5 1/2 04/04/23 | 103.6        | 104.2 | 1.10     | 108.6  | 94.4   | 4.85               | 305         | 5.8  | US0908769887 |
| REPHUN 5 3/8 02/21/23 | 108.5        | 108.9 | 0.53     | 113.9  | 93.1   | 3.96               | 215         | 5.8  | US445545AH91 |
| REPHUN 7 5/8 03/29/41 | 134.5        | 135.5 | -0.10    | 150.3  | 79.5   | 5.13               | 250         | 12.8 | US445545AF36 |
| LITHUN 7 3/8 02/11/20 | 118.2        | 118.7 | 0.11     | 130.7  | 104.8  | 2.55               | 128         | 3.5  | XS0485991417 |
| LITHUN 6 5/8 02/01/22 | 120.1        | 120.6 | 0.52     | 128.6  | 101.0  | 2.91               | 129         | 4.9  | XS0739988086 |
| LATVIA 2 3/4 01/12/20 | 101.2        | 101.7 | 0.06     | 102.7  | 91.4   | 2.36               | 110         | 3.7  | XS0863522149 |
| LATVIA 5 1/4 06/16/21 | 113.2        | 113.8 | 0.03     | 117.2  | 90.9   | 2.55               | 103         | 4.7  | XS0638326263 |
| POLAND 6 3/8 07/15/19 | 112.8        | 113.1 | -0.95    | 125.9  | 107.4  | 2.46               | 128         | 3.1  | US731011AR30 |
| POLAND 3 03/17/23     | 97.6         | 98.0  | -1.04    | 103.6  | 87.6   | 3.35               | 154         | 6.3  | US731011AT95 |
| ROMANI 6 3/4 02/07/22 | 117.8        | 118.2 | 0.24     | 124.4  | 99.2   | 3.42               | 178         | 4.9  | US77586TAA43 |
| ROMANI 4 3/8 08/22/23 | 104.8        | 105.2 | 0.31     | 109.5  | 90.8   | 3.62               | 177         | 6.3  | US77586TAC09 |
| RUSSIA 4 1/2 04/04/22 | 98.1         | 98.8  | 1.56     | 114.7  | 82.0   | 4.80               | 314         | 5.3  | XS0767472458 |
| RUSSIA 7 1/2 03/31/30 | 119.9        | 120.1 | 0.02     | 128.7  | 99.6   | 2.90               | 70          | 4.1  | XS0114288789 |
| RUSSIA 5 5/8 04/04/42 | 89.6         | 90.7  | 2.51     | 124.9  | 76.0   | 6.41               | 374         | 12.7 | XS0767473852 |
| SERBIA 5 1/4 11/21/17 | 103.3        | 104.0 | -0.17    | 107.1  | 96.8   | 3.18               | 239         | 1.7  | XS0856951263 |
| SERBIA 4 7/8 02/25/20 | 101.5        | 102.3 | -0.33    | 104.6  | 89.6   | 4.36               | 308         | 3.6  | XS0893103852 |
| TURKEY 6 1/4 09/26/22 | 108.0        | 108.7 | 0.16     | 127.0  | 101.0  | 4.77               | 303         | 5.4  | US900123BZ27 |
| TURKEY 6 7/8 03/17/36 | 110.8        | 111.5 | 1.10     | 139.6  | 99.2   | 5.92               | 348         | 11.1 | US900123AY60 |
| TURKEY 6 3/4 05/30/40 | 109.9        | 110.7 | 0.77     | 139.4  | 97.3   | 5.95               | 335         | 12.3 | US900123BG46 |
| UKRAIN 7 3/4 09/01/19 | 93.8         | 94.5  | -0.13    | 99.0   | 93.0   | 9.72               | 853         | 2.9  | XS1303918269 |
| UKRAIN 7 3/4 09/01/23 | 90.9         | 91.8  | 0.44     | 97.8   | 89.4   | 9.36               | 753         | 5.4  | XS1303921487 |
| UKRAIN 7 3/4 09/01/27 | 88.9         | 89.8  | 0.13     | 97.0   | 86.8   | 9.26               | 716         | 7.0  | XS1303927179 |

\* w/w - week on week, 5-y - 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 January 2016, 09:46 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  |
| <b>CE</b>      |      |      |          |         |      |          |       |      |          |
| Poland         | A-   | BBB+ | negative | A2      | A2   | stable   | A     | A-   | stable   |
| Hungary        | BB+  | BB+  | stable   | Ba1     | Ba1  | positive | BBB-  | BB+  | positive |
| Czech Republic | AA   | AA-  | stable   | A1      | A1   | stable   | AA-   | A+   | stable   |
| Slovakia *     | A+   | A+   | stable   | A2      | A2   | stable   | A+    | A+   | stable   |
| Slovenia *     | A-   | A-   | stable   | Baa3    | Baa3 | stable   | BBB+  | BBB+ | stable   |
| <b>SEE</b>     |      |      |          |         |      |          |       |      |          |
| Romania        | BBB- | BBB- | stable   | Baa3    | Baa3 | positive | BBB   | BBB- | stable   |
| Bulgaria       | BB+  | BB+  | stable   | Baa2    | Baa2 | stable   | BBB   | BBB- | stable   |
| Croatia        | BB   | BB   | negative | Ba1     | Ba1  | negative | BB+   | BB   | negative |
| Serbia         | BB-  | BB-  | stable   | B1      | B1   | stable   | B+    | B+   | positive |
| <b>CIS</b>     |      |      |          |         |      |          |       |      |          |
| Russia         | BBB- | BB+  | negative | Ba1     | Ba1  | stable   | BBB-  | BBB- | negative |
| Ukraine        | B-   | B-   | stable   | Caa3    | Caa3 | stable   | CCC   | CCC  | stable   |
| Belarus        | B-   | B-   | stable   | Caa1    | Caa1 | negative | NR    | NR   | n.a.     |
| 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 & forecasts\*

| Country    | Year  | GDP, % avg. yoy | CPI, % avg. yoy | Unemployment, % | Nominal wages, EUR | Fiscal balance, % GDP | Public debt, % GDP | Export**, % GDP | C/A, % GDP | Ext. debt, % GDP | FXR*** % ext. debt | Import cover, months |
|------------|-------|-----------------|-----------------|-----------------|--------------------|-----------------------|--------------------|-----------------|------------|------------------|--------------------|----------------------|
| Croatia    | 2015e | 1.5             | -0.4            | 16.2            | 1058               | -5.0                  | 89.9               | 24.9            | 4.7        | 108.9            | 27.4               | 9.1                  |
|            | 2016f | 1.0             | 1.1             | 16.0            | 1061               | -4.5                  | 93.1               | 26.0            | 1.5        | 109.5            | 27.0               | 8.8                  |
|            | 2017f | 1.5             | 1.5             | 15.8            | 1070               | -4.1                  | 94.9               | 26.6            | 1.5        | 109.8            | 25.8               | 8.5                  |
| Czech Rep. | 2015e | 4.3             | 0.4             | 6.5             | 972                | -1.5                  | 40.7               | 75.0            | 1.0        | 65.6             | 58.1               | 6.4                  |
|            | 2016f | 2.4             | 1.3             | 6.1             | 1023               | -1.5                  | 40.1               | 77.4            | 1.1        | 63.6             | 82.0               | 8.5                  |
|            | 2017f | 2.4             | 2.0             | 5.9             | 1104               | -1.7                  | 40.2               | 78.9            | -0.4       | 63.4             | 79.2               | 8.0                  |
| Hungary    | 2015e | 2.8             | 0.0             | 7.0             | 795                | -2.3                  | 75.8               | 80.3            | 3.7        | 104.6            | 28.3               | 4.8                  |
|            | 2016f | 2.2             | 1.9             | 6.2             | 818                | -2.2                  | 75.0               | 81.3            | 3.7        | 96.9             | 26.1               | 4.0                  |
|            | 2017f | 2.9             | 2.7             | 5.7             | 833                | -2.4                  | 71.5               | 82.5            | 3.6        | 89.8             | 24.6               | 3.4                  |
| Poland     | 2015e | 3.5             | -0.9            | 10.5            | 939                | -3.1                  | 51.9               | 39.1            | -0.1       | 70.3             | 28.3               | 6.0                  |
|            | 2016f | 3.6             | 1.3             | 9.4             | 977                | -3.2                  | 52.9               | 40.2            | -1.1       | 71.2             | 24.7               | 5.1                  |
|            | 2017f | 3.4             | 2.0             | 9.0             | 1043               | -3.2                  | 52.9               | 39.4            | -1.7       | 71.2             | 23.5               | 4.8                  |
| Romania    | 2015e | 3.7             | -0.6            | 6.8             | 566                | -1.2                  | 38.9               | 31.6            | -1.0       | 59.3             | 34.0               | 6.7                  |
|            | 2016f | 4.0             | -0.3            | 6.5             | 619                | -3.0                  | 39.7               | 32.2            | -2.5       | 57.8             | 33.7               | 6.1                  |
|            | 2017f | 3.6             | 2.7             | 6.5             | 668                | -3.2                  | 40.4               | 32.4            | -3.3       | 56.1             | 33.2               | 5.7                  |
| Russia     | 2015e | -4.0            | 15.6            | 5.5             | 502                | -3.5                  | 12.7               | 27.1            | 5.2        | 41.1             | 73.5               | 23.9                 |
|            | 2016f | 0.0             | 8.8             | 5.5             | 542                | -3.5                  | 13.5               | 27.6            | 5.5        | 37.1             | 79.6               | 21.9                 |
|            | 2017f | 1.5             | 8.4             | 5.5             | 546                | -2.0                  | 14.0               | 27.6            | 5.0        | 32.3             | 78.7               | 18.0                 |
| Ukraine    | 2015e | -10.0           | 48.5            | 11.5            | 172                | -4.0                  | 87.0               | 37.4            | -0.8       | 128.7            | 11.5               | 4.3                  |
|            | 2016f | 1.5             | 16.0            | 11.0            | n.a.               | -3.5                  | 94.0               | 42.7            | -1.0       | 133.3            | 13.7               | 4.7                  |
|            | 2017f | 3.0             | 10.0            | 10.0            | n.a.               | -2.5                  | 93.0               | 46.4            | -1.2       | 134.0            | 14.7               | 4.6                  |
| Turkey     | 2015e | 3.5             | 7.6             | 10.5            | n.a.               | -1.5                  | 34.0               | 21.6            | -5.0       | 59.9             | 23.8               | 5.8                  |
|            | 2016f | 2.5             | 8.1             | 10.0            | n.a.               | -1.5                  | 32.0               | 22.9            | -5.7       | 62.6             | 24.7               | 5.9                  |
|            | 2017f | 3.5             | 7.0             | 10.0            | n.a.               | -1.5                  | 33.0               | 22.1            | -5.6       | 58.2             | 25.0               | 5.7                  |

\* only for countries regularly included in CEE Weekly

\*\* Export of goods only; \*\*\* FXR - Foreign exchange reserves

Source: Thomson Reuters, National Statistics, RBI/Raiffeisen RESEARCH

## Risk notifications and explanations

Kindly note that research is done and recommendations are given only in respect of financial instruments which are not affected by the sanctions under EU regulation no 833/2014 as amended, i.e. financial instruments which have been issued before 1 August 2014.

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- Figures on performance refer to the past. Past performance is not a reliable indicator of the future results and 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 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 the future results and development of a financial instrument, a financial index or a securities service.

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**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  |
| 09/12/2014     | Hold | Hold | Buy  | Hold | Hold | Hold | Hold | Sell | Buy  | Buy  | Buy  | Hold | Buy  | Hold | Hold | Hold | Sell | Sell | Sell | Sell | Buy  | Buy  | Buy  | Buy  |
| 09/02/2015     | I    | I    | Hold | I    | Buy  | Buy  | Buy  | I    | Hold | Hold | Hold | I    | Buy  | Buy  | Buy  | I    | I    | I    | I    | I    | I    | I    | I    | I    |
| 24/03/2015     | I    | I    | I    | I    | I    | Hold | Hold | I    | I    | I    | I    | Sell | I    | I    | I    | I    | Hold | I    | I    | I    | I    | Hold | Hold | Sell |
| 28/04/2015     | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | Hold | Hold | Hold | Hold | Hold | Buy  | Hold | Hold | I    | I    | I    | I    | Hold |
| 15/05/2015     | I    | Buy  | Buy  | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    |
| 02/06/2015     | I    | Hold | Hold | I    | Hold | I    | I    | Hold | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | Hold | I    | Buy  | Buy  | Buy  |
| 24/06/2015     | I    | I    | Buy  | I    | I    | I    | Sell | I    | I    | I    | Sell | I    | I    | I    | Sell | I    | I    | Buy  | Buy  | I    | Sell | Sell | Sell | Sell |
| 06/08/2015     | I    | I    | Hold | I    | I    | Sell | I    | I    | I    | Sell | I    | I    | I    | Sell | I    | I    | Hold | Hold | Hold | I    | Hold | I    | I    | Hold |
| 03/09/2015     | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | Buy  | I    | I    | I    | Buy  |
| 22/09/2015     | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | I    | Sell | I    | I    | I    |
| 04/11/2015     | I    | I    | I    | I    | Buy  | Buy  | Buy  | I    | I    | Hold | Hold | I    | I    | Hold | Hold | I    | I    | I    | I    | Hold | Hold | Hold | Hold | Hold |
| 17/12/2015     | I    | I    | I    | I    | I    | I    | I    | Buy  | Buy  | Buy  | I    | I    | Buy  | Buy  | Buy  | Buy  | Buy  | Buy  | I    | Buy  | I    | I    | I    | I    |

\* recommendations based on absolute expected performance in LCY; FX vs EUR; Source: RBI/Raiffeisen RESEARCH

**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  |
| 09/12/2014     | Hold | -   | Sell | Sell | Hold | Hold | Buy  | Hold | -   | -    | Hold | Hold | Buy  | Buy  | Hold | Hold |
| 09/02/2015     | I    | -   | I    | I    | I    | I    | I    | I    | -   | -    | I    | I    | Hold | Hold | Buy  | I    |
| 05/03/2015     | I    | -   | Hold | Hold | I    | I    | I    | I    | -   | -    | I    | I    | I    | I    | I    | I    |
| 24/03/2015     | I    | -   | I    | I    | I    | I    | Hold | I    | -   | -    | Buy  | Buy  | Buy  | Hold | I    | Buy  |
| 17/04/2015     | I    | -   | I    | I    | I    | I    | I    | I    | -   | -    | I    | I    | I    | I    | I    | I    |
| 28/04/2015     | I    | -   | I    | I    | I    | I    | I    | I    | -   | -    | I    | I    | I    | I    | I    | I    |
| 02/06/2015     | Sell | -   | I    | I    | I    | I    | I    | I    | -   | -    | Hold | Hold | I    | Buy  | Hold | Hold |
| 24/06/2015     | Hold | -   | I    | I    | I    | I    | I    | I    | -   | -    | I    | I    | I    | Hold | I    | I    |
| 06/08/2015     | I    | -   | Sell | Sell | I    | I    | I    | I    | -   | Buy  | Buy  | I    | Hold | I    | I    | I    |
| 03/09/2015     | I    | -   | I    | I    | I    | I    | I    | I    | -   | I    | Hold | I    | I    | I    | I    | I    |
| 22/09/2015     | I    | -   | I    | I    | I    | I    | I    | I    | -   | I    | I    | I    | Buy  | I    | Buy  | Buy  |
| 07/10/2015     | I    | -   | I    | I    | I    | I    | Buy  | Buy  | -   | Hold | I    | I    | I    | I    | I    | I    |
| 04/11/2015     | I    | -   | I    | I    | I    | I    | I    | I    | -   | I    | Buy  | I    | I    | Buy  | I    | I    |
| 03/12/2015     | I    | -   | I    | I    | I    | I    | I    | I    | -   | Buy  | I    | I    | I    | I    | I    | I    |
| 17/12/2015     | I    | -   | I    | I    | I    | I    | I    | I    | -   | I    | Hold | I    | I    | I    | I    | I    |
| 18/01/2016     | I    | -   | I    | I    | I    | I    | I    | I    | -   | I    | I    | I    | Hold | Hold | I    | I    |

\* 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  |      |
|----------------|------|------|-----|------|------|-----|------|-----|------|------|------|------|-----|------|
|                | EUR  | USD  | EUR | USD  | EUR  | USD | EUR  | USD | EUR  | USD  | EUR  | USD  | EUR | USD  |
| 09/12/2014     | Sell | Sell | -   | Hold | -    | -   | -    | -   | Hold | Hold | Sell | Sell | -   | Hold |
| 09/02/2015     | I    | I    | -   | Sell | -    | -   | -    | -   | I    | I    | I    | I    | -   | Sell |
| 05/03/2015     | Hold | Hold | -   | Hold | -    | -   | -    | -   | I    | I    | I    | I    | -   | I    |
| 24/03/2015     | Buy  | Buy  | -   | Hold | -    | -   | -    | -   | I    | I    | I    | I    | -   | Hold |
| 17/04/2015     | Hold | Hold | -   | I    | -    | -   | -    | -   | I    | I    | I    | I    | -   | I    |
| 28/04/2015     | I    | I    | -   | I    | Hold | -   | Buy  | -   | Buy  | Buy  | Hold | Hold | -   | Buy  |
| 02/06/2015     | I    | I    | -   | Sell | I    | -   | I    | -   | I    | I    | I    | I    | -   | I    |
| 24/06/2015     | I    | I    | -   | I    | I    | -   | I    | -   | I    | Hold | I    | I    | -   | I    |
| 06/08/2015     | I    | I    | -   | I    | I    | -   | Hold | -   | Hold | I    | Sell | Sell | -   | Sell |
| 03/09/2015     | I    | I    | -   | I    | I    | -   | I    | -   | I    | I    | Hold | Hold | -   | I    |
| 22/09/2015     | I    | I    | -   | I    | I    | -   | I    | -   | Sell | Sell | I    | I    | -   | I    |
| 07/10/2015     | I    | I    | -   | I    | I    | -   | I    | -   | I    | I    | I    | I    | -   | I    |
| 04/11/2015     | Buy  | Buy  | -   | I    | I    | -   | I    | -   | Hold | Hold | -    | I    | -   | Hold |
| 03/12/2015     | Hold | Hold | -   | I    | I    | -   | I    | -   | I    | I    | -    | Sell | -   | I    |
| 17/12/2015     | I    | I    | -   | I    | I    | -   | I    | -   | Buy  | Hold | -    | I    | -   | I    |
| 18/01/2016     | I    | I    | -   | I    | I    | -   | I    | -   | I    | I    | -    | I    | -   | I    |

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

**Sovereign Eurobonds: Relative value pair trades (B: buy; S: sell; I: no change)\***

| Date of change | USD        |       | USD        |       | EUR        |       |
|----------------|------------|-------|------------|-------|------------|-------|
|                | KZ'44      | RU'43 | LT'21      | LV'21 | LT'24      | LV'24 |
| 05/03/2015     | Buy        | Sell  | Buy        | Sell  | Buy        | Sell  |
| 24/06/2015     | -          | -     | -          | -     | -          | -     |
| 16/07/2015     | Opened     |       | Opened     |       | Opened     |       |
| 06/08/2015     | I          |       | I          |       | I          |       |
| 03/09/2015     | I          |       | I          |       | I          |       |
| 04/11/2015     | Closed (-) |       | I          |       | I          |       |
| 03/12/2015     |            |       | Closed (0) |       | Closed (0) |       |

\* recommendations based on relative expected performance, i.e. expected spread widening or tightening between two bonds over ~1 to 3 months, (+) - profit, (-) - loss  
Source: RBI/Raiffeisen RESEARCH

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