

## Market snapshot

	curr.*	Sep-16	Dec-16	Mar-17
<b>Poland</b>				
EUR/PLN	4.292	4.35	4.35	4.30
Key rate	1.50	1.50	1.50	1.50
10y bond	2.7	3.0	3.2	3.3
<b>Hungary</b>				
EUR/HUF	311.1	315	315	310
Key rate	0.90	0.90	0.90	0.90
10y bond	3.0	2.8	2.7	2.8
<b>Czech Republic</b>				
EUR/CZK	27.02	27.0	27.0	27.0
Key rate	0.05	0.05	0.05	0.05
10y bond	0.4	0.4	0.5	0.6
<b>Romania</b>				
EUR/RON	4.461	4.50	4.50	4.45
Key rate	1.75	1.75	1.75	1.75
10y bond	3.2	3.6	3.8	3.9
<b>Croatia</b>				
EUR/HRK	7.482	7.55	7.60	7.60
Key rate	2.50	2.50	2.50	2.50
10y bond	3.9	3.9	3.9	3.9
<b>Russia</b>				
USD/RUB	66.22	65.0	67.0	67.0
Key rate	10.50	10.00	9.50	9.00
10y bond	8.5	8.6	8.8	8.5
<b>Turkey</b>				
USD/TRY	3.016	3.15	3.10	3.10
Key rate	7.50	7.50	7.50	7.00
10y bond	9.7	11.0	10.5	10.1
<b>EUR/USD</b>	1.114	1.10	1.05	1.03

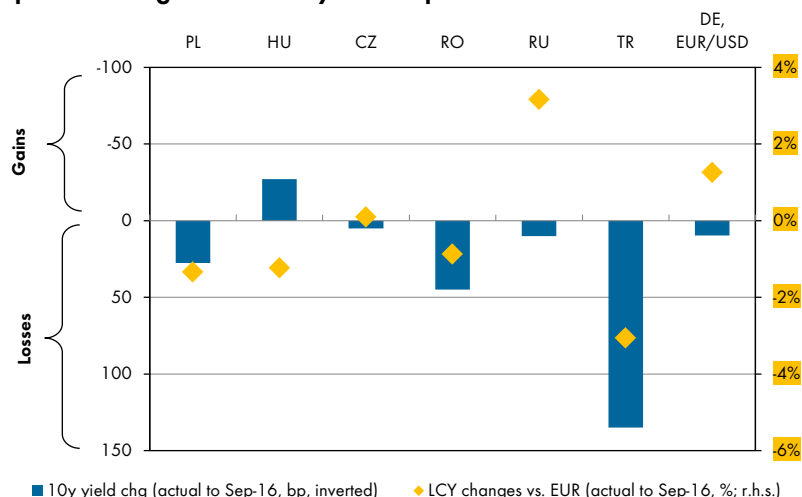
\* prices as of 04 August 2016, 11:59 p.m. CEST  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## Highlights

Market reaction after the presented "voluntary" Polish FX loan conversion plan was very positive across all asset classes with EUR/PLN trading below 4.30, long-dated POLGBs trading once again well inside HUF LCY bonds and tight spreads on Polish Eurobonds. From our understanding the first market reaction seems to be a bit too optimistic. A lot of nitty-gritty details of the "voluntary" FX conversion are still unclear (see our Focus on coverage on page 2-3). Some more niceties on supervisory incentives might be made public next week. Weak PMI data in CE (in contrast to solid euro area data) came as a nasty surprise earlier this week. Therefore, upcoming economic activity data for key CE countries will be watched closely, with Q2 GDP data and industrial output releases due. With regards to CPI data, next week will provide some indication whether we are inching closer to a bottoming out in terms of negative CPI or PPI readings in markets like Hungary, Romania or Croatia. However, a strong near-term uptick of regional inflation rates seems unlikely as indicated by the revised CPI forecasts of the National Bank of Romania (NBR) in the context of the MPC meeting held this week. The NBR now expects the inflation rate to remain in negative territory until end-2016. Faster-than-expected disinflation in Russia (in yoy terms the CPI rate stands at 7.2% currently) could be an argument for the CBR to cut the key rate already moderately in September (-50bp is our call), despite having avoided any clear guidance on cutting prospects last Friday. Moody's will announce its decision over a possible rating downgrade that would put Turkey into the non-investment grade territory today after market closing. We see the risk of Turkey's rating downgrade as substantial while markets already seem to be prepared for negative news. Market attention is likely to shift to possible outlook change. In particular we would project a milder reaction if a possible downgrade would be accompanied by a stable outlook. At the same time no rating change could be highly positive news although this is less likely in our opinion. We assign a 60% probability to one notch downgrade of Turkey with stable outlook.

Financial analyst: Gunter Deuber, RBI Vienna

## Expected changes from today until September 2016



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## Content

Highlight/Upcoming data	p. 1
Focus on	p. 2
Data releases, Country coverage	p. 4
Monetary policy, money markets	p. 6
FX markets	p. 7
Local currency bond markets	p. 8
Eurobond markets	p. 10
Ratings, main macro forecasts	p. 11

## Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
11-Aug	RU: GDP, % yoy	Q2	-0.8	-0.4	-0.9	-3.0	-1.2
12-Aug	PL: GDP, % yoy	Q2	3.3	3.8	3.3	2.8	3.0
12-Aug	HU: GDP, % yoy	Q2	2.3	2.3	1.7	1.0	0.9
12-Aug	SK: GDP, % yoy	Q2	3.6	3.1	3.3	3.6	3.4
12-Aug	RO: GDP, % yoy	Q2	4.0	4.4	4.1	4.0	4.3

Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Focus on: FX loan conversion plan – a game changer for Polish assets?

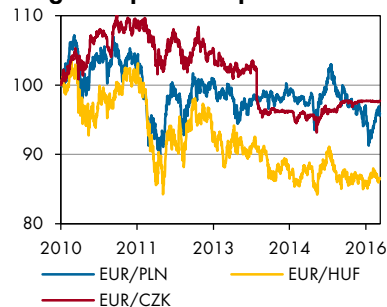
### Exchange rate forecasts PLN

	curr.*	Sep-16	Dec-16	Mar-17
<b>EUR/PLN (eop)</b>	4.296	4.35	4.35	4.30
<b>Bloomberg cons.</b>	4.40	4.39	4.37	
<b>Forwards</b>		4.32	4.35	4.37
<b>USD/PLN</b>	3.860	3.95	4.14	4.17
<b>Bloomberg cons.</b>	4.05	4.06	4.09	
<b>Forwards</b>		3.86	3.86	3.87
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>EUR/PLN (avg)</b>	4.19	4.18	4.36	4.29
<b>USD/PLN (avg)</b>	3.16	3.77	3.96	4.25

\* 4 August 2016; 10:42 CET

Source: Bloomberg, RBI/Raiffeisen RESEARCH

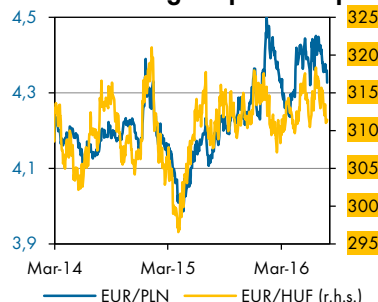
### Long-term peer comparison\*



\* indexed chart: January 2010 = 100

Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

### Politics leading to spread to peer



EUR/PLN 5y high 4.599, 5y low 3.893

EUR/HUF 5y high 327.57, 5y low 261.88

Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

With the FX loan conversion subject having remained a burden on Polish assets over the last few months **the plan presented recently was perceived as very supportive by markets as indicated by EUR/PLN touching the 4.30 level and significantly tighter spreads on the LCY market and for Eurobonds.**

In the course of this week the President's office together with the new NBP governor presented basic parameters of a FX loan plan consisting of two pillars. Firstly, a "special bill" enforcing payments of FX excessive spreads that will hit banks more immediately. Secondly, supervisory actions that should encourage banks to reach voluntary agreements with customers on the restructuring of FX loans (for more details see the overview at the end of the text). On the positive side **the plan seems to be less costly than initial proposals.** The costs of the FX spread refunding is estimated at PLN 3.6-4.0 bn, which is much lower than the spread part of some PLN 1.5 bn included in initial cost estimates (some PLN 67 bn in total). Moreover, **"voluntary" conversion spread over time** (i.e. at least several quarters) **reduces the risk of concentrated mass conversion** which could create a significant one-off demand spike for EUR and CHF - burdening PLN markets and potentially requiring NBP involvement to stabilise the situation. Furthermore, a **"voluntary" conversion based on supervisory "incentives" reduces the legal risk of banks seeking for compensation from the Polish State.** Therefore, the new proposal limits direct risks stemming from the FX loan conversion to the NBP independence and sovereign rating (i.e. no risk to FX reserves, no contingent liabilities for the sovereign). That said the immediate rating downgrade prospects may soften, although the rating (outlook) deterioration over the last few months was driven by other factors as well (deterioration of "checks and balances", risk of structural fiscal deterioration). The dispute with the EU over the Rule of Law procedure and corresponding rating pressure given the elevated political uncertainty will definitely continue to persist. Moreover, **the final costs and impact of the announced solution on the banking sector and the economy will depend on how fast and strongly capital buffers** (a key element of supervisory "incentives") **will be raised.** As long as the extend of the rise of capital buffers stays unclear it is also not possible to estimate how fast and to which extend banks will decide to promote conversion among their FX mortgage loans customers. As things stands it seems that the **rise in additional capital requirements is likely to be rather fast and drastic given (political) expectations for a rather swift conversion;** e.g. within one year, while usually additional capital requirements are phased in more cautiously. It stays also unclear if and how the FSA recommendation will address the issue of diversifying the terms of conversion between customers depending on their financial situation or how to proceed with customers who are not interested in the conversion. Moreover, **the FX loan conversion will still generate additional FX demand,** depending on the willingness and capability of individual banks (or their foreign owners) to accept potential losses and/or their view on the attractiveness of conversion at a given point in time. So a period of perceived PLN strength may also be used in an opportunistic way for such purposes. All in all, it seems that the FX loan conversion topic (i.e. further details of recently presented plan, its implementation and possible amendments) should remain on the agenda over the coming months. The regulator will closely monitor the conversion process and regulatory and/or political pressure on banks could intensify in case the voluntary loan conversion is not matching the political will (i.e. not delivering tangible results over the next 6-12 months). Already **next week (10 August) we may get a bit more clarity on the magnitude of the additional capital requirements** (i.e. the changed or extra CHF loan risk weighting), while the overall phasing in is likely to remain a topic for Q3 and possibly Q4 2016.

As already mentioned EUR/PLN moved towards levels of 4.32 on the news, going just below the 4.30 level later in the course of this week, after trading at elevated levels of roughly 4.35-4.40 in recent months. **But taking the overall situation and remaining high degree of uncertainty into account** (remaining uncertainty regarding the FX loan conversion and other worries about fiscal loosening, change of institutional setup) **we are currently less convinced that the recently presented FX loan conversion plan in itself will be a significant game changer for PLN,** driving the currency significantly stronger against the EUR on a sustained basis. Hence, for the time being we would not expect any significant additional EUR/PLN appreciation below the 4.30 level. In our view the

persisting uncertainty surrounding political topics and the mentioned risks in case FX conversion does not satisfy politics will remain a burden on the zloty, **likely keeping EUR/PLN in a 4.30-4.35 trading range** in the near term (i.e. over the next 3-6 months). At the same time we have to reiterate that the zloty is still regarded a risk proxy for CEE/Emerging Europe risk and is susceptible for negative external news-flow. That said in case of rising (EM) risk aversion globally or in the region EUR/PLN would be bound to show a certain negative reaction. This holds especially true given the very elevated non-resident participation on the Polish LCY bond market (one of the highest among global EM). Moreover, we consider the current pricing of Polish LCY bonds as well as sovereign Eurobonds as fairly tight compared to regional peers (in the LCY space) or vis-a-vis EU periphery bonds in the FCY segment (especially in the EUR-segment).

*Financial analysts: Gunter Deuber, Wolfgang Ernst, RBI Vienna*

## Pillars of FX loan conversion plan

1. The spread bill: The bill addresses all FX-denominated and FX-indexed loans issued between July 2000 and August 2011; even if already repaid. It defines a legitimate FX earnings level for banks at 0.5% compared to the NBP bid/ask rate. Spreads higher than this level are defined as excessive and should be returned to customers. To reduce the total cost of repayments the bill sets a limit of capital value of the loan at PLN 350,000 as a maximum value for which the excessive spread payments will be calculated. Banks will need to return not only the spread, but also pay the interest on it (50% of the official rate used on overdue payments). The refund of excessive spreads will reduce the outstanding. Only in case the value to be returned is higher than the outstanding amount or when the loan was already repaid, the refund will be done in cash. According to the estimates presented by the President's Office the FX spread repayments will reach PLN 3.6-4.0 bn.
2. Supervisory tools: Among supervisory tools FSA will introduce increased capital precautionary buffers for banks having FX mortgage loans (via increased risk weightings for FX loans). The Financial Stability Committee will set the limits for expected capital buffer hikes. However, the levels should be rather high so that the cost of additional capital will be higher than a conversion. Hence banks should be "encouraged" to offer customers attractive terms for restructuring their loans. The FSA is also supposed to issue a recommendation on how the restructuring should proceed. While conversion should be the most common solution, other options including refinancing, earlier repayments or return of the underlying estate are also possible. Most troubled borrowers should be offered conversion at first and at the best terms. The FSA will monitor how fast the conversion proceeds. In case of too small progress, the Presidential Office announced it might return to the idea to enforced conversion. According to the NBP Governor, the additional capital buffers will be consulted with foreign regulators, so even in case of sale of the FX loans portfolios to foreign lenders, foreign owners will still be exposed to higher capital requirements.

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## Data calendar and country coverage

### Key data releases (previous and upcoming)

Indicator	Period	Actual	Forecast	Previous	Indicator	Period	Forecast	High	Mean	Low	Previous
<b>Friday, 29 July</b>					<b>Friday, 5 August</b>						
PL: CPI, % yoy	Jul	-0.9	-1.0	-0.8	RU: FX reserves, USD bn	Jul	n.a.	395.0	394.4	388.8	392.8
RO: Unemployment rate, %	Jun	6.4	n.a.	6.6	UA: FX reserves, USD bn	Jul	14.3	n.a.	n.a.	n.a.	14.0
HR: Industrial output, % yoy	Jun	4.1	3.9	1.6	<b>Monday, 8 August</b>						
HR: Real wages, % yoy	May	4.5	n.a.	2.6	HU: Budget balance, HUF bn, ytd	Jul	n.a.	n.a.	n.a.	n.a.	-402.1
RS: Retail sales, % yoy	Jun	8.4	n.a.	4.0	CZ: Trade balance, CZK bn	Jun	17.0	24.0	21.8	17.0	18.2
RS: Industrial output, % yoy	Jun	-2.2	n.a.	0.9	CZ: Industrial output, % yoy	Jun	2.4	4.1	2.2	1.0	8.6
RU: Key rate, %	Jul	10.5	10.5	10.5	BG: Industrial output, % yoy	Jun	n.a.	n.a.	n.a.	n.a.	-3.3
<b>Monday, 1 August</b>					HR: Trade balance, HRK mn	May	-4147.0	n.a.	n.a.	n.a.	-5499.0
CZ: PMI, points	Jul	49.3	52.1	51.8	TR: Industrial output, % yoy	Jun	n.a.	3.5	3.6	3.7	5.6
HU: PMI, points	Jul	53.9	n.a.	50.9	UA: CPI, % yoy	Jul	9.5	9.5	7.5	6.4	6.9
PL: PMI, points	Jul	50.3	53.5	51.8	<b>Tuesday, 9 August</b>						
RS: GDP, % yoy nsa	Q2	1.8	n.a.	3.5	HU: CPI, % yoy	Jul	-0.3	0.4	-0.1	-0.3	-0.2
RU: PMI, points	Jul	49.5	n.a.	51.5	CZ: CPI, % yoy	Jul	0.6	0.6	0.3	0.1	0.1
TR: PMI, points	Jul	48.0	n.a.	47.4	SK: Trade balance, EUR mn	Jun	473.0	n.a.	n.a.	n.a.	427.3
<b>Tuesday, 2 August</b>					RO: Trade balance, EUR mn	Jun	n.a.	n.a.	n.a.	n.a.	-979.7
HU: Trade balance, EUR mn final	May	730.0	n.a.	989.0	<b>Wednesday, 10 August</b>						
<b>Wednesday, 3 August</b>					RO: CPI, % yoy	Jul	-0.9	-0.4	-0.8	-1.1	-0.7
HR: Retail sales, % yoy	Jun	2.8	4.5	3.9	SK: Industrial output, % yoy	Jun	5.5	n.a.	n.a.	n.a.	5.9
HU: Retail sales, % yoy	Jun	5.7	5.5	5.7	SI: Industrial output, % yoy	Jun	n.a.	n.a.	n.a.	n.a.	4.9
RO: Retail sales, % yoy	Jun	16.2	n.a.	16.2	BY: CPI, % yoy	Jul	n.a.	n.a.	n.a.	n.a.	12.1
SK: Retail sales, % yoy	Jun	2.6	3.5	4.0	<b>Thursday, 11 August</b>						
TR: CPI, % yoy	Jul	8.8	n.a.	7.6	RO: Industrial output, % yoy	Jun	n.a.	n.a.	n.a.	n.a.	-1.6
<b>Thursday, 4 August</b>					HR: PPI, % yoy	Jul	-3.30	n.a.	n.a.	n.a.	-4.80
CZ: Key rate, %	Aug	0.1	0.1	0.1	RS: Key rate, %	Aug	4.0	n.a.	n.a.	n.a.	4.0
RU: CPI, % yoy	Jul	7.2	n.a.	7.5	RU: GDP, % yoy	Q2	-0.8	-0.4	-0.9	-3.0	-1.2
RO: Key rate, %	Aug	1.8	1.8	1.8	RU: Budget balance, RUB bn, ytd	Jul	n.a.	-1550.0	-1625.0	-1742.0	-1514.9
BY: Key rate, %	Sep	18.0	n.a.	20.0	RU: Trade balance, RUB bn, ytd	Jun	n.a.	8.7	7.6	4.6	7.5
<b>Friday, 5 August</b>					TR: C/A balance, USD bn	Jun	n.a.	-4.4	-4.3	-4.3	-2.9
CZ: Retail sales, % yoy	Jun	6.4	9.0	11.1	<b>Friday, 12 August</b>						
HU: Industrial output, % yoy wda	Jun	-0.3	4.0	4.4	PL: GDP, % yoy	Q2	3.3	3.8	3.3	2.8	3.0
HU: Trade balance, EUR mn	Jun	1129.0	914.0	730.0	PL: C/A balance, EUR mn	Jun	208.0	275.0	-52.0	-900.0	495.0
					PL: CPI, % yoy	Jul	-0.9	n.a.	n.a.	n.a.	-0.8
					HU: GDP, % yoy	Q2	2.3	2.3	1.7	1.0	0.9
					SK: GDP, % yoy	Q2	3.6	3.1	3.3	3.6	3.4
					SK: CPI, % yoy	Jul	-0.8	-0.9	-0.8	-0.5	-0.8
					RO: GDP, % yoy	Q2	4.0	4.4	4.1	4.0	4.3
					RO: C/A balance, EUR mn, ytd	Jun	n.a.	n.a.	n.a.	n.a.	-725.0
					BG: GDP, % yoy	Q2	2.5	n.a.	n.a.	n.a.	2.9
					BG: CPI, % yoy	Jul	-1.0	n.a.	n.a.	n.a.	-1.3
					RS: CPI, % yoy	Jul	n.a.	n.a.	n.a.	n.a.	0.3

Source: Bloomberg, RBI/Raiffeisen RESEARCH

**Croatia (HR)** – A quite poor week in the peak tourist season is behind us. The only publication was the retail trade figures for June (+2.8% yoy), which confirmed the positive trend for the 22nd month in a row. The favourable trends (strongly supported by excellent results in tourism and an improved labour market) are expected to continue, thus making a positive contribution to GDP growth. Additional support will come from negative inflation rates, which are having a positive influence on real disposable income but simultaneously putting pressure on lower producer prices. Therefore, we expect that next week's PPI release for July could show an annual drop of 3.3% yoy. The foreign trade data for the first five months are also scheduled to be released on Monday. Due to increased import growth rates since the beginning of the year, we believe that the foreign trade deficit could confirm its widening on an annual level.

However, the summer lull on the markets will be interrupted by the announced 455-day T-bill auction, with an ample planned amount of EUR 1 bn. The low interest rate environment and plentiful liquidity in the system could result in a lower yield for the T-bill compared to the previous 18-month issuance.

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**Czech Republic (CZ)** – As was widely expected, at the last monetary policy meeting the Czech National Bank, which has a new leadership, did not change the interest rates or the FX commitment "to intervene on the foreign exchange market if needed to weaken the koruna so that the exchange rate of the koruna against the euro is kept close to EUR/CZK 27". The CNB board still considers it likely that the commitment will be discontinued in mid-2017. Its new forecast calls for inflation to rise slightly faster than projected in the forecast from



May. The CNB increased its inflation forecast for Q1 2017 by 20bp to 1.7%. For that period of time, we see a good chance that inflation will reach the 2% target. There are several data releases scheduled for next week, of which the CPI will be watched most closely, as there should be a visible acceleration from the low of 0.1% yoy in June. With the surprising fall of the Czech PMI, we will also be closely watching the industrial output growth release for June. However, the effect of the falling PMI, if any, should be visible in the subsequent months and not that much in June already.

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**Hungary (HU)** – Earlier this week, June retail sales figures were released with a small upside surprise (5.7% vs. 5.5% expected), as the total sales volume grew at the same pace as a month earlier according to the Central Statistical Office (KSH). Hungary's retail sales have been increasing constantly for 36 months, due to the beneficial wage effects of low inflation and improving labour market conditions. Next week, the KSH will release the CPI data for July on Tuesday, and the current preliminary GDP data on Friday. Hungary's headline inflation may have remained slightly below zero in the prior month (minus 0.3% after minus 0.2% in June), while the annual growth rate may have climbed back to about 2.3% after having slowed down to just 0.9% in the first quarter. On the financial market front, EUR/HUF tried to break out of its uptrend with key support at 311.5, while the yield curve steepened as shorter-term maturities outperformed longer-term ones.

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**Poland (PL)** – The new proposal by the president's office on how to solve the problem of FX mortgage loans delivered significant support for Polish assets. It consists of two pillars – a bill forcing banks to refund the excessive FX spread and supervisory actions aimed at “encouraging” banks to voluntarily convert loans into PLN through higher capital requirements for FX loan portfolios. While having no indication as to what extent the capital requirements might be raised makes it impossible to precisely estimate the total cost of the scheme, it will certainly be much lower than the estimated cost of the previous proposal (PLN 67 bn). Additionally, it reduces the risk of high demand for EUR and CHF due to obligatory mass conversion and limits pressure on Poland's rating. Thus, even with all the questions that have not yet been answered, the proposal mitigates one of the main risks burdening Polish assets in recent months. Thus, the strong rally of PLN and Polish bonds during the last few days is not surprising. While PLN moved below 4.30, Polish 10y government bonds strengthened to the highest levels this year. The spread against Bunds declined in all segments, with the strongest move on the long end of the curve, which previously was most significantly impacted by the negative sentiment towards Polish assets. The prospect of much softer and smarter FX loan solutions makes us a bit more optimistic regarding Polish assets. However, ongoing tensions with the EU, fears regarding fiscal discipline and the probable next waves of risk aversion towards emerging markets will make further and sustainable gains of PLN very difficult. At the turn of the year, the expected rise in yields on the base markets will also burden Polish government bonds.

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**Romania (RO)** – In line with our expectations, the National Bank of Romania remained on hold at the monetary policy meeting on 4 August, keeping the key interest rate unchanged (at 1.75%) along with its other monetary policy instruments. According to the press release, the inflation rate path was significantly lowered compared to the projection in May. The NBR expects the inflation rate to remain in negative territory until end-2016 before returning inside the variation band of the target in the course of 2017 and standing below the mid-point of the target at year-end due to the persistence of a low external inflationary environment. In addition, the NBR Board approved the inflation report that will be released on 8 August and contains the revised inflation rate forecast. The NBR will also start publishing the minutes of the monetary policy meetings.

The macroeconomic calendar scheduled for next week contains some important figures. The dynamics of consumer prices in July will be released on 10 August. We expect the annual inflation rate to have remained in negative territory (around -0.9% yoy) in July, as a negative monthly inflation rate should have been recorded due to the reduction of energy prices enforced on 1 July, but also due to a seasonal decline of volatile food prices. Also, on Friday (12 August), the flash estimates for the GDP dynamics in Q2 will be released. Positive dynamics should have been recorded in Q2 (our expectations: 4.0% yoy and 0.9% qoq), as the majority of macro indicators released on a monthly basis increased in April–May compared to Q1.

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**Russia (RU)** – Unexpectedly, this week's OFZ auction results were rather weak. The demand only slightly exceeded the offer (RUB 40 bn and RUB 30 bn, respectively). As the ministry of finance was not ready to give a large premium versus the secondary market, it only placed RUB 21.4 bn. For 5y bonds, the yield at cut-off price was set at YTM 8.88% or 8bp higher than the market, which caused a certain correction in similar papers. The same reaction was seen on the long end of the curve after the 15y bond placement (at YTM 8.68%). It is likely that such disappointing auction results are explained by the huge liquidity absorption by the CBR (REPO limits have been cut to almost zero, reserve requirements were tightened effective 1 August), which made the inflows coming from OFZ redemption merely visible (for mid- and long-term papers at least). Following the auction, improvements on the oil market on Wednesday afternoon resulted in a recovery on the OFZ market.

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**Slovakia (SK)** – The Statistical Office of the Slovak Republic will release the Q2 2016 GDP flash estimate on Friday, 12 August. Monthly statistics from all sectors – service and industry – posted a visible improvement in Q2 compared with Q1. Therefore, we expect an increase in the annual dynamics of real GDP growth to 3.6% from the 3.4% rate observed in Q1 2016. The only exception is construction production, which is suffering due to a lower inflow of EU funds, but this should not influence the headline GDP growth much. This positive development is in line with our above-market optimistic view on the Slovak economy for 2016.

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# Monetary policy and money markets overview

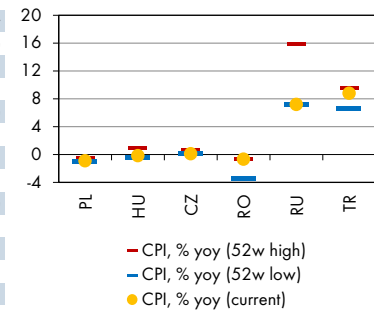
## CEE key interest and money markets outlook

	current*	Sep-16	Dec-16	Mar-17	5y high	5y low
<b>Poland</b>						
Key interest rate	1.50	1.50	1.50	1.50	4.75	1.50
3m money market rate	1.71	1.65	1.65	1.65	5.14	1.65
<b>Hungary</b>						
Key interest rate	0.90	0.90	0.90	0.90	7.00	0.90
3m money market rate	0.91	0.90	0.85	0.80	7.65	0.91
<b>Czech Republic</b>						
Key interest rate	0.05	0.05	0.05	0.05	0.75	0.05
3m money market rate	0.29	0.30	0.30	0.30	1.25	0.00
<b>Romania</b>						
Key interest rate	1.75	1.75	1.75	1.75	6.25	1.75
3m money market rate	0.82	1.20	1.30	1.60	6.45	0.73
<b>Russia</b>						
Key interest rate	10.50	10.00	9.50	9.00	17.00	5.25
3m money market rate	10.90	10.80	10.30	9.80	29.93	4.36
<b>Serbia</b>						
Key interest rate	4.00	4.00	4.00	4.00	11.75	4.00
3m money market rate	3.57	3.45	3.55	3.70	13.13	3.26
<b>Turkey</b>						
Key interest rate	7.50	7.50	7.50	7.00	10.00	4.50
3m money market rate	9.87	9.80	9.80	9.20	12.44	4.85

Benchmark key rates	current	Sep-16	Dec-16	Mar-17	5y high	5y low
ECB key interest rate	0.00	0.00	0.00	0.00	1.50	0.00
Fed key interest rate	0.50	0.50	0.75	0.75	0.50	0.25

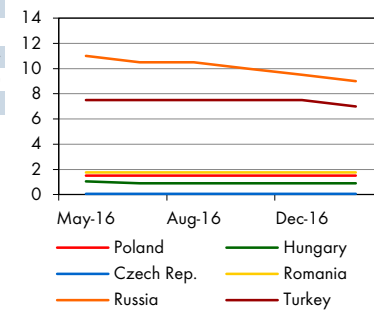
Source: Bloomberg, RBI/Raiffeisen RESEARCH  
 \* Bid rates (for Hungary ask rates) as of 04 August 2016, 11:59 p.m. CEST

## Inflation snapshot



Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Central bank watch

**Poland (NBP)** NBP disappointed by Q1 activity data, but regards it as temporary due material fiscal stimulus underway. This in conjunction with considerable wage pressure should help reflationing the economy. Financial stability concerns related to post-Brexit period, FX loan conversion and rating risks should weaken any dovish voices if not for material worsening of economic outlook.

**Hungary (MNB)** The MNB confirmed its guidance that it would maintain the current base rate and maintain loose monetary conditions "for an extended period" if its current forecasts hold. The MNB is also planning to change the use of its main policy tool, the three-month deposit facility, to encourage banks to offer cheaper loans and to buy government debt by lowering the amount from 1,600 billion forints that banks can deposit, and conduct monthly, rather than weekly, tenders. Any potential future policy fine tuning could be of "unconventional" nature.

**Czech Republic (CNB)** Exit from FX intervention regime - keeping koruna above EUR/CZK 27.00 floor - will, mainly due to stuttering reflation, likely get delayed to end-2017 according to our new forecast and contrary to CNB's wording of "around mid-2017". Negative base/deposit rate or lifting FX cap are on the CB's agenda. NIRP could be introduced in case of excessive capital flows as ultima ratio, whilst lifting the FX floor could make sense in case of worsening inflation expectations.

**Romania (BNR)** Fiscal/political risks warrant monetary policy cautiousness in the run-up to parliamentary elections in late-2016. Increasing macro imbalances and elevated (fiscal) policy risks likely to act as stoppers for national bank policy decision making. Neutral stance more likely.

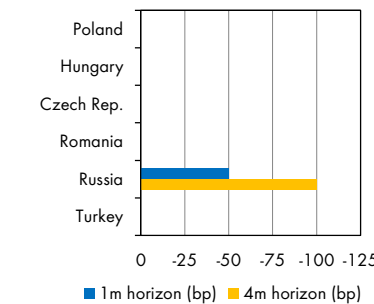
**Serbia (NBS)** Central bank surprisingly cut base rate in July after a four-month pause. However, monetary transmission window narrows as headline CPI is likely to be entering the target range as soon as early 2017. We expect the regulator to hold rates flat in August for accommodative reasons and also to avoid the excess easing.

**Russia (CBR)** CBR restarted rate cuts in June on stronger than expected disinflation. Private sector inflation expectations - a tier-1 variable in CBR's reaction function - started to decline as well. However, CBR already hinted at remaining inflationary risks which should therefore warrant only gradual base rate reduction going forward with sufficient accommodative pauses in between. As expected July meeting left rates unchanged so we project next rate cut in September.

**Turkey (TCMB)** TCMB cut o/n lending rate by another 25bp to 8.75% in July which drove down weighted average costs of funding (WACF) further. Slowing pace compared to previous cuts is related to post-coup risks, but expresses at the same time the bank's optimistic take in terms of financial stability amidst ongoing market pressure. Further symmetrizing 7.25%-8.75% o/n corridor around 7.50% key rate at a gradual pace remains likely, albeit possibly more cautiously.

Source: RBI/Raiffeisen RESEARCH

## Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Rate setting meetings

	Jul	Aug
<b>Poland (NBP)</b>	6	
<b>Hungary (MNB)</b>	26	23
<b>Czech Republic (CNB)</b>		4
<b>Romania (BNR)</b>		4
<b>Serbia (NBS)</b>	7	11
<b>Russia (CBR)</b>	29	
<b>Turkey (TCMB)</b>	19	23

Source: National Central Banks, RBI/Raiffeisen RESEARCH

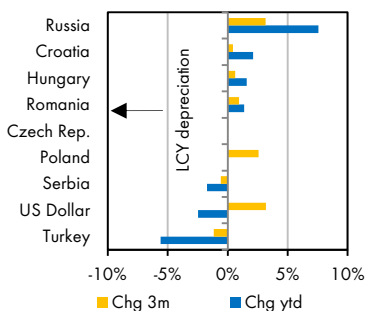
# Foreign exchange market overview

## FX forecasts

EUR vs	current*	Sep-16	Dec-16	Mar-17	5y high	5y low	Comment
<b>PLN</b>	4.292	4.35	4.35	4.30	4.46	4.08	FX loan conversion plan was taken positive by markets, driving zloty stronger; at levels near EUR/PLN we currently see potential for additional PLN appreciation as limited given remaining political uncertainties (fiscal discipline, tensions with EU etc.)
<b>HUF</b>	311.1	315	315	310	316	291	EUR/HUF remains in the old 310-315 trading range; overall volatility in HUF remains moderate
<b>CZK</b>	27.02	27.0	27.0	27.0	27.7	25.1	Monetary policy meeting did not bring any changes as expected, leaving FX regime unchanged; we project EUR/CZK to remain near intervention level of 27.0 until H2 2017
<b>RON</b>	4.461	4.50	4.50	4.45	4.52	4.33	Uncertainty related to the parliamentary elections by the end of 2016 is likely to result in some depreciation pressure for the leu after the summer months
<b>HRK</b>	7.482	7.55	7.60	7.60	7.66	7.52	Any significant changes are not expected thus EUR/HRK could stay within the range 7.46-7.50
<b>RSD</b>	123.4	123	124	123	124	106	RSD stable against EUR, which is usual for the summer months, otherwise central bank would intervene to stabilise EUR/RSD at the level of 123
<b>RUB</b>	73.76	71.5	70.4	69.0	79.3	40.3	see USD/RUB below
<b>UAH</b>	27.60	29.7	30.5	29.9	30.5	10.4	see USD/UAH below
<b>BYR</b>	2.230	2.31	2.36	2.34	20,258	2.36	see USD/BYR below
<b>TRY</b>	3.359	3.47	3.26	3.19	3.26	2.35	see USD/TRY below
<b>USD</b>	1.114	1.10	1.05	1.03	1.38	1.05	Expectation on further US Fed rate hikes to support USD against euro
USD vs	current*	Sep-16	Dec-16	Mar-17	5y high	5y low	
<b>RUB</b>	66.22	65.0	67.0	67.0	73.0	30.5	Russian rouble trading around levels of 65 to the USD, driven mainly by oil price fluctuations; lower CPI readings could support a key rate cut in September
<b>UAH</b>	24.78	27.0	29.0	29.0	29.0	8.01	IMF tranches still not paid out while central bank is slowly replenishing FX reserves; further loosening of FX administrative restrictions likely over the coming months, but speed and magnitude of UAH depreciation will continue to depend on central bank
<b>BYR</b>	2.008	2.10	2.25	2.27	18,649	2.25	From July 2016 the old Belarusian rouble (BYR) was replaced by a new BYN at a ratio of 10,000:1; it is the third denomination of the local currency after 1994 and 2000; overall depreciation trend in BYN expected to continue on weak fundamentals
<b>TRY</b>	3.016	3.15	3.10	3.10	3.10	1.78	Political uncertainty is still spreading fears among investors, possible rating downgrades as a consequence could push TRY weaker throughout the third quarter 2016

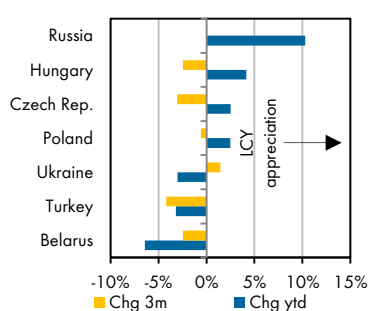
\* as of 04 August 2016, 11:59 p.m. CEST  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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



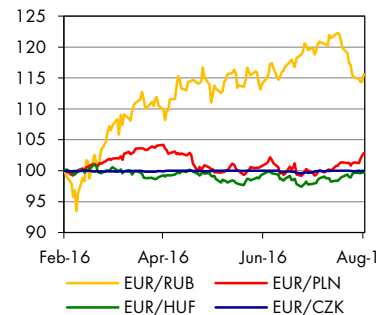
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

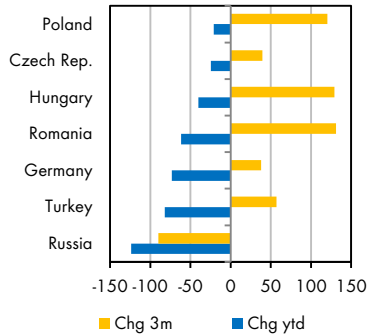
### Exchange rate comparison



Indexed 04 Feb-16 = 100  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

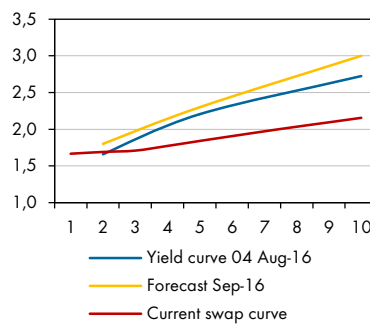
# Local currency bond market overview and forecasts

**Change of LCY 10y bond yields (bp)**



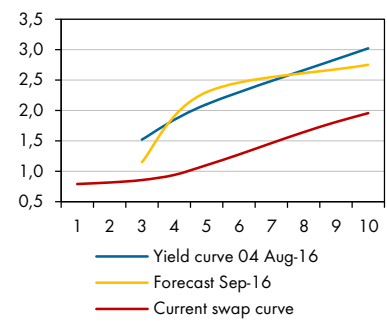
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

**PLN yield curve**



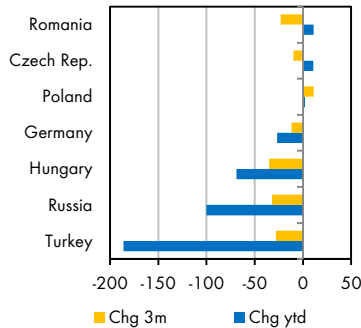
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

**HUF yield curve**



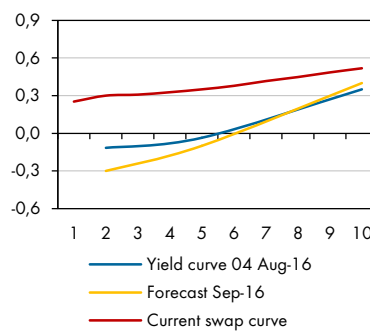
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

**Change of LCY 2y bond yields (bp)**



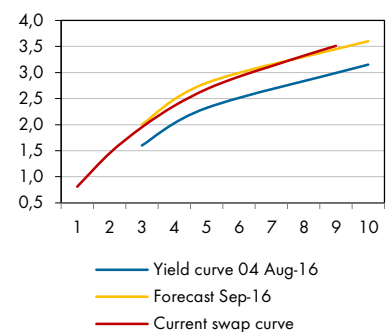
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

**CZK yield curve**



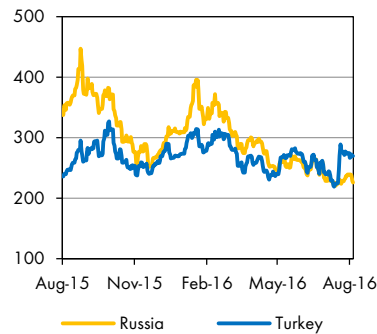
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

**RON yield curve**



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

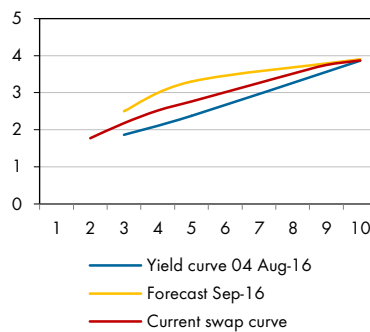
**5y USD CDS spreads**



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

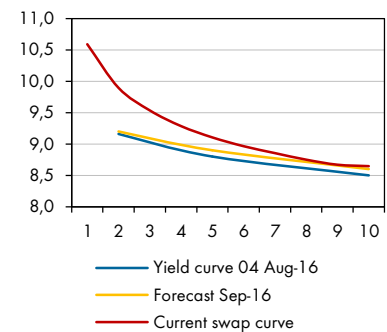
Source: Bloomberg, RBI/Raiffeisen RESEARCH

**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*	Sep-16	Dec-16	Mar-17	5y high	5y low		current*	Sep-16	Dec-16	Mar-17	5y high	5y low
Poland	1.66	1.8	1.9	2.0	4.9	1.6	Poland	2.72	3.0	3.2	3.3	5.9	2.5
Hungary **	1.52	1.2	1.1	1.0	9.2	1.1	Hungary	3.02	2.8	2.7	2.8	9.9	2.7
Czech Republic	-0.12	-0.3	-0.4	-0.4	1.8	-0.4	Czech Republic	0.35	0.4	0.5	0.6	3.6	0.5
Romania	1.60	1.3	1.6	1.9	7.3	1.5	Romania	3.15	3.6	3.8	3.9	7.5	3.7
Croatia	1.86	1.9	1.9	2.0	6.3	1.5	Croatia	3.86	3.9	3.9	3.9	7.2	3.8
Russia	9.16	9.2	8.8	8.5	15.8	6.2	Russia	8.50	8.6	8.8	8.5	14.1	6.9
Turkey	9.11	10.0	10.0	9.5	11.5	6.1	Turkey	9.65	11.0	10.5	10.1	10.5	6.6
Germany	-0.62	-0.6	-0.5	-0.5	0.2	-0.5	Germany	-0.16	0.0	0.3	0.5	1.9	0.3
USA	0.65	0.8	1.1	1.1	1.1	0.2	USA	1.50	1.8	2.1	2.3	3.0	1.8

\* Bid yields as of 04 August 2016, 11:59 p.m. CEST; \*\* 3y yield  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH



# Local currency bond market overview

## CEE local currency bond market snapshot

	Maturity	Coupon (%)	Bid Price	YTM (%)	Spread to Bunds (bp)	MDur.	Maturity
<b>Poland</b>							
PLN 2y Gov. Bond	25/07/2018	2.50	101.62	1.66	227	1.9	POLGB market more than recouped initial Brexit losses on hopes of more global CB easing and very strong market reaction on FCY loan conversion proposal, now trading again inside Hungarian peers.
PLN 5y Gov. Bond	25/07/2021	1.75	97.96	2.19	271	4.8	
PLN 10y Gov. Bond	25/07/2026	2.50	98.13	2.72	281	8.9	
<b>Hungary</b>							
HUF 3y Gov. Bond	30/10/2019	2.00	101.72	1.45	210	3.1	In line with regional peers, HGBs also rallied post-Brexit more than recouping the initial losses. Room for further gains at the back-end of the curve gets increasingly limited with HGB yield curve trading near their historical lows currently; certain underperformance vs. POLGBs this week.
HUF 5y Gov. Bond	27/10/2021	2.50	102.36	2.02	255	4.9	
HUF 10y Gov. Bond	27/10/2027	3.00	100.47	2.95	305	9.5	
<b>Czech Republic</b>							
CZK 2y Gov. Bond	17/03/2018	0.85	101.62	-0.16	46	1.6	Long-term CZK appreciation potential due to exit from FX regime, targeted for mid-2017, remains a pull factor for non-resident positioning, but we see increased risk of a later exit from the FX weakening policy.
CZK 5y Gov. Bond	29/09/2021	3.85	120.15	-0.06	46	4.7	
CZK 10y Gov. Bond	26/06/2026	1.00	106.50	0.33	43	9.5	
<b>Croatia</b>							
HRK 2y Gov. Bond	10/07/2018	5.25	106.44	1.82	234	1.9	Due to the announced 455-day T-bill auction we expect increased trading volume during the week ahead.
HRK 10y Gov. Bond	14/12/2026	4.25	104.45	3.73	382	8.4	
<b>Romania</b>							
RON 2y Gov. Bond	17/01/2018	3.25	103.30	0.94	159	1.4	Although we expected liquidity tightening to start already in Q3, especially if political noise was to intensify and to start challenging RON stability, recent global post-Brexit dovishness could delay the normalisation of short-end yields. With possible election spending continuing to weigh on fiscal outlook, long-end ROMGBs should get under renewed pressure in the run-up to elections.
RON 5y Gov. Bond	22/03/2021	3.25	104.11	2.31	284	4.3	
RON 10y Gov. Bond	24/02/2025	4.75	112.44	3.08	318	7.2	
<b>Russia</b>							
RUB 2y Gov. Bond	15/03/2018	7.50	97.85	9.17	978	1.5	We recommended to add OFZ exposure for medium-term investment horizon since rouble should remain fairly stable. Further rate cuts already priced-in and supply side risks on the rise, but high carry maintains attractiveness.
RUB 5y Gov. Bond	18/08/2021	7.50	95.57	8.79	932	4.0	
RUB 10y Gov. Bond	03/02/2027	8.15	98.40	8.56	866	7.1	
<b>Turkey</b>							
TRY 2y Gov. Bond	11/07/2018	8.70	99.23	9.14	975	1.9	We added speculative exposure in TURKGBs in end-May but the favorable performance was destroyed by the coup-induced market correction (manly driven by TRY weakening). With post-coup risks appearing highly incalculable we liquidated our positions in TURKGBs which should remain under pressure in line with a further weakening of the lira.
TRY 5y Gov. Bond	17/02/2021	10.70	104.50	9.52	1005	3.7	
TRY 10y Gov. Bond	11/02/2026	10.60	106.01	9.62	972	6.2	

Data as of 05 August 2016, 10:05 a.m. CEST  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

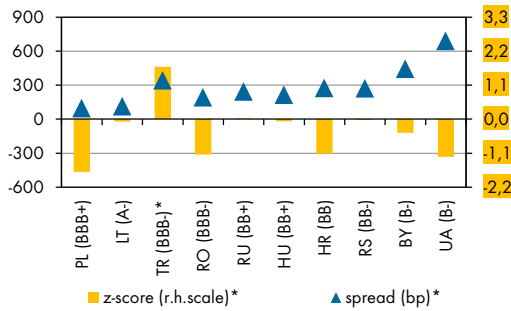
## Bond auctions

		ISIN	Coupon	Maturity	Volume
<b>9 August 2016</b>					
UA	T-bonds	n.a.	n.a.	n.a.	n.a.
RU	T-bonds	n.a.	n.a.	n.a.	n.a.
<b>11 August 2016</b>					
RO	7y T-bonds	RO1522DBN056	3.50%	29 Dec-22	RON 400 mn
RS	3y T-bonds	n.a.	0.06	2019	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

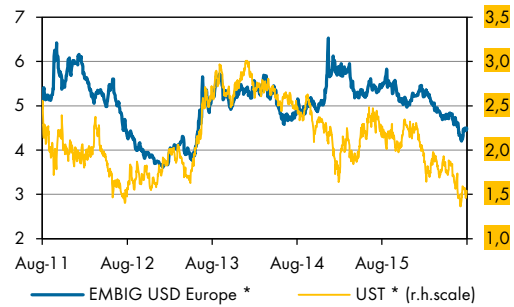
# Eurobond market overview

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 high	5y low				
<b>EUR</b>									
BGARIA 4 1/4 07/09/17	103.8	104.0	0.02	111.8	100.3	-0.01	58	0.9	XS0802005289
CROATI 5 7/8 07/09/18	109.7	109.9	0.23	112.1	88.8	0.70	132	1.8	XS0645940288
REPHUN 3 7/8 02/24/20	111.9	112.3	0.03	113.1	68.7	0.42	106	3.3	XS0212993678
REPHUN 4 3/8 07/04/17	104.2	104.4	-0.17	108.0	76.8	-0.35	24	0.9	XS0284810719
REPHUN 5 3/4 06/11/18	110.2	110.5	-0.27	115.1	79.7	0.11	73	1.8	XS0369470397
REPHUN 6 01/11/19	113.3	113.6	-0.42	118.4	86.4	0.42	105	2.3	XS0625388136
LITHUN 4.85 02/07/18	107.5	107.6	-0.14	114.3	94.5	-0.19	41	1.5	XS0327304001
POLAND 5 5/8 06/20/18	110.8	111.2	n.a.	122.6	102.1	-0.26	36	1.8	XS0371500611
POLAND 1 5/8 01/15/19	103.9	104.4	-0.07	105.5	98.0	-0.07	57	2.4	XS0874841066
POLAND 3 3/4 01/19/23	121.2	121.8	0.12	124.6	99.7	0.37	85	5.8	XS0794399674
POLAND 3 3/8 07/09/24	120.0	120.8	n.a.	125.6	99.6	0.72	107	7.1	XS0841073793
ROMANI 4 7/8 11/07/19	114.6	115.0	0.00	117.8	99.3	0.29	94	3.0	XS0852474336
TURKEY 5 7/8 04/02/19	109.7	110.2	0.10	118.9	100.9	1.99	263	2.4	XS0285127329
TURKEY 5 1/8 05/18/20	109.0	109.5	-0.17	115.9	95.2	2.52	315	3.4	XS0503454166
<b>USD</b>									
BELRUS 8.95 01/26/18	104.6	105.8	0.26	111.2	70.0	5.24	467	1.4	XS0583616239
CROATI 6 3/8 03/24/21	110.6	111.3	0.38	117.8	86.7	3.77	279	4.0	XS0607904264
CROATI 5 1/2 04/04/23	108.4	109.1	0.92	108.9	94.4	3.98	272	5.5	XS0908769887
REPHUN 5 3/8 02/21/23	112.3	112.6	0.18	113.9	93.1	3.24	200	5.4	US4455454AH91
REPHUN 7 5/8 03/29/41	148.3	149.1	0.03	151.9	79.5	4.37	232	13.2	US4455454AF36
LITHUN 7 3/8 02/11/20	118.0	118.4	0.09	130.7	104.8	1.98	115	3.1	XS0485991417
LITHUN 6 5/8 02/01/22	122.3	122.8	0.27	128.6	101.0	2.23	113	4.7	XS0739988086
LATVIA 2 3/4 01/12/20	103.8	104.5	-0.05	104.4	91.4	1.50	68	3.3	XS0863522149
LATVIA 5 1/4 06/16/21	115.6	116.2	0.22	117.2	90.9	1.81	80	4.3	XS0638326263
POLAND 6 3/8 07/15/19	114.1	114.3	0.10	125.9	107.4	1.41	65	2.7	US731011AR30
POLAND 3 03/17/23	104.6	104.8	0.47	104.7	87.6	2.23	98	5.9	US731011AT95
ROMANI 6 3/4 02/07/22	119.7	120.0	0.18	124.4	99.2	2.82	172	4.7	US77586TAA43
ROMANI 4 3/8 08/22/23	109.0	109.3	0.40	109.5	90.8	2.93	162	6.0	US77586TAC09
RUSSIA 4 1/2 04/04/22	106.7	107.4	0.57	114.7	82.0	3.13	200	4.9	XS0767472458
RUSSIA 7 1/2 03/31/30	122.3	122.5	0.01	128.6	99.6	2.18	53	4.0	XS0114288789
RUSSIA 5 5/8 04/04/42	112.8	113.7	2.21	124.9	76.0	4.73	263	14.0	XS0767473852
SERBIA 5 1/4 11/21/17	103.3	103.8	0.01	107.1	96.8	2.42	188	1.2	XS0856951263
SERBIA 4 7/8 02/25/20	103.6	104.3	-0.03	104.6	89.6	3.67	284	3.2	XS0893103852
TURKEY 6 1/4 09/26/22	109.9	110.6	0.07	127.0	101.0	4.33	314	5.0	US900123BZ27
TURKEY 6 7/8 03/17/36	117.4	117.9	-0.33	139.6	99.2	5.40	354	11.2	US900123AY60
TURKEY 6 3/4 05/30/40	116.6	117.3	0.06	139.4	97.3	5.47	344	12.5	US900123BG46
UKRAIN 7 3/4 09/01/19	99.9	100.4	0.13	101.0	88.0	7.70	693	2.6	XS1303918269
UKRAIN 7 3/4 09/01/23	98.1	98.6	0.23	99.4	84.6	8.06	674	5.2	XS1303921487
UKRAIN 7 3/4 09/01/27	96.8	97.2	0.20	97.7	81.2	8.17	662	7.0	XS1303927179

w/w - week on week, YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; 05 Aug 2016, 9:43 AM CET  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Summary: Ratings & macro data

### Country ratings: CE, SEE, EE

	LCY	S&P FCY	Outlook	LCY	Moody's FCY	Outlook	LCY	Fitch FCY	Outlook
<b>CE</b>									
Poland	A-	BBB+	negative	A2	A2	negative	A	A-	stable
Hungary	BB+	BB+	stable	Ba1	Ba1	positive	BBB-	BBB-	stable
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+	positive
<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	Ba2	Ba2	negative	BB+	BB	negative
Serbia	BB-	BB-	stable	B1	B1	positive	BB-	BB-	stable
<b>EE</b>									
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	Baa3	Baa3	negative	BBB	BBB	stable
Turkey	BB+	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  
Source: rating agencies websites

### Main macro data & forecasts\*

Country	Year*	GDP, % avg. yoy	CPI, % avg. yoy	Unem- ployment, %	Nominal wages, EUR	Fiscal balance, % GDP	Public debt, % GDP	Export **, % GDP	C/A, % GDP	Ext. Debt, % GDP	FXR***% ext. debt	Import cover, months
Croatia	2015	1.6	-0.5	16.3	1000	-3.2	86.7	24.7	5.2	103.7	30.3	9.5
	2016e	2.3	-1.0	14.9	1031	-2.8	87.3	25.5	2.0	97.8	30.6	9.0
	2017f	2.5	1.5	14.2	1040	-2.9	86.9	25.9	2.1	96.2	28.9	8.4
Czech Rep.	2015	4.6	0.3	6.5	970	-0.4	41.1	73.2	0.9	69.4	51.2	6.1
	2016e	2.3	0.7	5.6	1020	-0.3	40.3	76.4	1.4	74.6	65.6	8.1
	2017f	2.7	1.7	5.4	1070	-0.2	39.1	78.8	1.1	79.5	73.0	9.3
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	838	-2.2	74.9	84.8	4.5	98.5	23.6	3.6
	2017f	2.7	2.2	5.7	915	-2.7	74.5	82.1	4.1	87.2	22.9	3.2
Poland	2015	3.6	-0.9	10.5	932	-2.6	51.3	40.1	-0.2	70.1	29.1	6.2
	2016e	3.5	-0.4	9.1	933	-2.9	52.1	42.6	-0.9	73.8	29.1	6.0
	2017f	3.8	1.7	8.6	996	-3.4	52.6	42.2	-1.2	73.9	25.0	5.2
Romania	2015	3.8	-0.6	6.8	568	-0.7	38.4	30.6	-1.1	56.7	39.2	7.5
	2016e	4.0	-1.2	6.5	614	-3.0	39.2	30.8	-2.8	53.3	40.4	6.9
	2017f	3.6	2.3	6.5	656	-3.2	39.9	31.4	-3.3	52.7	39.2	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	-0.5	7.4	6.0	473	-4.4	13.5	23.3	4.0	38.0	82.4	26.6
	2017f	1.0	6.1	6.0	561	-3.3	14.0	25.6	4.5	31.9	87.4	22.5
Ukraine	2015	-9.9	48.7	9.5	172	-2.3	72.6	39.2	-0.1	131.5	11.4	4.2
	2016e	1.5	15.5	9.0	n.a.	-3.5	79.3	37.8	-3.3	140.0	14.5	5.4
	2017f	2.0	12.0	9.0	n.a.	-3.0	78.9	39.3	-3.4	140.4	15.5	5.5
Turkey	2015	4.0	7.7	10.3	n.a.	-1.2	34.0	21.2	-4.5	55.4	28.4	6.8
	2016e	3.0	7.3	10.0	n.a.	-2.0	32.0	21.5	-5.1	56.9	28.1	6.7
	2017f	2.5	7.6	10.0	n.a.	-1.5	33.0	21.5	-5.2	54.7	28.3	6.6

\* only for countries included in CEE Weekly; \*\* Export of goods only; \*\*\* FXR - Foreign exchange reserves  
Source: Thomson Reuters, National Statistics, RBI/Raiffeisen RESEARCH

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## Bonds

Financial Instruments/Companies	Initial publication date of the recommendation
10Y Czech Rep.	01/01/1997
10Y Hungary	01/01/1997
10Y Poland	01/01/1997
10Y Romania	01/01/1997
10Y Russia	01/01/1997
10Y Turkey	01/01/1997
2Y Czech. Rep.	01/01/1997
2Y Poland	01/01/1997
2Y Russia	01/01/1997
2Y Turkey	01/01/1997
5Y Czech Rep.	01/01/1997
5Y Hungary	01/01/1997
5Y Poland	01/01/1997
5Y Romania	01/01/1997
5Y Russia	01/01/1997
5Y Turkey	01/01/1997
BG EUROBOND EUR	01/01/2001
BY EUROBOND USD	01/01/2001
CZ EUROBOND EUR	01/01/2001
HR EUROBOND EUR	01/01/2001
HR EUROBOND USD	01/01/2001
HU EUROBOND EUR	01/01/2001
HU EUROBOND USD	01/01/2001
KZ EUROBOND USD	01/01/2001
LT EUROBOND EUR	01/01/2001
LT EUROBOND USD	01/01/2001
MK EUROBOND EUR	01/01/2001
PL EUROBOND EUR	01/01/2001
PL EUROBOND USD	01/01/2001
RO EUROBOND EUR	01/01/2001
RO EUROBOND USD	01/01/2001
RS EUROBOND USD	01/01/2001
RU EUROBOND EUR	01/01/2001
RU EUROBOND USD	01/01/2001
SI EUROBOND EUR	01/01/2001
SI EUROBOND USD	01/01/2001
SK EUROBOND EUR	01/01/2001
TR EUROBOND EUR	01/01/2001
TR EUROBOND USD	01/01/2001
UA EUROBOND USD	01/01/2001

### Distribution of long term recommendations (preceding 12 months prior to this publication)

Recommendation	Basis: all analysed Government bonds
Buy	0%
Hold	6%
Sell	88%
Not rated	6%

### History of long term recommendations (preceding 12 months prior to this publication)

Date	10Y Czech Rep.
06/08/2015	Hold

### Distribution of short term recommendations (preceding 3 months prior to this publication)

Recommendation	Basis: all analysed Government bonds
Buy	24%
Hold	48%
Sell	28%
Not rated	0%

### History of short term recommendations (preceding 3 months prior to this publication)

Date	10Y Czech Rep.	10Y Hungary	10Y Poland	10Y Romania	10Y Russia	10Y Turkey	2Y Czech. Rep.	2Y Poland	2Y Russia
29/07/2016	Hold	Buy	Hold	Hold	Buy	Sell	Hold	Hold	Buy
21/07/2016						Sell			
20/06/2016	Hold	Buy	Hold	Hold	Buy	Buy	Hold	Hold	Buy
31/05/2016	Hold	Buy	Hold	Hold	Buy	Buy	Hold	Hold	Buy
13/05/2016									
26/04/2016	Hold	Buy	Hold	Hold	Hold	Hold	Hold	Hold	Hold
20/04/2016									
30/03/2016									
29/03/2016									
24/03/2016	Hold	Buy	Hold	Hold	Hold	Sell	Hold	Hold	Hold
17/03/2016									
23/02/2016	Buy	Buy	Hold	Hold	Hold	Hold	Hold	Hold	Hold
11/02/2016	Buy	Buy	Hold	Hold	Hold	Hold	Hold	Buy	Hold
25/01/2016	Buy	Buy	Hold	Hold	Not rated	Hold	Hold	Buy	Not rated
17/12/2015	Hold	Buy	Hold	Buy	Hold	Hold	Hold	Buy	Buy
03/12/2015									
04/11/2015	Hold	Buy	Hold	Hold	Hold	Hold	Hold	Hold	Hold
07/10/2015									
22/09/2015	Hold	Sell	Sell	Sell	Hold	Sell	Hold	Hold	Hold
03/09/2015	Hold	Sell	Sell	Sell	Hold	Sell	Hold	Hold	Hold
06/08/2015	Hold	Sell	Sell	Sell	Hold	Sell	Hold	Hold	Hold



Date	2Y Turkey	5Y Czech Rep.	5Y Hungary	5Y Poland	5Y Romania	5Y Russia	5Y Turkey	BG EUROBOND EUR	BY EUROBOND USD
29/07/2016	Sell							Hold	
21/07/2016	Sell								
20/06/2016	Buy							Buy	Hold
31/05/2016	Buy								
13/05/2016								Hold	Hold
26/04/2016	Hold							Hold	Hold
20/04/2016								Buy	Hold
30/03/2016									Hold
29/03/2016								Buy	Hold
24/03/2016	Sell							Hold	Hold
17/03/2016								Hold	
23/02/2016	Hold							Hold	Hold
11/02/2016	Hold								
25/01/2016	Hold	Not rated	Not rated	Not rated	Not rated	Not rated	Not rated	Hold	Hold
17/12/2015	Hold	Hold	Buy	Buy	Buy	Buy	Hold	Hold	Hold
03/12/2015								Hold	Hold
04/11/2015	Hold	Hold	Buy	Hold	Hold	Hold	Hold	Hold	Hold
07/10/2015								Hold	
22/09/2015	Sell	Hold	Sell	Sell	Sell	Hold	Sell	Hold	Sell
03/09/2015	Hold	Hold	Sell	Sell	Sell	Hold	Sell	Hold	Sell
06/08/2015	Hold	Hold	Sell	Sell	Sell	Hold	Sell	Hold	Sell

Date	CZ EUROBOND EUR	HR EUROBOND EUR	HR EUROBOND USD	HU EUROBOND EUR	HU EUROBOND USD	KZ EUROBOND USD	LT EUROBOND EUR	LT EUROBOND USD	MK EUROBOND EUR
29/07/2016				Hold	Hold	Buy			Buy
21/07/2016									
20/06/2016	Hold	Sell	Sell	Buy	Buy	Hold	Hold	Hold	Hold
31/05/2016									
13/05/2016	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold
26/04/2016	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold
20/04/2016	Hold	Hold	Hold	Hold	Hold	Buy	Buy	Hold	Hold
30/03/2016									
29/03/2016	Hold	Hold	Hold	Hold	Hold	Buy	Buy	Hold	Buy
24/03/2016	Hold	Hold	Hold	Hold	Hold	Buy	Hold	Hold	Buy
17/03/2016	Hold	Hold	Hold	Buy	Buy	Buy	Hold	Hold	Buy
23/02/2016	Hold	Hold	Hold	Buy	Buy	Buy	Hold	Hold	Buy
11/02/2016									
25/01/2016	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Buy
17/12/2015	Hold	Sell	Sell	Buy	Buy	Buy	Hold	Hold	Hold
03/12/2015	Hold	Sell	Sell	Buy	Buy	Buy	Buy	Hold	Hold
04/11/2015	Hold	Sell	Sell	Buy	Buy	Hold	Buy	Hold	Hold
07/10/2015	Hold	Sell	Sell	Buy	Buy	Hold	Hold	Hold	
22/09/2015	Hold	Sell	Sell	Hold	Hold	Buy	Hold	Hold	Hold
03/09/2015	Hold	Sell	Sell	Hold	Hold	Buy	Hold	Hold	Hold
06/08/2015	Hold	Sell	Sell	Hold	Hold	Buy	Buy	Hold	Hold

Date	PL EUROBOND EUR	PL EUROBOND USD	RO EUROBOND EUR	RO EUROBOND USD	RS EUROBOND USD	RU EUROBOND EUR	RU EUROBOND USD	SI EUROBOND EUR	SI EUROBOND USD
29/07/2016			Hold	Hold		Buy	Buy		
21/07/2016									
20/06/2016	Sell	Sell	Sell	Sell	Buy	Hold	Hold	Buy	Buy
31/05/2016									
13/05/2016	Sell	Sell	Hold	Hold	Buy	Hold	Hold	Buy	Buy
26/04/2016	Sell	Sell	Hold	Hold	Buy	Hold	Hold	Buy	
20/04/2016	Buy	Hold	Hold	Hold	Hold	Hold	Hold	Buy	
30/03/2016									
29/03/2016	Buy	Hold	Hold	Hold	Hold	Hold	Hold	Buy	
24/03/2016	Buy	Buy	Hold	Hold	Hold	Hold	Hold	Buy	
17/03/2016	Buy	Buy	Hold	Hold	Hold	Hold	Hold	Buy	
23/02/2016	Buy	Buy	Hold	Hold	Hold	Buy	Buy	Buy	
11/02/2016									
25/01/2016	Buy	Buy	Hold	Hold	Sell	Buy	Buy	Buy	
17/12/2015	Buy	Buy	Buy	Buy	Sell	Buy	Hold	Hold	
03/12/2015	Buy	Buy	Buy	Buy	Sell	Hold	Hold	Hold	
04/11/2015	Buy	Buy	Buy	Buy	Sell	Buy	Buy	Hold	
07/10/2015	Buy	Hold	Buy	Buy	Sell	Hold	Hold	Hold	
22/09/2015	Buy	Hold	Buy	Buy	Sell	Hold	Hold	Hold	
03/09/2015	Hold	Hold	Hold	Hold	Sell	Hold	Hold	Hold	
06/08/2015	Hold	Hold	Hold	Hold	Sell	Hold	Hold	Hold	

Date	SK EUROBOND EUR	TR EUROBOND EUR	TR EUROBOND USD	UA EUROBOND USD
29/07/2016	Sell			
21/07/2016		Sell	Sell	
20/06/2016	Hold	Buy	Hold	Hold
31/05/2016				
13/05/2016	Hold	Hold	Hold	Hold
26/04/2016	Hold	Buy	Buy	Hold
20/04/2016	Hold	Buy	Buy	Hold
30/03/2016				
29/03/2016	Hold	Buy	Buy	Hold
24/03/2016	Hold	Buy	Buy	Sell
17/03/2016	Hold	Buy	Buy	Sell
23/02/2016	Hold	Buy	Buy	Sell
11/02/2016				
25/01/2016	Hold	Buy	Buy	Sell
17/12/2015	Hold	Buy	Hold	Sell
03/12/2015	Hold	Hold	Hold	Sell
04/11/2015	Hold	Hold	Hold	Hold
07/10/2015	Hold	Sell	Sell	Hold
22/09/2015	Hold	Sell	Sell	Hold
03/09/2015	Hold	Hold	Hold	Hold
06/08/2015	Hold	Hold	Hold	Sell

Source: RBI/Raiffeisen RESEARCH

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#### **VAT Identification Number:**

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#### **Austrian Data Processing Register:**

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