

## Market snapshot

|                       | curr.* | Sep-16 | Dec-16 | Mar-17 |
|-----------------------|--------|--------|--------|--------|
| <b>Poland</b>         |        |        |        |        |
| EUR/PLN               | 4.295  | 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               | 310.2  | 315    | 315    | 310    |
| Key rate              | 0.90   | 0.90   | 0.90   | 0.90   |
| 10y bond              | 2.9    | 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              | 0.3    | 0.4    | 0.5    | 0.6    |
| <b>Romania</b>        |        |        |        |        |
| EUR/RON               | 4.471  | 4.50   | 4.50   | 4.45   |
| Key rate              | 1.75   | 1.75   | 1.75   | 1.75   |
| 10y bond              | 2.9    | 3.3    | 3.5    | 3.6    |
| <b>Croatia</b>        |        |        |        |        |
| EUR/HRK               | 7.479  | 7.55   | 7.60   | 7.60   |
| Key rate              | 2.50   | 2.50   | 2.50   | 2.50   |
| 10y bond              | 3.6    | 3.9    | 3.9    | 3.9    |
| <b>Russia</b>         |        |        |        |        |
| USD/RUB               | 63.76  | 65.0   | 67.0   | 67.0   |
| Key rate              | 10.50  | 10.00  | 9.50   | 9.00   |
| 10y bond              | 8.3    | 8.6    | 8.8    | 8.5    |
| <b>Turkey</b>         |        |        |        |        |
| USD/TRY               | 2.929  | 3.15   | 3.10   | 3.10   |
| Key rate              | 7.50   | 7.50   | 7.50   | 7.00   |
| 10y bond              | 9.6    | 11.0   | 10.5   | 10.1   |
| EUR/USD               | 1.133  | 1.10   | 1.05   | 1.03   |

\* prices as of 18 August 2016, 11:59 p.m. CEST

Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## Highlights

A powerful rally on CEE FX and bond markets during the last two weeks came to an end on the back of profit taking due to a more hawkish US Fed perception and exhausted positive news potential. As a potential exception from exhausted positive news we would highlight Bulgaria. The comprehensive banking sector stress test results (broad sectoral coverage, granular analysis in terms of loan portfolios, harsh assumptions within adverse scenario) presented last weekend can be considered as credible and reasonable (3 lenders out of 22 with capital shortfalls at some EUR 120-130 mn, 6 lenders have to follow some regulatory guidance). The results are definitely positive for the sovereign credit and are limiting the risk of meaningful contingent liabilities for the sovereign.

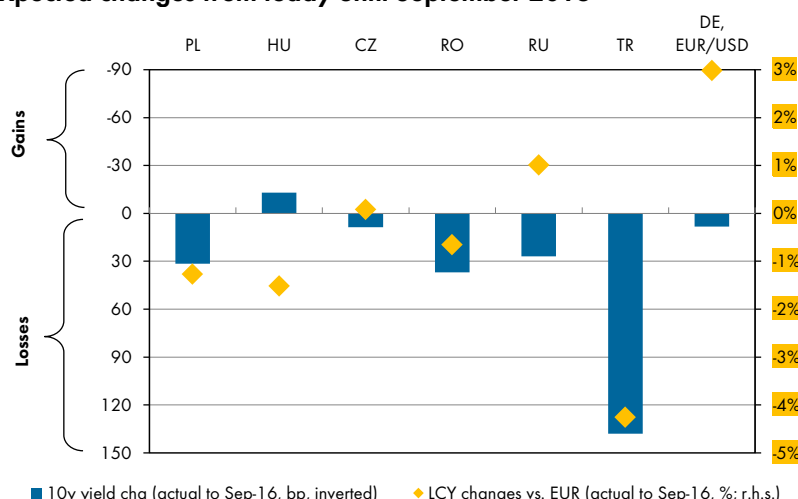
On the back of overall profit taking POLGB market euphoria apparently was winding down as the FX loan conversion proposal still lacks important details while CDS implied rating already jumped two notches in the last rally despite possible policy drawbacks. TURKGBs became another "loser" since an overly optimistic recovery rally compressed bond yields close to pre-coup levels. Ironically meanwhile Turkish politics had been developing in a negative direction, with more rifts emerging between Western countries and Turkish officials. On the rating front today Fitch is scheduled to deliver a rating review for Turkey. Although we would not expect change in the rating Fitch may decide to lower the outlook to negative.

In another story we believe that Fitch can opt for lowering Macedonia's sovereign rating by one notch (today is a regular review). The agency already maintains a negative outlook on the rating while Fitch, technically speaking, rates Macedonia two notches above comparable S&P rating. Last but not least Moody's may also revisit the positive outlook on Romania today (change to stable).

Next week, on 23 August, TCMB will consider the rate policy at its regular meeting. TCMB may be still in favor of an incremental 25bp rate cut in a quest to win back business confidence but the probability of a no cut is increasing. In Hungary we expect MNB to keep rates flat on 23 August, the policy guidance is unlikely to be changed.

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## Expected changes from today until September 2016



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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## Data highlights upcoming week

| Date   | Indicator                    | Period | Forecast | High | Mean | Low  | Previous |
|--------|------------------------------|--------|----------|------|------|------|----------|
| 22-Aug | UA: Industrial output, % yoy | Jul    | n.a.     | 1.3  | -0.4 | -5.6 | -3.4     |
| 23-Aug | HU: Key rate, %              | Aug    | 0.90     | 0.90 | 0.90 | 0.90 | 0.90     |
| 23-Aug | TR: Key rate, %              | Aug    | 7.50     | n.a. | n.a. | n.a. | 7.50     |

Source: Bloomberg, RBI/Raiffeisen RESEARCH

## 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, 12 August</b>     |        |        |          |          | <b>Friday, 19 August</b>     |        |          |      |      |      |          |
| PL: C/A balance, EUR mn      | Jun    | -203.0 | 208.0    | 624.0    | SK: Unemployment rate, %     | Jul    | 9.4      | 9.4  | 9.4  | 9.4  | 9.5      |
| PL: CPI, % yoy               | Jul    | -0.9   | -0.9     | -0.8     | <b>Monday, 22 August</b>     |        |          |      |      |      |          |
| <b>Monday, 15 August</b>     |        |        |          |          | UA: Industrial output, % yoy | Jul    | n.a.     | 1.3  | -0.4 | -5.6 | -3.4     |
| RU: Industrial output, % yoy | Jul    | -0.3   | n.a.     | 1.7      | <b>Tuesday, 23 August</b>    |        |          |      |      |      |          |
| UA: GDP, % yoy               | Q2     | 1.3    | n.a.     | 0.1      | HR: Unemployment rate, %     | Jul    | 13.4     | n.a. | n.a. | n.a. | 13.6     |
| TR: Unemployment rate, %     | May    | 9.4    | n.a.     | 9.3      | HU: Key rate, %              | Aug    | 0.90     | 0.90 | 0.90 | 0.90 | 0.90     |
| <b>Tuesday, 16 August</b>    |        |        |          |          | TR: Key rate, %              | Aug    | 7.50     | n.a. | n.a. | n.a. | 7.50     |
| PL: CPI core, % yoy          | Jul    | -0.4   | -0.4     | -0.2     | <b>Wednesday, 24 August</b>  |        |          |      |      |      |          |
| CZ: GDP, % yoy               | Q2     | 2.5    | 2.0      | 3.0      | PL: Unemployment rate, %     | Jul    | 8.6      | 8.9  | 8.6  | 8.5  | 8.8      |
| CZ: PPI, % yoy               | Jul    | -4.0   | -3.9     | -4.4     |                              |        |          |      |      |      |          |
| SI: Unemployment rate, %     | Jun    | 10.8   | n.a.     | 11.1     |                              |        |          |      |      |      |          |
| BY: Industrial output, % yoy | Jul    | -4.4   | n.a.     | -0.1     |                              |        |          |      |      |      |          |
| <b>Wednesday, 17 August</b>  |        |        |          |          |                              |        |          |      |      |      |          |
| PL: Avg gross wages, % yoy   | Jul    | 4.8    | 3.7      | 5.3      |                              |        |          |      |      |      |          |
| PL: Employment, % yoy        | Jul    | 3.2    | 3.2      | 3.1      |                              |        |          |      |      |      |          |
| BG: C/A balance, EUR mn      | Jun    | 562.8  | n.a.     | -25.6    |                              |        |          |      |      |      |          |
| HR: CPI, % yoy               | Jul    | -1.5   | -1.5     | -1.6     |                              |        |          |      |      |      |          |
| RU: Unemployment rate, %     | Jul    | 5.3    | 5.3      | 5.4      |                              |        |          |      |      |      |          |
| RU: Retail sales, % yoy      | Jul    | -5.0   | -5.5     | -5.9     |                              |        |          |      |      |      |          |
| <b>Thursday, 18 August</b>   |        |        |          |          |                              |        |          |      |      |      |          |
| PL: Retail sales, % yoy      | Jul    | 2.0    | 3.0      | 4.6      |                              |        |          |      |      |      |          |
| PL: Industrial output, % yoy | Jul    | -3.4   | -1.8     | 6.0      |                              |        |          |      |      |      |          |
| PL: PPI, % yoy               | Jul    | -0.4   | -0.9     | -0.8     |                              |        |          |      |      |      |          |
| SK: CPI, % yoy               | Jul    | -0.9   | -0.7     | -0.7     |                              |        |          |      |      |      |          |
| <b>Friday, 19 August</b>     |        |        |          |          |                              |        |          |      |      |      |          |
| SI: PPI, % yoy               | Jul    | -1.8   | n.a.     | -2.0     |                              |        |          |      |      |      |          |

Source: Bloomberg, RBI/Raiffeisen RESEARCH

**Croatia (HR)** – The shorter week because of the holiday brought CPI readings for July. In line with our expectations, persistent deflationary pressures were confirmed. Lower prices coming from the global commodity markets paired with the government's decision on an administrative reduction in the price of gas (as of April this year) resulted in a CPI drop of 1.5% yoy in July.

The upcoming week has nothing special to offer in terms of economic releases as only the first estimate for July's registered unemployment rate and June's average wages are on the calendar. Amid the seasonal factors (tourist season), we expect to see a further decline (to 13.4% from 13.6% in June) in the former while an upward trend in real wages should be confirmed by the latter.

As for political topics, the parliamentary election campaign for the upcoming snap elections scheduled on 11 September started officially on Tuesday. For now, the situation is still calm with the main political parties (SDP and HDZ) starting with a presentation of their economic programmes.

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**Czech Republic (BA)** – Next week, the consumer and business confidence indices for August will be worth watching. These indicators were stable in July while the purchasing manager's index surprisingly dropped to below 50 points. Therefore, the sentiment indicators should garner more interest than usual. Last week, the flash GDP result for Q2 showed quarter-on-quarter acceleration to 0.9%, up from 0.4% in Q1 (seasonally adjusted). The market expectation was 30 bp lower. Year-on-year growth decelerated to 2.5%, down from 3.0% in Q1. However, given the very high comparative base from last year boosted by artificially high public investment, the current GDP pace is a very good result. In light of these new data, our 2.3% GDP growth forecast for the year as a whole looks slightly pessimistic, but it would be premature to project stronger performance for the year from this flash Q2 result. The above-mentioned sentiment indicators might indicate development in the Q3. With regard to GDP growth, we anticipate only gradual deceleration in H2.

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**Hungary (HU)** – The data calendar is light in the coming week. The central bank's next rate setting meeting will be in the focus, although the key rate is widely expected to remain unchanged for an extended period of time. Not so the money market rates and yields, which have been falling again since July when the monetary council decided to gradually limit access to the bank's main sterilisation instrument. Three-month deposits will be capped in terms of volume and frequency from autumn this year, allowing the central bank to ease monetary policy without actually cutting rates. This underpins our expectations that the key rate will remain at 0.9% until at least 2018. Earlier this week, the government debt management agency (ÁKK) sold more bonds than planned as yields dropped to a record low. In our view, HGBs will remain attractive in the long run and therefore yields will also decline further to new historic lows. Meanwhile, EUR/HUF bounced back from the bottom of its 310–315 trading range while market activity was weak.

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**Poland (PL)** – The flash estimate for GDP growth in Q2 disappointed slightly, coming in 0.2 pp below the consensus call of 3.3% yoy. Despite this, the qoq growth of 0.9% was in line with other results in the region and definitely showed an improving economy compared with Q1 and the data once again spurred speculations of interest rate cuts. The monthly data on industrial output (-3.4% yoy) and retail sales (+2.0% yoy) for July gave further support to such calls even though they were mainly calendar driven. J. Zyzynski, one of the most dovish MPC members, announced in response to the data that he might even place a motion for interest rate cuts after summer and sees 50 bp leeway for loosening the monetary policy. While such a scenario is likely, the majority within the council remains sceptical regarding both the need and the efficiency of interest rate cuts. Strong labour market data (wages again surprised to the upside) and the expected boost in private consumption in Q3 are strong arguments in favour of at least staying in wait-and-see mode. Thus, the potential motion would most probably fail. We expect the new wave of interest rate cut expectations to be short-lived and see the recent lows in 10-year GB yields at 2.6% as the mid-term floor. With improving monthly data for August (this time the calendar will be slightly supportive) and re-emerging fiscal issues (budget bill draft to be delivered in September), we see declining prices for Polish GBs as the most likely scenario.

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**Romania (RO)** – After the close of markets on Friday, Moody's is scheduled to release its rating review on Romania. Currently, the rating for long-term FCY sovereign debt from Romania is Baa3 with a positive outlook. We recall that Moody's changed the outlook to positive in December 2015, and since then the economic outlook has not changed much. The solid economic growth balances against the increasing fiscal and external deficits, while additional risks might arise due to the parliamentary elections that will be held in November and December. Accordingly, we do not think that Moody's will make any changes now, but the possibility of an outlook revision to stable cannot be ruled out.

The week ahead is rather light in terms of macroeconomic releases. On 24 August, the central bank will release data on the dynamics of lending activity in July. Lending activity trended upwards in H1, but at a slower pace. In June, the total stock of outstanding loans (RON+FCY) went up by 1.0% yoy. Also, after 25 August, the Ministry of Finance is to publish the public budget execution for the first seven months. In H1, the public budget deficit stood at 0.5% of GDP, rather low compared with the full-year target (2.8% of GDP).

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**Russia (RU)** – The set of July macro data signals that there are certain green shoots in internal demand development (consumption and investments). In yoy terms, the decline in retail sales slowed from -5.9% yoy in June to -5.0% yoy in July, which suggests flat mom dynamics. Although this improvement is not material for any long-term conclusions, we believe that certain prerequisites for consumer demand recovery have become visible. Nominal wage growth has remained at 6–8% for half a year already, which results in minimal but still positive real wage growth (0.5–1.5% yoy). July construction data (a proxy for investments) also came in quite positive as the pace of the decline decelerated from -9.7% yoy to -3.5% yoy, and construction output even added 3% in July in mom terms. At the same time, construction output is rather volatile and the performance during just one month is not really representative. We do not expect investment growth in 2H 2016, but a certain stabilisation is possible by year-end. Positive internal demand data was overshadowed by unexpectedly weak industrial production figures with negative growth of -0.3% yoy in July (vs. +1.7% yoy in June). In mom terms, the decline reached -1% (our estimates). The fall was a result of deterioration in the manufacturing segment (-1.5% yoy vs. +1.6% yoy in July) that was seen in many industries. A one-off calendar effect could partially explain such negative dynamics, as there were 21 working days in July 2016 vs. 23 working days in July 2015. However, the effect of such differences in working days on industrial production has not been material in the past. That is why we think that such weak performance should be a point of concern as only industrial production has driven the economy out of recession in past years. According to our estimates, GDP growth could have turned positive in July if not for the decline in industrial production. Still, we are expecting that consumer demand will recover gradually, that investment dynamics will improve, and that the persisting effect of RUB depreciation will support better performance for industrial production and the whole economy. Our forecast of GDP growth at -0.5% yoy in 2016 (-0.9% yoy in H1 2016, actual figures) remains unchanged.

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**Serbia (RS)** – As indicated in its August inflation report, the NBS projects that CPI will start to grow steadily in H2 but that it will stay below the targeted range in 2016. In July, CPI resurged to 1.2% yoy after a 0.3% yoy increase in June, supported by the base effect expiration in food and non-alcoholic beverage prices (-0.3% yoy) after they fell by 2.3% yoy in June.

The growth in regulated prices in 2016 was cut to 3.5% yoy (0.7 pp contribution to CPI growth) vs. 4% in May's report, assuming a price hike for tobacco and electricity (by 7%) – though the NBS remains unsure whether electricity prices will be corrected at all this year. If the latter scenario does not materialise, CPI will likely be 4 pp lower than the estimated level. Regulated prices should grow by 4% yoy in 2017. Lower-than-expected oil and agricultural prices on the global markets supported the NBS's decision to move its expectation on CPI entering the range from early 2017 to mid-2017 and for CPI to move within the range until June 2018 due to the low oil price base and gradual growth in aggregate demand in Serbia and the EU. The main risk to the inflation projection is oil and primary agriculture product prices, as upside and downside deviations in both are possible and would cause inflation to deviate from the projection in both directions. Overall, the NBS remains satisfied with the impact of its monetary easing on credit activity growth and with the resulting improved economic sentiment. Furthermore, the NBS kept its GDP projection for 2016 at 2.5% yoy based on investments, exports, and the recovery in private spending while projecting a current account deficit of 4.2% of GDP in 2016.

No important news flow next week except that the public debt management office will auction the 53W EUR 50 mn on 24 August. The last auction was held in late June, when the yield fell to 0.85% (4 bp).

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# Monetary policy and money markets overview

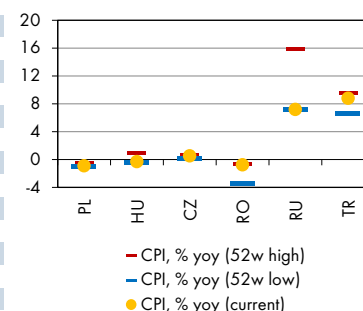
## CEE key interest and money markets outlook

| Poland                     | current* | Sep-16 | Dec-16 | Mar-17 | 5y high | 5y low |
|----------------------------|----------|--------|--------|--------|---------|--------|
| 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       | 0.84     | 0.90   | 0.85   | 0.80   | 7.65    | 0.84   |
| <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       | 0.75     | 0.80   | 0.80   | 0.90   | 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       | 10.89    | 10.80  | 10.30  | 9.80   | 29.93   | 4.76   |
| <b>Serbia</b>              |          |        |        |        |         |        |
| Key interest rate          | 4.00     | 4.00   | 4.00   | 4.00   | 11.75   | 4.00   |
| 3m money market rate       | 3.53     | 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       | 9.48     | 9.80   | 9.80   | 9.20   | 12.44   | 4.85   |
| <b>Benchmark key rates</b> |          |        |        |        |         |        |
| 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

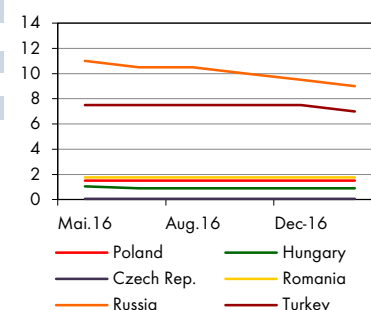
\* Bid rates (for Hungary ask rates) as of 18 August 2016, 11:59 p.m. CEST

## Inflation snapshot



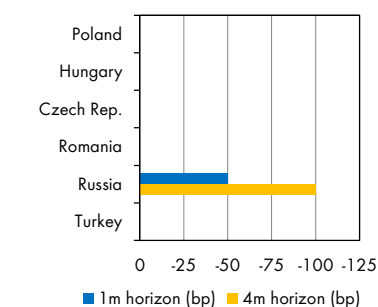
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Rate setting meetings

|                      | Aug | Sep |
|----------------------|-----|-----|
| Poland (NBP)         |     | 7   |
| Hungary (MNB)        | 23  | 20  |
| Czech Republic (CNB) | 4   | 29  |
| Romania (BNR)        | 4   | 30  |
| Serbia (NBS)         | 11  | 8   |
| Russia (CBR)         |     | 16  |
| Turkey (TCMB)        | 23  | 22  |

Source: National Central Banks, RBI/Raiffeisen RESEARCH

## Central bank watch

|                             |   |
|-----------------------------|---|
| <b>Poland (NBP)</b>         | NBP disappointed by Q1 activity data, but regards it as a temporary matter amid expected fiscal slackening. This in conjunction with considerable wage pressure should help reflationing the economy. So far the majority of MPC members ruled out rate cuts pointing to likely strengthening of economic conditions and danger of excessive monetary stimulus for domestic banks and financial markets.  |
| <b>Hungary (MNB)</b>        | 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 HUF 1,600 bn that banks can deposit, and conduct monthly, rather than weekly, tenders. Any potential future policy fine tuning could be of "unconventional" nature. |
| <b>Czech Republic (CNB)</b> | Exit from FX intervention regime keeping EUR/CZK above 27.00 floor, likely to be delayed, mainly due to stuttering reflation, to end-2017 while CNB's wording about "around mid-2017" should be taken as a bullish guidance. CNB still likely to resist an idea of negative interest rates going forward. In our view NIRP can be introduced only as the last resort measure in case of excessive capital inflows.  |
| <b>Romania (BNR)</b>        | Fiscal/political risks warrant monetary policy cautiousness in the run-up to parliamentary elections in late-2016. However, latest inflation report stirred up a deflation scare which might be pointing to longer duration of loose monetary conditions. Still abundant liquidity in domestic banking system must demotivate the regulator from taking drastic steps. Therefore neutral stance likely but verbal interventions might point to softening stance if weaker inflation again.  |
| <b>Serbia (NBS)</b>         | Last week, 12 August, national bank policy panel voted to leave key rate unchanged at 4.5% citing signs of strengthened demand and lending activity adding to growth and also a likely bottoming out of inflation in medium-term. The regulator sees current monetary conditions as adequate while is willing to avoid economy overheating in future.   |
| <b>Russia (CBR)</b>         | CBR restarted rate cuts in June on stronger than expected disinflation. Private sector inflation expectations 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.  |
| <b>Turkey (TCMB)</b>        | The upcoming rate setting meeting on 23 August will present TCMB with a painful dilemma. While weaker business confidence may require some material boost in form of rate cuts, political pressure to cut rates and long-term policy outlook may speak against the easing bias. We believe that a 25bp rate cut may still be possible in August. Last time TCMB cut o/n lending rate by 25bp to 8.75% in July shortly after the failed coup in a "confidence rebuilding" attempt.   |

Source: RBI/Raiffeisen RESEARCH



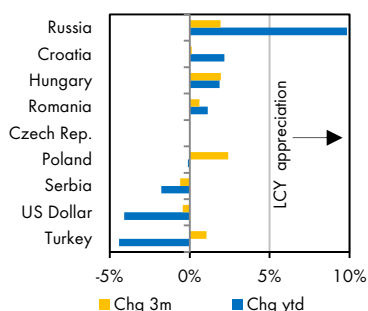
## Foreign exchange market overview

### FX forecasts

| EUR vs | current* | Sep-16 | Dec-16 | Mar-17 | 5y high | 5y low | Comment  |
|--------|----------|--------|--------|--------|---------|--------|--|
| PLN    | 4.295    | 4.35   | 4.35   | 4.30   | 4.46    | 4.08   | After initial positive response to the FX loan conversion plan the zloty has since moved back in the direction of EUR/PLN 4.30; we would project EUR/PLN to move back above 4.30 in the near term with only moderate appreciation potential for 2017 when political uncertainties slowly decline |
| HUF    | 310.2    | 315    | 315    | 310    | 316     | 291    | EUR/HUF remains in the old 310-315 trading range; overall volatility in HUF remains moderate   |
| CZK    | 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   |
| RON    | 4.471    | 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  |
| HRK    | 7.479    | 7.55   | 7.60   | 7.60   | 7.66    | 7.52   | Next week EUR/HRK could stay within the range 7.48-7.50 kuna per euro.   |
| RSD    | 123.5    | 123    | 124    | 123    | 124     | 106    | NBS kept key rate unchanged; 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   |
| RUB    | 72.22    | 71.5   | 70.4   | 69.0   | 79.3    | 40.3   | see USD/RUB below  |
| UAH    | 28.54    | 29.7   | 30.5   | 29.9   | 30.5    | 10.4   | see USD/UAH below  |
| BYN    | 2.230    | 2.31   | 2.36   | 2.34   | 2.36    | 1.09   | see USD/BYR below  |
| TRY    | 3.318    | 3.47   | 3.26   | 3.19   | 3.26    | 2.35   | see USD/TRY below  |
| USD    | 1.133    | 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 |  |
| RUB    | 63.76    | 65.0   | 67.0   | 67.0   | 73.0    | 30.5   | Russian rouble is supported by improving oil prices; for now negative effects due to re-emergence of conflict with Ukraine not visible in RUB; volatility in USD/RUB continued to decline over recent months, reaching levels last seen in end-2014  |
| UAH    | 25.19    | 27.0   | 29.0   | 29.0   | 29.0    | 8.01   | Renewed tensions with Russia could put pressure on UAH if escalation continues; 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   |
| BYN    | 2.008    | 2.10   | 2.25   | 2.27   | 2.25    | 0.84   | 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   |
| TRY    | 2.929    | 3.15   | 3.10   | 3.10   | 3.10    | 1.78   | Political uncertainty (and comments by Erdogan) keeping investors cautious, risks for weaker TRY throughout the third quarter 2016; rating review later today by Fitch is not expected to bring a downgrade; TRY currently profits from weaker USD   |

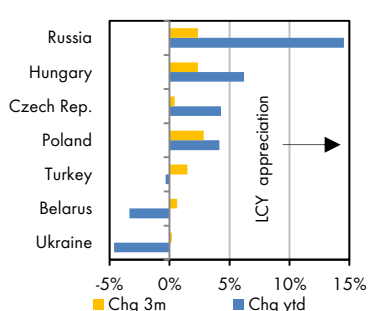
\* as of 18 August 2016, 11:59 p.m. CEST  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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



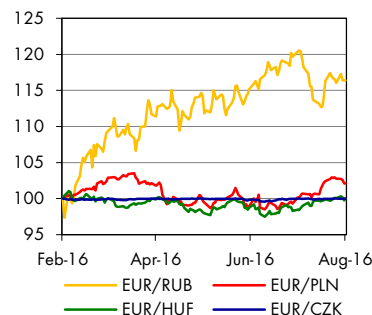
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

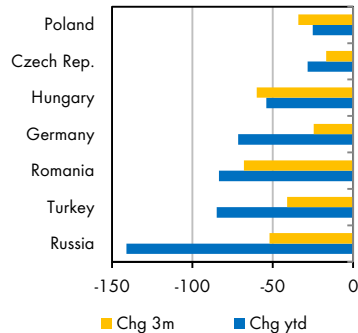
### Exchange rate comparison



Indexed 18 Feb-16 = 100  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

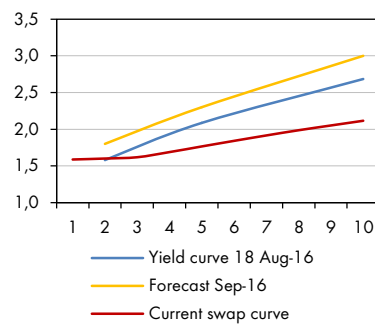
# Local currency bond market overview and forecasts

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



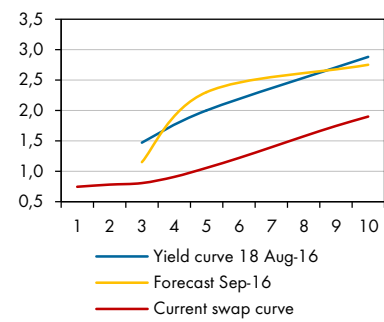
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

### PLN yield curve



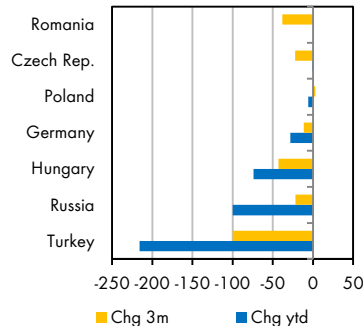
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

### HUF yield curve



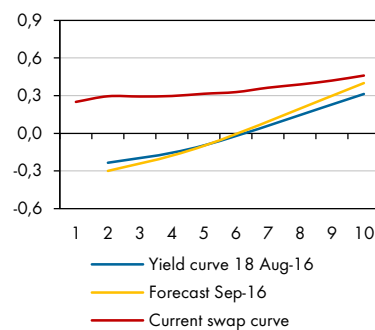
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

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



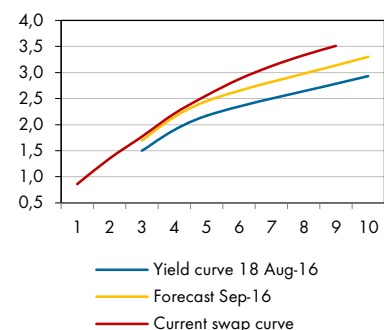
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

### CZK yield curve



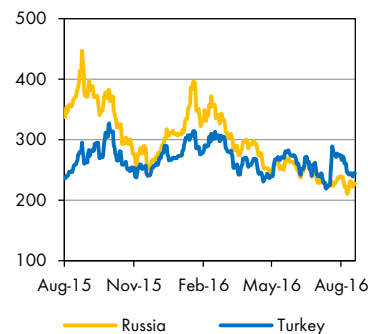
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

### RON yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

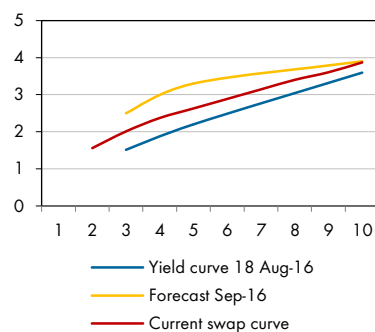
### 5y USD CDS spreads



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

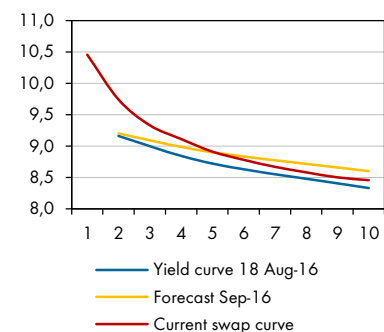
Source: Bloomberg, RBI/Raiffeisen RESEARCH

### 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 (%)

|                | current* | Sep-16 | Dec-16 | Mar-17 | 5y high | 5y low |
|----------------|----------|--------|--------|--------|---------|--------|
| Poland         | 1.58     | 1.8    | 1.9    | 2.0    | 4.9     | 1.6    |
| Hungary **     | 1.47     | 1.2    | 1.1    | 1.0    | 9.2     | 1.1    |
| Czech Republic | -0.24    | -0.3   | -0.4   | -0.4   | 1.8     | -0.4   |
| Romania        | 1.50     | 1.1    | 1.2    | 1.3    | 7.3     | 1.2    |
| Croatia        | 1.51     | 1.9    | 1.9    | 2.0    | 6.1     | 2.6    |
| Russia         | 9.16     | 9.2    | 8.8    | 8.5    | 15.8    | 6.2    |
| Turkey         | 8.81     | 10.0   | 10.0   | 9.5    | 11.5    | 6.1    |
| Germany        | -0.61    | -0.6   | -0.5   | -0.5   | 0.2     | -0.5   |
| USA            | 0.70     | 0.8    | 1.1    | 1.1    | 1.1     | 0.2    |

#### 10y T-bond yields (%)

|                | current* | Sep-16 | Dec-16 | Mar-17 | 5y high | 5y low |
|----------------|----------|--------|--------|--------|---------|--------|
| Poland         | 2.68     | 3.0    | 3.2    | 3.3    | 5.9     | 2.5    |
| Hungary        | 2.88     | 2.8    | 2.7    | 2.8    | 9.9     | 2.7    |
| Czech Republic | 0.31     | 0.4    | 0.5    | 0.6    | 3.6     | 0.5    |
| Romania        | 2.93     | 3.3    | 3.5    | 3.6    | 7.5     | 3.5    |
| Croatia        | 3.59     | 3.9    | 3.9    | 3.9    | 7.2     | 3.8    |
| Russia         | 8.33     | 8.6    | 8.8    | 8.5    | 14.1    | 6.9    |
| Turkey         | 9.62     | 11.0   | 10.5   | 10.1   | 10.5    | 6.6    |
| Germany        | -0.14    | 0.0    | 0.3    | 0.5    | 1.9     | 0.3    |
| USA            | 1.54     | 1.8    | 2.1    | 2.3    | 3.0     | 1.8    |

\* Bid yields as of 18 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   |
|-------------------|------------|------------|-----------|---------|----------------------|-------|--|
| Poland            |            |            |           |         |                      |       |  |
| PLN 2y Gov. Bond  | 25/07/2018 | 2.50       | 101.53    | 1.69    | 232                  | 1.9   | POLGB market well recovered on strong market reaction on FCY loan conversion proposal, now POLGB 10y trades again inside HGB yield wise. We still see some smaller potential left in 5y POLGB as opposed to very tight 10y.  |
| PLN 5y Gov. Bond  | 25/07/2021 | 1.75       | 98.09     | 2.16    | 269                  | 4.8   |  |
| PLN 10y Gov. Bond | 25/07/2026 | 2.50       | 98.35     | 2.69    | 278                  | 8.9   |  |
| Hungary           |            |            |           |         |                      |       |  |
| HUF 3y Gov. Bond  | 30/10/2019 | 2.00       | 101.87    | 1.40    | 205                  | 3.1   | HGB post-Brexit rally led to strong yield tightening. We see little room for further gains at the long-end of the curve. Still HGB market appears relatively expensive currently in light of emerging signs of broader market correction.                          |
| HUF 5y Gov. Bond  | 27/10/2021 | 2.50       | 102.74    | 1.94    | 247                  | 4.9   |  |
| HUF 10y Gov. Bond | 27/10/2027 | 3.00       | 101.51    | 2.84    | 293                  | 9.5   |  |
| Czech Republic    |            |            |           |         |                      |       |  |
| CZK 2y Gov. Bond  | 17/03/2018 | 0.85       | 101.66    | -0.20   | 43                   | 1.6   | CZGB yields are likely to remain near their historical lows, so slightly into negative territory, as EUR/CZK cap policy exit is likely to be delayed till the end of 2017.   |
| CZK 5y Gov. Bond  | 29/09/2021 | 3.85       | 120.21    | -0.09   | 45                   | 4.7   |  |
| CZK 10y Gov. Bond | 26/06/2026 | 1.00       | 106.61    | 0.32    | 40                   | 9.5   |  |
| Croatia           |            |            |           |         |                      |       |  |
| HRK 2y Gov. Bond  | 10/07/2018 | 5.25       | 106.55    | 1.72    | 225                  | 1.9   | The return of investors from summer holidays is likely to bring descent increase in trading volumes, while political elections and likely delay of the reform agenda can also impose loss making situation on domestic bond market.                                |
| HRK 10y Gov. Bond | 14/12/2026 | 4.25       | 104.73    | 3.69    | 378                  | 8.4   |  |
| Romania           |            |            |           |         |                      |       |  |
| RON 2y Gov. Bond  | 17/01/2018 | 3.25       | 103.25    | 0.93    | 158                  | 1.4   | Abundant domestic market liquidity and deflation topic drove ROMGB yields substantially lower. 5y5y ROMGB/POLGB spread closed in near zero this week, which hinted on relative overpricing of ROMGB. We find more sell-off risk in ROMGB.                          |
| RON 5y Gov. Bond  | 22/03/2021 | 3.25       | 104.58    | 2.19    | 272                  | 4.3   |  |
| RON 10y Gov. Bond | 24/02/2025 | 4.75       | 113.53    | 2.93    | 302                  | 7.2   |  |
| Russia            |            |            |           |         |                      |       |  |
| RUB 2y Gov. Bond  | 15/03/2018 | 7.50       | 97.93     | 9.12    | 975                  | 1.5   | Further rate cuts and likely more stable albeit a bit too strong RUB can be good for adding RUB OFZ bonds, as curve steepening likely also to drive long-end rates. However international politics and Ukraine may bring some higher volatility to OFZ market too. |
| RUB 5y Gov. Bond  | 18/08/2021 | 7.50       | 96.00     | 8.68    | 921                  | 4.0   |  |
| RUB 10y Gov. Bond | 03/02/2027 | 8.15       | 100.20    | 8.29    | 838                  | 7.1   |  |
| Turkey            |            |            |           |         |                      |       |  |
| TRY 2y Gov. Bond  | 11/07/2018 | 8.70       | 99.50     | 8.98    | 961                  | 1.8   | TURKGB already profited from a "reversal" rally after the July coup so tighter yields point to likely exhausted downside potential. We anticipate more weakness in TURKGB ahead of TCMB policy meeting - we believe in a 25bp rate reduction.                      |
| TRY 5y Gov. Bond  | 17/02/2021 | 10.70      | 105.68    | 9.14    | 967                  | 3.7   |  |
| TRY 10y Gov. Bond | 11/02/2026 | 10.60      | 107.15    | 9.44    | 953                  | 6.2   |  |

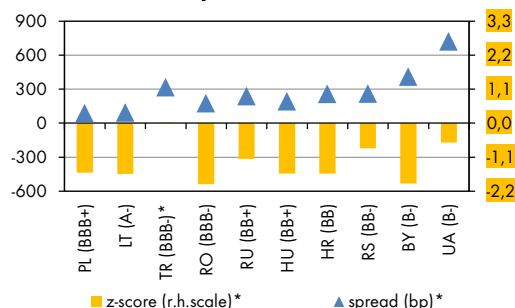
Data as of 19 August 2016, 11:02 a.m. CET  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Bond auctions

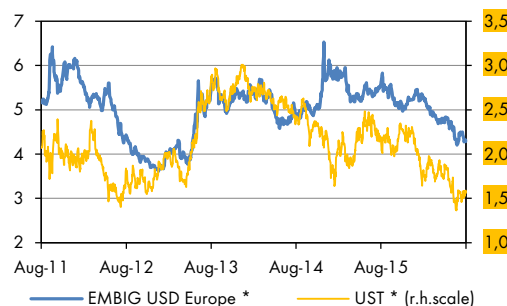
|                |             | ISIN         | Coupon   | Maturity  | Volume     |
|----------------|-------------|--------------|----------|-----------|------------|
| 22 August 2016 |             |              |          |           |            |
| RO             | 4y T-bonds  | RO1620DBN017 | 2.25%    | 26 Feb-20 | RON 500 mn |
| 23 August 2016 |             |              |          |           |            |
| TR             | 5y T-bonds  | n.a.         | 10.70%   | 2021      | n.a.       |
| 24 August 2016 |             |              |          |           |            |
| CZ             | 4y T-bonds  | CZ0001004717 | 0.00%    | 17 Jul-19 | CZK 6 bn   |
| CZ             | 8y T-bonds  | CZ0001004600 | 0.45%    | 25 Oct-23 | CZK 6 bn   |
| CZ             | 11y T-bonds | CZ0001004469 | 1.00%    | 26 Jun-26 | CZK 6 bn   |
| RU             | T-bonds     | n.a.         | n.a.     | n.a.      | n.a.       |
| 25 August 2016 |             |              |          |           |            |
| HU             | T-bonds     | n.a.         | floating | n.a.      | n.a.       |
| RO             | 8y T-bonds  | RO1624DBN027 | 3.25%    | 29 Apr-16 | RON 500 mn |

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

|                       | Market price |       |        |         |        | YTM     | Spread | Mdur  | ISIN         |
|-----------------------|--------------|-------|--------|---------|--------|---------|--------|-------|--------------|
| Issuer/rate/due       | Bid          | Ask   | wow, % | 5y high | 5y low | % p. a. | bp     | years |              |
| EUR                   |              |       |        |         |        |         |        |       |              |
| BGARIA 4 1/4 07/09/17 | 103.9        | 104.0 | 0.02   | 111.8   | 100.3  | -0.13   | 47     | 0.9   | XS0802005289 |
| CROATI 5 7/8 07/09/18 | 110.0        | 110.3 | 0.31   | 112.1   | 88.8   | 0.49    | 112    | 1.8   | XS0645940288 |
| REPHUN 3 7/8 02/24/20 | 112.1        | 112.8 | 0.39   | 113.1   | 69.3   | 0.32    | 97     | 3.3   | XS0212993678 |
| REPHUN 4 3/8 07/04/17 | 104.1        | 104.5 | -0.04  | 108.0   | 77.3   | -0.49   | 11     | 0.9   | XS0284810719 |
| REPHUN 5 3/4 06/11/18 | 110.1        | 110.5 | 0.00   | 115.1   | 79.7   | 0.08    | 71     | 1.8   | XS0369470397 |
| REPHUN 6 01/11/19     | 113.4        | 113.8 | 0.12   | 118.4   | 86.4   | 0.33    | 97     | 2.2   | XS0625388136 |
| LITHUN 4.85 02/07/18  | 107.5        | 107.6 | -0.02  | 114.3   | 94.5   | -0.24   | 38     | 1.4   | XS0327304001 |
| POLAND 5 5/8 06/20/18 | 110.8        | 111.3 | 0.00   | 122.6   | 102.1  | -0.31   | 32     | 1.8   | XS0371500611 |
| POLAND 1 5/8 01/15/19 | 103.9        | 104.4 | 0.00   | 105.5   | 98.0   | -0.08   | 57     | 2.4   | XS0874841066 |
| POLAND 3 3/4 01/19/23 | 121.5        | 121.9 | 0.00   | 125.5   | 99.9   | 0.33    | 83     | 5.8   | XS0794399674 |
| POLAND 3 3/8 07/09/24 | 120.8        | 121.5 | 0.62   | 125.6   | 99.6   | 0.62    | 99     | 7.1   | XS0841073793 |
| ROMANI 4 7/8 11/07/19 | 114.9        | 115.3 | 0.27   | 117.8   | 99.3   | 0.19    | 85     | 3.0   | XS0852474336 |
| TURKEY 5 7/8 04/02/19 | 110.0        | 110.5 | 0.22   | 118.9   | 100.9  | 1.86    | 251    | 2.4   | XS0285127329 |
| TURKEY 5 1/8 05/18/20 | 109.7        | 110.0 | 0.54   | 115.9   | 95.2   | 2.35    | 299    | 3.4   | XS0503454166 |
| USD                   |              |       |        |         |        |         |        |       |              |
| BELRUS 8.95 01/26/18  | 105.0        | 105.9 | 0.40   | 111.2   | 70.0   | 4.99    | 435    | 1.3   | XS0583616239 |
| CROATI 6 3/8 03/24/21 | 111.2        | 111.9 | 0.42   | 117.8   | 86.7   | 3.63    | 253    | 3.9   | XS0607904264 |
| CROATI 5 1/2 04/04/23 | 109.5        | 110.4 | 0.92   | 110.0   | 94.4   | 3.78    | 242    | 5.5   | XS0908769887 |
| REPHUN 5 3/8 02/21/23 | 113.0        | 113.3 | 0.67   | 113.9   | 93.1   | 3.13    | 179    | 5.4   | US445545AH91 |
| REPHUN 7 5/8 03/29/41 | 149.9        | 150.8 | 1.13   | 151.9   | 79.5   | 4.29    | 222    | 13.2  | US445545AF36 |
| LITHUN 7 3/8 02/11/20 | 118.0        | 118.3 | 0.10   | 130.7   | 104.8  | 1.96    | 102    | 3.1   | XS0485991417 |
| LITHUN 6 5/8 02/01/22 | 122.5        | 122.9 | 0.21   | 128.6   | 101.0  | 2.18    | 97     | 4.7   | XS0739988086 |
| LATVIA 2 3/4 01/12/20 | 103.8        | 104.3 | 0.10   | 104.4   | 91.4   | 1.52    | 60     | 3.2   | XS0863522149 |
| LATVIA 5 1/4 06/16/21 | 115.6        | 116.2 | 0.10   | 117.2   | 90.9   | 1.80    | 67     | 4.3   | XS0638326263 |
| POLAND 6 3/8 07/15/19 | 113.9        | 114.2 | -0.07  | 125.9   | 107.4  | 1.43    | 58     | 2.7   | US731011AR30 |
| POLAND 3 03/17/23     | 104.8        | 105.0 | 0.25   | 105.0   | 87.6   | 2.20    | 85     | 5.9   | US731011AT95 |
| ROMANI 6 3/4 02/07/22 | 120.3        | 120.5 | 0.43   | 124.4   | 99.2   | 2.72    | 151    | 4.7   | US77586TAA43 |
| ROMANI 4 3/8 08/22/23 | 109.7        | 110.1 | 0.73   | 109.9   | 90.8   | 2.81    | 141    | 6.0   | US77586TAC09 |
| RUSSIA 4 1/2 04/04/22 | 107.0        | 107.5 | 0.11   | 114.7   | 82.0   | 3.09    | 185    | 4.9   | XS0767472458 |
| RUSSIA 7 1/2 03/31/30 | 122.2        | 122.4 | -0.07  | 128.6   | 99.6   | 2.18    | 49     | 4.0   | XS0114288789 |
| RUSSIA 5 5/8 04/04/42 | 113.6        | 114.4 | -0.33  | 124.9   | 76.0   | 4.68    | 256    | 14.0  | XS0767473852 |
| SERBIA 5 1/4 11/21/17 | 103.4        | 103.9 | 0.20   | 107.1   | 96.8   | 2.30    | 170    | 1.2   | XS0856951263 |
| SERBIA 4 7/8 02/25/20 | 103.7        | 104.2 | -0.05  | 104.6   | 89.6   | 3.67    | 273    | 3.2   | XS0893103852 |
| TURKEY 6 1/4 09/26/22 | 111.2        | 111.8 | 0.95   | 127.0   | 101.0  | 4.11    | 282    | 5.0   | US900123BZ27 |
| TURKEY 6 7/8 03/17/36 | 120.9        | 121.4 | 2.49   | 139.6   | 99.2   | 5.15    | 326    | 11.3  | US900123AY60 |
| TURKEY 6 3/4 05/30/40 | 120.6        | 121.4 | 2.85   | 139.4   | 97.3   | 5.20    | 316    | 12.7  | US900123BG46 |
| UKRAIN 7 3/4 09/01/19 | 99.7         | 100.2 | -0.43  | 101.0   | 88.0   | 7.76    | 688    | 2.6   | XS1303918269 |
| UKRAIN 7 3/4 09/01/23 | 98.5         | 98.9  | -0.01  | 99.9    | 84.6   | 8.00    | 658    | 5.1   | XS1303921487 |
| UKRAIN 7 3/4 09/01/27 | 97.2         | 97.6  | -0.40  | 98.4    | 81.2   | 8.11    | 652    | 7.0   | XS1303927179 |

YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 19 Aug 2016, 9:42 AM CET  
Source: Bloomberg, RBI/Raiffeisen RESEARCH



## Summary: Ratings & macro data

### Country ratings: CE, SEE, EE

|                | LCY  | S&P<br>FCY | Outlook  | LCY  | Moody's<br>FCY | Outlook  | LCY  | Fitch<br>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,<br>% avg.<br>yoy | CPI,<br>% avg.<br>yoy | Unem-<br>ployment,<br>% | Nominal<br>wages, EUR | Fiscal<br>balance, %<br>GDP | Public<br>debt, %<br>GDP | Export **, %<br>GDP | C/A, % GDP | Ext. Debt, %<br>GDP | FXR***%<br>ext. debt | Import<br>cover,<br>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 Republic | 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                   | -1.6                  | 6.4                     | 614                   | -3.0                        | 39.2                     | 30.8                | -2.8       | 53.3                | 40.4                 | 6.9                        |
|                | 2017f | 3.6                   | 1.2                   | 6.2                     | 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

## Risk notifications and explanations

### Warnings:

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

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## 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<br>Government bonds |
|----------------|---|
| Buy            | 0%                                      |
| Hold           | 0%                                      |
| Sell           | 94%                                     |
| Not rated      | 6%                                      |

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

| Recommendation | Basis: all analysed<br>Government bonds |
|----------------|---|
| Buy            | 27%                                     |
| Hold           | 41%                                     |
| Sell           | 32%                                     |
| 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 |
|------------|----------------|-------------|------------|-------------|------------|------------|
| 29/07/2016 | Hold           | Buy         | Hold       | Hold        | Buy        | Sell       |
| 21/07/2016 |                |             |            |             |            | Sell       |
| 20/06/2016 | Hold           | Buy         | Hold       | Hold        | Buy        | Buy        |
| 31/05/2016 | Hold           | Buy         | Hold       | Hold        | Buy        | Buy        |
| 13/05/2016 |                |             |            |             |            |            |
| 26/04/2016 | Hold           | Buy         | Hold       | Hold        | Hold       | Hold       |
| 20/04/2016 |                |             |            |             |            |            |
| 30/03/2016 |                |             |            |             |            |            |
| 29/03/2016 |                |             |            |             |            |            |
| 24/03/2016 | Hold           | Buy         | Hold       | Hold        | Hold       | Sell       |
| 17/03/2016 |                |             |            |             |            |            |
| 23/02/2016 | Buy            | Buy         | Hold       | Hold        | Hold       | Hold       |
| 11/02/2016 | Buy            | Buy         | Hold       | Hold        | Hold       | Hold       |
| 25/01/2016 | Buy            | Buy         | Hold       | Hold        | Not rated  | Hold       |
| 17/12/2015 | Hold           | Buy         | Hold       | Buy         | Hold       | Hold       |
| 03/12/2015 |                |             |            |             |            |            |
| 04/11/2015 | Hold           | Buy         | Hold       | Hold        | Hold       | Hold       |
| 07/10/2015 |                |             |            |             |            |            |
| 22/09/2015 | Hold           | Sell        | Sell       | Sell        | Hold       | Sell       |
| 03/09/2015 | Hold           | Sell        | Sell       | Sell        | Hold       | Sell       |

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

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

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