# CEE Weekly

Issue 36/2016 9 September 2016

Raiffeisen RESEARCH

### Market snapshot

| | curr.* | Dec-16 | Mar-17 | Jun-17 |
|---|---|---|---|---|
| **Poland** | | | | |
| EUR/PLN | 4.318 | 4.35 | 4.30 | 4.30 |
| Key rate | 1.50 | 1.50 | 1.50 | 1.50 |
| 10y bond | 2.8 | 2.9 | 3.0 | 3.1 |
| **Hungary** | | | | |
| EUR/HUF | 308.3 | 315 | 310 | 310 |
| Key rate | 0.90 | 0.90 | 0.90 | 0.90 |
| 10y bond | 3.0 | 2.7 | 2.8 | 2.9 |
| **Czech Republic** | | | | |
| EUR/CZK | 27.02 | 27.0 | 27.0 | 27.0 |
| Key rate | 0.05 | 0.05 | 0.05 | 0.05 |
| 10y bond | 0.2 | 0.5 | 0.6 | 0.7 |
| **Romania** | | | | |
| EUR/RON | 4.449 | 4.50 | 4.45 | 4.50 |
| Key rate | 1.75 | 1.75 | 1.75 | 1.75 |
| 10y bond | 3.0 | 3.5 | 3.6 | 3.8 |
| **Croatia** | | | | |
| EUR/HRK | 7.485 | 7.60 | 7.60 | 7.50 |
| Key rate | 2.50 | 2.50 | 2.50 | 2.50 |
| 10y bond | 3.5 | 3.9 | 3.9 | 3.9 |
| **Russia** | | | | |
| USD/RUB | 63.71 | 65.0 | 63.0 | 63.0 |
| Key rate** | 10.50 | 9.50 | 9.00 | 9.00 |
| 10y bond** | 7.9 | 8.8 | 8.5 | 8.5 |
| **Turkey** | | | | |
| USD/TRY | 2.942 | 3.10 | 3.10 | 3.10 |
| Key rate | 7.50 | 7.50 | 7.50 | 7.50 |
| 10y bond | 9.4 | 10.5 | 10.1 | 9.2 |
| **EUR/USD** | 1.127 | 1.05 | 1.03 | 0.99 |

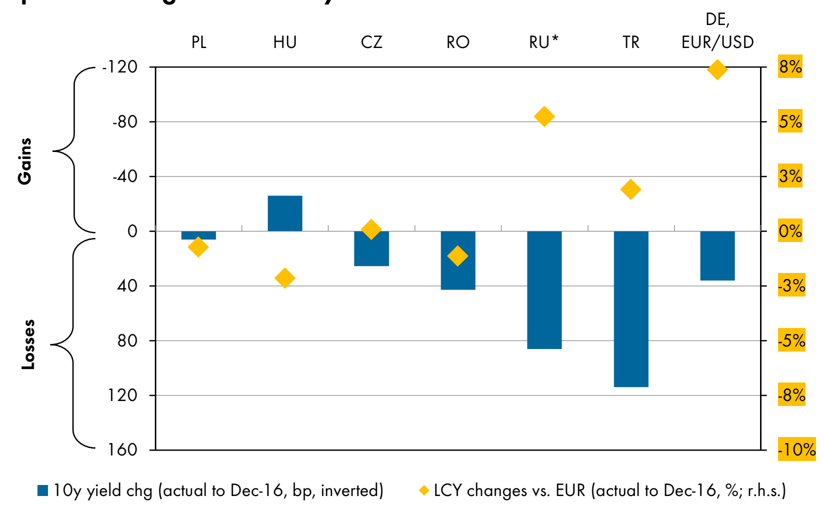
** prices as of 08 September 2016, 11:59 p.m. CEST*
*** forecasts under revision*
*Source: Thomson Reuters, RBI/Raiffeisen RESEARCH*

## Highlights

Central banks had been in the market focus in (Western) Europe this week. ECB surprised "QE believers" with a slightly hawkish positioning in their perception. Nevertheless, market reaction on core markets as well as in CE/SEE was moderate. Markets remained positioned for more ECB QE to come (i.e. prolongation well beyond March 2017). Tight valuations on CE/SEE markets may still result in some selling pressure (profit taking) in case we see some moderate upward drift for core market yields or euro area periphery yields in the course of the next days/weeks. Croatia may suffer from country-specific factors, i.e. a challenging post-election government formation following upcoming parliamentary elections on Sunday (see our Focus on coverage on page 2-3). The Polish National Bank (NBP) also surprised with a somewhat hawkish positioning, possibly even accepting some resulting upside pressure on PLN. This week the Czech Central Bank governor surprised with a statement that he could imagine an abandoning of the FX regime in mid-2017 while additionally mentioning he would prefer a one-off removal. The news led to a restart on speculation of CZK strengthening for the course of 2017 visible in the forward market. Next week will feature the rate setting meeting in Russia where we expect a 50bp interest rate cut especially on benign inflation developments, solid disinflation prospects as well as a rather prudent fiscal policy stance in pre-election times. We have revised our RUB outlook towards a somewhat stronger development into 2017 on continued oil recovery (with correlation between oil price and RUB remaining high), while we see limited effects from ongoing moderate deleveraging or seasonal patterns on the currency up to now. Moreover, we do not see an explicit "weak RUB" stance at present, while it looks like plans to rebuild FX reserves a shelved for the time being. In line with RUB we also see some additional upside for OFZs and therefore put our forecasts under revision. Later today Moody's review of the Polish rating should be in the spotlight. Whereas we would assign a 60% chance to no change in the rating the fact that Moody's rates Poland one notch higher than Fitch and two notches higher than S&P could cause Moody's to downgrade in some form of precautionary action.

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

### Expected changes from today until December 2016




*Source: Thomson Reuters, RBI/Raiffeisen RESEARCH*

## Content



### Data highlights upcoming week

| Date | Indicator | Period | Forecast | High | Mean | Low | Previous |
|---|---|---|---|---|---|---|---|
| 13-Sep | CZ: C/A balance, CZK bn | Jul | -18.0 | -4.0 | -16.0 | -38.6 | -8.5 |
| 13-Sep | PL: C/A balance, EUR bn | Jul | -0.3 | 0.1 | -0.4 | -1.5 | -0.2 |
| 15-Sep | UA: Key rate, % | Sep | 15.00 | 15.50 | 15.00 | 15.00 | 15.50 |
| 16-Sep | RU: Key rate, % | Sep | 10.00 | 10.50 | 10.00 | 10.00 | 10.50 |

*Source: Bloomberg, RBI/Raiffeisen RESEARCH*

**Please note the risk notifications and explanations at the end of this document**

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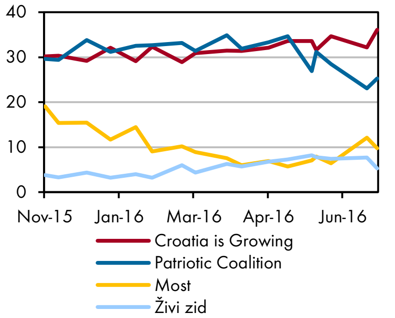
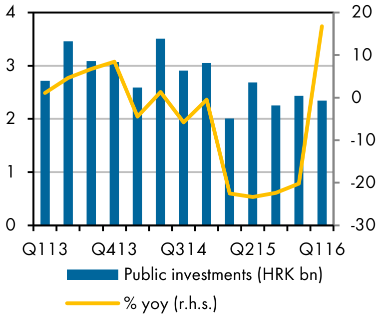
# Focus on: Croatian snap elections

**Opinion polls (%)**



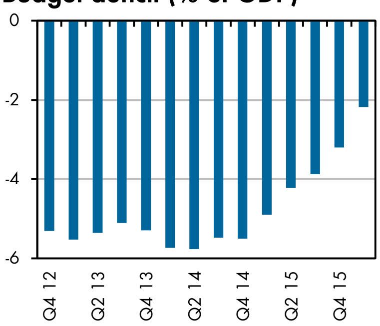

*Source: Promocija plus, IPSOS PULS, RBI/Raiffeisen RESEARCH*

**Public investments**




*Source: Eurostat, RBI/Raiffeisen RESEARCH*

**Budget deficit (% of GDP)***




** rolling year in % of rolling GDP*
*Source: Eurostat, RBI/Raiffeisen RESEARCH*

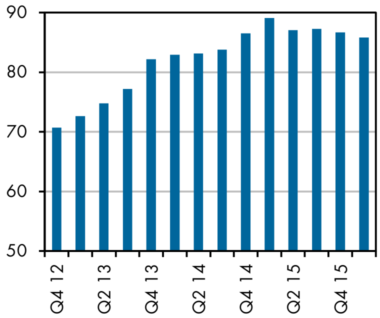
**Early elections** are set to take place this Sunday (11 September). Most likely, **neither of the main parties will secure a decent majority**, hence forming the government could take time (as in November 2015). The **latest polls** suggest that the SDP and their "People's coalition" might win a higher number of votes than the HDZ, but will fall short of an absolute majority. Thus MOST could once again act as the kingmaker. There is a greater chance of HDZ-MOST coalition talks than between the SDP and MOST. However, MOST is a tough negotiator, and does not support the (populist) demands by (traditional) leading parties. Discussions between HDZ and MOST could take less time now as MOST is now much better prepared (with a clear economic programme and aims). However, the number of undecided voters (about 20%) remains high. A lot of votes may end up with small parties. Moreover, we would not be surprised if smaller (anti-establishment) parties score better than expected. The potential behaviour of the "Club of minorities" in Parliament (8 seats) adds to the high degree of ambiguity as well. Despite the traditional pattern that minorities go with the winner, their club was divided in the last parliamentary session. Most members stood with the opposition, while a smaller part of the Club supported HDZ.

If the election results reflect the latest polls **we may see a long and painful period of assembling a parliamentary majority, with an uncertain outcome**. Looking at the **economic programmes** and the **election campaigns** of the main political parties, all of them focused on taxes. Tax relief was a prominent and popular feature, showing awareness of the high tax burden. The election campaigns of major parties provided less visibility about potential further structural reforms, exports, competitiveness, efficiency of the legal system, etc. Political programmes are mostly aimed at relieving income pressure and gradually reducing VAT. Furthermore, unlike the SDP, the HDZ and some smaller parties announced a reduction of corporate income tax and a continuation of the pension reform. A debate regarding spending has largely been missing. Despite limited fiscal space, both major parties (at least publicly) have not addressed the consequences of prospective tax cuts for public debt. Political actors are banking on strong GDP growth to stabilise the fragile fiscal metrics.

Following tough negotiations, a continuation of the **HDZ-MOST cooperation is likely to be the most market-friendly outcome**. Such a government could remain focused on growth-friendly fiscal consolidation, EU-fund absorption and meeting EDP criteria. This time, Mr. Plenković (HDZ leader) is much more acceptable as PM to MOST, while the current Minister of Finance (Mr. Marić, HDZ) could be re-appointed. Moreover, MOST would act as a corrective factor and watchdog over the promised reforms. An **SDP-People's coalition** would be more focused on supporting economic growth via the public sector. Hence fiscal consolidation would be less ambitious. Moreover, EU relations could turn sour as we are not confident that such a government would meet EDP deadlines. What the market could also be afraid of are populist measures, like the compulsory CHF conversion that may become a financial burden for the sovereign due to (international) legal proceedings (direct interference in contractual relations); the potential introduction of a banking sector tax is unlikely to immediately compensate for potential one-offs related to CHF conversion litigation. If the SDP regains power, Mr. Milanović is the most likely candidate for PM. The only name rumoured as a potential SDP candidate for the Minister of Finance position is Mr. Lalovac. There is a small chance of a **grand HDZ-SDP coalition**, if the major parties find themselves hard-pressed by political responsibility. In fact, one more parliamentary election would be a blow to the popularity and credibility of political elites, resulting in further support for smaller (anti-establishment) movements. The economic policy stance of a grand coalition is quite hard to predict, but would most likely not be focused on cutting expenditures or implementing tough reforms. Finally, we would not exclude the possibility of no stable government being established. Such a scenario could also lead to another round of elections within the next 6-9 months. In such a scenario, i.e. non-functioning of legislative bodies (in first line parliament), crucial reforms necessary for structural fiscal consolidation and a sustainable economic recovery could be discontinued. In this context it has to be stressed that according to recent data (economic, fiscal and market) it seems that a non-functioning "state" makes things easier for the private sector in Croatia (at least from a short-term perspective), while government revenue expansion is capped. Private-sector investments have shown a recovery since Q3 2015. Data for Q4 2015 and H1 2016 confirm that political uncertainty may also lead to some "natural" fiscal consolidation (improving economy, less spending). Paired with a lower deficit and continued privatisation, public debt stabilised. However, although fiscal metrics improved under such conditions, structural problems remain. Therefore, a longer period of a "non-functioning" state is not a substitution for much-needed structural fiscal consolidation.

In light of the lingering political risks as well as the threat of more reform fatigue, **we remain cautious regarding the debt sustainability outlook**. Despite improving deficit numbers the public debt-to-GDP ratio remains elevated. This holds especially true when taking the income level and low maturity of the economy into account. Moreover, **refinancing needs** are elevated over the coming years (about 20% of GDP). Despite ample liquidity on the local market, solid absorption by large institutional investors (e.g. pension funds) and the readiness of banks to lend to the state, we think that refinancing needs cannot be fully covered on the domestic market. Moreover, **banking exposure** to central government already accounts for 20% of assets, while we see a limited willingness to boost exposures further. Sovereign limits of a lot of (major) local banks are also set up in coordination with their foreign parents. Any further political volatility is likely to add to an already risk-averse attitude. However, local banking sector balance sheet structures have to be taken into account as well. Local banks have to cope with changing capital requirements (CRR, CRD IV). Until 2019 only LCY investments in government debt are unlimited. But, deposits in FCY (EUR) dominate on the funding side. The growing demand for LCY loans in the private sector leaves some space for additional government financing, but in FCY only. In terms of refinancing, 2017 could be far more challenging than 2016. H1 2017 shows a sizeable amount of sovereign maturities (Feb: HRK 5.5 bn; April: USD 1.5 bn). Overall, including additional maturing bonds in November (HRK 4 bn) and EUR 1 bn of Croatian motorway debt maturing, total refinancing needs in 2017 could be HRK 27 bn. Therefore, **tapping the international markets – which would require decent investor confidence – will be a must rather than an option**. So there are supply-side risks with potential effects on secondary markets (i.e. the main question is at what price Croatia may issue in 2017).

**Public debt (% of GDP)***

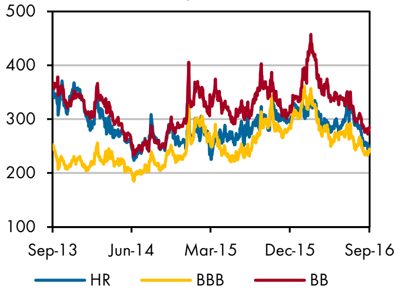



** Maastricht definition*
*Source: Eurostat, RBI/Raiffeisen RESEARCH*

## Eurobonds

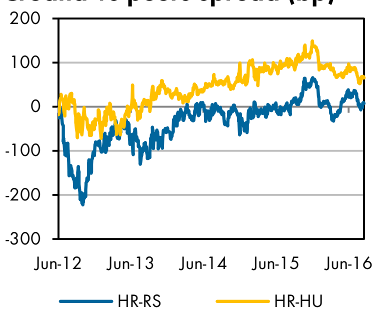
Any failure to address fiscal policy challenges in Croatia could backfire with a series of rating downgrades and a loss of market confidence going forward. Currently, Croatia is rated BB/BB/Ba2 with a negative outlook by S&P, Fitch and Moody's. **Rating agencies are likely to become increasingly concerned about excessive public debt and the lack of measures to control growth in the case of a prolonged period of political uncertainty, a weak government and/or stalled reforms.** We see a high chance of at least a one-notch rating downgrade going forward. In our opinion, **there is a 60% chance that at least one of the three agencies could downgrade Croatia by one notch in six months' time**. The patience that rating agencies have shown up to now (giving the latest reform-minded government some leeway) may run short as the agencies have already waited (too) long for a turnaround. The last series of downgrades appeared in 2014, with S&P and Fitch switching their outlooks back to negative in 2015 once again. We believe that next year could be very decisive for Croatia with further rating downgrades (not just by one agency) being a strong possibility. In combination with the challenging refinancing outlook this could lead to **strong market repercussions going forward**. This holds especially true as **Croatia's Eurobond market has experienced a tailspin rally over the last 3-6 months**, which compressed spreads to ultra-tight levels. Meanwhile Croatia's rating spread (difference between HR EMBIG USD and the average for BB-rated EMBIG) slipped deeper into negative territory at -40bp, while Croatia's spread to Serbia tightened back to almost zero without any meaningful fundamental improvements in Croatia. Surprisingly, the markets are demonstrating a high degree of complacency in the current "hunt for yields" environment. Croatia's EUR Eurobonds in particular benefited strongly as investors rushed to buy higher-yielding paper in the post-Brexit markets. In our view, Croatia offers no upside at current valuations, while the possible downside could be painfully deep due to the complexity of the domestic political situation. In this regard **we uphold our sell recommendation for Croatia** as we find the recent rally unsustainable taking into account rating downgrade risks and a high likelihood of political difficulties following the upcoming elections. We would particularly **recommend underweighting Croatia's Eurobonds due to the higher risk of poorer ratings, while we also believe that Croatia should be traded outside of Serbia** (i.e. with a positive spread).

**Croatia vs rating spread (bp)***




** EMBIG USD spread, BBB and BB averages for respective sovereigns included into particular rating brackets*
*Source: Bloomberg, RBI/Raiffeisen RESEARCH*

**Croatia vs peers spread (bp)***




** EMBIG USD spread in basis points, HR-RS - Croatia minus Serbia spread, HR-HU - Croatia minus Hungary spread*
*Source: Bloomberg, RBI/Raiffeisen RESEARCH*

*Financial analysts: Zrinka Zivkoviv-Matijevic, Raiffeisenbank Austria d.d., Zagreb*
*Gunter Deuber, Gintaras Shlizhyus, RBI Vienna*

# Data calendar and country coverage

**Key data releases (previous and upcoming)**

| Indicator | Period | Actual | Forecast | Previous |
|---|---|---|---|---|
| **Monday, 5 September** | | | | |
| RO: Retail sales, % yoy | Jul | 13.8 | n.a. | 16.2 |
| SK: Retail sales, % yoy | Jul | -0.6 | n.a. | 2.6 |
| CZ: Real wages. % yoy | Q2 | 3.7 | 3.9 | 3.9 |
| HU: Retail sales, % yoy | Jul | 3.8 | n.a. | 5.7 |
| TR: CPI, % yoy | Aug | 8.1 | n.a. | 8.8 |
| CZ: Retail sales, % yoy | Jul | -0.4 | 4.0 | 6.4 |
| RU: CPI, % yoy | Aug | 6.9 | 7.0 | 7.2 |
| **Tuesday, 6 September** | | | | |
| RO: GDP, % yoy | Q2 | 6.0 | n.a. | 6.0 |
| CZ: Industrial output, % yoy | Jul | -14.1 | -5.0 | 3.9 |
| SK: GDP, % yoy | Q2 | 3.7 | n.a. | 3.7 |
| HU: Industrial output, % yoy | Jul | -0.1 | n.a. | -0.3 |
| HU: GDP, % yoy | Q2 | 2.6 | n.a. | 2.6 |
| **Wednesday, 7 September** | | | | |
| HU: Budget balance, HUF bn | Aug | -274.0 | n.a. | -464.8 |
| HR: GDP, % yoy | Q2 | 2.8 | n.a. | 2.8 |
| PL: Key rate, % | Sep | 1.5 | 1.5 | 1.5 |
| RS: PPI, % yoy | Aug | -0.1 | n.a. | -0.7 |
| **Thursday, 8 September** | | | | |
| SK: Trade balance, EUR mn | Jul | 59.6 | n.a. | 515.4 |
| HU: CPI, % yoy | Aug | -0.1 | n.a. | -0.3 |
| HU: Trade balance, EUR mn | Jul | 662.0 | n.a. | 1112.0 |
| TR: Industrial output, % yoy | Jul | -4.9 | n.a. | 1.1 |
| HR: PPI, % yoy | Aug | -5.1 | -3.5 | -5.5 |
| RS: Key rate, % | Sep | 4.0 | 4.0 | 4.0 |
| UA: CPI, % yoy | Aug | 8.4 | n.a. | 7.9 |
| **Friday, 9 September** | | | | |
| RO: Trade balance, EUR mn | Jul | -642.9 | n.a. | -695.8 |
| SK: Industrial output, % yoy | Jul | -14.3 | n.a. | 2.3 |
| TR: GDP, % yoy | Q2 | 3.1 | n.a. | 4.7 |
| CZ: CPI, % yoy | Aug | 0.6 | 0.7 | 0.5 |
| BG: Industrial output, % yoy | Jul | 2.3 | n.a. | 4.0 |
| SI: Industrial output, % yoy | Jul | 7.4 | n.a. | 6.1 |

| Indicator | Period | Forecast | High | Mean | Low | Previous |
|---|---|---|---|---|---|---|
| RU: Trade Balance, USD bn | Jul | n.a. | 8.5 | 7.2 | 5.8 | 8.1 |
| **Monday, 12 September** | | | | | | |
| RO: CPI, % yoy | Aug | n.a. | n.a. | n.a. | n.a. | -0.8 |
| HR: Retail sales, % yoy | Jul | n.a. | n.a. | n.a. | n.a. | 4.5 |
| PL: CPI, % yoy | Aug | n.a. | n.a. | n.a. | n.a. | -0.8 |
| RS: CPI, % yoy | Aug | n.a. | n.a. | n.a. | n.a. | 1.2 |
| SK: Industrial output, % yoy | Jul | n.a. | n.a. | n.a. | n.a. | 5.4 |
| **Tuesday, 13 September** | | | | | | |
| RO: C/A balance, EUR bn | Jul | n.a. | n.a. | n.a. | n.a. | -2.5 |
| CZ: C/A balance, CZK bn | Jul | -18.0 | -4.0 | -16.0 | -38.6 | -8.5 |
| PL: C/A balance, EUR bn | Jul | -0.3 | 0.1 | -0.4 | -1.5 | -0.2 |
| PL: Trade balance, EUR bn | Jul | -0.1 | 0.2 | -0.1 | -0.9 | 0.4 |
| BG: CPI, % yoy | Aug | n.a. | n.a. | n.a. | n.a. | -0.2 |
| **Wednesday, 14 September** | | | | | | |
| RO: Industrial output, % yoy | Jul | n.a. | n.a. | n.a. | n.a. | -0.5 |
| SK: CPI, % yoy | Aug | n.a. | n.a. | n.a. | n.a. | -0.9 |
| **Thursday, 15 September** | | | | | | |
| HR: CPI, % yoy | Aug | -1.4 | n.a. | n.a. | n.a. | -1.5 |
| UA: Key rate, % | Sep | 15.00 | 15.50 | 15.00 | 15.00 | 15.50 |
| RU: Industrial output, % yoy | Aug | n.a. | 1.7 | 0.6 | 0.0 | -0.3 |
| BY: C/A balance, USD bn | Q2 | n.a. | n.a. | n.a. | n.a. | -1468.0 |
| **Friday, 16 September** | | | | | | |
| BY: Industrial output, % yoy | Aug | n.a. | n.a. | n.a. | n.a. | -4.4 |
| RU: Key rate, % | Sep | 10.00 | 10.50 | 10.00 | 10.00 | 10.50 |
| BG: C/A balance, EUR bn | Jul | n.a. | n.a. | n.a. | n.a. | 562.8 |
| RU: PPI, % | Aug | n.a. | 4.8 | 4.5 | 4.0 | 4.5 |

*Source: Bloomberg, RBI/Raiffeisen RESEARCH*

**Croatia (HR)** – The week was highlighted by unexpected central bank FX action, although the EUR/HRK has been relatively stable over the last two months. So in our view, without any fundamental reasons, the CNB bought EUR 69 mn from commercial banks and released additional HRK liquidity. Although the official reasoning behind the move is to stimulate the economic recovery and lending further, the fact remains that the local market is flush with liquidity, which keeps the interest rate low. In this context we predict no changes in the coming weeks or even quarters. For the time being the accommodative monetary policy enjoys broad support due to the lack of any inflationary pressures.

In the meantime the HRK is bolstered by FCY inflows from tourism, as the latest July figures showed double-digit growth rates. We are pretty much convinced that this will be the best tourist season ever, in terms of nights and arrivals, but also revenues. On the other hand, despite solid growth rates for exports, the latest data again warns of the high dependence on imports. Namely, in H1 the foreign trade deficit deepened by 6.4% yoy, reducing the coverage of imports by exports to 60.4% (0.5pp lower than in H1 2015). However, negative trends in merchandise trading were partly offset by the annual drop in oil prices on the world commodity markets. Consequently, August's PPI figures also confirmed the trend in negative growth rates (-5.0% yoy) and the same impact is expected on next week's CPI release scheduled for Thursday (-1.4% yoy).

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

**Czech Republic (CZ)** – Last week the data for the industrial output for July shocked the market. With a year-on-year decline at -14.1% the result was deeply below median market expectation at -5.7%. Such a drop was even scarier taking into account the July drop of the PMI. Nevertheless, there are several points which can to a large extent excuse such a bad result. First of all July 2016 compared to 2015 was short of three working days. Besides that calendar and also weather was more than convenient for taking days off. Moreover, large corporations including carmakers announced general factory holidays. This led to a drop of production also for the factory suppliers. Analyst estimates were simply not able to fully assess the overall negative impact of these matters. Nevertheless, the continuing improvement of the labour market in July and August and increase of PMI in August show that the extremely weak holiday industrial output was just a one of event. Consumer prices in August declined by 0.2% month-on-month due to lower prices of fuel and food. The year-on-year inflation accelerated by 10bp to 0.6%. That was 10bp below market expectation but in line with the forecast of the central bank. Unless the oil price decreases again and given the declining comparative base from last year together with the strengthening domestic demand, the inflation should rise close to above 1.5% in November and could reach the 2% by the end of Q1 2017.

*Financial analyst: Michal Brozka (+420 234 40 1498), Raiffeisenbank a.s., Prague*

**Hungary (HU)** – In Tuesday's publication, the statistical office published revised real and nominal GDP figures for the second quarter, and industrial production figures for July. The Hungarian economy expanded by 2.6% in Q2, a better-than-expected surge from the 1.1% growth (upwardly revised from 0.9%) in the first three months of the year. The details confirmed that the economic recovery is becoming more balanced, though consumer spending remained the key driver. We expect economic growth in H2 to be around 2.7%, driven mostly by domestic demand. Services increased by 3.3% in the second quarter, contributing the most with 1.8 percentage points, while industrial output increased by 3.9%, adding only 0.9 percentage points to the growth. Industrial output shrank further by 0.1% in July, and is likely to rebound in the second half of this year. The latest CPI data was in line with expectations. Consumer prices fell for a fourth consecutive month in August by 0.1%, and are expected to bounce back in the second half of the year. We see headline inflation exceeding 1% by the end of 2016. Next Friday, Standard & Poor's will publish an update on Hungary's credit rating, which is currently in junk territory and has been one notch below investment grade for almost half a decade. Although Fitch upgraded Hungary to investment grade in May, another positive rating action is unlikely in the near term. Meanwhile, the forint is still trading around the bottom of its range as yields fell across the curve.

*Financial analyst: Gergely Pálffy (+36 1 484 43 13), Raiffeisen Bank Zrt., Budapest*

**Poland (PL)** – As expected, the Polish MPC left interest unchanged. The council remained surprisingly unconcerned with the GDP results for Q2, which the markets interpreted as disappointing. While the Q2 results were a reason for concern about the future state of the Polish economy for the majority of analysts, in the MPC's view the key point is that growth was balanced and slightly better than in Q2. The NBP Governor declared that the MPC is not tempted to cut rates; on the contrary, the MPC still expects a rate hike will be the first change made to interest rates. In his opinion the two conditions for an initial hike are improving, GDP growth and CPI are back close to the lower band of the CPI target (1.5%). Taking into account our oil and FX forecasts, the rise in CPI might materialise in early 2017. Improving GDP growth also remains our baseline scenario. While the two conditions given by the MPC might be fulfilled in early 2017 we reckon rate hikes are likely to come no sooner than late 2017.

Although the MPC comments strongly contrasted with market speculations on interest rate cuts, there was no significant reaction on the bond market, which seemed to focus more on the ECB's meeting. This, however, delivered no support for bonds either. For the next few days, Moody's update on the Polish rating remains the key issue. Since we expect no rating change, despite the fact that risks are clearly concentrated on the downside, the decision might generate short-term support for Polish assets. Over a longer-term perspective, the negative comments still likely from Moody's (meaning higher credit risk) and strong real economic data for August (meaning a lower probability of cuts) could generate negative pressure on PLGBs in our opinion.

*Financial analyst: Marta Petka-Zagajewska (+48 22 374 75 95), Raiffeisen Polbank, Warsaw*

**Romania (RO)** – According to the data released on 6 September by the national Statistical Office, real GDP advanced by 1.5% qoq and 6.0% yoy in Q2, matching the flash estimates released in mid-August. The solid economic progress in Q2 was shared by all sectors. One key driver was domestic demand, while both private consumption and gross fixed capital formation recorded impressive gains in Q2. The Senate voted through an amendment to the Fiscal Code containing several measures affecting the pension system. The most important is the tax exemption of all pensions. Currently, the 16% tax rate applies to pensions exceeding RON 1050. According to local media, if enforced, these measures would be effective starting from 1 January 2017 and would generate a negative budgetary impact of RON 2.2 bn, or around 0.3% of GDP, in 2017. However, the Chamber of Deputies is the decision-making body of Parliament in this case, and it will make the final vote on the package of measures in the forthcoming period.

In terms of the macroeconomic data calendar, the week ahead contains some interesting releases, starting with inflation in August (on Monday). We expect the data to show a slight decrease in consumer prices in monthly terms (-0.2% mom), consistent with depressed inflationary pressures. The data on industrial output dynamics for July (due on 14 September) and on construction (15 September) will provide new information regarding economic activity in Q3. Also, the NBR is set to publish the current account balance for July on 13 September.

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

**Russia (RU)** – Taking into consideration the oil price development and the corresponding RUB reaction over the recent months, we have decided to revise our rouble outlook for the coming years towards a somewhat stronger rouble compared to previous estimates. This revision is largely based on our expectation of continued oil price stabilisation. Additionally we are putting our OFZ yield forecasts under revision on a more sustainable disinflationary trend.

This week the CBR held another depo auction to absorb excessive liquidity from the banking system. While the limit was set at RUB 190 bn, the banks offered RUB 483 bn and the weighted average rate at the auction reached 10.36% p.a.; the maximum rate of this tool is 10.5%. We note that the number of banks participating in the depo auction increased almost two-fold (up to 138), which is probably the result of budget-fund spending by their direct recipients (not through the money market). This spending is expected to accelerate towards year end. It appears that the regulator did not expect such an inflow of liquidity. According to CBR data, during the week of 31 August - 6 September the inflow of budget funds into the banking system was only RUB 335 bn (probably partly absorbed through the CBR's fixed-rate depo, RUB 137 bn). We cannot rule out that this situation will force the CBR to launch its fine-tuning absorption tools. Going forward we expect the depo auctions to be held on a regular basis with increasing limits, given the seasonally higher budget-fund spending at year-end. Meanwhile, the excessive liquidity (RUB 300 bn) is supporting the OFZ market, while the offer at the auctions remains very low.

This week, the MinFin offered only RUB 15 bn while the demand was 3x higher, allowing the ministry to place the whole offered amount without any price discount to the secondary market.

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

**Serbia (RS)** – The International Monetary Fund (IMF) published its Serbia Country report following the official approval of the 4th and 5th review under the precautionary Stand-By Arrangement (SBA). Though the IMF is content with the economic and fiscal over-performance, they are encouraging the government to take more decisive action in terms of the state-owned enterprise reforms, especially Srbijagas and RTB Bor, as well as further rightsizing in the public sector, especially in education and health (6,500 in H2 2016), while recommending new pension system reform given the high pension spending (12.3% of GDP vs the 11% target and the increasing ageing of the population).

The key rate-setting meeting of the Executive Board (EB) of the National Bank of Serbia (NBS) brought no surprises.
As the market expected, the NBS took no action, keeping the rate at 4.0%, a decision supported by the institution's wish to monitor the effects of the previous monetary easing, as well as the expected inflation sentiment in the forthcoming period. Also, the uncertainties on the global financial markets, namely the timing of the Fed's rate hike and the ECB's views on extending QE beyond March 2017, were taken into account. The NBS reiterated its expectation of inflation moving into the targeted range in H1 2017 following the steady aggregate demand recovery in Serbia, inflation growth on the international markets and low oil derivative prices. On the other hand, low food production costs will hamper more robust inflation growth.

The EUR/RSD enjoyed more or less stable sentiment, whereas the NBS countered brief dinar appreciation against the euro with FX interventions. The intervention volumes were very moderate, in line with the recent recommendation of the International Monetary Fund (IMF) that intervention frequency should be reduced, allowing the exchange rate to be more market-based.

In terms of monetary policy, the IMF suggested it should remain accommodative as the interest-rate corridor could gradually be narrowed again, strengthening the signalling role of the policy rates (currently 4% +/- 1.5pp); it also mentioned a further gradual reduction of the RSD portion of reserve requirement on FX deposits and reiterated that the frequency of interventions should be reduced, allowing the exchange rate to be more market-based.

Next week is more or less devoid of data, apart from the CPI release on Monday. Following July's surge (+1.2% yoy), we expect the inflation reading will exhibit more moderate growth in August, due to the base effect, but it will continue growing from September. However, inflation will hover around the lower edge of the targeted range until the end of H1 2017.

*Financial analyst: Ljiljana Grubic (+381 11 220 71 78), Raiffeisenbank a.d., Belgrade*

# Monetary policy and money markets overview

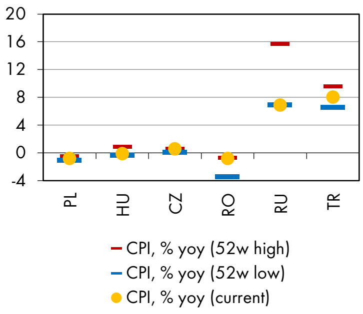
## CEE key interest and money markets outlook

| Poland | current* | Dec-16 | Mar-17 | Jun-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 |
| **Hungary** | | | | | | |
| Key interest rate | 0.90 | 0.90 | 0.90 | 0.90 | 7.00 | 0.90 |
| 3m money market rate | 0.88 | 0.85 | 0.80 | 0.80 | 7.65 | 0.84 |
| **Czech Republic** | | | | | | |
| 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 |
| **Romania** | | | | | | |
| Key interest rate | 1.75 | 1.75 | 1.75 | 1.75 | 6.25 | 1.75 |
| 3m money market rate | 0.74 | 0.80 | 0.90 | 1.20 | 6.45 | 0.73 |
| **Russia** | | | | | | |
| Key interest rate** | 10.50 | 9.50 | 9.00 | 9.00 | 17.00 | 5.25 |
| 3m money market rate** | 10.66 | 10.30 | 9.80 | 9.80 | 29.93 | 4.81 |
| **Serbia** | | | | | | |
| Key interest rate | 4.00 | 4.00 | 4.00 | 4.00 | 11.75 | 4.00 |
| 3m money market rate | 3.54 | 3.55 | 3.70 | 3.90 | 13.13 | 3.26 |
| **Turkey** | | | | | | |
| Key interest rate | 7.50 | 7.50 | 7.50 | 7.50 | 10.00 | 4.50 |
| 3m money market rate | 9.35 | 9.80 | 9.20 | 8.30 | 12.44 | 4.85 |

| Benchmark key rates | current | Dec-16 | Mar-17 | Jun-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 | 0.75 | 0.75 | 1.00 | 0.50 | 0.25 |

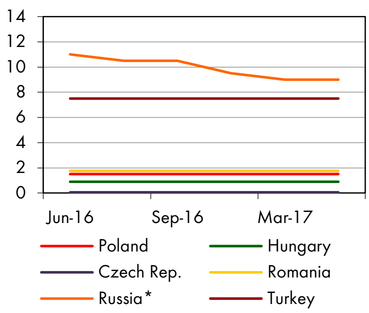
*Source: Bloomberg, RBI/Raiffeisen RESEARCH*
** Bid rates (for Hungary ask rates) as of 08 September 2016, 11:59 p.m. CEST*
*** forecasts under revision*

## Inflation snapshot




*Source: Bloomberg, RBI/Raiffeisen RESEARCH*

## Key rate trends (%)



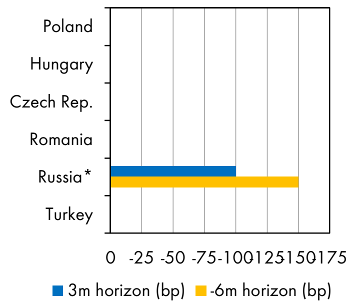

** forecasts under revision*
*Source: Bloomberg, RBI/Raiffeisen RESEARCH*

## Central bank watch

| | |
|---|---|
| **Poland (NBP)** | Quite hawkish comments from MPC recently, dashing rate cut expectations to pieces. We and NBP expect fiscal loosening to boost GDP growth going forward. This in conjunction with considerable wage pressure should help reflation, hence, MPC's wait-and-see stance to remain in place. |
| **Hungary (MNB)** | Details regarding the 3m deposit cap expected in September. MNB is planning to cap its main policy tool (3m deposit facility) to encourage banks to offer cheaper loans and to buy HGBs. Main sterilization instrument offered only once a month in the future (earlier there were weekly tenders). |
| **Czech Republic (CNB)** | Exit from FX intervention regime - keeping koruna above EUR/CZK 27.00 floor - will, mainly due to stuttering reflation, likely be delayed to end-2017. CNB, however, tries to weaken the related expectations. Negative interest rates should be introduced only as the last resort measure in case of excessive capital inflows. |
| **Romania (BNR)** | Excess liquidity remains high and central bank fails to tighten its grip on liquidity and set an end to procyclical policies. We expect BNR to remain defensive in the short term, but verbal interventions might point to tightening stance if FX volatility increases. |
| **Serbia (NBS)** | NBS remains on hold due CPI expectations which are for an uptick in the headline rate already in September. We assume that the easing cycle is over, despite annual CPI likely to enter 4% +/- 1.5pp target range only in late H1 2017. |
| **Russia (CBR)** | Due to decreasing inflationary risks continuation of rate cuts in September nearly a done deal (rate cutting cycle started in June and CBR's inflation fighting credibility has spread). However, due to residual inflationary risks, only gradual base rate reduction going forward. We currently are changing the timing, not the amount of rate cuts. |
| **Turkey (TCMB)** | Another cut to o/n lending rate in August brings cumulative cuts to the upper boundary of the corridor to 225bp YTD. While weaker business confidence justifies the ongoing easing, political pressure to cut rates and long-term policy outlook may speak against the easing bias. We believe that the bank will continue to symmetrizing the corridor around the stable 1w repo rate in the months ahead. |

*Source: RBI/Raiffeisen RESEARCH*

## Key rate forecast (chg., bp)




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

## Rate setting meetings

| | Sep | Oct |
|---|---|---|
| **Poland (NBP)** | 7 | 5 |
| **Hungary (MNB)** | 20 | 25 |
| **Czech Republic (CNB)** | 29 | - |
| **Romania (BNR)** | 30 | 4 |
| **Serbia (NBS)** | 8 | 13 |
| **Russia (CBR)** | 16 | 28 |
| **Turkey (TCMB)** | 22 | 20 |

*Source: National Central Banks, RBI/Raiffeisen RESEARCH*

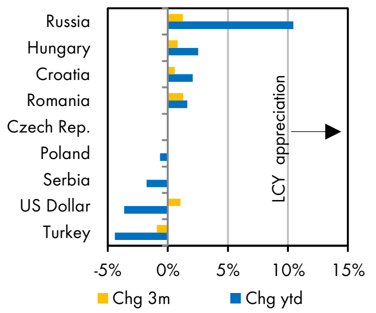
# Foreign exchange market overview

### FX forecasts

| EUR vs | current* | Dec-16 | Mar-17 | Jun-17 | 5y high | 5y low | Comment |
|---|---|---|---|---|---|---|---|
| PLN | 4.318 | 4.35 | 4.30 | 4.30 | 4.46 | 4.08 | We expect EUR/PLN to move in a range around 4.35 for the rest of 2016 with zloty volatility remaining elevated compared to peers |
| HUF | 308.3 | 315 | 310 | 310 | 316 | 291 | EUR/HUF should remain 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 | Statements by CNB governor Rusnok led to increased speculation about an end to the FX regime in mid-2017; this and rising CPI rates could make higher interventions necessary over the coming months |
| RON | 4.449 | 4.50 | 4.45 | 4.50 | 4.52 | 4.33 | Despite strong economic data 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 | 7.485 | 7.60 | 7.60 | 7.50 | 7.66 | 7.52 | Stability to be kept within the trading range of 7.47-7.50 kuna per euro |
| RSD | 123.5 | 124 | 123 | 123 | 124 | 106 | NBS kept key interest rate at 4.0%; RSD remains stable against EUR (usual for the summer months); the central bank intervenes only moderatly to stabilise EUR/RSD at the level of 123 |
| RUB | 71.83 | 68.3 | 64.9 | 62.4 | 79.3 | 40.3 | see USD/RUB below |
| UAH | 30.05 | 30.5 | 29.9 | 28.7 | 30.5 | 10.4 | see USD/UAH below |
| BYN | 2.230 | 2.31 | 2.36 | 2.34 | 2.36 | 1.09 | see USD/BYN below |
| TRY | 3.317 | 3.26 | 3.19 | 3.07 | 3.26 | 2.35 | see USD/TRY below |
| USD | 1.127 | 1.05 | 1.03 | 0.99 | 1.38 | 1.05 | Expectation on further US Fed rate hikes to support USD against euro |
| **USD vs** | **current*** | **Dec-16** | **Mar-17** | **Jun-17** | **5y high** | **5y low** | |
| RUB | 63.71 | 65.0 | 63.0 | 63.0 | 73.0 | 30.5 | We have revised our RUB outlook towards a stronger rouble, aligning it to expectations of continued oil price recovery over the coming quarters; volatility in USD/RUB continued to decline over recent months, reaching levels last seen in end-2014; rate cut by 50bp expected at next rate setting meeting on 16 September |
| UAH | 26.66 | 29.0 | 29.0 | 29.0 | 29.0 | 8.01 | Renewed tensions with Russia put pressure on UAH; further loosening of FX administrative restrictions likely over the coming months, but speed and magnitude of UAH depreciation will largely 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 | 2.942 | 3.10 | 3.10 | 3.10 | 3.10 | 1.78 | Political uncertainty and ongoing military actions are keeping us cautious on TRY; weaker US data supported TRY, but possible US rate hike towards year-end 2016 could put pressure on lira given high USD indebtedness of Turkish economy |

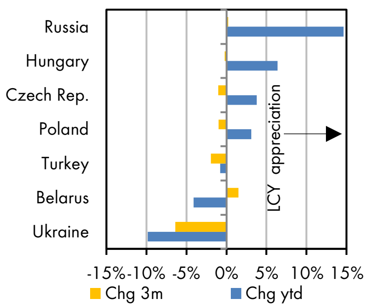
** as of 08 September 2016, 11:59 p.m. CEST*
*Source: Bloomberg, RBI/Raiffeisen RESEARCH*

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



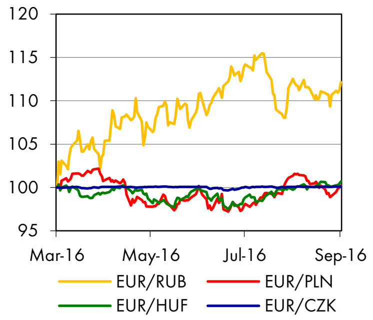

*Source: Thomson Reuters, RBI/Raiffeisen RESEARCH*

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




*Source: Thomson Reuters, RBI/Raiffeisen RESEARCH*

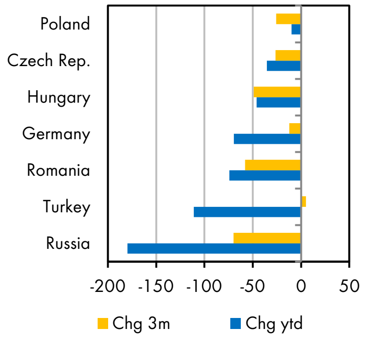
### Exchange rate comparison




*Indexed 08 Mar-16 = 100*
*Source: Thomson Reuters, RBI/Raiffeisen RESEARCH*

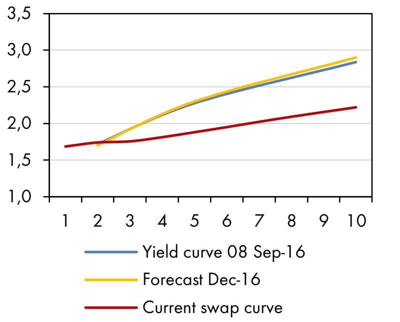
# Local currency bond market overview and forecasts

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



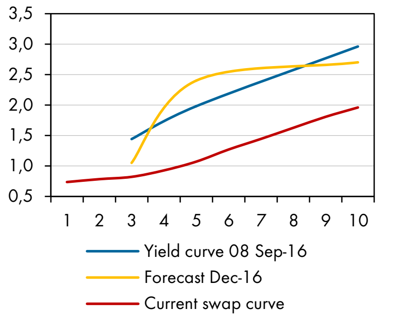

*Source: Thomson Reuters, RBI/Raiffeisen RESEARCH*

### PLN yield curve



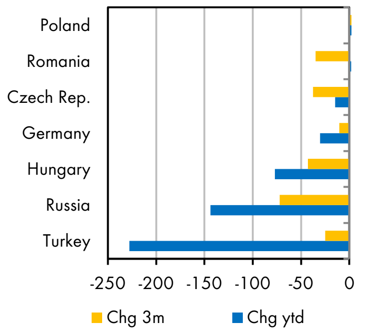

*Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH*

### HUF yield curve



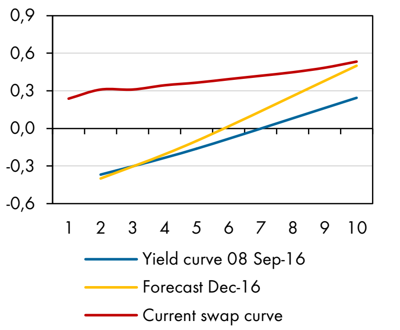

*Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH*

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



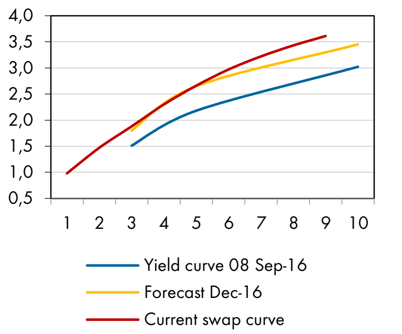

*Source: Thomson Reuters, RBI/Raiffeisen RESEARCH*

### CZK yield curve



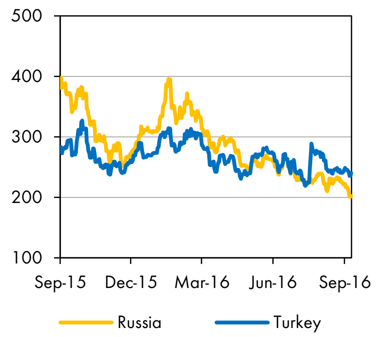

*Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH*

### RON yield curve



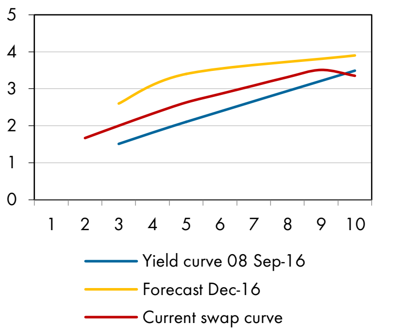

*Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH*

### 5y USD CDS spreads



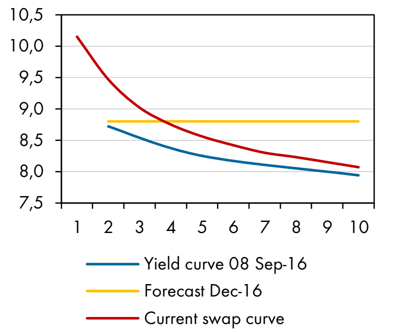

*Turkey 5y high 343.7, 5y low 111.7*
*Russia 5y high 628.7, 5y low 119.4*
*Source: Bloomberg, RBI/Raiffeisen RESEARCH*

### HRK yield curve




*Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH*

### RUB yield curve




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

## Yield forecasts

| 2y T-bond yields (%) | current* | Dec-16 | Mar-17 | Jun-17 | 5y high | 5y low | 10y T-bond yields (%) | current* | Dec-16 | Mar-17 | Jun-17 | 5y high | 5y low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Poland | 1.72 | 1.7 | 1.8 | 1.9 | 4.9 | 1.6 | Poland | 2.84 | 2.9 | 3.0 | 3.1 | 5.9 | 2.5 |
| Hungary ** | 1.44 | 1.1 | 1.0 | 1.2 | 9.2 | 1.1 | Hungary | 2.96 | 2.7 | 2.8 | 2.9 | 9.9 | 2.7 |
| Czech Republic | -0.37 | -0.4 | -0.4 | 0.0 | 1.8 | -0.4 | Czech Republic | 0.24 | 0.5 | 0.6 | 0.7 | 3.6 | 0.5 |
| Romania | 0.61 | 1.2 | 1.3 | 1.4 | 7.3 | 1.2 | Romania | 3.02 | 3.5 | 3.6 | 3.8 | 7.5 | 3.5 |
| Croatia | 1.51 | 1.9 | 1.9 | 2.0 | 6.3 | 1.5 | Croatia | 3.49 | 3.9 | 3.9 | 3.9 | 7.2 | 3.8 |
| Russia*** | 8.72 | 8.8 | 8.5 | 8.6 | 15.8 | 6.2 | Russia*** | 7.94 | 8.8 | 8.5 | 8.5 | 14.1 | 6.9 |
| Turkey | 8.69 | 10.0 | 9.5 | 8.5 | 11.5 | 6.1 | Turkey | 9.36 | 10.5 | 10.1 | 9.2 | 10.5 | 6.6 |
| Germany | -0.64 | -0.5 | -0.5 | -0.5 | 0.2 | -0.5 | Germany | -0.13 | 0.3 | 0.5 | 0.7 | 1.9 | 0.3 |
| USA | 0.78 | 1.1 | 1.1 | 1.3 | 1.1 | 0.2 | USA | 1.62 | 2.1 | 2.3 | 2.6 | 3.0 | 1.8 |

** Bid yields as of 08 September 2016, 11:59 p.m. CEST; ** 3y yield; *** forecasts under revision*
*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. | Comment |
|---|---|---|---|---|---|---|---|
| **Poland** | | | | | | | |
| PLN 2y Gov. Bond | 25/07/2018 | 2.50 | 101.37 | 1.75 | 239 | 1.8 | POLGBs basically supported by favourable global sentiment, but headwinds from rating risks. We softened our fairly bearish outlook for local debt market, but re-intensifying political/fiscal risks should push the HU-PL 10y spread into negative territory. |
| PLN 5y Gov. Bond | 25/07/2021 | 1.75 | 116.57 | -1.51 | -100 | 4.7 | |
| PLN 10y Gov. Bond | 25/07/2026 | 2.50 | 96.99 | 2.85 | 289 | 8.8 | |
| **Hungary** | | | | | | | |
| HUF 3y Gov. Bond | 30/10/2019 | 2.00 | 101.82 | 1.40 | 204 | 3.0 | Bond-market-supporting MNB measures - i.e. 3m deposit cap - to show effect in autumn, which could lower also long-end of the curve. |
| HUF 5y Gov. Bond | 27/10/2021 | 2.50 | 102.71 | 1.94 | 245 | 4.8 | |
| HUF 10y Gov. Bond | 27/10/2027 | 3.00 | 100.65 | 2.93 | 296 | 9.4 | |
| **Czech Republic** | | | | | | | |
| CZK 2y Gov. Bond | 17/03/2018 | 0.85 | 102.23 | -0.62 | 2 | 1.5 | CZGB yields are likely to remain near their historical lows, especially as positioning for exit from FX regime re-intensified. We expect EUR/CZK cap policy exit is likely to be delayed till the end of 2017. |
| CZK 5y Gov. Bond | 29/09/2021 | 3.85 | 120.67 | -0.22 | 29 | 4.7 | |
| CZK 10y Gov. Bond | 26/06/2026 | 1.00 | 107.41 | 0.23 | 27 | 9.4 | |
| **Croatia** | | | | | | | |
| HRK 2y Gov. Bond | 10/07/2018 | 5.25 | 106.53 | 1.60 | 210 | 1.8 | After calm summer months, during the week ahead trading volumes are expected to increase. |
| HRK 10y Gov. Bond | 14/12/2026 | 4.25 | 106.81 | 3.46 | 349 | 8.4 | |
| **Romania** | | | | | | | |
| RON 2y Gov. Bond | 17/01/2018 | 3.25 | 103.15 | 0.88 | 152 | 1.3 | Notwithstanding the massively downwards distorted short-end yields, the back end of the ROMGB seems also overpriced, especially vs. peers like HU and PL. Correction expected due to intensifying election risks. |
| RON 5y Gov. Bond | 22/03/2021 | 3.25 | 104.55 | 2.18 | 269 | 4.2 | |
| RON 10y Gov. Bond | 24/02/2025 | 4.75 | 112.79 | 3.01 | 304 | 7.1 | |
| **Russia** | | | | | | | |
| RUB 2y Gov. Bond | 15/03/2018 | 7.50 | 98.71 | 8.61 | 925 | 1.4 | Our mildly bullish stance on OFZs remains in place due to ongoing rate cuts and likely stronger RUB vs. EUR. Biggest risks are international politics/revived Ukraine fears. |
| RUB 5y Gov. Bond | 18/08/2021 | 7.50 | 97.55 | 8.28 | 879 | 4.3 | |
| RUB 10y Gov. Bond | 03/02/2027 | 8.15 | 102.12 | 8.00 | 803 | 7.1 | |
| **Turkey** | | | | | | | |
| TRY 2y Gov. Bond | 11/07/2018 | 8.70 | 99.80 | 8.81 | 945 | 1.8 | We continue to remain "Hands-off" in Turkey, especially as the "reversal" rally after the failed coup attempt should have come to an end. We anticipate renewed market weakness due to underestimated political risks. |
| TRY 5y Gov. Bond | 17/02/2021 | 10.70 | 105.30 | 9.22 | 973 | 3.6 | |
| TRY 10y Gov. Bond | 11/02/2026 | 10.60 | 106.75 | 9.50 | 953 | 6.2 | |

*Data as of 09 September 2016, 11:24 a.m. CEST*
*Source: Bloomberg, RBI/Raiffeisen RESEARCH*

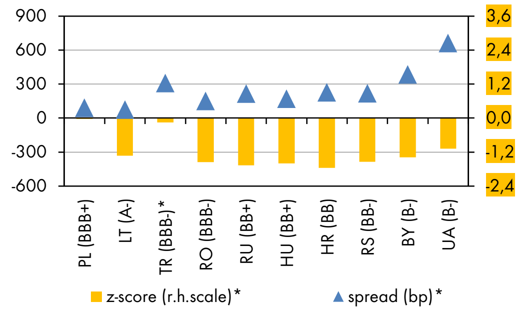
## Bond auctions

| | | ISIN | Coupon | Maturity | Volume |
|---|---|---|---|---|---|
| **12 September 2016** | | | | | |
| RO | 7.6 y T-Bonds | RO1624DBN027 | 3.25 | n.a. | RON 500 mn |
| **13 September 2016** | | | | | |
| AL | 7y T-Bonds | AL0017NF7Y23 | n.a. | 15.09.2023 | ALL 3 bn |
| **14 September 2016** | | | | | |
| RU | Bonds | n.a. | n.a. | n.a. | n.a. |
| **15 September 2016** | | | | | |
| HU | T-Bonds | n.a. | n.a. | n.a. | n.a. |

*Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH*

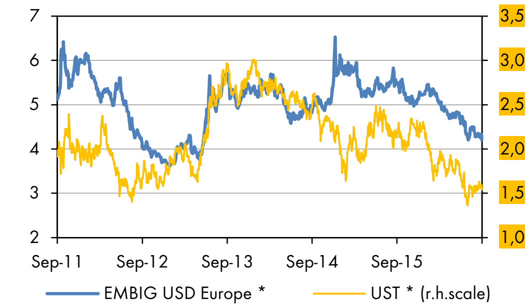
# Eurobond market overview

### 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*

| | 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 | 103.4 | 103.8 | -0.05 | 111.8 | 100.3 | -0.14 | 45 | 0.8 | XS0802005289 |
| CROATI 5 7/8 07/09/18 | 110.0 | 110.3 | -0.03 | 112.1 | 88.8 | 0.26 | 92 | 1.8 | XS0645940288 |
| REPHUN 3 7/8 02/24/20 | 112.3 | 112.8 | -0.11 | 113.1 | 69.3 | 0.23 | 88 | 3.2 | XS0212993678 |
| REPHUN 4 3/8 07/04/17 | 103.7 | 104.0 | -0.01 | 108.0 | 77.3 | -0.33 | 26 | 0.8 | XS0284810719 |
| REPHUN 5 3/4 06/11/18 | 109.8 | 110.2 | -0.02 | 115.1 | 79.7 | 0.01 | 66 | 1.7 | XS0369470397 |
| REPHUN 6 01/11/19 | 113.1 | 113.5 | -0.08 | 118.4 | 86.4 | 0.26 | 91 | 2.2 | XS0625388136 |
| LITHUN 4.85 02/07/18 | 107.2 | 107.5 | 0.03 | 114.3 | 94.5 | -0.35 | 27 | 1.4 | XS0327304001 |
| POLAND 5 5/8 06/20/18 | 110.5 | 110.7 | -0.16 | 122.6 | 102.1 | -0.33 | 32 | 1.7 | XS0371500611 |
| POLAND 1 5/8 01/15/19 | 103.6 | 104.0 | -0.12 | 105.5 | 98.0 | 0.00 | 65 | 2.3 | XS0874841066 |
| POLAND 3 3/4 01/19/23 | 121.6 | 122.3 | -0.26 | 125.5 | 99.9 | 0.26 | 73 | 5.7 | XS0794399674 |
| POLAND 3 3/8 07/09/24 | 121.0 | 121.8 | 0.10 | 125.6 | 99.6 | 0.57 | 91 | 7.0 | XS0841073793 |
| ROMANI 4 7/8 11/07/19 | 114.8 | 115.2 | 0.00 | 117.8 | 99.3 | 0.10 | 76 | 2.9 | XS0852474336 |
| TURKEY 5 7/8 04/02/19 | 110.2 | 110.8 | 0.35 | 118.9 | 100.9 | 1.63 | 229 | 2.4 | XS0285127329 |
| TURKEY 5 1/8 05/18/20 | 110.2 | 110.8 | 0.27 | 115.9 | 95.2 | 2.12 | 276 | 3.3 | XS0503454166 |
| **USD** | | | | | | | | | |
| BELRUS 8.95 01/26/18 | 104.9 | 105.7 | 0.18 | 111.2 | 70.0 | 4.88 | 423 | 1.3 | XS0583616239 |
| CROATI 6 3/8 03/24/21 | 112.0 | 112.5 | 0.75 | 117.8 | 86.7 | 3.43 | 231 | 3.9 | XS0607904264 |
| CROATI 5 1/2 04/04/23 | 110.5 | 111.1 | 1.09 | 110.8 | 94.4 | 3.64 | 224 | 5.4 | XS0908769887 |
| REPHUN 5 3/8 02/21/23 | 114.1 | 114.5 | 0.80 | 114.6 | 93.1 | 2.92 | 153 | 5.5 | US445545AH91 |
| REPHUN 7 5/8 03/29/41 | 154.0 | 154.8 | 1.04 | 155.1 | 79.5 | 4.09 | 196 | 13.3 | US445545AF36 |
| LITHUN 7 3/8 02/11/20 | 118.5 | 118.9 | 0.12 | 130.7 | 104.8 | 1.70 | 74 | 3.1 | XS0485991417 |
| LITHUN 6 5/8 02/01/22 | 123.4 | 123.8 | 0.32 | 128.6 | 101.0 | 1.98 | 75 | 4.6 | XS0739988086 |
| LATVIA 2 3/4 01/12/20 | 104.0 | 104.5 | -0.09 | 104.5 | 91.4 | 1.43 | 48 | 3.2 | XS0863522149 |
| LATVIA 5 1/4 06/16/21 | 116.0 | 116.5 | 0.07 | 117.2 | 90.9 | 1.69 | 54 | 4.2 | XS0638326263 |
| POLAND 6 3/8 07/15/19 | 113.0 | 113.3 | -0.11 | 125.9 | 107.4 | 1.62 | 73 | 2.6 | US731011AR30 |
| POLAND 3 03/17/23 | 104.0 | 104.4 | 0.00 | 105.1 | 87.6 | 2.31 | 90 | 5.8 | US731011AT95 |
| ROMANI 6 3/4 02/07/22 | 121.4 | 121.8 | 0.32 | 124.4 | 99.2 | 2.45 | 120 | 4.6 | US77586TAA43 |
| ROMANI 4 3/8 08/22/23 | 110.9 | 111.3 | 0.64 | 111.1 | 90.8 | 2.62 | 116 | 6.0 | US77586TAC09 |
| RUSSIA 4 1/2 04/04/22 | 108.2 | 108.8 | 0.92 | 114.7 | 82.0 | 2.83 | 158 | 4.8 | XS0767472458 |
| RUSSIA 7 1/2 03/31/30 | 121.6 | 121.8 | -0.02 | 128.6 | 99.6 | 2.23 | 50 | 3.9 | XS0114288789 |
| RUSSIA 5 5/8 04/04/42 | 117.4 | 118.2 | 2.22 | 124.9 | 76.0 | 4.45 | 230 | 14.2 | XS0767473852 |
| SERBIA 5 1/4 11/21/17 | 103.4 | 103.9 | 0.13 | 107.1 | 96.8 | 2.12 | 150 | 1.1 | XS0856951263 |
| SERBIA 4 7/8 02/25/20 | 104.9 | 105.4 | 0.77 | 105.3 | 89.6 | 3.29 | 232 | 3.2 | XS0893103852 |
| TURKEY 6 1/4 09/26/22 | 111.0 | 111.5 | 0.59 | 127.0 | 101.0 | 4.12 | 279 | 4.9 | US900123BZ27 |
| TURKEY 6 7/8 03/17/36 | 119.8 | 120.3 | 0.99 | 139.6 | 99.2 | 5.23 | 327 | 11.2 | US900123AY60 |
| TURKEY 6 3/4 05/30/40 | 119.7 | 120.3 | 1.07 | 139.4 | 97.3 | 5.26 | 316 | 12.6 | US900123BG46 |
| UKRAIN 7 3/4 09/01/19 | 101.0 | 101.5 | 0.50 | 101.3 | 88.0 | 7.27 | 637 | 2.6 | XS1303918269 |
| UKRAIN 7 3/4 09/01/23 | 99.2 | 99.7 | 0.78 | 99.9 | 84.6 | 7.86 | 640 | 5.3 | XS1303921487 |
| UKRAIN 7 3/4 09/01/27 | 97.6 | 98.2 | 1.10 | 98.4 | 81.2 | 8.04 | 641 | 7.2 | XS1303927179 |

*YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 09 Sep 2016, 11:27 AM CET*
*Source: Bloomberg, RBI/Raiffeisen RESEARCH*

# Summary: Ratings & macro data

## Country ratings: CE, SEE, EE

| | S&P | | | Moody's | | | Fitch | | |
|---|---|---|---|---|---|---|---|---|---|
| | LCY | FCY | Outlook | LCY | FCY | Outlook | LCY | FCY | Outlook |
| **CE** | | | | | | | | | |
| Poland | A- | BBB+ | negative | A2 | A2 | 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 |
| **SEE** | | | | | | | | | |
| Romania | BBB- | BBB- | stable | Baa3 | Baa3 | positive | BBB | BBB- | stable |
| Bulgaria | BB+ | BB+ | stable | Baa2 | Baa2 | stable | BBB | BBB- | stable |
| Croatia | BB | BB | negative | Ba2 | Ba2 | negative | BB+ | BB | negative |
| Serbia | BB- | BB- | stable | B1 | B1 | positive | BB- | BB- | stable |
| **EE** | | | | | | | | | |
| 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- | negative |

** 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 | -1.6 | 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 | 475 | -4.4 | 13.5 | 23.2 | 3.9 | 37.8 | 82.4 | 26.6 |
| | 2017f | 1.0 | 6.1 | 6.0 | 594 | -3.3 | 14.0 | 24.2 | 4.3 | 30.1 | 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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Detailed information on recommendations concerning financial instruments or issuers disseminated during a period of 12 month prior to this publication (acc. to Art. 4 (1) h) Commission Delegated Regulation (EU) 2016/958 of 9.3.2016) is available under: https://raiffeisenresearch.com/web/rbi-research-portal/recommendation_history
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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 | 0% |
| Sell | 94% |
| Not rated | 6% |

| Distribution of short term recommendations (preceding 3 months prior to this publication) | |
|---|---|
| Recommendation | Basis: all analysed Government bonds |
| Buy | 24% |
| Hold | 44% |
| Sell | 31% |
| 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 |
|---|---|---|---|---|---|---|
| 26/08/2016 | \| | \| | \| | \| | \| | \| |
| 25/08/2016 | Hold | Buy | Hold | Hold | Buy | Sell |
| 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 |

| Date | 2Y Czech. Rep. | 2Y Poland | 2Y Russia | 2Y Turkey | 5Y Czech Rep. | 5Y Hungary |
|---|---|---|---|---|---|---|
| 26/08/2016 | \| | \| | \| | \| | \| | \| |
| 25/08/2016 | Hold | Hold | Buy | Sell | \| | \| |
| 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 |

| Date | 5Y Poland | 5Y Romania | 5Y Russia | 5Y Turkey | BG EUROBOND EUR | BY EUROBOND USD |
|---|---|---|---|---|---|---|
| 26/08/2016 | \| | \| | \| | \| | \| | \| |
| 25/08/2016 | \| | \| | \| | \| | \| | \| |
| 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 |

| Date | CZ EUROBOND EUR | HR EUROBOND EUR | HR EUROBOND USD | HU EUROBOND EUR | HU EUROBOND USD | KZ EUROBOND USD |
|---|---|---|---|---|---|---|
| 26/08/2016 | \| | \| | \| | \| | \| | Hold |
| 25/08/2016 | \| | \| | \| | \| | \| | \| |
| 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 |

<table>
<tr><th>Date</th><th>LT EUROBOND EUR</th><th>LT EUROBOND USD</th><th>MK EUROBOND EUR</th><th>PL EUROBOND EUR</th><th>PL EUROBOND USD</th><th>RO EUROBOND EUR</th></tr>
<tr><td>26/08/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>25/08/2016</td><td>|</td><td>|</td><td>|</td><td>Hold</td><td>Hold</td><td>|</td></tr>
<tr><td>29/07/2016</td><td>|</td><td>|</td><td>Buy</td><td>|</td><td>|</td><td>Hold</td></tr>
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<tr><td>20/06/2016</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Sell</td><td>Sell</td><td>Sell</td></tr>
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