CEE Weekly

Issue 45/2016 11 November 2016

Raiffeisen RESEARCH

Market snapshot

	curr.*	Dec-16	Mar-17	Jun-17
Poland				
EUR/PLN	4.373	4.35	4.30	4.30
Key rate	1.50	1.50	1.50	1.50
10y bond	3.4	3.2	3.3	3.4
Hungary				
EUR/HUF	308.7	315	310	310
Key rate	0.90	0.90	0.90	0.90
10y bond	3.4	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	0.6	0.3	0.5	0.4
Romania				
EUR/RON	4.504	4.50	4.45	4.50
Key rate	1.75	1.75	1.75	1.75
10y bond	3.3	3.1	3.2	3.3
Croatia				
EUR/HRK	7.502	7.60	7.60	7.50
Key rate	2.50	2.50	2.50	2.50
10y bond	3.0	3.4	3.4	3.4
Russia				
USD/RUB	64.93	65.0	63.0	63.0
Key rate	10.00	10.00	9.50	9.00
10y bond	8.7	8.2	7.9	7.7
Turkey				
USD/TRY	3.261	3.10	3.10	3.10
Key rate	7.50	7.50	7.50	7.50
10y bond	10.4	10.5	10.1	9.2
EUR/USD	1.088	1.08	1.07	1.02

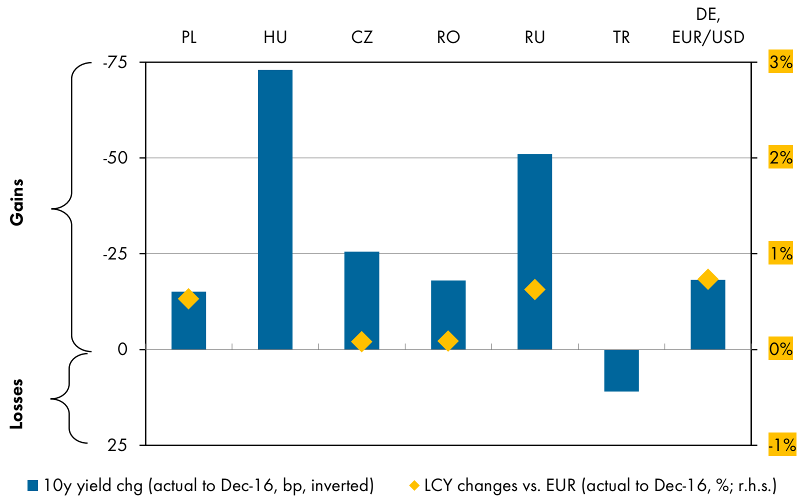
** prices as of 10 November 2016, 11:59 p.m. CET*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

This week brought considerably rising core market yields due to the US elections, triggering a bearish reaction of CEE and EM FX, LCY and FCY debt markets. Going forward, we see more (tail) risks from the US/Fed outlook. More inflationary US policies could add to a market take that the Fed is significantly behind the curve. A more sustained downward trend on global and EM FI/FX markets would also spill-over to CE/SEE, possibly offering more attractive entry levels. We remain constructive for the Hungarian and Russian LCY debt markets. For more detail please refer to "Focus On" section of this report on page 2-3. Meanwhile, next week, in nearly all CEE countries the economic news agenda will be dominated by Q3 GDP data releases. Overall, we expect fairly good GDP results in Hungary and Romania, while a smaller economic stagnation is still likely for Russia. At the same time CPI reports would unlikely to bring any unwanted surprise. Despite some speculation in the past Polish MPC remains firmly against any policy relaxation while some MPC members continue to allege the increasing unlikely possibility of rate hike in 2017. On the political front the Romanian government claimed that it would challenge the populistic vote of the parliament to increase wages in the constitutional court because that hike goes against domestic laws (e.g. wage and pension rises cannot be approved six months before elections, nor can any measure that raises spending pass without clarifying its funding sources). In Bulgaria a strong result of the socialist contender Rumen Radev in the first round of presidential elections can lead to the early parliamentary elections if the ruling party candidate would lose in the second round this week-end. Early elections would be somewhat credit-negative. This holds especially true in the current global market setting. However, in case of Bulgaria we see the investor base as being used to some degree of political volatility, not having much real impact on economic policy and the fiscal stance. Moody's may issue a rating update on Croatia today. We would consider any rating action/outlook change as premature, although the political situation has improved. We would expect rating agencies to look for more reform implementation, but a positive rating action cannot be ruled out.

Financial analyst: Gunter Deuber (+43 1 71707 5707), RBI Vienna

Expected changes from today until December 2016



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Content

Data highlights upcoming week

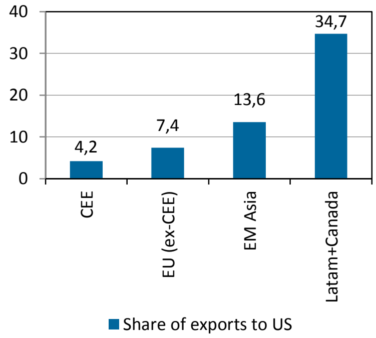
Date	Indicator	Period	Forecast	High	Mean	Low	Previous
14-Nov	RU: GDP, % yoy	Q3	-0.4	-0.3	-0.5	-1.1	-0.6
15-Nov	CZ: GDP, % yoy	Q3	2.1	2.3	2.1	1.7	2.6
15-Nov	HU: GDP, % yoy	Q3	2.7	2.1	1.7	1.3	2.6
15-Nov	PL: GDP, % yoy	Q3	3.0	3.6	3.0	2.8	3.1
15-Nov	RO: GDP, % yoy	Q3	5.2	n.a.	n.a.	n.a.	6.0

Source: Bloomberg, RBI/Raiffeisen RESEARCH

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

Focus on: Trump victory impact on CEE

Comparative exports to US*



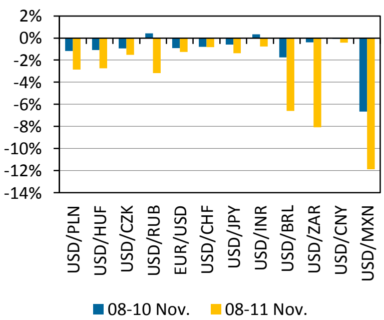
** (% of exports)*
2011 data; simple, non-weighted averages
Source: OECD-WB, RBI/Raiffeisen RESEARCH

Economics & Politics

Given the very limited gearing of the CE/SEE economies to the US the impact of the US election result on the region is obviously very limited. However, we are a bit more cautious regarding the mid-term outlook. Firstly, any fears about more US-led global protectionism (possibly also against the EU) may dent the sentiment for very internationalised economies, be it for smaller, open CE/SEE economies or the important regional trade hub of Germany. Secondly, worries about a further rise of populism in CE/SEE as well as inside the EU/euro area as a whole are likely to increase going forward. Such worries could get a boost from any signs of political movements to end the "austerity bias" inside the euro area/EU, and we do not expect the CE/SEE region to be immune to such tendencies. Furthermore, we are a bit sceptical of the chance of a near-term reset of US-Russian relations, although market talk about the chances of a near-term lifting of sanctions has increased recently. That said, we reckon the next US President will likely focus on the domestic political agenda. This holds especially true at the very beginning of his presidency, but not forgetting there are many conflicts of interest between the USA and Russia beyond Ukraine-related sanctions that may limit progress in this field. More importantly, any concerns about rising protectionism and/or EM growth fears are likely to cap the oil price upside, which is more crucial for the Russian economy compared to the sanctions (sentiment).
If one looks at the "closeness" of politicians in power in CEE to the ideas of Trump, one sees some support for the anti-liberal stance of Hungary's Prime Minister Orbán, the Russian strongman and President Putin, and possibly the conservative government in Poland. However, besides the sanction issue with regard to Russia, it is unclear how "political proximity" could translate into economic gains. On the other hand, Ukraine's security situation in confrontation with Russia will worsen if the US reduces its support, which could have longer-term negative implications for growth, investment and macroeconomic stability. Also, Poland and the Baltic States (and all Europeans under the US-NATO umbrella) feel uneasy with the comments on NATO voiced by Trump during the election campaign. A risk scenario for the CEE region would be a continuously confrontational Russian foreign policy, which would also affect economic sentiment. Some governments in CEE (but possibly also in Western Europe) may react in the event of a more reduced commitment of the US towards NATO by increasing their defence spending, i.e. fiscal spending. On the one hand there could be some positive effects out of a somewhat more expansionary fiscal stance in CE/SEE. However, we note that fiscal consolidation has not been overly ambitious in most CE/SEE countries to date.

Financial analysts: Gunter Deuber (+43 1 71707 5707), RBI Vienna
Andreas Schwabe (+43 1 71707 1389), CFA, RBI Vienna

Initial election FX response



Source: Bloomberg, RBI/Raiffeisen RESEARCH

FX markets

CEE FX rates showed a very limited response to the election outcome in the US, while the somewhat stronger initial effects on global EM currencies proved to be rather short-lived as well. An outlier in terms of the global market FX response was the Mexican peso after Trump's strong rhetoric during his election campaign. Following this initial non-reaction there now seems to be a more pronounced negative response by EM currencies with especially the Polish zloty being among the strongest respondents in the CEE universe, but HUF and even CZK likewise witnessing setbacks. We currently do not see there being any significant deviation between global EM currencies and CEE currencies in general for the time being. Then again, it will depend on the actual policies pursued by the Fed as well as the new US administration in the coming months to assess any negative implications for EM currencies. With regard to CEE, the Russian rouble could exhibit a somewhat more positive reaction depending on a possible improvement in relations with the US, which could lead to an earlier end to sanctions, but we remain cautious regarding such topics for the time being. In the case of relevant market disruptions in the coming months, be it from changes in US trade or foreign policy, we continue to expect the strongest reactions from risk-sensitive CEE currencies such as the Polish zloty, and to a lesser extent the HUF and RON. Moreover, we think that the fundamental trend for a stronger USD vs. the EUR (based on increasing monetary policy and yield divergences) is likely to prevail going forward. That said, we do not see too much support for CE/SEE currencies in such a scenario, although some appreciation vs. the EUR could be on the cards.

Financial analyst: Wolfgang Ernst (+43 1 71707 1500), CEFA, RBI Vienna

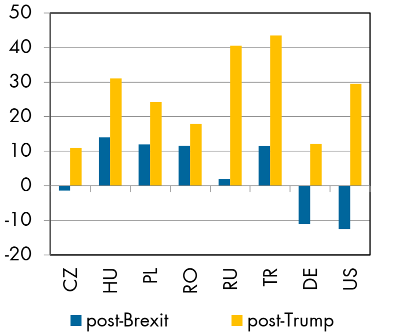
Please note the risk notifications and explanations at the end of this document

LCY bond markets

Overall, the reaction of the CE/SEE local debt markets to the surprise outcome of US presidential elections can be described as very modest. The widely expected flight-to-quality in post-election trading was only short-lived, and longer-term US treasury yields posted considerable increases that more than recouped the initial losses. Some argue that the expected fiscal loosening / inflationary domestic politics under the new president has started to be priced into the UST market. This bear steepening of the treasury curve was also mirrored on CEE local debt markets with Turkey largely underperforming in our research universe, along with the other discriminated EM issuers such as Mexico, Brazil, South Africa and Indonesia. At the current stage, however, we assume that the dust could settle and therefore we wouldn't change our basically constructive view on CE/SEE local debt markets. Nevertheless, the latest bear steepening of the local curves could intensify going forward, additionally fuelled by local factors such as the expected reflation in countries like CZ, RO, PL and HU. The latter is an exception, however, within this peer group. Although Hungary also suffered post-Trump and will also witness reflation, the chances of a year-end mini-rally for HGBs remain elevated in our view. This is mainly due to the country's improving risk profile and the related re-rating story, backed by a bundle of bond-market-friendly local policies. This could pull portfolio flows, possibly also from the higher-beta EMs that have been on traders' blacklists in post-Trump trading. Under our Western market colleagues' longer-term assumptions of yield levels continuing to normalise in core markets, CE/SEE local debt markets should follow this gradual trend. In the high-yielding space, finally, Russia remains our top CEE pick and we remain comfortable with our Buy recommendation, especially beyond the short-term horizon (and given the corrected levels). Although way too early to assess, the US election implications for Russia seem to be rather neutral on balance. For the other high-yielder Turkey, we remain cautious, although our bearish year-end yield target is reached. We reckon local markets will bottom out, US treasuries will stabilise, and we will monitor (geo)political developments before we consider re-entering the market.

Financial analyst: Stephan Imre (+43 1 71707 6757), RBI Vienna

USTs set in motion rise*



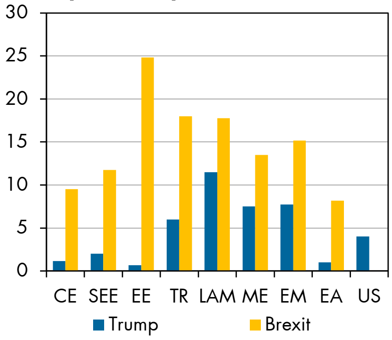
** bp change of 10y LCY yields following Brexit vote (chg between 22 and 24 June 2017) and post-Trump (between 8 and 11 Nov. 2017) 2011 data; simple, non-weighted averages*
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Eurobond markets

Although initial reaction on Eurobonds market had been muted we believe that a moderate downside may develop in the coming weeks. First of all, despite a reversal in the initial knee-jerk reaction on the UST market we see selling pressure possibly intensifying on EM debt markets going forward in a less EM-friendly US/Fed-led environment. This scenario implies pressure from the long-end of the UST curve on EM debt, also assuming that the US Fed will be unlikely to delay December's rate hike. This, in turn, could add systemic upward pressure on EM bond spreads, while psychological thresholds (like the 2% or 2.5% UST yield level) might be surpassed on a sustained basis in the weeks/months to come. In this situation we foresee a mildly bearish outlook for EM debt, while countries with stronger international liquidity and a smaller debt load (like Russia) would reap more benefits. In our opinion the market is likely to introduce greater differentiation between "typical" EM countries like Turkey or Brazil and "convergence" economies like Poland or Hungary. Importantly, the proximity of CEE and some more developed SEE economies to EU business cycles and close economic links to developed Europe should add greater stability to their Eurobond spreads. We expect demand from EU-dedicated funds for CE and SEE Eurobonds to remain intact, while the majority of CE and SEE countries will likely opt for issuing more debt in EUR going forward, so they can benefit from lower EUR interest rates that are likely to prevail going forward. Judging from the magnitude of a spread increase on CE and SEE compared to "typical" EM we suggest that for every 1bp increase on CE there will be a 6-8bp increase for "typical" EM. At the same time we do not feel overly optimistic about CE, as many countries' Eurobonds have overly tight valuations compared to peers, and, also, to EU peripheral government debt. In particular, the yield spread to EU peripherals (Spain+Italy) of Czech and Hungarian Eurobonds reached near maximum levels at -53bp and -44bp respectively. A similar picture was observed for Poland with a smaller -8bp spread. For SEE, valuations remain pretty tight too, with Croatia offering only +144bp spread pick over comparable Spanish/Italian bonds compared to +200bp a month ago. Meanwhile, the EE sub-region is likely to fall back into the "typical" EM case, although stronger fundamentals and state liquidity in Russia and Kazakhstan should be credit-positive factors. In Russia's case we also find the market valuations tight as it trades to a BBB- rating instead of its actual BB+.

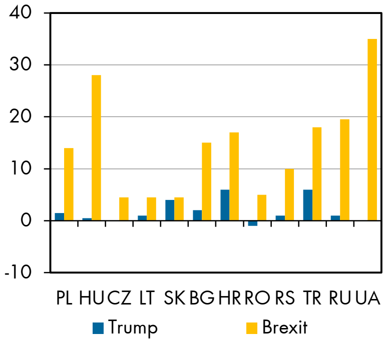
Financial analyst: Gintaras Shlizhyus (+43 1 71707 1343), RBI Vienna

CDS spread (bp)*



** post-Brexit: between 22 & 24 Jun 2016; post-Trump: between 8 & 9 Nov 2016*
CE - Central Europe, SEE - South East Europe, EE - Eastern Europe (ex-CIS), TR - Turkey, LAM - Latin America, ME - Middle East, EM - Emerging Markets, EA - euro area
Source: Bloomberg, RBI/Raiffeisen RESEARCH

CEE CDS spreads (bp)*



** post-Brexit: between 22 & 24 Jun 2016; post-Trump: between 8 & 9 Nov 2016*
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Data calendar and country coverage

This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Previous
Friday 04 November				
RO: Key rate, %	Nov	1.8	n.a.	1.8
Monday 07 November				
CZ: Retail sales, % yoy	Sep	4.4	6.6	11.1
HU: Retail sales, % yoy	Sep	5.1	4.5	4.3
RO: Retail sales, % yoy	Sep	11.1	n.a.	13.3
SK: Retail sales, % yoy	Sep	1.5	n.a.	1.9
Tuesday 08 November				
CZ: Trade balance, CZK bn	Sep	21.0	22.0	13.8
CZ: Industrial output, % yoy	Sep	2.7	4.0	13.1
HU: CPI, % yoy	Oct	1.0	1.0	0.6
HU: Industrial output, % yoy	Sep	-3.7	2.3	3.5
UA: CPI, % yoy	Oct	12.4	10.4	7.9
BG: Retail sales, % yoy	Sep	2.00	n.a.	5.40
BG: Industrial output, % yoy	Sep	3.3	n.a.	2.6
TR: Industrial output, % yoy	Sep	3.1	n.a.	2.2
Wednesday 09 November				
CZ: CPI, % yoy	Oct	0.8	0.6	0.5
HU: Trade balance, EUR mn	Sep	1040.0	980.0	591.0
PL: Key rate, % yoy	Nov	1.5	1.5	1.5
RO: Trade balance, EUR mn	Sep	-786.8	n.a.	-1016.1
Thursday 10 November				
HR: Retail sales, % yoy	Sep	4.5	n.a.	4.5
RS: Key rate, % yoy	Nov	4.0	n.a.	4.0
BY: CPI, % yoy	Oct	11.0	n.a.	11.1
SI: Industrial output, % yoy	Sep	7.4	n.a.	6.0
Friday 11 November				
RO: Industrial output, % yoy	Sep	4.2	n.a.	9.3
RO: CPI, % yoy	Oct	-0.4	-0.6	-0.6
SK: Industrial output, % yoy	Sep	3.9	n.a.	17.5

Indicator	Period	Forecast	High	Mean	Low	Previous
Friday 11 November						
RU: Trade balance, USD bn	Sep	n.a.	7.9	6.9	5.5	4.9
Monday 14 November						
CZ: C/A balance, CZK bn	Sep	-1.0	7.0	0.2	-5.4	-0.7
PL: C/A balance, EUR mn	Sep	-229.0	-112.0	-605.0	-1156.0	-509.0
PL: CPI, % yoy final	Oct	-0.3	n.a.	n.a.	n.a.	-0.2
RO: Industrial output, % yoy	Sep	n.a.	n.a.	n.a.	n.a.	1.2
RO: C/A balance, EUR mn	Sep	n.a.	n.a.	n.a.	n.a.	-2110.0
RU: GDP, % yoy	Q3	-0.4	-0.3	-0.5	-1.1	-0.6
RS: CPI, % yoy	Oct	n.a.	n.a.	n.a.	n.a.	0.6
UA: GDP, % yoy	Q3	n.a.	2.0	1.6	1.2	0.6
BG: CPI, % yoy	Oct	n.a.	-0.5	-0.6	-0.8	-0.6
SK: CPI, % yoy	Oct	n.a.	-0.3	-0.4	-0.5	-0.5
Tuesday 15 November						
CZ: GDP, % yoy	Q3	2.1	2.3	2.1	1.7	2.6
HU: GDP, % yoy	Q3	2.7	2.1	1.7	1.3	2.6
PL: GDP, % yoy	Q3	3.0	3.6	3.0	2.8	3.1
RO: GDP. % yoy	Q3	5.2	5.4	5.0	4.5	6.0
BG: GDP, % yoy	Q3	n.a.	n.a.	n.a.	n.a.	3.0
SK: GDP, % yoy	Q3	n.a.	3.5	3.3	3.2	3.7
Wednesday 16 November						
RU: Industrial output % yoy	Oct	n.a.	0.6	-0.5	-1.1	-0.8
BY: Industrial output, % yoy	Oct	-1.8	n.a.	n.a.	n.a.	-0.9
Thursday 17 November						
HR: CPI, % yoy	Oct	-0.8	n.a.	n.a.	n.a.	-0.9
Friday 18 November						
RU: Retail sales, % yoy	Oct	-2.5	0.3	-3.0	-4.5	-3.6
BY: Retail sales, % yoy	Oct	-3.5	n.a.	n.a.	n.a.	-3.1

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Croatia (HR) – Despite solid annual growth rates for exports and imports, the latest data repeatedly warned of high import dependence. Namely, in the June-August period the foreign trade deficit deepened by 5.2% yoy, thus the coverage of imports by exports decreased to 60.4% (0.2pp lower than in the same period in 2015). However, negative trends in merchandise trade were partly offset by an annual drop in oil prices on the world's commodity markets. Consequently, the absence of inflationary pressures that has been observed for three years in succession brought an estimated decline in average consumer prices exceeding 1%. So the CPI figures for October, scheduled to be released on Thursday, will confirm a continuation of the negative rates (-0.8% yoy). In the first months of this year alone the general level of consumer prices declined by 1.4%, with the greatest contribution to the decline coming from energy and food products, which account for over 40% of CPI. In terms of structure, the fall in these two categories has freed up available income for households and eliminated the fear of a deflation spiral. A slow and mild recovery in prices on the global commodities markets (primarily crude oil and food) is expected to spill over to domestic prices, so in addition to a base effect the average rate of inflation is expected to return to positive figures in 2017. According to the rating calendar, Moody's may announce a renewed assessment for Croatia today. Improved fiscal and macroeconomic conditions paired with the enhanced political environment could ultimately result in Moody's keeping the credit rating at Ba2, while the upgrade to a stable outlook will definitely depend on the agency's assessment of whether the new government is willing and able to press ahead with reform implementation.

Financial analyst: Elizabeta Sabolek Resanovic (+385 1 6174 606), Raiffeisenbank Austria d.d., Zagreb

Czech Republic (CZ) – CNB statistics published last week revealed that the CNB's intervention volume increased to around EUR 3.7 bn in September. This is the third-highest value since November 2013, when the FX commitment was introduced. The foreign exchange reserves of the CNB thus increased to over EUR 5 bn in October, more than at any other time since the beginning of the interventions.

CPI inflation in October increased by 0.8% year-on-year and by 0.3% month-on-month. Although the released numbers are higher than most of the analytical estimates and the CNB forecast, inflation is still significantly below the CNB's target of 2%. We expect CPI inflation will move towards its target in the first half of next year. According to the CNB forecast, inflation should exceed its target in the Q3 2017.

Financial analyst: Monika Junicke (+420 234 40 1070), Raiffeisenbank a.s., Prague

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

Hungary (HU) – The preliminary flash GDP estimate for the third quarter of 2016 will be released by Hungary's Central Statistical Office next Friday. Annual economic growth may have quickened to 2.7% in the third quarter from 2.6% in the second, according to our estimate. However, we anticipate only a very slow improvement in this pattern over the coming quarters. In 2016 we expect economic growth of 2.3% yoy. In 2017 the growth rate may approach 2.7% yoy. Hungary's debt management agency, ÁKK, sold a combined HUF 52 bn of bonds at the auction on Thursday, raising its original offer by HUF 7 bn. Banks submitted bids of HUF 130.7 bn, while yields jumped to secondary market levels. We maintain our bullish stance on HGBs and T-Bills due to the MNB's fine-tuning operations aimed at forcing banks to hold more government debt by channelling more liquidity into the system.

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

Poland (PL) – The MPC meeting did not produce any unexpected decisions on interest rates. The Council decided to keep interest rates unchanged. Despite a possible GDP growth slowdown in Q3, Governor Glapinski believes the Polish economy is in good shape, supported primarily by the constantly rising consumer demand. Glapinski also pointed to the positive labour market situation. According to the Institute of Economics, it may be possible for the current unemployment rate to move close to its natural level. Reduced investment activity on the other hand remains a weak point of the Polish economy. The main reason for such a situation, most likely, is a slowdown in EU funds absorption. However, it is expected that from the beginning of next year/at the turn of Q1/Q2, investments will again become the main trigger of GDP growth. Inflation should cross the zero mark at the turn of the year, but this will depend largely on energy prices.
The first estimates included in the new Inflation Report indicate a slight reduction regarding forecast GDP at the end of 2016 (reduction on average from 3.2% to 2.9%). On the other hand, the forecast for next year predicts a slightly upwards revision (from 3.45% to 3.55% on average). The rise probably stems from the projected increase in investment activity for the coming year. The forecasted inflation path assumes deflation will persist until the end of 2016, and rebound to an average 1.25% in 2017. However, Glapinski does not consider forecasted growth paths as sufficient reason for cooling down the economy and raising interest rates. Taking the MPC release into account, the prospect of an interest-rate increase might move beyond 2017. At the same time, the most dovish MPC members reckon it is increasingly unlikely we will see a rate cut, indicating the lack of effectiveness of such an action. Taking the MPC statement into consideration we can expect a rise in GBs yields in the near future.

Financial analyst: Aleksandra Pikała (+48 22 585 2000), Raiffeisen Polbank, Warsaw

Romania (RO) – As expected, at the last monetary policy in 2016 held on 4 November, the National Bank of Romania (NBR) remained on hold, keeping the key interest rate unchanged (at 1.75%) as well as all its other monetary policy instruments. Once again, the communiqué following the meeting was rather neutral. While it mentioned the fast economic advances driven by private consumption, there were no hints pointing to the need to tighten the monetary policy stance for the time being. Moreover, the NBR released the Inflation Report containing its latest inflation forecast. It puts the annual inflation rate at -0.4% yoy at end-2016 and 2.1% yoy at end-2017, roughly the same as the forecast released in August (-0.4% yoy in 2016 and 2.0% yoy in 2017).
Next week's macroeconomic calendar contains some interesting data. On 14 November some macroeconomic indicators for September providing more insight into the performance of economic activity in Q3 will be released: construction and industrial output as well as the current account data. Furthermore, on 15 November the National Statistical Office will release economic growth data for Q3. We expect real GDP to have advanced by around 1.0% qoq and 5.2% yoy in Q3.

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

Russia (RU) – This week the Russian government issued a directive which sets the parameters of Rosneft's privatisation. The deal should be closed this year. The stake to be sold is 19.5%, with a minimum price of RUB 748.26 bn multiplied by a 0.95 discount factor. The settlements between Rosneft and Rosneftegaz (the parent company) are to be completed by 5 December, while the final transfer to the federal budget will happen by 31 December 2016. The document provides more clarity on the timing of the deal and the amount to be withdrawn from the money market. However, there is still a lot of uncertainty on the effect of the deal on MM and FX as it depends on other details of the scheme, which are yet unknown. Theoretically, if Rosneft purchases its own shares from Rosneftegaz, the latter could receive the payment both in RUB and in FX. On the other hand, we assume that the transfer to the budget will be in RUB. Having adjusted cash and cash equivalents and deposits of Rosneftegaz as of December 2015 (RAS financial statements) for dividends received and paid, we estimate that the liquidity cushion could currently be around RUB 544 bn, and roughly 50-75% of this amount is denominated in RUB (RUB 272-354 bn). Thus to make the RUB-denominated transfer to the budget, it is sufficient for the company to get RUB 357-439 bn in roubles from Rosneft. At the same time we assume that Rosneft has already spent the bulk of its RUB-denominated cash on the Bashneft acquisition (RUB 329.7 bn). Simultaneously the company could have started to convert its FX-denominated deposits into RUB (USD 100-120 mn per day) to prepare for a potential "self-privatisation". Such assumptions fit in well with lower RUB sensitivity to oil prices during recent weeks. If so, after the deal is closed, there could be a smaller amount of FX on offer from Rosneft on the market, and all other things being equal it would be negative for the RUB. At the same time, the pressure on the MM market would be offset by the budget expense inflow into the system (prepayment of loans to the defence industry) which could even push rates down if these expenses come to the market before the Rosneft deal is closed. However, the traditional liquidity surplus at the beginning of 2017 will be much lower than this year. As a result, the material price increase of the OFZ market might not materialise, which makes us prefer floaters. With regard to FX liquidity, if the transfer to the budget is made in RUB without an FX swap with the CBR, the amount of FX liquidity will not change, but there will be a redistribution among banks as it is likely that the accounts of Rosneftegaz and Rosneft will be opened at different banks. As a result, the cost of FX liquidity could increase, which is also intensified by expectations of the US rate hike.

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

Serbia (RS) – The National Bank of Serbia (NBS) again refrained from changing its key policy rate; it has been at 4.0% since July when the rate was cut by 25bp. The NBS has changed its rationale since the last meeting after it lowered the inflation target range in the meantime from 4% +/- 1.5pp down to 3% +/- 1.5pp (from 2017 onwards), supported by the better economic performance, improved macroeconomic stability, lower inflationary expectations and the repeatedly weak CPI. Following the target range change, the NBS shifted its expectation to inflation entering the new range in early 2017, compared to the earlier expectation of the CPI returning to the range in mid-2017. As per the NBS, the inflation recovery (Sept: +0.6% yoy) will be supported by the previous monetary policy easing, local demand recapture and gradual growth in oil prices on the international markets as well as inflation advancing abroad. The NBS reiterated that the good agricultural season, the decline in primary agricultural prices (both on the global and local market) and consequently the lower food production costs will have a disinflationary impact.
The decision was in line with market expectations as 20 out of 26 analysts (as per the Bloomberg survey) anticipated no action today amidst the uncertainties regarding the Fed's key rate dynamics, and the ECB decision alongside the QE extension, following Trump's victory in the US presidential elections. The NBS also took into account the aforementioned risks.
The almost static EUR/RSD sentiment was supported by slightly higher FX interventions during October (EUR 135 mn), the robust economic sentiment and strong growth in repo operations to EUR 691 mn (9 November) amidst infrequent Ministry of Finance T-bill auctions. We assume the sentiment will be more or less the same in the weeks ahead, with the key rate probably remaining flat after the target range was cut. The latter decision was a surprise for the market, bearing in mind that the NBS was resolutely resisting any lowering of the target band, despite the reading undershooting the target since 2013 on the grounds of the planned harmonisation of state-regulated prices towards EU levels 2-3 years down the line. Nonetheless, it seems the government has changed the plan according to the NBS, as state-controlled prices will only be marginally adjusted, whereas the significant losses and inefficiencies in state-owned company operations will be solved via cost cutting.

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

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

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	1.73	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	0.72	0.85	0.80	0.80	7.65	0.72
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	6.00	1.75
3m money market rate	0.74	0.70	0.85	1.00	6.45	0.68
Russia						
Key interest rate	10.00	10.00	9.50	9.00	17.00	5.25
3m money market rate	10.55	10.80	10.10	9.60	29.93	6.65
Serbia						
Key interest rate	4.00	3.75	3.75	3.75	11.75	4.00
3m money market rate	3.47	3.55	3.60	3.60	13.13	3.26
Turkey						
Key interest rate	7.50	7.50	7.50	7.50	10.00	4.50
3m money market rate	9.34	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	1.25	0.00
Fed key interest rate	0.50	0.75	0.75	1.00	0.50	0.25

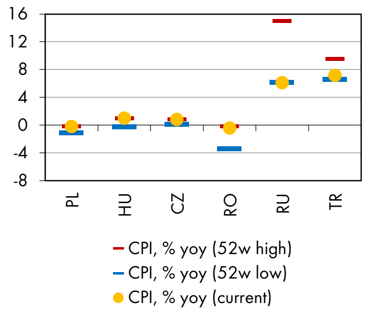
Source: Bloomberg, RBI/Raiffeisen RESEARCH
** Bid rates (for Hungary ask rates) as of 10 November 2016, 11:59 p.m. CET*

Central bank watch

Poland (NBP)	Hawkish tone introduced in August softened at the latest MPC meeting on the back of less optimistic macro assumptions. In line with this governor Glapinski weakened his stance from last month in terms of the possibility of rate hikes in late 2017. Accordingly, our conviction for rate hikes starting in Q3-2017 weakened, but before any revision we wait for Q3 GDP data due next week.
Hungary (MNB)	MNB cap to the main interest rate tool (3m deposit facility) became effective in October aimed at encouraging banks to offer cheaper loans and to buy HGBs. Moreover, this main sterilization instrument is offered only once a month (earlier weekly tenders). In addition, MP easing is flanked by considerable liquidity injections through FX swap tenders and lower MRR.
Czech Republic (CNB)	Exit from FX intervention regime - keeping koruna above EUR/CZK 27.00 floor - should be delayed to end-2017, but CNB continues sticking to its mid-2017 target (soft commitment; hard commitment shifted from end-2016 to "not earlier than Q2 2017"). Negative interest rates only an option in case of excessive capital inflows.
Romania (BNR)	Excess liquidity remains high and central bank fails to tighten its grip on liquidity and to set an end to procyclical policies. We expect BNR to remain defensive in the short term, but verbal interventions might point to tightening stance in 2017, especially if FX volatility was to increase.
Serbia (NBS)	NBS lowered inflation target range by 1pp to 3% +/- 1.5 pp and remained on hold in November due the expected acceleration in CPI inflation in the next few months. External risks in terms of Fed and ECB uncertainty were also highlighted, so our call of one last rate cut became unlikely.
Russia (CBR)	Long awaited 50bp rate cut in September, but CBR said no more cuts this year. We expect three key rate cuts of each 50bp in 2017 beginning in Q1, but see upward risks to CBR inflation forecasts for next year.
Turkey (TCMB)	Following another cut to the o/n lending rate in September, CB remained on hold in October due to elevated local financial market stress. However, symmetrisation of o/n corridor - currently at 7.25%-8.25% - almost accomplished. We assume that the TCMB wants to align weighted average costs of funding, hovering around 7.8% currently, with the 1w repo before switching to a single-rate policy.

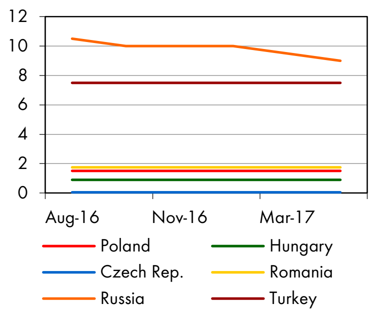
Source: RBI/Raiffeisen RESEARCH
Financial analyst: Stephan Imre, RBI Vienna

Inflation snapshot



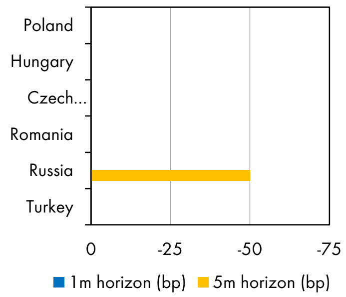
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	Nov	Dec
Poland (NBP)	9	7
Hungary (MNB)	22	20
Czech Republic (CNB)	3	22
Romania (BNR)	4	-
Serbia (NBS)	10	8
Russia (CBR)	-	16
Turkey (TCMB)	24	20

Source: National Central Banks, RBI/Raiffeisen RESEARCH

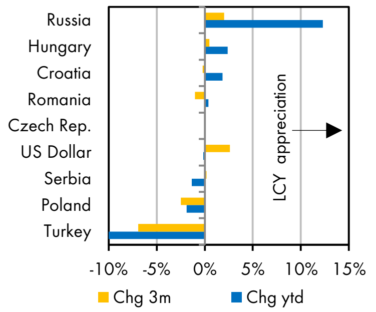
Foreign exchange market overview

FX forecasts

EUR vs	current*	Dec-16	Mar-17	Jun-17	5y high	5y low	Comment
PLN	4.373	4.35	4.30	4.30	4.46	4.08	Some recent PLN weakening visible as EUR/PLN went above 4.40 on EM concerns following US election; chances for renewed rate cut speculation in case of weak economic data
HUF	308.7	315	310	310	316	291	Ongoing monetary easing by the MNB (while keeping the interest rate unchanged) should contribute to moderate HUF depreciation against the EUR; we continue to expect a return of EUR/HUF towards its old trading range of 310-315
CZK	27.02	27.0	27.0	27.0	27.7	25.1	CNB intervention saw strong increase in September due to speculation on FX regime abandoning in mid-2017; given inflation outlook and probable extension of ECB bond buying program we expect FX regime abandoning only in H2 2017
RON	4.504	4.50	4.45	4.50	4.52	4.33	Despite parliamentary elections later in 2016 and the CHF loan conversion plan EUR/RON remains stable; we would expect the leu to trade around current levels for Q4 2016
HRK	7.502	7.60	7.60	7.50	7.66	7.52	No changes on FX market are expected with trading range 7.50-7.52 kuna per euro
RSD	123.0	124	123	123	124	106	Key rate kept stable and chances for an additional rate cut in 2016 have decreased; EUR/RSD expected to remain stable
RUB	70.64	70.2	67.4	64.3	79.3	40.3	see USD/RUB below
UAH	27.82	31.3	31.0	29.6	31.3	10.4	see USD/UAH below
BYN	2.083	2.43	2.43	2.34	2.43	1.09	see USD/BYN below
TRY	3.548	3.35	3.32	3.16	3.35	2.35	see USD/TRY below
USD	1.088	1.08	1.07	1.02	1.38	1.08	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	64.93	65.0	63.0	63.0	73.0	30.5	Setback on the oil price leaves RUB under pressure, we continue to expect oil/rouble correlation to remain high and project USD/RUB at 65 by year-end 2016
UAH	25.57	29.0	29.0	29.0	29.0	8.01	With the IMF having cleared the way for the payout of the next tranche the hryvnia remained stable; for the coming months we nevertheless expect additional UAH depreciation on weak fundamentals, conflict with Russia and slow reform efforts
BYN	1.915	2.25	2.27	2.29	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	3.261	3.10	3.10	3.10	3.10	1.78	Turkish lira continued weakening on both domestic and external issues; volatility to remain high with current depreciation seeming somewhat overdone on a fundamental basis at levels of USD/TRY 3.25

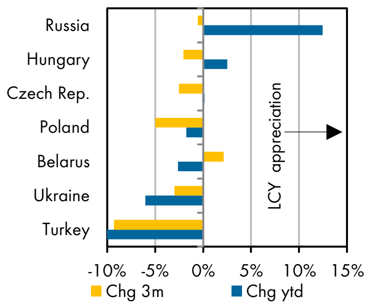
** as of 10 November 2016, 11:59 p.m. CET*
Source: Bloomberg, RBI/Raiffeisen RESEARCH
Financial analyst: Wolfgang Ernst, CEFA, RBI Vienna

Change of LCY value to EUR (%)



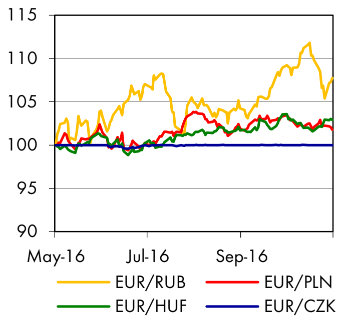
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Exchange rate comparison

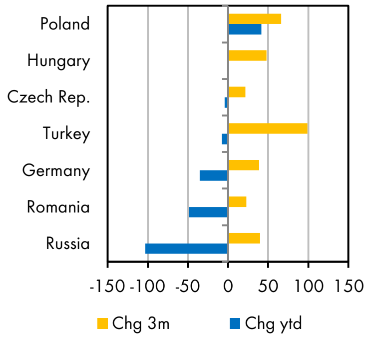


Indexed 10 May-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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

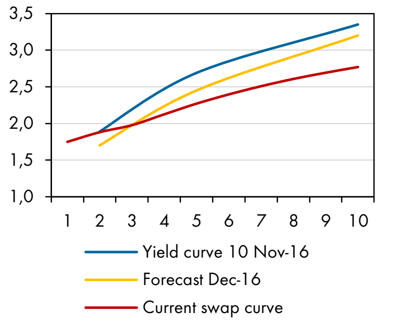
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



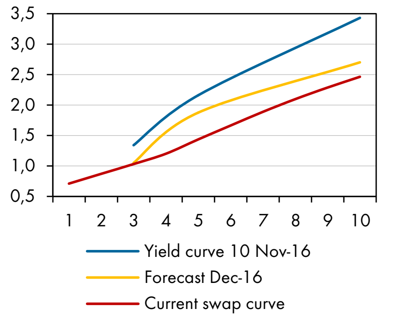
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



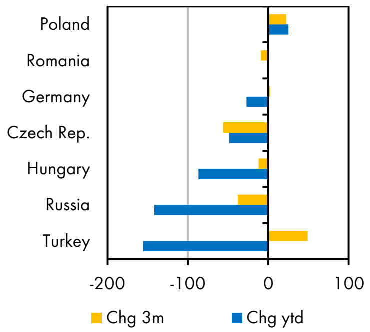
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



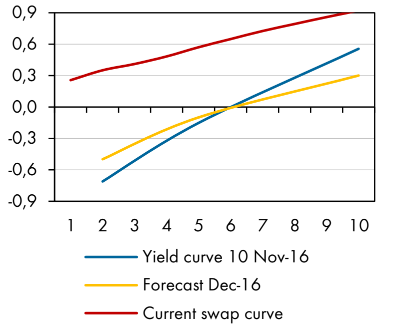
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



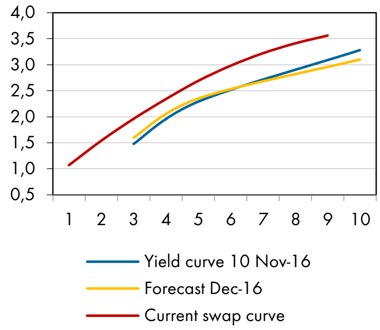
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



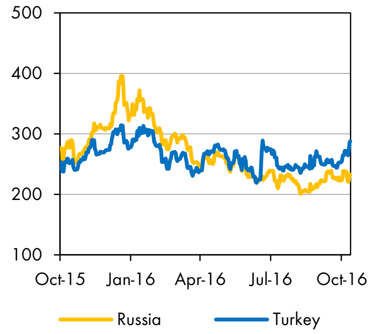
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



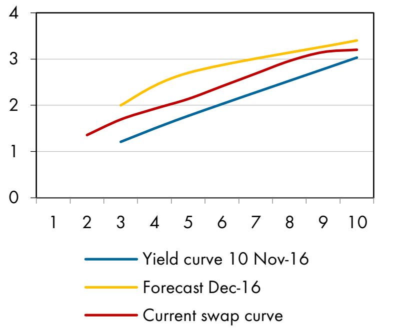
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



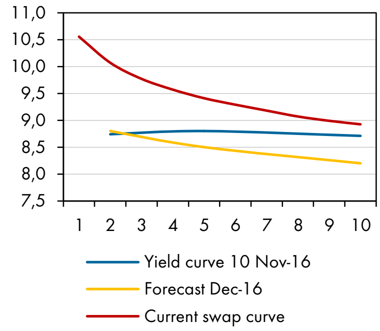
Turkey 5y high 343.7, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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*	Dec-16	Mar-17	Jun-17	5y high	5y low
Poland	1.89	1.7	1.8	2.0	4.9	1.6
Hungary **	1.34	1.1	1.0	1.2	9.2	1.1
Czech Republic	-0.71	-0.5	-0.3	-0.4	1.8	-0.5
Romania	0.75	1.0	1.1	1.2	7.3	1.0
Croatia	1.21	1.7	1.7	1.7	6.1	1.4
Russia	8.74	8.8	8.4	8.3	15.8	6.2
Turkey	9.41	10.0	9.5	8.5	11.5	6.1
Germany	-0.63	-0.7	-0.7	-0.7	0.2	-0.7
USA	0.90	1.0	1.0	1.2	1.0	0.2

10y T-bond yields (%)	current*	Dec-16	Mar-17	Jun-17	5y high	5y low
Poland	3.35	3.2	3.3	3.4	5.9	2.5
Hungary	3.43	2.7	2.8	2.9	9.9	2.7
Czech Republic	0.56	0.3	0.5	0.4	3.6	0.3
Romania	3.28	3.1	3.2	3.3	7.5	3.1
Croatia	3.03	3.4	3.4	3.4	7.2	3.4
Russia	8.71	8.2	7.9	7.7	14.1	6.9
Turkey	10.39	10.5	10.1	9.2	10.5	6.6
Germany	0.20	0.1	0.3	0.3	1.9	0.1
USA	2.13	1.9	1.9	2.1	3.0	1.8

** Bid yields as of 10 November 2016, 11:59 p.m. CET; ** 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.	Comment
Poland							
PLN 2y Gov. Bond	25/10/2018	0.00	96.47	1.87	247	2.0	Rising UST yields in post-Trump trading set in motion an increase in long-term POLGB yields. Bear steepening pressure should remain with Poland additionally burdened by (geo)political risks.
PLN 5y Gov. Bond	25/10/2021	5.75	113.91	2.70	303	4.5	
PLN 10y Gov. Bond	25/07/2026	2.50	93.05	3.35	303	8.6	
Hungary							
HUF 3y Gov. Bond	30/10/2019	2.00	101.96	1.32	189	2.9	HGB market witnessed considerable bear steepening in line with Polish peer following hefty upward pressure on longer-term yields stemming from USTs. Once the dust settles, HGBs seem to have the best prospects for a mini-recovery-rally as the year comes to an end due to the unfolding of bond-market-supporting CB measures in combination with the repaired appeal of HUF assets.
HUF 5y Gov. Bond	27/10/2021	2.50	101.53	2.17	249	4.7	
HUF 10y Gov. Bond	27/10/2027	3.00	95.95	3.45	313	9.5	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	113.63	-0.59	1	2.3	CZGB yields remained cemented in line with German equivalents despite risisng longer-term UST yields in post-Trump trading. However, due to our reflation skepticism, we expect EUR/CZK cap policy exit likely to be delayed till the end of 2017. Setback potentialfor CZGBs seems very high once the FX cap is abolished.
CZK 5y Gov. Bond	29/09/2021	3.85	119.34	-0.11	21	4.6	
CZK 10y Gov. Bond	26/06/2026	1.00	103.63	0.61	29	9.2	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	106.45	1.29	161	1.6	We expect a further pressure on purchase on the longer end of the curve with the simultaneous pressure of selling on short kuna curve.
HRK 10y Gov. Bond	14/12/2026	4.25	109.75	3.12	279	8.2	
Romania							
RON 2y Gov. Bond	17/01/2018	3.25	102.65	0.96	153	1.2	ROMGB curve showed surprise resilience to core and peer yield increases up to now, but we doubt this can hold. ROMGBs still look overpriced, especially of looming fiscal risks in view of the December parliamentary elections.
RON 5y Gov. Bond	22/03/2021	3.25	103.88	2.35	267	4.1	
RON 10y Gov. Bond	24/02/2025	4.75	109.96	3.40	308	6.9	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	97.65	8.83	943	2.1	Our mildly bullish stance on OFZs remains intact due to likely resumption of rate cuts in 2017 and stable RUB vs. EUR outlook. As witnessed recently, biggest risks are international politics/revived Ukraine conflict fears, whilst Trump factor seems neutral on balance.
RUB 5y Gov. Bond	18/08/2021	7.50	95.20	8.94	926	4.1	
RUB 10y Gov. Bond	03/02/2027	8.15	96.50	8.86	854	6.8	
Turkey							
TRY 2y Gov. Bond	10/07/2019	8.50	96.80	9.88	1048	2.4	TRY bond amongst the hardest hit following the bear steepening of the UST curve in post-Trump trading. Given the still elevated odds for Fed tightening in December, we expect that there is still way to go north for TURKGB yields.
TRY 5y Gov. Bond	22/09/2021	9.20	95.20	10.48	1080	4.1	
TRY 10y Gov. Bond	11/02/2026	10.60	100.05	10.59	1027	5.9	

Data as of 11 November 2016, 10:56 a.m. CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH
Financial analyst: Stephan Imre, RBI Vienna

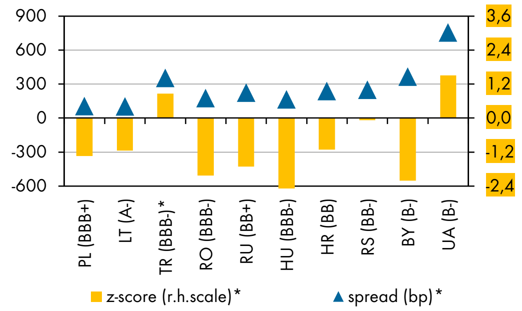
Bond auctions

		ISIN	Coupon	Maturity	Volume
14 November 2016					
TR	9y T-bonds	TRT110226T13	10.60%	11.02.2016	n.a.
TR	2y T-bonds	TRT110718T18	8.70%	11.07.2018	n.a.
15 November 2016					
RS	12m T-bills	n.a.	n.a.	n.a.	RSD 10 bn
TR	6y T-bonds	n.a.	FRN	20.04.2011	n.a.
TR	5y T-bonds	n.a.	9.20%	22.09.2021	n.a.
UA	T-bills	n.a.	n.a.	n.a.	n.a.
UA	3y T-bonds	n.a.	n.a.	n.a.	n.a.
16 November 2016					
RU	T-bonds	n.a.	n.a.	n.a.	n.a.
17 November 2016					
PL	T-bonds	n.a.	n.a.	n.a.	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

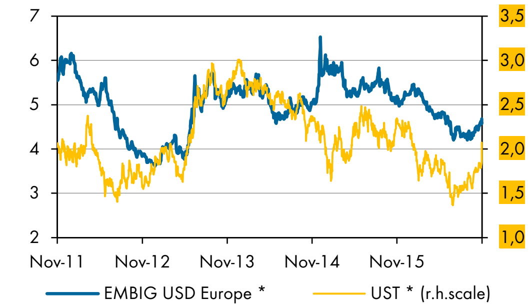
Eurobond market overview

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 mid.	Spread	Mdur.	ISIN
Issuer/rate/due	**Bid**	**Ask**	**w/w %**	**5y max**	**5y min**	**% p. a.**	**Bmk, bp**	**years**	**–**
EUR									
BGARIA 4 1/4 07/09/17	102.6	102.8	-0.15	111.8	100.3	0.07	79	0.6	XS0802005289
CROATI 5 7/8 07/09/18	109.1	109.3	-0.34	112.1	88.8	0.27	93	1.6	XS0645940288
REPHUN 3 7/8 02/24/20	112.0	112.4	-0.17	113.1	69.3	0.14	71	3.1	XS0212993678
REPHUN 4 3/8 07/04/17	102.9	103.1	-0.06	108.0	77.3	-0.35	37	0.6	XS0284810719
REPHUN 5 3/4 06/11/18	108.9	109.1	0.07	115.1	79.7	0.02	67	1.5	XS0369470397
REPHUN 6 01/11/19	112.2	112.6	-0.23	118.4	86.4	0.22	84	2.0	XS0625388136
LITHUN 4.85 02/07/18	106.1	106.2	-0.23	114.3	94.5	-0.16	52	1.2	XS0327304001
POLAND 5 5/8 06/20/18	109.3	109.7	0.03	122.6	102.1	-0.28	38	1.5	XS0371500611
POLAND 1 5/8 01/15/19	103.3	103.5	-0.28	105.5	98.0	0.05	68	2.1	XS0874841066
POLAND 3 3/4 01/19/23	120.6	121.6	0.03	125.5	99.9	0.30	55	5.5	XS0794399674
POLAND 3 3/8 07/09/24	118.9	119.0	-0.99	125.6	99.6	0.81	86	6.8	XS0841073793
ROMANI 4 7/8 11/07/19	113.7	114.0	-0.19	117.8	99.3	0.21	80	2.8	XS0852474336
TURKEY 5 7/8 04/02/19	108.8	109.2	-0.11	118.9	100.9	1.96	258	2.2	XS0285127329
TURKEY 5 1/8 05/18/20	108.1	108.5	-0.40	115.9	95.2	2.61	314	3.2	XS0503454166
USD									
BELRUS 8.95 01/26/18	104.4	105.3	-0.33	111.2	78.0	4.69	394	1.1	XS0583616239
CROATI 6 3/8 03/24/21	109.9	110.4	-1.05	117.8	86.7	3.83	247	3.8	XS0607904264
CROATI 5 1/2 04/04/23	107.0	107.5	-1.65	111.7	94.4	4.20	248	5.4	XS0908769887
REPHUN 5 3/8 02/21/23	111.3	111.7	-1.95	115.4	93.1	3.32	153	5.3	US445545AH91
REPHUN 7 5/8 03/29/41	144.0	144.9	-5.14	157.5	79.5	4.58	184	13.1	US445545AF36
LITHUN 7 3/8 02/11/20	114.9	115.3	-1.97	130.7	104.8	2.49	133	2.9	XS0485991417
LITHUN 6 5/8 02/01/22	117.7	118.1	-2.71	128.6	101.0	2.90	138	4.4	XS0739988086
LATVIA 2 3/4 01/12/20	102.7	103.2	-0.90	104.5	91.4	1.79	64	3.0	XS0863522149
LATVIA 5 1/4 06/16/21	113.3	114.0	-1.34	117.2	90.9	2.11	70	4.0	XS0638326263
POLAND 6 3/8 07/15/19	112.0	112.2	-0.60	125.9	107.4	1.72	63	2.4	US731011AR30
POLAND 3 03/17/23	100.5	100.8	-2.19	105.1	87.6	2.89	108	5.7	US731011AT95
ROMANI 6 3/4 02/07/22	117.2	117.4	-1.28	124.4	99.2	3.13	152	4.4	US77586TAA43
ROMANI 4 3/8 08/22/23	106.5	106.9	-1.85	111.1	90.8	3.26	138	5.8	US77586TAC09
RUSSIA 4 1/2 04/04/22	104.4	104.9	-0.69	114.7	82.0	3.55	200	4.8	XS0767472458
RUSSIA 7 1/2 03/31/30	120.3	120.5	-0.62	128.6	99.6	2.58	38	4.0	XS0114288789
RUSSIA 5 5/8 04/04/42	106.0	106.8	-2.56	124.9	76.0	5.17	250	13.7	XS0767473852
SERBIA 5 1/4 11/21/17	102.6	103.0	-0.20	107.1	96.8	2.44	172	1.0	XS0856951263
SERBIA 4 7/8 02/25/20	102.7	103.1	-0.74	105.4	89.6	3.92	276	3.0	XS0893103852
TURKEY 6 1/4 09/26/22	105.8	106.4	-2.35	127.0	101.0	5.03	331	4.9	US900123BZ27
TURKEY 6 7/8 03/17/36	105.9	106.6	-4.91	139.6	99.2	6.31	378	10.8	US900123AY60
TURKEY 6 3/4 05/30/40	104.5	105.6	-4.90	139.4	97.3	6.34	363	11.7	US900123BG46
UKRAIN 7 3/4 09/01/19	96.9	97.4	-2.51	101.3	88.0	8.93	786	2.4	XS1303918269
UKRAIN 7 3/4 09/01/23	92.9	93.4	-3.94	99.9	84.6	9.13	733	5.0	XS1303921487
UKRAIN 7 3/4 09/01/27	90.6	91.0	-4.35	98.4	81.2	9.11	701	6.9	XS1303927179

YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 11 Nov 2016, 10:55 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	BBB-	BBB-	stable	**Baa3**	**Baa3**	**stable**	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	positive	A-	A-	stable
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+	stable	Ba1	Ba1	negative	BBB-	BBB-	stable
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	**stable**	Ba1	Ba1	stable	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	Unemployment, %	Nominal wages, EUR	Fiscal balance, % GDP	Public debt, % GDP	Export **, % GDP	C/A, % GDP	Ext. Debt, % GDP	FXR***% ext. debt	Import cover, months
Croatia	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	-1.2	14.9	1032	-2.7	86.5	25.5	2.0	97.8	30.6	9.0
	2017f	2.5	1.3	14.2	1040	-2.9	85.8	25.9	2.1	96.2	28.9	8.4
Czech Rep.	2015	4.6	0.3	6.5	970	-0.4	40.3	71.6	0.9	69.4	51.2	6.2
	2016e	2.5	0.6	5.6	1020	-0.3	39.5	72.0	1.9	73.0	63.2	8.0
	2017f	2.7	1.7	5.4	1073	-0.2	38.4	71.8	1.3	77.1	71.5	9.6
Hungary	2015	2.9	0.0	6.9	800	-2.0	75.5	83.4	4.4	107.1	26.2	4.4
	2016e	2.3	0.3	5.3	845	-2.0	74.6	84.0	4.4	98.1	23.5	3.7
	2017f	2.7	1.8	4.6	915	-2.5	74.1	82.1	4.1	88.4	22.5	3.2
Poland	2015	3.6	-0.9	10.5	932	-2.6	51.3	40.2	-0.3	70.5	29.0	6.2
	2016e	3.3	-0.6	9.1	933	-2.9	52.2	41.2	0.1	73.9	29.1	6.3
	2017f	3.7	1.3	8.5	994	-3.4	52.6	40.0	-0.7	74.2	27.9	6.2
Romania	2015	3.8	-0.6	6.8	568	-0.7	38.4	30.6	-1.1	56.7	39.2	7.5
	2016e	5.2	-1.6	6.2	631	-3.0	39.0	30.6	-2.8	52.8	40.4	7.0
	2017f	3.6	1.2	6.2	688	-3.2	39.9	30.8	-3.3	52.6	39.5	6.6
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	7.2	6.0	472	-4.4	13.5	21.4	2.0	39.7	83.5	26.3
	2017f	1.0	6.1	6.0	571	-3.3	14.0	23.3	3.9	32.2	89.3	23.4
Ukraine	2015	-9.9	48.7	9.5	172	-2.3	72.6	39.2	-0.1	131.5	11.4	4.2
	2016e	1.0	13.3	9.0	n.a.	-3.5	77.5	36.7	-1.7	135.4	13.7	5.3
	2017f	2.0	10.7	9.0	n.a.	-3.0	78.4	39.5	-2.8	137.7	14.8	5.4
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	8.0	10.0	n.a.	-2.0	32.0	21.2	-5.1	56.1	27.6	6.6
	2017f	2.5	7.6	10.3	n.a.	-2.2	33.0	21.5	-5.2	54.7	26.2	6.1

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

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

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.

The information and recommendations in this publication which are contributed by analysts from RBI's subsidiary banks or from Raiffeisen Centrobank ("RCB") are disseminated unaltered under RBI's responsibility.
A description of the concepts and methods used in the preparation of financial analyses is available under: www.raiffeisenresearch.com/concept_and_methods.

Detailed information on sensitivity analyses (procedure for checking the stability of potential assumptions made in the context of financial analyses) is available under:
www.raiffeisenresearch.com/sensitivity_analysis.

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
This analysis by Raiffeisen Bank International AG ("RBI") is presented to you by Kathrein Privatbank Aktiengesellschaft. Supervisory authority: Austrian Financial Market Authority FMA, Otto-Wagner-Platz 5, A-1090 Vienna and National Bank of Austria, Josefsplatz 1, 1015 Vienna. Additionally, Raiffeisen Bank International AG is subject to supervision by the European Central Bank (ECB), which ECB undertakes within the Single Supervisory Mechanism (SSM), which consists of the ECB on national responsible authorities (Council Regulation (EU) No 1024/2013).

Bonds

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	20%
Hold	49%
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
26/09/2016	|	|	|	|	|	|
23/09/2016	Hold	Hold	Hold	Hold	Buy	Sell
26/08/2016	|	|	|	|	|	|
25/08/2016	Hold	Buy	Hold	Hold	Buy	Sell
29/07/2016	Hold	Buy	Hold	Hold	Buy	Sell
27/07/2016	|	|	|	|	|	|
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	|	|	|	|	|	|

Date	2Y Czech. Rep.	2Y Poland	2Y Russia	2Y Turkey	5Y Czech Rep.	5Y Hungary
26/09/2016	|	|	|	|	|	|
23/09/2016	Hold	Hold	Buy	Sell	|	|
26/08/2016	|	|	|	|	|	|
25/08/2016	Hold	Hold	Buy	Sell	|	|
29/07/2016	Hold	Hold	Buy	Sell	|	|
27/07/2016	|	|	|	|	|	|
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	|	|	|	|	|	|

Date	5Y Poland	5Y Romania	5Y Russia	5Y Turkey	BG EUROBOND EUR	BY EUROBOND USD
26/09/2016	|	|	|	|	Buy	|
23/09/2016	|	|	|	|	|	|
26/08/2016	|	|	|	|	|	|
25/08/2016	|	|	|	|	|	|
29/07/2016	|	|	|	|	Hold	|
27/07/2016	|	|	|	|	|	|
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

Date	CZ EUROBOND EUR	HR EUROBOND EUR	HR EUROBOND USD	HU EUROBOND EUR	HU EUROBOND USD	KZ EUROBOND USD
26/09/2016	|	Buy	Sell	|	|	|
23/09/2016	|	|	|	|	|	|
26/08/2016	|	|	|	|	|	Hold
25/08/2016	|	|	|	|	|	|
29/07/2016	|	|	|	Hold	Hold	Buy
27/07/2016	|	|	|	|	|	|
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

Date	LT EUROBOND EUR	LT EUROBOND USD	MK EUROBOND EUR	PL EUROBOND EUR	PL EUROBOND USD	RO EUROBOND EUR
26/09/2016	|	|	|	Buy	|	|
23/09/2016	|	|	|	|	|	|
26/08/2016	|	|	|	|	|	|
25/08/2016	|	|	|	Hold	Hold	|
29/07/2016	|	|	|	|	|	Hold
27/07/2016	|	|	Buy	|	|	|
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

Date	RO EUROBOND USD	RS EUROBOND USD	RU EUROBOND EUR	RU EUROBOND USD	SI EUROBOND EUR	SI EUROBOND USD
26/09/2016	|	Buy	|	|	|	|
23/09/2016	|	|	|	|	|	|
26/08/2016	|	Hold	Hold	Hold	Hold	|
25/08/2016	|	|	|	|	|	|
29/07/2016	Hold	|	Buy	Buy	|	|
27/07/2016	|	|	|	|	|	|
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	|

Date	SK EUROBOND EUR	TR EUROBOND EUR	TR EUROBOND USD	UA EUROBOND USD
26/09/2016	|	Hold	Hold	|
23/09/2016	|	|	|	|
26/08/2016	Hold	|	|	|
25/08/2016	|	|	|	|
29/07/2016	Sell	|	|	|
27/07/2016	|	|	|	|
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

Disclaimer Financial Analysis

Responsible for this publication: Raiffeisen Bank International AG („RBI")

RBI is a credit institution according to §1 Banking Act (Bankwesengesetz) with the registered office Am Stadtpark 9, 1030 Vienna, Austria.

Raiffeisen RESEARCH is an organisational unit of RBI.

Supervisory authority: As a credit institution (acc. to § 1 Austrian Banking Act; Bankwesengesetz) Raiffeisen Bank International AG is subject to the supervision by the Austrian Financial Market Authority (FMA, Finanzmarktaufsicht) and the National Bank of Austria (OeNB, Oesterreichische Nationalbank). Additionally, RBI is subject to the supervision by the European Central Bank (ECB), which undertakes such supervision within the Single Supervisory Mechanism (SSM), which consists of the ECB and the national responsible authorities (Council Regulation (EU) No 1024/2013 - SSM Regulation). Unless set out herein explicitly otherwise, references to legal norms refer to norms enacted by the Republic of Austria.

This document is for information purposes and may not be reproduced or distributed to other persons without RBI's permission. This document constitutes neither a solicitation of an offer nor a prospectus in the sense of the Austrian Capital Market Act (Kapitalmarktgesetz) or the Austrian Stock Exchange Act (Börsegesetz) or any other comparable foreign law. An investment decision in respect of a financial instrument, a financial product or an investment (all hereinafter "product") must be made on the basis of an approved, published prospectus or the complete documentation for such a product in question, and not on the basis of this document.

This document does not constitute a personal recommendation to buy or sell financial instruments in the sense of the Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz). Neither this document nor any of its components shall form the basis for any kind of contract or commitment whatsoever. This document is not a substitute for the necessary advice on the purchase or sale of a financial instrument, a financial product or advice on an investment. In respect of the sale or purchase of one of the above mentioned products, your banking advisor can provide individualised advice suitable for investments and financial products.

This analysis is fundamentally based on generally available information and not on confidential information which the party preparing the analysis has obtained exclusively on the basis of his/her client relationship to a person.

Unless otherwise expressly stated in this publication, RBI deems all of the information to be reliable, but does not make any assurances regarding its accuracy and completeness.

In emerging markets, there may be higher settlement and custody risk as compared to markets with established infrastructure. The liquidity of stocks/financial instruments may be influenced, amongst others, by the number of market makers. Both of these circumstances can result in elevated risk in relation to the safety of investments made in consideration of the information contained in this document.

The information in this publication is current as per the latter's creation date. It may be outdated by future developments, without the publication being changed.

Unless otherwise expressly stated (www.raiffeisenresearch.com/special_compensation), the analysts employed by RBI are not compensated for specific investment banking transactions. Compensation of the author or authors of this report is based (amongst other things) on the overall profitability of RBI, which includes, inter alia, earnings from investment banking and other transactions of RBI. In general, RBI forbids its analysts and persons reporting to the analysts from acquiring securities or other financial instruments of any enterprise which is covered by the analysts, unless such acquisition is authorised in advance by RBI's Compliance Department.

RBI has put in place the following organisational and administrative agreements, including information barriers, to impede or prevent conflicts of interest in relation to recommendations: RBI has designated fundamentally binding confidentiality zones. These are typically units within credit institutions, which are isolated from other units by organisational measures governing the exchange of information, because compliance-relevant information is continuously or temporarily handled in these zones. Compliance-relevant information may fundamentally not leave a confidentiality zone and is to be treated as strictly confidential in internal business operations, including interaction with other units. This does not apply to the transfer of information necessary for usual business operations. Such transfer of information is limited, however, to what is absolutely necessary (need-to-know principle). The exchange of compliance-relevant information between two confidentiality zones may only occur with the involvement of the Compliance Officer.

SPECIAL REGULATIONS FOR THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (UK):
This document does not constitute either a public offer in the meaning of the Austrian Capital Market Act (Kapitalmarktgesetz; hereinafter „KMG") nor a prospectus in the meaning of the KMG or of the Austrian Stock Exchange Act (Börsegesetz). Furthermore, this document does not intend to recommend the purchase or the sale of securities or investments in the meaning of the Austrian Supervision of Securities Act (Wertpapieraufsichtsgesetz). This document shall not replace the necessary advice concerning the purchase or the sale of securities or investments. For any advice concerning the purchase or the sale of securities of investments kindly contact your RAIFFEISENBANK. This publication has been either approved or issued by RBI in order to promote its investment business. Raiffeisen Bank International AG ("RBI"), London Branch is authorised by the Austrian Financial Market Authority and subject to limited regulation by the Financial Conduct Authority ("FCA"). Details about the extent of its regulation by the FCA are available on request. This publication is not intended for investors who are Retail Customers within the meaning of the FCA rules and shall therefore not be distributed to them. Neither the information nor the opinions expressed herein constitute or are to be construed as an offer or solicitation of an offer to buy (or sell) investments. RBI may have affected an Own Account Transaction within the meaning of FCA rules in any investment mentioned herein or related investments and/or may have a position or holding in such investments as a result. RBI may have been, or might be, acting as a manager or co-manager of a public offering of any securities mentioned in this report or in any related security.

SPECIFIC RESTRICTIONS FOR THE UNITED STATES OF AMERICA AND CANADA: This document may not be transmitted to, or distributed within, the United States of America or Canada or their respective territories or possessions, nor may it be distributed to any U.S. person or any person resident in Canada, unless it is provided directly through RB International Markets (USA) LLC ("RBIM"), a U.S. registered broker-dealer, and subject to the terms set forth below.

SPECIFIC INFORMATION FOR THE UNITED STATES OF AMERICA AND CANADA: This research document is intended only for institutional investors and is not subject to all of the independence and disclosure standards that may be applicable to research documents prepared for retail investors. This report was provided to you by RB International Markets (USA) LLC (RBIM), a U.S. registered broker-dealer, but was prepared by our non-U.S. affiliate Raiffeisen Bank International AG (RBI). Any order for the purchase or sale of securities covered by this report must be placed with RBIM. You can reach RBIM at 1133, Avenue of the Americas, 16th floor, New York, NY 10036, phone +1 212-600-2588. This document was prepared outside the United States by one or more analysts who may not have been subject to rules regarding the preparation of reports and the independence of research analysts comparable to those in effect in the United States. The analyst or analysts who prepared this research (i) are not registered or qualified as research analysts with the Financial Industry Regulatory Authority ("FINRA") in the United States, and (ii) are not allowed to be associated persons of RBIM and are therefore not subject to FINRA regulations, including regulations related to the conduct or independence of research analysts.

The opinions, estimates and projections contained in this report are those of RBI only as of the date of this report and are subject to change without notice. The information contained in this report has been compiled from sources believed to be reliable by RBI, but no representation or warranty, express or implied, is made by RBI or its affiliated companies or any other person as to the report's accuracy, completeness or correctness. Securities which are not registered in the United States may not be offered or sold, directly or indirectly, within the United States or to U.S. persons (within the meaning of Regulation S under the Securities Act of 1933 ["the Securities Act"]), except pursuant to an exemption under the Securities Act. This report does not constitute an offer with respect to the purchase or sale of any security within the meaning of Section 5 of the Securities Act and neither shall this report nor anything contained herein form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. This report provides general information only. In Canada it may only be distributed to persons who are resident in Canada and who, by virtue of their exemption from the prospectus requirements of the applicable provincial or territorial securities laws, are entitled to conduct trades in the securities described herein.

EU REGULATION NO 833/2014 CONCERNING RESTRICTIVE MEASURES IN VIEW OF RUSSIA'S ACTIONS DESTABILISING THE SITUATION IN UKRAINE

Please note that research is done and recommendations are given only in respect of financial instruments which are not affected by the sanctions under EU regulation no 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, as amended from time to time, i.e. financial instruments which have been issued before 1 August 2014.

We wish to call to your attention that the acquisition of financial instruments with a term exceeding 30 days issued after 31 July 2014 is prohibited under EU regulation no 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, as amended from time to time. No opinion is given with respect to such prohibited financial instruments.

INFORMATION REGARDING THE PRINCIPALITY OF LIECHTENSTEIN: COMMISSION DIRECTIVE 2003/125/EC of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards the fair presentation of investment recommendations and the disclosure of conflicts of interest has been incorporated into national law in the Principality of Liechtenstein by the Finanzanalyse-Marktmissbrauchs-Verordnung.

If any term of this Disclaimer is found to be illegal, invalid or unenforceable under any applicable law, such term shall, insofar as it is severable from the remaining terms, be deemed omitted from this Disclaimer. It shall in no way affect the legality, validity or enforceability of the remaining terms.

Imprint

Information requirements pursuant to the Austrian E-Commerce Act

Raiffeisen Bank International AG
Registered Office:
Am Stadtpark 9, 1030 Vienna
Postal address:
1010 Vienna, POB 50
Phone: +43-1-71707-0
Fax: + 43-1-71707-1848

Company Register Number:
FN 122119m at the Commercial Court of Vienna

VAT Identification Number:
UID ATU 57531200

Austrian Data Processing Register:
Data processing register number (DVR): 4002771

S.W.I.F.T.-Code:
RZBA AT WW

Supervisory Authorities:
As a credit institution (acc. to § 1 Austrian Banking Act; Bankwesengesetz) Raiffeisen Bank International AG is subject to the supervision by the Austrian Financial Market Authority (FMA, Finanzmarktaufsicht) and the National Bank of Austria (OeNB, Oesterreichische Nationalbank). Additionally, RBI is subject to the supervision by the European Central Bank (ECB), which undertakes such supervision within the Single Supervisory Mechanism (SSM), which consists of the ECB and the national responsible authorities (Council Regulation (EU) No 1024/2013 - SSM Regulation). Unless set out herein explicitly otherwise, references to legal norms refer to norms enacted by the Republic of Austria.

Membership:
Austrian Federal Economic Chamber, Federal Bank and Insurance Sector, Raiffeisen Association

Statement pursuant to the Austrian Media Act

Publisher and editorial office of this publication
Raiffeisen Bank International AG
Am Stadtpark 9, A-1030 Vienna

Media Owner of this publication
Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen
Am Stadtpark 9, A-1030 Vienna

Executive Committee of Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen:
Mag. Peter Brezinschek (Chairman), Mag. Helge Rechberger (Vice-Chairman)

Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen is constituted as state-registered society. Purpose and activity are (inter alia), the distribution of analysis, data, forecasts and reports and similar publications related to the Austrian and international economy as well as financial markets.

Basic tendency of the content of this publication
- Presentation of activities of Raiffeisen Bank International AG and its subsidiaries in the area of conducting analysis related to the Austrian and international economy as well as the financial markets.
- Publishing of analysis according to various methods of analyses covering economics, interest rates and currencies, government and corporate bonds, equities as well as commodities with a regional focus on the euro area and Central and Eastern Europe under consideration of the global markets.

Editor: Martin STELZENEDER, RBI Vienna

Producer of this publication
Raiffeisen Bank International AG
Am Stadtpark 9, A-1030 Vienna

Creation time of this publication: 11/11/2016 12:54 PM (CET)
Distribution time of this publication: 11/11/2016 12:54 PM (CET)

Raiffeisen Bank International AG (Raiffeisen RESEARCH Team)
Global Head of Research: Peter BREZINSCHEK

Market Strategy / Quant Research	**Research Sales and Operations (RSOP)**	**Economics / Fixed Income / FX Research**	**Equity Company Research**
Valentin HOFSTÄTTER (FA)*	Werner WEINGRABER	Gunter DEUBER (FA)*	Connie GAISBAUER (FA)*
Judith GALTER (FA)*	Birgit BACHHOFNER	Jörg ANGELE (FA)*	Aaron ALBER (FA)*
Christian HINTERWALLNER (FA)*	Björn CHYBA	Wolfgang ERNST (FA)*	Hannes LOACKER (FA)*
Thomas KEIL (FA)*	Kathrin KORINEK	Stephan IMRE (FA)*	Johannes MATTNER (FA)*
Christoph KLAPER (FA)*	Andreas MANNSPARTH	Lydia KRANNER (FA)*	Christine NOWAK (FA)*
Dagmar KÖNIG (FA)*	Aleksandra SREJIC	Patrick KRIZAN (FA)*	Leopold SALCHER (FA)*
Nina NEUBAUER-KUKIC (FA)*	Marion STADLER	Matthias REITH (FA)*	Christoph VAHS (FA)*
Andreas SCHILLER (FA)*	Martin STELZENEDER (FA)*	Elena ROMANOVA (FA)*	
Robert SCHITTLER (FA)*	Arno SUPPER	Andreas SCHWABE (FA)*	**Credit Company Research**
Stefan THEUßL (FA)*	Marion WANNENMACHER	Gintaras SHLIZHYUS (FA)*	Jörg BAYER (FA)*
		Gottfried STEINDL (FA)*	Eva-Maria GROSSE (FA)*
Retail Research Manager		Martin STELZENEDER (FA)*	Michael HELLER (FA)*
Veronika LAMMER (FA)*			Martin KUTNY (FA)*
Helge RECHBERGER (FA)*			Stefan MEMMER (FA)*
			Werner SCHMITZER (FA)*
			Jürgen WALTER (FA)*

AO Raiffeisenbank (RU)	**RAIFFEISEN BANK S.A. (RO)**	**Raiffeisen Bank Zrt. (HU)**	**Raiffeisenbank Austria d.d. (HR)**
Anastasia BAYKOVA (FA)*	Catalin DIACONU (FA)*	Gergely PALFFY (FA)*	Nada HARAMBASIC-NEREAU (FA)*
Sergey GARAMITA (FA)*	Ionut DUMITRU (FA)*	Zoltán TÖRÖK (FA)*	Elizabeta SABOLEK-RESANOVIC (FA)*
Stanislav MURASHOV (FA)*	Silvia ROSCA (FA)*	Levente BLAHÓ (FA)*	Ana TURUDIC (FA)*
Anton PLETENEV (FA)*	Nicolae COVRIG (FA)*		Tomislava UJEVIC (FA)*
Irina ALIZAROVSKAYA (FA)*		**Raiffeisen Bank dd Bosna i Hercegovina**	Zrinka ZIVKOVIC-MATIJEVIC (FA)*
Natalia KOLUPAEVA (FA)*	**Raiffeisen Bank Aval (UA)**	Ivona ZAMETICA (FA)*	
Fedor KORNACHEV (FA)*	Sergii DROBOT (FA)*	Srebrenko FATUSIC (FA)*	**Raiffeisenbank Bulgaria (BG)**
Sergey LIBIN (FA)*			Emil KALCHEV (FA)*
Andrey POLISCHUK (FA)*	**Raiffeisen Bank Kosovo (KS)**	**Raiffeisen POLBANK (PL)**	
Denis PORYVAY (FA)*		Mateusz Namysl (FA)*	**Raiffeisenbank a.s. (CZ)**
Rita TSOVYAN (FA)*	**Raiffeisen Bank Sh.A. (AL)**	Marta PETKA-ZAGAJEWSKA (FA)*	Helena HORSKA (FA)*
Konstantin YUMINOV (FA)*	Joan CANAJ (FA)*	Aleksandra PIKALA (FA)*	Monika JUNICKE (FA)*
	Valbona GJEKA (FA)*	Wojciech STEPIEN (FA)*	Lenka KALIVODOVA (FA)*
Priorbank (BY)			Daniela MILUCKA (FA)*
Natalya CHERNOGOROVA (FA)*		**Raiffeisen banka a.d. Beograd (RS)**	
Oleg LEONTEV (FA)*		Ljiljana GRUBIC (FA)*	**Tatra banka, a.s. (SK)**
Vasily PIROGOVSKY (FA)*			Robert PREGA (FA)*
			Boris FOJTIK (FA)*
			Juraj VALACHY (FA)*

*(FA) = Financial Analyst