CEE Weekly

Issue 52/2016

23 December 2016

Raiffeisen RESEARCH

Market snapshot

	curr.*	Mar-17	Jun-17	Sep-17
Poland				
EUR/PLN	4.420	4.40	4.45	4.40
Key rate	1.50	1.50	1.50	1.50
10y bond	3.5	3.5	3.6	3.7
Hungary				
EUR/HUF	310.7	310	315	310
Key rate	0.90	0.90	0.90	0.90
10y bond	3.3	3.2	3.2	3.3
Czech Republic				
EUR/CZK	27.02	27.0	27.0	27.0
Key rate	0.05	0.05	0.05	0.05
10y bond	0.5	0.6	0.6	0.5
Romania				
EUR/RON	4.529	4.45	4.50	4.45
Key rate	1.75	1.75	1.75	1.75
10y bond	3.7	3.3	3.4	3.5
Croatia				
EUR/HRK	7.533	7.55	7.47	7.50
Key rate	2.50	2.50	2.50	2.50
10y bond	3.1	3.1	3.1	3.2
Russia				
USD/RUB	61.00	63.0	62.0	60.0
Key rate	10.00	9.50	9.00	8.50
10y bond	8.5	8.9	8.8	8.7
Turkey				
USD/TRY	3.511	3.40	3.50	3.40
Key rate	8.00	8.50	8.50	8.50
10y bond	10.9	11.6	11.8	11.6
EUR/USD	1.046	1.04	1.02	1.02

** prices as of 22 December 2016, 11:59 p.m. CET*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Content

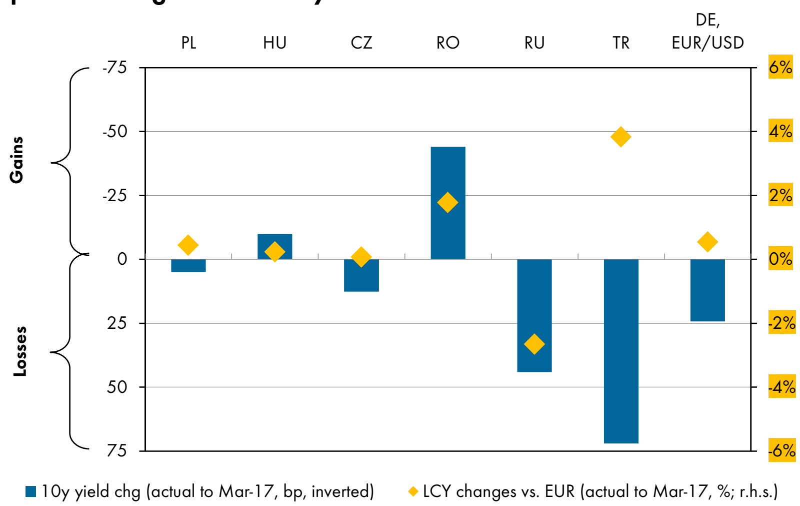
Dear Customers and Colleagues: The next 'CEE Weekly' publication will be on 5 January 2017. We wish you a Merry Christmas, happy holidays and a successful New Year!

Highlights

This week's focus was on central bank meetings in the Czech Republic, Hungary and Turkey. The strong jump in November's CPI headline print (released 9 Dec.) tempted some subsequent hawkish comments from Czech officials pointing to upward risks to their own CPI forecasts and, in turn, triggering another wave of speculative positioning on CZK markets (e.g. 2y-2y CZ-DE LCY yield spread narrowed to around -25bp). At last Thursday's rate setting meeting, however, the bank re-iterated its "hard" commitment to not abandon the CZK floor before Q2 2017. We would like to emphasize that the latest CPI jump was mainly driven by volatile food prices. Against this backdrop the CNB is well advised to trying to influence inflation expectations in order to keep the feasibility of their unanimous goal of exiting around mid-2017 in check ("soft" commitment). However, not least due to the high media pressure heterogeneous CNB statements will stay with us going forward. In Hungary, liquidity-boosting measures by the MNB continued through increasing the volume of FX swaps slightly and capping the 3m deposit volume by a bit more than assumed. HGBs seem to increasingly benefit from the abundant liquidity that is squeezed out from short-maturity HUF instruments so there should be some juice left in the HGB year-end mini-rally. For Turkey, in a nutshell, we believe that the TCMB will have to make up leeway for last week's policy failure. We assume that more conventional MP tightening is needed in order to safeguard sustainable TRY market stability and only then would we consider to re-entering TRY markets. PMI data will be the highlight for the upcoming week, but given the holidays little market impact is expected. We also have a special focus today devoted to a recent significant banking sector event in Ukraine - nationalization of PrivatBank, one of the largest lenders in the country with over 20% market share in assets.

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

Expected changes from today until March 2017



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Data highlights upcoming weeks

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
29-Dec	RU: PMI, point	Dec	n.a.	n.a.	n.a.	n.a.	53.6
02-Jan	HU: PMI, points	Dec	n.a.	57.0	55.5	53.0	56.6
02-Jan	PL: PMI, points	Dec	n.a.	n.a.	n.a.	n.a.	51.9

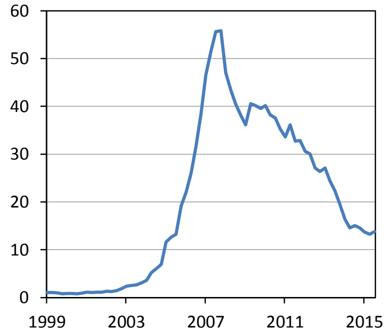
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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

Focus on: PrivatBank (UA) - A boost for the banking sector clean-up in Ukraine

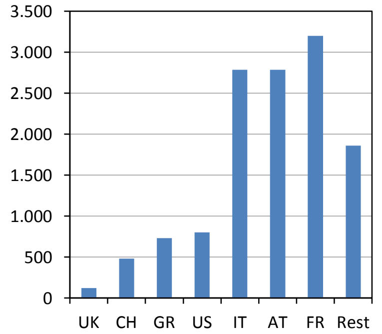
- PrivatBank nationalization implies ~50% of the banking sector in state-ownership
- More decisive market clean-up and de-oligarchisation could be in the cards
- Tight balance between restructuring and keeping confidence into the banking system needed
- By and large IFIs/donors interpret PrivatBank nationalisation as a positive set for more reforming

Cross-border claims Ukraine*



** USD bn, consolidated cross-border claims, latest data point June 2016*
Source: BIS, RBI/Raiffeisen RESEARCH

Cross-border claims Ukraine*



** USD mn, locational banking statistics, latest data point June 2016*
Source: BIS, RBI/Raiffeisen RESEARCH

Over the last week-end Ukrainian authorities had to take more decisive action regarding PrivatBank, which finally resulted in a nationalization of the biggest domestic lender (asset base approx. USD 10 bn, market share around 20%+). This move has put an end to long-lasting speculations about the health (and future) of the largest lender. As the nationalization takes out a lot of uncertainty it should be considered as positive from a short-term perspective. This holds true despite a non-negligible impact on public finances. Moreover, the PrivatBank nationalization and required restructuring could help in the overall need to move forward with regards to the de-oligarchisation of the Ukrainian economy given the substantial involvement of PrivatBank in related party lending.

The problems in PrivatBank have become loudly outspoken by the regulator when the bank has failed to pass the stress test earlier in 2016. Since then, its capital gap, according National Bank of Ukraine (NBU) has surged to over USD 5.6 bn as of December 2016. The gap was entirely related to the poor quality of the bank's loan portfolio. According to the regulator, the bank has been involved into imprudent lending practice with loans being excessively disbursed either to directly related parties, or to close business allies to the owners' business. The latest quotes by the NBU point to the fact that the bank's loan book almost in full was related to these two categories of borrowers. Given that PrivatBank's market share in retail deposits was close to 37% and the number of depositors was as high as 20 mn., a collapse of such a systemically important institution would have cause a very serious systemic crisis in still-suppressed banking sector in Ukraine. Therefore, a decision of a 100% nationalization of the bank was the needed solution to frame the mounting strains resulting from the situation at PrivatBank.

All in all, cases when a large bank associated with a financial-industrial group fails due to improper concentrations and related party lending, are not that uncommon in the CIS/EE region in the countries where (oligarchic) financial-industrial groups play a significant role in the economy. For example, Russia saw a few cases like that in 2007-2009, and troubles at one of the largest lenders in Bulgaria (CCB in 2015) were also largely a story of the same kind. The fundamental problem with the yet-evolving banking systems in EE in particular, is the frequent lack of pro-active regulation and supervision, as well as neat control over the vailed related party lending or other imprudent actions possibly undertaken by the oligarchic banks. In Ukraine the clean-up of the past few years was quite notable, however.117 banks remained operating in Ukraine as of the beginning of 2016, compared to 180 back in 2013, after the NBU-orchestrated system clean up. Still, more fundamental actions remain needed, as the evidence shows. The key point for the Ukrainian banking system remains how many institutions would be able to stay solvent and keep on running there in the short-term horizon (1-2 years from now). According to Moody's estimations, in about a year from now the capitalization of the Ukrainian banking system is likely to fall below 3% for the rated banks at least. That said, what would the country's banking competitive landscape be, and how the state and the regulator would cope with the large number of de-facto insolvent banks, remains one of the crucial points for the sector stability, in our view.. However, a decisive restructuring of nationalized PrivatBank would definitely help to improve the market and solvency outlook for the remaining operating lenders with a functioning business model. In particular, the remaining foreign-owned lenders may benefit from such a market reshuffling.

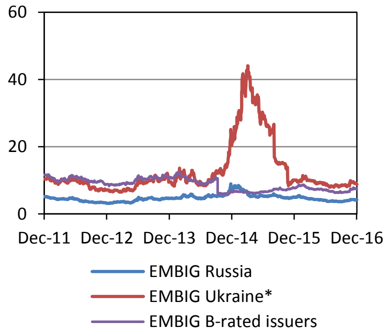
Due to the size of PrivatBank (assets around USD 10 bn, market share around 20%+) the segment of state-ownership in the Ukrainian banking sector will increase significantly, from around 25-28% to close to 50%. Whether the nationalization of PrivatBank will be beneficial for the mid-term prospects in Ukrainian banking while largely depend on the concrete handling of the much-need restructuring of the troubled lender. Ukrainian authorities definitely have to find a balance between restructuring excessive related-party exposures, while keeping the overall trust in the banking system in place. A decisive restructuring of PrivatBank exposures could definitely support the overall structural reforming in Ukraine as such a strategy would touch and diminish a lot of vested (oligarchic) interests. However, this train of thought also implies that a decisive restructuring will be a very challenging political task within the polarized Ukrainian political spectrum. Up to now we see positive interpretations regarding the PrivatBank nationalization dominating among IFIs and external observers like IMF, EU, EBRD etc. In this context we would consider tangible IFI involvement as crucial for a decisive restructuring, while keeping a credible re-privatization option. From a mid-term perspective we would consider it as crucial that Ukraine once again moves away from a state-centric ownership structure in the banking system.

The international impact of the PrivatBank nationalization should be limited. International banks have cut down their Ukrainian exposures substantially in recent years (to levels of USD 12-13 bn, more or less the same amounts like in small CEE economies like Belarus or Slovenia), with a focus on key client relationships and limited exposure to Ukrainian banks. Moreover, international banks operating in Ukraine had been also very cautious with regards to their (potential) exposures towards PrivatBank. Nevertheless, some remaining investors in PrivatBank Eurobonds may suffer (currently 2018 notes of PrivatBank are trading at around 14 cents for the Dollar). According to recent NBU communication Bail-in is foreseen for Eurobonds of PrivatBank as the NBU considers those notes as funds affiliated with (former) owners. However, the overall size of this exposure is also limited, while we would expect mostly dedicated distressed debt managers/funds being still invested in PrivatBank Eurobonds (following restructuring already in 2015, by then PrivatBank notes traded at around 40 cents for the Dollar).

The impact from the PrivatBank nationalization on UAH and Ukrainian sovereign spreads had been limited up to now. This can be largely attributed to the fact that Ukrainian sovereign spreads remained at elevated levels over the last few months anyways, while the currency market is still partially protected by strict NBU control measures. Nevertheless, the PrivatBank nationalization can be seen as slightly negative for Ukrainian ambitious to return to international capital markets (on a sustainable basis) in 2017 (a key demand in the IMF program).

Financial analysts: Gunter Deuber (+43 1 71707 5707), RBI Vienna
Elena Romanova (+43 1 71707 1378), RBI Vienna

EMBIG yield levels (%)



** Scale capped, EMBIG UA in 2014 and 2015 well above 20% with peak levels around 44%*
EMBIG RU: 5y high: 8.9 , 5y low: 3.1
EMBIG UA: 5y high: 44.1 , 5y low: 6.4
EMBIG B-rated: 5y high: 12.4 , 5y low: 5.9
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

UAH relatively stable over 2016

USD/UAH 5y high: 33.8; 5y low 8.0
Source: Thomaon Reuters, RBI/Raiffeisen RESEARCH

Data calendar and country coverage

This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Previous
Friday 16 December				
RU: Key rate, %	Dec	10.00	10.00	10.00
BY: Industrial output, % yoy	Nov	5.1	-1.5	0.3
Monday 19 December				
PL: Industrial output, % yoy	Nov	1.7	0.8	-1.3
PL: Retail sales, % yoy	Nov	4.8	3.2	3.7
RU: Retail sales, % yoy	Nov	-3.4	n.a.	-4.4
UA: GDP, % yoy	Q3	2.0	n.a.	1.8
BY: Retail sales, % yoy	Nov	-3.9	-3.8	n.a.
Tuesday 20 December				
HU: Key rate, %	Dec	0.90	0.90	0.90
UA: Retail sales, % yoy	Nov	3.7	n.a.	3.0
TR: Key rate, %	Dec	8.00	n.a.	8.00
Wednesday 21 December				
UA: Industrial production, % yoy	Nov	2.2	n.a.	0.8
Thursday 22 December				
CZ: Key rate, %	Dec	0.05	0.05	0.05
Friday 23 December				
HU: Trade balance, EUR mn	Oct	903.0	n.a.	891.0
HU: C/A balance, EUR mn	Q3	1289.0	n.a.	1767.0

Indicator	Period	Forecast	High	Mean	Low	Previous
Thursday 29 December						
RU: PMI, point	Dec	n.a.	n.a.	n.a.	n.a.	53.6
HR: Industrial output, % yoy	Nov	2.7	n.a.	n.a.	n.a.	1.8
RS: Retail sales, % yoy	Nov	n.a.	n.a.	n.a.	n.a.	5.2
RS: Industrial output, % yoy	Nov	n.a.	n.a.	n.a.	n.a.	3.2
SI: CPI, % yoy	Dec	n.a.	n.a.	n.a.	n.a.	0.6
Friday 30 December						
PL: CPI, % yoy	Dec	n.a.	0.6	0.5	0.2	0.0
RU: GDP, % yoy	Q3	n.a.	n.a.	n.a.	n.a.	-0.4
BG: Key rate, %	Jan	n.a.	n.a.	n.a.	n.a.	0.00
SI: Retail sales, % yoy	Nov	n.a.	n.a.	n.a.	n.a.	8.7
Monday 02 January						
HU: PMI, points	Dec	n.a.	57.0	55.5	53.0	56.6
PL: PMI, points	Dec	n.a.	n.a.	n.a.	n.a.	51.9
Tuesday 03 January						
HR: Retail trade, % yoy	Nov	n.a.	n.a.	n.a.	n.a.	5.3
TR: CPI, % yoy	Dec	n.a.	8.5	7.5	7.0	7.0

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Belarus (BY) – Recent data releases point towards a somewhat slower decline in GDP at 2.7%, industrial production at 0.9% and investment at 19.2% yoy for 11m 2017, as compared to data previously announced. On the other hand, the drop in retail sales accelerated to 3.9% as the fall in disposable real incomes of households continued at 7.3% yoy. Meanwhile, the authorities announced a further hike in utility prices from January 2017. The CPI is in line with the official forecast, at 12% yoy and a cumulated 10.1% for 11m 2016. The National Bank has left the key refinancing rate unchanged at 18% since August 2016 (after four consecutive cuts from an initial 25% earlier in 2016). The recessionary environment in 2016 is associated with the low prices for important export commodities, oil products and potash fertilizers, interruptions with crude supplies by Russia, weaker demand for Belarusian exports in the Russian market (main export market for Belarus), as well as restrictive policies by local authorities. The growth prospects are also limited by structural weaknesses and the slow progress of reforms, which is also the likely reason for the postponement of the EFSD loan tranche (USD 300mn) and the IMF loan negotiations for next year. Although most of the indicative macro parameters required by the EFSD have been fulfilled, the strategy for the state sector reform is pending. As for the IMF programme, it is reported that the principal agreement on the urgency of structural reforms is in place, but divergences on the pace of such reforms remain. While the IMF is pushing for a more rapid transition, local authorities would opt for a measured approach avoiding harsh implications for the population. In spite of the current halt in external inflows, FX reserves have increased again (by 16% overall ytd) up to USD 4.8bn. These have lately been underpinned by internal sources mainly: FX purchases by the NB at the Exchange, domestic FX bond issuances by local authorities and oil export duties. By mid-December the BYN had depreciated versus the currency basket by a cumulated 14% ytd. Further gradual BYN devaluation remains our base scenario due to the upcoming debt repayments, while households will likely moderate their consumption volumes (and FX selling - net USD 1.8bn for 11m 2016.) in line with the shrinking disposable incomes.

Financial analyst: Natalya Chernogorova (+375 17 289 92 31), Priorbank JSC, Minsk

Croatia (HR) – This last week was lean in terms of important macroeconomic releases, but the forthcoming shortened working week will be in short supply as well. Only industrial production data for November is set to be published next Thursday. In our view, the favourable trends should continue due to the expected recovery of foreign demand, thus also exerting a positive impact on GDP. Hence we predict that industrial production growth could accelerate to 2.7% yoy in November. Meanwhile, the high liquidity in the system is set to stay, thus keeping money market interest rates at historically low levels. As is usual at the end of year, the next few days should bring some calm pre-holiday sentiment, so no significant changes are expected.

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

Czech Republic (CZ) – The key rate setting meeting did not bring any changes in the monetary policy of the Czech national bank. The board kept the key interest rate unchanged at 0.05 % and emphasized its previously mentioned views to continue to defend the Czech currency at just above EUR/CZK 27.00 until at least the end of Q1 2017. According to the board, the CZK exit will probably happen mid-2017. We expect CZK exit in the second half of the next year, however some risks should be taken into consideration. Faster inflation, especially at the beginning of the year, could lead to speculation of possible faster end of the commitment, for example in April. The CPI inflation is already 50pp above the CNB forecast and according to our forecast it should approach the inflation goal of 2% at the beginning of 2017. In addition, inflation in January traditionally surprises since many companies use the opportunity to change their price lists at the beginning of the year.

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

Hungary (HU) – The MNB again decided to cut its 3-month deposit facility for banks to park their extra liquidity at the 0.9% key rate, from HUF 900bn (end of 2016 Q4) to HUF 750bn (end of 2017 Q1). This is a minor step towards further monetary easing with the MNB's unconventional policy tools. Notwithstanding, the move was smaller than we expected, and to our understanding signals a certain degree of cautiousness from the monetary policymakers. This cautiousness is underpinned by the achievements of the new monetary policy techniques employed from September: while the key rate remained unchanged at 0.9%, interbank rates dropped by 50bp (3-month BUBOR is 0.39%), and the very recent 3-month T-bill auction resulted in a historical low yield of 0.06% – i.e. the new monetary policy techniques produced aggressively declining rates – more than we had anticipated. Moreover, inflation is picking up and according to the MNB the 3% inflation target will be met by early 2018 (we believe it may happen at the end of 2017). The scope for further monetary easing is very limited and the need for it questionable. In our view, monetary easing will cease in the course of the next 3-6 months, and we expect increasing interbank rates in 2017 H2.

Financial analysts: Zoltán Török (+36 1 484 48 43), Raiffeisen Bank Zrt., Budapest
Levente Blahó (+36 1 484 43 01), Raiffeisen Bank Zrt., Budapest

Poland (PL) – On Monday the CSO published data on "hard" economic indicators: retail sales, industrial output, construction output and the PPI index. All readings surprised on the upside, both us and the market, coming in clearly above the consensus. Industrial output grew by 3.3% yoy in comparison to the decline by 1.3% in the previous month. The declines continued in the mining sector (down by 0.5% yoy) and the production and supply of water, power and gas. Manufacturing on the other hand contributed positively this month, growing by 4.3% yoy. The increases in production were noted in 24 out of 34 industries, above all in furniture, metal and food production. The better-than-expected outcomes may boost construction output. After the second worst result noted in October (-20.1% yoy), the construction sector has limited its falls to 12.8% yoy. On the other hand, taking into consideration the 5.4% increase on a monthly basis, it looks as if the construction sector is heading out of recession. Very good outcomes for retail sales – 6.6% yoy is the best reading for over two years – indicates that the slowdown in consumption recorded in October could be just a temporary phenomenon, and that the impact of social transfers is growing stronger. Increases were recorded in almost all categories, above all in automobiles, food and beverages, clothing and footwear sales. December may bring a further improvement in data on retail sales, primarily due to the holiday period and increased spending, strongly backed by the "500+" program. The first two months of Q4 indicate that consumer demand will still be the main driving force of GDP in Q4. The PPI index confirms our expectations regarding inflationary pressure in the coming months. PPI growth in November amounted to 1.7% yoy, which was driven mainly by the increase in commodity prices (fossil fuels and metals). Taking into consideration wage growth – wages in the corporate sector increased by 4% yoy – we expect CPI growth to accelerate up to 1% at the beginning of next year. With a relatively lean release calendar for the coming week, attentions should be focused on the unemployment rate in November. Market consensus assumes an increase by 0.1pp. According to our forecasts, and taking into consideration the last figure for employment (3.1% in November), we believe that the unemployment rate will remain unchanged at 8.2%.
After the sudden reaction to the Fed decision regarding the path of future interest rate hikes, this week PLGBs are making up for the losses. Yields on 10-year GBs fell in the middle of December, and now sit at 3.4%-3.5%.

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

Romania (RO) – Politics remained in the limelight this past week. The new Parliament officially started its mandate on 20 December. Over the following two days the President met with representatives of the parties which entered Parliament, for consultations in order to decide on the Prime Minister. The Social Democratic Party (PSD) came up with a surprising proposal by choosing a low profile member. The PSD together with its ally, the Alliance of Liberals and Democrats (ALDE), are backing Mrs Sevil Shhaideh. She has occupied the post of Minister for Regional Development for six months. The Alliance of Hungarians in Romania (UDMR) also joined the alliance formed by the PSD and ALDE, which strengthens the parliamentary majority. The President announced yesterday that he will nominate the PM following the Christmas holidays. Afterwards, the new Government has to be approved by Parliament.
Next week is rather empty, with the main macroeconomic release being the public budget execution for the first eleven months of the year. While the public budget deficit was low after ten months (at 0.2% of GDP), it probably widened in November. Still, we expect the bulk of the deficit to be realised in December, based on experience from past years. However, we think the public budget deficit target for 2016 (2.8% of GDP) will be undershot.

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

Russia (RU) – A December survey, conducted by the CBR, revealed that estimates of next year's individual welfare have gone up, while inflation expectations have declined. The respondents seem to be more confident about the future developments and changes in their wealth, expecting an uptick in their income and living standards. According to the CBR, December's incentives for major purchases were higher despite the increased propensity to save. The latter is related to the pick-up in demand over the New Year holidays. The CBR claims that inflation expectations slowed down in December and over the year, but still lag behind actual inflation. The inertia of inflation expectations is a key factor behind the tight monetary policy at present.

Financial analyst: Stanislav Murashov (+7 495 221 9845), AO Raiffeisenbank, Moscow

Monetary policy and money markets overview

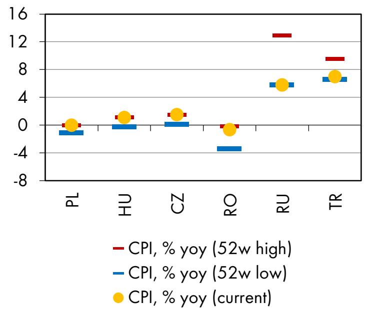
CEE key interest and money markets outlook

Poland	current*	Mar-17	Jun-17	Sep-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	1.73	1.73	1.73	5.14	1.65
Hungary						
Key interest rate	0.90	0.90	0.90	0.90	7.00	0.90
3m money market rate	0.39	0.30	0.30	0.40	7.65	0.39
Czech Republic						
Key interest rate	0.05	0.05	0.05	0.05	0.75	0.05
3m money market rate	0.28	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	0.82	0.85	1.00	1.15	6.30	0.68
Russia						
Key interest rate	10.00	9.50	9.00	8.50	17.00	5.25
3m money market rate	10.51	10.10	9.60	9.10	29.93	6.65
Serbia						
Key interest rate	4.00	4.00	4.00	4.00	11.75	4.00
3m money market rate	3.47	3.60	3.60	3.60	13.13	3.26
Turkey						
Key interest rate	8.00	8.50	8.50	8.50	10.00	4.50
3m money market rate	10.13	10.30	10.50	10.20	12.44	4.85

Benchmark key rates	current	Mar-17	Jun-17	Sep-17	5y high	5y low
ECB key interest rate	0.00	0.00	0.00	0.00	1.00	0.00
Fed key interest rate	0.75	0.75	1.00	1.00	0.75	0.25

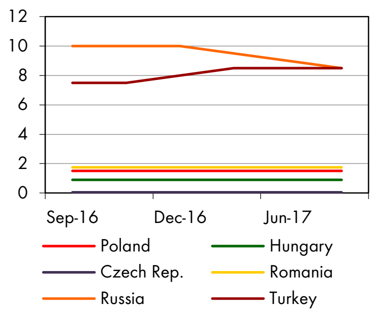
Source: Bloomberg, RBI/Raiffeisen RESEARCH
** Bid rates (for Hungary ask rates) as of 22 December 2016, 11:59 p.m. CET*

Inflation snapshot



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



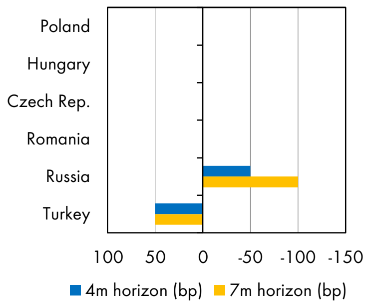
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	Hawkish rhetoric introduced in Sept. was removed in Dec. with CNB highlighting likely flat rates at least in 2017. This is in line with our take that rate hikes in 2017 have become unlikely, a view that is additionally supported by recent ECB QE prolongation.
Hungary (MNB)	MNB continues to ease monetary conditions via liquidity provisioning like capping 3m deposit volume further and providing FX swap operations. 3m deposit as well o/n and 1w lending rates should remain all at current 0.90% throughout 2017. Nevertheless, recent government-led growth boost could lead to earlier exit from ultra-loose MP than earlier assumed.
Czech Republic (CNB)	CNB highlights inflation risks in a hawkish manoeuvre after Nov.'s CPI surge. As headline was driven by energy and food price (base) effects, CNB tries to talk up reflation dynamics in our view in order to influence inflation expectations. Based on CNB's own fcsts, we regard CPI inflation in mid-2017 not as dynamic enough to tighten monetary conditions via a stronger CZK. We therefore still expect that "CZKexit" should come not earlier than end-2017 after inflation dynamics become stronger and ECB QE is coming to an end.
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, especially in light of the current fiscal uncertainties, but verbal interventions might point to tightening stance in 2017.
Serbia (NBS)	NBS lowered inflation target range by 1pp to 3% +/- 1.5 pp and remained on hold recently due expected acceleration in CPI inflation in the next few months. External risks in terms of Fed uncertainty in the spotlight, given the high share of USD-based investors in RSD bonds.
Russia (CBR)	CBR might stick to its earlier forward guidance and continue with cautious rate cuts only next year. Disinflation dynamics are healthy but in line with CBR expectations. Due to transition to structural liquidity surplus, CBR will conduct 1w deposit auctions starting in 2017.
Turkey (TCMB)	TCMB failed to put more coal on the fire in Dec. after a key rate hike in Nov. The latter was not sufficient to bring the ailing of lira markets to a more sustainable halt, so we expect they have to make up leeway for this in Q1 especially as external pressure from ongoing Fed hikes starts to mount.

Source: RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

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

Source: National Central Banks, RBI/Raiffeisen RESEARCH

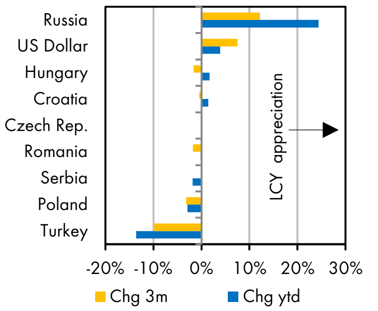
Foreign exchange market overview

FX forecasts

EUR vs	current*	Mar-17	Jun-17	Sep-17	5y high	5y low	Comment
PLN	4.420	4.40	4.45	4.40	4.46	4.08	EUR/PLN projected to remain in a range around 4.40 during Q1 2017
HUF	310.7	310	315	310	316	291	EUR/HUF is expected to continue trading in ist 301-315 range, volatility expected to remain low
CZK	27.02	27.0	27.0	27.0	27.7	25.1	CNB wording did not change regarding abandoning of FX regime; inflation expectations key; CNB board also discussing negative rates
RON	4.529	4.45	4.50	4.45	4.52	4.33	Parliamentary elections brought no significant RON volatility, we expect EUR/RON to remain stable in a tight range around 4.45-4.50
HRK	7.533	7.55	7.47	7.50	7.66	7.52	EUR/HRK expected to remain in a tight trading range, despite slight recent depreciation
RSD	123.6	123	123	124	123	106	Key rate kept stable, contributing to EUR/RSD stability
RUB	63.78	65.5	63.2	61.2	79.3	40.3	see USD/RUB below
UAH	27.39	29.1	27.5	27.5	27.4	10.4	see USD/UAH below
BYN	2.230	2.24	2.30	2.35	2.51	1.01	see USD/BYN below
TRY	3.671	3.54	3.57	3.47	3.66	2.35	see USD/TRY below
USD	1.046	1.04	1.02	1.02	1.38	1.05	Expectation on further US Fed rate hikes to support USD against euro
USD vs	**current***	**Mar-17**	**Jun-17**	**Sep-17**	**5y high**	**5y low**	
RUB	61.00	63.0	62.0	60.0	73.0	30.5	Rouble supported by oil price increase following OPEC (and non-OPEC) production cut decision, but additional short-term appreciation potential limited in our view
UAH	26.20	28.0	27.0	27.0	26.1	8.01	Central bank keeping USD/UAH stable via administrative measures, overall depreciation trend seen for coming months
BYN	2.008	2.15	2.25	2.30	2.22	0.80	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	3.511	3.40	3.50	3.40	3.49	1.78	USD/TRY remaining close to historic high levels; with significant lira weakening already seen we would expect volatile movement around current levels

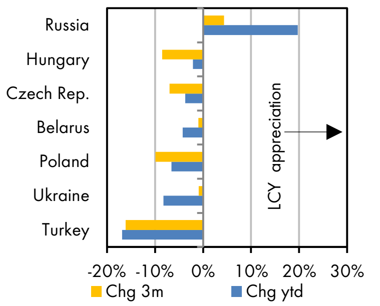
** as of 22 December 2016, 11:59 p.m. CET*
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



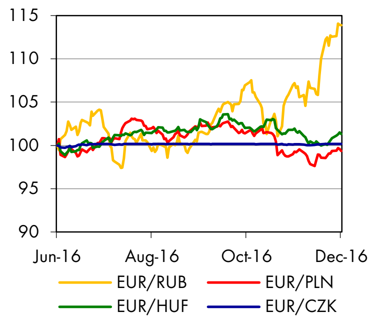
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

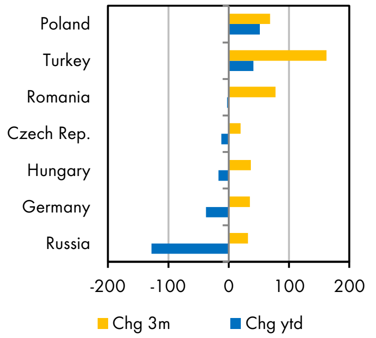
Exchange rate comparison



Indexed 22 Jun-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

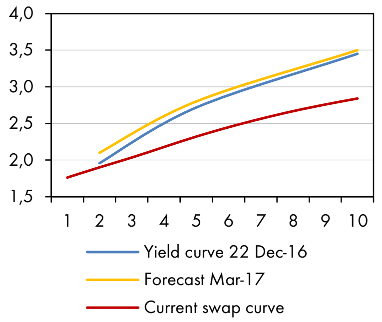
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



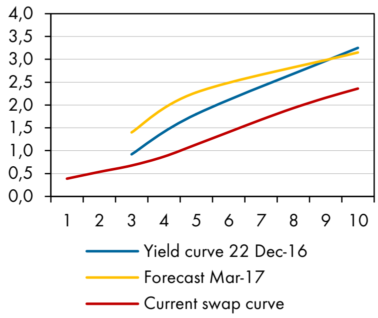
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



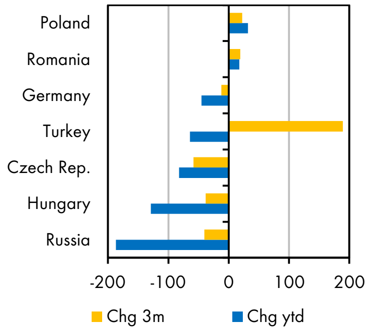
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



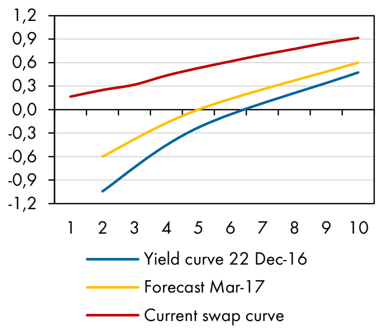
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



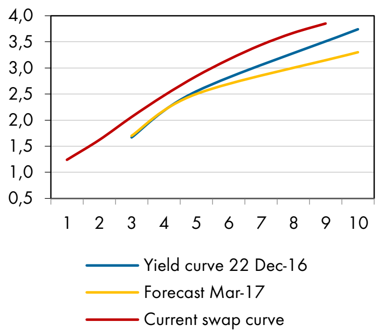
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



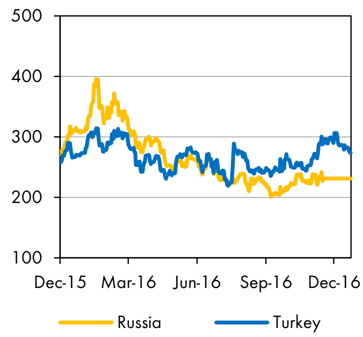
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



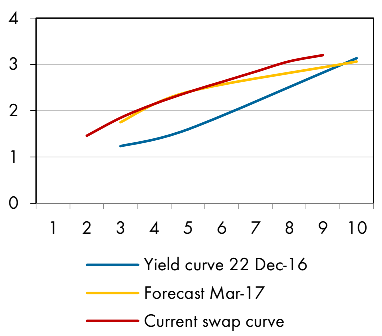
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



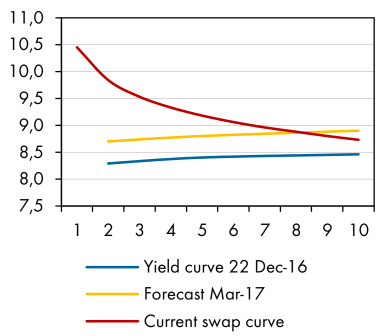
Turkey 5y high 343.7, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RUB yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Yield forecasts

2y T-bond yields (%)	current*	Mar-17	Jun-17	Sep-17	5y high	5y low
Poland	1.96	2.1	2.2	2.2	4.9	1.6
Hungary	0.92	1.4	1.5	1.6	9.2	1.3
Czech Republic	-1.04	-0.6	-0.7	-0.6	1.8	-0.5
Romania	0.88	1.1	1.2	1.3	7.3	1.0
Croatia	1.23	1.6	1.6	1.7	6.1	1.0
Russia	8.29	8.7	8.7	8.5	15.8	6.2
Turkey	10.33	11.0	11.5	11.0	11.5	6.1
Germany	-0.79	-0.7	-0.7	-0.7	0.2	-0.8
USA	1.20	1.3	1.4	1.4	1.3	0.2

10y T-bond yields (%)	current*	Mar-17	Jun-17	Sep-17	5y high	5y low
Poland	3.45	3.5	3.6	3.7	5.9	2.5
Hungary	3.25	3.2	3.2	3.3	9.9	3.4
Czech Republic	0.47	0.6	0.6	0.5	3.6	0.3
Romania	3.74	3.3	3.4	3.5	7.5	3.5
Croatia	3.13	3.1	3.1	3.2	7.2	3.1
Russia	8.46	8.9	8.8	8.7	14.1	6.9
Turkey	10.88	11.6	11.8	11.6	11.2	6.6
Germany	0.17	0.5	0.5	0.5	1.9	0.3
USA	2.55	2.7	2.5	2.7	3.0	1.8

** Bid yields as of 22 December 2016, 11:59 p.m. CET; ** 3y yield*
Source: Bloomberg, 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	96.51	1.97	275	1.8	Recent political turmoil shrugged-off by POLGB market and we expect this to continue. With most of the repricing of US treasuries concluded and local rate hike expectations easing, POLGBs regained some attractiveness. Therefore we upgraded PL to tactical Buy to benefit from possible short-term relief gains.
PLN 5y Gov. Bond	25/10/2021	5.75	113.55	2.71	322	4.4	
PLN 10y Gov. Bond	25/07/2026	2.50	92.51	3.43	318	8.5	
Hungary							
HUF 3y Gov. Bond	30/10/2019	2.00	103.18	0.86	162	2.8	In line with our call, HGBs witnessed recovery most recently in contrast to Poland and Romania. The bond-market-supporting CB measures and the state-led improvement of growth prospects are helping and should keep the appeal of HUF government assets alive.
HUF 5y Gov. Bond	27/10/2021	2.50	103.63	1.71	222	4.6	
HUF 10y Gov. Bond	27/10/2027	3.00	98.28	3.19	294	9.4	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	113.69	-0.90	-12	2.2	Long-end CZGB yield spread over Bunds remained cemented at ultra-low levels of around 25bp in post-Trump trading, limiting s/t spread tightening potential. As we expect EUR/CZK cap policy exit as early as end-2017 there should be time left for "CZKexit" positioning.
CZK 5y Gov. Bond	29/09/2021	3.85	119.76	-0.27	23	4.4	
CZK 10y Gov. Bond	26/06/2026	1.00	105.26	0.43	19	9.1	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	106.04	1.27	177	1.5	Indirect support from ECB QE prolongation should help HRK bonds in the remainder of this year.
HRK 10y Gov. Bond	14/12/2026	4.25	109.75	3.10	286	8.4	
Romania							
RON 2y Gov. Bond	17/01/2018	3.25	102.20	1.13	189	1.0	Fiscal risks in post-election period are set to continue weighing on longer-end ROMGBs with ECB support and FED risks currently balancing each other.
RON 5y Gov. Bond	22/03/2021	3.25	102.85	2.52	303	3.9	
RON 10y Gov. Bond	24/02/2025	4.75	107.41	3.67	342	6.8	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	98.90	8.22	901	2.0	OFZs continued behaving well due to favorable oil/RUB developments. Because of deteriorating supply-demand dynamics next year, pressure on OFZs could increase. The long-term outlook is more constructive on resumed rate cuts and strengthening RUB.
RUB 5y Gov. Bond	18/08/2021	7.50	97.20	8.40	891	4.0	
RUB 10y Gov. Bond	03/02/2027	8.15	99.10	8.45	820	6.7	
Turkey							
TRY 2y Gov. Bond	11/07/2018	8.70	97.75	10.33	1112	1.5	TRY bonds amongst the hardest hit following the bear steepening of the UST curve in post-Trump trading with local factors adding considerable momentum to the TURKGB sell-off. We lifted our already bearish yield forecasts. We demand CB intervention in order to stabilise lira markets more sustainably before re-entering the market.
TRY 5y Gov. Bond	22/09/2021	9.20	94.10	10.79	1130	3.9	
TRY 10y Gov. Bond	11/02/2026	10.60	98.30	10.93	1068	5.7	

Data as of 23December 2016, 11:26 a.m. CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

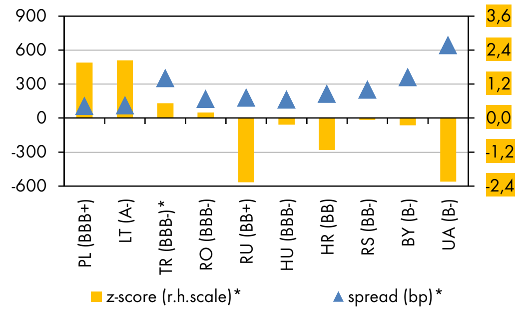
Bond auctions

		ISIN	Coupon	Maturity	Volume
27 December 2016					
UA	2y T-bonds	n.a.	n.a.	n.a.	n.a.
28 December 2016					
RU	T-bonds	n.a.	n.a.	n.a.	n.a.
29 December 2016					
HU	T-bonds	n.a.	FRN	n.a.	n.a.
02 January 2017					
TR	2y T-bonds	n.a.	FRN	11.07.2018	TRY 709.0
03 January 2017					
TR	9y T-bonds	n.a.	10.60%	11.02.2026	n.a.
TR	5y T-bonds	na.	9.20%	22.09.2021	n.a.
TR	5y T-bonds	n.a.	FRN	20.04.2022	n.a.
TR	10y T-bonds	n.a.	I/L	14.01.2026	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

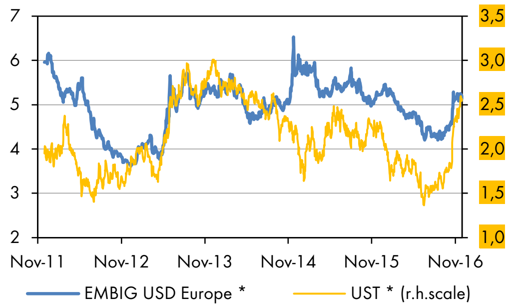
Eurobond market overview

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	102.3	102.5	-0.15	111.8	100.3	-0.28	59	0.5	XS0802005289
CROATI 5 7/8 07/09/18	108.4	108.8	0.11	112.1	91.4	0.22	103	1.5	XS0645940288
REPHUN 3 7/8 02/24/20	111.4	111.9	0.00	113.1	69.4	0.18	90	3.0	XS0212993678
REPHUN 4 3/8 07/04/17	102.4	102.6	N/A N/A	108.0	77.3	-0.46	41	0.5	XS0284810719
REPHUN 5 3/4 06/11/18	108.2	108.7	-0.05	115.1	79.7	-0.06	74	1.4	XS0369470397
REPHUN 6 01/11/19	112.0	112.3	0.00	118.4	86.4	0.05	85	1.9	XS0625388136
LITHUN 4.85 02/07/18	105.5	106.0	-0.01	114.3	96.0	-0.30	50	1.1	XS0327304001
POLAND 5 5/8 06/20/18	108.6	109.1	0.02	122.6	102.1	-0.36	45	1.4	XS0371500611
POLAND 1 5/8 01/15/19	103.3	103.5	0.12	105.5	98.0	-0.02	78	2.0	XS0874841066
POLAND 3 3/4 01/19/23	117.8	118.8	-0.16	125.5	99.9	0.67	97	5.4	XS0794399674
POLAND 3 3/8 07/09/24	116.4	117.0	0.38	125.6	99.6	1.06	114	6.7	XS0841073793
ROMANI 4 7/8 11/07/19	113.2	113.7	0.00	117.8	99.3	0.16	92	2.7	XS0852474336
TURKEY 5 7/8 04/02/19	109.1	109.7	0.47	118.9	100.9	1.59	238	2.1	XS0285127329
TURKEY 5 1/8 05/18/20	107.7	108.3	0.50	115.9	95.2	2.62	332	3.0	XS0503454166
USD									
BELRUS 8.95 01/26/18	103.8	104.5	-0.19	111.2	78.0	4.94	404	1.0	XS0583616239
CROATI 6 3/8 03/24/21	108.6	109.2	0.37	117.8	90.1	4.07	220	3.7	XS0607904264
CROATI 5 1/2 04/04/23	105.2	105.8	0.66	111.7	94.4	4.48	223	5.2	XS0908769887
REPHUN 5 3/8 02/21/23	108.0	108.6	0.54	115.4	93.1	3.84	161	5.2	US445545AH91
REPHUN 7 5/8 03/29/41	139.2	140.3	1.04	157.5	79.5	4.83	187	12.8	US445545AF36
LITHUN 7 3/8 02/11/20	113.9	114.5	-0.02	130.7	107.3	2.62	103	2.8	XS0485991417
LITHUN 6 5/8 02/01/22	115.9	116.5	-0.18	128.6	101.0	3.16	109	4.3	XS0739988086
LATVIA 2 3/4 01/12/20	101.2	101.8	0.02	104.5	91.4	2.24	68	2.9	XS0863522149
LATVIA 5 1/4 06/16/21	110.9	111.5	-0.09	117.2	92.2	2.58	66	4.0	XS0638326263
POLAND 6 3/8 07/15/19	111.0	111.5	0.06	125.9	109.0	1.83	42	2.3	US731011AR30
POLAND 3 03/17/23	97.5	98.0	0.05	105.1	87.6	3.40	116	5.6	US731011AT95
ROMANI 6 3/4 02/07/22	113.7	114.2	0.44	124.4	99.2	3.72	166	4.3	US77586TAA43
ROMANI 4 3/8 08/22/23	102.4	103.1	0.46	111.1	90.8	3.90	159	5.7	US77586TAC09
RUSSIA 4 1/2 04/04/22	103.8	104.2	0.21	114.7	82.0	3.66	157	4.6	XS0767472458
RUSSIA 7 1/2 03/31/30	120.2	120.7	-0.11	128.6	99.6	2.45	-20	3.9	XS0114288789
RUSSIA 5 5/8 04/04/42	107.2	108.0	0.57	124.9	76.0	5.08	209	13.7	XS0767473852
SERBIA 5 1/4 11/21/17	102.3	102.8	0.09	107.1	96.8	2.34	150	0.9	XS0856951263
SERBIA 4 7/8 02/25/20	101.5	102.2	0.33	105.4	89.6	4.24	265	2.9	XS0893103852
TURKEY 6 1/4 09/26/22	103.7	104.3	0.83	127.0	101.0	5.43	326	4.7	US900123BZ27
TURKEY 6 7/8 03/17/36	102.3	103.1	1.98	139.6	99.2	6.63	381	10.5	US900123AY60
TURKEY 6 3/4 05/30/40	100.3	101.2	2.30	139.4	97.3	6.68	375	11.7	US900123BG46
UKRAIN 7 3/4 09/01/19	100.0	101.0	1.92	101.3	88.0	7.53	609	2.3	XS1303918269
UKRAIN 7 3/4 09/01/23	95.0	96.0	2.46	99.9	84.6	8.65	633	5.0	XS1303921487
UKRAIN 7 3/4 09/01/27	89.9	90.7	0.05	98.4	81.2	9.19	662	6.8	XS1303927179

YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 23 Dec 2016, 9:54 AM CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Summary: Ratings & macro data

Country ratings: CE, SEE, EE

	S&P LCY	S&P FCY	S&P Outlook	Moody's LCY	Moody's FCY	Moody's Outlook	Fitch LCY	Fitch FCY	Fitch Outlook
CE									
Poland	A-	BBB+	stable	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	positive	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	stable	Ba2	Ba2	negative	BB+	BB	negative
Serbia	BB-	BB-	positive	B1	B1	positive	BB-	BB-	stable
EE									
Russia	BBB-	BB+	stable	Ba1	Ba1	negative	BBB-	BBB-	stable
Ukraine	B-	B-	stable	Caa3	Caa3	stable	B-	B-	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	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	-3.3	86.7	24.4	5.0	103.8	30.3	9.5
	2016e	2.7	-1.2	13.6	1031	-2.4	85.3	24.3	3.1	96.5	30.2	8.8
	2017f	2.8	1.3	12.5	1047	-2.9	84.5	24.1	2.5	94.0	30.3	8.8
Czech Rep.	2015	4.6	0.3	6.5	970	-0.6	40.3	71.6	0.9	69.4	51.2	6.2
	2016e	2.5	0.7	5.6	1020	0.0	39.2	70.0	2.4	73.0	63.2	8.4
	2017f	2.7	2.0	5.3	1073	-0.2	38.2	69.8	1.5	77.1	71.5	10.0
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	-1.5	74.1	84.0	3.5	98.0	23.5	3.7
	2017f	3.2	2.5	4.5	937	-2.5	73.4	82.7	3.2	89.0	22.5	3.2
Poland	2015	3.9	-0.9	10.5	932	-2.6	51.3	40.0	-0.2	70.1	29.0	6.2
	2016e	2.5	-0.6	9.0	931	-2.5	52.2	41.4	-0.5	74.2	29.1	6.3
	2017f	3.0	1.1	8.3	964	-3.1	53.3	41.6	-0.8	77.2	28.8	6.4
Romania	2015	3.8	-0.6	6.8	575	-0.8	37.9	30.6	-1.2	56.4	39.4	7.5
	2016e	4.7	-1.6	6.1	643	-2.5	38.2	30.5	-2.6	54.4	40.5	7.3
	2017f	3.6	1.2	5.8	700	-3.2	39.3	30.8	-3.3	53.1	40.0	6.8
Russia	2015	-3.7	15.6	5.6	499	-3.6	12.7	25.8	5.0	39.1	73.0	23.3
	2016e	-0.5	7.2	6.0	475	-4.4	13.5	23.0	2.1	40.6	81.2	25.8
	2017f	1.0	5.4	6.0	587	-3.3	14.0	24.6	5.2	32.6	86.0	22.4
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	36.4	-3.3	133.5	14.1	5.2
	2017f	2.0	10.7	9.0	n.a.	-4.0	78.4	36.3	-4.7	126.6	14.5	5.0
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	2.0	7.6	10.0	n.a.	-2.0	32.0	21.6	-5.2	57.2	28.4	6.8
	2017f	2.0	8.0	10.3	n.a.	-2.5	33.0	23.9	-5.8	60.9	25.7	6.0

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

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- Performance of a financial instrument, a financial index or a securities service is reduced by commissions, fees and other charges, which depend on the individual circumstances of the investor.
- The return on an investment in a financial instrument, a financial or securities service can rise or fall due to exchange rate fluctuations.
- Forecasts of future performance are based purely on estimates and assumptions. Actual future performance may deviate from the forecast. Consequently, forecasts are not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service.

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Bonds

Distribution of long term recommendations (preceding 12 months prior to this publication)	
Recommendation	Basis: all analysed Government bonds
Buy	0%
Hold	0%
Sell	100%
Not rated	0%

Distribution of short term recommendations (preceding 3 months prior to this publication)	
Recommendation	Basis: all analysed Government bonds
Buy	25%
Hold	52%
Sell	22%
Not rated	0%

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

<table>
<tr><th>Date</th><th>10Y Czech Rep.</th><th>10Y Hungary</th><th>10Y Poland</th><th>10Y Romania</th><th>10Y Russia</th><th>10Y Turkey</th><th>2Y Czech. Rep.</th><th>2Y Poland</th><th>2Y Russia</th></tr>
<tr><td>15/12/2016</td><td>Hold</td><td>Buy</td><td>Buy</td><td>Hold</td><td>Hold</td><td>Sell</td><td>Hold</td><td>Hold</td><td>Buy</td></tr>
<tr><td>28/11/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>24/11/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>Hold</td><td>|</td><td>|</td><td>|</td><td>Hold</td></tr>
<tr><td>21/10/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>26/09/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>23/09/2016</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Buy</td><td>Sell</td><td>Hold</td><td>Hold</td><td>Buy</td></tr>
<tr><td>26/08/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>25/08/2016</td><td>Hold</td><td>Buy</td><td>Hold</td><td>Hold</td><td>Buy</td><td>Sell</td><td>Hold</td><td>Hold</td><td>Buy</td></tr>
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<tr><td>20/06/2016</td><td>Hold</td><td>Buy</td><td>Hold</td><td>Hold</td><td>Buy</td><td>Buy</td><td>Hold</td><td>Hold</td><td>Buy</td></tr>
<tr><td>31/05/2016</td><td>Hold</td><td>Buy</td><td>Hold</td><td>Hold</td><td>Buy</td><td>Buy</td><td>Hold</td><td>Hold</td><td>Buy</td></tr>
<tr><td>13/05/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>26/04/2016</td><td>Hold</td><td>Buy</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Hold</td></tr>
<tr><td>20/04/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>30/03/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>29/03/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>24/03/2016</td><td>Hold</td><td>Buy</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Sell</td><td>Hold</td><td>Hold</td><td>Hold</td></tr>
<tr><td>17/03/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>23/02/2016</td><td>Buy</td><td>Buy</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Hold</td></tr>
<tr><td>11/02/2016</td><td>Buy</td><td>Buy</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Buy</td><td>Hold</td></tr>
<tr><td>25/01/2016</td><td>Buy</td><td>Buy</td><td>Hold</td><td>Hold</td><td>Not rated</td><td>Hold</td><td>Hold</td><td>Buy</td><td>Not rated</td></tr>
</table>

<table>
<tr><th>Date</th><th>2Y Turkey</th><th>5Y Czech Rep.</th><th>5Y Hungary</th><th>5Y Poland</th><th>5Y Romania</th><th>5Y Russia</th><th>5Y Turkey</th><th>BG EUROBOND EUR</th><th>BY EUROBOND USD</th></tr>
<tr><td>15/12/2016</td><td>Sell</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>28/11/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>Hold</td><td>|</td></tr>
<tr><td>24/11/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
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<tr><td>23/09/2016</td><td>Sell</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
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<tr><td>29/07/2016</td><td>Sell</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>Hold</td><td>|</td></tr>
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<tr><td>31/05/2016</td><td>Buy</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>13/05/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>Hold</td><td>Hold</td></tr>
<tr><td>26/04/2016</td><td>Hold</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>Hold</td><td>Hold</td></tr>
<tr><td>20/04/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>Buy</td><td>Hold</td></tr>
<tr><td>30/03/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>Hold</td></tr>
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<tr><td>24/03/2016</td><td>Sell</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>Hold</td><td>Hold</td></tr>
<tr><td>17/03/2016</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>Hold</td><td>|</td></tr>
<tr><td>23/02/2016</td><td>Hold</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>Hold</td><td>Hold</td></tr>
<tr><td>11/02/2016</td><td>Hold</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>25/01/2016</td><td>Hold</td><td>Not rated</td><td>Not rated</td><td>Not rated</td><td>Not rated</td><td>Not rated</td><td>Not rated</td><td>Hold</td><td>Hold</td></tr>
</table>

Date	CZ EUROBOND EUR	HR EUROBOND EUR	HR EUROBOND USD	HU EUROBOND EUR	HU EUROBOND USD	KZ EUROBOND USD	LT EUROBOND USD	MK EUROBOND EUR	PL EUROBOND EUR
15/12/2016	|	|	Hold	|	|	|	Buy	Hold	|
28/11/2016	|	Hold	|	|	|	Buy	|	|	Hold
24/11/2016	|	|	|	|	|	|	|	|	|
21/10/2016	|	|	|	|	|	|	|	|	|
26/09/2016	|	Buy	Sell	|	|	|	|	|	Buy
23/09/2016	|	|	|	|	|	|	|	|	|
26/08/2016	|	|	|	|	|	Hold	|	|	|
25/08/2016	|	|	|	|	|	|	|	|	Hold
29/07/2016	|	|	|	Hold	Hold	Buy	|	|	|
27/07/2016	|	|	|	|	|	|	|	Buy	|
21/07/2016	|	|	|	|	|	|	|	|	|
20/06/2016	Hold	Sell	Sell	Buy	Buy	Hold	Hold	Hold	Sell
31/05/2016	|	|	|	|	|	|	|	|	|
13/05/2016	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Sell
26/04/2016	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Sell
20/04/2016	Hold	Hold	Hold	Hold	Hold	Buy	Hold	Hold	Buy
30/03/2016	|	|	|	|	|	|	|	|	|
29/03/2016	Hold	Hold	Hold	Hold	Hold	Buy	Hold	Buy	Buy
24/03/2016	Hold	Hold	Hold	Hold	Hold	Buy	Hold	Buy	Buy
17/03/2016	Hold	Hold	Hold	Buy	Buy	Buy	Hold	Buy	Buy
23/02/2016	Hold	Hold	Hold	Buy	Buy	Buy	Hold	Buy	Buy
11/02/2016	|	|	|	|	|	|	|	|	|
25/01/2016	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Buy	Buy

Date	PL EUROBOND USD	RO EUROBOND EUR	RO EUROBOND USD	RS EUROBOND USD	RU EUROBOND EUR	RU EUROBOND USD	SI EUROBOND EUR	SI EUROBOND USD	SK EUROBOND EUR
15/12/2016	|	Hold	|	|	Hold	|	|	|	|
28/11/2016	|	Buy	|	|	Sell	Sell	|	Hold	|
24/11/2016	|	|	|	|	|	|	|	|	|
21/10/2016	|	|	|	|	|	|	|	|	|
26/09/2016	|	|	|	Buy	|	|	|	|	|
23/09/2016	|	|	|	|	|	|	|	|	|
26/08/2016	|	|	|	Hold	Hold	Hold	Hold	|	Hold
25/08/2016	Hold	|	|	|	|	|	|	|	|
29/07/2016	|	Hold	Hold	|	Buy	Buy	|	|	Sell
27/07/2016	|	|	|	|	|	|	|	|	|
21/07/2016	|	|	|	|	|	|	|	|	|
20/06/2016	Sell	Sell	Sell	Buy	Hold	Hold	Buy	Buy	Hold
31/05/2016	|	|	|	|	|	|	|	|	|
13/05/2016	Sell	Hold	Hold	Buy	Hold	Hold	Buy	Buy	Hold
26/04/2016	Sell	Hold	Hold	Buy	Hold	Hold	Buy	|	Hold
20/04/2016	Hold	Hold	Hold	Hold	Hold	Hold	Buy	|	Hold
30/03/2016	|	|	|	|	|	|	|	|	|
29/03/2016	Hold	Hold	Hold	Hold	Hold	Hold	Buy	|	Hold
24/03/2016	Buy	Hold	Hold	Hold	Hold	Hold	Buy	|	Hold
17/03/2016	Buy	Hold	Hold	Hold	Hold	Hold	Buy	|	Hold
23/02/2016	Buy	Hold	Hold	Hold	Buy	Buy	Buy	|	Hold
11/02/2016	|	|	|	|	|	|	|	|	|
25/01/2016	Buy	Hold	Hold	Sell	Buy	Buy	Buy	|	Hold

Date	TR EUROBOND EUR	TR EUROBOND USD	UA EUROBOND USD
15/12/2016	|	|	Sell
28/11/2016	Hold	Hold	Hold
24/11/2016	|	|	|
21/10/2016	Buy	Buy	Buy
26/09/2016	Hold	Hold	|
23/09/2016	|	|	|
26/08/2016	|	|	|
25/08/2016	|	|	|
29/07/2016	|	|	|
27/07/2016	|	|	|
21/07/2016	Sell	Sell	|
20/06/2016	Buy	Hold	Hold
31/05/2016	|	|	|
13/05/2016	Hold	Hold	Hold
26/04/2016	Buy	Buy	Hold
20/04/2016	Buy	Buy	Hold
30/03/2016	|	|	|
29/03/2016	Buy	Buy	Hold
24/03/2016	Buy	Buy	Sell
17/03/2016	Buy	Buy	Sell
23/02/2016	Buy	Buy	Sell
11/02/2016	|	|	|
25/01/2016	Buy	Buy	Sell

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