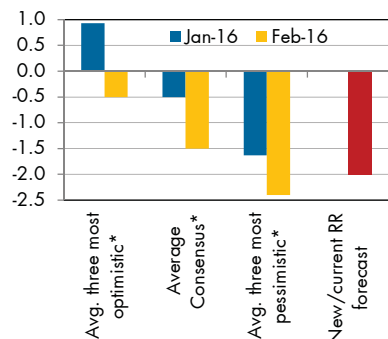


## RU: 2016 Real GDP forecasts (% yoy)\*



\* Eastern Europe Consensus Forecasts, Survey dates: 18 January 2016, 15 February 2016  
Source: Consensus Economics, RBI/Raiffeisen RESEARCH

## Market snapshot

	curr.*	Mar-16	Jun-16	Sep-16
<b>Poland</b>				
EUR/PLN	4.38	4.40	4.35	4.30
Key rate	1.50	1.50	1.50	1.50
10y bond	2.9	3.3	3.4	3.4
<b>Hungary</b>				
EUR/HUF	309.8	310	315	315
Key rate	1.35	1.00	1.00	1.00
10y bond	3.4	3.0	3.2	3.3
<b>Czech Rep.</b>				
EUR/CZK	27.0	27.0	27.0	27.0
Key rate	0.05	0.05	0.05	0.05
10y bond	0.4	0.7	0.8	0.9
<b>Romania</b>				
EUR/RON	4.46	4.40	4.45	4.40
Key rate	1.75	1.75	1.75	1.75
10y bond	3.4	3.7	3.9	4.0
<b>Croatia</b>				
EUR/HRK	7.62	7.68	7.60	7.65
10y bond	3.7	4.2	4.3	4.3
<b>Russia</b>				
USD/RUB	76.4	82.0	80.0	75.0
Key rate	11.00	11.00	11.00	11.00
10y bond	9.9	10.3	10.4	10.5
<b>Turkey</b>				
USD/TRY	2.97	3.05	3.00	2.95
Key rate	7.50	9.50	9.50	9.50
10y bond	10.6	11.0	10.7	10.3
EUR/USD	1.11	1.09	1.03	1.01

Currencies per 1 EUR  
\* prices as of 19 February 2016, 10:32 a.m. CET;  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## Content

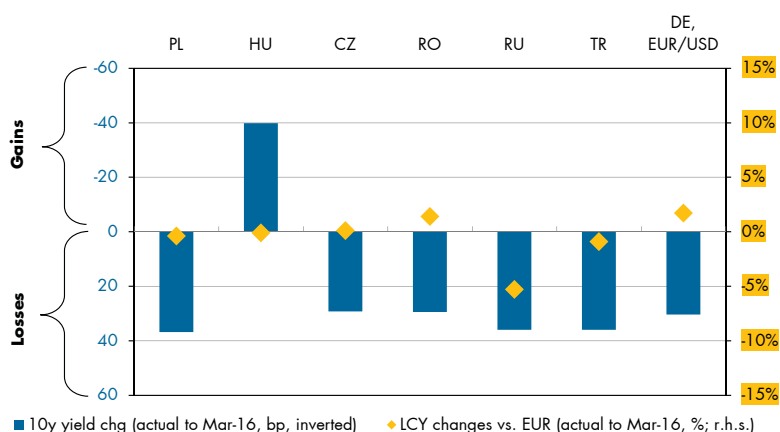
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## Highlights

This week the fresh Eastern European Consensus forecasts had been surveyed. As could be expected the 2016 GDP call for Russia took a strong hit, with the average consensus expectations down from -0.5% to -1.4%. That said we feel comfortable with our GDP call for a drop of -2% (see chart) and remain with our relative constructive market view (RUB recovery in H2 2016, OFZ on hold for the time being, Eurobonds still a Buy). However, strong demand at the OFZ auction this week should not be per se interpreted as a reflection of strong interest rate cuts expectations. Firstly, the solid parts of the banking sector remain over-liquid. This situation translates into a de-facto easing of conditions on the money market. Secondly, the recent RUB recovery means that some worst cases expectations had been priced out. This thinking got a confirmation from the most recent S&P rating confirmation (although the negative outlook was maintained), while a lot of other commodity credits had been downgraded. Therefore, Russian Eurobonds remained also well bid in recent day. Nevertheless, strong local (re-)financing is easing the pressure to issue on international markets (a project Russian official tried to play down this week). In Ukraine political crisis intensifies after two smaller parties left the coalition which would necessitate the formation of a new coalition or, in more dramatic scenario, could even lead to snap parliamentary elections. So far Ukraine remains in the headlines and its markets are receiving a strong hit (see "Focus on" section on pages 2-4). In the week ahead we expect no surprises from the rate meetings in Hungary and Turkey as policy makers would most likely leave key rates unchanged this time. Still, Hungary would remain in the easing mode while Turkey should look for toughening policy stance going forward. In another topic we see more global economic forecasters revising down their expectations for world GDP growth with IIF expressing also concerns about the pace of growth in 2016-17, which could be an indication of selling pressures potentially re-emerging on local currency markets in the future too.

Financial analyst: Gunter Deuber, RBI Vienna

## Expected changes from today until March 2016



Gains/losses on bonds refer to principal; Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Data highlights upcoming week

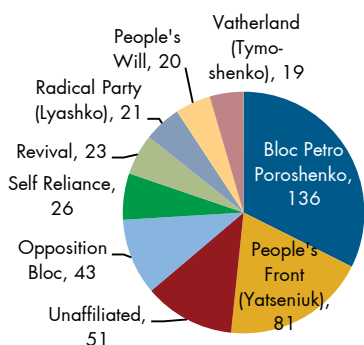
Date	Indicator	Period	est.	High	Mean	Low	Prev.
23-Feb	HU: Key rate, %	Feb	1.4	1.35	1.35	1.35	1.4
23-Feb	TR: Key rate, %	Feb	7.50	n.a.	n.a.	n.a.	7.50
26-Feb	HR: GDP, % yoy	Q4	2.6	n.a.	n.a.	n.a.	2.8
26-Feb	SI: GDP, % yoy	Q4	n.a.	n.a.	n.a.	n.a.	2.5

Source: Bloomberg, RBI/Raiffeisen RESEARCH

# Focus on Ukraine: Political crisis leaves PM & coalition weakened

In Ukraine, a boiling political crisis, which first erupted with the resignation of reformist economy minister Aivaras Abromavičius on 3 February, peaked this week with an unsuccessful non-confidence vote against Prime Minister Arseny Yatseniuk and a partial break-up of the ruling coalition. Political risk is still running high, reducing Ukraine's chances of receiving IMF funding in the near term (i.e. in February, which was our baseline scenario), resulting in pressure on Ukrainian assets across the board (weaker UAH, Eurobonds under pressure). If the crisis gets more protracted (e.g. leading to snap elections) this would also pose a risk for macro-financial stabilisation and the nascent recovery as well as increase geopolitical risks of renewed escalation in Donbas and with regard to the Minsk-II process.

## Parliament distribution



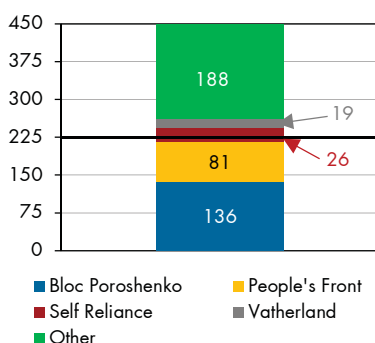
Source: Verkhovna Rada of Ukraine, RBI/Raiffeisen RESEARCH

## What happened this week – political crisis unfolding

**On Tuesday, Prime Minister Arseny Yatseniuk just survived a non-confidence vote** as 197 out of 226 necessary votes were cast in favour of a motion to topple him. Earlier that day, President Petro Poroshenko had demanded Prime Minister Yatseniuk and General Prosecutor Viktor Shokin resign. While the latter did, as the President requested, the PM defended himself and his government in front of parliament in his yearly address. While the majority of MPs voted to declare the cabinet's work in 2015 "unsatisfactory", the non-confidence vote itself failed, as – unexpectedly – not all members of the President's party followed Poroshenko's call. Furthermore, besides Yatseniuk's own People's Front, the Opposition Bloc (a party mainly based in Eastern Ukraine and close to oligarch Rinat Akhmetov) and a third parliamentary group (allegedly close to oligarch Igor Kolomoiski) supported the Prime Minister. Overall party discipline has been weak, as even the parties most critical of the PM did not vote unanimously.

**Ukraine's political crisis escalated when the coalition lost its majority on Thursday.** The party of populist Yulia Tymoshenko, with 19 seats, left the (previously) four-party coalition on Wednesday, while the second small party ("Self-Reliance", 26 seats) announced its departure on Thursday. Thus the number of MPs in the coalition sank to 217, below the majority of 224 seats. Moreover, attempts by President Petro Poroshenko to unseat PM Yatseniuk continued after the vote as he criticised members of his own party's parliamentary faction for not having supported him on Tuesday. The President's party allegedly now demands the PM leave office within three months.

## Four party coalition



Source: Verkhovna Rada of Ukraine, RBI/Raiffeisen RESEARCH

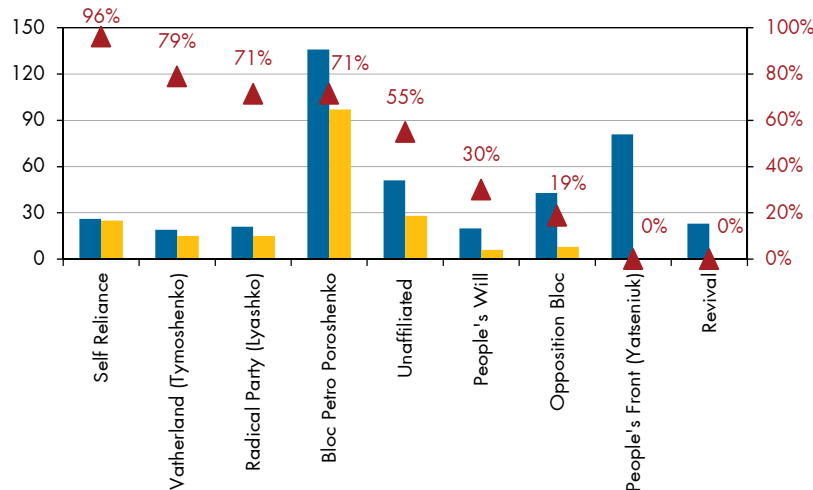
## Political and economic implications

**Despite surviving the vote, the Prime Minister has clearly been weakened, making governing more difficult.**

**Moreover, it is unclear how long he can hold on to his office (snap elections within the next few months remain on the table).** The parliament has another chance to initiate a non-confidence vote from the beginning of the next parliamentary session in early September. Having lost the support of a majority in parliament, it will likely become increasingly difficult to pass any meaningful (reform) legislation.

**With the partial breakup of the governing coalition, the likelihood of snap elections within the next few months has risen.** While both the President and the Prime Minister are not in

## Non-confidence vote against PM Yatseniuk - Voting result



Source: Verkhovna Rada of Ukraine, RBI/Raiffeisen RESEARCH

favour of early elections, as they would surely lose votes compared to the current situation (especially Yatseniuk), such a scenario cannot be ruled out. In this case, populist forces like Tymoshenko's party or the Opposition Bloc would probably gain. Hence, a new parliament would most likely be even less able to adopt the required reforms in accordance with the IMF program or Minsk-II.

**The lack of a clear successor to the current PM is another complicating factor.**

While the president seems to be willing to get rid of Yatseniuk, he did not present specific plans for a new government and did not present a new PM (besides calling for a "complete reboot of the government"). There have been calls to enhance the role of reform-minded technocrats, but we are not sure if the President would like to go down this road (and take full public political responsibility for the reform process).

**Yatseniuk's ability to prevent his dismissal by rallying the votes of oligarchic groups demonstrates the key role oligarchs and their interests still play in Ukrainian politics.**

Some observers even see the resurgence of the old system of behind-the-door deals to distribute rents and the entrenchment of vested interests. For now, Ukraine seems not to have found a way to make fundamental changes to this system – which is the underlying reason for the slow reform pace over the last two years. With the President himself part of the "old guard", we are also sceptical that he can unleash reforms and "reboot" Ukraine.

**The political crisis raises geopolitical risks and may play into the hands of separatists and Russia in the gamble around Minsk-II.**

The situation in Donbas has already deteriorated over recent months. With a political crisis in Kiev, separatists might see an opportunity to increase military pressure even more. Also, the position of Ukraine in the blame game around the lagging implementation of Minsk-II is getting weaker and weaker.

**On the external financing side, the political crisis is disrupting the disbursement of IMF and other donor funds – which is bearable in the short, but not in the longer term.**

The latest IMF tranche has been overdue since September. After the adoption of a tax reform and an IMF-compliant state budget for 2016, a release of the next tranche of USD 1.7 bn by late February seemed possible, but with a political crisis raging, further delays are to be expected. IMF chief Christine Lagarde even warned that the 4-year program is close to veering off track given the lack of reform progress, greatly increasing the pressure on Poroshenko recently. With FX reserves still relatively low, but having doubled over last year to USD 13.5 bn, IMF funding is not as urgent and Ukraine could survive a delay of another couple of months. However, the IMF program is still the key anchor to all macro-financial stabilisation in Ukraine and losing it would have catastrophic consequences. If the programme is delayed for a longer time it would have detrimental effects on confidence in the exchange rate and the nascent economic recovery.

**Thus the political crisis has risks for the currency and the economy as well, which could materialise if the political paralysis becomes prolonged.**

The UAH weakened in January by 10%, surpassing the USD/UAH 26 mark (and the level envisaged in the IMF program). Political jitters have been playing a role here as well. With the central bank keen on not losing FX reserves, further FX weakening and/or more restrictions on the FX markets are clear dangers in the case of a prolonged crisis. The economy picked up slowly in H2 2015 after a 20% fall in activity in the six quarters before. According to preliminary figures the economy grew by around 2% in H2 2015. This feeble growth could ultimately be at risk too if some degree of political stability is not restored.

Financial Analyst: *Andreas Schwabe, CFA, RBI Vienna*

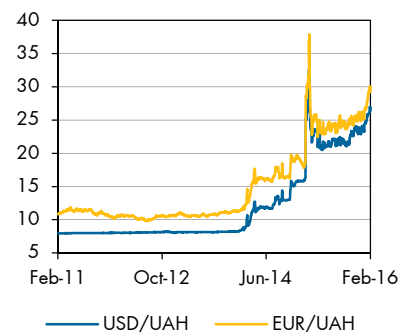
Read about bond market perspective and implications on next page

**FX reserves of Ukraine**



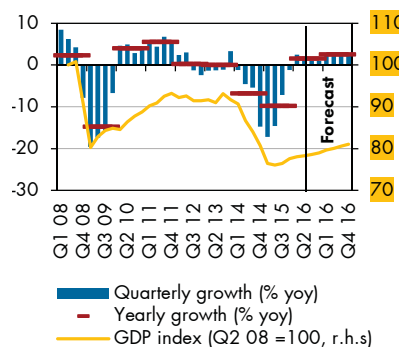
Source: Reuters, RBI/Raiffeisen RESEARCH

**FX rate**



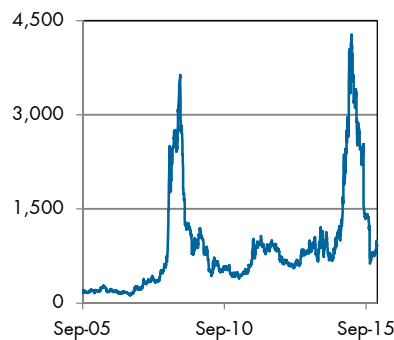
Source: Bloomberg, RBI/Raiffeisen RESEARCH

**Ukraine GDP bottomed out**



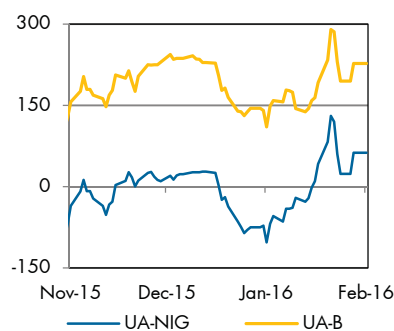
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

### UA EMBIG USD spread (bp)\*



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

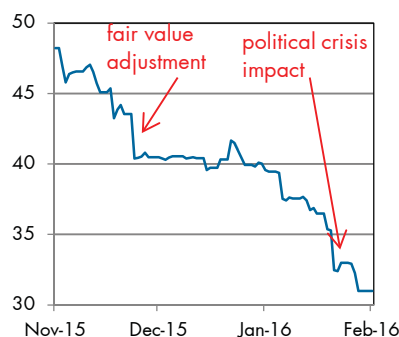
### UA rating-spread (bp)\*



\* B rating S&P/Fitch scale, aggregate spread for sovereigns in EMBIG with single B rating, \*\* non-investment grade - all sovereigns for which rating is below BBB-, UA - Ukraine, spread differential between Ukraine and respective rating group spread

Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

### UA GDP warrants\*



\* price % nominal value, maximum history from 20 November 2015

Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Bond market perspective and implications

The financial markets responded negatively to Ukraine's political crisis, as evidenced by a 200-bp widening of the risk premium for the country's Eurobonds, with an EMBIG average yield for Ukraine currently hovering around 11% compared to 9.2% when the debt restructuring was completed in November 2015.

Moreover, in our view Ukraine's rating outlook is heading into negative territory too, owing to a combination of the economic difficulties aggravated by unstable politics. It is no secret that Ukraine relies heavily on official lenders, above all the IMF, to cover its funding gap. Although Ukraine's FX reserves at USD 13.4 bn as of January 2016 would be enough to pay short-term debts, the IMF program remains crucial for securing the much-needed reforms and it is critically important for the assessment of the country's financial stability and outlook. We believe that Ukraine's rating spread currently indicates the possibility of negative outlook revisions going forward, mainly due to the ongoing political crisis which was originally triggered by the surprising resignation of the economy minister.

In particular, Ukraine's rating spread as measured by the EMBIG differential spread between Ukraine and the average aggregate for non-investment grade sovereigns jumped from 28bp at the end of 2015 to nearly 131bp at the start of the political crisis, before receding to 62bp. Meanwhile Ukraine's rating spread vs. B-rated sovereigns remaining 200bp above the market average sharply contrasts with an overly optimistic B- rating, which S&P awarded Ukraine back in November 2015. Meanwhile we find Moody's and Fitch ratings for Ukraine at Caa3 and CCC respectively, a better reflection of market reality.

Irrespective of whether Ukraine enters a snap election period or continues with the old coalition, we see a risk of the reforms slackening due to higher political fragmentation and less support in parliament for the president and his government. Consequently, the market could enter a new phase of stagnation due to higher policy implementation risks for Ukraine. So far we have foreseen a strong bearish bias, which could remain in the longer term on the Ukraine market; despite some market watchers already starting to look for bottom fishing opportunities, we would still advise against trying to catch a "falling knife". Although Ukraine's EMBIG spread at 920bp could be tempting, we would like to remind investors about history, including not only Ukraine but also markets such as Belarus, whose bonds were traded well above 1000bp without any imminent threat of default, or Ecuador whose bonds are currently traded above 1000bp despite a wealth of natural resources.

Last but not least, the uncertainty surrounding Donbass amidst multiple reports about ceasefire violations also cast strong doubts about Ukraine's market outlook in times of domestic political crisis. Taking into account possible complications in the event of snap parliamentary elections and extremely low support for the current cabinet we see a slimmer chance for a positive turnaround on economic policy and reforms.

As a result we reiterate our "sell" recommendation for Ukraine and recommend portfolio investors "underweight" Ukraine. Meanwhile, we do not expect an immediate rating or outlook action from the agencies, though S&P could opt to lower the rating outlook to negative taking into account its substantially higher rating for Ukraine.

Financial Analyst: Gintaras Shlizhyus, RBI Vienna

## Data releases and country coverage

### This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Prev.	Indicator	Period	est.	High	Mean	Low	Prev.
<b>Friday, 12 February</b>					<b>Tuesday, 23 February</b>						
PL: C/A balance, EUR mn	Dec	-410.0	-105.0	582.0	PL: Unemployment rate, %	Jan	10.2	10.4	10.3	10.2	9.8
PL: Trade balance, EUR mn	Dec	373.0	37.0	717.0	HU: Key rate, %	Feb	1.35	1.35	1.35	1.35	1.35
PL: CPI, % yoy	Jan	-0.7	-0.5	-0.5	CZ: PPI, % yoy	Jan	-2.2	-2.1	-2.3	-2.6	-2.9
<b>Monday, 15 February</b>					<b>Wednesday, 24 February</b>						
CZ: C/A balance, CZK bn	Dec	10.5	6.0	12.4	RS: CPI, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	1.5
RO: CPI, % yoy	Jan	-2.1	-2.7	-0.9	HR: Unemployment rate, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	17.9
RU: Industrial output, % yoy	Jan	-2.7	-3.0	-4.5	TR: Key rate, %	Feb	7.50	n.a.	n.a.	n.a.	7.50
UA: GDP, % yoy	Q4	-1.2	-4.5	-7.2	<b>Thursday, 25 February</b>						
BG: CPI, % yoy	Jan	0.0	-0.3	-0.4	HR: CPI, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	-0.6
BY: Industrial output, % yoy	Jan	-6.8	n.a.	-1.1	UA: Industrial output, % yoy	Jan	n.a.	4.4	1.0	-1.8	-2.1
SK: CPI, % yoy	Jan	-0.6	-0.5	-0.5	<b>Friday, 26 February</b>						
<b>Tuesday, 16 February</b>					<b>Friday, 26 February</b>						
CZ: GDP, % yoy	Q4	3.9	4.7	4.7	HU: Unemployment rate, %	Jan	6.3	6.7	6.4	6.3	6.2
<b>Wednesday, 17 February</b>					<b>Friday, 26 February</b>						
PL: Industrial output, % yoy	Jan	1.4	0.9	6.7	HR: GDP, % yoy	Q4	2.6	n.a.	n.a.	n.a.	2.8
PL: Retail sales, % yoy real	Jan	3.1	5.3	7.0	SI: GDP, % yoy	Q4	n.a.	n.a.	n.a.	n.a.	2.5
<b>Thursday, 18 February</b>											
RU: Real wages, % yoy	Jan	-6.1	-8.0	-8.4							
RU: Retail sales, % yoy real	Jan	-7.3	-8.5	-15.3							

Source: Bloomberg, RBI/Raiffeisen RESEARCH

**Croatia (HR)** – The empty week in terms of macroeconomic releases was brightened up by the central bank's first structural long-term repo operations (LTRO) auction. As we expected, the total amount of bids accepted was relatively modest due to the solid liquidity position of domestic banks. In fact there was no significant market reaction as local bonds had previously priced in the official announcement, resulting in a slight drop in yields. So the downward trend may continue in the case of more pronounced banking sector interest.

Next week will see some important figures related to the labour market: the first results on average gross and net wages for December could confirm the trend of positive growth rates on an annual level, while the unemployment rate (underpinned by unfavourable seasonal movements during the winter) is expected to reach 18.4% in January.

However, the focus will be on the first estimate of Q4 2015 GDP. The high-frequency indicators for the last quarter confirmed that the economic recovery trend has continued (upward trend for consumer confidence indicators and retail trade suggests boost to personal consumption as largest constituent of GDP). Paired with the continuation of favourable growth in exports of goods and services in annual terms, we expect real GDP in Q4 2015 could grow at 2.6% yoy.

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

**Czech Republic (CZ)** – According to the flash estimate the Czech economy contracted by 0.1% qoq in Q4 2015. The market expected +0.4% qoq. According to the Czech Statistical Office the unexpected deceleration from 0.7% qoq in Q3 was caused by outages in the energy and chemical sector, which negatively affected industrial production by the end of the year. In yoy terms Czech GDP increased by 3.9% in Q4. In 2015 the Czech economy grew (on average) by 4.3% yoy (8y high) and ranked among the top-3 fastest-growing economies in Europe. In 2016 the drawings from EU funds, which heavily supported GDP in 2015, will decrease. We expect the Czech economy will grow at less than 3% yoy, supported by consumption and private investments. Upcoming data releases include producer prices and consumer and business sentiment indicators. We expect industrial deflation will diminish further as the oil price fall likely bottoms out in January.

*Financial analyst: Daniela Milučká (+420 234 40 5685), Raiffeisenbank a.s., Prague*

**Poland (PL)** – The macroeconomic data published in recent days painted a mixed picture at first sight, but reflects good prospects for the Polish economy in 2016 in our opinion. Labour market data exceeded expectations with employment and wages rising by 2.3% yoy and 4.0% yoy respectively – well above the 2015 averages (1.1% and 3.5%). Crucially, it looks like the numbers reflect the overall trend of improving labour market conditions and are not one-offs, which bodes well for consumption. On a negative note, retail sales for January disappointed, rising by merely 0.9% yoy vs. 4.9% in December, however, we do not think this is the beginning of a longer trend, especially given the start of the child-benefit program in April.

Industrial output also slowed in January to 1.4% yoy from 6.7% in December, but this was largely due to a calendar effect, not a strong downturn in manufacturing activity.

All in all the data suggests that after a minor slowdown in Q1 (our forecast is 3.4% yoy vs. 3.9% in Q4 2015), the Polish economy is on track to achieve faster growth in 2016 than in 2015, with consumption still being the major driver of this expansion.

Next week features no major publications, the only one being unemployment, which according to the Labour Ministry probably rose in January to 10.3%, from 9.8%, solely on account of seasonal factors. It should therefore reach a new historical high later in 2016.

*Financial analyst: Dorota Strauch (+4860920663), Raiffeisen Polbank, Warsaw*

**Romania (RO)** – The standard VAT rate was reduced to 20% from 24% starting from January 2016. This should have been translated in a theoretical decrease of 3.2% of prices for most non-food products and services, as VAT rate for food products was already reduced in June 2015 (to 9% from 24%). However, VAT rate cut was translated to a low extent in the final consumer prices. Our estimates suggest that the size of pass-through might have been close to around 40%, while our expectations were for a 65% pass-through. As a result, consumer prices decreased only by 0.8% mom in January, less than we and other analysts expected (a decrease of 1.4% according to the Bloomberg survey). Helped by the cut of VAT rate, the annual inflation rate moved deeper in the negative territory in January, coming at -2.1% yoy from -0.9% yoy in December. The higher than expected inflation print for January has raised some upside risks to our end-2015 inflation forecast of 1.5% yoy. On Thursday, 18 February 2016, Romania tapped the external markets for the first time this year raising a total EUR 1.25 bn in two Eurobonds having residual maturities of around 10 years and 20 years respectively. This was the first step to meet the target of EUR 3 bn in Eurobond issuances set for the year 2016. External markets are likely to be tapped again in Q2 as the Finance Ministry aims front-loading external borrowings. Beside Eurobond issuances, Romania plans to borrow another EUR 1.5 bn from International Financial Institutions in order to fund 50% of this year's public budget deficit, forecasted to be at RON 21 bn. No important macro data releases are scheduled in the following week.

*Financial analyst: Nicolae Covrig (+40 799 718 476), Raiffeisen BANK S.A., Bucharest*

**Russia (RU)** – The demand for OFZs on the primary market remains high. This week's auctions enjoyed a 3x oversubscription, which allowed the MinFin to place both issues without any significant price discounts. RUB appreciation was among the key factors of the high demand. As we do not reckon RUB appreciation is sustainable in the medium term given the uncertainty on the oil market, we do not see any speculative interest to buy long OFZs at a yield below 10%. We think that the currently traditional OFZs are at the lower edge of the range, which fairly reflects the 12m RUB change. Thus potential RUB depreciation creates correction risks on the OFZ market. Among other supportive factors we note the decreasing o/n money market rates (which are now below the key rate) as a result of excess RUB liquidity at large banks on the back of higher budget expenses. In the coming months we expect this tendency will continue (given the budget deficit and CBR's REPO decrease) which could allow money market rates to reach the CBR's depo rate (10%). However, this is already priced into OFZs.

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

**Serbia (RS)** – The International Monetary Fund (IMF) mission has opened talks on the fourth review of Serbia's economic performance under the stand-by arrangement, and will close the talks on 26 February. Nonetheless, the IMF confirmed that the final statement usually following the review closure will follow only after the new government is formed, but according to the IMF representative in Belgrade, it does not imply "that there is something wrong with the stand-by arrangement". The IMF expects the future reviews under the arrangement to proceed as planned following the elections, and that the authorities will continue implementing the agreed measures. We find the statement a bit reserved as the IMF did not address the early parliamentary elections at all, nor did they look at how this event would impact on the reform pace.

The early parliamentary elections have not yet been officially scheduled, but according to the Parliament speaker they will be called in early March and held in late April or early May. The delay in arranging the elections stems from the Prime Minister's resolve to speed up the adoption of the Law on Public Companies, before dissolving Parliament.

The Public Debt Administration (PDA) yesterday supplied a 3y benchmark issue worth RSD 30 bn (of RSD 110.00 bn). The appetite was there with a bid-to-cover of 1.38. Taking into account that RSD yields have been at a standstill since December (except for the 3m maturity), the yield falling to 5.95% (-64bp compared to September 2015 auction) at yesterday's auction was quite a surprise. It probably reflects the market perception that the mid-term risks are still acceptable compared to the near-term ones, given the early parliamentary election agenda and the expected delay in reforms.

Next week the Statistical Office will publish CPI data for January, while the Ministry of Finance will publish January's budget and public debt data. No auction of Ministry of Finance T-bills is scheduled.

*Financial analyst: Ljiljana Grubic (+381 11 2207178), Raiffeisenbank a.d., Belgrade*

**Slovakia (SK)** – Consumer price inflation reached -0.6 % yoy in January 2016. This is a bit lower than we expected due to the full transposition of the lower VAT rate into selected food items (rate down from 20% to 10%). Also, the lower crude oil prices are a risk to our annual average forecast of 0.2%. During the first half of 2016, headline inflation will be just into negative territory, but towards the end of 2016 it should rise to 1%. Industrial production in December 2015 revealed Slovak industry to be in very good health. Industrial production went up by 8.3% yoy and we saw solid growth in the machinery, automotive and electrical industries. During Q1 2016 we expect industrial production growth to continue, albeit at a slower pace. The expansion of construction in December 2015 was still fuelled by EU funds (+25.7% yoy), but in 2016 we expect a noticeable slowdown in construction activity, which should result in worker layoffs and low wage growth.

The flash GDP estimate for Q4 2015 produced a slightly surprising positive result. Annual growth stood at +4.2% in Q4 2015 while quarterly growth was stable at 1% for the last 3 quarters of 2015. In Q4 2015 Slovakia was the fastest-growing economy in the EU. In Q1 2016 the growth dynamics should slow towards 3.7% due to the decrease in EU fund inflow.

*Financial analyst: Juraj Valachy (+421 259 192 033), Tatra bank a.s., Bratislava*

# Monetary policy and money markets overview

## CEE key interest and money markets outlook

Poland	curr.*	Mar-16	Jun-16	Sep-16	5y high	5y low
Key interest rate (% eop)	1.50	1.50	1.50	1.50	4.75	1.50
1m money market rate (% eop)	1.49	1.63	1.63	1.63	4.82	1.49
3m money market rate (% eop)	1.59	1.70	1.70	1.71	5.04	1.55
6m money market rate (% eop)	1.74	1.75	1.75	1.76	5.07	1.56
<b>Hungary</b>						
Key interest rate (% eop)	1.35	1.00	1.00	1.00	7.00	1.35
1m money market rate (% eop)	1.35	1.00	1.05	1.05	7.30	1.34
3m money market rate (% eop)	1.35	1.00	1.05	1.05	7.65	1.35
6m money market rate (% eop)	1.35	1.10	1.15	1.15	7.93	1.35
<b>Czech Republic</b>						
Key interest rate (% eop)	0.05	0.05	0.05	0.05	0.75	0.05
1m money market rate (% eop)	0.20	0.22	0.22	0.20	1.00	0.19
3m money market rate (% eop)	0.28	0.30	0.30	0.30	1.25	0.28
6m money market rate (% eop)	0.36	0.40	0.40	0.45	1.58	0.36
<b>Romania</b>						
Key interest rate (% eop)	1.75	1.75	1.75	1.75	6.25	1.75
1m money market rate (% eop)	0.52	1.10	1.55	1.70	6.33	0.31
3m money market rate (% eop)	0.77	1.30	1.60	1.75	6.20	0.56
6m money market rate (% eop)	1.01	1.40	1.65	1.80	6.40	0.73
<b>Russia</b>						
Key interest rate (% eop)	11.00	11.00	11.00	11.00	17.00	5.50
1m money market rate (% eop)	11.73	11.60	11.60	11.40	29.16	3.43
3m money market rate (% eop)	11.95	11.80	11.80	11.60	29.93	3.75
6m money market rate (% eop)	12.09	11.90	11.90	11.70	30.31	4.12
<b>Turkey</b>						
Key interest rate (% eop)	7.50	9.50	9.50	9.50	10.00	4.50
1m money market rate (% eop)	11.91	12.00	11.50	11.00	12.04	4.61
3m money market rate (% eop)	11.97	12.10	11.60	11.10	12.15	4.74
6m money market rate (% eop)	12.02	12.10	11.60	11.10	12.48	5.12
<b>Benchmark key rates (% eop)</b>						
ECB key interest rate (% eop)	0.05	0.05	0.05	0.05	1.50	0.05
Fed key interest rate (% eop)	0.35	0.50	0.75	1.00	0.40	0.01

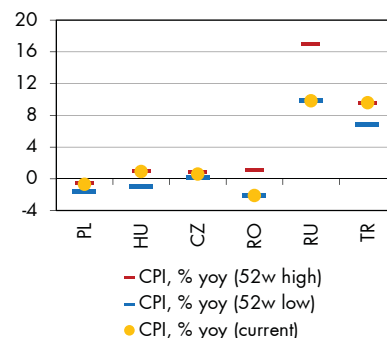
\* Bid rates (for Hungary ask rates) as of 19 February 2016, 10:12 a.m. CET;  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Central bank watch

<b>Poland (NBP)</b>	Likely delay in headline reflation should not trigger central bank to resume rate cuts even in light of a more dovish MPC taking office in March. New macro assumption and new MPC member's comments worth monitoring going forward. While more unconventional easing measures cannot be excluded, rate hikes are not likely before H2 2017.
<b>Hungary (MNB)</b>	MNB remains in easing mood in light of relabeled cheap loan program and cancellation of 2w depo facility by Q2. The latter should channel additional liquidity in longer-dated CB facilities and HGBs. In contrast to consensus, finally, we still see significant chances for another downward adjustment to the base rate especially if bearish oil market continues to hindering reflation from accelerating.
<b>Czech Republic (CNB)</b>	Exit from FX intervention regime – introduced to keeping CZK above EUR/CZK 27.00 – is likely to be delayed beyond Q4 2016. Speculations on negative base/ deposit rate increased after CNB discussed this option. Our base case is not for negative rates, but pressure on CNB is definitely mounting in that respect.
<b>Romania (BNR)</b>	Rate cutting cycle likely over despite dramatic tax-cut-induced fall in CPI. More cuts to MRR expected following the latest cut to FX MRR, although deterioration in fiscal outlook weighs increasingly on MP outlook. Exit from ultra-loose liquidity conditions major monetary policy challenge in 2016.
<b>Serbia (NBS)</b>	Central bank put more wood on the fire and cut base by another 25bp after 4 months pause. Against the external backdrop of more dovish global CBs, this step might be justifiable, but we would still highlight political/fiscal headline risks that could sour foreign yield hunters' bullish sentiment suddenly.
<b>Russia (CBR)</b>	CBR is set to remain hands-off due to RUB weakness/volatility and related inflationary risks. Marked drop in CPI most recently, but further disinflationary base effects could be hampered by latest RUB depreciation. We expect a flat base rate throughout 2016 with first rate cuts as early as Q1 2017.
<b>Turkey (TCMB)</b>	Weighted average costs of funding have risen in recent weeks with this tightening a crucial support to the lira. Upward adjustment of 1w repo rate remains inevitable in our view amidst prevailing inflationary and (geo)political risks.

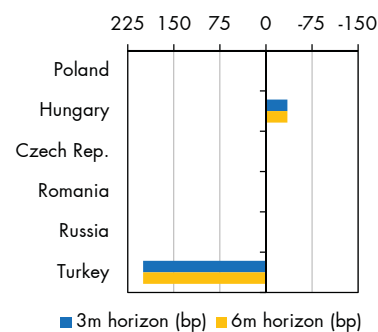
Source: Bloomberg, Reuters, RBI/Raiffeisen RESEARCH

## Inflation snapshot



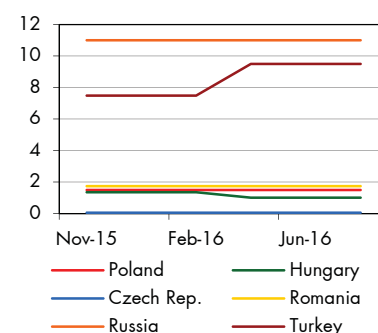
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Key rate trends



Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Rate setting meetings

	Feb	Mar
Poland (NBP)	3	9
Hungary (MNB)	23	22
Czech Rep. (CNB)	4	31
Romania (BNR)	5	
Serbia (NBS)	11	17
Russia (CBR)	-	18
Turkey (TCMB)	23	24

Source: National Central Banks, RBI/Raiffeisen RESEARCH



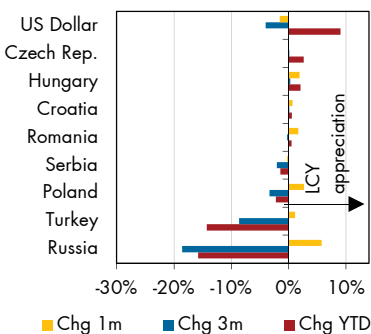
# Foreign exchange market overview

## FX forecasts

EUR vs	current <sup>1</sup>	Mar-16	Jun-16	Sep-16	5y high	5y low	Comment
PLN	4.38	4.40	4.35	4.30	4.57	3.91	EUR/PLN remains at elevated levels given uncertainty (politics, FX loan conversion discussions, unsupportive external news-flow etc.); we expect EUR/PLN to remain in a volatile sideways movement around 4.40; benign economics to support the zloty in the course of 2016, but zloty remains susceptible to weakening from negative external news-flow in the short-term
HUF	310.0	310.0	315.0	315.0	322.6	262.3	Despite short-term break-outs EUR/HUF expected to remain in 310-315 range; but 2016 likely to bring moderate depreciation for forint on central bank policy and US rate hikes
CZK	27.02	27.00	27.00	27.00	28.37	24.06	EUR/CZK to remain near intervention level of 27.0; CPI and intervention data to give further indication on the FX regime abandoning; CNB revised inflation trajectory lower, thus also delaying FX cap scrapping into H1 2017; discussion on interest rate cuts into negative territory by CNB but also on more interventions to weaken CZK
RON	4.46	4.40	4.45	4.40	4.64	4.07	In the last weeks investors gave preferential treatment to Romanian assets in comparison to some other CEE countries; RON already reached levels below 4.50 against EUR, however, only short-lived; further appreciation should not be expected, but a tight trading range around the EUR/RON level of 4.46
HRK	7.62	7.68	7.60	7.65	7.72	7.36	Stable trading within the range 7.61-7.64 kuna per euro is expected due to possible higher FCY corporate demand
RSD	123.2	123.0	122.0	124.0	123.7	96.7	Surprising 25bp rate cut and early elections weigh on EUR/RSD, but central bank is softening pressure on RSD via FX interventions; markets might wait for the IMF assessment by the end of next week
RUB	84.61	89.38	82.40	75.75	90.88	38.43	see USD/RUB below
UAH	29.79	26.16	25.75	27.27	37.78	9.74	see USD/UAH below
BYR	24,029	25,070	25,235	25,250	25,167	4,129	see USD/BYR below
TRY	3.30	3.32	3.09	2.98	3.46	2.16	see USD/TRY below
USD	1.11	1.09	1.03	1.01	1.49	1.05	Expectation on further US Fed rate hikes to support USD against euro
USD vs	current <sup>1</sup>	Mar-16	Jun-16	Sep-16	5y high	5y low	Comment
RUB	76.26	82.00	80.00	75.00	82.28	27.28	RUB is expected to continue following the oil price movement closely; speculation on Russia-OPEC deal for production cut continues; while short-term pressure on rouble is likely to persist, we project oil price recovery for the coming quarters to give support to the RUB
UAH	26.83	24.00	25.00	27.00	33.75	7.93	Political jitters weigh on the hryvnia and overall depreciation pressure will continue; but prolongation of most critical administrative FX restrictions until 4 March 2016 will prevent stronger depreciation for UAH; the central bank commitment will determine how fast and when we will see more depreciation
BYR	21,630	23,000	24,500	25,000	22,150	3,002	Central Bank announced that Belarussian rouble will be redenominated from 1 July 2016; depreciation tendency of BYR to remain, while receiving additional pressure from weakening RUB
TRY	2.97	3.05	3.00	2.95	3.06	1.51	Due to security concerns and political differences the risks for renewed depreciation of TRY remain; investors could be more cautious for the Turkish lira due to the latest bomb attack with USD/TRY likely to rise above 3.0 levels

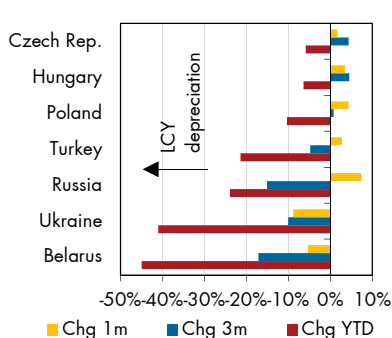
<sup>1</sup> as of 19 February 2016, 10:14 a.m. CET; Source: Bloomberg, RBI/Raiffeisen RESEARCH

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



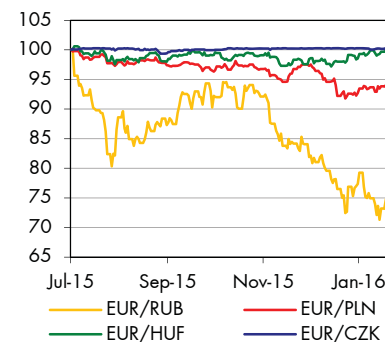
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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



Source: Bloomberg, RBI/Raiffeisen RESEARCH

### Exchange rate comparison

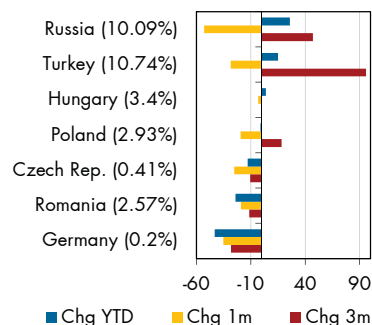


Indexed Jul 2015 = 100

Source: Bloomberg

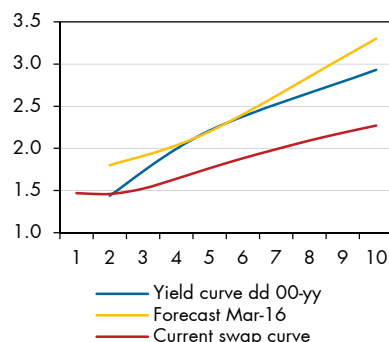
# Local currency bond market overview

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



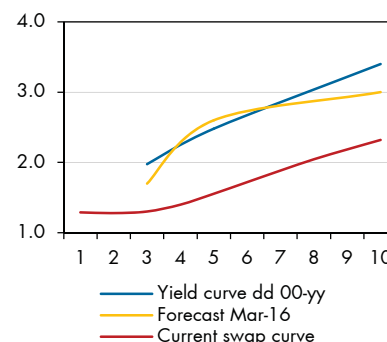
Source: Bloomberg, RBI/Raiffeisen RESEARCH

**PLN yield curve**



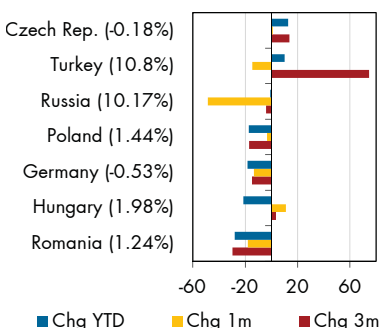
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

**HUF yield curve**



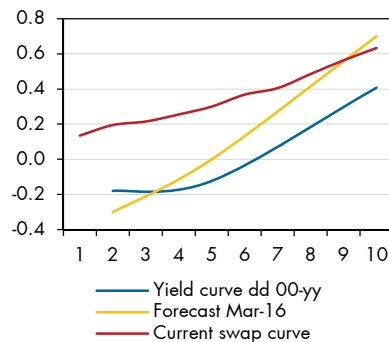
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

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



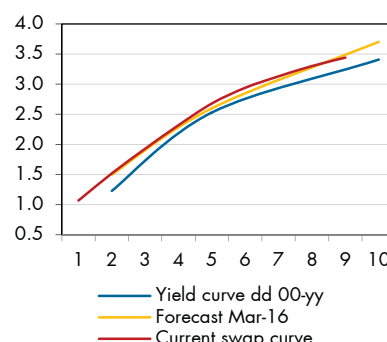
Source: Bloomberg, RBI/Raiffeisen RESEARCH

**CZK yield curve**



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

**RON yield curve**



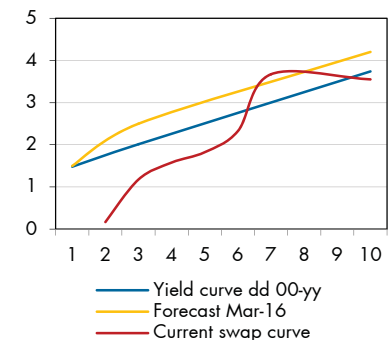
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

**5y USD CDS spreads**



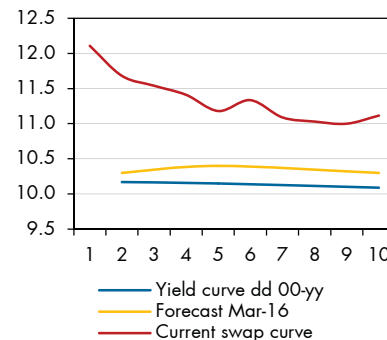
Turkey 5y high 343.7, 5y low 111.7; Hungary 5y high 735, 5y low 114.9; Russia 5y high 628.7, 5y low 118.7  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

**HRK yield curve**



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

**RUB yield curve**



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

**Yield forecasts**

2y T-bond yields (%)							10y T-bond yields (%)						
	current*	Mar-16	Jun-16	Sep-16	5y high	5y low		current*	Mar-16	Jun-16	Sep-16	5y high	5y low
Poland	1.44	1.8	1.9	2.0	5.1	1.3	Poland	2.93	3.3	3.4	3.4	6.3	2.0
Hungary**	1.98	1.7	1.7	1.8	10.2	1.5	Hungary	3.40	3.0	3.2	3.3	10.7	2.7
Czech Rep.	-0.18	-0.3	-0.3	-0.2	2.0	-0.4	Czech Rep.	0.41	0.7	0.8	0.9	4.3	0.3
Romania	1.23	1.5	1.6	1.7	7.3	0.9	Romania	3.41	3.7	3.9	4.0	7.6	2.6
Croatia	1.68	2.5	2.5	2.6	6.3	1.6	Croatia	3.74	4.2	4.3	4.3	4.3	3.7
Russia	10.17	10.3	10.1	10.0	17.5	5.5	Russia	9.95	10.3	10.4	10.5	16.1	6.5
Turkey	10.87	11.0	10.5	10.0	11.3	4.9	Turkey	10.64	11.0	10.7	10.3	11.0	6.0
Eurozone	-0.53	-0.4	-0.4	-0.4	1.9	-0.5	Eurozone	0.20	0.5	0.5	0.8	3.5	0.1
USA	0.71	0.9	1.2	1.4	1.1	0.2	USA	1.75	2.0	2.4	2.7	3.6	1.4

\*Bid yields as of 19 February 2016, 10:23 a.m. CET; \*\* 3y  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

# Local currency bond market overview

## CEE local currency bond market snapshot

	Maturity	Coupon, %	Ask Price	YTM, %	Spread to Bunds, bp	MDur.	Comment
<b>Poland</b>							
PLN 2y Gov. Bond	25.04.2018	3.75	104.99	1.40	194	2.1	Local bonds weathered rating downgrade quite well providing a significant risk buffer. Rate cut bets remain volatile and we expect rest of rate cut bets to get priced-out in Q2-2016 despite subdued headline inflation. More bond-market-friendly regulatory easing and possibly stepped-up ECB easing in combination with a presumably more dovish Fed should support local debt market.
PLN 5y Gov. Bond	25.04.2021	2.00	99.13	2.18	251	4.9	
PLN 10y Gov. Bond	25.07.2026	2.50	96.36	2.91	271	9.2	
<b>Hungary</b>							
HUF 3y Gov. Bond	30.10.2019	2.00	100.46	1.87	236	3.6	LCY debt market continues facing outflows from non-residents challenging local players absorption capacity. MNB remains committed to incentivise local bond buying. MP easing speculations and stepped-up bond-market-friendly MNB measures should lend additional support.
HUF 5y Gov. Bond	27.10.2021	2.50	100.74	2.36	269	5.3	
HUF 10y Gov. Bond	27.10.2027	3.00	97.04	3.31	311	9.9	
<b>Czech Republic</b>							
CZK 2y Gov. Bond	17.03.2018	0.85	102.30	-0.26	28	8.7	Offshore demand for CZGBs continues and pushes down CZGB spreads. Positioning for strong CZK appreciation in conjunction with the scrapping of the FX cap as well as speculations on resumed rate cuts into negative territory should keep spreads over Bunds tight.
CZK 5y Gov. Bond	12.09.2020	3.75	118.07	-0.20	14		
CZK 10y Gov. Bond	17.09.2025	2.40	119.41	0.34	14		
<b>Croatia</b>							
HRK 2y Gov. Bond	25.11.2017	6.25	108.35	1.41	174	1.7	We expect calm week on local bond market with yields remained at the current levels.
HRK 10y Gov. Bond	09.07.2025	4.50	107.06	3.61	341	7.7	
<b>Romania</b>							
RON 3y Gov. Bond	29.04.2019	2.50	102.74	1.62	211	3.0	Local debt the regional outperformer year-to-date shrugging of broader EM and EA peripheral stress. Front-end of ROMGB curve to remain hardly cemented on excess liquidity conditions, whilst political risks should gradually return into the spotlight. Back-end yields should therefore enter a gradual upward trend in the medium term.
RON 5y Gov. Bond	22.03.2021	3.25	103.97	2.42	275	4.6	
<b>Russia</b>							
RUB 2y Gov. Bond	15.03.2018	7.50	95.90	9.97	1050	1.9	OFZs increasingly learn that rate cut bets were too aggressive. Since likelihood of resumed rate cuts is diminishing due to inflation risks and growing fiscal pressure in 2016 that should weigh technically on the supply-side, room for gains seems limited in the next few months.
RUB 5y Gov. Bond	03.08.2016	6.90	99.00	9.41	974	0.5	
RUB 8y Gov. Bond	24.11.2021	6.50	87.53	9.65	945	4.8	
<b>Turkey</b>							
TRY 2y Gov. Bond	14.06.2017	9.60	98.45	10.49	1102	1.2	LCY debt market again on a roller coaster due to re-intensification of geopolitical risks. Whilst more dovish Fed mitigated the overall pressure most recently and triggered a mini-rally, the market is far from stability in our view and we would like to see MP normalisation and more political calculability before re-entering the TURKGB market.
TRY 5y Gov. Bond	08.07.2020	9.40	95.55	10.69	1102	3.6	
TRY 10y Gov. Bond	12.03.2025	8.00	84.90	10.63	1043	6.0	

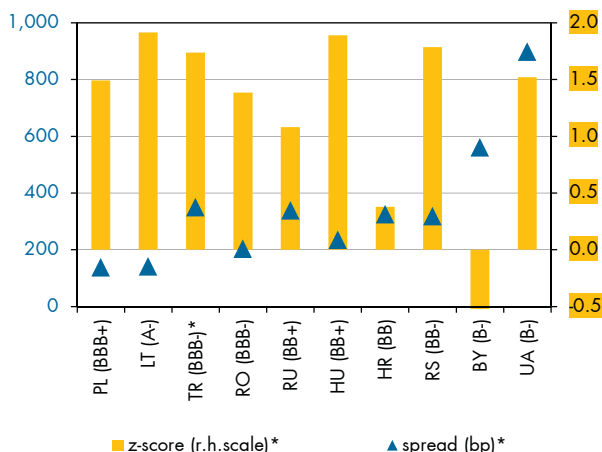
Data as of 19 February 2016, 10:23 a.m. CET  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Bond auctions

	ISIN	Coupon	Maturity	Volume
<b>22 February 2016</b>				
TR	5y T-bonds	n.a.	2021	n.a.
TR	1/L 10y T-bonds*	n.a.	2026	n.a.
AL	T-bonds	n.a.	n.a.	n.a.
<b>23 February 2016</b>				
UA	T-bonds	n.a.	n.a.	n.a.
TR	1y T-bonds	n.a.	2017	n.a.
TR	6y T-bonds	n.a.	2022	n.a.
TR	10y T-bonds	n.a.	2026	n.a.
<b>24 February 2016</b>				
UA	T-bonds	n.a.	n.a.	n.a.
<b>25 February 2016</b>				
HU	T-bonds	n.a.	floating	n.a.

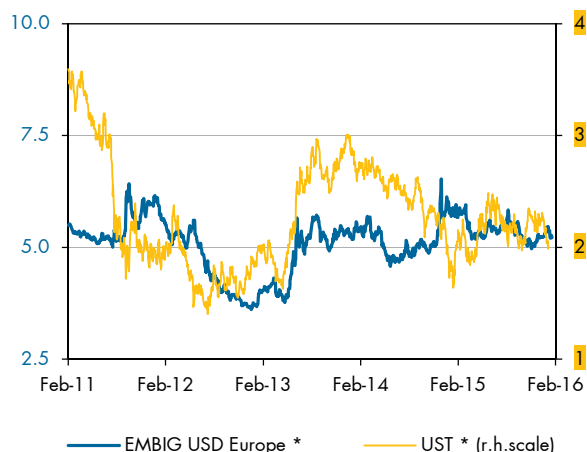
# Eurobond market overview

CEE USD EMBIG spread valuation\*



\* z-score - EMBIG USD country spread deviation from mean normalised by 1 standard deviation, score at or below minus 1 = expensive, at or above 1 = cheap  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CEE EMBIG USD vs. UST YTM\*



\* YTM - yield to maturity EMBI Global USD, UST - 10-year US Treasury note  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Issuer/rate/due	Market Price		YTM mid.		Spread vs. Bmk, bp	Mdur. years	ISIN
	Bid	Ask	w/w %	5y max			
<b>EUR</b>							
BGARIA 4 1/4 07/09/17	106.2	106.5	0.47	111.8	100.3	-0.35	11 1.3 XS0802005289
CROATI 5 7/8 07/09/18	109.4	109.7	0.01	112.2	87.7	1.71	222 2.2 XS0645940288
REPHUN 3 1/2 07/18/16	101.2	101.5	n.a.	104.6	76.8	0.23	63 0.4 XS0240732114
REPHUN 5 3/4 06/11/18	111.2	111.5	-0.14	115.1	79.7	0.75	126 2.1 XS0369470397
REPHUN 6 01/11/19	114.3	114.8	-0.04	118.4	86.4	0.88	136 2.7 XS0625388136
LITHUN 4.85 02/07/18	109.7	110.0	-0.14	114.3	94.5	-0.17	35 1.9 XS0327304001
POLAND 1 5/8 01/15/19	104.1	104.5	0.30	105.5	98.0	0.14	62 2.8 XS0874841066
POLAND 3 3/4 01/19/23	118.4	119.4	0.26	125.5	99.9	0.92	109 6.2 XS0794399674
POLAND 3 3/8 07/09/24	115.4	116.3	0.22	125.6	99.6	1.36	136 7.3 XS0841073793
ROMANI 5 1/4 06/17/16	101.6	101.8	-0.10	108.7	95.8	-0.15	24 0.3 XS0638742485
ROMANI 4 7/8 11/07/19	115.0	115.4	-0.33	117.8	99.3	0.70	113 3.4 XS0852474336
TURKEY 5 7/8 04/02/19	112.1	112.9	-0.52	119.4	101.2	1.71	218 2.8 XS0285127329
TURKEY 5 1/8 05/18/20	110.8	111.6	-0.45	115.9	95.4	2.31	271 3.7 XS0503454166
<b>USD</b>							
BELRUS 8.95 01/26/18	103.3	104.2	0.76	111.2	70.0	6.84	615 1.7 XS0583616239
CROATI 6 3/8 03/24/21	108.2	108.7	0.13	117.8	86.7	4.49	327 4.3 XS0607904264
CROATI 5 1/2 04/04/23	104.3	104.9	0.23	108.6	94.4	4.73	322 5.8 XS0908769887
REPHUN 5 3/8 02/21/23	110.1	110.5	0.89	113.9	93.1	3.70	218 5.9 US445545AH91
REPHUN 7 5/8 03/29/41	137.7	138.6	1.00	150.3	79.5	4.95	255 12.8 US445545AF36
LITHUN 7 3/8 02/11/20	118.0	118.6	0.17	130.7	104.8	2.50	146 3.5 XS0485991417
LITHUN 6 5/8 02/01/22	120.6	121.3	0.08	128.6	101.0	2.77	142 5.0 XS0739988086
LATVIA 2 3/4 01/12/20	101.3	101.8	0.31	102.7	91.4	2.34	132 3.7 XS0863522149
LATVIA 5 1/4 06/16/21	113.3	113.9	0.25	117.2	90.9	2.50	124 4.7 XS0638326263
POLAND 6 3/8 07/15/19	113.8	114.2	0.12	125.9	107.4	2.08	113 3.1 US731011AR30
POLAND 3 03/17/23	100.1	100.6	0.34	103.6	87.6	2.95	143 6.2 US731011AT95
ROMANI 6 3/4 02/07/22	119.2	119.7	-0.05	124.4	99.2	3.14	178 5.0 US77586TAA43
ROMANI 4 3/8 08/22/23	106.5	106.9	0.06	109.5	90.8	3.36	181 6.4 US77586TAC09
RUSSIA 4 1/2 04/04/22	100.6	101.2	0.21	114.7	82.0	4.32	295 5.2 XS0767472458
RUSSIA 7 1/2 03/31/30	121.2	121.5	0.65	128.7	99.6	2.57	65 4.1 XS0114288789
RUSSIA 5 5/8 04/04/42	94.3	95.2	1.02	124.9	76.0	6.03	359 13.0 XS0767473852
SERBIA 5 1/4 11/21/17	103.6	104.1	0.04	107.1	96.8	2.96	230 1.6 XS0856951263
SERBIA 4 7/8 02/25/20	101.9	102.5	0.08	104.6	89.6	4.27	323 3.5 XS0893103852
TURKEY 6 1/4 09/26/22	108.4	109.0	-0.28	127.0	101.0	4.70	325 5.3 US900123BZ27
TURKEY 6 7/8 03/17/36	110.7	111.4	-1.35	139.6	99.2	5.93	374 11.0 US900123AY60
TURKEY 6 3/4 05/30/40	109.6	110.3	-1.58	139.4	97.3	5.97	360 12.3 US900123BG46
UKRAIN 7 3/4 09/01/19	91.8	92.7	0.88	99.0	88.0	10.44	949 2.9 XS1303918269
UKRAIN 7 3/4 09/01/23	87.7	88.8	-0.18	97.8	84.6	10.00	846 5.2 XS1303921487
UKRAIN 7 3/4 09/01/27	84.8	85.9	-0.20	97.0	81.2	9.91	810 6.8 XS1303927179

\* w/w - week on week, 5y - 5-year low and high, YTM mid - yield to maturity based on mid market price, Bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 19 February 2016, 09:58 a.m. 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
<b>CE</b>									
Poland	A-	BBB+	negative	A2	A2	stable	A	A-	stable
Hungary	BB+	BB+	stable	Ba1	Ba1	positive	BBB-	BB+	positive
Czech Republic	AA	AA-	stable	A1	A1	stable	AA-	A+	stable
Slovakia *	A+	A+	stable	A2	A2	stable	A+	A+	stable
Slovenia *	A-	A-	stable	Baa3	Baa3	stable	BBB+	BBB+	stable
<b>SEE</b>									
Romania	BBB-	BBB-	stable	Baa3	Baa3	positive	BBB	BBB-	stable
Bulgaria	BB+	BB+	stable	Baa2	Baa2	stable	BBB	BBB-	stable
Croatia	BB	BB	negative	Ba1	Ba1	negative	BB+	BB	negative
Serbia	BB-	BB-	stable	B1	B1	stable	B+	B+	positive
<b>CIS</b>									
Russia	BBB-	BB+	negative	Ba1	Ba1	stable	BBB-	BBB-	negative
Ukraine	B-	B-	stable	Caa3	Caa3	stable	CCC	CCC	stable
Belarus	B-	B-	stable	Caa1	Caa1	negative	NR	NR	n.a.
Kazakhstan	BBB-	BBB-	negative	Baa2	Baa2	stable	A-	BBB+	stable
Turkey	BBB-	BB+	negative	Baa3	Baa3	negative	BBB	BBB-	stable

\* Euro area (Euro currency) members; positive rating/outlook changes (in previous week) in green, negative changes in red; NA - not applicable; NR - not rated  
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	2015e	1.5	-0.5	16.2	1058	-5.0	89.9	24.9	4.7	108.9	29.0	9.6
	2016f	1.0	1.1	16.0	1061	-4.5	93.1	26.0	1.5	109.5	27.0	8.8
	2017f	1.5	1.5	15.8	1070	-4.1	94.9	26.6	1.5	109.8	25.8	8.5
Czech Rep.	2015e	4.3	0.4	6.5	972	-1.5	40.7	75.0	1.0	65.6	55.4	6.1
	2016f	2.4	1.3	6.1	1023	-1.5	40.1	77.4	1.1	63.6	82.0	8.5
	2017f	2.4	2.0	5.9	1104	-1.7	40.2	78.9	-0.4	63.4	79.2	8.0
Hungary	2015e	2.8	0.0	7.0	795	-2.3	75.8	80.3	3.7	104.6	26.5	4.5
	2016f	2.2	1.9	6.2	818	-2.2	75.0	81.3	3.7	96.9	26.1	4.0
	2017f	2.9	2.7	5.7	833	-2.4	71.5	82.5	3.6	89.8	24.6	3.4
Poland	2015e	3.5	-0.9	10.5	939	-3.1	51.9	39.1	-0.1	70.3	29.1	6.1
	2016f	3.6	1.3	9.4	950	-3.2	52.9	41.3	-1.2	73.2	24.7	5.1
	2017f	3.4	2.0	9.0	1016	-3.2	52.9	40.4	-1.7	73.1	23.5	4.8
Romania	2015e	3.7	-0.6	6.8	566	-1.2	38.9	31.6	-1.0	59.3	37.9	7.4
	2016f	4.0	-0.3	6.5	619	-3.0	39.7	32.2	-2.5	57.8	33.7	6.1
	2017f	3.6	2.7	6.5	668	-3.2	40.4	32.4	-3.3	56.1	33.2	5.7
Russia	2015e	-3.7	15.6	5.6	499	-3.6	12.7	25.9	5.0	39.3	73.0	23.3
	2016f	-2.0	9.5	6.5	444	-5.5	13.5	27.0	4.6	44.0	80.2	25.9
	2017f	1.5	8.0	6.0	522	-3.9	14.0	25.9	4.6	32.2	84.5	21.7
Ukraine	2015e	-10.0	48.5	11.5	172	-4.0	87.0	37.4	-0.8	128.7	11.3	4.3
	2016f	1.5	16.0	11.0	n.a.	-3.5	94.0	42.7	-1.0	133.3	13.9	4.7
	2017f	3.0	10.0	10.0	n.a.	-2.5	93.0	46.4	-1.2	134.0	14.7	4.6
Turkey	2015e	3.5	7.6	10.5	n.a.	-1.5	34.0	21.6	-5.0	59.9	26.6	6.5
	2016f	2.5	8.1	10.0	n.a.	-1.5	32.0	22.9	-5.7	62.6	24.9	6.0
	2017f	3.5	7.0	10.0	n.a.	-1.5	33.0	22.1	-5.6	58.2	25.0	5.7

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

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**Bonds**

Financial instruments/Company	Date of the first publication
Eurobonds	01/01/2001
LCY bonds	01/01/1997

**Recommendations history: Local currency government bonds (I: no change)\***

Date of change	CZ				HU				PL				RO				RU**				TR			
	2y	5y	10y	CZK	2y	5y	10y	HUF	2y	5y	10y	PLN	2y	5y	10y	RON	2y	5y	10y	RUB	2y	5y	10y	TRY
09/02/2015	Hold	Hold	Hold	Hold	Buy	Buy	Buy	Sell	Hold	Hold	Hold	Hold	Buy	Buy	Buy	Hold	Sell	Sell	Sell	Sell	Buy	Buy	Buy	Buy
24/03/2015						Hold	Hold					Sell					Hold					Hold	Hold	Sell
28/04/2015												Hold	Hold	Hold	Hold	Hold	Buy	Hold	Hold					Hold
15/05/2015		Buy	Buy																					
02/06/2015		Hold	Hold		Hold			Hold												Hold		Buy	Buy	Buy
24/06/2015			Buy				Sell				Sell				Sell			Buy	Buy		Sell	Sell	Sell	Sell
06/08/2015			Hold			Sell				Sell				Sell			Hold	Hold	Hold		Hold			Hold
03/09/2015																				Buy				Buy
22/09/2015																					Sell			
04/11/2015					Buy	Buy	Buy			Hold	Hold			Hold	Hold					Hold	Hold	Hold	Hold	Hold
17/12/2015								Buy	Buy	Buy			Buy	Buy	Buy	Buy	Buy	Buy		Buy				
25/01/2016		-	Buy		Hold	-		Hold		-			Hold	-	Hold		-	-	-	-		-		
11/02/2016																	Hold	-	Hold	Hold				

\* recommendations based on absolute expected performance in LCY; FX vs EUR; 5y segment not covered anymore; \*\* RU under revision; Source: RBI/Raiffeisen RESEARCH

**Recommendations history: Sovereign Eurobonds (I: no change)\***

Date of change	BG		HR		CZ		HU		KZ		LT		PL		RO	
	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD
09/02/2015	Hold	-	Sell	Sell	Hold	Hold	Buy	Hold	-	-	Hold	Hold	Hold	Hold	Buy	Hold
05/03/2015		-	Hold	Hold					-	-						
24/03/2015		-					Hold		-	-	Buy	Buy	Buy	Hold		Buy
17/04/2015		-							-	-						
28/04/2015		-							-	-						
02/06/2015	Sell	-							-	-	Hold	Hold		Buy	Hold	Hold
24/06/2015	Hold	-							-	-				Hold		
06/08/2015		-	Sell	Sell					-	Buy	Buy		Hold			
03/09/2015		-							-		Hold					
22/09/2015		-							-				Buy		Buy	Buy
07/10/2015		-					Buy	Buy	-	Hold						
04/11/2015		-							-		Buy			Buy		
03/12/2015		-							-	Buy						
17/12/2015		-							-		Hold					
18/01/2016		-							-				Hold	Hold		
25/01/2016		-	Hold	Hold			Hold	Hold	-	Hold					Hold	Hold

\* recommendations based on absolute expected performance, i.e. expected spread change; Source: RBI/Raiffeisen RESEARCH

**Recommendations history: Sovereign Eurobonds (I: no change)\***

Date of change	RU		RS		SK		SI		TR		UA		BY	
	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD
09/12/2014	Sell	Sell	-	Hold	-	-	-	-	Hold	Hold	Sell	Sell	-	Hold
09/02/2015			-	Sell	-	-	-	-					-	Sell
05/03/2015	Hold	Hold	-	Hold	-	-	-	-					-	
24/03/2015	Buy	Buy	-	Hold	-	-	-	-					-	Hold
17/04/2015	Hold	Hold	-		-	-	-	-					-	
28/04/2015			-		Hold	-	Buy	-	Buy	Buy	Hold	Hold	-	Buy
02/06/2015			-	Sell		-		-					-	
24/06/2015			-			-		-		Hold			-	
06/08/2015			-			-	Hold	-	Hold		Sell	Sell	-	Sell
03/09/2015			-			-		-			Hold	Hold	-	
22/09/2015			-			-		-	Sell	Sell			-	
07/10/2015			-			-		-					-	
04/11/2015	Buy	Buy	-			-		-	Hold	Hold	-		-	Hold
03/12/2015	Hold	Hold	-			-		-			-	Sell	-	
17/12/2015			-			-		-	Buy	Hold	-		-	
18/01/2016			-			-		-			-		-	
25/01/2016	Buy	Buy	-			-	Buy	-		Buy	-		-	

\* recommendations based on absolute expected performance, i.e. expected spread change, under revision; Source: RBI/Raiffeisen RESEARCH

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

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