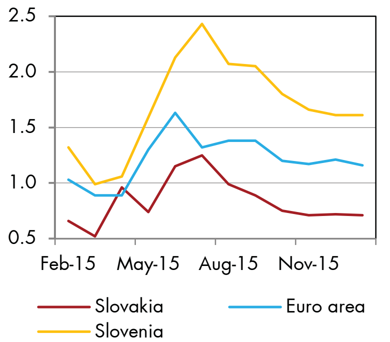
CEE Weekly

Raiffeisen RESEARCH

Issue 09/2016 4 March 2016

Long-term gov. bond yields (%)



Slovakia 5-year high 4.45, 5-year low 0.52
Euro area 5-year high 4.34, 5-year low 0.89
Slovenia 5-year high 5.81, 5-year low 0.99
Source: Eurostat, RBI/Raiffeisen RESEARCH

Market snapshot

	curr.*	Jun-16	Sep-16	Dec-16
Poland				
EUR/PLN	4.33	4.35	4.30	4.30
Key rate	1.50	1.50	1.50	1.50
10y bond	3.0	3.4	3.4	3.5
Hungary				
EUR/HUF	309.4	315	315	320
Key rate	1.35	1.00	1.00	1.00
10y bond	3.3	3.2	3.3	3.4
Czech Rep.				
EUR/CZK	27.0	27.0	27.0	27.0
Key rate	0.05	0.05	0.05	0.05
10y bond	0.4	0.8	0.9	1.1
Romania				
EUR/RON	4.47	4.45	4.40	4.40
Key rate	1.75	1.75	1.75	1.75
10y bond	3.5	3.9	4.0	4.1
Croatia				
EUR/HRK	7.60	7.55	7.60	7.65
10y bond	3.8	3.9	3.9	3.9
Russia				
USD/RUB	73.2	80.0	75.0	70.0
Key rate	11.00	11.00	11.00	11.00
10y bond	9.3	10.4	10.5	10.2
Turkey				
USD/TRY	2.92	3.00	2.95	3.10
Key rate	7.50	8.50	9.50	9.50
10y bond	10.1	10.7	10.3	10.0
EUR/USD	1.09	1.03	1.01	1.01

Currencies per 1 EUR
** prices as of 4 March 2016, 09:48 a.m. CET;*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

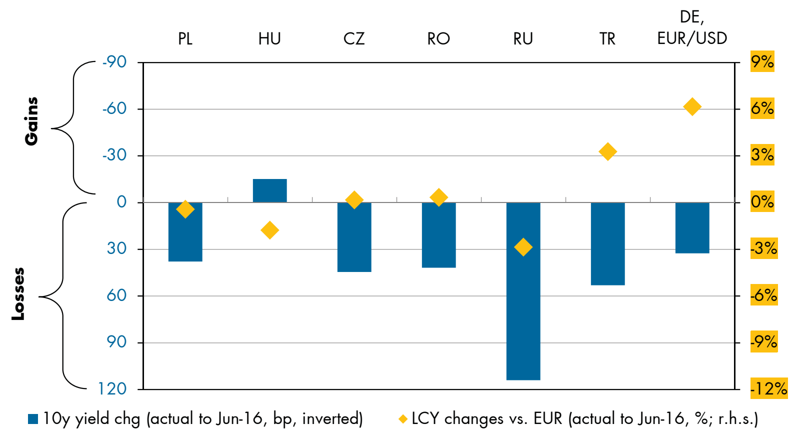
Content

Highlights

With improving markets the pick-up in sovereign primary Eurobond market activity continued with Turkey and Montenegro visiting the market. In terms of volume and pricing the Macedonia deal was disappointing compared to the Turkish placement. In line with recovering oil RUB trades on the strong side, while Russian producers seem to contribute their share to a global oil supply freeze. Nevertheless, we remain sceptical that a freeze at oversupplied January 2016 levels will be sufficient to stabilize oil markets already now. Therefore, we remain sceptical on the near-term RUB outlook and would also consider current OFZ market pricing as very toppish. Moreover, current lowish inflation readings in Russia should be seen as one-offs. On a positive note core CE PMIs came in at solid levels. The key question is whether CE PMIs point to a certain degree of over-optimism or the region has been less hit by the recent, possibly exaggerated, drop in sentiment. Today there is the first chance that one rating agency (Moody's) will lift Hungary back into investment-grade territory (the rating was cut into junk in Nov/Dec 2011 and Jan 2012), while S&P and Fitch will follow with rating updates (March and May). We believe that over the next few months an upgrade would be imminent with at least one of three agencies expected to finally grant Hungary back an investment-grade rating. However, for today we would not be too optimistic either. We see a 30-40% chance for an upgrade by Moody's already today, while the rating agency can follow-up with a full upgrade in July according to the rating calendar. Elections in Slovakia over the week-end should not bring a major surprise. The current government is likely to be re-elected although a coalition partner might be needed. The latter is likely to come from the right-wing political spectrum, but we do not expect radical moves and some political correctness to prevail in Slovakia (having the EU presidency in H2 2016). So we see no market impact and Slovak yields being well anchored (also due to ECB).

Financial analyst: Gunter Deuber, RBI Vienna

Expected changes from today until June 2016



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

Data highlights upcoming week

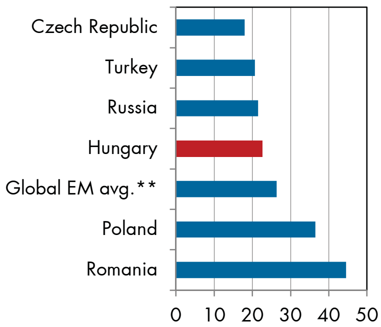
Date	Indicator	Period	est.	High	Mean	Low	Prev.
07-Mar	HU: Industrial output, % yoy wda	Jan	6.7	6.8	5.7	4.1	6.9
07-Mar	RU: FX reserves, USD bn	Feb	n.a.	385.6	380.5	375	371.6
11-Mar	PL: Key rate, %	Mar	1.5	1.5	1.5	1.5	1.5
11-Mar	RO: CPI, % yoy	Feb	-2.4	-2.0	-2.2	-2.6	-2.1

Source: Bloomberg, RBI/Raiffeisen RESEARCH

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

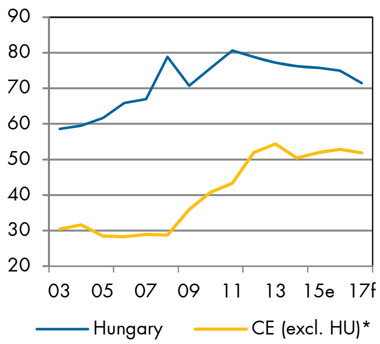
Focus on Hungary: Upgrade – 30-40% chance of move today

LCY bonds NRH holdings (%)*



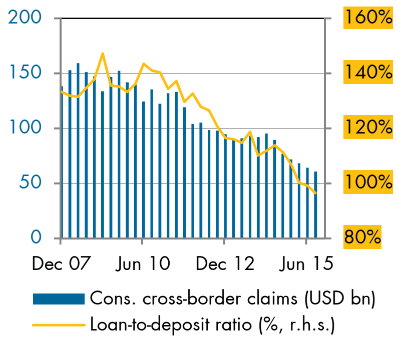
** NRH - non-resident holdings as % of total outstanding LCY bonds, January 2016*
*** RO, PL, ID, MY, MX, HU, RU, TR, ZA, BR, CZ, CL, TH, KR*
Source: national sources, IMF, RBI/Raiffeisen RESEARCH

Public debt (% of GDP)



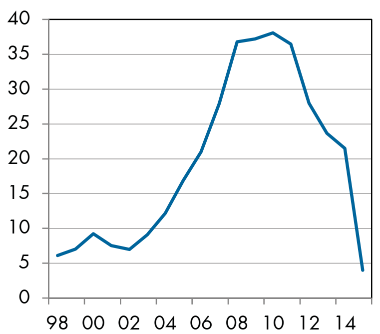
** Average PL, CZ, SK, SI*
Source: national sources, Eurostat, RBI/Raiffeisen RESEARCH

Banking sector deleveraging



Source: BIS, local sources, RBI/Raiffeisen RESEARCH

FX loans (% of GDP)



Source: local sources, RBI/Raiffeisen RESEARCH

Today March 4, Moody's is expected to revisit its rating on Hungary after the trading day closure. Furthermore, according to the pre-determined rating calendar, S&P and Fitch would be also scheduled to deliver their rating opinions on 18 March and 20 May respectively. **We believe that over the next few months a sovereign rating upgrade would be imminent with at least one of three rating agencies** expected to finally grant Hungary an investment-grade rating. However, for today's rating action we would not be too optimistic either (we see a 30-40% chance for an upgrade today). Moody's just changed its rating outlook to positive in Q4 2015 (Nov). Hence, **an upgrade in July** (when the next rating review by Moody's is scheduled according to the pre-determined rating calendar) **still looks a bit more likely to us rather** than a more frontloaded move already today. That said in our opinion the chances for a rating upgrade remain the highest with Moody's or Fitch while S&P traditionally may take a harsher judgement of domestic politics compared to the competition.

Studies conducted by rating agencies show that **for sovereigns losing investment-grade rating it would normally take three to four years on average to win back their previous status.** Hungary lost its investment status four years ago when the country's rating was cut into junk territory in November-December 2011 and January 2012. Since then the government applied a package of economic and fiscal reforms which allowed Hungary to reduce the budget deficit and exit the EDP procedure. **Positively the combination of fiscal reforms and the return to economic growth contributed to a public debt reduction from nearly 80% of GDP in 2011 to 75.8% in 2015** while general budget deficit was cut closer to 2% of GDP. Similarly **gross foreign debt went down from over 130% of GDP in 2011 to around 100% at present**, while **persistently high CA surpluses reduced the need for external funding**. The trends sketched previously improved external liquidity and debt coverage ratios substantially. Structural **clean-up in the banking sector** (although some measures had been controversial) **reduced the FX and balance sheet vulnerabilities of the private sector and the whole economy substantially** as well. Moreover, overall **government refinancing has become much more stable due to the substantially decreasing role of non-resident holdings in HGBs** (where the share of retail investors may even overtake the share of non-resident holdings this year). Therefore, the vulnerability of Hungary to external market shocks (that has been traditionally among the highest in the CE/SEE region) seems to be currently lower than in case of Poland or Romania.

As economic fundamentals and public debt dynamics showed strong improvement that already became noticed by the rating agencies and financial markets. Moody's and Fitch already upgraded their outlooks on Hungary from stable to positive while the **markets increasingly mulled the upgrade possibilities starting from May 2015**. Recent official rhetoric on the fiscal front (i.e. the goal to achieve a balanced budget in cash-terms over the next few years, which equals a very low fiscal deficit in EU accounting norms at ~1% of GDP) could be also interpreted as another move to please rating agencies and to talk up markets. We maintained positive call on Hungary's rating since mid-2014 while from the end of 2014 we predicted the return of Hungary to the investment status by the end of 2015. Surprisingly, **rating agencies took a pretty conservative stance on Hungary up to** now as some domestic politics' issues, i.e. banking sector initiatives and issues relating to the independence of the Hungarian National Bank, drew large criticisms. Tough style of the state communication could also have added poor publicity for Hungary in the eyes of the rating agencies. As a result, the agencies were very cautious about a possible rating upgrade of Hungary up to now.

Ironically, this time the market went far ahead of the agencies with re-pricing Hungary. In particular **HU 5Y CDS and EMBIG USD spreads tightened to levels which would be corresponding to BBB-/positive** rating. Using the S&P's CDS implied rating we see that Hungary already trades to BBB since mid-2015 while it also trades 87bp inside the BBB rating average of EMBIG USD. Although such pricing would imply fully priced in rating upgrade of Hungary we believe the market takes even more optimistic outlook on re-rating prospects for Hungary. At the same time the progress in debt deleveraging and the expected reduction of public debt closer to 70% of GDP by the end of 2017 would reflect good success of "growing out of debt" strategy which the government implemented since 2010. This time around we do not think that any arguments related to the banking sector would per se warrant a cautionary stance on the sovereign rating. Firstly, the banking sector risk profile improved substantially in recent years, also mirrored by healthier refinancing. Secondly, we do not see the sovereign accumulating excessive contingent liabilities in the context of recent and ongoing market interventions (e.g. there is a drive to create a new national champion by privatizing state-owned MKB and BB bank, the central bank asset management company (MARK) will purchase commercial real estate assets at market prices until Q2 2017, maximum amount HUF 300 bn).

Although Hungary could still be blamed for smaller impediments and there is some uncertainty with regards to potential investment needs for the Hungarian sovereign related to a sizeable Russia-sponsored nuclear power plant investment we find no serious issues which would be able to delay the long-awaited rating upgrade over the next few months. We also find that a slow path of the upgrade could be raising more questions for the rating agencies themselves. So **strong Hungarian fundamentals coupled with continuous (external) deleveraging progress make us believe that the upgrade could be imminent with Moody's and Fitch very likely opting to grant Hungary an investment-grade rating over the next few months** (Fitch most likely in May, Moody's most likely in July, with a 30-40% chance of a move already today).

As regards potential market implications we do not expect any sell-off (in HGBs or REPHUNs) in case Moody's will not deliver a full upgrade already today, while we would also not expect a traditional profit-taking once Hungary will be finally awarded an investment-grade rating (either today or within the next few months). **We see the re-rating story continuing with positive expectation and market pricing hinting to another upgrade from BBB- to BBB over the next 2-years, while we see HGBs well supported by the outlook for more unconventional and conventional easing** (see also our Special "Hungarian LCY bonds, HGBs supported by MNB amidst less vulnerable debt structure", 1 March 2016).

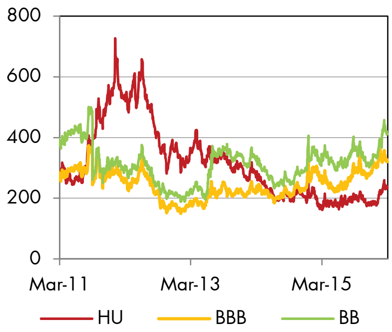
Financial analysts: Gunter Deuber, Gintaras Shlizhyus, RBI Vienna

Rating calendar

	Moody's	S&P	Fitch
Hungary	Ba1/pos	BB+/stab	BB+/pos
Next review	04-Mar	18-Mar	20-May
Direction	⇧	⇧	⇧

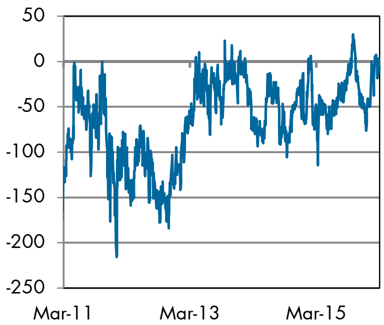
** direction - our assessment of a likely rating direction in next 3-6 months*
Source: Rating agencies, RBI/Raiffeisen RESEARCH

Hungary spread vs. rating spread*



** EMBIG USD spread in basis points, sovereign EMBIG country spread vs. respective rating bracket average*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

HU EMBIG less 5y HUF yield*



** spread differential in basis points, EMBIG-5y HUF spread is a differential between HU EMBIG and 5Y HUF yields adjusted for a DE-USA 5Y yield spread*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Data releases and country coverage

This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Prev.	Indicator	Period	est.	High	Mean	Low	Prev.
Monday, 29 February					**Friday, 4 March**						
PL: GDP, % yoy final	Q4	3.9	n.a.	3.5	RU: CPI, % yoy	Feb	n.a.	8.5	8.5	8.3	9.8
PL: CPI, % yoy	Feb	0.2	-0.7	-0.7	**Monday, 7 March**						
RS: Retail sales, % yoy	Jan	6.1	n.a.	5.4	HU: Industrial output, % yoy wda	Jan	6.7	6.8	5.7	4.1	6.9
RS: Industrial output, % yoy	Jan	8.3	n.a.	11.0	RU: FX reserves, USD bn	Feb	n.a.	385.6	380.5	375.0	371.6
RS: GDP, % yoy nsa final	Q4	1.2	n.a.	2.2	UA: FX reserves, USD bn	Feb	n.a.	13.8	13.3	12.9	13.4
SI: CPI, % yoy	Feb	-0.7	n.a.	-0.5	**Tuesday, 8 March**						
SI: Retail sales, % yoy	Jan	5.3	n.a.	0.2	CZ: Trade balance, CZK bn	Jan	25.0	25.0	18.0	7.7	0.5
Tuesday, 1 March					HR: Industrial output, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	1.0
CZ: PMI, points	Feb	55.5	n.a.	56.9	HU: CPI, % yoy	Feb	0.4	0.8	0.5	0.2	0.9
HU: PMI, points	Feb	54.8	n.a.	53.1	HU: GDP, % yoy nsa final	Q4	3.2	n.a.	n.a.	n.a.	2.4
PL: PMI, points	Feb	52.8	51.3	50.9	HU: Trade balance, EUR mn	Jan	745.0	787.0	745.0	730.0	604.0
RU: PMI, points	Feb	49.3	n.a.	49.8	RO: GDP, % yoy, final	Q4	3.7	n.a.	n.a.	n.a.	3.7
TR: PMI, points	Feb	50.3	n.a.	50.9	BG: GDP, % yoy wda final	Q4	3.1	n.a.	n.a.	n.a.	2.9
Thursday, 3 March					SK: GDP, % yoy final	Q4	n.a.	n.a.	n.a.	n.a.	3.7
HU: Retail sales, % yoy	Jan	2.1	4.0	4.5	TR: Industrial output, % yoy	Jan	n.a.	4.0	3.8	2.0	4.5
HU: Trade balance, EUR mn final	Dec	604.0	n.a.	687.0	**Wednesday, 9 March**						
RO: Retail sales, % yoy	Jan	14.9	n.a.	14.2	CZ: CPI, % yoy	Feb	0.5	0.6	0.6	0.5	0.6
UA: Key rate, %	Mar	22.00	n.a.	22.00	UA: CPI, % yoy	Feb	n.a.	37.0	34.5	33.0	40.3
SK: Retail sales, % yoy	Jan	0.5	n.a.	2.7	**Thursday, 10 March**						
TR: CPI, % yoy	Feb	8.8	n.a.	9.6	BG: Retail sales, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	2.7
Friday, 4 March					BG: Industrial output, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	1.6
CZ: GDP, % yoy	Q4	4.0	n.a.	3.9	BY: CPI, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	11.4
HR: GDP, % yoy final	Q4	1.9	n.a.	2.8	**Friday, 11 March**						
					PL: Key rate, %	Mar	1.50	1.50	1.50	1.50	1.50
					RO: CPI, % yoy	Feb	-2.4	-2.0	-2.2	-2.6	-2.1
					RO: Trade balance, EUR bn	Jan	n.a.	n.a.	n.a.	n.a.	-1.2
					RS: CPI, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	2.4
					RU: Trade balance, USD bn	Jan	n.a.	12.0	10.5	8.4	11.0
					SK: Industrial output, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	8.2

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Croatia (HR) – This week was marked by the recently published data on public and gross external debt for November 2015. Reaching 107.7% of GDP, total gross external debt stood at EUR 47.2 bn (+1.6% yoy) while public debt exceeded HRK 258 bn or 85.5% of GDP, thus continuing with the positive growth rates (+3% yoy). Given that the excellent tourist season strongly supported the fiscal outcome in 2015 (primarily through better than expected VAT revenues and excise taxes) resulting in a lower general government deficit, we expect total public debt by the end of 2015 could stay around 86% of GDP. This is lower than we initially projected and also supported by a better GDP result in 2015. However, rising interest expenses in 2015 (+7% yoy) warn of a possible snow-ball effect, while the EC's recently published In-Depth Review emphasises that the most important factors behind the public debt increase were the high fiscal deficit and costs related to the materialisation of contingent risks in state-owned enterprises. Therefore, the fiscal adjustment announced will play a pivotal role in the debt stabilisation process, while a positive impact is expected from intensified privatisation processes.
The data calendar for next week sees a few important releases. Foreign trade figures for December are expected to confirm a continuation of solid export and import growth rates in annual terms, while PPI data for February will supposedly reflect imported deflationary pressures (-4.3% yoy). Despite the expected (usual) decline in monthly terms, the release on total industrial production in January could report a significant increase at +6.5% yoy as a result of continued foreign demand, but also the overly low base effect.

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

Czech Republic (CZ) – Next week will be full of new data. Most closely watched will obviously be CPI inflation for February. We estimate that fuel prices declined again while food prices, tobacco and seasonal prices of packaged holidays were slightly higher. The small 0.1% month-on-month CPI increase would translate into a CPI deceleration of 10bp to 0.5% year-on-year. Such an outcome would be 30bp below the forecast of the Czech National Bank. However, for Czech monetary policy and speculation on more action, including the introduction of negative interest rates, ECB policy will probably play a crucial role in the coming weeks. Last week, CNB vice-governor M. Hampl reiterated that he does not see negative rates as a suitable tool for easing in the Czech Republic. We fully agree. However, if the ECB delivers more than the market is pricing in, the risk of negative CNB rates as a response to higher pressure on the CZK will increase.

Financial analyst: Michal Brozka (+420 234 401 498), Raiffeisenbank a.s., Prague

Hungary (HU) – The Hungarian Central Statistical Office releases industrial output and trade balance data for January and CPI data for February next week. Industrial production may have declined to 6.7% yoy (was 6.8% in December), but trade surplus may have increased (after EUR 604 mn year-end 2015 to EUR 745 mn). The more important CPI data (0.4% yoy after 0.9% yoy in January) for February and minutes of the latest rate decision may confirm the NBH's next steps as the market expects downward revision in inflation path and further easing steps to curb currency appreciation and to fight deflation. We expect further rate cuts from 1.35% to 1% in H1 2016.

Financial analyst: Gergely Pálffy (+36 1 484 4313), Raiffeisen Bank Zrt., Budapest

Poland (PL) – Data highlights during the last week included the revision of GDP for Q4 and February PMI. GDP growth was confirmed at 3.9% yoy vs. 3.5% in Q3, with the sources of the acceleration being higher public expenditures and the contribution from inventories. Meanwhile, consumption and investments continued to grow at a steady pace, although after adjusting for seasonal effects a downtrend emerges. This reinforces our expectations for a weaker H1 and a reacceleration of growth in the second part of 2016 owing to increased consumption, supported by the government's child benefit program. Meanwhile, PMI for February surprised on the upside and reached a 7-month high at 52.8 points, with output and new orders accelerating and thus boding well both for our industrial output forecast and for the following months.
Next week will only feature the MPC decision, planned unusually for Friday. Despite possible ECB easing we do not expect the Polish MPC will react by changing its neutral stance. Also, further comments from new MPC members simply confirm that most are not willing to renounce a policy of stable interest rates easily.

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

Romania (RO) – The Ministry of Finance (MoF) intends to borrow RON 3.7 bn in government securities denominated in RON in March. The public debt issuance target seems feasible in our view, as it is below the amount realised in the previous month. Furthermore, the MoF has scheduled the reopening of the EUR-denominated 5Y T-bond on the domestic market (10 March) to raise EUR 0.25 bn, following the successful issuance from February (when EUR 0.5 bn was borrowed at an average yield of 1%). As expected, the public budget execution for January resulted in a budgetary surplus of roughly RON 4.7 bn, equivalent to 0.6% of GDP, which fits the historical pattern. This outcome resulted from tight control of public expenses with goods and services. It should be noted that the cut in standard VAT from 24% to 20% from 1 January will only be reflected in the budgetary execution starting with February. Next week (on 8 March) the detailed data on GDP dynamics and its components in Q4 will be released. According to the flash estimates, real GDP advanced by 1.0% qoq and 3.7% yoy in Q4 2015, largely in line with expectations. Private consumption likely remained the main driver of GDP growth in Q4. Based on monthly macroeconomic indicators, we think that value added increased in the service and construction sectors on the supply side, while industry could also have made a positive contribution.

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

Russia (RU) – This week, D. Medvedev signed a new anti-crisis plan for 2016. The final amount of all measures (RUB 685 bn) is lower than initially discussed, by RUB 195 bn. The funding sources consist of 3 parts. Financing for the first (RUB 462 bn) would be taken from the initial federal budget plan for expenses (i.e. no extra state expenses), however, the distribution of these funds would be different compared to previous plan and focus on anti-crisis economic support. The second part (RUB 158 bn) is expected to be covered by Presidential/Government anti-crisis funds (RUB 130 and RUB 120 bn respectively). The rest (RUB 65 bn) is to be financed by individual decisions (from the National Welfare Fund for Russian Railways, from funds received by the Agency for Housing Mortgage Lending in 2015 for the mortgage program). From the total amount of the anti-crisis plan (i.e. RUB 685 bn), RUB 310 bn is accounted for by budgetary loans to regions (mostly for refinancing needs in our view). Subtracting them, pure economic anti-crisis measures amount to RUB 375 bn (quite similar to 2015). We note that the measures aim to support strategic industries (auto sector, transport engineering, etc.), SME development, creation of new jobs and limiting unemployment, support of vulnerable social groups. We are more optimistic about the new plan (compared to the one implemented in 2015) as it is focused on the real sector. Although the final effect of the real economy plan is difficult to estimate, we think that if fully implemented it could have a considerable positive impact on industrial production and GDP, and eventually their performance could be better than we currently forecast (0% and -2% respectively).

Financial analyst: Maria Pomelnikova (+7 495 221-9845), AO Raiffeisenbank, Moscow

Serbia (RS) – The International Monetary Fund (IMF) has closed its 4th review on the EUR 1.2 bn, though the formal approval will follow once the new cabinet is formed. The institution acknowledged the government's success in trimming the budget deficit, but highlighted that public debt remains high, and means public administration rightsizing as well as public company restructurings/privatisations are vital for curbing debt growth. The fiscal council presented its assessment of the government's fiscal strategy for 2016 and the achievement of reforms. Like the IMF, the fiscal council also noted the government's success in cutting down the consolidated budged deficit to 3.7% in 2015, from 6.6% in 2014. Nonetheless, it emphasised that public-owned company restructurings, as well as wrapping up the privatisation of companies under restructuring and public administration downsizing are behind schedule, though they represent key measures for curbing the public debt growth trajectory. The reforms of systemically important public companies (electric plant EPS, railway and natural gas distributor Srbijagas) are also lagging behind but still represent a burden for the budget. Furthermore, the fiscal council bemoans the pension/public sector wage adjustments in 2016 (targeted sectors), after they were cut in 2015, which in conjunction with the expected early parliamentary elections triggered a delay in reform implementation (particularly staff streamlining). This poses a threat to the budget deficit staying at 3.5% of GDP for an extended period of time, and is not sufficient for a reduction in public debt.

We maintain that the new government will remain dedicated to the reform path, though the election period will certainly slow down reform implementation. Therefore it is very important that tax authority efficiency is further improved to support revenue growth, compensating the potential undershooting of the expenditure plan caused by the reforms delay.

While the hectic parliamentary agenda (adopting legislation related to the reforms) has delayed the elections, rumour has it that the early parliamentary elections will be held on 24 April together with the Vojvodina provincial election. The latest poll shows that the Serbian Progressive Party (SNS) is backed by 49.4% of voters, the Socialist Party of Serbia (SPS) by 11.3%, the Democratic Party (DS) by 6.4%, and the Serbian Radical Party (SRS) by 6%; there are other smaller parties.

EUR/RSD keeps depreciating as the NBS is intervening robustly to flatten sentiment ahead of the elections. Until 3 March, NBS FX intervention came in at EUR 440 mn vs EUR 230 mn in the first two months of 2015.

Next week the Statistical Office will publish inflation data for February 2016.

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

Slovakia (SK) – After 4 years of a single-coloured government in the shape of SMER with Prime Minister Robert Fico, there will be a regular parliamentary election on Saturday 5 March. Just two months ago it seemed that a continuation of a one-party government would be the most probable outcome. Now, the result of the elections is much hazier. The latest polls suggest that even a coalition of SMER with its former collation partner the nationalist SNS party could not get a simple majority. Such a result, however, would not mean a coalition of right-wing parties. Given past negative experiences there is reasonable doubt that five right-wing parties would be able agree on and conduct an effective coalition. Moreover, we cannot rule out some of the small newly emerged populist parties entering parliament, even though they have not scrambled over the 5% threshold in pre-election polls. At such a point, a coalition of SMER with some right-wing parties would become the most probable scenario.

Ultimately, the election results in Slovakia could have very important implications for Central European countries (Visegrad group) and their policy towards the European Union. On the other hand, we do not expect a strong reaction from the financial markets. While the current government has been lagging behind with structural reforms, it has been relatively successful in fiscal consolidation. Yields of Slovak government bonds have been influenced much more strongly by the ECB's public sector purchase programme (PSPP) than by local fundamentals, though we see the current pricing of Slovak government bonds as too tight. We expect the positive influence of the PSPP to prevail in the coming months as well.

Financial analyst: Robert Prega (+421 2 5919 1303), Tatra banka, a.s., Bratislava

Monetary policy and money markets overview

CEE key interest and money markets outlook

Poland	curr.*	Jun-16	Sep-16	Dec-16	5y high	5y low
Key interest rate (%, eop)	1.50	1.50	1.50	1.50	4.75	1.50
3m money market rate (%, eop)	1.57	1.70	1.71	1.75	5.04	1.55
6m money market rate (%, eop)	1.74	1.75	1.76	1.83	5.07	1.56
Hungary						
Key interest rate (%, eop)	1.35	1.00	1.00	1.00	7.00	1.35
3m money market rate (%, eop)	1.34	1.05	1.05	1.05	7.65	1.34
6m money market rate (%, eop)	1.33	1.15	1.15	1.15	7.93	1.32
Czech Republic						
Key interest rate (%, eop)	0.05	0.05	0.05	0.05	0.75	0.05
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	0.45	0.50	1.58	0.36
Romania						
Key interest rate (%, eop)	1.75	1.75	1.75	1.75	6.25	1.75
3m money market rate (%, eop)	0.76	1.10	1.60	1.75	6.20	0.54
6m money market rate (%, eop)	1.03	1.30	1.65	1.80	6.40	0.73
Russia						
Key interest rate (%, eop)	11.00	11.00	11.00	11.00	17.00	5.50
3m money market rate (%, eop)	11.91	11.80	11.60	11.80	29.93	3.75
6m money market rate (%, eop)	12.06	11.90	11.70	11.90	30.31	4.12
Turkey						
Key interest rate (%, eop)	7.50	8.50	9.50	9.50	10.00	4.50
3m money market rate (%, eop)	11.97	12.10	11.60	11.10	12.15	4.74
6m money market rate (%, eop)	12.02	12.15	11.70	11.20	12.48	5.12

Benchmark key rates (% eop)	curr.*	Jun-16	Sep-16	Dec-16	5y high	5y low
ECB key interest rate (% eop)	0.05	0.05	0.05	0.05	1.50	0.05
Fed key interest rate (% eop)	0.37	0.75	1.00	1.50	0.52	0.01

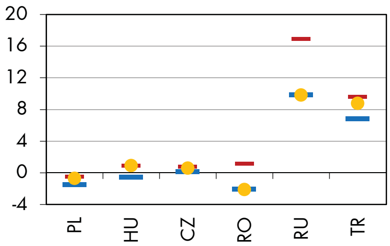
** Bid rates (for Hungary ask rates) as of 4 March 2016, 09:21 a.m. CET*
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	NBP remains neutral balancing between promising economic activity and stuttering reflation dynamics. Since new MPC seems not that dovish as feared, we foresee stable base rate as opposed to FRA market pricing. NBP lift-off expected only as early as Q3 2017. However, we do not exclude unconventional MP easing measures including further bond-market-friendly measures.
Hungary (MNB)	Last rate setting strengthens case for MNB to return to conventional easing measures. Apart from unconventional measures, MNB likely to resort on o/n deposit cut, but finally also key rate cut since alternative measures should not prove sufficent to reflate/boost lending/bull flatten HGB curve. Accommodative global CB backdrop, including unwelcomed HUF strength a support to our call.
Czech Republic (CNB)	Exit from FX intervention regime – introduced for keeping CZK above the floor of EUR/CZK 27.00 – is likely to be delayed beyond Q4 2016. Speculations on negative base/deposit rate increased after disappointing reflation dynamics prompted CNB to discuss this option at last meeting (not our base case). MP tightening via interest rate channel only if inflationary dynamics prove sufficiently forceful later in 2017.
Romania (BNR)	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 H1 2016 amidst rising election risks.
Serbia (NBS)	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.
Russia (CBR)	CBR delays the rate cuts due to RUB weakness and inflationary risks, an assessment we share. Room to re-start rate cuts only in Q1 17 in our view with latest RUB volatility/CB communication increasingly softening aggressive market pricing. Excess money market liquidity, at the same time, is already easing monetary conditions which could intensify going forward.
Turkey (TCMB)	TCMB dropped its phrase of simplification of MP toolkit, i.e. in fact via base rate tightening, from its latest wording, but keeps weighted average funding costs (WAFC) above 9%. Until new MPC is formed by June, we do not expect MP tightening/simplification which fortunately coincides with likely pause in Fed tightening in March. However, new MPC should finally bow to selling pressure and adjust 1w repo towards WAFC.

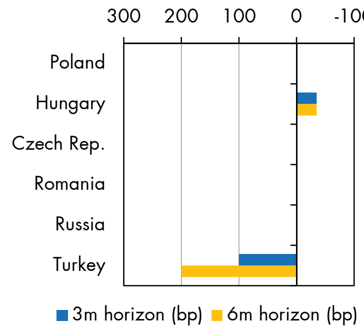
Source: Bloomberg, Reuters, RBI/Raiffeisen RESEARCH

Inflation snapshot



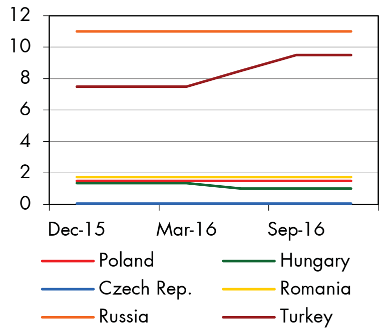
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	Mar	Apr
Poland (NBP)	9	6
Hungary (MNB)	22	26
Czech Rep. (CNB)	31	
Romania (NBR)		
Serbia (NBS)	17	7
Russia (CBR)	29	10
Turkey (TCMB)	24	20

Source: National Central Banks, RBI/Raiffeisen RESEARCH

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

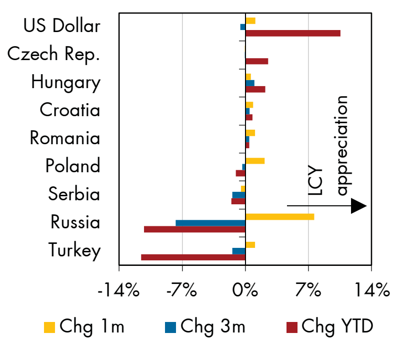
Foreign exchange market overview

FX forecasts

EUR vs	current[1]	Jun-16	Sep-16	Dec-16	5y high	5y low	Comment
PLN	4.33	4.35	4.30	4.30	4.57	3.91	Despite some recovery 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 4.30-4.40 sideways movement in the near-term; 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	309.5	315.0	315.0	320.0	322.6	262.3	Possible rating upgrade by Moody's today could give EUR/HUF support towards 305; this phase of strengthening should, however, be rather short-lived given the MNB policy of moderate HUF depreciation
CZK	27.05	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	4.45	4.40	4.40	4.64	4.07	In the last weeks investors gave preferential treatment to Romanian assets in comparison to some other CEE countries; EUR/RON at levels around 4.45 should be well supported
HRK	7.60	7.55	7.60	7.65	7.72	7.36	We expect slight HRK appreciation pressures which will be intensified with the approaching of the Easter holidays
RSD	123.3	122.0	124.0	125.0	123.7	96.7	Although the IMF assessment was quite positive, early elections weigh on EUR/RSD, and therefore, central bank is softening pressure on RSD via FX interventions
RUB	80.25	82.40	75.75	70.70	90.88	38.43	see USD/RUB below
UAH	28.84	25.75	27.27	28.28	37.78	9.74	see USD/UAH below
BYR	23,271	25,235	25,250	25,755	25,167	4,179	see USD/BYR below
TRY	3.20	3.09	2.98	3.13	3.46	2.16	see USD/TRY below
USD	1.09	1.03	1.01	1.01	1.49	1.05	Expectation on further US Fed rate hikes to support USD against euro
USD vs	**current[1]**	**Jun-16**	**Sep-16**	**Dec-16**	**5y high**	**5y low**	**Comment**
RUB	73.34	80.00	75.00	70.00	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 volatility for rouble is likely to persist, we project oil price recovery for the coming quarters to give support to the RUB
UAH	26.35	25.00	27.00	28.00	33.75	7.93	Political jitters weighed on the hryvnia and overall depreciation pressure will continue; prolongation of most critical administrative FX restrictions prevent stronger depreciation for UAH; the central bank commitment will determine how fast and when we will see more depreciation; IMF support key for FX stabilisation
BYR	21,250	24,500	25,000	25,500	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 weak RUB
TRY	2.92	3.00	2.95	3.10	3.06	1.51	Security concerns and political statements increase the risks for renewed depreciation of TRY; ceasefire might be at risk

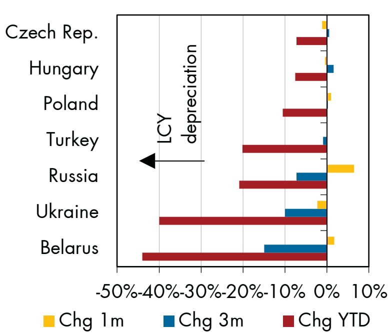
1 as of 4 March 2016, 09:24 a.m. CET; Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



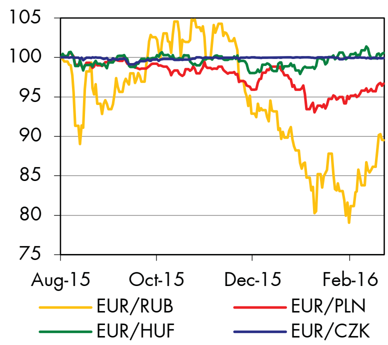
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

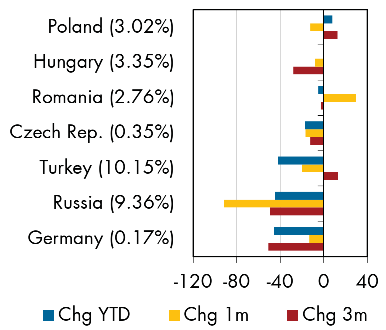
Exchange rate comparison



Indexed Aug 2015 = 100
Source: Bloomberg

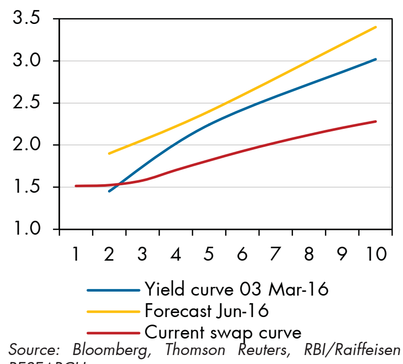
Local currency bond market overview

Change of LCY 10y bond yields (bp)



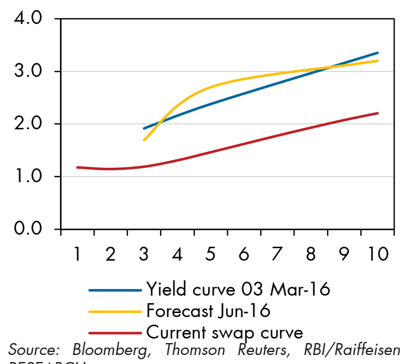
Source: Bloomberg, RBI/Raiffeisen RESEARCH

PLN yield curve



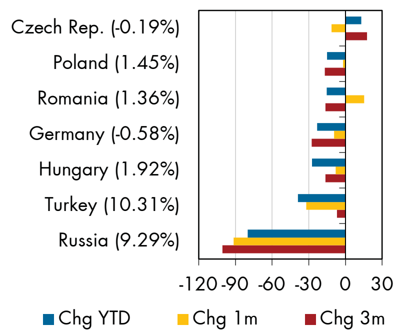
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



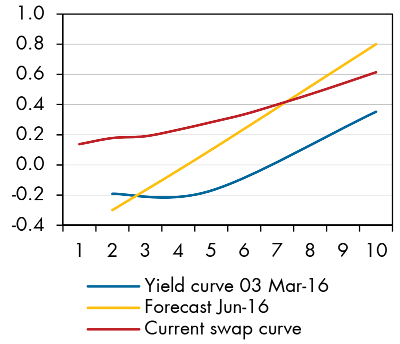
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



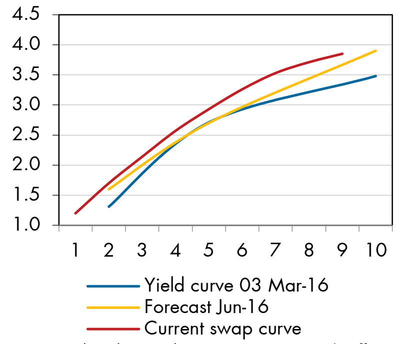
Source: Bloomberg, RBI/Raiffeisen RESEARCH

CZK yield curve



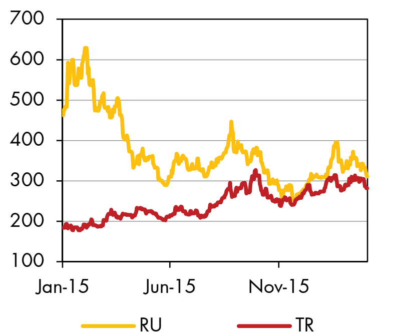
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



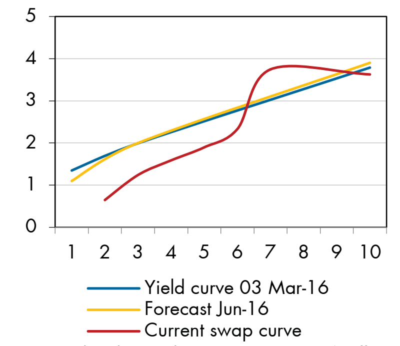
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



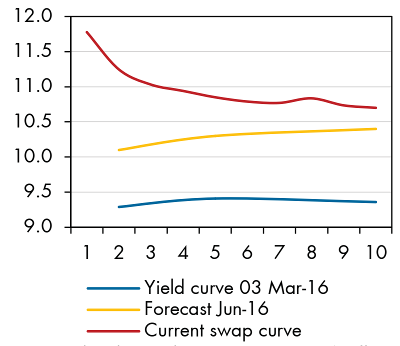
Turkey 5y high 343.7, 5y low 111.7; Hungary 5y high 735, 5y low 114.9; Russia 5y high 628.7, 5y low 118.7
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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*	Jun-16	Sep-16	Dec-16	5y high	5y low		current*	Jun-16	Sep-16	Dec-16	5y high	5y low
Poland	1.45	1.9	2.0	2.2	5.1	1.3	Poland	3.02	3.4	3.4	3.5	6.3	2.0
Hungary**	1.92	1.7	1.8	1.9	10.2	1.5	Hungary	3.35	3.2	3.3	3.4	10.7	2.7
Czech Rep.	-0.19	-0.3	-0.2	-0.2	2.0	-0.4	Czech Rep.	0.35	0.8	0.9	1.1	4.3	0.3
Romania	1.31	1.6	1.7	2.0	7.3	0.9	Romania	3.48	3.9	4.0	4.1	7.6	2.6
Croatia	1.56	2.0	2.0	2.0	6.3	1.5	Croatia	3.79	3.9	3.9	3.9	4.3	3.7
Russia	9.29	10.1	10.0	10.0	17.5	5.5	Russia	9.26	10.4	10.5	10.2	16.1	6.5
Turkey	10.47	10.5	10.0	9.8	11.3	4.9	Turkey	10.17	10.7	10.3	10.0	11.0	6.0
Eurozone	-0.58	-0.4	-0.4	-0.4	1.9	-0.6	Eurozone	0.17	0.5	0.8	1.0	3.5	0.1
USA	0.83	1.2	1.4	1.7	1.1	0.2	USA	1.82	2.4	2.7	3.1	3.6	1.4

**Bid yields as of 4 March 2016, 09:33 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
				Poland			
PLN 2y Gov. Bond	25/04/2018	3.75	104.83	1.43	201	2.0	Local bonds provide 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 a support for POLGBs.
PLN 5y Gov. Bond	25/04/2021	2.00	98.90	2.23	263	4.9	
PLN 10y Gov. Bond	25/07/2026	2.50	95.52	3.01	284	9.1	
				Hungary			
HUF 3y Gov. Bond	30/10/2019	2.00	100.74	1.79	235	3.5	LCY debt market continues facing outflows from non-residents, but local players' absorption capacity remains in place. Increasing likelihood of MP easing and stepped-up bond-market-friendly MNB measures should lend additional support to HGBs which are our strongest conviction Buy recommendation.
HUF 5y Gov. Bond	27/10/2021	2.50	101.26	2.26	266	5.3	
HUF 10y Gov. Bond	27/10/2027	3.00	97.80	3.23	306	9.9	
				Czech Republic			
CZK 2y Gov. Bond	17/03/2018	0.85	102.22	-0.25	34	n.a.	LCY bond yield spread over Bunds still a tad too wide after tightening recently. Since more local easing is in the cards, we maintain our Buy recommendation in light of long-term CZK appreciation potential.
CZK 5y Gov. Bond	12/09/2020	3.75	117.99	-0.21	18	n.a.	
CZK 10y Gov. Bond	17/09/2025	2.40	119.63	0.31	14	8.7	
				Croatia			
HRK 2y Gov. Bond	25/11/2017	6.25	108.30	1.34	173	1.7	Due to the end of reshuffling portfolios by institutional investors and banks, calm trading week is expected.
HRK 10y Gov. Bond	09/07/2025	4.50	106.76	3.64	347	7.7	
				Romania			
RON 3y Gov. Bond	29/04/2019	2.50	102.46	1.70	226	3.0	LCY debt market should remain fairly stable despite political headline risks that should return to the spotlight as Q2 progresses. Front-end is firmly cemented on excess liquidity conditions, whilst long-end seems more vulnerable, mainly due to tight pricing and high non-residents' share.
RON 5y Gov. Bond	22/03/2021	3.25	103.08	2.60	300	4.6	
				Russia			
RUB 2y Gov. Bond	15/03/2018	7.50	97.15	9.28	987	1.8	Pricing-out of rate cut bets on oil/RUB/inflation risks to continue which should lead to correction on Russian rouble debt market. In H2 re-intensifying rate cut bets to lift OFZ market attractiveness in a sustainable manner in contrast to current temporary relief.
RUB 5y Gov. Bond	03/08/2016	6.90	99.17	9.19	959	0.4	
RUB 8y Gov. Bond	24/11/2021	6.50	88.84	9.35	918	4.8	
				Turkey			
TRY 2y Gov. Bond	14/06/2017	9.60	99.00	10.49	1108	1.2	LCY debt market could suffer from possible emergency hikes in mid-2016 with a central bank being clearly behind the curve. Although performance outlook looks promising (high carry coupled with stable lira) our conviction is low. Before adding exposure, we want to see MP normalisation (as early as of June) and calming local and international politics.
TRY 5y Gov. Bond	08/07/2020	9.40	97.40	10.15	1055	3.5	
TRY 10y Gov. Bond	11/02/2026	10.60	102.80	10.15	998	6.6	

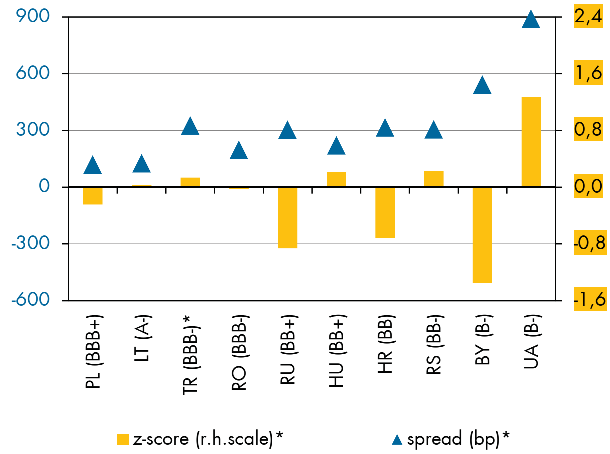
Data as of 4 March 2016, 09:33 a.m. CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Bond auctions

		ISIN	Coupon	Maturity	Volume
7 March 2016					
RO	11y T-bonds	RO1227DBN011	5.80%	26 Jul-27	RON 0.3 bn
9 March 2016					
UA	T-bonds	n.a.	n.a.	n.a.	n.a.
10 March 2016					
RO	5y T-bonds	RO16221DBE048	1.25%	26 Feb-21	EUR 0.25 bn

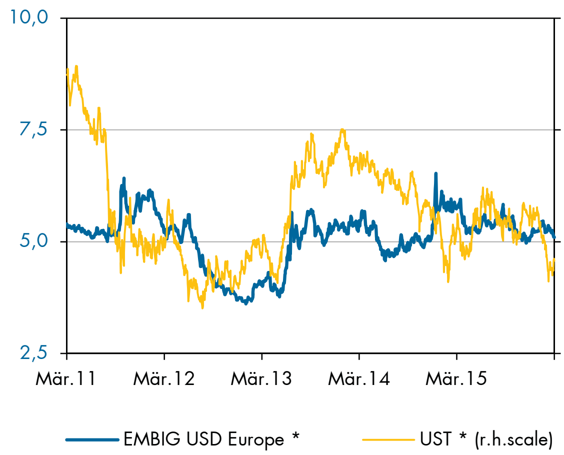
Eurobond market overview

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	Bid	Ask	Market Price w/w %	5y max	5y min	YTM mid. % p. a.	Spread vs. Bmk, bp	Mdur. years	ISIN —
EUR									
BGARIA 4 1/4 07/09/17	105,5	105,7	-0,71	111,8	100,3	0,06	58	1,3	XS0802005289
CROATI 5 7/8 07/09/18	109,7	110,0	-0,05	112,2	87,7	1,56	213	2,1	XS0645940288
REPHUN 3 1/2 07/18/16	101,1	101,4	n.a.	104,6	76,8	0,00	44	0,4	XS0240732114
REPHUN 5 3/4 06/11/18	111,1	111,7	0,00	115,1	79,7	0,65	123	2,1	XS0369470397
REPHUN 6 01/11/19	114,1	114,5	0,02	118,4	86,4	0,89	145	2,7	XS0625388136
LITHUN 4.85 02/07/18	109,6	109,8	0,02	114,3	94,5	-0,19	38	1,9	XS0327304001
POLAND 5 5/8 06/20/18	112,8	113,2	0,01	122,6	102,1	-0,04	54	2,1	XS0371500611
POLAND 1 5/8 01/15/19	104,3	104,6	0,07	105,5	98,0	0,07	63	2,8	XS0874841066
POLAND 3 3/4 01/19/23	119,4	120,0	-0,16	125,5	99,9	0,79	104	6,2	XS0794399674
POLAND 3 3/8 07/09/24	114,4	117,4	-0,60	125,6	99,6	1,35	139	7,2	XS0841073793
ROMANI 5 1/4 06/17/16	101,4	101,7	0,00	108,7	95,8	-0,35	9	0,3	XS0638742485
ROMANI 4 7/8 11/07/19	115,3	115,7	0,11	117,8	99,3	0,59	111	3,4	XS0852474336
TURKEY 5 7/8 04/02/19	112,1	112,9	-0,12	119,4	101,2	1,67	222	2,7	XS0285127329
TURKEY 5 1/8 05/18/20	111,1	111,9	-0,06	115,9	95,4	2,21	270	3,7	XS0503454166
USD									
BELRUS 8.95 01/26/18	103,3	104,3	0,15	111,2	70,0	6,78	595	1,7	XS0583616239
CROATI 6 3/8 03/24/21	108,0	108,5	-0,04	117,8	86,7	4,53	317	4,2	XS0607904264
CROATI 5 1/2 04/04/23	104,1	104,6	0,01	108,6	94,4	4,77	311	5,7	XS0908769887
REPHUN 5 3/8 02/21/23	110,1	110,5	0,11	113,9	93,1	3,68	205	5,8	US445545AH91
REPHUN 7 5/8 03/29/41	138,1	139,0	0,38	150,3	79,5	4,93	248	12,8	US445545AF36
LITHUN 7 3/8 02/11/20	118,2	118,6	0,17	130,7	104,8	2,44	127	3,5	XS0485991417
LITHUN 6 5/8 02/01/22	120,8	121,3	0,14	128,6	101,0	2,74	125	5,0	XS0739988086
LATVIA 2 3/4 01/12/20	101,7	102,2	0,16	102,7	91,4	2,22	107	3,6	XS0863522149
LATVIA 5 1/4 06/16/21	113,7	114,2	0,07	117,2	90,9	2,42	103	4,6	XS0638326263
POLAND 6 3/8 07/15/19	114,0	114,2	-0,05	125,9	107,4	2,00	94	3,0	US731011AR30
POLAND 3 03/17/23	100,3	100,6	-0,19	103,6	87,6	2,93	129	6,2	US731011AT95
ROMANI 6 3/4 02/07/22	119,1	119,5	-0,04	124,4	99,2	3,15	167	5,0	US77586TAA43
ROMANI 4 3/8 08/22/23	106,5	106,9	0,07	109,5	90,8	3,35	168	6,4	US77586TAC09
RUSSIA 4 1/2 04/04/22	102,3	102,9	0,63	114,7	82,0	4,02	251	5,2	XS0767472458
RUSSIA 7 1/2 03/31/30	121,9	122,3	0,12	128,7	99,6	2,39	38	4,1	XS0114288789
RUSSIA 5 5/8 04/04/42	98,5	99,4	2,36	124,9	76,0	5,70	320	13,2	XS0767473852
SERBIA 5 1/4 11/21/17	103,5	104,1	-0,11	107,1	96,8	2,94	215	1,6	XS0856951263
SERBIA 4 7/8 02/25/20	101,9	102,5	0,04	104,6	89,6	4,26	309	3,6	XS0893103852
TURKEY 6 1/4 09/26/22	109,4	110,0	0,54	127,0	101,0	4,52	295	5,3	US900123BZ27
TURKEY 6 7/8 03/17/36	113,0	113,5	0,85	139,6	99,2	5,75	351	11,1	US900123AY60
TURKEY 6 3/4 05/30/40	112,1	112,9	0,99	139,4	97,3	5,78	337	12,4	US900123BG46
UKRAIN 7 3/4 09/01/19	91,2	92,1	2,89	99,0	88,0	10,69	960	2,9	XS1303918269
UKRAIN 7 3/4 09/01/23	88,0	89,0	3,61	97,8	84,6	9,97	829	5,4	XS1303921487
UKRAIN 7 3/4 09/01/27	85,1	86,1	4,60	97,0	81,2	9,88	798	7,1	XS1303927179

** w/w - week on week, 5-y - 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 4 March 2016, 10:30 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
CE									
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-	positive	Baa3	Baa3	stable	BBB+	BBB+	positive
SEE									
Romania	BBB-	BBB-	stable	Baa3	Baa3	positive	BBB	BBB-	stable
Bulgaria	BB+	BB+	stable	Baa2	Baa2	stable	BBB	BBB-	stable
Croatia	BB	BB	negative	Ba1	Ba1	negative	BB+	BB	negative
Serbia	BB-	BB-	stable	B1	B1	stable	B+	B+	positive
CIS									
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	**B-**	**B-**	**stable**
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[1]

Country	Year	GDP, % avg. yoy	CPI, % avg. yoy	Unem-ployment, %	Nominal wages, EUR	Fiscal balance, % GDP	Public debt, % GDP	Export[2], % GDP	C/A, % GDP	Ext. debt, % GDP	FXR[3] % ext. debt	Import cover, months
Croatia	**2015e**	1.6	-0.5	16.6	1058	-4.5	86.0	24.8	4.7	108.8	29.0	9.6
	2016f	1.5	0.0	16.2	1065	-3.9	87.2	25.8	2.0	109.0	27.8	9.1
	2017f	1.5	1.5	15.8	1076	-3.5	87.6	26.5	2.2	109.1	26.0	8.5
Czech Rep.	**2015e**	4.3	0.4	6.5	972	-1.5	40.7	75.0	1.0	65.6	55.2	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

1) only for countries regularly included in CEE Weekly; 2) Export of goods only; 3) FXR - Foreign exchange reserves; 4) under revision
Source: Thomon 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)*

	CZ				HU				PL				RO				RU				TR			
Date of change	**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	I	I	I	I	I	Hold	Hold	I	I	I	I	Sell	I	I	I	I	Hold	I	I	I	I	Hold	Hold	Sell
28/04/2015	I	I	I	I	I	I	I	I	I	I	I	Hold	Hold	Hold	Hold	Hold	Buy	Hold	Hold	I	I	I	I	Hold
15/05/2015	I	Buy	Buy	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I
02/06/2015	I	Hold	Hold	I	Hold	I	I	Hold	I	I	I	I	I	I	I	I	I	I	I	Hold	I	Buy	Buy	Buy
24/06/2015	I	I	Buy	I	I	I	Sell	I	I	I	Sell	I	I	I	Sell	I	I	Buy	Buy	I	Sell	Sell	Sell	Sell
06/08/2015	I	I	Hold	I	I	Sell	I	I	I	Sell	I	I	I	Sell	I	I	Hold	Hold	Hold	I	Hold	I	I	Hold
03/09/2015	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	Buy	I	I	I	Buy
22/09/2015	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	Sell	I	I	I
04/11/2015	I	I	I	I	Buy	Buy	Buy	I	I	Hold	Hold	I	I	Hold	Hold	I	I	I	I	Hold	Hold	Hold	Hold	Hold
17/12/2015	I	I	I	I	I	I	I	Buy	Buy	Buy	I	I	Buy	Buy	Buy	Buy	Buy	Buy	I	Buy	I	I	I	I
25/01/2016	I	–	Buy	I	Hold	–	I	Hold	I	–	I	I	Hold	–	Hold	I	–	–	–	–	I	–	I	I
11/02/2016	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	Hold	–	Hold	Hold	I	I	I	I
23/02/2016	I	–	I	I	I	–	I	I	Hold	–	I	I	I	–	I	Hold	I	–	I	I	I	–	I	Buy

** recommendations based on absolute expected performance in LCY; FX vs EUR; 5y segment not covered anymore*

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

	BG		HR		CZ		HU		KZ		LT		PL		RO	
Date of change	**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	I	–	Hold	Hold	I	I	I	I	–	–	I	I	I	I	I	I
24/03/2015	I	–	I	I	I	I	Hold	I	–	–	Buy	Buy	Buy	Hold	I	Buy
17/04/2015	I	–	I	I	I	I	I	I	–	–	I	I	I	I	I	I
28/04/2015	I	–	I	I	I	I	I	I	–	–	I	I	I	I	I	I
02/06/2015	Sell	–	I	I	I	I	I	I	–	–	Hold	Hold	I	Buy	Hold	Hold
24/06/2015	Hold	–	I	I	I	I	I	I	–	–	I	I	I	Hold	I	I
06/08/2015	I	–	Sell	Sell	I	I	I	I	–	Buy	Buy	I	Hold	I	I	I
03/09/2015	I	–	I	I	I	I	I	I	–	I	Hold	I	I	I	I	I
22/09/2015	I	–	I	I	I	I	I	I	–	I	I	I	Buy	I	Buy	Buy
07/10/2015	I	–	I	I	I	I	Buy	Buy	–	Hold	I	I	I	I	I	I
04/11/2015	I	–	I	I	I	I	I	I	–	I	Buy	I	I	Buy	I	I
03/12/2015	I	-	I	I	I	I	I	I	-	Buy		I	I			
17/12/2015	I	–	I	I	I	I	I	I	–	I	Hold	I	I	I	I	I
18/01/2016	I	–	I	I	I	I	I	I	–	I	I	I	Hold	Hold	I	I
25/01/2016	I	–	Hold	Hold	I	I	Hold	Hold	–	Hold	I	I	I	I	Hold	Hold
23/02/2016	I	–	I	I	I	I	Buy	Buy	–	Buy	I	I	I	I	I	I

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

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

	RU		RS		SK		SI		TR		UA		BY	
Date of change	**EUR**	**USD**	**EUR**	**USD**	**EUR**	**USD**	**EUR**	**USD**	**EUR**	**USD**	**EUR**	**USD**	**EUR**	**USD**
09/02/2015	Sell	Sell	–	Sell	–	–	–	–	Hold	Hold	Sell	Sell	–	Sell
05/03/2015	Hold	Hold	–	Hold	–	–	–	–	I	I	I	I	–	I
24/03/2015	Buy	Buy	–	Hold	–	–	–	–	I	I	I	I	–	Hold
17/04/2015	Hold	Hold	–	I	–	–	–	–	I	I	I	I	–	I
28/04/2015	I	I	–	I	Hold	–	Buy	–	Buy	Buy	Hold	Hold	–	Buy
02/06/2015	I	I	–	Sell	I	–	I	–	I	I	I	I	–	I
24/06/2015	I	I	–	I	I	–	I	–	I	Hold	I	I	–	I
06/08/2015	I	I	–	I	I	–	Hold	–	Hold	I	Sell	Sell	–	Sell
03/09/2015	I	I	–	I	I	–	I	–	I	I	Hold	Hold	–	I
22/09/2015	I	I	–	I	I	–	I	–	Sell	Sell	I	I	–	I
07/10/2015	I	I	–	I	I	–	I	–	I	I	I	I	–	I
04/11/2015	Buy	Buy	–	I	I	–	I	–	Hold	Hold	–	I	–	Hold
03/12/2015	Hold	Hold	–	I	I	–	I	–	I	I	–	Sell	–	I
17/12/2015	I	I	–	I	I	–	I	–	Buy	Hold	–	I	-	I
18/01/2016	I	I	-	I	I	-	I	-	I	I	-	I	-	I
25/01/2016	Buy	Buy	–	I	I	–	Buy	–	I	Buy	–	I	-	I
23/02/2016	I	I	–	Hold	I	–	I	–	I	I	–	I	-	I

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

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

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