CEE Weekly

Issue 10/2017 10 March 2017

Raiffeisen RESEARCH

Market snapshot

	curr.[1]	Jun-17	Sep-17	Dec-17
Poland				
EUR/PLN[3]	4.324	4.45	4.40	4.35
Key rate	1.50	1.50	1.50	1.50
10y bond[3]	3.7	3.9	4.0	4.0
Hungary				
EUR/HUF	311.7	315	310	315
Key rate	0.90	0.90	0.90	0.90
10y bond[3]	3.7	3.5	3.6	3.7
Czech Republic				
EUR/CZK[3]	27.02	27.0	27.0	25.9
Key rate	0.05	0.05	0.05	0.05
10y bond[3]	0.7	0.6	0.5	1.1
Romania				
EUR/RON	4.551	4.50	4.45	4.45
Key rate	1.75	1.75	1.75	1.75
10y bond[2,3]	4.2	3.9	3.8	4.0
Croatia				
EUR/HRK	7.429	7.40	7.45	7.50
Key rate	2.50	2.50	2.50	2.50
10y bond[3]	2.7	2.7	2.7	2.7
Russia				
USD/RUB[3]	59.39	62.0	60.0	62.0
Key rate	10.00	9.50	9.00	9.00
10y bond	8.2	8.7	8.5	8.4
Turkey				
USD/TRY[3]	3.765	3.80	3.70	3.70
Key rate	8.00	8.00	8.00	10.00
10y bond[3]	11.1	11.2	10.7	10.2
EUR/USD[3]	1.058	1.02	1.02	1.05

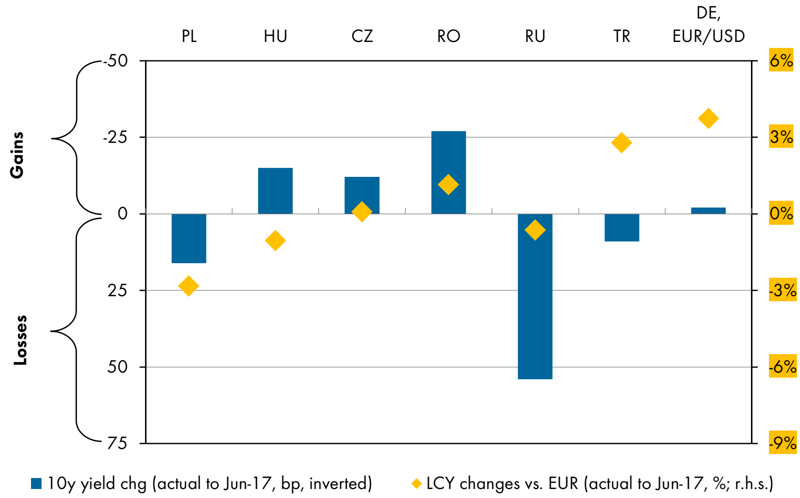
1 prices as of 09 March 2017, 11:59 p.m. CET
2 8y tenor
3 under revision
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

The ECB's incrementally less dovish statement following the regular rate setting meeting last Thursday has to be seen also in the context of the very likely resumption of US rate hikes next Wednesday. The efforts towards transatlantic monetary policy coordination are aimed at preventing an indefensibly large monetary policy divergence between the US and the Eurozone, which, in turn, may help dampen overly aggressive USD appreciation expectations. Nevertheless, global debt markets felt the stepped-up pressure stemming from the two mini monetary policy shocks in recent weeks (more hawkish Fed & ECB). The related rise in longer-dated US-Treasury and Bund yields translated into increasing market pressure on CEE local markets. This underscores our view of an ongoing bear steepening trend of most CESEE local currency yield curves, whilst the expected strengthening of USD vs. EUR – our Western market colleagues forecast EUR/USD to head towards EUR/USD 1.02 during the next few months and stay there until end-2017 – should create some headwinds for CESEE FX at least in the short run. In order to adjust to the latest developments we are revising most of our CEE local financial market forecasts. This includes also our timing of the Czech National Bank's exit from its FX manipulation regime which is set to come around mid-2017, a call that was confirmed by recent February's CPI data coming-in again well above the CNB's inflation target. In terms of monetary policy implications for CEE, the incrementally growing hawkish bias in the global monetary policy space is, at least, expected to weaken the easing bias of local rate setters going forward (HU), to challenge the ultra-loose liquidity conditions in countries like RO and HU and to put pressure on the Turkish central bank to once again tighten monetary policy conditions. The ongoing solidity in economic activity, likely to be confirmed through next week's industry and retail data releases, indeed lessens the need for overly aggressive monetary stimulus. Today Friday, finally, the three major rating agencies will have the chance to make regular updates of their ratings and outlooks for five CEE sovereigns. Among the likely more interesting rating reviews we see Croatia (Moody's) and Slovenia (Fitch). We elaborated in greater detail on possible outlook/rating changes in Focus On section (see page 2).

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

Expected changes from today until June 2017*



**10 y yield under revision in PL, HU, CZ, RO and TR; EUR/CEE FX under revision in PL, CZ, RU, TR and US*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Content

Highlight/Upcoming data	p. 1
Focus on	p. 2
Data releases, Country coverage	p. 4
Monetary policy, money markets	p. 7
FX markets	p. 8
Local currency bond markets	p. 9
Eurobond market	p. 11
Ratings, main macro forecasts	p. 12

Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
14-Mar	RS: Key rate, %	Mar	4.00	n.a.	n.a.	n.a.	4.00
14-Mar	PL: CPI, % yoy	Feb	2.1	2.2	2.1	1.9	1.8
16-Mar	TR: Key rate, %	Mar	8.00	9.50	8.00	8.00	8.00

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Focus on: Previewing possible rating updates in CEE

Recommendation 2017*

USD	FCY	+1M	+9M
Croatia	EUR	Buy	Hold
Slovenia	USD	Hold	Hold
Lithuania	EUR	Buy	Hold
Kazakhstan	USD	Hold	Hold

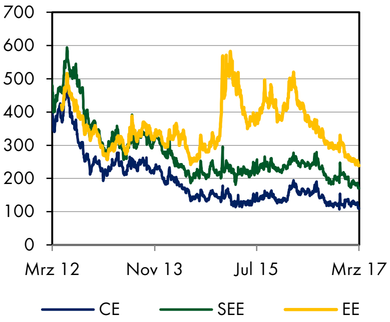
** 3M - 1 month, 9M - 9 months*
Source: Raiffeisen RESEARCH-

Sovereign FCY rating 2017

	S&P	Moody's*	Fitch
Croatia	**BB/sta**	**Ba2/neg**	**BB/sta**
review (1)	24-Mar	10-Mar	27-Jan
review (2)	22-Sep	14-Jul	14-Jul
review (3)	n.a.	10-Nov	n.a.
Slovenia	**A/pos**	**Baa3/pos**	**A-/sta**
review (1)	16-Jun	20-Jan	10-Mar
review (2)	15-Dec	19-May	25-Aug
review (3)	n.a.	08-Sep	n.a.
Lithuania	**A-/sta**	**A3/sta**	**A-/sta**
review (1)	03-Mar	13-Jan	10-Mar
review (2)	01-Sep	12-May	25-Aug
review (3)	n.a.	08-Sep	n.a.
Kazakhstan	**BBB-/neg**	**Baa3/neg**	**BBB/sta**
review (1)	10-Mar	n.a.	21-Apr
review (2)	08-Sep	n.a.	20-Oct
review (3)	n.a.	n.a.	n.a.
Bosnia a.H	**B/sta**	**B3/sta**	**n.r.****
review (1)	10-Mar	17-Feb	–
review (2)	08-Sep	30-Jun	–
review (3)	n.a.	10-Nov	–

** Moody's does not publish review dates for Kazakhstan and EE (CIS) as none of these cases falls under EU directive on ratings*
***n.r. - not rated*
Source: Rating agencies, Raiffeisen RESEARCH

EMBIG spread (bp)*



** USD EMBIG spread in basis points, CE – HU, LT, PL; SEE – BG, HR, RO, TR; EE – BY, KZ, RU, AZ*
Source: Thomson Reuters, Raiffeisen RESEARCH

- Croatia outlook likely to be upgraded to positive by Moody's
- Slovenia and Lithuania ratings/outlooks unlikely to see any change
- Negative outlook for Kazakhstan to remain intact
- Bosnia & Herzegovina's complex politics limit the scope for positive rating action

The CEE rating outlook is becoming firmer with fewer negative outlooks compared to last year as the Croatian and Russian outlooks move from negative to stable. The positive re-rating is continuing in Slovenia too, while a similarly positive re-rating trend, in our view, is emerging for Serbia. Last but not least, all three Baltic countries have also demonstrated slow but steady improvements and positively surviving Russia's food embargo with only moderate harm to their national economies. In the weeks ahead the official rating agencies' schedule remains packed with possible interesting reviews. As a result, macro and reforms' progress in a few CEE is likely to facilitate a positive tilt towards the outlook or rating upgrade. This week the three major rating agencies will have the chance to make regular updates of their ratings and outlooks for five CEE sovereigns. Among the likely more interesting rating reviews we see Croatia (Moody's) and Slovenia (Fitch), while routine reviews may follow for Kazakhstan (S&P), Lithuania (Fitch) and Bosnia & Herzegovina (S&P).

In Croatia the strengthening of economic growth along with fiscal consolidation facilitating the debt reduction progress is likely to prompt Moody's to change its outlook from negative to stable. The last time Moody's brought Croatia's rating down from Ba1 to Ba2 with a negative outlook was back in March 2016. After one year has elapsed Croatia has demonstrated enough macro progress, while the political elections of autumn 2016 brought a very pro-reformist cabinet into power. The new government remains committed to promoting the fiscal consolidation path whilst implementing tax and public-sector reforms too. The economic projections look realistic with an official GDP forecast of +3.2% yoy, almost matching the 3.1% expectation of the European Commission (EC) published in the EC 2017 winter forecast, while we expect 3.3% GDP growth this year. Strict budget discipline is likely to bear positive results, including this year, while tax overhaul results are likely to emerge closer to 2018. The budget gap is expected to remain around 1% of GDP, which would be a very low reading, while good growth conditions should enable a further reduction of public debt. Altogether, if sustained, the positive developments would be able to trigger a positive re-rating process in the course of the next 12-18 months. In our opinion, the stable outlook likely from Moody's after this week's review would signal the completion of the first phase of the re-rating process, while the continuation of the current economic policies and the successful debt reduction could result in positive outlooks by the end of 2017. In this case, a one notch upgrade to BB+/Ba1 would be possible by mid-2018. On the Eurobond market we feel less upbeat since Croatia's valuations look fair to slightly expensive, especially in the USD segment. So far we would prefer EUR issues as their spread is nearly similar to USD ones, but the ECB's policy is likely to remain far more accommodative than that of the Fed. In the primary markets, Croatia has already appointed a consortium of international banks to arrange a series of international investor meetings commencing on 10 March upon which a EUR 1 bn RegS benchmark size transaction could follow early next week, subject to market conditions. Since Croatia has very few short-term EUR papers outstanding in the Eurobond segment, we would expect the new issue to encounter strong demand, especially from dedicated institutional funds.

In a similar vein we reckon there is a moderate possibility that Fitch could change the outlooks on Slovenia (A-) and Lithuania (A-) from stable to positive following the recent macroeconomic progress, and in the case of Slovenia, the end of the bank clean-up reform and the faster privatisation programme. Slovenia's economy has already returned to growth after a few years of stagnation, and the completion of the banking reform enabled a consolidation of public finances. Slovenia's GDP growth is likely to remain in the 2-3% range during 2017-18 after posting a 2.5% increase in 2016. The public deficit is expected to drop below 2% of GDP in 2018 and public debt will likely inch slightly below 80% of GDP, which would be nearly 3.2% of GDP lower compared to the 2015 peak. A high current account surplus in excess of 5% of GDP would reflect positively on the balance of payments and investment balance. The successful restructuring of the banking sector and the privatisation plan for 2017 should be positive for the economy and the state's balance sheet. In particular, Slovenia's government approved the 2017 privatisation plan, which includes the sale of two 100% state-owned banks, Slovenia's largest lender Nova Ljubljanska Banka (NLB) and Abanka. All of the above could form a strong case for an outlook upgrade to positive. Still, in our opinion, Fitch may prefer to wait for Slovenia to sell its banks before granting the outlook or rating uplift. As a result, the outlook update chances would be only 30% this time, but the medium-term prospects for Slovenia should remain positive. Although Slovenia is a EUR country, its USD Eurobonds, issued in the past during the banking crisis, still offer a modest ASW spread pick-up of 100-120bp on the 2022-2024 maturities, which looks relatively attractive to us. Slovenia regularly conducts debt swap operations to retire USD debt and replace it with EUR debt.

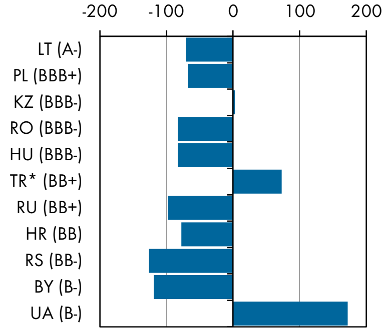
Similarly, Fitch may hesitate to move Lithuania from a stable to positive outlook as the uncertainty about the possible full impact of Brexit on the Baltic countries coupled with the internal EU political outlook could preclude the agency from taking a more optimistic view on Lithuania. A likely strengthening of economic growth to 2.9% in 2017, and only a minor moderation to 2.7% in 2018, should help drive consumer sentiment as Lithuania's growth largely hinges on private consumption and the services' sector. As the flow of investment projects co-financed by the EU returns to normal, both private and public investments are forecast to rebound and drive growth in 2017. So, higher overall growth should help to preserve a fairly good fiscal performance, despite a smallish deficit widening forecast for 2017 due to the structural reforms adding pressure to the state budget. According to the EC 2017 winter forecast, the state budget gap is projected to rise by only 0.2% of GDP, with the general deficit staying well below 1% of GDP. At the same time, in 2017, debt is forecast to increase to 43.5% of GDP due to the end-of-year pre-financing of forthcoming bond redemptions in 2018, but should fall back to 39.6% in 2018. On the other hand, although Lithuania's trade exposure to the UK is limited, Brexit still poses a high risk to Lithuania as labour remittances from the UK account to 1.2% of its GDP. Thus Brexit is likely to remain a big dampener on an otherwise good macro story, and could delay a positive re-rating story for Lithuania. In the Eurobond market we see Lithuania's Eurobonds valued in line with Poland, which seems fair taking the Brexit risk into account.

Moving on, Kazakh banking sector troubles and the salvation plan to be funded by the state would constrain the outlook and rating of Kazakhstan (BBB-/negative), which already suffered from an oil-related downgrade last year. As this year's growth prospects turn sour for Kazakhstan, with GDP expected to add just 2%, substantially below its long-term potential, and the state's plan to take USD 6bn from the oil reserve fund to help banks, this would make the country's finances more dependent on the volatile oil price. Since S&P has maintained a pretty critical assessment of the Kazakh banking sector, estimating that one in every three loans extended by banks is non-performing or has been renegotiated, we expect no outlook improvement. On the other hand, the strong international liquidity and financial accounts of the Kazakh state make any rating downgrade less likely this time, while the oil price will remain a deciding factor for rating agencies in the future. Kazakh Eurobond valuations appear relatively rich after the last market rally, with long-dated bond spreads trading in line with Russia. Also, the Kazakh rating spread appears to be fairly in line with its actual BBB- rating.

Last but not least, we expect S&P to keep Bosnia & Herzegovina's rating unchanged at B with a stable outlook. Despite some better macro numbers and ongoing IMF cooperation, Bosnia & Herzegovina also harbours higher political risks stemming from its Balkan war legacy, including very difficult ethnic situation and a complex political governing structure. At the same time, we expect the EU and IMF commitments to remain strong enough to help the country's transformation, provided political peace remains intact.

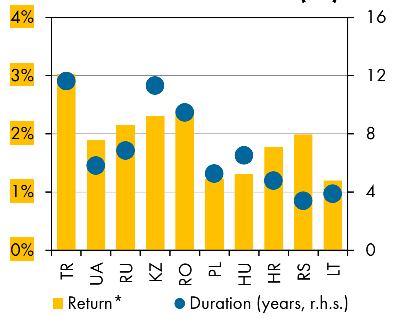
Financial analyst: Gintaras Shlizhyus (+43 1 71707 1343), RBI Vienna

CEE rating spread*



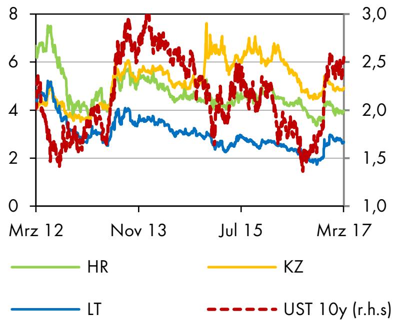
** rating spread in basis points, sovereign spread minus respective rating aggregated spread (EMBIG USD), Turkey - Fitch rating*
Source: Thomson Reuters, JP Morgan, Raiffeisen RESEARCH

Eurobond market returns (%)



** EMBIG USD price index, price return gross in % from 30/12/2016 till 09/03/2017*
Source: Thomson Reuters, Raiffeisen RESEARCH-

Eurobond vs. UST yields (%)



** EMBIG USD blended yield*
Source: Thomson Reuters, Raiffeisen RESEARCH

Data calendar and country coverage

This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Previous
Tuesday 07 March				
HU: Industrial output, % yoy	Jan	1.6	n.a.	1.9
RU: CPI, % yoy	Feb	4.6	n.a.	5.0
Wednesday 08 March				
TR: Industrial output, % yoy	Jan	2.6	n.a.	1.3
HU: CPI, yoy	Feb	2.9	2.9	2.3
PL: Key rate, %	Mar	1.5	1.5	1.5
Thursday 09 March				
CZ: Trade balance, CZK bn	Jan	19.4	n.a.	-5.0
CZ: CPI, % yoy	Feb	2.5	2.5	2.2
BG: Industrial output, % yoy	Jan	-1.2	n.a.	6.9
BG: Retail sales, % yoy	Jan	4.0	n.a.	3.5
UA: CPI, % yoy	Feb	14.2	n.a.	12.6
Friday 10 March				
RO: CPI, % yoy	Feb	0.2	n.a.	0.1

Indicator	Period	Forecast	High	Mean	Low	Previous
Friday 10 March						
BY: CPI, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	9.5
Monday 13 March						
RO: Industrial output, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	1.6
SK: Industrial output, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	3.0
HR: Retail sales, % yoy	Jan	4.9	n.a.	n.a.	n.a.	5.8
RS: CPI, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	2.4
Tuesday 14 March						
SK: CPI, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	0.7
RS: Key rate, %	Mar	4.00	n.a.	n.a.	n.a.	4.00
PL: CPI, % yoy	Feb	2.1	2.2	2.1	1.9	1.8
Wednesday 15 March						
TR: Unemployment rate, % yoy	Dec	n.a.	n.a.	n.a.	n.a.	12.1
CZ: Retail sales, % yoy	Jan	7.5	8.0	7.4	5.0	3.7
CZ: Industrial output, % yoy	Jan	8.2	9.5	7.3	5.0	2.7
BG: CPI, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	1.4
BG: Unemployment rate, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	8.2
Thursday 16 March						
SK: Retail sales, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	3.8
CZ: C/A balance, CZK bn	Jan	30.0	38.0	31.3	26.9	-22.1
HR: CPI, % yoy	Feb	1.2	n.a.	n.a.	n.a.	0.9
TR: Key rate, %	Mar	8.00	9.50	8.00	8.00	8.00
PL: C/A balance, EUR mn	Jan	232	2,324	216	-1,012	-533
PL: Trade balance, EUR mn	Jan	742	1,210	400	-569	-151
PL: Employment rate, % yoy	Feb	4.6	4.8	4.5	3.8	4.5
RU: Industrial output, % yoy	Feb	n.a.	2.6	1.4	-1.2	2.3
RO: C/A balance, EUR mn	Jan	n.a.	n.a.	n.a.	n.a.	-4,118
BY: Industrial output, % yoy	Feb	4.5	n.a.	n.a.	n.a.	5.9
Friday 17 March						
PL: Industrial output, % yoy	Feb	8.0	14.2	2.7	0.8	9.0
PL: Retail sales, % yoy	Feb	7.6	13.0	8.3	4.2	11.4

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Bosnia a. H. (BA) – Political tensions in Bosnia and Herzegovina eased to some extent after the National Assembly of the RS entity adopted several conclusions at its Extraordinary Session, including the most important one, to continue fulfilling the conditions cited in the Letter of Intent and in the Reform Agenda. With this decision, B&H avoided its biggest post-Dayton political crisis and the worst-case scenario comprising a total blockade of state institutions and consequently the breakup of the IMF arrangement and the cessation of the EU accession process. Such developments could potentially trigger a negative revision of the 2017-2018 economic and growth forecast, which is solely based on the political and fiscal stability of the country. Thus based on the RS National Assembly's decision it is quite clear that the RS political parties within the state-level government will seek legal ways to challenge the decision on the review of the verdict, and will not block the state institutions and economic reforms for the time being. Consequently, the ICJ has rejected a request to revise the ruling in the B&H genocide lawsuit against Serbia on 9 March 2017, as there was no consensus from all members of the State Presidency to name Mr. Sakib Softic as head of the revision. It should also be noted that even without the IMF, both B&H entities should be able to cover the budget deficit this year via additional auctions of debt market securities and the money from the debt owed by the former Soviet Union, which is expected and not included in the budget (USD 125 million). Without the IMF, the FBiH entity would need an additional BAM 282 million, while RS would need an additional BAM 220 million to cover the budget deficit. Representatives of the FBiH Ministry of Finance also stated there are additional resources to cover the budget deficit in the absence of IMF funds, but they did not want to specify details for the time being. All told, we have many reasons for now to believe that all political sides will find common ground in fulfilling the remaining 6 actions for a positive first review and release of the second tranche.

The week under review was quite empty in terms of macroeconomic figures, with industrial output for January 2017 the only high-calibre macro data to be published. According to the State Agency for Statistics, industrial output advanced by 4.4% yoy in the first month of 2017, driven by manufacturing (2.2% yoy) and electricity supply (12.0% yoy). We expect industrial production will reach 5.5% growth this year, its strongest reading since 2011.

Financial analyst: Srebrenko Fatusic (+387 33 287 916), Raiffeisen BANK d.d., Sarajevo

Croatia (HR) – The week ahead will be marked by some relevant macroeconomic figures. Preliminary retail trade data for January is set to be released on Monday. Based on rising consumer optimism indicators (which have reached pre-crisis levels), positively affected by the recently adopted tax reform and stabilisation on the labour market, we anticipate that retail trade growth could continue with solid rates in annual terms. Additionally, supported by the low base effect, retail trade in January is expected to increase by 4.9% yoy in real terms.

In line with price developments on the world's commodity market, the forthcoming CPI figure could accelerate to 1.2% yoy, thus confirming that disinflation has vanished and the months ahead are expected to bring a return to modestly positive inflation rates.
The focus of the market is the announced Eurobond issue (planned volume of EUR 1bn, 10-year maturity).

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

Czech Republic (CZ) – CPI inflation for February accelerated to 2.5% yoy, as we expected, corresponding to 0.4% mom. The year-on-year inflation was 0.4pp above the CNB forecast. The actual CPI inflation has been significantly higher than the CNB forecast for at least three months in a row, and we expect the new inflation outlook released in May will be revised upwards. According to its current outlook, the CNB expects the Czech currency to strengthen from mid-2017, in line with the statements of the CNB Board members. They consistently repeat that the probable timing for exiting the FX cap is still around mid-2017. The market consensus is for the CNB to abandon the FX commitment as early as the second quarter of 2017. Other important statistics will be released next week. We expect retail sales will increase by 7.4% yoy in January. For industrial production, we also expect continued growth of 7.3% yoy. Furthermore, according to our estimates, producer prices will increase by 2.9% yoy in January.

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

Hungary (HU) – Without any relevant macroeconomic data releases, the focus will be on the minutes of the latest central bank rate decision. We see no change in the forward guidance, but we expect an upwards revision in the inflation forecast in March's Inflation Report (due 30 March). February's inflation was already 2.9% yoy, as expected, while consumption-related elements are also showing an improvement, over and above base effects. Service and food prices are going to drive headline inflation up further in the months ahead. For this year we see average inflation picking up to 3.3% (next year 3.1%), while in H2 2017 the headline rate will exceed the central bank's mid-term target (3%). However, according to the central bank, the Q1 pick-up in inflation is a temporary trend, so we are going to look at revisions in their own 2017 and 2018 forecasts as well. All in all, we do not see any chance of monetary policy changing drastically, it will probably be smoother than before with regard to the "further possible easing via unconventional measure" comment in statements and in minutes.

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

Poland (PL) – Given the calm week with no important data, the MPC conference together with the revised inflation projections were in the spotlight in recent days. As expected, the MPC kept interest rates unchanged, with the reference rate at 1.50%. Additionally, the MPC statement included the key parts of the new projection, published every 4 months. Compared to the previous projection, forecasts for both GDP and inflation have been revised upwards. The middle of the range for the inflation projection amounted to 2.1% yoy in 2017 and 1.9% yoy in 2018 and 2019, against the 1.3% and 1.5% for 2017 and 2018 estimated in November. Annual GDP growth was increased to 3.7% yoy in 2017 (3.6% in November) and 3.5% yoy in 2018. Despite the upwards revision for inflation, the MPC members remained dovish. President A. Glapinski pointed out that negative real rates are possible even until the end of 2018. However, we do not believe rates will be negative for such a long time, mainly due to the possibility of a growing disequilibrium in the economy. Therefore, our baseline scenario includes two hikes in H2 2018. The coming week will bring data on CPI, trade balance, the labour market, output and sales. We expect the CPI will rise to 2.1% yoy, while core CPI should remain low (0.4%), confirming the external source of inflation. Real economic data should confirm the economic recovery.

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

Romania (RO) – The latest data released by the Statistical Office confirmed the flash estimates, which put economic growth in Q4 at 1.3% qoq and 4.7% yoy. While the GDP dynamics in Q4 beat expectations, the dynamics of the components on the demand side were pretty disappointing. Contrary to our expectations, private consumption was flat in Q4 on a quarterly basis. Also, gross fixed capital formation contracted by 1.7% qoq. Exports of goods and services advanced by 2.0% qoq, outpacing imports (1.5% qoq) which resulted in a tiny positive contribution of net exports to GDP growth in Q4. Surprisingly, the increase in inventories supported the GDP advance in Q4 to a very large extent. The excess liquidity in the money market remained elevated in February. So every day banks placed an average amount of RON 11.3bn in the NBR's permanent deposit facility in February, below the amount placed in January (RON 14bn). No upwards pressure has yet been recorded by money market rates, as the ROBOR rates are still quoted significantly below the level of the key interest rate. Next week's macroeconomic calendar contains some important releases that will offer information on economic activity in Q1 2017. January figures will be reported for industrial output and the international trade balance (13 March), construction work (15 March) and the current account balance (16 March).

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

Russia (RU) – Disinflation continued in February as CPI decelerated to 4.6% yoy. This level is confirmed by the weekly estimates. The most pronounced deceleration appeared in the non-food (5.7% yoy) and food (3.7% yoy) segments. Inflation in services stood at 4.3% yoy. Apparently prices did not react to the advance in retail sales, fuelled by the one-off pension payment. Overall, looking at the breakdown, temporary factors remain the main disinflation drivers, i.e. deflation in the fruit and vegetables segment. Thus the pronounced disinflation will not be a trigger of rapid dovish shifts in the CBR's monetary policy. We still believe the first cut is only possible in June.

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

Serbia (RS) – Prime Minister Aleksandar Vucic announced that the payroll tax rate, currently standing at 10%, might be cut during 2017 to support a continued fall in unemployment, but also to support wages and private spending growth, given the almost unchanged sentiment. Thanks to FDI flows, the unemployment rate fell from 21.3% in Q1 2014 to 13% in Q4 2016, but this has not rippled through into wage growth. The rate cut will not be significant at the beginning, and given that PIT commands a fairly moderate share in the total budget revenue structure (5.1%) we expect it will have a neutral impact on the budget.
With the 5,000 people that will leave the state administration through attrition in 2017, the staff-downsizing process launched in 2014 will be terminated. The focus will then be shifted towards efficiency improvements.

Given that inflation entered the 3% +/-1.5pp target range in February (2.4% yoy), the National Bank of Serbia (NBS) will keep the key rate flat at 4% at its meeting on 14 March. The NBS expects the reading will stay within the range until the end of 2018 due to the low base for fruit and vegetable prices, Eurozone inflation growth, the steady recovery in aggregate demand and the closure of the negative output gap. The lower food production costs (soya bean, corn, wheat prices) will have a disinflationary impact.

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

Slovakia (SK) – On Tuesday, the Statistical Office released detailed GDP data along with unemployment and wage developments. Actual GDP growth for Q4 2016 was revised downwards from the flash estimate, which stood at 3.1% yoy, to 3.0% yoy. The growth mainly stemmed from foreign demand, which rose by 6.3% yoy. On the other hand, domestic demand decreased by 0.1% yoy, mainly due to the decrease in capital formation, which fell 7.3% yoy, and the public sector, which dropped by 1% yoy. Annual GDP growth in 2016 was 3.3% yoy and our forecast for 2017 is at a similar level, 3.3% yoy.
Unemployment decreased by 1.9pp in annual terms to 9.1% in Q4 2016. We expect it to continue decreasing due to the healthy economy and solid job vacancies, along with new private investments, which are about to be rolled out in 2017 and 2018 (Jaguar Land-Rover, Amazon). Historically, unemployment was lowest in Slovakia in Q4 2008, standing at 8.7%, a threshold we expect to be broken in 2017. Nominal wage growth in 2016 reached 3.6% yoy, up from 2.9% in 2015. Looking at different sectors of the economy, the data displays an inverse relationship between employment growth and wage growth, indicating that new entrants to the workforce are decreasing the average wage in the economy, and that wage growth among existing employees is higher than the headline number.

Financial analyst: Robert Prega (+421-2-5919 1111), Tatra banka a.s., Bratislava

Ukraine (UA) – Consumer prices increased by 1% mom in February, and 12-months inflation rate accelerated to 14.2% yoy from 12.6% yoy in January. Food prices went up by 1.5% mom owing to growth among all categories except eggs (-16.7% mom). Alcohol and tobacco prices continued to rise (+1.7% mom in February). Given growing fare ticket prices, cost of transport services grew by 2% mom. In the same time, clothes became cheaper by 2.8% yoy due to seasonal factors. In our view, the inflation rate will fall below 10% yoy level only in September-October 2017, as the base effect is going to be strong owing to a number of supply shocks last year.
Meantime, producer prices hiked by 3.1% mom in February, and reached a significant value of 38.9% in yoy terms. Growth of global prices pushed prices in iron ores mining by 5.7% mom (and by 2.3% mom in overall mining industry). As a result, prices in manufacturing industry were under the pressure (+3.7% mom). In metallurgy, prices increased by 6.8% mom, in coke production – by 5.8% mom and in chemical industry – by 7.2% mom. Such dynamics is likely partially attributed to the events economic blockade in the eastern Ukraine that complicates the work of many enterprises. Taking into account consensus forecasts for commodities, we expect that PPI will gradually decelerate by the end-2017, and it will tend to 10% yoy level.

Financial analyst: Sergii Drobot (+380 44 49590-73), Raiffeisen Bank Aval JSC, Kiev

Monetary policy and money markets overview

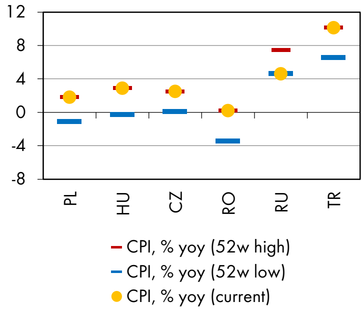
CEE key interest and money markets outlook

Poland	current*	Jun-17	Sep-17	Dec-17	5y high	5y low
Key interest rate	1.50	1.50	1.50	1.50	4.75	1.50
3m money market rate	1.73	1.73	1.73	1.73	5.14	1.65
Hungary						
Key interest rate	0.90	0.90	0.90	0.90	7.00	0.90
3m money market rate	0.23	0.30	0.40	0.50	7.31	0.23
Czech Republic						
Key interest rate	0.05	0.05	0.05	0.05	0.75	0.05
3m money market rate	0.28	0.30	0.30	0.35	1.25	0.00
Romania						
Key interest rate	1.75	1.75	1.75	1.75	5.25	1.75
3m money market rate	0.82	1.00	1.15	1.55	6.30	0.68
Russia						
Key interest rate	10.00	9.50	9.00	9.00	17.00	5.25
3m money market rate	10.44	10.00	9.50	9.50	29.93	6.65
Serbia						
Key interest rate	4.00	4.00	4.00	4.00	11.75	4.00
3m money market rate	3.52	3.60	3.60	3.60	13.13	3.26
Turkey						
Key interest rate	8.00	8.00	8.00	10.00	10.00	4.50
3m money market rate	11.92	11.80	11.00	10.50	12.44	4.85

Benchmark key rates	current	Jun-17	Sep-17	Dec-17	5y high	5y low
ECB key interest rate	0.00	0.00	0.00	0.00	1.00	0.00
Fed key interest rate	0.75	1.00	1.00	1.25	0.75	0.25

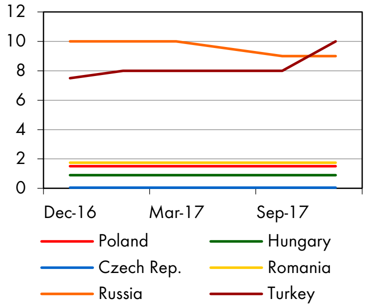
Source: Bloomberg, RBI/Raiffeisen RESEARCH
** Bid rates (for Hungary ask rates) as of 09 March 2017, 11:59 p.m. CET*

Inflation snapshot



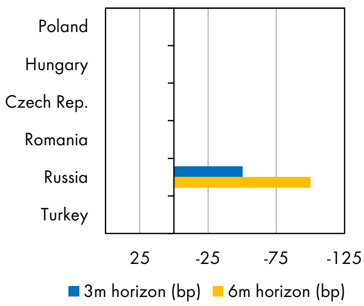
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	Although CB revised upwards its GDP and especially its CPI forecasts, MPC remains sanguine in terms of reflation dynamics and flags a flat base rate trajectory at least for 2017. This is in line with our call, but we tend to believe that they will finally not tolerate a protracted period of negative real yields and finally will start tightening monetary conditions around mid-2018.
Hungary (MNB)	Headline inflation slightly exceeded expectations. The MNB will adjust upwards its inflation path in March's inflation report, but overall ultra-loose MP stance should remain in place since inflation target (3.00% +/- 1pp) will not be challenged severely in 2017.
Czech Republic (CNB)	With CPI headline inflation coming-in again well above the CB inflation mid-target, CZKexit likelihood in Q2 increased significantly. Although CPI is going to moderate in the upcoming period, heavy positioning and very healthy fundamentals might finally prompt the CNB to abandon its intervention regime.
Romania (BNR)	BNR lowered CPI inflation forecasts mainly due to changing economic policy framework. Only after liquidity tightening happens forcefully, rate hikes could start as early as 2018.
Serbia (NBS)	NBS maintains prudent MP stance, i.e. sufficient rate differential, amidst global and election uncertainties.
Russia (CBR)	According to the CBR, inflation is falling slightly faster than expected. In February inflation fell to 4.6% yoy. We expect the cautious easing of interest rates to continue, possibly even slower than the market consensus expects.
Turkey (TCMB)	TCMB continued to keep weighted average costs of funding (WACF) at high levels, going against the renewed depreciation dynamics of the lira. More MP tightening was flagged if pressure was not to abate according to CB governor. With its multi-interest rate policy, TCMB tries to balance between controlling inflation which is suffering strongly from accelerated pass-through of lira depreciation and political interference for low rates. At the end, however, we assume that this balancing act will not work out and a return to more conventional policies will be inevitable.

Source: RBI/Raiffeisen RESEARCH

Rate setting meetings

	Mar	Apr
Poland (NBP)	8	5
Hungary (MNB)	28	25
Czech Republic (CNB)	30	/
Romania (BNR)	/	5
Serbia (NBS)	14	11
Russia (CBR)	24	28
Turkey (TCMB)	16	26

Source: National Central Banks, RBI/Raiffeisen RESEARCH

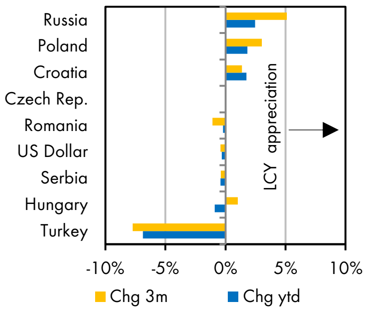
Foreign exchange market overview

FX forecasts

EUR vs	current*	Jun-17	Sep-17	Dec-17	5y high	5y low	Comment
PLN**	4.324	4.45	4.40	4.35	4.40	4.08	Zloty might have exploited its short-term appreciation potential and a moderate setback can be expected due to USD strengthening risks, but also due to the expected easing of local rate hike bets. Forecasts currently under revision.
HUF	311.7	315	310	315	316	291	Forint hovers just below the strong end of its 310-315 trading range to the euro, we expect volatility to increase on the back of USD strengthening bias.
CZK**	27.02	27.0	27.0	25.9	27.7	25.1	After February CPI again came-in well above the CNB mid-target, CZKexit becomes likely rather earlier than later, i.e. around mid-2017. We keep our CZK projection under revision.
RON	4.551	4.50	4.45	4.45	4.54	4.45	EUR/RON can become somewhat pressured going forward due to political/budget uncertainties and looming USD strength.
HRK	7.429	7.40	7.45	7.50	7.66	7.50	In anticipation of dividend pay-outs mild depreciation pressure is expected. Thus EUR/HRK could oscillate within the range 7.42-7.45.
RSD	123.9	123	124	125	125	112	Uncertainty over presidential elections and expected USD strength to weigh on RSD going forward; central bank ready to intervene in case of elevated volatility.
RUB**	62.84	63.2	61.2	65.1	79.3	40.3	see USD/RUB below
UAH	28.43	27.5	27.5	29.4	29.4	10.6	see USD/UAH below
BYN	2.027	2.30	2.35	2.47	2.47	1.13	see USD/BYN below
TRY**	3.984	3.88	3.77	3.89	3.89	2.35	see USD/TRY below
USD**	1.058	1.02	1.02	1.05	1.38	1.05	Likely Fed rate hike on 15 March to support USD against EUR and, in turn, to pressure CEE FX.
USD vs	**current***	**Jun-17**	**Sep-17**	**Dec-17**	**5y high**	**5y low**	
RUB**	59.39	62.0	60.0	62.0	73.0	30.5	Despite announced reduction of FX intervention amounts, the rather stable oil price and increasing chances for stronger USD are set to weaken RUB moderately in the s/t. Our forecasts are under revision.
UAH	26.86	27.0	27.0	28.0	28.0	8.05	Some recovery of the UAH, possibly in connection with the announcement of a working level agreement with the IMF.
BYN	1.915	2.25	2.30	2.35	2.35	0.86	Latest weakening after some strength early this year; caoutious outlook given fundamental weaknesses
TRY**	3.765	3.80	3.70	3.70	3.70	1.78	Faster US rate hikes and related USD strengthening to continue weighing on lira. Our forecasts might be too optimistic, thus we have them under revision.

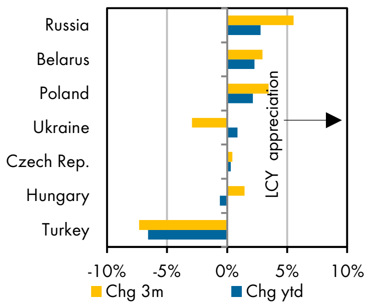
** as of 09 March 2017, 11:59 p.m. CET*
*** under revision*

Change of LCY value to EUR (%)



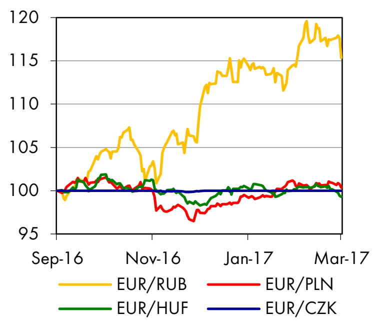
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

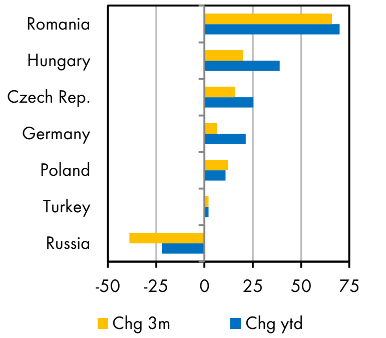
Exchange rate comparison



Indexed 09 Sep-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

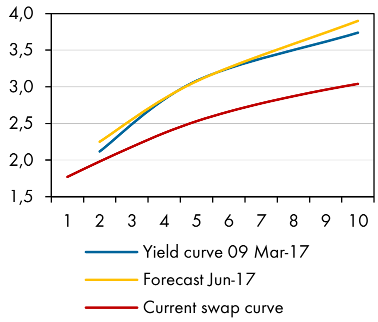
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



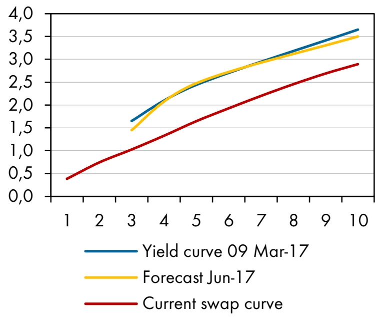
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve*



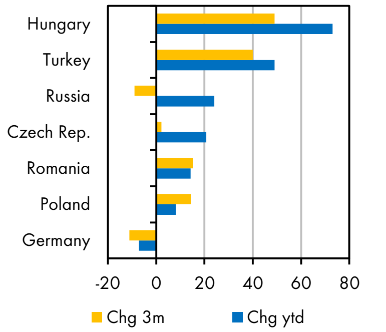
**forecast under revision*
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve*



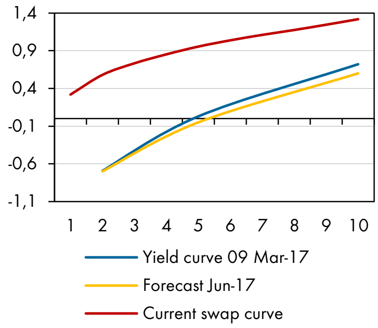
**forecast under revision*
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



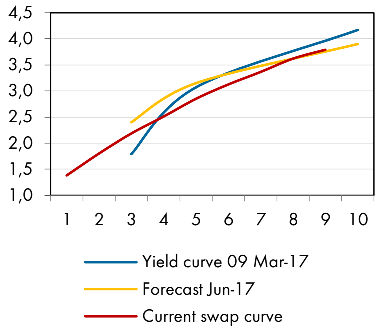
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve*



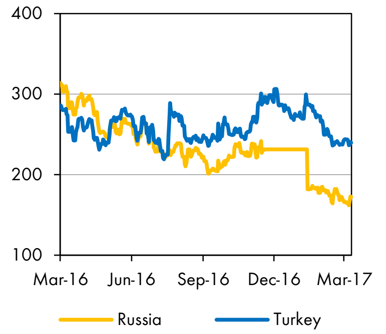
**forecast under revision*
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve*



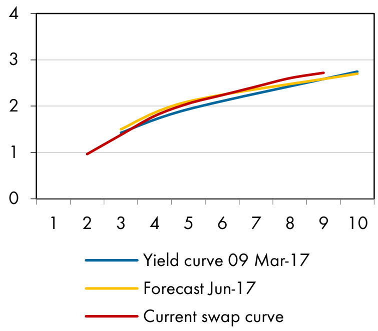
**forecast under revision*
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



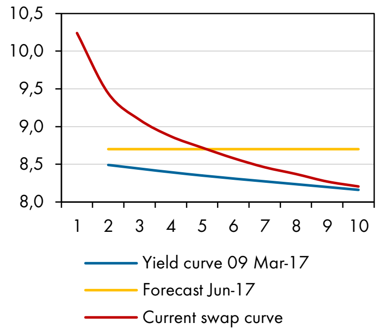
Turkey 5y high 327.1, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve*



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

RUB yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Yield forecasts

2y T-bond yields (%)	current[1]	Jun-17	Sep-17	Dec-17	5y high	5y low
Poland	2.12	2.3	2.3	2.3	3.1	1.6
Hungary[2]	1.65	1.5	1.6	1.7	5.7	0.9
Czech Republic[3]	-0.69	-0.7	-0.6	0.1	0.5	-0.9
Romania	1.79	1.9	2.1	2.4	6.4	1.5
Croatia	1.42	1.5	1.5	1.6	4.4	0.9
Russia	8.49	8.7	8.5	8.3	15.8	6.2
Turkey	11.19	11.5	10.5	10.0	11.0	6.1
Germany[3]	-0.86	-0.8	-0.7	-0.7	0.2	-0.8
USA[3]	1.37	1.4	1.4	1.5	1.5	0.2

10y T-bond yields (%)	current*	Jun-17	Sep-17	Dec-17	5y high	5y low
Poland[3]	3.74	3.9	4.0	4.0	4.3	2.5
Hungary[3]	3.65	3.5	3.6	3.7	6.2	3.3
Czech Republic[3]	0.72	0.6	0.5	1.1	2.5	0.5
Romania[2,3]	4.17	3.9	3.8	4.0	6.9	3.5
Croatia	2.74	2.7	2.7	2.7	5.2	2.7
Russia	8.16	8.7	8.5	8.4	14.1	6.9
Turkey	11.11	11.2	10.7	10.2	11.1	6.6
Germany[3]	0.42	0.4	0.6	0.8	1.9	0.1
USA[3]	2.60	2.5	2.7	2.9	3.0	1.8

1 Bid yields as of 09 March 2017, 11:59 p.m. CET; 2 HU: 3y, not 2y; RO: 8y, not 10y; 3 under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

	Maturity	Coupon (%)	Bid Price	YTM (%)	Spread to Bunds (bp)	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25/04/2019	0.00	95.67	2.11	297	2.1	POLGBs should feel increasing pressure from core market yields which should continue inching upwards on US MP tightening. At the same time, local rate hike expectations for 2017 are too aggressive in our view with the related pricing-out of the latter to counterbalance external pressure somewhat. In addition, technical support comes from Polish debt managers' flexibility given their considerable pre-financing efforts.
PLN 5y Gov. Bond	25/04/2022	2.25	96.21	3.06	343	4.8	
PLN 10y Gov. Bond	25/07/2027	2.50	89.61	3.73	329	9.0	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	97.96	1.60	232	3.5	HGBs remained well anchored, but moderate upward pressure mainly on long-end yields should intensify on the back of US MP tightening. Although reflation dynamics surprised to the upside most recently, we find reflation pricing too aggressive which should counterbalance the external pressure to a certain extent.
HUF 5y Gov. Bond	26/10/2022	1.75	96.57	2.41	278	5.4	
HUF 10y Gov. Bond	27/10/2027	3.00	94.77	3.60	316	9.1	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	111.42	-0.42	44	2.0	With CZKexit coming closer we would expect another wave of inflows from last-minute speculators going forward. Renewed spread narrowing versus Bunds might be unlikely, however, since Czech inflation premium might speak against this.
CZK 5y Gov. Bond	29/09/2021	3.85	117.53	-0.01	36	4.2	
CZK 10y Gov. Bond	26/06/2026	1.00	102.74	0.69	25	8.9	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	105.89	0.78	115	1.3	In anticipation of the new Croatian eurobond issuance.
Romania							
RON 2y Gov. Bond	17/01/2018	3.25	101.93	0.96	168	0.9	ROMGBs are increasingly repricing fiscal risks amidst revived external market pressure. Given fairly stable EUR/RON, ROMGB investors remain sanguine for the time being despite the ongoing political crisis.
RON 5y Gov. Bond	22/03/2021	3.25	101.65	2.82	319	3.7	
RON 10y Gov. Bond	24/02/2025	4.75	106.06	3.86	342	6.8	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	98.54	8.49	935	1.9	Russian government bonds were supported by recent announcement to scale back intervention amounts aimed at rouble weakening and ongoing favorable international investor sentiment. Short-term correction potential elevated due to mounting external pressure.
RUB 5y Gov. Bond	18/08/2021	7.50	97.51	8.35	872	3.8	
RUB 10y Gov. Bond	03/02/2027	8.15	100.80	8.19	775	7.1	
Turkey							
TRY 2y Gov. Bond	11/07/2018	8.70	96.85	11.19	1205	1.3	We recommended taking profits for TURKGBs. Indeed, TRY markets are again on a weakening path and prospects for high-beta Turkey remain clouded given likely US rate hike on 15 March.
TRY 5y Gov. Bond	02/03/2022	11.00	99.10	11.21	1158	4.1	
TRY 10y Gov. Bond	24/02/2027	11.00	99.60	11.02	1058	6.5	

Data as of 10 March 2017, 11:17 a.m. CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

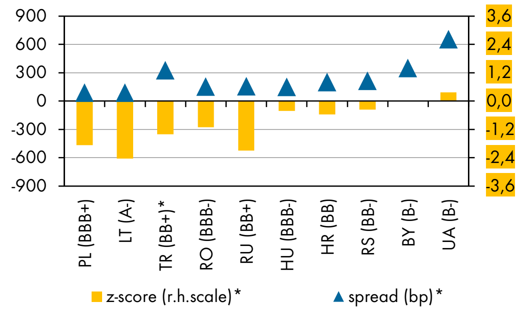
Bond auctions

		ISIN	Coupon	Maturity	Volume
13 March					
RO	T-bonds	RO1624DBN027	3.5%	29.04.2024	RON 300 mn
14 March					
TR	5y T-bonds	n.a.	FRN	n.a.	n.a.
15 March					
AL	2y T-bonds	AL0173NF2Y19	2.95%	17.03.2019	ALL 4.8 bn
RU	T-bonds	n.a.	n.a.	n.a.	n.a.
HU	T-bonds	n.a.	n.a.	n.a.	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

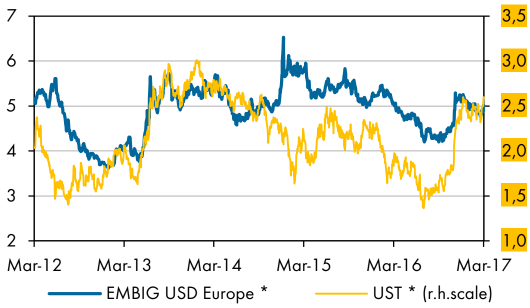
Eurobond market overview

CEE USD EMBIG spread valuation*



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

CEE EMBIG USD vs. UST YTM*



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

	Market Price					YTM mid.	Spread	Mdur.	ISIN
Issuer/rate/due	**Bid**	**Ask**	**w/w %**	**5y max**	**5y min**	**% p. a.**	**Bmk, bp**	**years**	**–**
EUR									
BGARIA 4 1/4 07/09/17	101.4	101.8	-0.05	111.8	100.3	-0.71	10	0.3	XS0802005289
CROATI 5 7/8 07/09/18	107.7	108.1	0.00	112.1	97.0	-0.10	61	1.3	XS0645940288
REPHUN 3 7/8 02/24/20	110.8	111.2	-0.02	113.1	74.9	0.14	90	2.8	XS0212993678
REPHUN 4 3/8 07/04/17	101.5	101.6	-0.20	108.0	83.6	-0.65	16	0.3	XS0284810719
REPHUN 5 3/4 06/11/18	107.4	107.6	-0.14	115.1	86.3	-0.26	44	1.2	XS0369470397
REPHUN 6 01/11/19	110.9	111.3	0.03	118.4	86.4	-0.04	79	1.8	XS0625388136
LITHUN 4.85 02/07/18	104.7	105.0	-0.09	114.3	100.4	-0.45	20	0.9	XS0327304001
POLAND 5 5/8 06/20/18	107.5	107.7	-0.14	122.6	102.1	-0.32	38	1.2	XS0371500611
POLAND 1 5/8 01/15/19	103.2	103.5	0.07	105.5	98.0	-0.18	66	1.8	XS0874841066
POLAND 3 3/4 01/19/23	118.0	118.9	0.06	125.5	99.9	0.54	80	5.4	XS0794399674
POLAND 3 3/8 07/09/24	116.9	117.5	-0.05	125.6	99.6	0.93	96	6.5	XS0841073793
ROMANI 4 7/8 11/07/19	112.4	112.8	-0.13	117.8	99.3	0.11	90	2.5	XS0852474336
TURKEY 5 7/8 04/02/19	109.4	109.9	-0.09	118.9	105.4	1.10	197	1.9	XS0285127329
TURKEY 5 1/8 05/18/20	109.3	109.8	-0.15	115.9	100.2	1.99	271	2.9	XS0503454166
USD									
BELRUS 8.95 01/26/18	102.7	103.5	-0.20	111.2	78.0	5.24	423	0.8	XS0583616239
CROATI 6 3/8 03/24/21	108.9	109.4	-0.50	117.8	91.7	3.90	198	3.5	XS0607904264
CROATI 5 1/2 04/04/23	105.7	106.2	-0.94	111.7	94.4	4.37	207	5.0	XS0908769887
REPHUN 5 3/8 02/21/23	108.4	108.8	-0.89	115.4	93.1	3.75	147	5.1	US445545AH91
REPHUN 7 5/8 03/29/41	139.9	141.1	-1.79	157.5	87.4	4.77	176	12.6	US445545AF36
LITHUN 7 3/8 02/11/20	113.4	113.8	-0.22	130.7	112.8	2.50	84	2.6	XS0485991417
LITHUN 6 5/8 02/01/22	116.5	116.9	-0.35	128.6	107.4	2.93	81	4.2	XS0739988086
LATVIA 2 3/4 01/12/20	101.1	101.6	-0.10	104.5	91.4	2.26	62	2.7	XS0863522149
LATVIA 5 1/4 06/16/21	110.8	111.3	-0.03	117.2	96.0	2.51	53	3.8	XS0638326263
POLAND 6 3/8 07/15/19	109.9	110.0	-0.20	125.9	109.0	1.99	50	2.2	US731011AR30
POLAND 3 03/17/23	98.8	99.1	-0.69	105.1	87.6	3.19	91	5.4	US731011AT95
ROMANI 6 3/4 02/07/22	114.3	114.5	-0.95	124.4	99.9	3.52	140	4.2	US77586TAA43
ROMANI 4 3/8 08/22/23	103.5	103.7	-1.22	111.1	90.8	3.74	139	5.6	US77586TAC09
RUSSIA 4 1/2 04/04/22	105.3	105.8	-0.55	114.7	82.0	3.30	115	4.4	XS0767472458
RUSSIA 7 1/2 03/31/30	120.0	120.3	0.01	128.6	99.6	2.31	-39	3.7	XS0114288789
RUSSIA 5 5/8 04/04/42	106.1	107.0	-1.87	124.9	76.0	5.15	211	13.4	XS0767473852
SERBIA 5 1/4 11/21/17	102.0	102.3	-0.02	107.1	96.8	2.04	110	0.7	XS0856951263
SERBIA 4 7/8 02/25/20	102.8	103.2	-0.29	105.4	89.6	3.79	212	2.7	XS0893103852
TURKEY 6 1/4 09/26/22	105.1	105.8	-0.14	127.0	102.5	5.11	290	4.5	US900123BZ27
TURKEY 6 7/8 03/17/36	103.6	104.1	-0.75	139.6	99.2	6.52	365	10.4	US900123AY60
TURKEY 6 3/4 05/30/40	102.2	103.1	-0.70	139.4	97.3	6.52	354	11.6	US900123BG46
UKRAIN 7 3/4 09/01/19	100.6	101.1	0.16	102.3	88.0	7.37	584	2.2	XS1303918269
UKRAIN 7 3/4 09/01/23	94.7	95.0	-0.69	99.9	84.6	8.81	645	4.9	XS1303921487
UKRAIN 7 3/4 09/01/27	90.9	91.4	-1.19	98.4	81.2	9.08	645	6.9	XS1303927179

YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 10 Mar 2017, 8:54 AM CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Summary: Ratings & macro data

Country ratings: CE, SEE, EE

	S&P LCY	S&P FCY	S&P Outlook	Moody's LCY	Moody's FCY	Moody's Outlook	Fitch LCY	Fitch FCY	Fitch Outlook
CE									
Poland	A-	BBB+	stable	A2	A2	negative	A	A-	stable
Hungary	BBB-	BBB-	stable	Baa3	Baa3	stable	BBB-	BBB-	stable
Czech Republic	AA	AA-	stable	A1	A1	stable	AA-	A+	stable
Slovakia *	A+	A+	stable	A2	A2	stable	A+	A+	stable
Slovenia *	A	A	positive	Baa3	Baa3	positive	A-	A-	stable
SEE									
Romania	BBB-	BBB-	stable	Baa3	Baa3	positive	BBB	BBB-	stable
Bulgaria	BB+	BB+	stable	Baa2	Baa2	stable	BBB	BBB-	stable
Croatia	BB	BB	stable	Ba2	Ba2	negative	BB+	BB	stable
Serbia	BB-	BB-	positive	B1	B1	positive	BB-	BB-	stable
EE									
Russia	BBB-	BB+	stable	Ba1	Ba1	stable	BBB-	BBB-	stable
Ukraine	B-	B-	stable	Caa3	Caa3	stable	B-	B-	stable
Belarus	B-	B-	stable	Caa1	Caa1	stable	B-	B-	stable
Kazakhstan	BBB-	BBB-	negative	Baa3	Baa3	negative	BBB	BBB	stable
Turkey	BB+	BB	negative	Ba1	Ba1	stable	BBB-	BB+	stable

** Euro area (Euro currency) members; positive rating/outlook changes (in previous week) in green, negative changes in red*
Source: rating agencies websites

Main macro data & forecasts*

Country	Year*	GDP, % avg. yoy	CPI, % avg. yoy	Unemployment, %	Nominal wages, EUR	Fiscal balance, % GDP	Public debt, % GDP	Export **, % GDP	C/A, % GDP	Ext. Debt, % GDP	FXR***% ext. debt	Import cover, months
Croatia	2016	2.9	-1.1	13.6	1029	-2.0	84.2	24.4	3.2	94.7	31.5	9.0
	2017f	3.3	1.9	12.5	1055	-2.4	82.6	23.9	2.5	87.4	32.4	8.8
	2018f	2.8	1.6	11.2	1074	-2.5	80.6	23.6	2.2	86.1	31.5	8.6
Czech Rep.	2016	2.3	0.7	5.5	1020	0.0	39.2	70.3	2.4	73.2	63.8	8.4
	2017f	2.7	2.5	5.3	1073	-0.2	36.8	70.1	1.5	77.3	85.7	12.0
	2018f	2.5	1.6	5.3	1176	0.0	35.8	69.6	1.2	74.0	80.9	10.9
Hungary	2016	2.0	0.3	5.3	847	-1.5	74.1	83.8	3.5	97.8	22.2	3.4
	2017f	3.2	3.3	4.5	937	-2.5	73.4	82.7	3.2	89.0	22.5	3.2
	2018f	3.4	3.0	4.1	1010	-3.0	72.6	82.2	2.9	83.2	21.1	2.8
Poland	2016	2.8	-0.6	9.0	930	-2.6	52.8	41.3	-0.5	74.1	34.3	7.4
	2017f	3.3	1.9	8.3	964	-3.0	53.2	41.4	-0.8	76.8	28.8	6.4
	2018f	3.0	2.2	8.2	1019	-3.2	53.7	n.a.	-1.1	76.7	n.a.	n.a.
Romania	2016	4.8	-1.5	6.0	642	-2.6	37.9	30.9	-2.4	54.9	41.0	7.4
	2017f	4.2	0.9	5.4	718	-3.6	38.9	31.0	-3.6	52.8	40.0	6.8
	2018f	3.5	2.9	5.1	760	-3.8	40.3	32.2	-3.8	53.0	38.3	6.2
Russia	2016	-0.2	7.1	5.5	495	-3.7	13.5	22.2	1.7	39.1	80.6	25.6
	2017f	1.0	4.7	5.3	611	-2.6	14.0	23.6	5.0	31.4	86.0	22.4
	2018f	1.5	4.5	5.3	618	-2.4	14.5	22.8	5.5	26.0	98.0	21.3
Ukraine	2016	2.2	13.9	9.0	n.a.	-3.0	76.5	36.9	-3.7	131.8	13.6	4.8
	2017f	2.0	10.7	9.0	n.a.	-4.0	78.4	35.9	-4.6	125.1	14.5	5.0
	2018f	3.0	7.5	8.5	n.a.	-3.0	73.0	34.6	-3.8	118.2	14.6	5.0
Turkey	2016	2.0	7.6	10.0	n.a.	-2.0	32.0	21.7	-5.2	57.5	27.1	6.5
	2017f	2.0	8.0	10.3	n.a.	-2.5	33.0	26.0	-6.3	66.3	25.7	6.0
	2018f	3.5	7.5	10.0	n.a.	-1.8	32.0	n.a.	-4.9	63.5	22.1	n.a.

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

Risk notifications and explanations

Warnings:

- Figures on performance refer to the past. Past performance is not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service. This is particularly true in cases when the financial instrument, financial index or securities service has been offered for less than 12 months. In particular, this very short comparison period is not a reliable indicator for future results.
- Performance of a financial instrument, a financial index or a securities service is reduced by commissions, fees and other charges, which depend on the individual circumstances of the investor.
- The return on an investment in a financial instrument, a financial or securities service can rise or fall due to exchange rate fluctuations.
- Forecasts of future performance are based purely on estimates and assumptions. Actual future performance may deviate from the forecast. Consequently, forecasts are not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service.

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

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

Detailed information on recommendations concerning financial instruments or issuers disseminated during a period of 12 month prior to this publication (acc. to Art. 4 (1) i) Commission Delegated Regulation (EU) 2016/958 of 9.3.2016) is available under: https://raiffeisenresearch.com/web/rbi-research-portal/recommendation_history
This analysis by Raiffeisen Bank International AG ("RBI") is presented to you by Kathrein Privatbank Aktiengesellschaft. Supervisory authority: Austrian Financial Market Authority FMA, Otto-Wagner-Platz 5, A-1090 Vienna and National Bank of Austria, Josefsplatz 1, 1015 Vienna. Additionally, Raiffeisen Bank International AG is subject to supervision by the European Central Bank (ECB), which ECB undertakes within the Single Supervisory Mechanism (SSM), which consists of the ECB on national responsible authorities (Council Regulation (EU) No 1024/2013).

Raiffeisen RESEARCH

Bonds

Distribution of short term recommendations (preceding 3 months prior to this publication)	
Recommendation	Basis: all analysed Government bonds
Buy	17%
Hold	56%
Sell	27%
Not rated	0%

History of short term recommendations (preceding 12 months prior to this publication)

Date	10Y Czech Rep.	10Y Hungary	10Y Poland	10Y Romania	10Y Russia	10Y Turkey
24/02/2017	|	|	Hold	|	Sell	|
25/01/2017	Hold	Buy	Buy	Hold	Hold	Hold
24/01/2017	|	|	|	|	|	|
15/12/2016	Hold	Buy	Buy	Hold	Hold	Sell
28/11/2016	|	|	|	|	|	|
24/11/2016	|	|	|	|	Hold	|
21/10/2016	|	|	|	|	|	|
26/09/2016	|	|	|	|	|	|
23/09/2016	Hold	Hold	Hold	Hold	Buy	Sell
26/08/2016	|	|	|	|	|	|
25/08/2016	Hold	Buy	Hold	Hold	Buy	Sell
29/07/2016	Hold	Buy	Hold	Hold	Buy	Sell
27/07/2016	|	|	|	|	|	|
21/07/2016	|	|	|	|	|	Sell
20/06/2016	Hold	Buy	Hold	Hold	Buy	Buy
31/05/2016	Hold	Buy	Hold	Hold	Buy	Buy
13/05/2016	|	|	|	|	|	|
26/04/2016	Hold	Buy	Hold	Hold	Hold	Hold
20/04/2016	|	|	|	|	|	|
30/03/2016	|	|	|	|	|	|
29/03/2016	|	|	|	|	|	|
24/03/2016	Hold	Buy	Hold	Hold	Hold	Sell
17/03/2016	|	|	|	|	|	|

Date	2Y Czech. Rep.	2Y Hungary	2Y Poland	2Y Romania	2Y Russia	2Y Turkey
24/02/2017	|	|	|	|	Sell	|
25/01/2017	Hold	Hold	Hold	Hold	Hold	Hold
24/01/2017	|	|	|	|	|	|
15/12/2016	Hold	Hold	Hold	Hold	Buy	Sell
28/11/2016	|	|	|	|	|	|
24/11/2016	|	|	|	|	Hold	|
21/10/2016	|	|	|	|	|	|
26/09/2016	|	|	|	|	|	|
23/09/2016	Hold	Hold	Hold	Hold	Buy	Sell
26/08/2016	|	|	|	|	|	|
25/08/2016	Hold	Buy	Hold	Hold	Buy	Sell
29/07/2016	Hold	Buy	Hold	Hold	Buy	Sell
27/07/2016	|	|	|	|	|	|
21/07/2016	|	|	|	|	|	Sell
20/06/2016	Hold	Hold	Hold	Hold	Buy	Buy
31/05/2016	Hold	Hold	Hold	Hold	Buy	Buy
13/05/2016	|	|	|	|	|	|
26/04/2016	Hold	Hold	Hold	Hold	Hold	Hold
20/04/2016	|	|	|	|	|	|
30/03/2016	|	|	|	|	|	|
29/03/2016	|	|	|	|	|	|
24/03/2016	Hold	Hold	Hold	Hold	Hold	Sell
17/03/2016	|	|	|	|	|	|

Date	BG EUROBOND EUR	BY EUROBOND USD	CZ EUROBOND EUR	HR EUROBOND EUR	HR EUROBOND USD	HU EUROBOND EUR
24/02/2017				Buy		
25/01/2017						
24/01/2017		Hold				
15/12/2016					Hold	
28/11/2016	Hold			Hold		
24/11/2016						
21/10/2016		Sell				
26/09/2016	Buy			Buy	Sell	
23/09/2016						
26/08/2016						
25/08/2016						
29/07/2016	Hold					Hold
27/07/2016						
21/07/2016						
20/06/2016	Buy	Hold	Hold	Sell	Sell	Buy
31/05/2016						
13/05/2016	Hold	Hold	Hold	Hold	Hold	Hold
26/04/2016	Hold	Hold	Hold	Hold	Hold	Hold
20/04/2016	Buy	Hold	Hold	Hold	Hold	Hold
30/03/2016		Hold				
29/03/2016	Buy	Hold	Hold	Hold	Hold	Hold
24/03/2016	Hold	Hold	Hold	Hold	Hold	Hold
17/03/2016	Hold		Hold	Hold	Hold	Buy

Date	HU EUROBOND USD	KZ EUROBOND USD	LT EUROBOND EUR	LT EUROBOND USD	MK EUROBOND EUR	PL EUROBOND EUR
24/02/2017						
25/01/2017						
24/01/2017		Hold	Buy			
15/12/2016				Buy	Hold	
28/11/2016		Buy				Hold
24/11/2016						
21/10/2016						
26/09/2016						Buy
23/09/2016						
26/08/2016		Hold				
25/08/2016						Hold
29/07/2016	Hold	Buy				
27/07/2016					Buy	
21/07/2016						
20/06/2016	Buy	Hold	Hold	Hold	Hold	Sell
31/05/2016						
13/05/2016	Hold	Hold	Hold	Hold	Hold	Sell
26/04/2016	Hold	Hold	Hold	Hold	Hold	Sell
20/04/2016	Hold	Buy	Buy	Hold	Hold	Buy
30/03/2016						
29/03/2016	Hold	Buy	Buy	Hold	Buy	Buy
24/03/2016	Hold	Buy	Hold	Hold	Buy	Buy
17/03/2016	Buy	Buy	Hold	Hold	Buy	Buy

Date	PL EUROBOND USD	RO EUROBOND EUR	RO EUROBOND USD	RS EUROBOND USD	RU EUROBOND EUR	RU EUROBOND USD
24/02/2017						
25/01/2017						
24/01/2017				Hold		
15/12/2016		Hold			Hold	
28/11/2016		Buy			Sell	Sell
24/11/2016						
21/10/2016						
26/09/2016				Buy		
23/09/2016						
26/08/2016				Hold	Hold	Hold
25/08/2016	Hold					
29/07/2016		Hold	Hold		Buy	Buy
27/07/2016						
21/07/2016						
20/06/2016	Sell	Sell	Sell	Buy	Hold	Hold
31/05/2016						
13/05/2016	Sell	Hold	Hold	Buy	Hold	Hold
26/04/2016	Sell	Hold	Hold	Buy	Hold	Hold
20/04/2016	Hold	Hold	Hold	Hold	Hold	Hold
30/03/2016						
29/03/2016	Hold	Hold	Hold	Hold	Hold	Hold
24/03/2016	Buy	Hold	Hold	Hold	Hold	Hold
17/03/2016	Buy	Hold	Hold	Hold	Hold	Hold

Date	SI EUROBOND EUR	SI EUROBOND USD	SK EUROBOND EUR	TR EUROBOND EUR	TR EUROBOND USD	UA EUROBOND USD
24/02/2017	|	|	|	|	|	|
25/01/2017	|	|	|	|	|	|
24/01/2017	|	|	|	|	|	|
15/12/2016	|	|	|	|	|	Sell
28/11/2016	|	Hold	|	Hold	Hold	Hold
24/11/2016	|	|	|	|	|	|
21/10/2016	|	|	|	Buy	Buy	Buy
26/09/2016	|	|	|	Hold	Hold	|
23/09/2016	|	|	|	|	|	|
26/08/2016	Hold	|	Hold	|	|	|
25/08/2016	|	|	|	|	|	|
29/07/2016	|	|	Sell	|	|	|
27/07/2016	|	|	|	|	|	|
21/07/2016	|	|	|	Sell	Sell	|
20/06/2016	Buy	Buy	Hold	Buy	Hold	Hold
31/05/2016	|	|	|	|	|	|
13/05/2016	Buy	Buy	Hold	Hold	Hold	Hold
26/04/2016	Buy	|	Hold	Buy	Buy	Hold
20/04/2016	Buy	|	Hold	Buy	Buy	Hold
30/03/2016	|	|	|	|	|	|
29/03/2016	Buy	|	Hold	Buy	Buy	Hold
24/03/2016	Buy	|	Hold	Buy	Buy	Sell
17/03/2016	Buy	|	Hold	Buy	Buy	Sell

+' Disclaimer Financial Analysis

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

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

Raiffeisen RESEARCH is an organisational unit of RBI.

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

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

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

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

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

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

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

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

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

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

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

SPECIFIC INFORMATION FOR THE UNITED STATES OF AMERICA AND CANADA: This research document is intended only for institutional investors and is not subject to all of the independence and disclosure standards that may be applicable to research documents prepared for retail investors. This report was provided to you by RB International Markets (USA) LLC (RBIM), a U.S. registered broker-dealer, but was prepared by our non-U.S. affiliate Raiffeisen Bank International AG (RBI). Any order for the purchase or sale of securities covered by this report must be placed with RBIM. You can reach RBIM at 1177, Avenue of the Americas, 5th Floor, New York, NY 10036, phone +1 212-600-2588. This document was prepared outside the United States by one or more analysts who may not have been subject to rules regarding the preparation of reports and the independence of research analysts comparable to those in effect in the United States. The analyst or analysts who prepared this research (i) are not registered or qualified as research analysts with the Financial Industry Regulatory Authority ("FINRA") in the United States, and (ii) are not allowed to be associated persons of RBIM and are therefore not subject to FINRA regulations, including regulations related to the conduct or independence of research analysts.

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

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

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

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

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

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

Imprint

Information requirements pursuant to the Austrian E-Commerce Act

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

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

VAT Identification Number:
UID ATU 57531200

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

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

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

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

Statement pursuant to the Austrian Media Act

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

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

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

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

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

Editor: Stephan IMRE, RBI Vienna

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

Creation time of this publication: 10/03/2017 12:55 PM (CET)
First Dissemination of this publication: 10/03/2017 12:57 PM (CET)

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

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

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