CEE Weekly

Issue 13/2017 | 31 March 2017

Raiffeisen RESEARCH

Market snapshot

	curr.*	Jun-17	Sep-17	Dec-17
Poland				
EUR/PLN	4.212	4.35	4.30	4.25
Key rate	1.50	1.50	1.50	1.50
10y bond	3.5	3.9	4.2	4.3
Hungary				
EUR/HUF	309.2	315	310	315
Key rate	0.90	0.90	0.90	0.90
10y bond	3.4	3.8	4.1	4.3
Czech Republic				
EUR/CZK	27.15	26.0	26.5	25.9
Key rate	0.05	0.05	0.05	0.05
10y bond	1.0	1.0	1.2	1.3
Romania				
EUR/RON	4.554	4.50	4.45	4.45
Key rate	1.75	1.75	1.75	1.75
10y bond	4.0	4.3	4.4	4.7
Croatia				
EUR/HRK	7.446	7.40	7.45	7.50
Key rate	2.50	2.50	2.50	2.50
10y bond	3.0	2.7	2.7	2.7
Russia				
USD/RUB	56.00	60.0	60.0	62.0
Key rate	9.75	9.50	9.00	9.00
10y bond	7.9	8.7	8.5	8.4
Turkey				
USD/TRY	3.629	3.90	3.80	4.10
Key rate	8.00	8.00	8.00	10.00
10y bond	10.7	11.5	11.7	11.0
EUR/USD	1.074	1.03	1.02	1.02

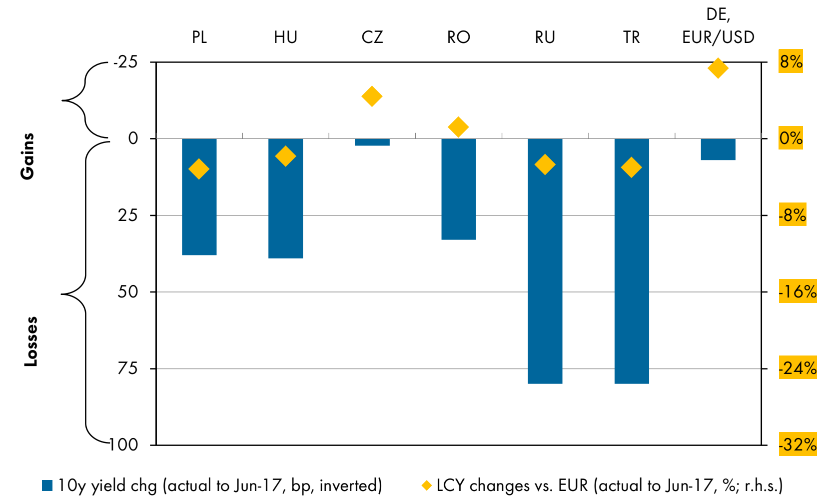
** prices as of 30 March 2017, 11:59 p.m. CEST*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

Officially the hard commitment of the CNB to keep the EUR/CZK cap will end over the week-end. However, from our understanding this does not mean that we will be in free float on Monday and from Monday on. Firstly, we expect the CNB to keep a certain grip on the market and an eye on the EUR/CZK path in post-CZKexit times. Secondly, the most recent significant drop in euro area and German CPI readings in combination with a soft patch on oil markets serve as a good reminder that it might be premature to bank on a swift and smooth uptick of headline and core inflation in the Czech Republic and Europe as a whole. Moreover, most recent trading sessions have shown that there could be no easy near-term gains in EUR/CZK (i.e. EUR/CZK moving south swiftly after the CZKexit - for more information on the FX regime exit also see our CEE FX Analysis Special CZK from 28 March). Meanwhile, USD/RUB continues to trade at ultra-strong levels (56). From a near-term perspective only additional weakening measures (e.g. outright FX reserve replenishing, clear verbal interventions) are likely to change the current RUB market momentum, supported by strong EM-positive sentiment and a high-carry in RUB. The Eurobond-saga between Russia and Ukraine has seen a certain escalation this week that might not play out in favour of Ukraine. As things stand it looks like UK courts do expect Ukraine to repay the Russian USD 3 bn Eurobonds (incl. additional interest rate costs). For further details also see our Focus on section on pages 2-3. Such a procedure may complicate the current IMF financing for Ukraine (discussions about the Ukraine programme could take place at the IMF Board Meeting on Monday) and the mid-term options for Ukraine to tap external markets. More importantly it will be very hard to sell the repayment of Russian bilateral funding domestically given the radicalised domestic political scene in Ukraine (see also most recent banking sector developments).

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

Expected changes from today until June 2017



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Content

Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
03-Apr	PL: PMI, points	Mar	54.1	55.1	54.6	54.1	54.2
03-Apr	CZ: PMI, points	Mar	57.7	n.a.	n.a.	n.a.	57.6
05-Apr	PL: Key rate, %	Apr	1.50	1.50	1.50	1.50	1.50
05-Apr	RO: Key rate, %	Apr	1.75	1.75	1.75	1.75	1.75

Source: Bloomberg, RBI/Raiffeisen RESEARCH

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

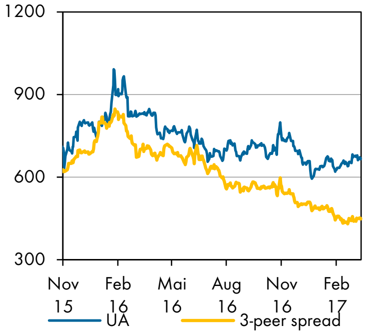
Focus on: Ukraine Eurobonds stay surprisingly stable despite London court verdict

Sovereign FCY rating 2017

	S&P	Moody's*	Fitch
Ukraine	B-/sta	Caa3/sta	B-/sta
review (1)	12-May	n.a.	28-Apr
review (2)	10-Nov	n.a.	27-Oct

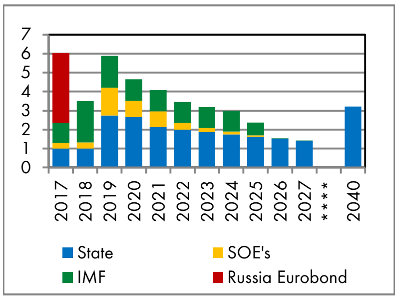
** Moody's does not publish review dates for Ukraine and EE as none of these cases falls under EU directive on ratings*
Source: Rating agencies, Raiffeisen RESEARCH-

Ukraine spread vs. peers (bp)*



** EMBIG USD spread, 3-peer average spread: Egypt, Iraq, Pakistan*
Source: Thomson Reuters, Raiffeisen RESEARCH-

UA ext. debt schedule (USD bn)*



** Includes principal+interest payments on sovereign Eurobonds and external debt, SOE - state-owned enterprises - UA Railways, UkrEximBank, Oschadbank, also includes USD 3.3 bn unpaid to Russia Eurobond, 2040 maturity - GDP warrant*
Source: Bloomberg, IMF, Raiffeisen RESEARCH

On 29 March 2017, the High Court of London issued an early verdict in favour of Russia, who is asking Ukraine to repay a USD 3 bn defaulted Eurobond, including missed interest payments. Altogether, Ukraine would have to pay USD 3 bn in principal + USD 700,000 for each day in arrears (currently approximately USD 326 mn for being in default since 20 December 2015). Also, Ukraine would have to cover all the litigation costs including legal team costs for Russia. Ukraine's finance minister has already promised to appeal the verdict in a higher court.

What early verdict means for Ukraine? It means that the court sees no need for a full hearing as one of the sides to the litigation (Ukraine) failed to present substantiated arguments. As the early verdict went in Russia's favour, Russia has the de-facto right to start discovery proceedings, which would aim to find and arrest "attachable" Ukrainian assets in foreign jurisdictions. "Attachable" assets are assets of commercial use which are deemed exempt from sovereign immunity in accordance with a sovereign immunity waiver, which an obligor signs when issuing a Eurobond contract.

What can or cannot Ukraine do now? The court granted Ukraine a right of appeal and, for this period, the court also granted Ukraine a stay from the execution procedure. This means Ukraine is not obliged to pay Russia immediately. Moreover, Russia is still legally blocked by the court from launching the discovery procedure. Ukraine has about a month until the next court session, which is likely to be at the end of April or into May. However, some observers point out that the appeal procedure may take longer. In this case, Ukraine would need to ask the court to extend the stay until the appeal is decided.

What are Ukraine's chances of a successful appeal? Ukraine's chances for appeal look fairly slim as the political arguments presented by Ukraine fall outside the UK's jurisdiction, and the court has already dismissed them as inexplicable. Also, it may be very difficult for Ukraine to change its line of defence while it has no viable economic arguments, so there is a high probability that Ukraine's appeal case will be dismissed too.

What will happen if Ukraine fails with the appeal? The court will lift the stay order and Russia will begin discovery proceedings to arrest and attach Ukraine's assets. Materially speaking, Ukraine has little commercial property abroad, but Russia can also use different tactics which would obstruct the Ukrainian state functioning abroad (a similar tactic was used by Swiss company Noga in a commercial dispute against Russia itself). Also, Russia may try to impound payments to other commercial creditors (including new Eurobond holders) in an attempt that would be similar to the precedent set by the Elliot vs. Argentina case in NYC South District Court (Argentina's transfers for coupon payments to a Citibank paying agent were frozen by the court order).

What about the IMF and Ukraine? First of all, if the appeal case fails the IMF may have to delay its disbursement of money to Ukraine and request a modification to the programme before it releases the next tranche. Secondly, despite the IMF saying earlier that Ukraine defaulting on the Eurobond owed to Russia would not stop the Fund from lending to Ukraine, the new development is likely to challenge the IMF's stance. This could perhaps be Russia's revenge on the IMF as the Fund initially opted to continue lending to Ukraine, despite the latter being in arrears on official debt, which the 3 bn Eurobond represented in that case.

What other risks might Ukraine face in this case? Ukraine's new Eurobonds, which emerged from the 2015 debt restructuring, include a covenant that forbids Ukraine from granting better exchange deal terms to any Eurobond creditor than those which Ukraine granted to holders of the restructured debt. Formally, Ukraine would need to ask bondholders of new debt for waivers in order to avoid a trigger on bond covenants, which may lead to an early repayment of debt. It remains to be seen if Ukraine can manoeuvre out of this deadlock by agreeing on official debt status for the Russia-held Eurobond, which Russia was insisting on from the very beginning. Positively, both the rating agencies and the IMF agree that a USD 3 bn Eurobond owned by Russia represents official bilateral debt.

What could the rating consequences be? Although we do not expect an immediate rating downgrade for Ukraine since its rating is already too low (B- from S&P and Fitch, and Caa3 from Moody's), the outlook may change to negative to reflect the possible complications from the debt collection case. Formally, Russia's debt would be regarded as official non-tradable debt, which rating agencies do not rate. However, the debt collection procedure could lead to a possible interruption of international payments from Ukraine to other creditors (Elliot vs. Argentina, case precedent).

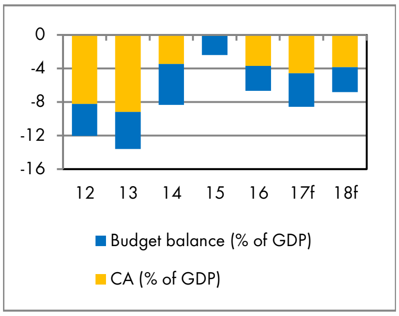
The verdict may not currently have any practical implications as the court allowed Ukraine to appeal and also granted the necessary stays so Russia cannot start its asset search until a higher court rules in the appeal case. Also, Russia's Eurobond is not a market-tradable instrument and in fact represents official bilateral debt. This formally implies no repercussions for the market from Ukraine's default for as long as Russia does not impound any payments to commercial creditors. To do this Russia would still need to spend more time filing similar motions in other jurisdictions by presenting the English court verdict. Still, the market is demonstrating surprising complacency about Ukraine's default since the case could potentially obstruct the finality of commercial payments from Ukraine. As Ukraine's position in this case looks very weak, the appeal is unlikely to succeed at the higher court. Thus at some point Russia may try to emulate a tactic used by Elliot fund manager in the Argentina case, which targeted money transfers to other commercial bondholders in foreign jurisdictions.

Ironically, the Eurobond market reaction was practically nil with Ukraine's portion of the EMBIG USD spread remaining almost unchanged, while Ukraine Eurobond prices inched up some 0.20% the other day. Ukraine's CDS market also demonstrated surprising resilience with a 5-year contract spread remaining at 610/620bp. One explanation could be that the market is waiting for approval of the IMF loan disbursement for Ukraine, with the fund board meeting scheduled for next Monday. Nonetheless, we see the risk for the Ukraine Eurobond market rising in the coming months as the risk of Ukraine failing in the appeals' court is fairly big. Since Ukraine is likely to resist paying Russia, we anticipate a period of lengthy discoveries and attempts by Russia to attach Ukraine's financial assets, which may include payments Ukraine would make to other bondholders.

As regards market pricing conditions we believe Ukraine's Eurobond spreads remain fairly tight in comparison to post-restructuring exit levels. Despite Ukraine's spread widening by about 70bp since January 2017 it remains some 50bp below the exit spread in November 2015, as seen upon the restructuring completion. On the other hand, Ukraine lagged behind in the recent spread tightening rally by losing appeal versus the competition. In particular, Ukraine's Eurobond spread vs. the peer group including Egypt, Iraq and Pakistan has widened from 120bp at the start of 2017 to 228bp as of 30 March. So in the short-term, Ukraine's Eurobonds may continue to benefit from the scarce yield environment favouring higher-yielding EM, as well as from the appeal case delaying the early verdict implementation. However, the aforementioned factors make us believe that Ukraine Eurobonds represent a greater risk going forward, which could curtail the positive reward and lead to material losses in the medium-term. **So we uphold a Sell recommendation on Ukraine Eurobonds.**

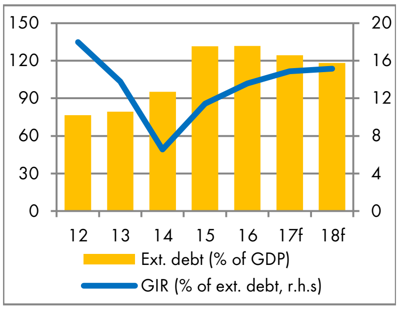
Financial analyst: Gintaras SHLIZHYUS (+43 1 71707 1343), RBI Vienna

UA fiscal and CA balances



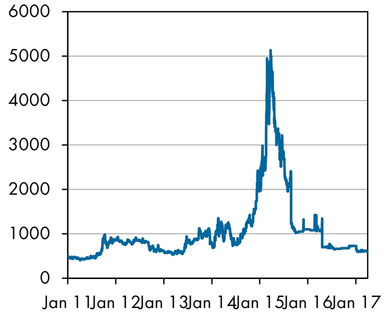
Source: Thomson Reuters, National Statistics Raiffeisen RESEARCH-

UA external debt & cover*



** total external debt, GIR - gross international reserves*
Source: Bloomberg, National StatisticsRaiffeisen RESEARCH-

UA 5y CDS history (bp)



Source: Bloomberg, Raiffeisen RESEARCH

Raiffeisen RESEARCH

Data calendar and country coverage

This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Previous
Tuesday 28 March				
HU: Key rate, %	Mar	0.90	n.a.	0.90
Wednesday 29 March				
HU: Unemployment rate, % yoy	Feb	4.4	n.a.	4.3
Thursday 30 March				
HR: Retail sales, % yoy	Feb	5.7	n.a.	2.6
CZ: Key rate, %	Mar	0.05	0.05	0.05
Friday 31 March				
SI: CPI, % yoy	Mar	1.9	n.a.	2.2
SI: Retail sales, % yoy	Feb	16.8	n.a.	15.4
HR: Industrial output, % yoy	Feb	4.0	n.a.	4.0

Indicator	Period	Forecast	High	Mean	Low	Previous
Friday 31 March						
RS: Retail sales, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	4.1
RS: Industrial output, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	2.8
PL: CPI, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	2.2
RU: C/A balance, USD mn	Q4	n.a.	n.a.	n.a.	n.a.	7,800
BG: Key rate, %	Mar	n.a.	n.a.	n.a.	n.a.	0.00
Monday 03 April						
PL: PMI, points	Mar	54.1	55.1	54.6	54.1	54.2
TR: PMI, points	Mar	n.a.	n.a.	n.a.	n.a.	49.7
TR: CPI, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	10.1
CZ: PMI, points	Mar	57.7	n.a.	n.a.	n.a.	57.6
RU: GDP, % yoy	2016	n.a.	-0.2	-0.2	-0.4	-0.2
Tuesday 04 April						
RO: Retail sales, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	6.2
RO: PPI, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	2.6
SK: Retail sales, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	7.4
SK: Trade balance, EUR mn	Feb	n.a.	n.a.	n.a.	n.a.	152
HU: PMI, points	Mar	n.a.	n.a.	n.a.	n.a.	59.5
HU: Retail sales, % yoy	Feb	3.5	n.a.	n.a.	n.a.	3.7
Wednesday 05 April						
RU: PMI Composite, points	Mar	n.a.	n.a.	n.a.	n.a.	55.4
RU: PMI Services, points	Mar	n.a.	n.a.	n.a.	n.a.	55.5
CZ: Retail sales, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	7.7
HU: Industrial output, % yoy	Feb	4.5	n.a.	n.a.	n.a.	1.6
PL: Key rate, %	Apr	1.50	1.50	1.50	1.50	1.50
RO: Key rate, %	Apr	1.75	1.75	1.75	1.75	1.75
RU: CPI, % yoy	Mar	n.a.	4.5	4.4	4.3	4.6
Thursday 06 April						
CZ: Industrial output, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	9.6
CZ: Trade balance, CZK bn	Feb	n.a.	n.a.	n.a.	n.a.	19.4
HU: Budget balance, EUR bn	Mar	n.a.	n.a.	n.a.	n.a.	180
Friday 07 April						
RO: Wages, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	18.4
HU: Trade balance, EUR mn	Jan	n.a.	n.a.	n.a.	n.a.	658
HR: Trade balance, EUR mn	Jan	-442	n.a.	n.a.	n.a.	-592
UA: CPI, % yoy	Mar	14.2	n.a.	n.a.	n.a.	14.2

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Bosnia a. H. (BA) – The IMF mission visited B&H from 7-17 March to discuss economic developments and implemented policies for the first review of the economic programme supported by the EFF. To pave the way for a positive review by the IMF Executive Board, the B&H authorities need to complete the remaining four prior actions by 13 April. These actions include: adoption of an amendment to the Excise Tax Law; adoption of the Law on Deposit Insurance by the State Parliament; adoption of a decision to freeze employment in government institutions in 2017 by the Council of Ministers; signing of a contract between the B&H Government and the IFC/EBRD to launch the due diligence of two state-owned telecoms in B&H. Given the lack of communication between some of the key political parties, it seems very unlikely that all actions will be implemented by the extended deadline. So the release of the second loan tranche worth EUR 76 mn by the end of April is no longer our baseline scenario. On the other hand, there was an unexpected inflow of EUR 116 mn (debt owed by the former Soviet Union), thanks to which budget financing will be "bridged" for the time being. It is still important to stress that this scenario does not mean a termination of the arrangement with the IMF. The governments in B&H have already started negotiations with the IMF on the so-called Expanded Letter of Intent, which will arrange new measures and deadlines for the distribution of EFF funds.

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

Croatia (HR) – Two important releases are scheduled for release at the very end of next week: January's foreign trade and February's tourism data. We expect exports of goods may continue with solid annual rates, thus increasing exports' coverage of imports above 60%. The positive trend in rising foreign demand is expected to continue during the months ahead, thus supporting Croatian goods exports. Nevertheless, the persistent import dependence should sustain the relatively high deficit in the merchandise balance. The forthcoming tourism data could confirm the excellent results in terms of the number of tourist arrivals and nights in February. In anticipation of the Easter holidays, we expect the tourist preseason will bring new record-high figures, thus contributing to a better retail trade outcome and higher consumer optimism.

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

Czech Republic (CZ) – At the most recent committee meeting of the Czech National Bank, the board decided to keep the interest rates and FX commitment unchanged. The market consensus did not expect any changes in the monetary policy of the CNB, as the "hard commitment" not to abandon the FX cap ends today and the CNB can leave the foreign exchange commitment at any time. At the press conference, the governor of the CNB, Mr. J. Rusnok, said that the board did not vote on cap removal at this meeting. However, he stated that the level of CPI inflation is close to the sustainable fulfilment of the inflation target. Mr. Rusnok also stated that the CNB could abandon the FX cap at any board meeting from April onwards. Surprisingly, he did not repeat that the probable timing for exiting of the FX cap would still be around mid- 2017, and he said that the members will no longer indicate the probable time of the FX cap exit.
We expect the FX cap to end in Q2 2017, most likely during a business day. It is possible that the CNB will await further economic data such as consumer inflation and its new economic forecast. The CPI inflation statistics for March should be released on 10 April. The CNB will introduce its new forecast on 4 May. But it is also possible that the board will surprise the market and that CZKexit will happen within the next few days.

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

Hungary (HU) – The National Bank of Hungary (NBH) has left its benchmark interest rate on hold at a record low of 0.9%, and raised its inflation forecast for this year to 2.6% yoy from the previous 2.4% yoy in December, as expected. The 2018 inflation forecast remained unchanged at 3% yoy. In addition, the Monetary Council has decided to further reduce the cap on the 3m deposit facility from HUF 750 bn (end of Q1) to HUF 500 bn (end of Q2), which was more aggressive than expected. The market consensus predicted a roughly HUF 150 bn cut. Furthermore, the central bankers have also decided to extend the current range of FX swap instruments (that are effective at increasing interbank HUF liquidity) with 6- and 12-month maturities. So far, these swaps have injected HUF 550 bn in extra liquidity into the money market. Altogether, the NBH has not changed direction. Increasing HUF liquidity helps falling rates and yields, especially shorter-dated ones that lead to an even steeper curve in the long run. As a result of the above, BUBOR rates dropped another 3-4bp to new lows; and the yield curve flattened considerably with the ten-year maturity falling 18bp. The EUR/HUF, which has been hovering around 305-315 for months now, remained stable at around 310 and is expected to continue trading here or a bit higher.

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

Poland (PL) – The last few days did not produce much information from the Polish economy. On Monday, rating agency Moody's increased its estimate of 2017 GDP growth in Poland from 2.9% to 3.2%, which is close to our estimate of 3.3%. Despite not being a surprise, the information is positive as it lowers the risk of an unfavourable rating change come Moody's next decision in May. Next week, the MPC meeting on Wednesday will be most important. A rate change is extremely unlikely of course, but the MPC may deliver fresh comments on accelerating consumer prices, especially since the flash CPI reading scheduled on 31 March probably accelerated from 2.2% yoy in February, and may even reach the 2.5% official target. Apart from the central bank meeting, March's PMI index on Monday will fall under scrutiny. Our estimate of 54.1 suggests a slight disappointment as the market median indicates moderate growth of the index to 54.6, compared to 54.2 in February. Our forecast assumes a slight deceleration in new export orders as the zloty has appreciated by more than 5% since its December highs.

Financial analyst: Pawel RADWANSKI (+48 22 347 7000), Raiffeisen Polbank, Warsaw

Romania (RO) – We expect the central bank (NBR) will remain on hold at the next monetary policy meeting on Wednesday, keeping the monetary policy rate (1.75%) and the other monetary policy instruments (minimum reserve requirement ratios, interest rates on outstanding credit and deposit facilities) unchanged. We reckon a key rate hiking cycle will start only in Q1 2018. Firstly, the favourable supply-side shocks (i.e. tax cuts) will do a lot to help the headline inflation rate remain at a depressed level this year (1.7% yoy in December according to the most recent inflation forecast released by central bank in February). Secondly, underlying inflationary pressures have remained contained until now, even though they are expected to strengthen gradually going forward. But most importantly, we do not think the NBR will rush to increase the monetary policy rate as long as the ECB continues with its expansive monetary policy and the regional central banks remain on hold. Still, to cope with the increase in inflation and in macroeconomic imbalances, and to avoid the policy becoming looser, the NBR should take action in H2 2017 by lifting the interest rate for the deposit facility (0.25% at present). This would result in an upwards move for money market rates from their very low levels at present.

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

Russia (RU) – Last week's CBR decision to cut the key rate by 25bp to 9.75% was rather unexpected for us as the regulator's rhetoric up until mid-March did not imply any monetary easing so early. Its previous arguments in favour of no cut are still valid. At the same time, the arguments which the CBR presented last Friday could be used both in favour of no cut and a rate cut. Meanwhile, the 25bp cut is unlikely to have any significant monetary effect under current conditions (the regulator could also have kept the rate unchanged). With this decision the CBR probably intended to demonstrate that it could not ignore the visible positive changes such as the fast deceleration of inflation and the RUB appreciation. Having made the cut, the regulator now prefers to stick to rather cautious rhetoric, admitting that there are risks in keeping inflation at this level in the long run, despite the inflation target being rather close. This requires a relatively tight monetary policy for a lengthy period. Generally speaking we think the change to a 25bp cut creates more room for manoeuvre as it could allow the regulator to cut the key rate more often, and to manage market expectations more efficiently. At the same time, we do not think the CBR has started an easing cycle and that the cuts will be made at each board meeting. We still believe it will move cautiously.

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

Serbia (RS) – The exchange rate proved to be surprisingly stable ahead of the regular presidential elections to be held this Sunday, as the National Bank of Serbia (NBS) intervened just once during March (EUR 15 mn). Sound budget surpluses, the good economic sentiment and the more or less expected outcome of the elections have altogether been supportive for currency stability. The latest polls show that Aleksandar Vucic should win 54%-55% of the votes, former Ombudsman Sasa Jankovic 12%, Luka Maksimovic, aka spoof character Ljubisa Preletacevic Beli, 10%-11%, followed by ex-foreign minister Vuk Jeremic with 7%-8% of the votes, somewhat ahead of Serbian Radical Party (SRS) leader Vojislav Seselj.
Public debt has been falling since the beginning of 2017 (EUR -272.3 mn ytd), coming in at EUR 24.5 bn or 65.5% of GDP (Raiffeisen RESEARCH GDP forecast). The falling debt has been supported by the budget surplus, but also by the weaker appetite for the local debt issue in January. Interestingly, despite the falling sentiment in yields across many CEE markets, this trend has not been visible on the local market. That said, since the incipient yields fell in January, Public Debt Management (PDA) has only been accepting lower yielding bids supported by the ample budget surplus. We reckon the trend might change after the elections as the market needs an inflation premium.

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

Monetary policy and money markets overview

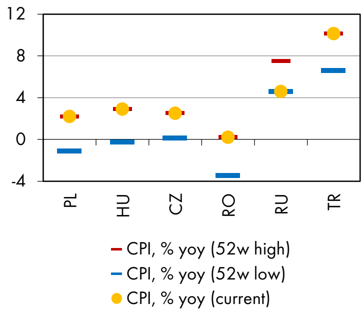
CEE key interest and money markets outlook

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	0.18	0.30	0.40	0.50	7.25	0.18
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	0.85	1.00	1.15	1.55	6.30	0.68
Russia						
Key interest rate	9.75	9.50	9.00	9.00	17.00	5.25
3m money market rate	10.21	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	3.51	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	12.39	12.50	12.70	11.50	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	1.00	1.25	1.50	1.75	1.00	0.25

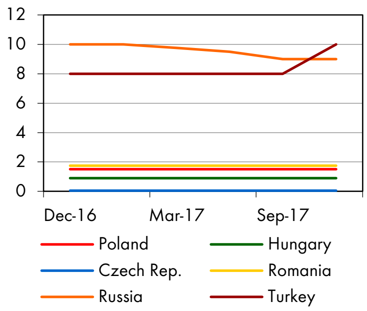
Source: Bloomberg, RBI/Raiffeisen RESEARCH
* *Bid rates (for Hungary ask rates) as of 30 March 2017, 11:59 p.m. CEST*

Inflation snapshot



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



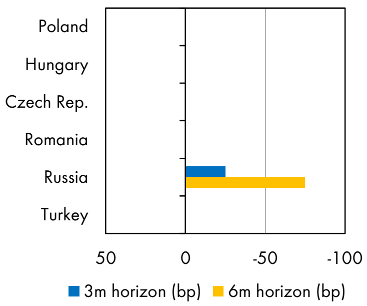
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	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 rates and will start tightening monetary conditions in 2018.
Hungary (MNB)	MNB continued to use unconventional measures to provide liquidity, while leaving interest rates unchanged. Basically, MNB will try to maintain overall ultra-loose MP stance as long as possible and we do not expect rate hikes in 2017.
Czech Republic (CNB)	CZKexit likelihood in Q2 increased significantly, although CPI headline levels is going to moderate in the upcoming period. Nevertheless, heavy positioning and very healthy fundamentals might finally prompt the CNB to abandon its intervention regime rather earlier than later.
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 to maintain prudent MP stance, i.e. sufficient rate differential, amidst global and election uncertainties. Presidential elections on Sunday, 2 April.
Russia (CBR)	CBR cut rates by 25bp in March - earlier than anticipated. We keep our 9% projection for year end by now (with 3 times -25bp of 6 MPC meetings).
Turkey (TCMB)	We assume that the CB's current balancing act will not work out and a return to more conventional policies will be inevitable (key rate hike of 200bp by end 2017), especially against the backdrop of increasingly hawkish global central banks.

Source: RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, 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

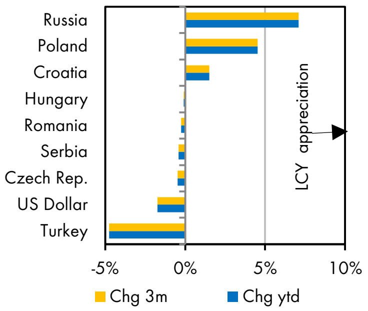
Foreign exchange market overview

FX forecasts

EUR vs	current*	Jun-17	Sep-17	Dec-17	5y high	5y low	Comment
PLN	4.212	4.35	4.30	4.25	4.40	4.08	Zloty appreciation continued close to levels of 4.20 to the euro, a moderate setback should be expected
HUF	309.2	315	310	315	316	291	Forint hovers just below the strong end of its 310-315 trading range to the euro, we expect it to remain in the aforementioned trading range for the coming months
CZK	27.15	26.0	26.5	25.9	27.7	25.1	Strong commitment on FX regime ends on 1 April, afterwards abandoning by CNB possible at any time
RON	4.554	4.50	4.45	4.45	4.54	4.45	EUR/RON still moderately elevated given risks to budget development, but overall volatility remains very moderate
HRK	7.446	7.40	7.45	7.50	7.66	7.50	After somewhat more pronounced deppreciation pressures on domestic currency, we expect a calmer week with EUR/HRK slightly sliding towards 7.43 euro per kuna level
RSD	123.9	123	124	125	125	112	Uncertainty over presidential elections weigh on RSD ; central bank ready to intervene in case of elevated volatility
RUB	60.12	61.8	61.2	63.2	79.3	40.3	see USD/RUB below
UAH	28.95	27.8	27.5	28.6	28.6	10.6	see USD/UAH below
BYN	2.007	2.09	2.18	2.28	2.28	1.13	see USD/BYN below
TRY	3.896	4.02	3.88	4.18	4.18	2.35	see USD/TRY below
USD	1.074	1.03	1.02	1.02	1.38	1.02	Despite US Fed rate hike USD witnessed setback versus EUR; we project USD strengthening that could put some pressure on CEE currencies
USD vs	**current***	**Jun-17**	**Sep-17**	**Dec-17**	**5y high**	**5y low**	
RUB	56.00	60.0	60.0	62.0	73.0	30.5	Rate cut did not have noticeable impact on RUB, additional short-term rouble appreciation potential limited in our view
UAH	26.97	27.0	27.0	28.0	28.0	8.05	UAH supported by the administrative central bank measures but risk potential remains elevated for UAH setbacks
BYN	1.870	2.03	2.14	2.24	2.24	0.86	Latest weakening after some strength early this year; cautious outlook given fundamental weaknesses
TRY	3.629	3.90	3.80	4.10	4.10	1.78	Recent USD weakness supported the Turkish lira, but expected USD strengthening to reverse this trend; volatility ahead of vote on presidential system (16 April) should remain elevated

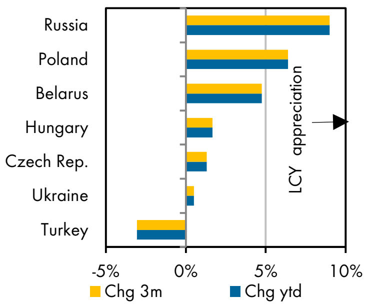
** as of 30 March 2017, 11:59 p.m. CEST*
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



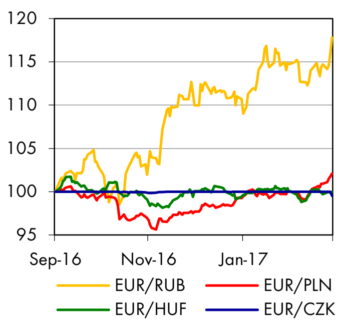
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

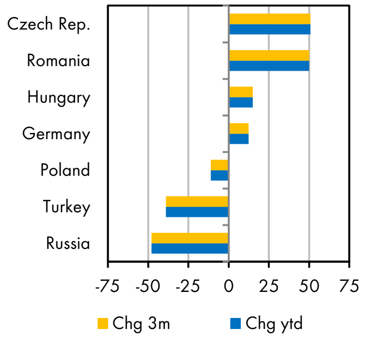
Exchange rate comparison



Indexed 30 Sep-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

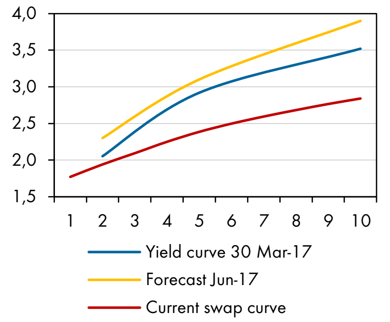
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



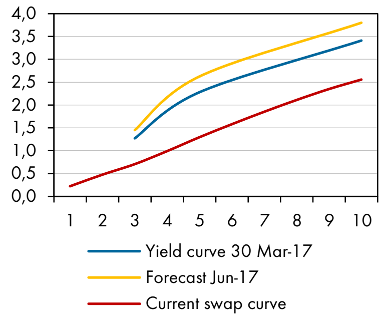
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



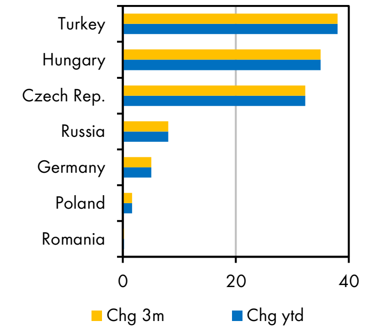
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



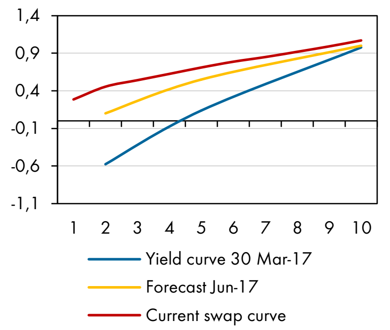
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



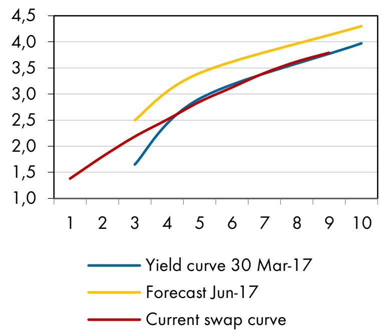
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



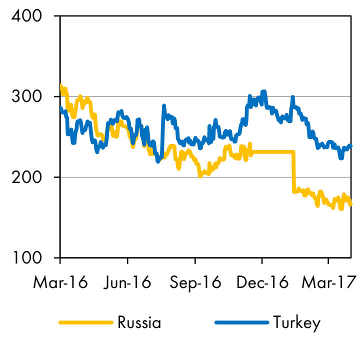
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



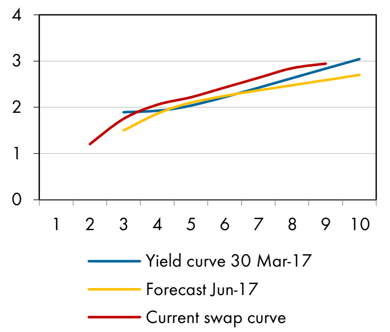
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



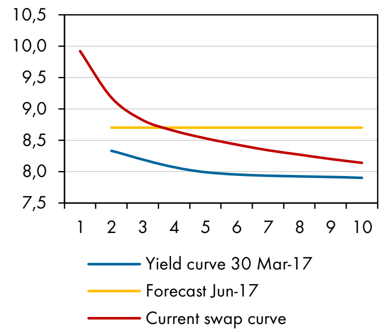
Turkey 5y high 327.1, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RUB yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Yield forecasts

2y T-bond yields (%)							10y T-bond yields (%)						
	current*	Jun-17	Sep-17	Dec-17	5y high	5y low		current*	Jun-17	Sep-17	Dec-17	5y high	5y low
Poland	2.05	2.3	2.4	2.4	3.1	1.6	Poland	3.52	3.9	4.2	4.3	4.3	2.5
Hungary **	1.27	1.5	1.6	1.7	5.7	0.9	Hungary	3.41	3.8	4.1	4.3	6.2	3.3
Czech Republic	-0.58	0.1	0.1	0.1	0.5	-0.9	Czech Republic	0.98	1.0	1.2	1.3	2.5	0.5
Romania	1.65	2.0	2.1	2.4	6.4	1.5	Romania	3.97	4.3	4.4	4.7	6.9	3.5
Croatia	1.89	1.5	1.5	1.6	4.4	0.9	Croatia	3.04	2.7	2.7	2.7	5.2	2.7
Russia	8.33	8.7	8.5	8.3	15.8	6.2	Russia	7.90	8.7	8.5	8.4	14.1	6.9
Turkey	11.08	11.7	11.7	10.9	11.0	6.1	Turkey	10.70	11.5	11.7	11.0	11.1	6.6
Germany	-0.76	-0.8	-0.7	-0.7	0.2	-0.8	Germany	0.33	0.4	0.6	0.8	1.9	0.1
USA	1.27	1.5	1.8	1.9	1.9	0.2	USA	2.42	2.6	2.9	3.0	3.0	1.8

** Bid yields as of 30 March 2017, 11:59 p.m. CEST; ** 3y yield*
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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	95.91	2.05	278	2.1	Recent rally on local debt market due to larger fund flows to EM causing the firming of PLN vs. EUR may soon become exhausted while overly lax monetary stance may pose a medium-term risk to POLGB market.
PLN 5y Gov. Bond	25/04/2022	2.25	96.87	2.92	330	4.7	
PLN 10y Gov. Bond	25/07/2027	2.50	91.20	3.53	320	9.0	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	99.26	1.22	186	3.4	HGB market remains well bid with ultra loose monetary stance inflicting larger pressure on domestic investors to go "long" HGB paper with the lowering of volume cap on a 3-month deposit facility also working in this direction.
HUF 5y Gov. Bond	26/10/2022	1.75	97.57	2.22	259	5.3	
HUF 10y Gov. Bond	27/10/2027	3.00	97.00	3.34	301	9.1	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	110.73	-0.30	44	2.0	Although CZGB market again looks slightly more attractiveness after the last market correction, we see CZKexit related risks potentially hurting CZGBs positions.
CZK 5y Gov. Bond	29/09/2021	3.85	116.52	0.15	52	4.2	
CZK 10y Gov. Bond	26/06/2026	1.00	100.65	0.93	59	8.8	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	105.37	0.98	135	1.2	We expect continued uncertainty on the domestic bond market until the situation around Agrokor be further
HRK 10y Gov. Bond	14/12/2026	4.25	110.50	2.99	266	8.2	
Romania							
RON 2y Gov. Bond	29/04/2019	2.50	101.75	1.62	226	2.0	ROMGBs also took part in the recent EM rally but US political implementation risks could sour the current favorable EM sentiment significantly. We lifted our yield forecasts for the longer-term.
RON 5y Gov. Bond	08/03/2022	3.40	102.08	2.94	331	4.6	
RON 10y Gov. Bond	26/07/2027	5.80	115.31	3.96	363	8.0	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	98.90	8.29	902	1.8	Long-end Russian OFZs remained well bid amid favorable EM sentiment. Largely successful RUB OFZ auctions supported by appreciation of RUB vs. USD on the back of firming oil price may help to prolong this positive momentum.
RUB 5y Gov. Bond	18/08/2021	7.50	98.80	7.98	835	3.7	
RUB 10y Gov. Bond	03/02/2027	8.15	102.80	7.89	756	7.1	
Turkey							
TRY 2y Gov. Bond	11/07/2018	8.70	97.15	11.12	1185	1.2	TURKGBs responded optimistically to TCMB tightening in line with a stable lira thanks to the further increasing funding costs. Possibly souring EM sentiment bears correction risks and we therefore sell long-end TURKGBs.
TRY 5y Gov. Bond	02/03/2022	11.00	100.15	10.96	1133	4.0	
TRY 10y Gov. Bond	24/02/2027	11.00	101.86	10.69	1036	6.5	

Data as of 31 March 2017, 11:14 a.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

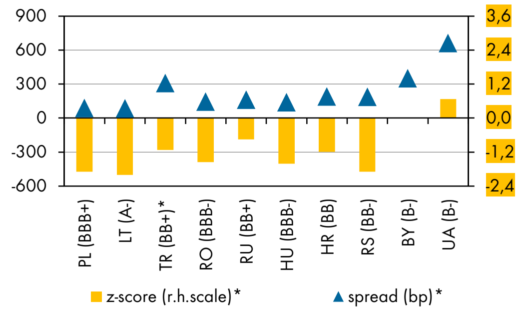
Bond auctions

		ISIN	Coupon	Maturity	Volume
03 April					
RO	T-bonds	n.a.	n.a.	n.a.	n.a.
RS	3y T-bonds	n.a.	4.50%	n.a.	n.a.
04 April					
TR	1y T-bonds	n.a.	zero	n.a.	n.a.
06 April					
RO	T-bonds	n.a.	n.a.	n.a.	n.a.
HU	T-bonds	n.a.	FRN	n.a.	n.a.
PL	T-bonds	n.a.	n.a.	n.a.	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

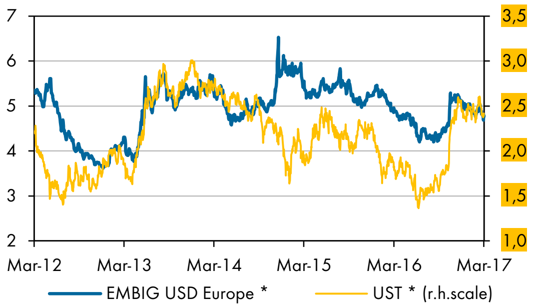
Eurobond market overview

CEE USD EMBIG spread valuation*



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

CEE EMBIG USD vs. UST YTM*



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

	Market Price					YTM mid.	Spread	Mdur.	ISIN
Issuer/rate/due	**Bid**	**Ask**	**w/w %**	**5y max**	**5y min**	**% p. a.**	**Bmk, bp**	**years**	**–**
EUR									
BGARIA 4 1/4 07/09/17	101.3	101.4	0.00	111.8	100.3	-0.66	-9	0.3	XS0802005289
CROATI 5 7/8 07/09/18	107.1	107.3	-0.18	112.1	97.2	0.17	77	1.2	XS0645940288
REPHUN 3 7/8 02/24/20	110.6	111.0	0.00	113.1	74.9	0.13	79	2.8	XS0212993678
REPHUN 4 3/8 07/04/17	101.3	101.4	0.00	108.0	83.8	-0.80	-23	0.2	XS0284810719
REPHUN 5 3/4 06/11/18	107.1	107.4	0.05	115.1	86.3	-0.34	25	1.1	XS0369470397
REPHUN 6 01/11/19	110.7	110.9	0.00	118.4	86.4	-0.07	64	1.7	XS0625388136
LITHUN 4.85 02/07/18	104.6	104.7	0.02	114.3	100.4	-0.59	-6	0.9	XS0327304001
POLAND 5 5/8 06/20/18	107.1	107.3	-0.06	122.6	102.1	-0.26	33	1.2	XS0371500611
POLAND 1 5/8 01/15/19	103.0	103.3	0.00	105.5	98.0	-0.14	57	1.8	XS0874841066
POLAND 3 3/4 01/19/23	117.9	118.6	0.01	125.5	99.9	0.54	82	5.3	XS0794399674
POLAND 3 3/8 07/09/24	116.8	117.6	0.05	125.6	99.6	0.92	100	6.4	XS0841073793
ROMANI 4 7/8 11/07/19	112.1	112.4	0.00	117.8	99.3	0.14	83	2.5	XS0852474336
TURKEY 5 7/8 04/02/19	109.5	109.8	0.07	118.9	106.8	0.98	172	1.9	XS0285127329
TURKEY 5 1/8 05/18/20	109.5	109.9	0.10	115.9	101.2	1.88	252	2.8	XS0503454166
USD									
BELRUS 8.95 01/26/18	102.9	103.5	-0.14	111.2	78.0	4.83	385	0.8	XS0583616239
CROATI 6 3/8 03/24/21	110.3	110.8	0.02	117.8	91.7	3.50	175	3.5	XS0607904264
CROATI 5 1/2 04/04/23	107.5	108.1	-0.45	111.7	94.4	4.03	192	5.1	XS0908769887
REPHUN 5 3/8 02/21/23	110.1	110.9	0.70	115.6	93.5	3.39	130	5.0	US445545AH91
REPHUN 7 5/8 03/29/41	145.1	145.6	0.29	158.1	87.4	4.51	166	13.1	US445545AF36
LITHUN 7 3/8 02/11/20	113.7	114.0	0.07	130.7	112.8	2.33	82	2.6	XS0485991417
LITHUN 6 5/8 02/01/22	117.2	117.6	0.04	128.6	107.4	2.76	82	4.2	XS0739988086
LATVIA 2 3/4 01/12/20	101.2	101.7	0.05	104.5	91.4	2.20	71	2.6	XS0863522149
LATVIA 5 1/4 06/16/21	110.9	111.4	0.02	117.2	96.0	2.44	64	3.7	XS0638326263
POLAND 6 3/8 07/15/19	109.7	109.9	0.05	125.9	109.7	1.95	60	2.1	US731011AR30
POLAND 3 03/17/23	99.9	100.3	0.06	105.4	87.9	2.99	89	5.4	US731011AT95
ROMANI 6 3/4 02/07/22	115.7	116.2	0.00	123.7	99.1	3.17	124	4.2	US77586TAA43
ROMANI 4 3/8 08/22/23	105.6	106.2	0.43	111.2	90.6	3.35	119	5.5	US77586TAC09
RUSSIA 4 1/2 04/04/22	106.1	106.5	0.40	114.7	82.0	3.13	117	4.5	XS0767472458
RUSSIA 7 1/2 03/31/30	120.4	120.7	0.30	128.6	99.6	2.42	-9	3.9	XS0114288789
RUSSIA 5 5/8 04/04/42	110.0	110.7	1.31	124.9	76.0	4.90	202	13.9	XS0767473852
SERBIA 5 1/4 11/21/17	102.0	102.3	0.04	107.1	96.8	1.80	87	0.6	XS0856951263
SERBIA 4 7/8 02/25/20	103.6	104.1	0.03	105.4	89.6	3.47	195	2.7	XS0893103852
TURKEY 6 1/4 09/26/22	106.8	107.4	0.23	127.0	102.5	4.76	273	4.6	US900123BZ27
TURKEY 6 7/8 03/17/36	108.3	108.8	-0.28	139.6	99.2	6.11	342	10.8	US900123AY60
TURKEY 6 3/4 05/30/40	107.1	107.8	-0.23	139.4	97.3	6.14	331	11.8	US900123BG46
UKRAIN 7 3/4 09/01/19	101.8	102.2	0.20	102.3	90.4	6.85	546	2.2	XS1303918269
UKRAIN 7 3/4 09/01/23	94.3	94.8	-0.63	100.1	90.9	8.88	671	4.9	XS1303921487
UKRAIN 7 3/4 09/01/27	91.5	92.0	-0.61	98.8	88.7	8.98	655	6.8	XS1303927179

YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 31 Mar 2017, 9:26 AM CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Summary: Ratings & macro data

Country ratings: CE, SEE, EE

	S&P			Moody's			Fitch		
	LCY	FCY	Outlook	LCY	FCY	Outlook	LCY	FCY	Outlook
CE									
Poland	A-	BBB+	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	stable	BB+	BB	stable
Serbia	BB-	BB-	positive	Ba3	Ba3	stable	BB-	BB-	stable
EE									
Russia	BBB-	BB+	positive	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	negative	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	Unem-ployment, %	Nominal wages, EUR	Fiscal balance, % GDP	Public debt, % GDP	Export **, % GDP	C/A, % GDP	Ext. Debt, % GDP	FXR***% ext. debt	Import cover, months
Croatia	2016	2.9	-1.1	12.8	1029	-1.5	83.9	24.3	3.1	91.4	32.4	9.0
	2017f	3.3	1.9	12.2	1056	-1.9	82.6	23.7	2.5	85.0	33.5	8.9
	2018f	2.8	1.6	11.2	1074	-2.0	80.6	23.5	2.2	83.3	33.4	8.9
Czech Republic	2016	2.3	0.7	5.5	1020	0.0	37.9	70.3	1.1	73.2	63.8	8.4
	2017f	2.7	2.4	5.3	1088	-0.2	36.8	69.1	1.1	76.2	85.7	12.0
	2018f	2.5	1.5	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	-2.0	73.9	82.8	3.5	98.3	22.2	3.5
	2017f	3.2	3.3	4.0	939	-2.5	73.2	81.4	3.2	89.1	22.2	3.2
	2018f	3.4	3.0	3.6	1010	-3.0	72.4	81.2	3.0	83.5	20.3	2.8
Poland	2016	2.8	-0.6	9.0	928	-2.6	52.8	41.5	-0.5	74.4	34.3	7.4
	2017f	3.3	1.9	8.3	981	-3.0	53.2	40.7	-0.8	74.8	32.6	7.2
	2018f	3.0	2.2	8.2	1040	-3.2	53.7	39.2	-1.0	74.2	31.1	6.9
Romania	2016	4.8	-1.5	6.0	642	-2.6	37.6	30.8	-2.4	54.7	41.0	7.4
	2017f	4.2	0.9	5.4	713	-3.6	38.7	31.1	-3.6	53.0	40.0	6.8
	2018f	3.5	2.9	5.1	760	-3.8	40.1	32.1	-3.8	52.8	38.3	6.2
Russia	2016	-0.2	7.1	5.5	495	-3.7	13.5	22.2	1.7	39.1	79.1	25.2
	2017f	1.0	4.7	5.3	628	-2.6	14.0	23.0	4.9	30.5	88.5	23.0
	2018f	1.5	4.5	5.3	641	-2.4	14.5	22.8	5.5	26.0	101.4	22.0
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	35.7	-4.6	124.4	14.9	5.2
	2018f	3.0	7.5	8.5	n.a.	-3.0	73.0	34.6	-3.8	118.2	15.2	5.2
Turkey	2016	2.1	7.8	10.0	n.a.	-1.4	32.0	17.7	-3.8	48.3	27.1	7.0
	2017f	2.0	10.0	10.3	n.a.	-1.5	33.0	18.8	-5.8	56.3	26.4	7.2
	2018f	3.0	8.0	10.0	n.a.	-1.8	32.0	19.7	-5.0	59.2	22.9	6.3

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

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- The return on an investment in a financial instrument, a financial or securities service can rise or fall due to exchange rate fluctuations.
- Forecasts of future performance are based purely on estimates and assumptions. Actual future performance may deviate from the forecast. Consequently, forecasts are not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service.

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Bonds

Distribution of short term recommendations (preceding 3 months prior to this publication)	
Recommendation	Basis: all analysed Government bonds
Buy	15%
Hold	63%
Sell	23%
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
24/03/2017	Buy	Hold	Hold	Hold	Hold	Sell
15/03/2017	|	|	|	|	|	|
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	|	|	|	|	|	|

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

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Date	SI EUROBOND USD	SK EUROBOND EUR	TR EUROBOND EUR	TR EUROBOND USD	UA EUROBOND USD
24/03/2017					
15/03/2017					
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			
25/08/2016					
29/07/2016		Sell			
27/07/2016					
21/07/2016			Sell	Sell	
20/06/2016	Buy	Hold	Buy	Hold	Hold
31/05/2016					
13/05/2016	Buy	Hold	Hold	Hold	Hold
26/04/2016		Hold	Buy	Buy	Hold
20/04/2016		Hold	Buy	Buy	Hold

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