CEE Weekly

Issue 1/2017 | 7 April 2017

Raiffeisen RESEARCH

Market snapshot

	curr.*	Jun-17	Sep-17	Dec-17
Poland				
EUR/PLN	4.226	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	310.2	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	26.61	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	4.523	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	7.449	7.40	7.45	7.50
Key rate	2.50	2.50	2.50	2.50
10y bond	3.1	2.7	2.7	2.7
Russia				
USD/RUB	56.33	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	3.711	3.90	3.80	4.10
Key rate	8.00	8.00	8.00	10.00
10y bond	10.8	11.5	11.7	11.0
EUR/USD	1.066	1.03	1.02	1.02

** prices as of 06 April 2017, 11:59 p.m. CEST*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

The Czech Central Bank (CNB) on Thursday decided to abandon its FX commitment of preventing CZK an appreciation below 27 to the euro. The move came slightly earlier than we have expected, and so far the situation is developing smoothly. Expectedly, the initial reaction was CZK appreciation vs EUR, while the magnitude of the move remained limited with the CNB not intervening in the markets. At the same time, the Czech koruna treasury curve witnessed a bearish flattening with T-bills of maturities up to 1y showing the most pronounced yield increases. Whereas we would project volatile movements and no linear appreciation trend throughout Q2 and Q3, the overall trend until year-end should bring appreciation of CZK toward 26 against the euro (see Focus on page 2). In another story, Ukraine received green light for the disbursement of USD 1 bn of IMF money. However, the IMF demands quite a few reforms for the next payment, which will likely lead to renewed delays in the IMF programme. Moreover, the economic blockade of Donbas is somewhat clouding the growth outlook (see Focus on page 3). In Croatia, positive economic data is overshadowed by the uncertainty and turbulence flooding the market in connection to the failure of Agrokor, the highly indebted Croatian retail and food group. In the upcoming days all the attention of market participants and analysts will continue to focus on new information about the "Agrokor case". The data calendar for next week is full, with releases for industrial production, trade balances and inflation for several countries. The latter will be especially interesting to watch in Hungary where the headline CPI print should exceed the mid-point of the central bank's (MNB) official target range. We expect the MNB to talk down the recent reflation dynamics. However, according to our assumptions, CPI dynamics in Hungary are set to remain strong amidst ongoing wage pressure, but ultimately not sufficient to prompt the MNB to tighten its ultra-loose stance in the near future. In CEE high-yielding markets like Russia, the increasing disappointment potential in terms of US-relations could weigh next week on RUB markets, whilst Turkish lira markets should remain under the spell of the upcoming referendum next Sunday.

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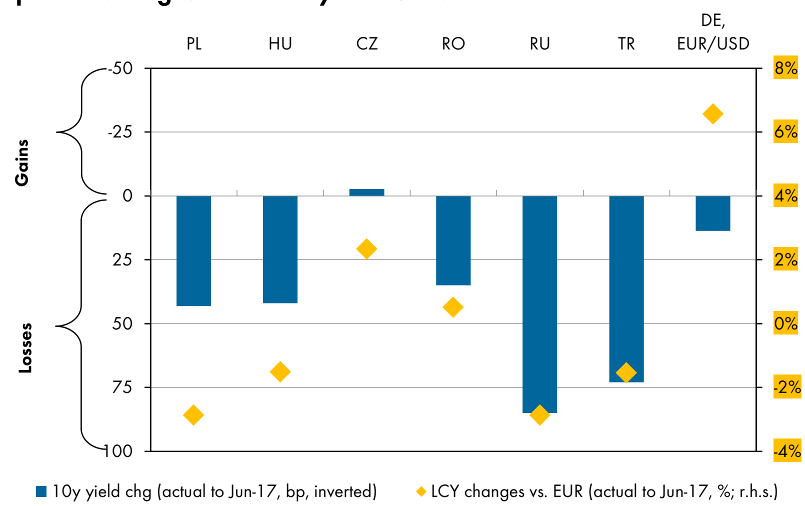
Expected changes from today until June 2017



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Content

Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
10-Apr	CZ: CPI, % yoy	Mar	2.6	2.8	2.6	2.4	2.5
11-Apr	RO: Industrial output, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	5.5
11-Apr	RO: CPI, % yoy	Mar	0.3	n.a.	n.a.	n.a.	0.2
11-Apr	HU: CPI, % yoy	Mar	3.1	3.1	3.0	2.8	2.9
11-Apr	PL: CPI, % yoy	Mar	2.0	n.a.	n.a.	n.a.	2.0

Source: Bloomberg, RBI/Raiffeisen RESEARCH

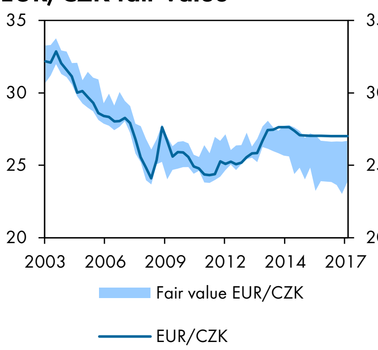
Please note the risk notifications and explanations at the end of this document

Focus on: CNB abandoning the CZK FX commitment

CZK volatility expected

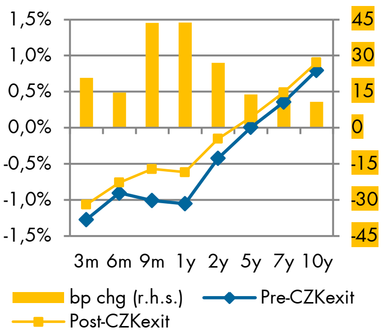
Source: Thomson Reuters, Raiffeisen RESEARCH-

EUR/CZK fair value



Source: Macrobond, RBI/Raiffeisen RESEARCH

CZK treasury curve flattened



Source: Bloomberg, Raiffeisen RESEARCH

In November 2013 the Czech Central Bank (CNB) introduced an FX regime to artificially weaken the CZK to fight deflationary fears. In the following years the CNB prevented CZK to appreciate below the level of 27 to the euro, using the FX regime effects as a monetary tool instead of negative interest rates. Now, with consumer price inflation near target levels again and elevated speculative inflows forcing the CNB into significant FX interventions, the central bank decided to abandon this FX commitment yesterday 5 April at around 12.30 CET

Thereby the CNB has decided not to wait for additional information on the inflation trajectory. With the projected CZK appreciation we should now get additional disinflationary effects over the coming months and thus should see consumer prices dropping well below the 2% yoy inflation target again. That said the CNB move to abandon the FX regime in our take was not entirely motivated by purely monetary policy topics, but also by the recent surge in speculative inflows. On the other side we agree that apart from poor inflation targeting the Czech economy does not need the strong regulation of the FX rate anymore.
At the press conference the CNB governor indirectly expressed that the CNB was not active on the market after the end of FX commitment. The CNB said it stands ready to use its instruments to mitigate potential excessive exchange rate fluctuations if needed. When questioned on the word "excessive" at the press conference, the CNB governor gave no indication. He only described the pain level for CZK fluctuations as "very wide". We would therefore estimate the CNB to refrain from any interventions unless we see wide CZK fluctuations in a range of more than 5%.

For EUR/CZK we would project volatile movement over the near-term (throughout Q2 and possibly even into Q3) as huge speculative inflows will make it difficult to find a quick equilibrium. Inflow of speculative capital in a range of EUR 25-45bn with yearly demand for CZK at roughly EUR 2bn (current account surplus) should make a quick move towards a fair value equilibrium unlikely as speculative positions will be difficult to close without causing significant market disruption. That said we would not project any form of linear appreciation, but rather a range bound volatile movement. With a slow stabilization until year-end 2017 likely we would estimate EUR/CZK to reach a first equilibrium level close to 26 with additional appreciation potential for 2018. Fundamental fair value for EUR/CZK should lie in a range of 23-25 depending on model calculations (EUR/CZK was around 25.8 at the introduction of the FX cap).

The early move by the CNB could add to already seen speculation about the monetary policy response not only in the Czech Republic, but in the entire CE region. However, we would regard such speculation on rate hikes in the CE region for 2017 as premature as we expect inflation rates over the next months to fall below target ranges of the central banks again. Inflation development should thereby remain the key driver for monetary policy.
Given our forecast of reasonable CZK appreciation we expect the CNB will start hiking interest rates not sooner than by Q2 2018. With the return of the EUR/CZK to levels driven more by the market forces and gradually normalizing core market rates we expect Czech koruna government bond yields to continue inching upwards gradually. As an initial reaction to the CZKexit we have witnessed a substantial bear flattening of the CZK treasury curve with CZK T-bills showing the strongest reaction (see chart). As expected, the potential for price losses following the CZKexit at the front end of the CZK treasury curve was much more pronounced as longer-dated CZGB yields already increased significantly since February with 10y yields increasing by around 50bp versus flat 2y yields in the same time frame. Hence, short end T-bills and the 1y CZGB made up leeway for the moves in longer-dated CZGBs ahead of the CZKexit. Based on these observations, we recommended for last-minute LCY bond market investors to position in longer-dated CZGBs to benefit from the expected CZK gains versus EUR as the potential for price losses seemed more contained compared to the front-end. We would recommend to holding this position until FX gains become more pronounced.

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Focus on Ukraine: IMF money and Donbas blockade

There are two stories regarding Ukraine's economy recently: the discussion on the economic impact of the now official economic blockade of Donbas areas not controlled by the government, and secondly, the decision by the IMF to disburse the fourth tranche of USD 1 bn.

Firstly, as a result of the now official economic blockade of Donbas, the National Bank of Ukraine (NBU) downgraded the GDP growth figure for 2017 by 0.9pp to 1.9% yoy. According to the NBU, the C/A deficit is said to be USD 4.3 bn (previously USD 3.5 bn), while the FX reserve projection was reduced from USD 21.3 bn to USD 20.8 bn. At the same time, the NBU thinks that the impact on inflation will be mitigated by other factors (e.g. slower growth of communal payments), and they left the inflation figure at 9.1% yoy for 2017. International institutions like the IMF and the World Bank followed the NBU and also cut the GDP forecast to 2% in 2017, seeing a "sizable but manageable impact" on growth in 2017. However, all three institutions are rather positive on the 2018 growth outlook, estimating growth of 3.2-3.5% yoy.

Our baseline growth forecast before the blockade was already more conservative at 2%, and we have so far abstained from revising the figure downwards. We see three possible economic scenarios reflecting the current uncertainty:

- Under an optimistic scenario (10% probability), the government will be able to renew economic relations with the uncontrolled area of Donbas in the very near future, and we will also see an acceleration of reforms. In this case, the metallurgical and energy sectors will not suffer. Economic growth may reach a level in excess of 3% this year and next year, and the inflation rate will move as targeted.
- In our current baseline scenario (50% probability), the Ukrainian government will be able to ensure coal supplies at a minimum level. At the same time, Ukraine will modernise the metallurgical and energy sector in order to reduce dependency on coking coal, while it will also look for new import opportunities. In this case, we will see a C/A deficit of 4.6% of GDP, a weaker UAH, and an inflation rate slightly above the target level. Economic growth will be at a modest level of 2% yoy in 2017, and it could gradually improve to 3% yoy in 2018.
- The continued full blockade of Donbas without any attempt to find a compromise is our third (pessimistic) scenario (40% probability). Metallurgical production might shrink significantly due to the higher cost of production, while Ukraine will likely increase exports of iron ore. The C/A deficit will rise on the back of a simultaneous increase in energy imports and a decline in metallurgical exports. However, a flexible exchange rate will mitigate the effect somewhat at the expense of a weaker UAH. Inflation growth will be controlled by the NBU, but it will be notably above the target level due to the devaluation of the national currency and higher tariffs. Thus we will see a deceleration of GDP growth towards 1% yoy in 2017, with a risk of even lower growth if the Donbas conflict also escalates again.

Secondly, on 3 April the IMF finally released the USD 1 bn tranche planned for late 2016. Moreover, the EU gave the green light for another EUR 600 mn of its macroeconomic assistance. While we are still analysing the comprehensive materials attached to the IMF press release in detail, it is clear that the IMF sees positive developments in macroeconomic management (fiscal and monetary), as well as in the banking sector (cleansing of the sector, nationalisation of Privatbank), but criticises the slow pace of structural reforms and the recent setbacks. Notably, the fund demands a land reform, a pension reform, and progress in privatisation and anti-corruption. With the current authorities having low ratings and populists being on the rise, coupled with the visibly low enthusiasm to fight corruption, we doubt that Ukraine can act fast on the reforms in question. Nevertheless, our baseline case of a continuation of the IMF programme – with delays and occasional setbacks – remains unchanged. Political turbulence and strong vested interests may slow implementation down further. However, in our view, these factors will not be enough to bring the programme down completely, in view also of Ukraine's geopolitical position.

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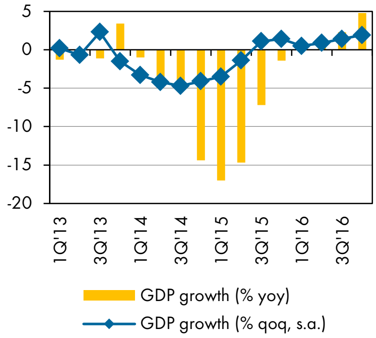
Ukraine economic scenarios

	Optimistic (10%)		**Base (50%)**		Pessimistic (40%)	
	2017	2018	**2017**	**2018**	2017	2018
Real GDP (% yoy)	3.5	4.5	**2.0**	**3.0**	1.0	2.0
CPI (eop, % yoy)	8.0	6.0	**9.0**	**6.0**	11.0	8.0
C/A (% of GDP)	-2.3	-1.7	**-4.6**	**-3.8**	-7.2	-5.4
General budget (% of GDP)	-2.5	-2.0	**-4.0**	**-3.0**	-5.0	-4.5
USD/UAH (eop)	27.0	27.5	**28.0**	**28.5**	31.0	30.5

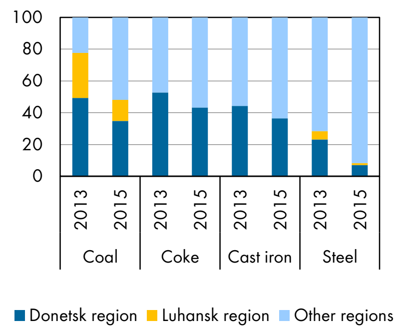
Source: Raiffeisen RESEARCH

GDP dynamics



Source: State Statistics Service, Raiffeisen RESEARCH

Share of Donbas in production



Source: Bloomberg, Raiffeisen RESEARCH

Data calendar and country coverage

This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Previous	Indicator	Period	Forecast	High	Mean	Low	Previous
Friday 31 March					**Friday 07 April**						
RS: Retail sales, % yoy	Feb	1.1	n.a.	4.1	HR: Trade balance, EUR mn	Jan	-442	n.a.	n.a.	n.a.	-592
RS: Industrial output, % yoy	Feb	-1.7	n.a.	2.8	UA: CPI, % yoy	Mar	14.2	n.a.	n.a.	n.a.	14.2
PL: CPI, % yoy	Mar	2.0	n.a.	2.2	**Monday 10 April**						
RU: C/A balance, USD mn	Q4	10,124	n.a.	7,800	RO: Trade balance, EUR mn	Feb	n.a.	n.a.	n.a.	n.a.	-602
BG: Key rate, %	Mar	0.00	n.a.	0.00	CZ: CPI, % yoy	Mar	2.6	2.8	2.6	2.4	2.5
Monday 03 April					TR: Industrial output, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	2.6
PL: PMI, points	Mar	53.5	54.1	54.2	CZ: Unemployment rate, % yoy	Mar	4.9	5.0	4.9	4.8	4.9
TR: PMI, points	Mar	52.3	n.a.	49.7	BG: Industrial output, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	-1.2
TR: CPI, % yoy	Mar	11.3	n.a.	10.1	BG: Retail sales, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	4.0
CZ: PMI, points	Mar	57.5	57.7	57.6	SI: Industrial output, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	3.3
RU: GDP, % yoy	2016	-0.2	n.a.	-0.2	HR: Retail sales, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	5.7
Tuesday 04 April					**Tuesday 11 April**						
RO: Retail sales, % yoy	Feb	7.8	n.a.	6.2	RO: Industrial output, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	5.5
RO: PPI, % yoy	Feb	3.9	n.a.	2.6	RO: CPI, % yoy	Mar	0.3	n.a.	n.a.	n.a.	0.2
SK: Retail sales, % yoy	Feb	5.6	n.a.	7.4	HU: CPI, % yoy	Mar	3.1	3.1	3.0	2.8	2.9
HU: PMI, points	Mar	56.0	n.a.	59.5	SK: Industrial output, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	7.6
HU: Retail sales, % yoy	Feb	1.2	3.5	3.7	TR: C/A balance, USD bn	Feb	n.a.	n.a.	n.a.	n.a.	-2.8
Wednesday 05 April					RS: Key rate, %	Apr	n.a.	n.a.	n.a.	n.a.	4.00
RU: PMI Composite, points	Mar	56.3	n.a.	55.4	PL: CPI, % yoy	Mar	2.0	n.a.	n.a.	n.a.	2.0
RU: PMI Services, points	Mar	56.6	n.a.	55.5	RU: C/A balance, USD mn	Q1	n.a.	24,000	18,750	9,000	10,124
CZ: Retail sales, % yoy	Feb	1.1	n.a.	7.7	RU: Trade balance, USD bn	Feb	n.a.	13.1	10.3	8.7	11.4
HU: Industrial output, % yoy	Feb	7.0	4.5	1.6	BY: CPI, % yoy	Mar	8.0	n.a.	n.a.	n.a.	7.0
PL: Key rate, %	Apr	1.50	1.50	1.50	**Wednesday 12 April**						
RO: Key rate, %	Apr	1.75	1.75	1.75	SK: Retail sales, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	7.3
RU: CPI, % yoy	Mar	4.3	n.a.	4.6	BG: CPI, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	1.7
Thursday 06 April					RS: CPI, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	3.2
CZ: Industrial output, % yoy	Feb	2.7	n.a.	9.6	RU: Budget balance, % yoy	Mar	n.a.	-200	-284	-400	-148
CZ: Trade balance, CZK bn	Feb	17.9	n.a.	19.4	**Thursday 13 April**						
HU: Budget balance, EUR bn	Mar	-198	n.a.	180	SK: CPI, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	1.2
Friday 07 April					CZ: C/A balance, CZK bn	Feb	28.0	42.0	32.0	4.8	29.4
RO: Wages, % yoy	Feb	14.7	n.a.	18.4	UA: Key rate, %	Apr	14.00	n.a.	n.a.	n.a.	14.00
SK: Trade balance, EUR mn	Feb	344	n.a.	152	PL: C/A balance, EUR mn	Feb	-423	845	39	-800	2,457
HU: Trade balance, EUR mn	Jan	911	n.a.	658	PL: Trade balance, EUR mn	Feb	-133	550	-50.0	-300	225
					RO: C/A balance, EUR mn	Feb	n.a.	n.a.	n.a.	n.a.	416
					Friday 14 April						
					HR: CPI, % yoy	Mar	1.4	n.a.	n.a.	n.a.	1.4

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Belarus (BY) – Following the meeting of Belarus' President Alexander Lukashenko with Russia's leader Vladimir Putin on 3 April 2017, the parties announced the successful resolution of all pressing issues in bilateral relations. By July 2019, the countries will strive to establish rules for the common energy market, which is set to become operational from 2024. Reportedly, the pending energy dispute will be resolved shortly. Belarus agreed to repay the accumulated gas debt of over USD 700 mn, whereas Russia will provide a gas price discount for 2018-2019 and resume contractual crude oil supplies of annual 24 mn tons. According to statements by the Belarusian side, Russia's President Vladimir Putin promised as well his large-scale support in further implementation of the EFSD (Eurasian Fund for Stabilization and Development) programme in Belarus and agreed on the rollover of outstanding USD 750 – 800 mn loans to Belarus due to be redeemed in 2017. To recap, Belarus has been in talks with Russia on gas price reduction from the beginning of 2016. The energy spat flared up between Russia and Belarus, as the countries failed to agree on the gas price. Belarus considers the current contractual price unfair amidst lower world oil prices. Russia cut duty-free crude oil deliveries to Belarus. The USD 300 mn tranche of total USD 2 bn EFSD loan - that was due to be disbursed in 2016 - has been postponed.

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Bosnia a. H. (BA) – Delegates in the House of Representatives of the B&H Parliamentary Assembly refused to discuss increasing the fuel excise tax (by BAM 0.15) at the extraordinary session held on 5 April. The Adoption of the amendment to the Excise Tax Law is one of preconditions for a positive assessment by the IMF Executive Board. Rejecting the request of the Council of Ministers, to approve, through an urgent procedure, a draft law on raising the fuel excise tax, and thus resisting the pressure of the EU Delegation, the member states' ambassadors and the IMF, the state Parliament definitely prevented the payment of the second tranche of the IMF credit, worth EUR 76 mn. Last week saw a release of several important macroeconomic figures that confirmed the upward trend of the B&H economy in Q1

2017. The industrial production grew by 3.3% yoy in February 2017 (13 months of positive trend in a row). Three industry branches contributed to the industrial output: mining (3.3% yoy), manufacturing (2.1% yoy) and electricity supply (4.6% yoy). Retail sales index rose by 3.4% yoy in February 2017 (upward trend recorded in 33 months in a row) indicating the stability of consumer demand and private consumption. The week ahead will bring announcement of relevant banking sector figures for February 2017 (loan and deposit dynamics) where we anticipate low positive single-digit figures for both categories.

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Croatia (HR) – Domestic macroeconomic developments and releases of key economic figures, which confirm the continuation of positive trends, remained in the shadow of the uncertainty and turbulence flooding the market in connection to the failure of Agrokor, the highly indebted Croatian retail and food group. Namely, the latest data confirm the fall of gross external debt to 91.4% of GDP at the end of 2016 (just to mention that the below 100%-level was last recorded in Q3 2009) while, in the same period, total public debt (according to the ESA2010 methodology) went down to 84.2% of GDP. Despite the solid macroeconomic data, in the upcoming days all the attention of market participants and analysts will continue to focus on new information about the "Agrokor case". However, due to a very complex situation and lack of information, it is very difficult to predict the final outcome especially in relation to macroeconomic developments.
As regards macroeconomic releases, the upcoming March CPI and PPI figure, which is expected to remain around the current levels, will confirm that the three–year disinflation period is behind us.

Financial analyst: Elizabeta SABOLEK RESANOVIC (+385 1 4695 099), Raiffeisenbank Austria d.d., Zagreb

Czech Republic (CZ) – Yesterday, the Czech National bank abandoned its commitment to defend the Czech currency at or above the EUR/CZK 27.0 level. The CNB announced their decision at 12.30 pm and as a first reaction, the Czech koruna appreciated towards EUR/CZK 26.8. At the press conference, the governor of the CNB, J. Rusnok stated that the conditions for fulfilling a sustainable inflation target had been achieved. He added that the anti-inflation effect from abroad had disappeared and thus it was time to tighten monetary policy. The CNB is not willing to intervene unless the volatility of the Czech exchange rate is excessive. However, the CNB's wide tolerance band for the Czech koruna is very high. After the Czech currency finds a new equilibrium, monetary policy can be tightened using FX interventions as well as interest rates. We expect that by the end of the year the Czech koruna will appreciate towards EUR/CZK 26.0 and the CNB will increase the key interest rate in mid-2018.

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

Hungary (HU) – Hungary's statistical office KSH published industrial output and retail sales figures for February. Industrial production rose 7% yoy vs estimated 4.5%. Retail sales grew by 1.2% yoy vs expected 3.5%. Still today, Hungary will release its preliminary trade balance for February – surplus is likely to be about EUR 920 mn. Macro data flow remained supportive for the HUF, while the central bank's easing bias sufficiently outweighs that. The EUR/HUF continues trading sideways around the bottom of the trading range for much of the week (upside and downside risks are well balanced, volatility is low). BUBOR rates dropped to new lows (3-month now at 0.17%) while longer-term yields also dropped by some basis points (the steepness of the curve declined). Hungary's debt manager ÁKK also met strong demand at its regular 3- and 12-month T-bill auctions. Next week the focus will be on the release of the headline inflation data for March. We expect 3.1% yoy (above market-consensus of 3%) after 2.9% in February. Further increase might have mostly been driven by food and services prices. However CPI hovers around the central bank's mid- term goal, we see no chance that the central bank will change its stance or policy.

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Poland (PL) – The flash CPI reading surprised coming visibly below consensus (2.3% yoy), and amounted to 2.0% yoy. Although the details will not be known until next Thursday, we expect food prices to surprise strongly and stay in a negative territory this month. As the base effects on fuel prices are diminishing, the inflation dynamics may stabilize slightly below 2% in the coming months. On the contrary, core inflation (publication on April 12) should follow a moderate upward trend – market consensus expects 0.5% yoy. PMI declined the second time in a row to 53.5 points. However, despite the fall in main components (slower growth in output, new orders and employment), such level still implies the improvement in economic conditions. Additionally, on the quarterly basis, the Q1 2017 noted the highest reading since two years. The MPC meeting took place this week. As expected, the MPC kept interest rates unchanged, with the reference rate at 1.50%. The rhetoric during the conference after the meeting remained dovish. Chairman A. Glapinski even pointed out that in the current economic situation he does not see any premises for interest rates hikes even until the end of 2018. However we believe that along with the improving data on economic performance, with possible GDP growth acceleration to 3.5% in Q3, the MPC rhetoric will become more hawkish by the end of this year.

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

Romania (RO) – The National Bank of Romania (NBR) remained on hold at the monetary policy meeting on 5 April, as expected. The key interest rate (1.75%) and the other monetary policy instruments were kept unchanged. The press release following the meeting did not suggest that NBR will rush to tighten the monetary policy stance in the near term, as the central bank forecasts the inflation rate to remain at a depressed level in 2017. Still, at the press conference the Governor said that the monetary policy stance normalization could start by narrowing the interest rate corridor to ±100bp from ±150bp currently. However, he suggested that NBR will not rush to start the tightening before other central banks in the region, while explicitly mentioning Poland's central bank. In our view such move should result in an in-

crease of the interest rate at NBR's permanent deposit facility (currently at 0.25%) with chances to materialize in H2 2017. The Governor said that cuts of minimum reserves requirement ratio for FCY liabilities remain on NBR's agenda and could be delivered any time provided favourable market conditions.
Next week's macroeconomic calendar is rather full, with inflation data for March as main release of the week. We expect annual inflation rate to have accelerated marginally to 0.3% in March from 0.2% in February, on the back of a monthly increase of consumer prices of around 0.2%.

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

Russia (RU) – According to Rosstat, the CPI continues to decelerate both in yoy and mom terms. In March, inflation dropped to 4.3% yoy and 0.1% mom (4.6% yoy and 0.2% mom in February). This disinflation is seen in the food and non-food segments while price growth in services remains stable. As in February, a few food items positively affect food-CPI, without the fruit and vegetables category CPI remains around 5%. The recent RUB appreciation is another driver of disinflation as we see a gradual deceleration of price growth in the non-food segment. Such optimistic figures are quite a sound argument to continue with the rate cuts. However, there are some constraints in the eyes of the CBR (a huge weight of temporary factors, fundamental risks such as fiscal easing or an oil price drop, very unstable inflation expectations, etc.). All that said, we think that the CBR will take a pause in April and will resume the easing in June

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

Serbia (RS) – Presidential elections have been the major event this week, which brought the expected victory of Prime Minister Mr Vucic wining 55% of the votes. The voter's turnout was high (54.6%) but lower compared with the first round of presidential elections held in 2012 (57.7%). The major surprise in the elections was Luka Maksimovic, better known as spoof character Ljubisa Preletacevic Beli, who gained 9.43% of the votes. This is a significant support, given that he is not coming from the political establishment and was predominantly active on social networks. Vucics' election result is the confirmation of the achievements the government headed under his mandate made in terms of fiscal and economic performance, regional political stability and acceleration of the accession negotiations with the European Union.

The dinar has strengthened against the euro this week and we anticipate similar sentiment performance during Q2 amid ample RSD liquidity on the market and sound economic performance. The decision regarding the new Prime Minister will follow in May, though it is difficult to assess who would be Mr Vucic's successor. Whoever will be the final choice, we expect to see the same fiscal and economic policy framework with the state-owned enterprises privatisation/restructuring to be on the agenda.

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

Monetary policy and money markets overview

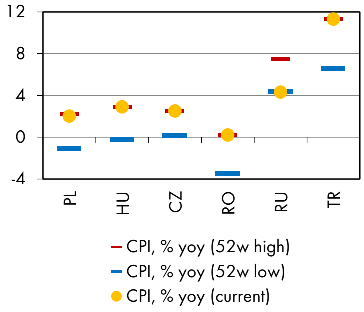
CEE key interest and money markets outlook

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	0.17	0.30	0.40	0.50	7.25	0.17
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	0.86	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	10.20	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	3.53	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	12.48	12.50	12.70	11.50	12.48	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

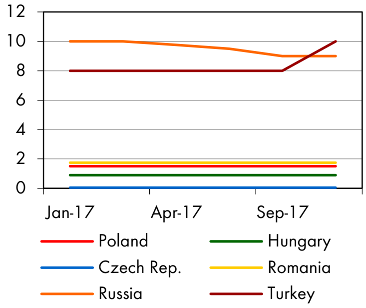
Source: Bloomberg, RBI/Raiffeisen RESEARCH
** Bid rates (for Hungary ask rates) as of 06 April 2017, 11:59 p.m. CEST*

Inflation snapshot



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



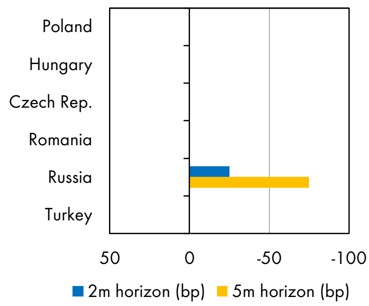
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	MPC remains sanguine in terms of reflation dynamics and expects CPI inflation to stabilise on below-target levels going forward. 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)	The latest MNB decision to lower the 3m deposit cap more than expected and to introduce 6m and 12m swaps (in addition to the 3m instrument) add liquidity to the system anew. Against this backdrop, longer-term money market rates are also set to remain depressed for longer, so we put our forecasts under revision.
Czech Republic (CNB)	CNB abandoned CZK cap and stated to not intervene in the local FX market. We assume that the bank will intervene only in case of excess volatility and possibly on both sides until the exchange rate finds a new equilibrium. Nevertheless, with inflation set to moderate going forward additionally, especially in light of more expected CZK appreciation, rate hikes are not in sight.
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 neutral MP stance, i.e. sufficient rate differential versus core markets with inflationary developments likely to not force them to increase rates.
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). Risks currently concentrated around US-Russia relations in terms of Syria.
Turkey (TCMB)	TCMB continued tightening liquidity in line with surging inflation. Whilst this lends support to TRY markets, the bank is increasingly hitting its limits to tighten conditions further. We assume that they hope for a yes vote at the 16 April referendum with the removal of this uncertainty factor likely to ease pressure on the lira.

Source: RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	Apr	May
Poland (NBP)	5	12
Hungary (MNB)	25	23
Czech Republic (CNB)	/	4
Romania (BNR)	5	5
Serbia (NBS)	11	12
Russia (CBR)	28	/
Turkey (TCMB)	26	/

Source: National Central Banks, RBI/Raiffeisen RESEARCH

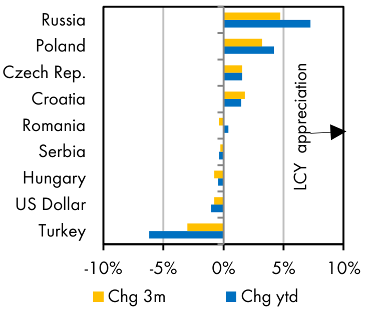
Foreign exchange market overview

FX forecasts

EUR vs	current*	Jun-17	Sep-17	Dec-17	5y high	5y low	Comment
PLN	4.226	4.35	4.30	4.25	4.40	4.08	Zloty appreciation trend has found significant resistance near 4.23 to the euro, next relevant move projected to bring EUR/PLN back towards 4.30
HUF	310.2	315	310	315	316	291	Forint re-entered the 310-315 trading range to the euro, we expect it to remain in the aforementioned trading range for the coming months
CZK	26.61	26.0	26.5	25.9	27.7	25.1	CNB ended the FX commitment; CZK appreciation projected, albeit at elevated volatility
RON	4.523	4.50	4.45	4.45	4.54	4.45	Following some budget induced uncertainties EUR/RON is moving back towards 4.50
HRK	7.449	7.40	7.45	7.50	7.66	7.50	In order to meet the liquidity needs in Agrokor we do not exclude extra FCY inflow which will create additional appreciation pressures on kuna
RSD	123.8	123	124	125	125	112	Presidential elections leaving EUR/RSD unfazed
RUB	60.03	61.8	61.2	63.2	79.3	40.3	see USD/RUB below
UAH	28.81	27.8	27.5	28.6	28.6	10.6	see USD/UAH below
BYN	2.012	2.09	2.18	2.28	2.28	1.13	see USD/BYN below
TRY	3.955	4.02	3.88	4.18	4.18	2.35	see USD/TRY below
USD	1.066	1.03	1.02	1.02	1.38	1.02	With continued US Fed rate hike expectations 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	56.33	60.0	60.0	62.0	73.0	30.5	RUB remains on the strong side against the USD; CPI nearing in on CBR target range could feed additional rate cut speculation
UAH	27.03	27.0	27.0	28.0	28.0	8.05	Uncertainties over IMF program, the situation in Donbas or the bond dispute with Russia could weigh on UAH; administrative measures by central bank stabilize
BYN	1.888	2.03	2.14	2.24	2.24	0.86	Despite BYN stability over recent months we remain with our cautious outlook given fundamental weaknesses
TRY	3.711	3.90	3.80	4.10	4.10	1.78	USD strengthening and weak fundamentals weigh on TRY, upcoming vote on presidential system (16 April) could add to volatility

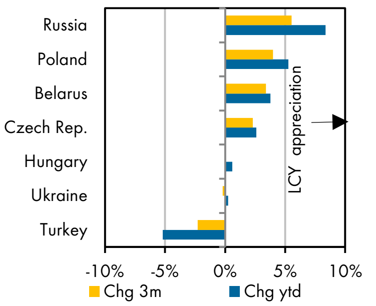
** as of 06 April 2017, 11:59 p.m. CEST*
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



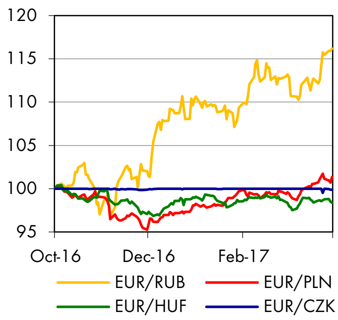
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

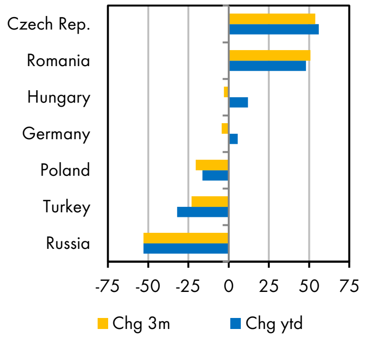
Exchange rate comparison



Indexed 06 Oct-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

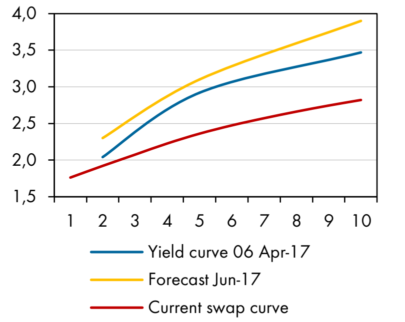
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



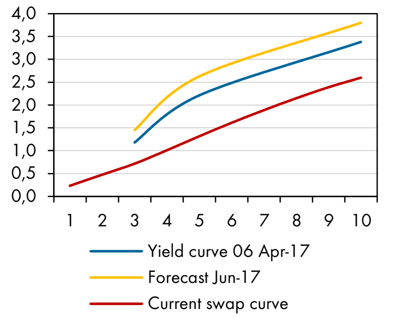
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



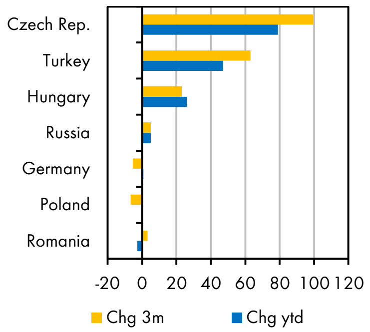
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



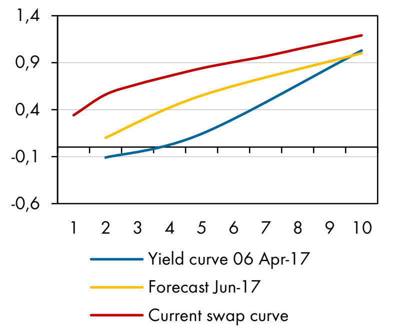
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



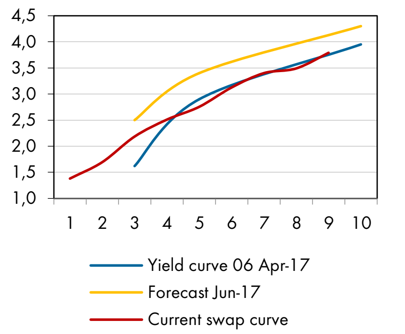
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



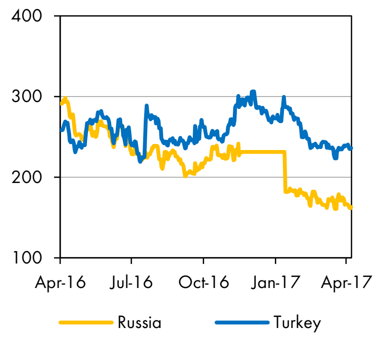
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



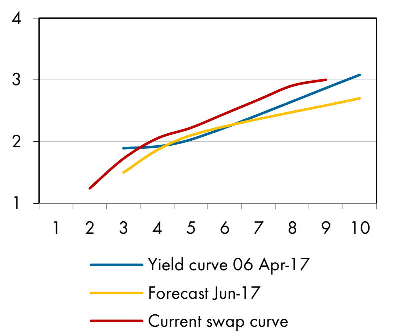
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



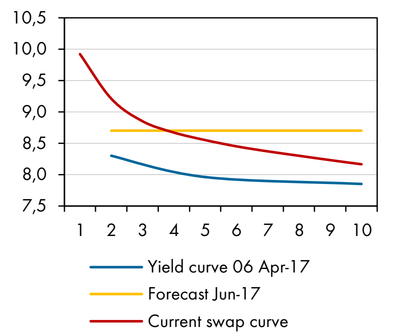
Turkey 5y high 327.1, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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 (%)	current*	Jun-17	Sep-17	Dec-17	5y high	5y low
Poland	2.04	2.3	2.4	2.4	3.1	1.6
Hungary **	1.18	1.5	1.6	1.7	5.7	0.9
Czech Republic	-0.11	0.1	0.1	0.1	0.5	-0.9
Romania	1.62	2.0	2.1	2.4	6.4	1.5
Croatia	1.89	1.5	1.5	1.6	4.4	0.9
Russia	8.30	8.7	8.5	8.3	15.8	6.2
Turkey	11.17	11.7	11.7	10.9	11.0	6.1
Germany	-0.80	-0.8	-0.7	-0.7	0.2	-0.8
USA	1.25	1.5	1.8	1.9	1.9	0.2

10y T-bond yields (%)	current*	Jun-17	Sep-17	Dec-17	5y high	5y low
Poland	3.47	3.9	4.2	4.3	4.3	2.5
Hungary	3.38	3.8	4.1	4.3	6.2	3.3
Czech Republic	1.03	1.0	1.2	1.3	2.5	0.5
Romania	3.95	4.3	4.4	4.7	6.9	3.5
Croatia	3.08	2.7	2.7	2.7	5.2	2.7
Russia	7.85	8.7	8.5	8.4	14.1	6.9
Turkey	10.77	11.5	11.7	11.0	11.1	6.6
Germany	0.26	0.4	0.6	0.8	1.9	0.1
USA	2.34	2.6	2.9	3.0	3.0	1.8

** Bid yields as of 06 April 2017, 11:59 p.m. CEST; ** 3y yield*
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

	Maturity	Coupon (%)	Bid Price	YTM (%)	Spread to Bunds (bp)	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25/04/2019	0.00	95.92	2.06	286	2.0	As expected, the fading of the reflation trade led to falling yields in Poland in the recent period, especially following the lower-than-expected inflation estimate for March. We continue to see the risks of substantially rising POLGB yields contained.
PLN 5y Gov. Bond	25/04/2022	2.25	96.91	2.92	339	4.7	
PLN 10y Gov. Bond	25/07/2027	2.50	91.64	3.48	323	9.0	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	99.60	1.12	185	3.4	HGB market remains well bid with ultra-loose monetary stance inflicting larger pressure on domestic investors to go "long" even longer-maturity HGB papers. In detail, the recent liquidity injections in tandem with the new swap facilities are HGB supportive.
HUF 5y Gov. Bond	26/10/2022	1.75	97.83	2.17	264	5.3	
HUF 10y Gov. Bond	27/10/2027	3.00	97.01	3.34	309	9.1	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	110.11	-0.05	74	2.0	In post-CZKexit trading, a bearish flattening of the treasury curve could be observed with maturities up to 1y posting the biggest yield increases. In terms of our recommendations, we stay long back-end CZGBs until more pronounced CZK gains materialise.
CZK 5y Gov. Bond	29/09/2021	3.85	116.15	0.21	68	4.1	
CZK 10y Gov. Bond	26/06/2026	1.00	100.31	0.97	72	8.8	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	105.23	1.02	149	1.2	We expect continued uncertainty and more pronounced volatility until the situation around Agrokor be further clarified.
HRK 10y Gov. Bond	14/12/2026	4.25	109.38	3.12	287	8.1	
Romania							
RON 2y Gov. Bond	29/04/2019	2.50	101.74	1.61	234	2.0	ROMGBs also took part in the recent EM rally but US political implementation risks and local fiscal risks could sour the current favorable sentiment significantly. We lifted our yield forecasts for the longer-term.
RON 5y Gov. Bond	08/03/2022	3.40	102.62	2.83	330	4.6	
RON 10y Gov. Bond	26/07/2027	5.80	115.28	3.89	364	7.9	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	98.90	8.30	909	1.8	Long-end Russian OFZs remained well bid amid favorable EM sentiment and restarted CBR rate cuts. Most recent RUB weakening on US-Russia dispute over Syria currently the major risks for RUB markets as it could dent non-resident investors' euphoria.
RUB 5y Gov. Bond	18/08/2021	7.50	98.59	8.04	851	3.7	
RUB 10y Gov. Bond	03/02/2027	8.15	102.65	7.91	766	7.1	
Turkey							
TRY 2y Gov. Bond	11/07/2018	8.70	97.16	11.15	1194	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	99.79	11.05	1152	4.0	
TRY 10y Gov. Bond	24/02/2027	11.00	101.25	10.78	1053	6.4	

Data as of 07 April 2017, 10:53 a.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

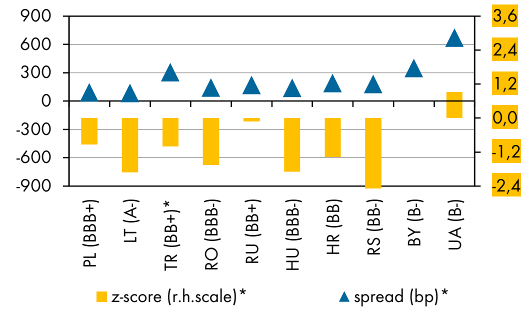
Bond auctions

		ISIN	Coupon	Maturity	Volume
10 April					
RO	3.9y T-bonds	RO1521DBN041	3.25%	22.03.2021	RON 600 mn
11 April					
RS	3y T-bonds	n.a.	4.50%	05.04.2020	maxc. CZK 5 bn
12 April					
CZ	2.9y T-bonds	CZ0001005011	0.00%	10.02.2020	maxc. CZK 5 bn
CZ	6.5y T-bonds	CZ0001004600	0.45%	25.10.2023	maxc. CZK 4 bn
CZ	9.9y T-bonds	CZ0001005037	0.25%	10.02.2027	maxc. CZK 4 bn
13 April					
HU	T-bonds	n.a.	n.a.	n.a.	n.a.
RO	4.9y T-bonds	RO1722DBN045	3.40%	08.03.2022	RON 600 mn

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

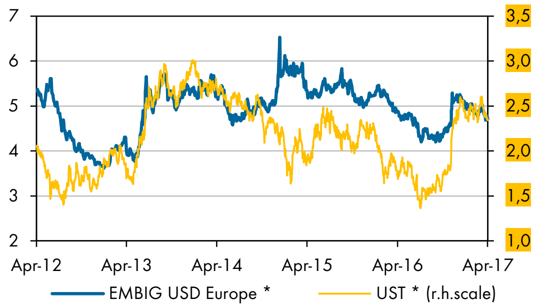
Eurobond market overview

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	101.2	101.3	-0.05	111.8	100.3	-0.64	-7	0.2	XS0802005289
CROATI 5 7/8 07/09/18	107.0	107.4	0.00	112.1	97.2	0.09	71	1.2	XS0645940288
REPHUN 3 7/8 02/24/20	110.5	111.0	-0.06	113.1	74.9	0.13	85	2.8	XS0212993678
REPHUN 4 3/8 07/04/17	101.2	101.3	-0.07	108.0	83.8	-0.90	-33	0.2	XS0284810719
REPHUN 5 3/4 06/11/18	107.2	107.4	0.05	115.1	86.3	-0.47	13	1.1	XS0369470397
REPHUN 6 01/11/19	110.8	110.9	0.05	118.4	86.4	-0.16	58	1.7	XS0625388136
LITHUN 4.85 02/07/18	104.4	104.6	-0.11	114.3	100.4	-0.59	-4	0.8	XS0327304001
POLAND 5 5/8 06/20/18	106.9	107.5	0.04	122.6	102.1	-0.38	22	1.1	XS0371500611
POLAND 1 5/8 01/15/19	102.9	103.3	-0.08	105.5	98.0	-0.11	64	1.8	XS0874841066
POLAND 3 3/4 01/19/23	117.8	118.5	-0.11	125.5	99.9	0.55	91	5.3	XS0794399674
POLAND 3 3/8 07/09/24	116.6	117.4	-0.16	125.6	99.6	0.94	109	6.4	XS0841073793
ROMANI 4 7/8 11/07/19	112.0	112.3	0.00	117.8	99.3	0.14	89	2.4	XS0852474336
TURKEY 5 7/8 04/02/19	109.4	109.8	0.03	118.9	106.8	0.95	173	1.9	XS0285127329
TURKEY 5 1/8 05/18/20	109.7	110.1	0.23	115.9	101.4	1.82	253	2.8	XS0503454166
USD									
BELRUS 8.95 01/26/18	103.5	103.9	0.44	111.2	78.0	4.17	318	0.8	XS0583616239
CROATI 6 3/8 03/24/21	110.7	111.1	0.18	117.8	91.7	3.40	175	3.5	XS0607904264
CROATI 5 1/2 04/04/23	108.3	108.8	0.49	111.7	94.4	3.89	188	5.1	XS0908769887
REPHUN 5 3/8 02/21/23	110.6	110.9	0.23	115.6	93.5	3.34	137	5.0	US445545AH91
REPHUN 7 5/8 03/29/41	147.6	148.3	n.a.	158.1	87.4	4.38	159	13.2	US445545AF36
LITHUN 7 3/8 02/11/20	114.0	114.3	0.21	130.7	112.8	2.20	78	2.6	XS0485991417
LITHUN 6 5/8 02/01/22	117.6	117.9	0.24	128.6	107.4	2.67	84	4.2	XS0739988086
LATVIA 2 3/4 01/12/20	101.4	101.8	0.08	104.5	91.4	2.16	75	2.6	XS0863522149
LATVIA 5 1/4 06/16/21	111.0	111.4	0.09	117.2	96.0	2.41	71	3.7	XS0638326263
POLAND 6 3/8 07/15/19	109.7	109.9	-0.14	125.9	109.7	1.92	62	2.1	US731011AR30
POLAND 3 03/17/23	100.0	100.4	n.a.	105.4	87.9	2.97	98	5.4	US731011AT95
ROMANI 6 3/4 02/07/22	116.1	116.5	0.15	123.7	99.1	3.08	127	4.1	US77586TAA43
ROMANI 4 3/8 08/22/23	105.9	106.3	0.51	111.2	90.6	3.30	126	5.5	US77586TAC09
RUSSIA 4 1/2 04/04/22	106.5	107.0	0.48	114.7	82.0	3.02	116	4.5	XS0767472458
RUSSIA 7 1/2 03/31/30	120.5	120.8	0.11	128.6	99.6	2.38	-6	3.9	XS0114288789
RUSSIA 5 5/8 04/04/42	110.8	111.7	0.98	124.9	76.0	4.84	201	13.9	XS0767473852
SERBIA 5 1/4 11/21/17	101.9	102.1	-0.03	107.1	96.8	1.88	93	0.6	XS0856951263
SERBIA 4 7/8 02/25/20	104.1	104.5	0.44	105.4	89.6	3.30	187	2.7	XS0893103852
TURKEY 6 1/4 09/26/22	107.1	108.0	0.61	127.0	102.5	4.66	275	4.6	US900123BZ27
TURKEY 6 7/8 03/17/36	109.4	109.9	1.03	139.6	99.2	6.01	339	10.9	US900123AY60
TURKEY 6 3/4 05/30/40	108.1	109.0	1.34	139.4	97.3	6.06	330	11.8	US900123BG46
UKRAIN 7 3/4 09/01/19	101.4	101.8	-0.59	102.3	90.4	7.01	568	2.1	XS1303918269
UKRAIN 7 3/4 09/01/23	94.6	95.1	0.11	100.1	90.9	8.82	676	4.9	XS1303921487
UKRAIN 7 3/4 09/01/27	91.7	92.2	-0.05	98.8	88.7	8.95	660	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 07 Apr 2017, 9:45 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	13.1	1029	-1.5	84.2	23.1	2.6	91.5	32.4	9.1
	2017e	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
	2017e	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
	2017e	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
	2017e	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
	2017e	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
	2017e	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
	2017e	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
	2017e	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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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 Russia	2Y Turkey	BG EUROBOND EUR	BY EUROBOND USD
24/03/2017	Hold	Hold	Hold	Hold	|	|
15/03/2017	|	|	|	|	|	|
24/02/2017	|	|	Sell	|	|	|
25/01/2017	Hold	Hold	Hold	Hold	|	|
24/01/2017	|	|	|	|	|	Hold
15/12/2016	Hold	Hold	Buy	Sell	|	|
28/11/2016	|	|	|	|	Hold	|
24/11/2016	|	|	Hold	|	|	|
21/10/2016	|	|	|	|	|	Sell
26/09/2016	|	|	|	|	Buy	|
23/09/2016	Hold	Hold	Buy	Sell	|	|
26/08/2016	|	|	|	|	|	|
25/08/2016	Hold	Hold	Buy	Sell	|	|
29/07/2016	Hold	Hold	Buy	Sell	Hold	|
27/07/2016	|	|	|	|	|	|
21/07/2016	|	|	|	Sell	|	|
20/06/2016	Hold	Hold	Buy	Buy	Buy	Hold
31/05/2016	Hold	Hold	Buy	Buy	|	|
13/05/2016	|	|	|	|	Hold	Hold
26/04/2016	Hold	Hold	Hold	Hold	Hold	Hold
20/04/2016	|	|	|	|	Buy	Hold

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

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

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

Date	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
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	Hold	Buy	Hold	Hold
31/05/2016	|	|	|	|
13/05/2016	Hold	Hold	Hold	Hold
26/04/2016	Hold	Buy	Buy	Hold
20/04/2016	Hold	Buy	Buy	Hold

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