

Market snapshot

	curr.*	Jun-17	Sep-17	Dec-17
Poland				
EUR/PLN	4.221	4.35	4.30	4.25
Key rate	1.50	1.50	1.50	1.50
10y bond	3.4	3.9	4.2	4.3
Hungary				
EUR/HUF	311.8	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	27.02	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	4.531	4.50	4.45	4.45
Key rate	1.75	1.75	1.75	1.75
10y bond	3.9	4.3	4.4	4.7
Croatia				
EUR/HRK	7.483	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	57.24	60.0	60.0	62.0
Key rate**	9.75	9.50	9.00	9.00
10y bond**	7.7	8.7	8.5	8.4
Turkey				
USD/TRY	3.561	3.90	3.80	4.10
Key rate	8.00	8.00	8.00	10.00
10y bond	10.1	11.5	11.7	11.0
EUR/USD	1.087	1.03	1.02	1.02

* prices as of 27 April 2017, 11:59 p.m. CEST

** under revision

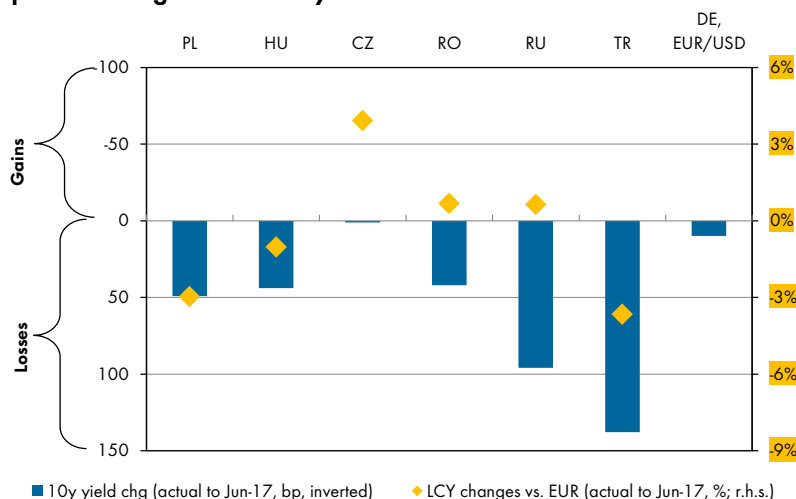
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

The interruption of the disinflation year-to-date coming-in stronger than initially anticipated by us, coupled with the most recent weakness of RUB vs USD make us expect only a 25bp cut by the Russian central bank today. Following today's (28 April) CBR base rate decision, we will fix our key rate forecasts that we have put under revision last week. We can already betray that we expect a continuation of a measured easing cycle, but at a somewhat faster pace which also improves the outlook for Russian OFZs. This holds true despite the recent RUB weakening which comes in line with our expectations of a moderately bearish short-term outlook for RUB (see also country comment). In our "CEE Debt Market Strategy" to be released later today we will present our updated debt market recommendations. In a nutshell, we maintain our basically constructive view with high-yielding markets RU and TR having the most short-term appeal to us. For the latter this holds especially true since the TCMB tightened (theoretically) monetary conditions during this week in order to increase its capabilities to shield TRY markets in case of elevated market stress. In CEE low-yielders the recent CZK weakening towards pre-CZKexit levels offers the opportunity to add exposure in longer-dated CZGBs. Nevertheless, given the immense inflow of speculative capital we are unlikely to see sustainable CZK appreciation in the near term (read more in our "FX Quarterly" published 24 April). However, our conviction remains high that CZK will sooner or later move stronger towards fundamentally more justified levels. Next week the Romanian rate setting meeting should be a non-event with the BNR likely maintaining its wait-and-see stance. The Romanian credit story remains under pressure, though, with the law on another wave of public wage increases taking its toll on the budget structure from 2018 (if passed by the parliament). In Croatia the focus will shift to the political scene next week. Into the bargain fights emerged between the government coalition parties adding to the uncertainties stemming from the Agrokor case. In terms of MP decision, we will also monitor the first post-CZKexit rate setting, especially in terms of the CNB's possibly updated view on future Czech interest rates. The CNB could be interested in fuelling rate hike expectations in order to secure some CZK strengthening (the ultimate monetary policy goal behind the CZKexit decision).

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

Expected changes from today until June 2017



RU under revision

Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
28-Apr	RU: Key rate, %	Apr	9.50	9.50	9.50	9.25	9.75
02-May	PL: PMI, points	Apr	53.1	54.5	53.8	53.1	53.5
02-May	CZ: PMI, points	Apr	57.1	58.0	57.5	56.3	57.5
04-May	CZ: Key rate, %	May	0.05	n.a.	n.a.	n.a.	0.05

Source: Bloomberg, RBI/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 21 April					Friday 28 April						
HR: Unemployment rate, % yoy	Mar	14.4	14.3	15.3	SI: CPI, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	1.9
UA: Industrial output, % yoy	Mar	-2.7	n.a.	-4.6	SI: Retail sales, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	16.8
Tuesday 25 April					HR: Industrial output, % yoy	Mar	2.8	n.a.	n.a.	n.a.	2.3
HU: Key rate, %	Apr	0.90	0.90	0.90	RS: Industrial output, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	-1.70
Wednesday 26 April					RS: Retail sales, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	1.1
PL: Unemployment rate, % yoy	Mar	8.1	8.2	8.5	RU: Key rate, %	Apr	9.50	9.50	9.50	9.25	9.75
TR: Key rate, %	Apr	8.00	n.a.	8.00	BG: Key rate, %	May	n.a.	n.a.	n.a.	n.a.	0.00
Friday 28 April					Tuesday 02 May						
HU: Unemployment rate, % yoy	Mar	4.2	4.3	4.4	RO: Unemployment rate, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	5.4
					RU: Manufacturing PMI, points	Apr	n.a.	n.a.	n.a.	n.a.	52.4
					RU: Services PMI, points	Apr	n.a.	n.a.	n.a.	n.a.	56.6
					RU: Composite PMI, points	Apr	n.a.	n.a.	n.a.	n.a.	56.3
					PL: PMI, points	Apr	53.1	54.5	53.8	53.1	53.5
					HU: PMI, points	Apr	n.a.	n.a.	n.a.	n.a.	56.0
					TR: PMI, points	Apr	n.a.	n.a.	n.a.	n.a.	52.3
					CZ: PMI, points	Apr	57.1	58.0	57.5	56.3	57.5
					Wednesday 03 May						
					HU: Trade balance, EUR mn	Feb	n.a.	n.a.	n.a.	n.a.	911
					TR: CPI, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	11.3
					RS: GDP, % yoy	Q1	n.a.	n.a.	n.a.	n.a.	2.5
					Thursday 04 May						
					RO: Retail sales, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	7.8
					HU: Retail sales, % yoy	Mar	4.0	n.a.	n.a.	n.a.	1.2
					SK: Retail sales, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	5.6
					CZ: Key rate, %	May	0.05	n.a.	n.a.	n.a.	0.05
					Friday 05 May						
					HU: Industrial output, % yoy	Mar	5.0	n.a.	n.a.	n.a.	7.0
					RO: Key rate, %	May	1.75	1.75	1.75	1.75	1.75
					RU: CPI, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	4.3

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Albania (AL) – Getting closer to the general elections, the political crisis in Albania goes on. The political forces missed the opportunity to resolve the crisis early this week, when two EU negotiators came to mediate the political conflict between the leading majority and the opposition. The offer appeared to be convenient for the opposition as the general elections would have been postponed to mid-July, key ministers of the cabinet would have been replaced in line with the opposition's preferences in order to increase the legitimacy of the government, and the head of the electoral authority would have been elected from within the opposition. However, the opposition stuck to its call for a caretaker government and the introduction of an electronic vote system to ensure free and fair elections. Later this week, the third round of the presidential election failed as the parliamentary majority has declared to go for a consensual president. If the president will not be elected within five rounds, according to the constitution the current parliament will be resolved and early elections must take place in within the next 45 days.

Financial analyst: Valbona Gjeka (+355 42 381 000 2714), Raiffeisen Bank Sh.a., Tirana

Croatia (HR) – During the week Agrokor remained the hot topic among market participants. According to the local media, the first deputy chairman of the Sberbank, Mr. Poletayev said that they are considering the possibility of selling EUR 1.1bn of loans granted to Agrokor and are in talks with buyers on the international markets. Besides that, AlixPartners, as one of the leading global restructuring advisors, have been selected to advise in the restructuring process of the Agrokor Group. However, as we have stressed already, the (negative) effects on the GDP could be particularly pronounced if we witness a chaotic way out of this situation. However, if the whole process gets well managed and coordinated, the consequences for the GDP could be much milder. In the short run, the biggest impact could be seen through suffering corporate investments. As for the consumption, we do not expect any significant impact, at least not in the short run. At yesterday's session the Croatian government confirmed its confidence and support to the Minister of Finance Mr. Marić despite the fact that three out of the four MOST ministers voted against. As the PM requested dismissal of the MOST ministers, the speculation about the stability of the government started. Therefore, in the upcoming week the focus will shift definitely to the political area.

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

Czech Republic (CZ) – The monetary policy meeting of the Czech National Bank will attract the most attention, as it will be the first regular monetary meeting since the FX commitment was abandoned. The CNB should keep its monetary stance unchanged. Besides the monetary decision, the central bank will publish its quarterly macroeconomic forecasts. It will be interesting whether the outlook for interest rates has changed at all, as the latest prognosis expects money market rates to go up as soon as mid-2017. In contrast, we foresee an increase in interest rates starting only in the second quarter of 2018. In terms of the exchange rate, for the time being the koruna is remain-

ing close to EUR/CZK 27.0. Even though good macroeconomic fundamentals would speak in favour of a far stronger koruna, the transition period after the FX cap removal will take some time. Regarding macroeconomic data releases in the upcoming week, only the PMI index is due. The PMI index is currently at a very high level, and in April we expect it to decline slightly towards 57.1 points.

Financial analyst: Daniela Milucka (+420 234 40 1498), Raiffeisenbank a.s., Prague

Hungary (HU) – The National Bank of Hungary has left its key rate and its dovish forward guidance untouched at its latest rate setting meeting on Tuesday. This was in line with expectations, therefore, has not caused large market movements. The BUBOR rates, especially at the belly of the curve, have remained more or less unchanged – the 3-month rate has been at its lowest of 0.16% for already 3 weeks now. The yield curve, especially at the longer end, flattened a bit. The 10-year maturity fell by 1bp to 3.31%. These movements were in line with the regional trend seen so far during the week. The HUF weakened a bit on the government communication against NGOs, but has not underperformed its regional peers – the EUR/HUF increased somewhat but remained close to the levels seen before the rate decision. Looking ahead, we see no big movements in the coming weeks. During the next week, Hungary's statistical office will release March retail sales and industrial output data. Our expectation is for a further expansion of the retail (4% yoy) and the industrial/manufacturing (5% yoy) sectors.

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

Poland (PL) – Rating agency S&P confirmed its rating for Poland at BBB+ with a stable outlook. Despite the high expenditures on social transfers and the lowering of retirement age, the agency positively assessed the budget performance in 2017 – mainly due to the increasingly visible acceleration of economic growth. However, this remains the main source of risk and if economic activity was to expand at a higher pace, it could become a trigger for a revision of the rating outlook. Meanwhile the unemployment rate fell in March by 1.8pp yoy to 8.1% which indicates the acceleration of the downward trend (in Feb it was -1.7pp). If the current pace does not change, we expect the unemployment rate to decline below 7% in Q3 2017. The upcoming week will bring the first readings on the macroeconomic performance in April, while on Tuesday we expect the PMI to continue the downward trend as the latest currency strengthening versus EUR may limit the new orders in exports.

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

Romania (RO) – A public budget surplus of 0.2% of GDP was recorded in Q1 2017, which was below the levels recorded in Q1 2016 (0.4% of GDP) and Q1 2015 (0.7% of GDP). The surplus resulted after a tight control of discretionary expenses with goods and services and due to an underperformance of capital expenses. The draft of the law regulating wages in the public sector backed by the ruling coalition formed of PSD and ALDE was submitted to the parliament, with the intention to vote it until end-June. The law aims to enforce significant increases of wages for all public servants in the period 2018-2022, driving personnel expenses substantially upwards. According to the Fiscal Council's computations, total wage expenses in the public sector would amount to around 12% of GDP in 2022, significantly above their level in 2017 (8.4% of GDP).

The main event of the upcoming week is the monetary policy meeting to take place on 5 May. We expect the Central Bank (NBR) to remain on hold, keeping the key interest rate (1.75%) and the other monetary policy instruments unchanged. Moreover, a "wait-and-see" approach is likely to dominate further the NBR's rhetoric. Also, the NBR Board will approve the Inflation Report containing the new inflation forecast. The most recent inflation forecast from February put the inflation rate at 1.7% at end-2017 and at 3.4% at end-2018; we do not expect any significant revision.

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

Russia (RU) – Recently, the CBR published an update on the external debt repayment schedule. According to the document, in Q2 2016 corporates are expected to repay USD 15.3 bn with a peak of USD 7.1 bn in June (due to scheduled repayments by large companies). The CBR estimates that these borrowers have enough FX liquidity to cover these liabilities. We note that another peak repayment (USD 10.5 bn) seen this March was hardly visible both for USD/RUB and for the costs of FX liquidity. This suggests that almost 100% of external debt scheduled for repayment is refinanced abroad. At the same time, we do not rule out that the lack of investment incentives could make Russian companies choose debt repayment out of accumulated FX-denominated cash held with Russian banks instead of refinancing. In this case additional upward pressures for FX costs on the local market could arise. Regardless, the banking sector has to repay USD 3.1 bn of external debt in May while the refinancing rate for the banks is around 25-30%. FX liquidity outflow in such amounts seems rather high given that the current account surplus next month is unlikely to exceed USD 2 bn (at the current oil price and the current USD/RUB rate). Under such circumstances the Minfin's FX purchases could have a significant impact on the FX market which feeds our expectations of weaker rouble as a consequence.

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

Serbia (RS) – The next week is shorter due to the Labor Day holiday (1 and 2 May), but is also anyway rather data empty. Public Debt Management (PDA) will hold next week the first auction in May (3y RSD 20 bn), which is the second reopening of this bond introduced in early-April (total amount planned to be issued is RSD 110 bn). So far, PDA sold RSD 30 bn and the yield was almost fixed at 5%, though the market has been bidding higher premiums. Efficient tax revenue collection and prudent cost management supported PDA to avoid paying the inflation premium in Q1 that was required by the investors. The most recently voiced expectation of Mr Vucic that the budget

might report a surplus for the entire 2017, may perhaps be also supportive for the yields staying more or less on a standstill or achieving only moderate growth in the coming period.

The dinar has continued to strengthen against the euro amid abundant RSD supply amid scarce Ministry of Finance T-bills and repo supply, but also sound economy sentiment, making FX interventions unnecessary.

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

Slovakia (SK) – According to Eurostat, Slovak public deficit reached a 1.68% of GDP in 2006. The outcome is a bit lower than the budgeted 1.9% of GDP. Our expectation on deficit were much worse at 2.5% of GDP due to higher unbudgeted expenditures like salary increase for public servants, investments related to Jaguar automotive factory etc. But the better tax and social contribution revenues (by 1.2% of GDP) created a space for higher expenditures while leaving the some room for lower deficit.

Based on the 2016 outcome, we see some positive risk to our forecast of budget deficit in coming years (currently -2% of GDP for 2017-2019). Nevertheless, we are still sceptical that the government will reach a balanced budget in 2 years. Opposition parties refused the proposal for the revision of a constitutional Debt brake law due to “needs for financing of large infrastructure project”. Therefore, we expect that better tax revenues will be used for this purpose. Also the promise of reaching a balanced budget we do not perceive as very strong.

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

Monetary policy and money markets overview

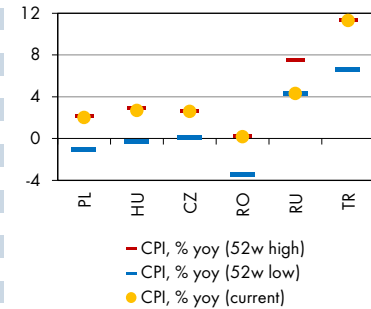
CEE key interest and money markets outlook

	current*	Jun-17	Sep-17	Dec-17	5y high	5y low
Poland						
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	0.16	0.20	0.20	0.20	7.23	0.16
Czech Republic						
Key interest rate	0.05	0.05	0.05	0.05	0.75	0.05
3m money market rate	0.29	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	0.89	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 **	9.81	10.00	9.50	9.50	29.93	6.74
Serbia						
Key interest rate	4.00	4.00	4.00	4.00	11.75	4.00
3m money market rate	3.56	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	12.64	12.50	12.70	11.50	12.64	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

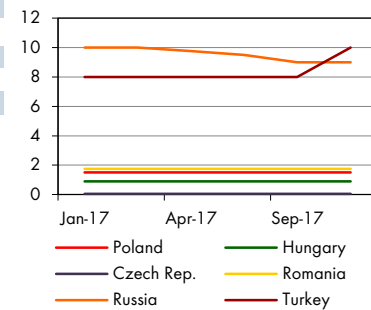
Source: Bloomberg, RBI/Raiffeisen RESEARCH
 * Bid rates (for Hungary ask rates) as of 27 April 2017, 11:59 p.m. CEST
 ** under revision

Inflation snapshot



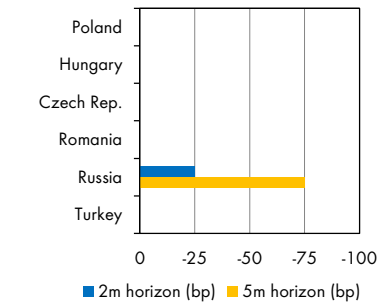
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



RU under revision
 Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	May	Jun
Poland (NBP)	12	7
Hungary (MNB)	23	20
Czech Republic (CNB)	4	29
Romania (BNR)	5	/
Serbia (NBS)	12	8
Russia (CBR)	/	16
Turkey (TCMB)	/	15

Source: National Central Banks, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	Recent strong wage growth data are unlikely to unnerve the NBP which is sticking to its wait-and-see stance. We see revived rate hike expectations as premature as real wage growth is set to be further curbed by Ukrainian immigrants. Although we will monitor possible wage inflation closely in the upcoming period, at this juncture we would not bet on rate hikes starting already this year.
Hungary (MNB)	Skyrocketing wage growth underpins the strong reflation trend. MNB continues to explicitly target further depression of BUBORs via unconventional measures. MNB CPI forecasts might be too low but higher inflation will trigger the curbing of excess liquidity first before hiking rates. A renewal of the MP toolkit is also on the cards as the reduction of the amounts that are allowed to be placed in the 3m deposit facility are further decreasing.
Czech Republic (CNB)	CNB managed a smooth CZKexit on 6 April. We assume that the CNB will intervene in the local FX market only in case of excess volatility (possibly on both sides) until EUR/CZK finds a new equilibrium. We still see no rate hikes on the horizon as CPI inflation is set to moderate going forward and CZK appreciation is likely to get more pronounced in the course of this year.
Romania (BNR)	Fiscal risks continue to rise; we therefore expect the BNR to finally end procyclical policies in H2 2017. According to the BNR, narrowing of the interest corridor could be the first step in this direction. Only after liquidity tightening happens, rate hikes could start as early as 2018.
Serbia (NBS)	Despite the latest rise in CPI headline inflation well above the 3% mid-target, the NBS is set to maintain its neutral MP stance. As the overshoot might be temporary and the rate differential versus core markets is still sufficient in our view we expect a stable base rate on our entire forecast horizon.
Russia (CBR)	As inflation has fallen to new record-lows and is approaching the bank's 4% target, we put our presumably too cautious forecasts under revision. We tend to expect another 25bp rate cut on 28 April while the full-year amount of rate cuts is also likely to get higher than initially anticipated.
Turkey (TCMB)	TCMB hiked late liquidity window (LLW) by 50bp most recently through which about 90% of liquidity has been provided in April in order to increase the room to manoeuvre (TCMB was maxing out in terms of its tightening tools). As the TCMB projects inflexion point of inflation for mid-2017 it plans to muddle through so long (1w repo: 8.00%, o/n lending rate: 9.25%, LLW: 12.25%). However, we still believe that MP simplification is unavoidable.

Source: RBI/Raiffeisen RESEARCH

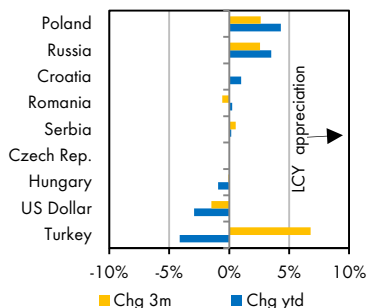
Foreign exchange market overview

FX forecasts

EUR vs	current*	Jun-17	Sep-17	Dec-17	5y high	5y low	Comment
PLN	4.221	4.35	4.30	4.25	4.40	4.08	Zloty supported by improved risk sentiment following first round of French elections; after strong appreciation trend that brought PLN towards 4.20 against the euro we would still see potential for some renewed PLN setback towards EUR/PLN 4.30
HUF	311.8	315	310	315	316	291	MNB remaining very dovish which in return weighs on the forint, counterbalancing positive effects of economic improvement; EUR/HUF to remain in old range of 305-315 for the coming months
CZK	27.02	26.0	26.5	25.9	27.7	25.1	Koruna remains at elevated levels after the FX regime abandoning due to large speculative positions; volatility expected to increase as speculative positions are closed
RON	4.531	4.50	4.45	4.45	4.54	4.45	Following some budget induced uncertainties EUR/RON has moved back towards 4.50
HRK	7.483	7.40	7.45	7.50	7.66	7.50	Political uncertainty could boost EUR/HRK toward higher levels while the start of the tourist pre-season and the stronger demand for kuna provide support for a stronger local currency
RSD	123.2	123	124	125	125	112	RSD seeing some moderate strengthening against the euro following the presidential elections
RUB	62.20	61.8	61.2	63.2	79.3	40.3	see USD/RUB below
UAH	28.85	27.8	27.5	28.6	28.6	10.6	see USD/UAH below
BYN	2.039	2.09	2.18	2.28	2.28	1.13	see USD/BYN below
TRY	3.870	4.02	3.88	4.18	4.18	2.35	see USD/TRY below
USD	1.087	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

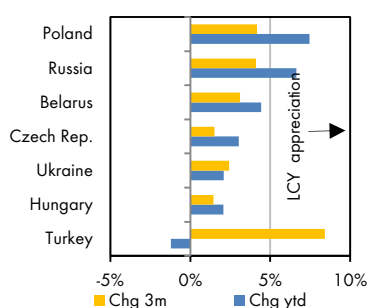
USD vs	current*	Jun-17	Sep-17	Dec-17	5y high	5y low	Comment
RUB	57.24	60.0	60.0	62.0	73.0	30.5	Verbal and direct interventions, debt repayments together with another interest rate cut should contribute to RUB weakening
UAH	26.55	27.0	27.0	28.0	28.0	8.05	Uncertainties over IMF program and the situation in Donbas to weigh on UAH; resignation of central bank governor additional negative; administrative measures of central bank prevent UAH depreciation
BYN	1.876	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	3.561	3.90	3.80	4.10	4.10	1.78	Vote on implementation of presidential system and central bank action with short-term support for TRY, but risks for lira remain high due to weakening economic conditions, uncertain political development and expectation of a

Change of LCY value to EUR (%)



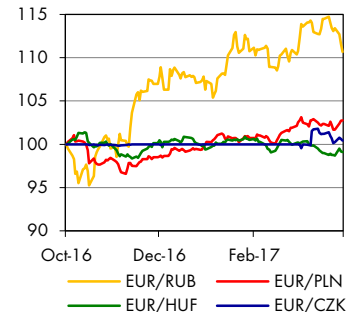
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

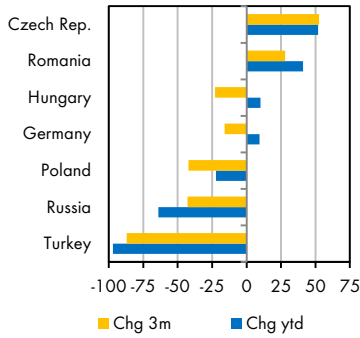
Exchange rate comparison



Indexed 27 Oct-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

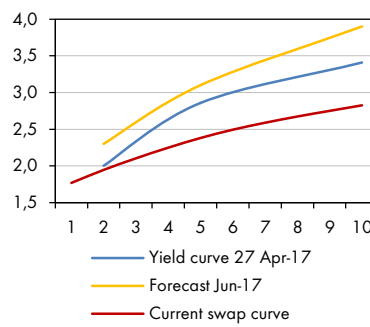
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



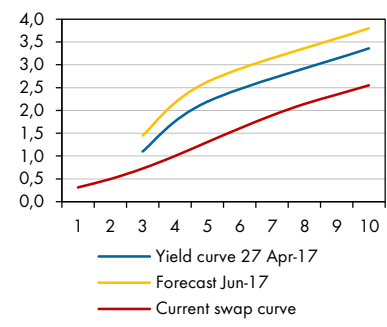
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



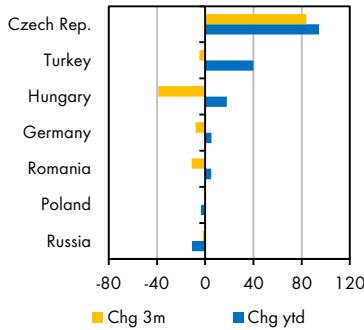
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



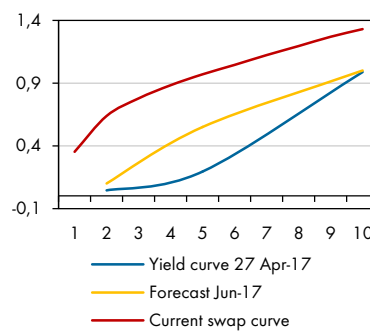
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



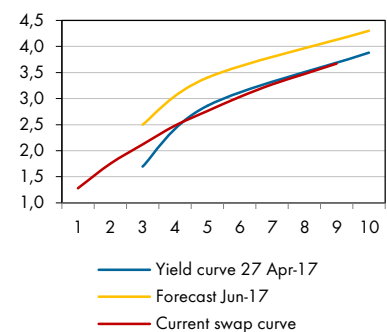
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



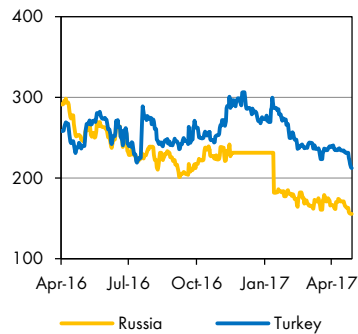
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



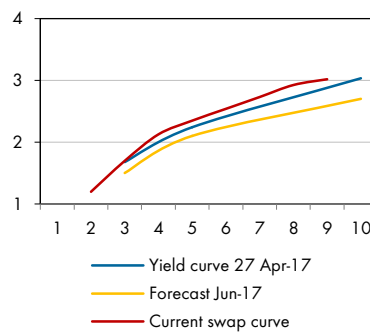
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



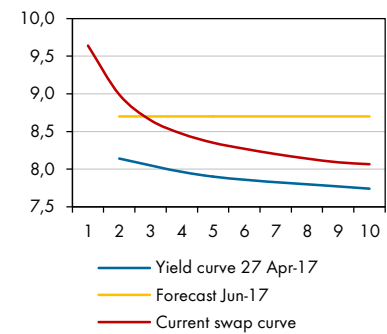
Turkey 5y high 327.1, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RUB yield curve*



*under revision
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	2.00	2.3	2.4	2.4	3.1	1.6	Poland	3.41	3.9	4.2	4.3	4.3	2.5
Hungary **	1.10	1.5	1.6	1.7	5.7	0.9	Hungary	3.36	3.8	4.1	4.3	6.2	3.3
Czech Republic	0.05	0.1	0.1	0.1	0.5	-0.9	Czech Republic	0.99	1.0	1.2	1.3	2.5	0.5
Romania	1.70	2.0	2.1	2.4	6.4	1.5	Romania	3.88	4.3	4.4	4.7	6.9	3.5
Croatia	1.68	1.5	1.5	1.6	4.4	0.9	Croatia	3.03	2.7	2.7	2.7	5.2	2.7
Russia***	8.14	8.7	8.5	8.3	15.8	6.2	Russia***	7.74	8.7	8.5	8.4	14.1	6.9
Turkey	11.10	11.7	11.7	10.9	11.0	6.1	Turkey	10.12	11.5	11.7	11.0	11.1	6.6
Germany	-0.77	-0.8	-0.7	-0.7	0.2	-0.8	Germany	0.30	0.4	0.6	0.8	1.9	0.1
USA	1.25	1.5	1.8	1.9	1.9	0.2	USA	2.30	2.6	2.9	3.0	3.0	1.8

* Bid yields as of 27 April 2017, 11:59 p.m. CEST; ** 3y yield; *** under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

	Maturity	Coupon (%)	Bid Price	YTM (%)	Spread to Bunds (bp)	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25/04/2019	0.00	96.16	2.00	274	2.0	Recent favorable economic news lent additional support to POLGBs after the reflation trade had faded and core market developments continue creating a favorable external backdrop. We still see the risks of substantially rising POLGB yields contained as rate hike bets may be still exaggerated.
PLN 5y Gov. Bond	25/04/2022	2.25	97.24	2.85	324	4.8	
PLN 10y Gov. Bond	25/07/2027	2.50	92.29	3.40	309	8.9	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	99.87	1.04	172	3.3	Ultra-loose monetary conditions coupled with MNB incentives keep HGBs well-bid as witnessed also at the latest auctions. Nevertheless, we project moderately higher HGB yields going forward as inflation premia might be currently too low.
HUF 5y Gov. Bond	26/10/2022	1.75	98.05	2.13	252	5.2	
HUF 10y Gov. Bond	27/10/2027	3.00	97.37	3.30	298	9.0	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	109.89	-0.04	69	1.9	Post-CZKexit bear flattening of the CZGB curve may have run out of steam which is in line with our baseline assumptions. Given the latest CZK weakening towards the former 27 cap levels, adding exposure in long-end government bonds is worth considering.
CZK 5y Gov. Bond	29/09/2021	3.85	116.38	0.12	51	4.1	
CZK 10y Gov. Bond	26/06/2026	1.00	101.22	0.86	55	8.7	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	105.06	0.96	134	1.2	After the recent political events we expect lower trading volumes on the domestic bond market.
HRK 10y Gov. Bond	14/12/2026	4.25	109.99	3.04	273	8.1	
Romania							
RON 2y Gov. Bond	29/04/2019	2.50	101.73	1.60	228	1.9	We continue to expect a further rising credit risk premium due to the renewed increase of fiscal risks. Whilst we maintain our Hold recommendation, ROMGBs are expected to further underperform regional peers.
RON 5y Gov. Bond	08/03/2022	3.40	102.54	2.83	322	4.5	
RON 10y Gov. Bond	26/07/2027	5.80	115.94	3.89	357	7.9	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	99.18	8.14	887	1.8	We are currently revisiting our base rate projections, and therefore for OFZ yields as well. We can betray that the revisions will mirror improved prospects for Russian rouble government bonds.
RUB 5y Gov. Bond	18/08/2021	7.50	99.09	7.90	829	3.7	
RUB 10y Gov. Bond	03/02/2027	8.15	103.75	7.74	742	7.0	
Turkey							
TRY 2y Gov. Bond	11/07/2018	8.70	97.33	11.11	1184	1.1	With ongoing support from still favorable global EM sentiment for post-referendum TRY markets and the recently improved inflation fighting credibility of the central bank after the surprise MP tightening we see juice left in our short-term opportunistic long TURKGB trade.
TRY 5y Gov. Bond	02/03/2022	11.00	102.00	10.46	1085	4.0	
TRY 10y Gov. Bond	24/02/2027	11.00	105.40	10.14	982	6.5	

Data as of 28 April 2017, 09:59 a.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

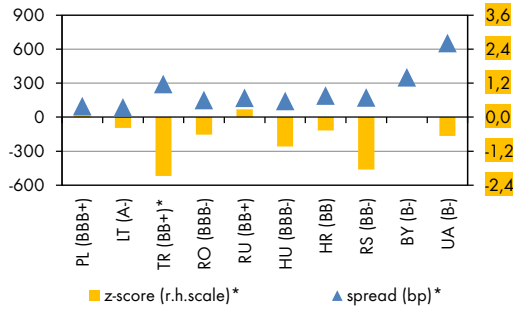
Bond auctions

	ISIN	Coupon	Maturity	Volume
03 May				
HU	T-bond	n.a.	FRN	n.a.
04 May				
RS	3y T-bond	n.a.	05.04.2020	RSD 20 bn
RO	7y T-bond	n.a.	3.25%	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

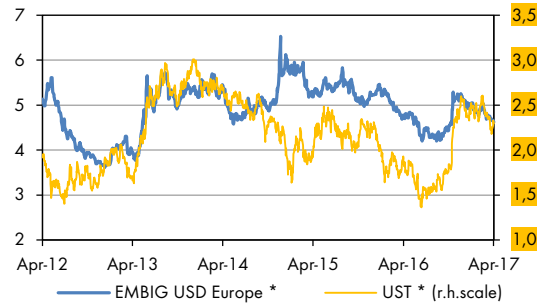
Eurobond market overview

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

Issuer/rate/due	Market Price			5y max	5y min	YTM mid. % p. a.	Spread Bmk, bp	Mdur. years	ISIN
	Bid	Ask	w/w %						
EUR									
BGARIA 4 1/4 07/09/17	101.5	101.8	0.62	111.8	100.3	-4.30	-381	0.2	XS0802005289
CROATI 5 7/8 07/09/18	106.5	106.8	-0.32	112.1	97.2	0.28	90	1.1	XS0645940288
REPHUN 3 7/8 02/24/20	110.1	110.9	-0.12	113.1	76.4	0.13	83	2.7	XS0212993678
REPHUN 4 3/8 07/04/17	100.7	101.1	-0.18	108.0	84.9	-0.75	-19	0.2	XS0284810719
REPHUN 5 3/4 06/11/18	106.7	107.0	-0.28	115.1	86.3	-0.41	19	1.1	XS0369470397
REPHUN 6 01/11/19	110.3	110.8	-0.21	118.2	87.7	-0.19	53	1.6	XS0625388136
LITHUN 4.85 02/07/18	103.9	104.2	-0.28	114.3	100.4	-0.44	12	0.8	XS0327304001
POLAND 5 5/8 06/20/18	106.8	106.9	-0.12	122.6	102.1	-0.37	23	1.1	XS0371500611
POLAND 1 5/8 01/15/19	102.9	103.3	-0.06	105.5	98.0	-0.17	55	1.7	XS0874841066
POLAND 3 3/4 01/19/23	117.8	118.5	0.00	125.5	99.9	0.52	82	5.2	XS0794399674
POLAND 3 3/8 07/09/24	116.6	117.3	-0.27	125.6	99.6	0.93	104	6.4	XS0841073793
ROMANI 4 7/8 11/07/19	111.8	112.1	-0.04	117.8	99.3	0.11	83	2.4	XS0852474336
TURKEY 5 7/8 04/02/19	109.5	109.8	0.07	118.9	106.8	0.77	151	1.8	XS0285127329
TURKEY 5 1/8 05/18/20	109.7	110.2	-0.03	115.9	101.8	1.74	242	2.7	XS0503454166
USD									
BELRUS 8.95 01/26/18	103.5	103.9	-0.01	111.2	78.0	3.76	276	0.7	XS0583616239
CROATI 6 3/8 03/24/21	110.6	111.0	-0.20	117.8	91.7	3.40	178	3.5	XS0607904264
CROATI 5 1/2 04/04/23	108.6	109.1	-0.23	111.7	94.4	3.82	187	5.1	XS0908769887
REPHUN 5 3/8 02/21/23	111.0	111.8	0.45	115.6	93.5	3.21	128	5.0	US445545AH91
REPHUN 7 5/8 03/29/41	147.8	149.0	0.0	158.1	87.8	4.35	158	13.1	US445545AF36
LITHUN 7 3/8 02/11/20	113.8	114.1	-0.02	130.7	112.8	2.16	75	2.5	XS0485991417
LITHUN 6 5/8 02/01/22	117.4	117.8	-0.06	128.6	107.4	2.64	87	4.1	XS0739988086
LATVIA 2 3/4 01/12/20	101.2	101.6	-0.03	104.5	91.4	2.20	81	2.6	XS0863522149
LATVIA 5 1/4 06/16/21	110.8	111.3	-0.07	117.2	96.0	2.42	76	3.7	XS0638326263
POLAND 6 3/8 07/15/19	109.7	109.9	-0.05	125.9	109.7	1.81	52	2.0	US731011AR30
POLAND 3 03/17/23	99.8	100.2	0.1	105.1	87.6	3.00	106	5.3	US731011AT95
ROMANI 6 3/4 02/07/22	116.0	116.5	0.04	123.7	99.1	3.06	128	4.1	US77586TAA43
ROMANI 4 3/8 08/22/23	105.9	106.5	0.22	111.2	90.6	3.28	128	5.5	US77586TAC09
RUSSIA 4 1/2 04/04/22	106.9	107.4	0.15	114.7	82.0	2.93	112	4.4	XS0767472458
RUSSIA 7 1/2 03/31/30	120.5	120.8	0.05	128.6	99.6	2.32	-8	3.8	XS0114288789
RUSSIA 5 5/8 04/04/42	111.2	111.9	-0.10	124.9	76.0	4.82	202	13.9	XS0767473852
SERBIA 5 1/4 11/21/17	101.8	102.0	-0.03	107.1	96.8	1.75	77	0.5	XS0856951263
SERBIA 4 7/8 02/25/20	104.2	104.6	0.20	105.4	89.6	3.23	182	2.6	XS0893103852
TURKEY 6 1/4 09/26/22	108.3	109.2	0.31	127.0	102.5	4.41	254	4.6	US900123BZ27
TURKEY 6 7/8 03/17/36	112.4	112.9	0.47	139.6	99.2	5.77	317	10.9	US900123AY60
TURKEY 6 3/4 05/30/40	111.2	112.3	0.79	139.4	97.3	5.82	308	11.9	US900123BG46
UKRAIN 7 3/4 09/01/19	101.9	102.2	0.62	102.3	90.4	6.79	547	2.1	XS1303918269
UKRAIN 7 3/4 09/01/23	95.7	96.2	0.73	100.1	90.9	8.59	657	4.8	XS1303921487
UKRAIN 7 3/4 09/01/27	92.6	93.1	0.73	98.8	88.7	8.82	651	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 28 Apr 2017, 9:37 AM CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Summary: Ratings & macro data

Country ratings: CE, SEE, EE

	LCY	S&P FCY	Outlook	LCY	Moody's FCY	Outlook	LCY	Fitch 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	positive	A+	A+	stable
Slovenia *	A	A	positive	Baa3	Baa3	positive	A-	A-	stable
SEE									
Romania	BBB-	BBB-	stable	Baa3	Baa3	stable	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

Risk notifications and explanations

Warnings:

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

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Bonds

Distribution of short term recommendations (preceding 3 months prior to this publication)

Recommendation	Basis: all analysed Government bonds
Buy	12%
Hold	56%
Sell	32%
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
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						

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	
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

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
21/07/2016						
20/06/2016	Hold	Sell	Sell	Buy	Buy	Hold
31/05/2016						
13/05/2016	Hold	Hold	Hold	Hold	Hold	Hold

Date	LT EUROBOND EUR	LT EUROBOND USD	PL EUROBOND EUR	PL EUROBOND USD	RO EUROBOND EUR	RO EUROBOND USD
24/03/2017						
15/03/2017	Hold	Hold			Buy	Buy
24/02/2017						
25/01/2017						
24/01/2017	Buy					
15/12/2016		Buy			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	Hold
21/07/2016						
20/06/2016	Hold	Hold	Sell	Sell	Sell	Sell
31/05/2016						
13/05/2016	Hold	Hold	Sell	Sell	Hold	Hold

Date	RS EUROBOND USD	RU EUROBOND EUR	RU EUROBOND USD	SI EUROBOND EUR	SI EUROBOND USD	SK EUROBOND EUR
24/03/2017						
15/03/2017			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		Hold
25/08/2016						
29/07/2016		Buy	Buy			Sell
21/07/2016						
20/06/2016	Buy	Hold	Hold	Buy	Buy	Hold
31/05/2016						
13/05/2016	Buy	Hold	Hold	Buy	Buy	Hold

Date	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
24/11/2016		
21/10/2016	Buy	Buy
26/09/2016	Hold	
23/09/2016		
26/08/2016		
25/08/2016		
29/07/2016		
21/07/2016	Sell	
20/06/2016	Hold	Hold
31/05/2016		
13/05/2016	Hold	Hold

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