

Market snapshot

	curr.*	Sep-17	Dec-17	Mar-18
Poland				
EUR/PLN**	4.169	4.30	4.25	4.25
Key rate	1.50	1.50	1.50	1.50
10y bond**	3.3	4.2	4.3	4.4
Hungary				
EUR/HUF**	307.1	310	315	315
Key rate	0.90	0.90	0.90	0.90
10y bond**	3.1	4.1	4.3	4.4
Czech Republic				
EUR/CZK	26.44	26.5	25.9	25.6
Key rate	0.05	0.05	0.05	0.05
10y bond	0.8	1.2	1.3	1.4
Romania				
EUR/RON**	4.551	4.45	4.45	4.50
Key rate	1.75	1.75	1.75	2.00
10y bond	3.7	4.4	4.7	4.8
Croatia				
EUR/HRK	7.425	7.45	7.50	7.45
Key rate	2.50	2.50	2.50	2.50
10y bond**	3.0	2.7	2.7	2.8
Russia				
USD/RUB**	56.33	60.0	62.0	62.0
Key rate	9.25	8.50	8.25	8.00
10y bond	7.6	7.7	7.6	7.5
Turkey				
USD/TRY**	3.567	3.80	4.10	4.10
Key rate	8.00	8.00	10.00	10.00
10y bond**	10.3	11.7	11.0	10.5
EUR/USD	1.121	1.02	1.02	1.05

* prices as of 25 May 2017, 11:59 p.m. CEST

** under revision

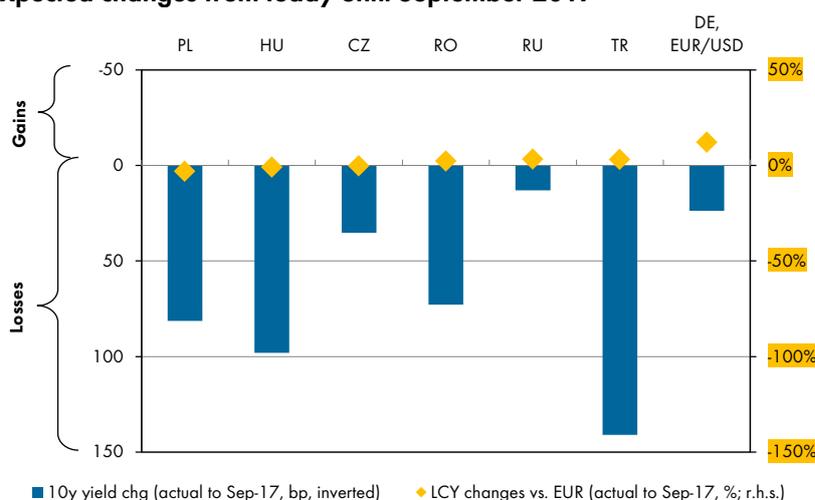
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

With the eagerly awaited OPEC meeting resulting in an extension of the production cut for another 9 months, the market reaction was negative. Oil prices declined sharply following the decision as investors had been looking for additional measures by OPEC. Then again reaction in typically oil sensitive currencies like the Russian rouble was muted with USD/RUB remaining largely unchanged at comparably strong levels. A strong RUB coupled with weaker oil prices could thereby bring Russian authorities back into play as already seen over recent months. Whereas we would not expect quick introduction of any FX intervention tool, the verbal intervention should continue – albeit as in previous months with likely very limited effects. Then again the Russian Central Bank (CBR), especially with inflation possibly reaching the 4% yoy inflation target, could opt to increase the speed and magnitude of its rate cutting cycle. We are currently expecting the CBR to continue with a rather cautious rate cutting cycle that should reduce the interest rate by an additional 100bp from current levels until end of 2017. The next key rate setting meeting in Russia is scheduled for 16 June. The Central Bank of Ukraine has, at its rate setting meeting this week, continued to cut its interest rate by another 50bp, leaving the key rate now at 12.5%. Taking into account the expectation of falling inflation rates this cut should not have been the last in Ukraine this year in our view. Meanwhile the Hungarian Central Bank (MNB) at its rate setting meeting this week again extended its toolkit aimed at boosting credit growth in the domestic economy. The MNB at the same time stated that it does not see any inflation risks, seeing consumer prices reaching its 3% yoy inflation target not before the first half of 2018. This extension of monetary stimulus should be seen in contrast to Hungary's peers like the Czech Republic or Poland where the focus is already towards the timing of upcoming interest rate hikes – something that should also be mirrored in the bond and FX markets over the coming months. In Romania the IMF concluded the Article IV consultations, revealing major fiscal risks in case authorities do not adjust current policies. Then again, at least for the time being, markets seem largely unfazed by the topic. The next week will feature important data such as the purchasing manager index data for May, retail and industrial output figures in the SEE region, as well as some final GDP figures for Q1.

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

Expected changes from today until September 2017*



* PL, HU, RU, TR, DE under revision
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
30-May	HR: Industrial output, % yoy	Apr	2.6	n.a.	n.a.	n.a.	0.0
01-Jun	PL: PMI, points	May	54.8	n.a.	n.a.	n.a.	54.1
01-Jun	CZ: PMI, points	May	57.9	n.a.	n.a.	n.a.	57.5

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 19 May					Tuesday 30 May						
PL: Industrial output, % yoy	Apr	-0.6	2.2	11.1	HR: Industrial output, % yoy	Apr	2.6	n.a.	n.a.	n.a.	0.0
PL: Retail sales, % yoy	Apr	8.1	9.9	9.7	HR: Retail sales, % yoy	Apr	6.8	n.a.	n.a.	n.a.	7.7
UA: Retail sales, % yoy	Apr	5.8	n.a.	3.1	Wednesday 31 May						
Monday 22 May					RO: Unemployment rate, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	5.3
RU: Unemployment rate, % yoy	Apr	5.3	n.a.	5.4	PL: GDP final, % yoy	Q1	4.0	n.a.	n.a.	n.a.	4.0
RU: Real wages, % yoy	Apr	2.5	2.2	1.5	PL: GDP final, % qoq	Q1	n.a.	n.a.	n.a.	n.a.	1.0
RU: Retail sales, % yoy	Apr	0.0	-0.1	-0.4	SI: CPI, % yoy	May	n.a.	n.a.	n.a.	n.a.	1.8
RU: Real disposable income, % yoy	Apr	-7.6	-1.5	-2.5	SI: Retail sales, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	10.4
Tuesday 23 May					HR: Real wages, % yoy	Mar	n.a.	n.a.	n.a.	n.a.	1.1
HR: Unemployment rate, % yoy	Apr	13.2	13.1	14.4	RS: Industrial output, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	0.9
HU: Key rate, %	May	0.90	0.90	0.90	RS: Retail sales, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	5.8
UA: Industrial output, % yoy	Apr	-6.1	n.a.	-2.7	RS: GDP final, % yoy	Q1	n.a.	n.a.	n.a.	n.a.	1.0
Thursday 25 May					PL: CPI, % yoy	May	2.0	n.a.	n.a.	n.a.	2.0
PL: Unemployment rate, % yoy	Apr	7.7	7.7	8.1	BG: Key rate, %	Jun	n.a.	n.a.	n.a.	n.a.	0.00
UA: Key rate, %	May	12.50	n.a.	13.00	Thursday 01 June						
Friday 26 May					RU: PMI, points	May	n.a.	n.a.	n.a.	n.a.	50.8
HU: Unemployment rate, % yoy	Apr	4.6	4.4	4.5	HU: PMI, points	May	n.a.	n.a.	n.a.	n.a.	55.9
					PL: PMI, points	May	54.8	n.a.	n.a.	n.a.	54.1
					CZ: PMI, points	May	57.9	n.a.	n.a.	n.a.	57.5
					Friday 02 June						
					RO: Retail sales, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	7.7
					CZ: GDP, % yoy	Q1	n.a.	n.a.	n.a.	n.a.	2.9
					CZ: GDP, % qoq	Q1	n.a.	n.a.	n.a.	n.a.	1.3

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Croatia (HR) – The current lethargy that flooded the local market will be halted with the upcoming economic data scheduled for the next week. On Tuesday the statistical office will deliver the retail trade and industrial production figures for April while the day after the first estimate of Q1 GDP is to be announced. After the stagnation in March we expect a solid growth rate of industrial output (+2.6% yoy) and retail trade (+6.8% yoy). Finally, Q1 GDP will very likely bring a continuation of favorable trends. With the expected 2.75% yoy growth rate, growth should be driven by personal consumption and exports of goods. Although we still stick to our projection of 3.3% yoy growth for the whole year 2017, mainly as a result of domestic demand growth, we have to stress the negative risks largely related to the consequences from the restructuring of Croatia's largest private company. It will be particularly challenging to see the fourth quarter while, on the other side, an exceptionally successful tourist season will drive the economy in a positive direction. The positive effect of the continued growth of exports of goods and services will be reduced by the growth in imports, which strengthens on the wings of tourism and domestic demand, given the still high import dependence.

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

Czech Republic (CZ) – This week the Czech President M. Zeman appointed former Microsoft executive I. Pilny as finance minister. Mr. Pilny replaced Andrej Babis. The replacement should end the current governmental crisis, during which Prime Minister B. Sobotka demanded that A. Babis leave the cabinet because of discrepancies in Babis' finances and disputes about his influence on the local media that he owned. The Czech koruna did not react to the political changes. In addition, the board members of the Czech National Bank have continued to comment on the future monetary policy. According to V. Benda, there is no rush for the CNB to increase the interest rate until it is very clear that this step will not have to be undone later. He emphasized that he will not vote for a rate hike before the end of Q2 2017, and prefers to wait to see how the Czech economy develops by Q3. Officially, the CNB foresees the first hike in Q3 2017. We expect it to come in H1 2018 if the Czech koruna appreciates gradually towards EUR/CZK 25.90 up until the year-end 2017.

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

Hungary (HU) – The MNB held its first 12-month FX swap tender on 22 May. The rate setting monetary policy meeting on 23 May did not deliver any surprises, the text of the press release was identical to the previous one (25 April) - i.e. there is still a dovish stance in place. Clearly the MNB micromanages monetary conditions with FX swap tenders and with the modifications of the cap set on MNB deposits - on a quarterly basis. The latter is set at HUF 500 bn by the end of June. At the next rate setting monetary council meeting (20 June) we expect the announcement on a potential further cut of the 3-month deposit facility. MNB vice governor Nagy told in an interview that despite of the fast wage growth, inflation expectations are seen as well anchored and reiterated to the earlier view that inflation will reach the 3% yoy target only by the first half of 2018. In our opinion this holds true only if oil prices remain at around current levels. Mr. Nagy also dismissed fears about the potential of the housing market getting overheated.

While we expect current interbank rates to remain stable for the rest of the year, the further developments are going to be a function of changes in ECB and peer country monetary policy. Derived from this statement, we expect a gradual increase of BUBOR rates starting from mid-2018 on.

Financial analyst: Zoltán Török (+36 1 484 48 43), Raiffeisen Bank Zrt., Budapest

Poland (PL) – ‘Hard’ macroeconomic data published on Friday surprised to the downside this month. Industrial output slowed down to -0.6% yoy vs 11.1% in March, which is mainly due to the negative calendar effect however and should not be continued next month (seasonally adjusted indicator increased by 4.0% yoy). Retail sales grew by 8.1% yoy, supported by Easter Holidays, which took place this month. Construction output amounted to 4.3% yoy (vs expectations for 7%), influenced negatively by both negative calendar effect and the adverse weather conditions in April. The PPI index declined to 4.3% yoy (compared to 4.8% yoy in March). We expect that, among others due to the PLN appreciation, the PPI should decline further next month. If, however, it is not the case, it may be a sign of growing inflation pressure. This week the Ministry of Finance published data on execution of the state budget in January-April 2017. Budget deficit after four months amounted to PLN 0.9 bn – that is 1.5% of deficit scheduled. Tax revenues increased by 21.0% yoy (including VAT dynamics of 33.8% and CIT dynamics of 15.1% yoy). Next week we await the flash estimate of May CPI (our forecast assumes the stable dynamic of 2.0% yoy – food prices increase should offset the downward trend of the fuel prices), the final GDP growth in Q1 (the flash estimate amounted to 4.0%) and PMI reading.

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

Romania (RO) – Assessments made public over the past week by the European Commission (EC) and the IMF highlighted the major fiscal risks Romania is facing going forward. Both international institutions forecast the public budget deficit to be in a range of 3.5%-4.0% of GDP in 2017 and in 2018. Moreover, the enforcement of the unified public wage law and additional tax cuts as planned by the ruling alliance could result in much larger deficits starting 2018. As part of the preventive arm of the Stability and Growth Pact, the EC officially sent a warning to Romania on the existence of a significant deviation of the structural public budget balance (-2.6% of GDP in 2016) from the medium-term budgetary objective (-1% of GDP). In July, the European Council will make a formal recommendation to Romania to take appropriate measures in order to reduce the public budget deficit. If no corrective measures will be taken in the following period and if the structural public budget deficit will outpace 3% of GDP in 2017, we see risks that the next review to be performed by the EC in May 2018 would recommend the inception of the excessive deficit procedure. Meanwhile, all RON T-bond auctions held over past week showed very strong demand from investors, while yields decreased in the secondary market. So, investors pay low attention to the expected deterioration of the public budget deficit for the time being.

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

Russia (RU) – According to Rosstat, retail sales achieved zero growth in April (0% yoy, -0.4% yoy in March) for the first time in the last 28 months. The improvement continued in the food and non-food segments, as well as in paid services, which actually helped overall consumer's expenditure to improve to close-to-zero levels (-0.2% yoy vs. -0.6% yoy in March). In our view this data suggests that consumption is set for growth in the near future. These positive developments are supported by improving real wages (2.5% yoy in April). However, there are still a number of factors which limit the recovery potential. For example, the dynamics of real disposable income (which includes not only official wages but also social transfers and shadow labour income) deteriorated significantly (-7.6% yoy in April vs. -2.5% yoy in March). On the other hand, we think that weak and sluggish growth of domestic demand means low contribution from demand-pull inflation which could make the CBR more comfortable with regard to the key rate cuts.

Financial analyst: Anastasia Baykova (+7 495 221 9114), AO Raiffeisenbank, Moscow

Serbia (RS) – The perpetual inflation growth to 4% yoy in April, supported by the cold winter season, but also from the growth in the excises products prices (tobacco, coffee, oil), prompted the National Bank of Serbia to upgrade its inflation forecast to the upper part of the inflation corridor (3% +/- 1.5pp) for 2017. The precise level was not provided, probably to evade inflationary expectations moving its path. We see that the inflationary expectations, which have been stable for quite a long time, supported by the significant achievements the government and the NBS delivered, will not take an upwards drift that quickly. Still, we understand the NBS position in this respect, given the efforts the authorities have made to confine the inflation and the expectations over the past years.

Next week the heavy weights will be published: May's data for the industrial production, foreign trade and retail trade. The final data for Q1 GDP will be released. As per flash estimate, GDP growth (in real terms) decelerated to 1% yoy down from 2.5% yoy in Q4 2016. We believe that the cold winter stood behind weak performance in the energy, agriculture and construction sectors, but also base effects might have had downbeat impact as well. The unemployment rate for Q1 will be published as well. The last quarter of 2016 saw a decline in the rate to 13% and we expect that declining sentiment will persist also in 2017.

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Monetary policy and money markets overview

CEE key interest and money markets outlook

	current*	Sep-17	Dec-17	Mar-18	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	0.15	0.20	0.20	0.25	7.21	0.15
Czech Republic						
Key interest rate	0.05	0.05	0.05	0.05	0.75	0.05
3m money market rate	0.30	0.30	0.35	0.40	1.23	0.00
Romania						
Key interest rate	1.75	1.75	1.75	2.00	5.25	1.75
3m money market rate	0.87	1.15	1.55	1.80	6.30	0.68
Russia						
Key interest rate	9.25	8.50	8.25	8.00	17.00	5.25
3m money market rate	9.48	9.00	8.75	8.50	29.93	6.74
Serbia						
Key interest rate	4.00	4.00	4.00	4.00	11.75	4.00
3m money market rate	3.53	3.60	3.60	3.80	13.13	3.26
Turkey						
Key interest rate	8.00	8.00	10.00	10.00	10.00	4.50
3m money market rate	12.91	12.70	11.50	10.80	12.91	4.85

Benchmark key rates	current	Sep-17	Dec-17	Mar-18	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	1.50	1.75	1.75	1.00	0.25

Source: Bloomberg, RBI/Raiffeisen RESEARCH

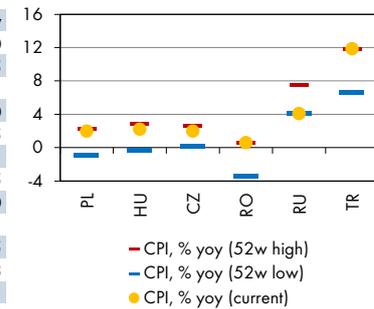
* Bid rates (for Hungary ask rates) as of 25 May 2017, 11:59 p.m. CEST

Central bank watch

Poland (NBP)	NBP will likely stick to its wait-and-see stance as headline CPI inflation is likely to remain subdued at around 2% for most of 2017. However, further development of wage inflation will be key which, in real terms, is currently curbed by Ukrainian immigrants. At this juncture, we would not bet on rate hikes starting already this year.
Hungary (MNB)	MNB continued to explicitly target the further depression of BUBOR rates via its unconventional targeted measures. Excess liquidity is set to remain elevated. Re-design of the MP toolkit is looming also.
Czech Republic (CNB)	Basically CZKexit from 6 April can be described as successful, but CNB flagged an earlier start of rate hikes if CZK was not to appreciate more forcefully. We regard this rather a verbal interventions and wouldn't bet on rate hikes already in H2 (CNB lowered its CPI forecasts significantly).
Romania (BNR)	Narrowing of interest corridor likely first step in terms of monetary policy normalisation, although CPI reflation is lagging the regional trend. Nevertheless, due to the falling-out of statistical base effects from calculations, becoming especially visible in early 2018, rate hikes could start as early as Q1 2018.
Serbia (NBS)	Overshooting of CPI inflation is temporary in our view. With the rate differential versus core markets still sufficient we expect a stable base rate on our entire forecast horizon. Recent RSD "strength" argues also against early rate hikes.
Russia (CBR)	Due to stronger than expected disinflation, we now expect more frontloaded and deeper rate cuts for this year - following the surprise 50bp cut on 28 April. We penciled-in 75bp more cuts for 2017, not more, as inflation risks remain in place, especially in H2 2017.
Turkey (TCMB)	TCMB hiked late liquidity window (LLW) by 50bp in April and lifted the weighted average costs of funding further up in light of still upward trending CPI headline inflation. We foresee the inflexion point of inflation for mid-2017, so further monetary policy tightening might be not warranted going forward. However, with markets likely underestimating the Fed rate hike trajectory, MP simplification might be unavoidable.

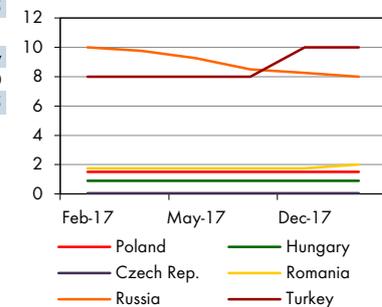
Source: RBI/Raiffeisen RESEARCH

Inflation snapshot



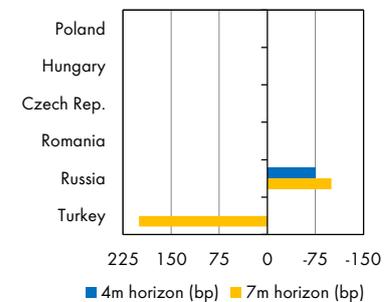
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

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

Foreign exchange market overview

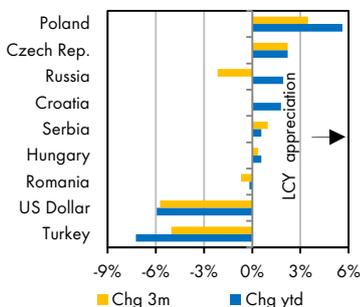
FX forecasts

EUR vs	current*	Sep-17	Dec-17	Mar-18	5y high	5y low	Comment
PLN**	4.169	4.30	4.25	4.25	4.40	4.08	Zloty continued to enjoy support by favorable sentiment; we currently keep our EUR/PLN forecast under revision
HUF**	307.1	310	315	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	26.44	26.5	25.9	25.6	27.7	25.1	Koruna seeing some moderate appreciation, but normalization process (strengthening CZK) after FX regime likely to remain a lengthy process
RON**	4.551	4.45	4.45	4.50	4.54	4.45	EUR/RON hovering above 4.50 as fiscal risks counterbalance a benign growth outlook
HRK	7.425	7.45	7.50	7.45	7.66	7.50	Seasonal appreciation pressures could be partly mitigated by uncertainty related to Agrokor; in the upcoming week we see EUR/HRK trading range of 7.42 – 7.45
RSD	122.7	124	125	125	125	112	EUR/RSD with moderate appreciation trend over last month
RUB**	63.17	61.2	63.2	65.1	79.3	40.3	see USD/RUB below
UAH	29.47	27.5	28.6	29.9	28.6	10.6	see USD/UAH below
BYN	2.081	2.18	2.28	2.47	2.28	1.13	see USD/BYN below
TRY**	4.000	3.88	4.18	4.31	4.18	2.35	see USD/TRY below
USD**	1.121	1.02	1.02	1.05	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*	Sep-17	Dec-17	Mar-18	5y high	5y low	
RUB**	56.33	60.0	62.0	62.0	73.0	30.5	Rouble largely unfazed by oil price decline following OPEC meeting; pressure on authorities to rise given low oil price and comparably strong RUB
UAH	26.28	27.0	28.0	28.5	28.0	8.05	Uncertainties over IMF program and the situation in Donbas to weigh on UAH, but administrative measures keep UAH stable; central bank cut the key rate by another 50bp
BYN	1.856	2.14	2.24	2.35	2.24	0.86	Despite BYN stability over recent months we remain with our cautious outlook given fundamental weaknesses
TRY**	3.567	3.80	4.10	4.10	4.10	1.78	Weak USD and lower oil price support the lira; overall risks for TRY setback however remain elevated

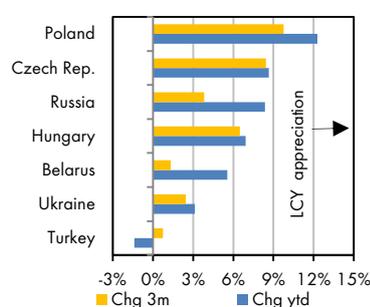
* as of 25 May 2017, 11:59 p.m. CEST; ** under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



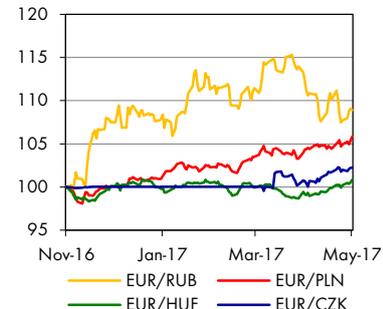
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

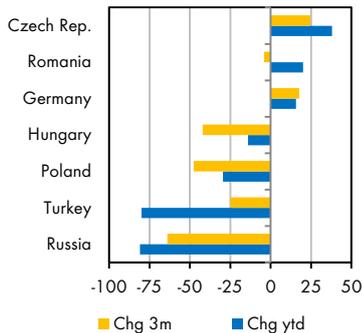
Exchange rate comparison



Indexed 25 Nov-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

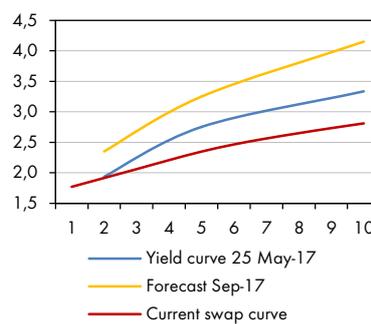
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



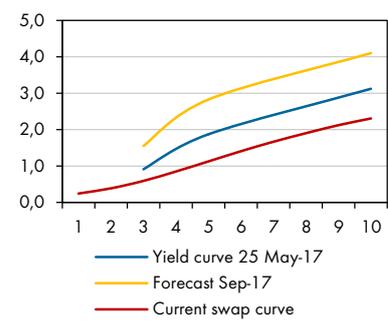
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve*



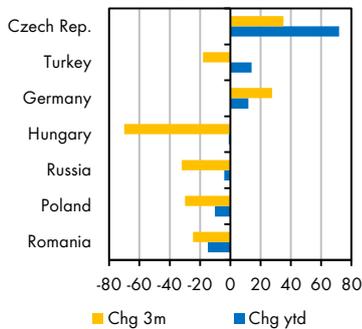
*under revision
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve*



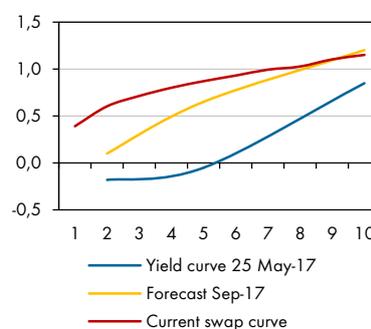
*under revision
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



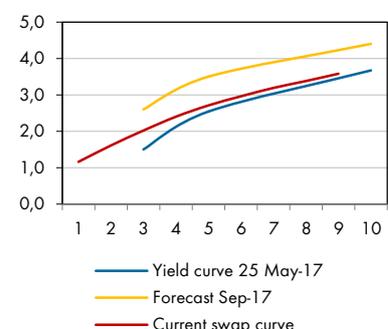
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



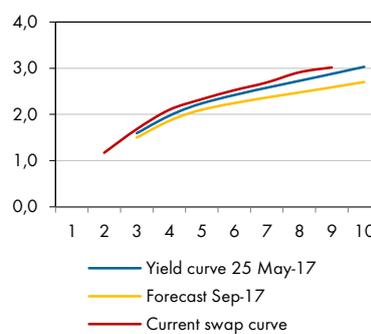
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



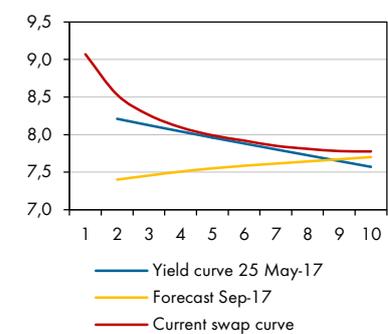
Turkey 5y high 327.1, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve*



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

RUB yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Yield forecasts

	2y T-bond yields (%)							10y T-bond yields (%)					
	current*	Sep-17	Dec-17	Mar-18	5y high	5y low		current*	Sep-17	Dec-17	Mar-18	5y high	5y low
Poland	1.94	2.4	2.4	2.5	3.1	1.6	Poland***	3.34	4.2	4.3	4.4	4.3	2.5
Hungary **	0.91	1.6	1.7	1.8	5.7	0.9	Hungary***	3.12	4.1	4.3	4.4	6.2	3.3
Czech Republic	-0.18	0.1	0.1	0.2	0.5	-0.9	Czech Republic	0.85	1.2	1.3	1.4	2.5	0.5
Romania	1.50	2.1	2.4	2.7	6.4	1.5	Romania	3.67	4.4	4.7	4.8	6.9	3.5
Croatia	1.59	1.5	1.6	1.4	4.4	0.9	Croatia***	3.03	2.7	2.7	2.8	5.2	2.7
Russia	8.21	7.4	7.3	7.2	15.8	6.2	Russia	7.57	7.7	7.6	7.5	14.1	6.9
Turkey***	10.84	11.7	10.9	10.5	11.0	6.1	Turkey***	10.29	11.7	11.0	10.5	11.1	6.6
Germany	-0.70	-0.7	-0.7	-0.6	0.2	-0.8	Germany***	0.37	0.6	0.8	0.9	1.9	0.1
USA***	1.28	1.8	1.9	2.0	1.9	0.2	USA***	2.25	2.9	3.0	3.0	3.0	1.8

* Bid yields as of 25 May 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	96.37	1.96	263	1.9	POLGB yields set to remain well anchored with external backdrop likely to provide ongoing support. Although longer-term outlook remains mildly bearish, risks of substantially rising LCY bond yields appear contained.
PLN 5y Gov. Bond	25/04/2022	2.25	97.77	2.74	312	4.7	
PLN 10y Gov. Bond	25/07/2027	2.50	93.03	3.32	296	8.9	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	100.56	0.83	147	3.3	HGBs continued their recovery rally against the favorable external backdrop and the ongoing bond-market-supportive climate on the local scene. Nevertheless, we project moderately higher HGB yields in the course of this year as inflation premia might be currently too low.
HUF 5y Gov. Bond	26/10/2022	1.75	99.74	1.80	217	5.2	
HUF 10y Gov. Bond	27/10/2027	3.00	99.64	3.04	268	8.9	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	109.70	-0.21	46	1.8	In late-April, we added more exposure after CZK returned close to 27 in end-April. With likely more appreciation on the cards and the ongoing yield advantage vs Bunds CZGBs still attractive in our view.
CZK 5y Gov. Bond	12/09/2022	4.70	125.17	-0.06	32	4.7	
CZK 10y Gov. Bond	25/08/2028	2.50	117.07	0.90	54	9.9	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	104.85	0.86	124	1.1	Next week we expect turnover on the local bond market to come back.
HRK 10y Gov. Bond	14/12/2026	4.25	110.01	3.03	267	8.0	
Romania							
RON 2y Gov. Bond	29/04/2019	2.50	101.87	1.50	214	1.9	Benign external backdrop benefits also ROMGBs despite elevated fiscal risks. We expect a renewed rise in ROMGB credit risk premium, but maintain our Hold recommendation for the short-term.
RON 5y Gov. Bond	08/03/2022	3.40	104.04	2.49	286	4.5	
RON 10y Gov. Bond	26/07/2027	5.80	117.50	3.70	334	7.8	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	99.07	8.23	890	1.7	Especially following recent correction, outlook for OFZ outperformance improved on deeper rate cut expectations. As things stand, our Buy recommendation has still potential in our view.
RUB 5y Gov. Bond	18/08/2021	7.50	99.19	7.87	824	3.6	
RUB 10y Gov. Bond	03/02/2027	8.15	104.77	7.59	723	7.0	
Turkey							
TRY 2y Gov. Bond	15/05/2019	11.10	100.45	10.84	1151	1.9	We see juice left in our short-term opportunistic long TURKGB trade given the ongoing support from overall EM sentiment and from the TCMB. With the inflation peak coming closer, we maintain our tactical long position in TURKGBs.
TRY 5y Gov. Bond	02/03/2022	11.00	101.75	10.52	1089	3.9	
TRY 10y Gov. Bond	24/02/2027	11.00	104.13	10.31	995	6.4	

Data as of 26 May 2017, 09:54 a.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

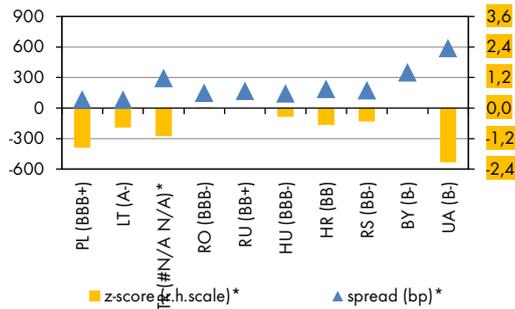
Bond auctions

		ISIN	Coupon	Maturity	Volume
01 June					
HU	T-bond	n.a.	FRN	n.a.	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Eurobond market overview

CEE USD EMBIG spread valuation*



* z-score – EMBIG USD country spread deviation from mean normalised by 1 standard deviation, spread 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	100.4	100.8	-0.05	111.8	100.3	-1.17	-56	0.1	XS0802005289	
CROATI 5 7/8 07/09/18	106.2	106.4	0.03	112.1	97.3	0.17	75	1.1	XS0645940288	
REPHUN 3 7/8 02/24/20	110.3	110.5	0.00	113.1	74.9	0.08	74	2.6	XS0212993678	
REPHUN 4 3/8 07/04/17	100.6	100.9	0.00	108.0	83.8	-3.17	-261	0.1	XS0284810719	
REPHUN 5 3/4 06/11/18	106.0	106.4	-0.19	115.1	86.3	-0.24	33	1.0	XS0369470397	
REPHUN 6 01/11/19	109.0	111.0	0.00	118.4	87.5	-0.16	47	1.6	XS0625388136	
LITHUN 4.85 02/07/18	103.7	103.9	-0.02	114.3	100.4	-0.57	1	0.7	XS0327304001	
POLAND 5 5/8 06/20/18	106.4	106.5	-0.28	122.6	102.1	-0.40	17	1.0	XS0371500611	
POLAND 1 5/8 01/15/19	102.8	103.1	0.01	105.5	98.0	-0.18	46	1.6	XS0874841066	
POLAND 3 3/4 01/19/23	118.0	118.5	-0.05	125.5	99.9	0.46	72	5.2	XS0794399674	
POLAND 3 3/8 07/09/24	117.0	117.5	0.25	125.6	99.6	0.87	92	6.3	XS0841073793	
ROMANI 4 7/8 11/07/19	111.5	111.8	-0.09	117.8	99.3	0.09	76	2.3	XS0852474336	
TURKEY 5 7/8 04/02/19	109.2	109.5	0.16	118.9	107.1	0.74	140	1.8	XS0285127329	
TURKEY 5 1/8 05/18/20	109.9	110.2	0.20	115.9	101.9	1.63	227	2.8	XS0503454166	
USD										
BELRUS 8.95 01/26/18	102.7	103.3	-0.06	111.2	78.0	4.24	314	0.6	XS0583616239	
CROATI 6 3/8 03/24/21	110.5	110.9	0.48	117.8	91.8	3.37	177	3.4	XS0607904264	
CROATI 5 1/2 04/04/23	108.4	108.8	0.77	111.7	94.4	3.84	193	5.0	XS0908769887	
REPHUN 5 3/8 02/21/23	111.2	111.4	0.24	115.4	93.1	3.20	132	4.9	US445545AH91	
REPHUN 7 5/8 03/29/41	148.2	149.1	0.4	157.5	88.3	4.33	162	13.1	US445545AF36	
LITHUN 7 3/8 02/11/20	113.6	113.9	0.00	130.7	112.8	2.11	71	2.4	XS0485991417	
LITHUN 6 5/8 02/01/22	117.6	118.0	0.13	128.6	107.7	2.56	81	4.0	XS0739988086	
LATVIA 2 3/4 01/12/20	101.2	101.7	0.01	104.5	91.4	2.18	78	2.5	XS0863522149	
LATVIA 5 1/4 06/16/21	110.9	111.4	0.03	117.2	96.0	2.36	72	3.6	XS0638326263	
POLAND 6 3/8 07/15/19	109.6	109.8	-0.03	125.9	109.7	1.70	39	2.0	US731011AR30	
POLAND 3 03/17/23	101.0	101.2	0.6	105.1	87.6	2.79	90	5.3	US731011AT95	
ROMANI 6 3/4 02/07/22	116.0	116.3	0.03	124.4	100.2	3.02	129	4.0	US77586TAA43	
ROMANI 4 3/8 08/22/23	106.2	106.5	0.38	111.1	90.8	3.24	129	5.4	US77586TAC09	
RUSSIA 4 1/2 04/04/22	106.8	107.3	0.15	114.7	82.0	2.94	117	4.3	XS0767472458	
RUSSIA 7 1/2 03/31/30	120.5	120.8	0.05	128.6	99.6	2.24	-11	3.8	XS0114288789	
RUSSIA 5 5/8 04/04/42	113.4	114.1	1.14	124.9	76.0	4.68	193	13.9	XS0767473852	
SERBIA 5 1/4 11/21/17	101.4	101.7	-0.03	107.1	96.8	1.91	85	0.5	XS0856951263	
SERBIA 4 7/8 02/25/20	104.1	104.5	0.30	105.4	89.6	3.23	181	2.5	XS0893103852	
TURKEY 6 1/4 09/26/22	108.5	109.3	0.71	127.0	102.5	4.36	254	4.5	US900123BZ27	
TURKEY 6 7/8 03/17/36	112.8	113.3	1.22	139.6	99.2	5.73	319	10.9	US900123AY60	
TURKEY 6 3/4 05/30/40	111.4	112.3	1.48	139.4	97.3	5.81	313	12.2	US900123BG46	
UKRAIN 7 3/4 09/01/19	102.8	103.1	-0.24	103.7	88.0	6.32	498	2.0	XS1303918269	
UKRAIN 7 3/4 09/01/23	99.8	100.3	0.45	100.0	84.6	7.75	577	4.8	XS1303921487	
UKRAIN 7 3/4 09/01/27	97.7	98.2	0.79	98.4	81.2	8.04	578	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 26 May 2017, 9:03 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	stable	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	21%
Hold	56%
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
28/04/2017	Buy	Hold	Hold	Hold	Buy	Hold
27/04/2017						
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

Date	2Y Czech. Rep.	2Y Poland	2Y Russia	2Y Turkey	BG EUROBOND EUR	BY EUROBOND USD
28/04/2017	Hold	Hold	Buy	Hold		
27/04/2017						Buy
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		

Date	CZ EUROBOND EUR	HR EUROBOND EUR	HR EUROBOND USD	HU EUROBOND EUR	HU EUROBOND USD	KZ EUROBOND USD
28/04/2017						
27/04/2017		Hold			Buy	
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						

Date	LT EUROBOND EUR	LT EUROBOND USD	MK EUROBOND EUR	PL EUROBOND EUR	PL EUROBOND USD	RO EUROBOND EUR
28/04/2017						
27/04/2017	Sell		Hold	Buy		Hold
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			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						

Date	RO EUROBOND USD	RS EUROBOND USD	RU EUROBOND EUR	RU EUROBOND USD	SI EUROBOND EUR	SI EUROBOND USD
28/04/2017						
27/04/2017	Hold					
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						

Date	SK EUROBOND EUR	TR EUROBOND EUR	TR EUROBOND USD	UA EUROBOND USD
28/04/2017				
27/04/2017				
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				

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