

Market snapshot

	curr.*	Sep-17	Dec-17	Mar-18
Poland				
EUR/PLN**	4.191	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**	307.7	310	315	315
Key rate	0.90	0.90	0.90	0.90
10y bond**	3.2	4.1	4.3	4.4
Czech Republic				
EUR/CZK	26.36	26.5	25.9	25.6
Key rate	0.05	0.05	0.05	0.05
10y bond	0.7	1.2	1.3	1.4
Romania				
EUR/RON**	4.568	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	7.414	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**	56.44	60.0	62.0	62.0
Key rate**	9.25	8.50	8.25	8.00
10y bond**	7.5	7.7	7.6	7.5
Turkey				
USD/TRY**	3.534	3.80	4.10	4.10
Key rate**	8.00	8.00	10.00	10.00
10y bond**	10.2	11.7	11.0	10.5
EUR/USD	1.123	1.09	1.07	1.09

* prices as of 01 June 2017, 11:59 p.m. CEST

** under revision

Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

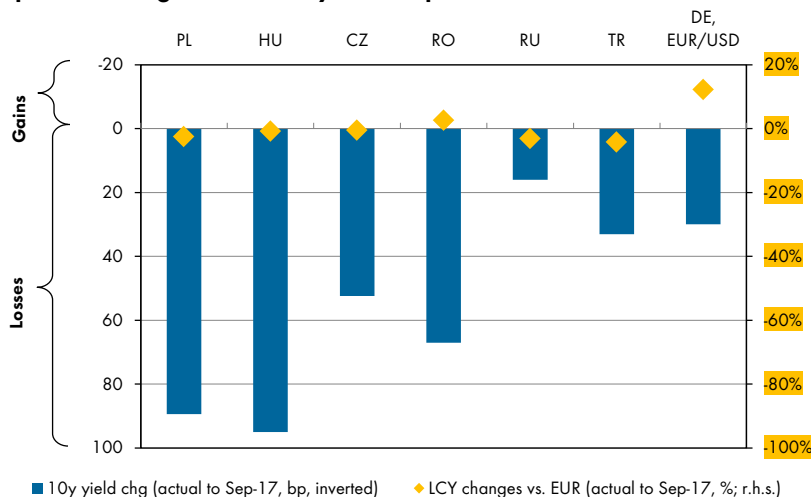
Highlights

The CE-3 manufacturing PMI this week came in slightly weaker (despite another hike in the German one), with the average falling by 0.5 points to 55.8 points (equally weighted PMI of CZ, HU 3mma, PL). Nevertheless this is still strongly expansionary, indicating a good start into Q2. While Hungary surprised strongly on the upside (posting a reading above 62 points in May – an all-time high), the main culprit has been a weaker reading in Poland, falling by 1.4 points to 52.1. There, domestic factors seem to have decelerated while the new export component is still rising. However, the Polish PMI has been rather volatile over the last 1-2- years, so we would not read too much into the fluctuation so far. On the contrary, the PMI in Russia and especially in Turkey showed acceleration of 1.6 and 1.8 points, respectively, in April after a deceleration in March. Together with strong Q1 GDP figures the positive sentiment yields some upward pressure on our growth forecasts for this year of 3.1% yoy for the CE region, 1% for Russia and 2% for Turkey.

On CEE local financial markets the broad-based favorable sentiment continued to lend support in the outgoing week. We are currently revisiting several forecasts and tend to expect 1) a deeper rate cutting cycle in Russia amidst a less bearish RUB outlook benefiting mainly the short-end of the OFZ curve. And 2) a more moderate bear steepening of CE/SEE local currency yield curves compared to our earlier view. The latter is, on the one hand, due to the more moderate core market yield increases and a more favorable outlook for the EUR vs USD exchange rate which our Western market colleagues now assume for Germany and the US. On the contrary, demand at the latest auctions remain strong especially in CE-3, whilst Romania could face some challenges in light of the heavy issuance plans for this month which is related to the massive redemptions the Finance Ministry is facing in July. We will present our updated bond market recommendations in the course of next week when publishing our next "CEE Debt Market Strategy".

Financial analysts: Stephan Imre (+43 1 71707 6757), RBI Vienna
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Expected changes from today until September 2017*



*PL, HU, RO, 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
06-Jun	RO: Retail sales, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	7.7
06-Jun	RU: CPI, % yoy	May	4.0	4.1	4.0	3.9	4.1
07-Jun	CZ: Industrial output, % yoy	Apr	-1.0	6.0	-1.0	-3.7	10.9
07-Jun	PL: Key rate, %	Jun	1.50	1.50	1.50	1.50	1.50
08-Jun	TR: Industrial output, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	2.8

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
Tuesday 30 May					Monday 05 June						
HR: Industrial output, % yoy	Apr	-0.6	2.6	0.0	RU: PMI Services, points	May	n.a.	56.7	55.6	54.8	56.1
HR: Retail sales, % yoy	Apr	2.8	6.8	7.7	RU: PMI Composite, points	May	n.a.	n.a.	n.a.	n.a.	55.3
Wednesday 31 May					Tuesday 06 June						
RO: Unemployment rate, % yoy	Apr	5.3	n.a.	5.3	TR: CPI, % yoy	May	n.a.	n.a.	n.a.	n.a.	11.9
SI: CPI, % yoy	May	1.5	n.a.	1.8	CZ: Avg. real monthly wage, % yoy	Q1	n.a.	4.5	2.5	1.7	2.8
SI: Retail sales, % yoy	Apr	10.4	n.a.	10.4	Tuesday 06 June						
HR: Real wages, % yoy	Mar	2.5	n.a.	1.1	RO: Retail sales, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	7.7
RS: Industrial output, % yoy	Apr	-2.6	n.a.	0.9	SK: Retail sales, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	7.5
RS: Retail sales, % yoy	Apr	-0.9	n.a.	5.8	CZ: Retail sales, % yoy	Apr	2.0	3.8	0.6	-0.5	10.1
PL: CPI, % yoy	May	1.9	2.0	2.0	CZ: Trade balance, CZK bn	Apr	19.0	21.5	19.6	17.2	22.6
BG: Key rate, %	Jun	0.00	n.a.	0.00	HU: Retail sales, % yoy	Apr	4.5	6.3	4.3	3.8	5.6
Thursday 01 June					Wednesday 07 June						
RU: PMI, points	May	52.4	n.a.	50.8	CZ: Industrial output, % yoy	Apr	-1.0	6.0	-1.0	-3.7	10.9
HU: PMI, points	May	62.1	n.a.	55.9	PL: Key rate, %	Jun	1.50	1.50	1.50	1.50	1.50
PL: PMI, points	May	52.7	54.8	54.1	Thursday 08 June						
CZ: PMI, points	May	56.4	57.9	57.5	HU: Trade balance, EUR mn	Apr	935	n.a.	n.a.	n.a.	978
Friday 02 June					Friday 09 June						
CZ: GDP, % yoy	Q1	1.3	n.a.	2.9	HU: CPI, % yoy	May	2.0	2.4	2.2	2.0	2.2
CZ: GDP, % qoq	Q1	2.9	n.a.	1.3	TR: Industrial output, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	2.8
					BG: Industrial output, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	5.9
					BG: Retail sales, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	5.9
					RS: Key rate, %	Jun	n.a.	n.a.	n.a.	n.a.	4.00
					UA: CPI, % yoy	May	12.7	12.7	12.6	12	12.2
					Friday 09 June						
					RO: Trade balance, EUR mn	Apr	n.a.	n.a.	n.a.	n.a.	-1,056
					SK: Industrial output, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	13.4
					CZ: CPI, % yoy	May	2.2	2.4	2.1	2.0	2.0
					SI: Industrial output, % yoy	Apr	n.a.	n.a.	n.a.	n.a.	9.8
					RU: Trade balance, USD bn	Apr	n.a.	8.7	8.6	7.3	12.6
					BY: CPI, % yoy	May	6.1	n.a.	n.a.	n.a.	6.3

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Bosnia a. H. (BA) – This week, the first important macro data for April 2017 were released by the State Agency for Statistics. Consumer prices increased by 1.4% yoy in April 2017 (unchanged growth rate from March 2017), thus marking the fourth consecutive month of inflation. The largest driver of annual inflation in the country were transport prices (8.0% yoy), while clothing and footwear (-7.7% yoy) had the strongest downward impacts. In the period from the beginning of the year, the headline CPI amounted to 1.2% yoy and was in line with expectations. Foreign trade continued to perform positively on both sides of the balance sheet (exports and imports of goods). More precisely, exports increased by 14.1% yoy (22.9% yoy in March 2017) and imports grew by 4.8% yoy (14.6% yoy in March 2017). Consequently, the foreign trade deficit in the first 4 months of 2017 amounted to BAM 2.07 bn (1.7% yoy), while the export/import coverage ratio came to 62.1% in same period. As for macroeconomic data, the industrial production and the retail trade figures for April 2017 are on the schedule for next week.

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

Croatia (HR) – Although today's final GDP data are expected to confirm the favourable trend in the first quarter with 2.5% yoy growth, the recent high-frequency indicators for April (retail trade and industrial production) point to a slowdown of economic activity in the real sector. The latter is very likely related to the situation in Agrokor. In such circumstances we do not exclude the possibility of revising economic growth as current projections are more exposed to negative risks closely related to the restructuring of Agrokor and generally to the adjusting of market players to the new situation. However, Agrokor has remained in focus on the domestic market whereas additional information regarding a new credit line is expected. In the upcoming week the May PPI figures will confirm continued subdued inflation rates while tourism readings are expected to show excellent performance in April, considering this year's later date of Easter and Easter holidays, and the beginning of the (pre)season.

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

Czech Republic (CZ) – Due to good macroeconomic data released in the euro area and particularly in Germany, the Czech currency has appreciated against the euro by more than 0.5% since last week. With such steady appreciation, we assume that the risk of an early CNB's hike has been lowered. On the Czech market, various important macroeconomic data will be released in the upcoming days. The second reading of the GDP will give us more details of the drivers of strong economic growth in Q1 2017. We expect the main drivers to be domestic consumption and exports, while investment still lags behind. In contrast to the first quarter, in April we expect only a small yoy change in retail and negative growth in industrial production. This is caused mainly by the fact that April had the disadvantage of three fewer working days.

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

Hungary (HU) – Hungary released the last recent investment data on Tuesday that has just confirmed our higher GDP growth forecasts on the long run. Investment spending in Hungary jumped by 34.1% year-on-year in the first quarter of the year, after dropping back by 24.1% yoy in the previous quarter. We saw a broad-based improvement across the different sectors: the output of construction sector jumped by 49.4% yoy, but the machinery sector also registered a 24.9% yoy volume growth. The very strong improvement during the first quarter of the year was partly due to the base effect coming from the lower level of EU-fund utilization at the beginning of the last year, though other parts of the economy have also started to perform better in last months (GDP in Q1 2017 rose by 4.1% yoy). Looking ahead, we see two-digit improvements in the coming quarters as well, forecasting an annual average GDP growth of 3.8% for 2017, after last year's 2%. April retail sales, industrial output data and May inflation figures will be released next week – the most important will be the headline inflation, which might have come down to 2% yoy from 2.2% yoy in April (2017 avg is predicted to be closer to 2.5% yoy). The forint and the HGB market remained relatively silent despite the strong investment data – the seemingly bullish sentiment is expected to still remain in place next week.

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

Poland (PL) – PMI reading came significantly lower than the market consensus expectations and amounted to 52.7 points (vs 54.5 forecast and 54.1 points in April). Although the indicator came at its six month low, the manufacturing sector still indicates a solid expansion. While production and employment growth eased slightly this month, the level of incoming new export orders accelerated. The GDP final estimate confirmed the flash result of 4.0% yoy. Again, consumption was the main driving force, this time accelerating to 4.7% (we believe that it may be a delayed effect of the social transfers on the households financial conditions) and contributing to the overall result by 3.2pp. GDP acceleration was also due to the strong limitation of the investment declines which were visible over the last four quarters. Investment dynamics amounted to -0.4% - while as far as in Q4 2016 it was -9.2%. The preliminary estimate on CPI in May amounted to 1.9% yoy. We expect that the fuel prices contributed negatively (we estimate that the fuel prices decreased in May by approx. 2.0% mom) with only moderate growth in food prices. On Wednesday next week the MPC will decide on the interest rate level in June. However, the data released this week should rather strengthen the current MPC stance on the monetary policy, therefore we expect rather dovish comment with no changes in monetary policy parameters.

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

Romania (RO) – In two interviews over the past week, the Finance Minister reiterated that the public budget deficit target set for 2017 (3.0% of GDP) will be met. Meanwhile, the year-to-date public budget execution resulted in a surplus of 0.2% of GDP as of April. This came in place as public authorities kept a tight control over expenses with goods and services (-4.4% yoy in Jan-Apr) and reduced substantially investments (-60% yoy in Jan-April), offsetting for a lower than planned dynamics of public revenues. We further expect the public budget deficit to be at 3.6% of GDP in 2017. According to the Finance Minister, increase of gross wages in the public sector planned for 2018 will reflect to a very large extent the move of liability for social security contributions from employer (the state) to the employees. So, net wages in the public sector will increase less than gross wages and the negative impact on the public budget deficit will be lower than initially thought. In June, the Finance Ministry intends to borrow RON 5.8 bn by issuing RON government securities, which is much above the borrowing targets from the previous months. If the sentiment of investors on external markets will remain positive, the very large redemptions (RON 9.0 bn) might allow the Finance Ministry to meet its borrowing target.

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

Russia (RU) – This week, the Federal Customs service published data on exports and imports of key goods in Q1 2017. The data shows a recovery of imports in March (to 15.8% of GDP in roubles) though still remaining below levels seen last year (17.1% of GDP in March 2016). Despite some decrease of the oil price mom, total exports increased from USD 26.4 bn in February to USD 31.8 bn in March on the back of larger exports of metals supported by favourable conditions on export markets. Besides, oil and oil products exports also increased despite the production freeze agreement. We note that metals production did not demonstrate any significant advance which makes us think that low demand on the local market (due to a rather weak economic and investment situation) has led to higher export volumes and additional export revenues coming into the country (and a stronger rouble). However, we expect that this situation will change in the coming months as 1) imports will continue to recover, 2) the upcoming dividend season, 3) a lower CBR key interest rate.

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

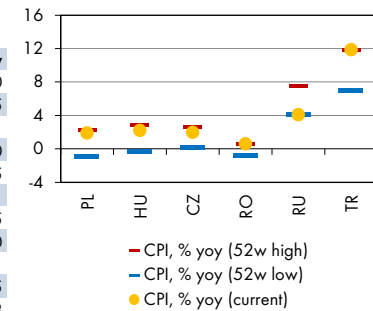
Monetary policy and money markets overview

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	0.50	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	0.86	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**	9.45	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	3.54	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**	12.94	12.70	11.50	10.80	12.94	4.85
Benchmark key rates						
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

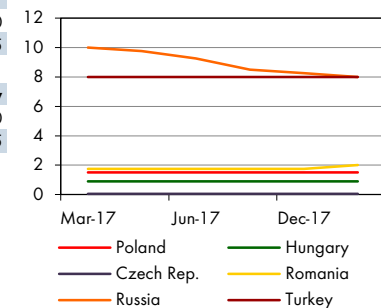
* Bid rates (for Hungary ask rates) as of 01 June 2017, 11:59 p.m. CEST; ** under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Inflation snapshot



Source: Bloomberg, RBI/Raiffeisen RESEARCH

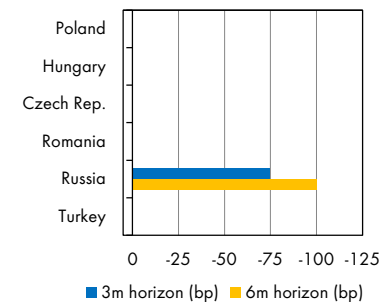
Key rate trends (%)*



*RU under revision

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)*



*RU under revision

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	Jun	Jul
Poland (NBP)	7	5
Hungary (MNB)	20	18
Czech Republic (CNB)	29	/
Romania (BNR)	/	3
Serbia (NBS)	8	10
Russia (CBR)	16	28
Turkey (TCMB)	15	27

Source: National Central Banks, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	Latest MPC minutes confirm wait-and-see stance as MPC members see headline CPI inflation rate at moderate levels in the quarters ahead, in line with our long-held view. However, further development of wage inflation will be key to watch.
Hungary (MNB)	MNB continues to further depress BUBOR rates via further liquidity injections and remains relaxed in terms of reflation dynamics. A renewal of the MP toolkit is on the cards as the reduction of the amounts that are allowed to be placed in the 3m deposit facility will further get cut. Rate hikes are not in sight on our forecast horizon.
Czech Republic (CNB)	CNB managed smooth CZKexit without FX market interventions so far. The bank's own forecast of a first base rate hike in Q3 2017 is only imaginable for us in case of upside surprises in CPI inflation and/or weaker CZK levels compared to current ones.
Romania (BNR)	Elevated fiscal risks should force 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, base rate hikes could start as early as 2018.
Serbia (NBS)	Recent overshooting of CPI inflation is mainly due to one-offs and therefore temporary in our view. With the rate differential versus core markets still sufficient we expect a stable base rate on our entire forecast horizon.
Russia (CBR)	CBR surprised us anew with the 50bp cut in April. As inflation is falling 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 50bp rate cut in June while the full-year amount of rate cuts is also likely to become higher than initially anticipated.
Turkey (TCMB)	TCMB holds weighted average costs of funding close to 12% since early-April. This is only 25bp below its highest available interest rate tool, the late liquidity window - LLW, which was hiked by 50bp in late-April. Since the inflexion point of inflation is expected for mid-2017, we assume that the TCMB will muddle through and keep the rates unchanged (1w repo: 8.00%, o/n lending rate: 9.25%, LLW: 12.25%).

Source: RBI/Raiffeisen RESEARCH

Foreign exchange market overview

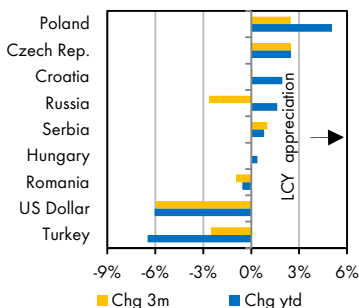
FX forecasts

EUR vs	current*	Sep-17	Dec-17	Mar-18	5y high	5y low	Comment
PLN**	4.191	4.30	4.25	4.25	4.40	4.08	Despite setback in PMI, PLN remains at strong levels against the euro; speculation on earlier interest rate hikes continues, despite neutral central bank wording
HUF**	307.7	310	315	315	316	291	MNB remaining very dovish in its monetary policy, EUR/HUF expected to remain within its 305-315 trading range
CZK	26.36	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**	4.568	4.45	4.45	4.50	4.54	4.45	EUR/RON hovering above 4.55 as fiscal risks counterbalance a benign growth outlook
HRK	7.414	7.45	7.50	7.45	7.66	7.50	In the short run we see stronger HRK; we do not rule out the need for extra FCY inflows to meet the liquidity requirements in Agrokor
RSD	122.4	124	125	125	125	112	EUR/RSD with moderate appreciation trend over last months
RUB**	63.35	65.4	66.3	67.6	79.3	40.3	see USD/RUB below
UAH	29.49	29.4	30.0	29.9	30.0	10.6	see USD/UAH below
BYN**	2.090	2.33	2.40	2.47	2.40	1.13	see USD/BYN below
TRY**	3.968	4.14	4.39	4.47	4.39	2.35	see USD/TRY below
USD**	1.123	1.09	1.07	1.09	1.38	1.05	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	Comment
RUB**	56.44	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	26.27	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
BYN**	1.862	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**	3.534	3.80	4.10	4.10	4.10	1.78	Weak USD and lower oil price support the lira; overall risks for renewed TRY setback however remain elevated

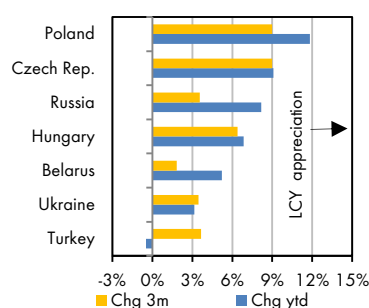
* as of 01 June 2017, 11:59 p.m. CEST; ** under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



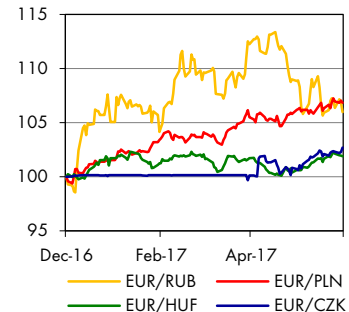
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

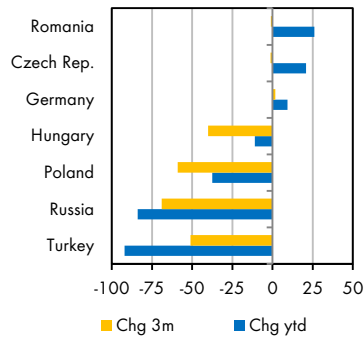
Exchange rate comparison



Indexed 01 Dec-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

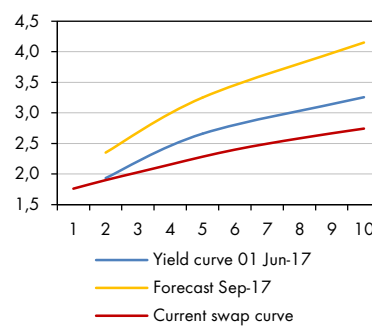
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



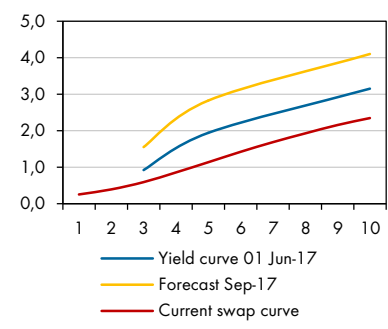
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve*



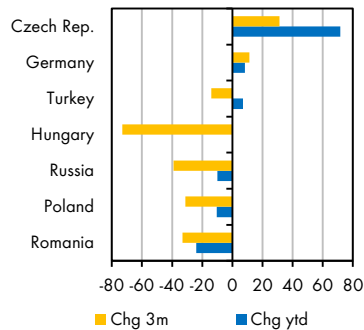
*under revision
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve*



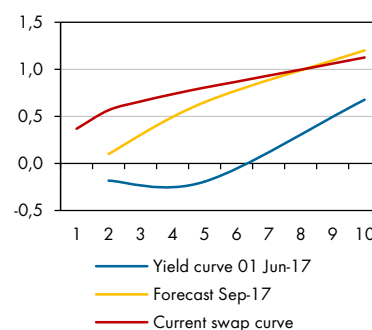
*under revision
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



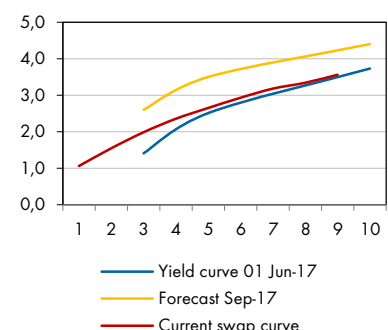
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



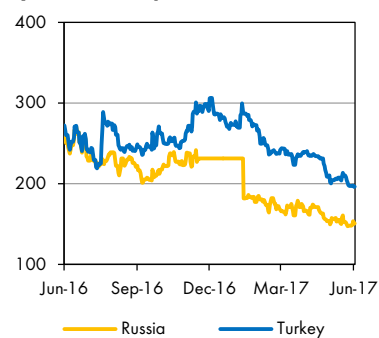
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve*



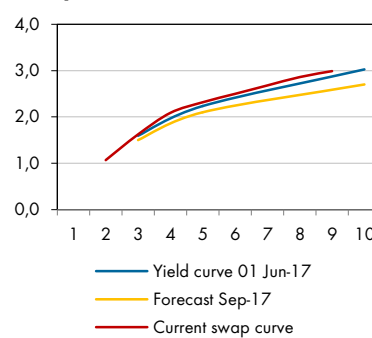
*under revision
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



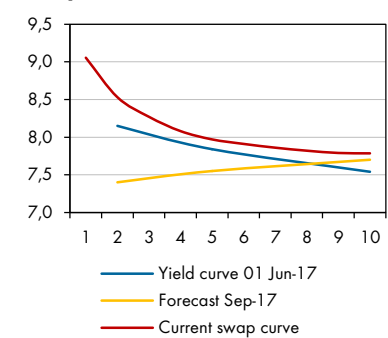
Turkey 5y high 327.1, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve*



*under revision
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 ¹	Sep-17	Dec-17	Mar-18	5y high	5y low		current [*]	Sep-17	Dec-17	Mar-18	5y high	5y low
Poland ³	1.93	2.4	2.4	2.5	3.1	1.6	Poland ³	3.26	4.2	4.3	4.4	4.3	2.5
Hungary ^{2,3}	0.92	1.6	1.7	1.8	5.7	0.9	Hungary ³	3.15	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	0.68	1.2	1.3	1.4	2.5	0.5
Romania ³	1.41	2.1	2.4	2.7	6.4	1.5	Romania ³	3.73	4.4	4.7	4.8	6.9	3.5
Croatia ³	1.59	1.5	1.6	1.4	4.4	0.9	Croatia ³	3.03	2.7	2.7	2.8	5.2	3.1
Russia ³	8.15	7.4	7.3	7.2	15.8	6.2	Russia ³	7.54	7.7	7.6	7.5	14.1	6.9
Turkey ³	10.77	11.7	10.9	10.5	11.0	6.1	Turkey ³	10.17	11.7	11.0	10.5	11.1	6.6
Germany	-0.76	-0.7	-0.7	-0.6	0.2	-0.8	Germany ³	0.31	0.6	0.8	0.9	1.9	0.1
USA ³	1.30	1.8	1.9	2.0	1.9	0.2	USA ³	2.22	2.9	3.0	3.0	3.0	1.8

1) Bid yields as of 01 June 2017, 11:59 p.m. CEST; 2) 3y yield; 3) under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

	Maturity	Coupon (%)	Bid Price	YTM (%)	Spread to Bunds (bp)	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25/04/2019	0.00	96.46	1.93	265	1.9	Benign external backdrop and heavy prefinancing year-to-date likely to further support POLGBs. 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	98.20	2.65	309	4.7	
PLN 10y Gov. Bond	25/07/2027	2.50	93.77	3.23	294	8.8	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	100.42	0.87	157	3.3	HGBs remained well anchored 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	99.29	1.89	233	5.1	
HUF 10y Gov. Bond	27/10/2027	3.00	98.94	3.12	283	8.9	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	109.68	-0.22	50	1.8	Yield advantage vs Bunds and expected CZK appreciation keeps CZGBs still attractive in our view, so we maintain our constructive view on Czech koruna bonds.
CZK 5y Gov. Bond	12/09/2022	4.70	125.77	-0.17	27	4.7	
CZK 10y Gov. Bond	25/08/2028	2.50	117.88	0.82	53	9.9	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	104.84	0.79	123	1.1	Somewhat more pronounced demand for pure kuna papers is expected to continue going forward leading to a slight decrease in yields.
HRK 10y Gov. Bond	14/12/2026	4.25	110.21	3.01	272	8.0	
Romania							
RON 2y Gov. Bond	29/04/2019	2.50	102.04	1.41	211	1.9	LCY debt market continues shrugging-off elevated fiscal risks. Due to the expected pricing-in of the latter, we expect a renewed rise in ROMGB credit risk premium in the medium term, but maintain our Hold recommendation for the short-term.
RON 5y Gov. Bond	08/03/2022	3.40	104.02	2.49	293	4.5	
RON 10y Gov. Bond	26/07/2027	5.80	117.47	3.71	342	7.8	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	99.10	8.22	894	1.7	Following the currency-driven underperformance in recent weeks, the improved outlook for the RUB exchange rate and deeper than earlier anticipated rate cuts should bode well for OFZs, especially shorter tenors. The related bull steepening could disinvert the OFZ yield curve.
RUB 5y Gov. Bond	18/08/2021	7.50	99.14	7.89	833	3.6	
RUB 10y Gov. Bond	03/02/2027	8.15	104.81	7.58	729	6.9	
Turkey							
TRY 2y Gov. Bond	15/05/2019	11.10	100.50	10.80	1152	1.9	With the inflation peak coming closer and the related expectations for MP easing TURKGB yield could decline anew. Major risk is potential overreaction to ongoing Fed tightening with the next litmus test for high-beta names in mid-June when Fed is expected to hike.
TRY 5y Gov. Bond	02/03/2022	11.00	102.45	10.33	1077	3.9	
TRY 10y Gov. Bond	24/02/2027	11.00	105.00	10.17	988	6.4	

Data as of 02 June 2017, 10:21 a.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

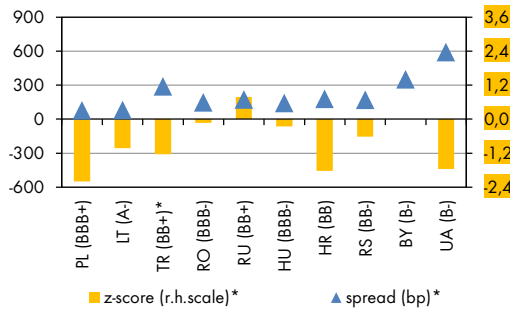
Bond auctions

	ISIN	Coupon	Maturity	Volume	
06 June					
RO	14.3y T-bond	RO1631DBN055	3.65%	24.09.2031	RON 300 mn
HR	T-bond	n.a.	n.a.	n.a.	n.a.
08 June					
HU	T-bond	n.a.	n.a.	n.a.	n.a.
RO	5.5y T-bond	RO1522DBN056	3.5%	19.12.2022	RON 700 mn
09 June					
PL	2y T-bond	n.a.	zero	n.a.	n.a.
PL	4y T-bond	n.a.	2.25%	n.a.	n.a.
PL	4y T-bond	n.a.	FRN	n.a.	n.a.
PL	9y T-bond	n.a.	FRN	n.a.	n.a.
PL	10y T-bond	n.a.	2.50%	n.a.	n.a.
PL	30y T-bond	n.a.	4.00%	n.a.	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

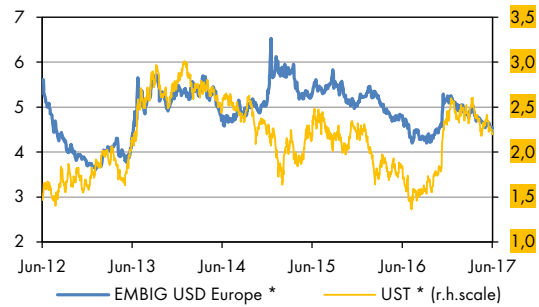
Eurobond market overview

CEE USD EMBIG spread valuation*



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

CEE EMBIG USD vs. UST YTM*



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

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	100.6	-0.17	111.8	100.3	-0.96	-36	0.1	XS0802005289
CROATI 5 7/8 07/09/18	106.2	106.4	-0.03	112.1	97.4	0.11	70	1.0	XS0645940288
REPHUN 3 7/8 02/24/20	110.1	110.5	-0.06	113.1	74.9	0.08	78	2.6	XS0212993678
REPHUN 4 3/8 07/04/17	100.4	100.5	-0.29	108.0	83.8	-1.42	-82	0.1	XS0284810719
REPHUN 5 3/4 06/11/18	106.1	106.3	-0.35	115.1	86.3	-0.32	25	1.0	XS0369470397
REPHUN 6 01/11/19	109.6	110.0	-0.17	118.4	87.5	-0.12	54	1.5	XS0625388136
LITHUN 4.85 02/07/18	103.6	103.8	-0.02	114.3	100.4	-0.55	4	0.7	XS0327304001
POLAND 5 5/8 06/20/18	106.1	106.6	-0.02	122.6	102.1	-0.48	10	1.0	XS0371500611
POLAND 1 5/8 01/15/19	102.6	103.1	-0.07	105.5	98.0	-0.16	50	1.6	XS0874841066
POLAND 3 3/4 01/19/23	117.9	118.6	0.00	125.5	99.9	0.45	77	5.1	XS0794399674
POLAND 3 3/8 07/09/24	117.0	117.3	-0.06	125.6	99.6	0.87	98	6.3	XS0841073793
ROMANI 4 7/8 11/07/19	111.5	111.8	-0.04	117.8	99.3	0.06	76	2.3	XS0852474336
TURKEY 5 7/8 04/02/19	109.1	109.4	-0.01	118.9	107.1	0.73	141	1.8	XS0285127329
TURKEY 5 1/8 05/18/20	109.9	110.2	0.02	115.9	101.9	1.60	228	2.8	XS0503454166
USD									
BELRUS 8.95 01/26/18	102.7	103.2	-0.06	111.2	78.0	4.17	308	0.6	XS0583616239
CROATI 6 3/8 03/24/21	111.0	111.4	0.37	117.8	91.8	3.22	164	3.4	XS0607904264
CROATI 5 1/2 04/04/23	109.2	109.6	0.56	111.7	94.4	3.69	182	5.0	XS0908769887
REPHUN 5 3/8 02/21/23	111.3	111.5	0.05	115.4	93.1	3.17	131	4.9	US445545AH91
REPHUN 7 5/8 03/29/41	148.7	149.4	0.3	157.5	88.3	4.31	164	13.1	US445545AF36
LITHUN 7 3/8 02/11/20	113.6	113.9	0.00	130.7	112.8	2.07	67	2.4	XS0485991417
LITHUN 6 5/8 02/01/22	117.6	118.1	0.02	128.6	107.8	2.54	83	4.0	XS0739988086
LATVIA 2 3/4 01/12/20	101.2	101.7	0.00	104.5	91.4	2.18	79	2.5	XS0863522149
LATVIA 5 1/4 06/16/21	110.9	111.4	0.00	117.2	96.4	2.35	73	3.6	XS0638326263
POLAND 6 3/8 07/15/19	109.6	109.9	0.01	125.9	109.7	1.65	33	1.9	US731011AR30
POLAND 3 03/17/23	101.5	101.7	0.5	105.1	87.6	2.70	82	5.2	US731011AT95
ROMANI 6 3/4 02/07/22	116.3	116.5	0.20	124.4	100.5	2.96	124	4.0	US77586TAA43
ROMANI 4 3/8 08/22/23	106.5	106.7	0.26	111.1	90.8	3.19	126	5.4	US77586TAC09
RUSSIA 4 1/2 04/04/22	106.5	107.0	-0.15	114.7	82.0	2.98	124	4.3	XS0767472458
RUSSIA 7 1/2 03/31/30	120.4	120.6	-0.09	128.6	99.6	2.27	-4	3.7	XS0114288789
RUSSIA 5 5/8 04/04/42	112.7	113.4	-0.43	124.9	76.0	4.73	203	13.9	XS0767473852
SERBIA 5 1/4 11/21/17	101.4	101.7	0.00	107.1	96.8	1.79	74	0.5	XS0856951263
SERBIA 4 7/8 02/25/20	104.2	104.5	0.08	105.4	89.6	3.20	179	2.5	XS0893103852
TURKEY 6 1/4 09/26/22	108.8	109.7	0.13	127.0	102.5	4.28	246	4.5	US900123BZ27
TURKEY 6 7/8 03/17/36	114.1	114.6	0.36	139.6	99.2	5.63	312	10.9	US900123AY60
TURKEY 6 3/4 05/30/40	112.8	113.7	0.34	139.4	97.3	5.71	306	12.3	US900123BG46
UKRAIN 7 3/4 09/01/19	102.6	103.0	-0.24	103.7	88.0	6.37	504	2.0	XS1303918269
UKRAIN 7 3/4 09/01/23	99.7	100.2	-0.25	100.2	84.6	7.76	583	4.8	XS1303921487
UKRAIN 7 3/4 09/01/27	97.3	97.8	-0.51	98.4	81.2	8.10	588	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 02 Jun 2017, 9:04 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 Rep.	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	22%
Hold	61%
Sell	17%
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

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

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

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

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

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

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Statement pursuant to the Austrian Media Act

Publisher and editorial office of this publication

Raiffeisen Bank International AG

Am Stadtpark 9, A-1030 Vienna

Media Owner of this publication

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Editor: Andreas SCHWABE, RBI Vienna

Producer of this publication

Raiffeisen Bank International AG
Am Stadtpark 9, A-1030 Vienna

Creation time of this publication: 02/06/2017 01:00 PM (CEST)

First Dissemination of this publication: 02/06/2017 01:01 PM (CEST)

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