

Market snapshot

	curr.*	Sep-17	Dec-17	Mar-18
Poland				
EUR/PLN	4.244	4.10	4.15	4.10
Key rate	1.50	1.50	1.50	1.50
10y bond	3.2	3.3	3.5	3.7
Hungary				
EUR/HUF	309.5	310	310	310
Key rate	0.90	0.90	0.90	0.90
10y bond	3.0	3.3	3.4	3.5
Czech Republic				
EUR/CZK	26.29	26.5	25.9	25.6
Key rate	0.05	0.05	0.25	0.25
10y bond	0.9	1.0	1.2	1.4
Romania				
EUR/RON	4.578	4.50	4.55	4.50
Key rate	1.75	1.75	1.75	2.00
10y bond	3.8	3.9	4.3	4.4
Croatia				
EUR/HRK	7.421	7.45	7.50	7.45
Key rate	2.50	2.50	2.50	n.a.
10y bond	2.9	3.0	3.1	3.2
Russia				
USD/RUB	60.00	58.0	60.0	62.0
Key rate	9.00	8.25	7.75	7.50
10y bond	7.8	7.4	7.1	7.0
Turkey				
USD/TRY	3.517	3.60	3.70	3.80
Key rate	8.00	8.00	8.00	8.00
10y bond	10.1	10.5	10.0	9.5
EUR/USD	1.116	1.09	1.07	1.09

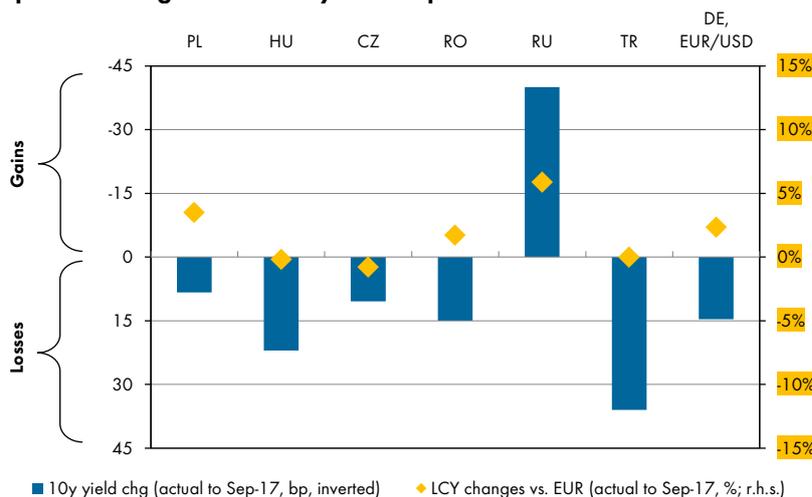
* prices as of 22 June 2017, 11:59 p.m. CEST
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

The outgoing week had been rich for political and market events. In Romania the successful voting for the no-confidence motion in the government initiated by the coalition of PSD and ALDE in order to drive the embattled Prime Minister Grindeanu out of office would be unlikely to bring big volatility. Now Romania's President Iohannis has to nominate new Prime Minister who should form a new cabinet within the 10 day time. Although the resulting motion could be positive we expect short-term volatility to dominate on ROMGB and RON FX markets. In international Eurobond market, after a lengthy delay, Russia and Belarus rolled out USD bond transactions. Russia successfully sold a combined USD 3 bn of the new 10-year and 30-year Euroclearable bonds priced to a 4.25% and 5.25% yields respectively. Meanwhile Belarus USD 1.4 bn transaction surprised us with relatively wide yield on the 5-year tranche at 7.125% while the 10-year went at 7.625% which translated into just 50bp slope spread instead of expected 70-80bp. The pricing situation revealed good risk appetite with investors still willing to purchase long-end Eurobonds despite relatively tight pricing. Meanwhile the economic data continues to paint relatively robust economic growth picture for many CEE. The outgoing week brought us strong industrial output readings for Poland where IP growth beat the market consensus while in Russia and Ukraine IP also inched notably higher. In Hungary nearly twice higher CA surplus gives another excuse for the continuation of ultra-loose monetary stance. Next week the CEE calendar looks fairly light with CNB rate setting meeting perhaps sitting at the top of the agenda. Despite no policy shifts to be expected and key rate will remain unchanged we expect some change in the wording at following press-conference to highlight more cautiousness. In particular CNB chair recently toned down on the outlook for policy rate hikes this year. Next week retail sales in Croatia and Serbia as well as the unemployment data for Poland, Hungary and Croatia will be in spotlight.

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

Expected changes from today until September 2017



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
29Jun	CZ: Key Rate, %	Jun	0.05	0.05	0.05	0.05	0.05
30Jun	PL: CPI, % yoy	Jun	n.a.	n.a.	n.a.	n.a.	1.9
30Jun	UA: C/A Balance, USD mn	May	n.a.	n.a.	n.a.	n.a.	-1.46

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 16 June					Friday 23 June						
RU: Key rate, %	Jun	9.00	8.75	9.25	HR: Unemployment rate, %	May	11.8	n.a.	n.a.	n.a.	13.2
RU: Industrial output, % yoy	May	5.6	n.a.	2.3	Monday 26 June						
RU: GDP, % yoy	Q1	0.5	n.a.	0.5	PL: Unemployment rate, %	May	7.5	7.5	7.4	7.3	7.7
Monday 19 June					Wednesday 28 June						
BG: C/A balance, EUR mn	Apr	-97.3	n.a.	-254	HU: Unemployment rate, %	May	n.a.	4.5	4.3	4.1	4.6
Tuesday 20 June					Thursday 29 June						
HU: Key rate, %	Jun	0.90	0.90	0.90	CZ: Key Rate, %	Jun	0.05	0.05	0.05	0.05	0.05
PL: Industrial output, % yoy	May	9.1	8.5	-0.6	Friday 30 June						
PL: Retail sales, % yoy	May	8.4	9.0	8.1	RO: Unemployment rate, %	May	n.a.	n.a.	n.a.	n.a.	5.3
RU: Retail sales, % yoy	May	0.7	n.a.	0.0	SI: CPI, % yoy	Jun	n.a.	n.a.	n.a.	n.a.	1.5
RS: C/A balance, EUR mn	Apr	-79.4	n.a.	-359	SI: Retail sales, % yoy	May	n.a.	n.a.	n.a.	n.a.	10.4
Wednesday 21 June					HR: Industrial output, % yoy	May	-0.2	n.a.	n.a.	n.a.	-0.6
HU: C/A balance, EUR mn	Q1	1,221	n.a.	688	HR: Retail sales, % yoy	May	2.7	n.a.	n.a.	n.a.	2.8
Thursday 22 June					RS: Retail sales, % yoy	May	n.a.	n.a.	n.a.	n.a.	-0.9
UA: Industrial output, % yoy	May	1.2	n.a.	-6.1	PL: CPI, % yoy	Jun	n.a.	n.a.	n.a.	n.a.	1.9
					UA: C/A Balance, USD mn	May	n.a.	n.a.	n.a.	n.a.	-146

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Albania (AL) – On Sunday, Albania votes for the new parliament. The one-month electoral campaign has been pretty intense but the overall situation remained relatively quiet with only minor incidents. The two major parties (PS, PD) have used more moderate language against each other, and have mostly directed attacks against the third largest party (LSI), which has been part of the government for the last 8 years. The economic programs of three biggest parties (PS, PD, LSI) employ a populist approach offering significant tax reductions, increase of wages and pensions, rise of employment, significantly higher government expenses for agriculture, education and health. The campaign language of the Socialist Party assumes that collaboration with Socialist Movement for Integration (LSI) for the new government is very unlikely to happen for now. The agreement with the Democratic Party (PD) to team up for changes in the Constitutional and the Election Code could indicate an eventual coalition emerging between them to lead the country in the next four years. This eventual coalition may ensure more political stability in the country, speed up the process of EU integration and push forward the structural reforms.

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

Bosnia a. H. (BA) – Credit growth in Bosnia and Herzegovina continues to accelerate, reaching the highest pace in annual terms since June 2014. The amount of loans outstanding in the system reached BAM 17.67 bn as of April 2017, taking the yearly growth rate to +4.3%. Credit demand remains almost equally driven by retail and corporate sectors. Consumer loans also grew at a healthy 4.9% yoy – the strongest gain since November 2015 – climbing up to BAM 8.26 bn or 46.7% of the total. Loans to corporate sector reached their peak growth since November 2011, printing an increase of 5.0% yoy up (BAM 8.31 bn) amounting to 47.0% of the total loan book. Gross bank deposits also posted dynamic growth in April. Despite a small slowdown compared to March, the deposit growth was still above the average seen in the years following the 2009 financial crisis. Importantly, total deposits of Bosnia and Herzegovina banks grew by 9.3% yoy (9.5% yoy in March 2017) to a total of BAM 18.19 bn. Retail deposits, accounted for 60% of the total and increased by 7.9% yoy to reach BAM 10.9 bn, while corporate deposits went up 8.6% yoy (the slowest result in 2017) up to BAM 4.02 bn (22.1% of the total). The loan-to-deposit ratio at 97.1% in April 2017 remained broadly unchanged from March.

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

Croatia (HR) – In Croatia, the shorter week, because of the national holiday on Thursday, passed very calmly and without any relevant macroeconomic releases. However, the upcoming week is expected to be a bit livelier. At the very end of the week retail trade and industrial production for May are scheduled for release. Despite the fact that consumer confidence, expectations and sentiment indices point to caution and a halt of growth, they are still at relatively high levels. The rise in employment and salaries paired with the excellent tourist pre-season data, support our expectations that for the 33rd consecutive month retail trade figures will deliver annual growth at around 2.7 percent. On the other hand, the May data are expected to show stagnation or slight decline in industrial production on annual level. The decline is probably related to the situation in Agrokor and its affiliated companies, while the recovery of the domestic demand and the continued growth of foreign demand will certainly mitigate the negative impact.

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

Czech Republic (CZ) – On Thursday, the CNB board of directors meets to discuss monetary policy. We expect no change of the monetary policy mix, but the rhetoric of the CNB at the following press conference will be closely watched. Several members of the board already communicated their views about future monetary policy path earlier this week. Current CNB forecast indicates that the first increase in interest rates will occur in Q3 2017. However, the CNB governor J. Rusnok stated that, as for now, the forecast does not correspond to the monetary policy stance. Vice-governor V. Tomsik would prefer to delay the first increase in interest rates until the final quarter,

should the Czech koruna further maintain its strengthening trend. These words were also confirmed by another member of the board, Marek Mora, who reckons that the bank would have room to tighten policy in Q3, but slow inflation in the Euro Area together with the currency strengthening at the pace seen in recent weeks may delay the move. We expect a correction of the Czech currency in Q3, which would enable the CNB to increase the interest rate in the last quarter of this year.

Financial analyst: Milan Frydrych (+420 234 40 1421), Raiffeisenbank a.s., Prague

Romania (RO) – The coalition formed by the Social Democratic Party (PSD) and the Alliance of Liberals and Democrats (ALDE) initiated a no-confidence motion against own cabinet in order to oust Prime Minister Grindeanu who had been refusing to step down despite losing all political support. Out of total 464 parliament members 241 voted for the no-confidence motion, while only 10 were against it. As the number of votes required for the motion to succeed is 233 the coalition partners successfully ousted Prime Minister Grindeanu from the office. In the following period a new government has to be appointed. Upon the consultations with parliament parties (starting from next Monday), President Iohannis shall nominate a new Prime Minister, who would have 10 days to form a new cabinet. According to the Constitution, as PSD does not hold more than 50% of all seats in the parliament, the president is not required to follow their choice of the candidate. Still, given the political majority of PSD and ALDE combined, we expect that the President will nominate a person backed by the coalition partners. On the other hand, following the no-confidence vote, the parliamentary majority formed by PSD and ALDE may have weakened, as some of their own members voted against/did not participate to the vote. We expect extra short-term volatility in the market for RON FX and ROMGB as political uncertainty may last until the time when a new government will be appointed.

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

Russia (RU) – Industrial production growth accelerated in May to 5.6% yoy. The mining segment added 5.6% yoy (vs 4.2% yoy in April) while manufacturing industries visibly improved their performance with +5.7% yoy in May compared to 0.6% yoy in April. The electricity sector also did well despite weaker seasonality (+4.7% yoy vs 5.5% yoy in April). At the same time, in seasonally adjusted terms the growth was rather modest with +1.6% mom vs +1.1% mom in March-April on average. We believe that the impressive yoy growth was largely driven by one-off factors, i.e.: 1) more working days in May 2017 (20 vs 19 last year); 2) unusually cold weather conditions. Besides, manufacturing was also supported by traditionally volatile components such as machinery and equipment production. Thus, the official assessment of the industrial production remains rather cautious. We believe that the prospects for industrial production performance are not very bright given the weakness of local demand and will very much depend on export potential which has been its key growth driver so far.

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

Serbia (RS) – International Monetary Fund (IMF) is visiting the country for an Article IV Consultation and the 7th review under the 3y precautionary stand-by arrangement. This review falls eight months ahead of the completion of the stand-by arrangement next year and the market expects the deal will be extended due to rather hesitant privatization/restructuring of the state owned companies (SOEs). On the other side the efforts the government made and visible results achieved in terms of the budget deficit trimming down cannot be underestimated. Therefore, the reform of public companies will be in the spotlight of this IMF program. Standard & Poor's and Fitch rating agencies both have confirmed BB- long term country credit rating, though the authorities have been hoping for the upgrade given a significant fiscal ratio improvement in the past two years. Still positive outlook from S&P leaves the door open for the rating upgrade over the 6-12 months horizon in case of the fiscal outperformance.

The recurrent dinar's strengthening vs. euro was flavored by the improved balance of payments, export growth and healthy appetite for the finance ministry T-bills auctions. The buy FX interventions are now starting to near the sell FX interventions, as the total FX intervention amount attaining EUR 645 mn.

Next week Statistical office will publish May's data for industrial production, foreign trade and retail trade.

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

Slovakia (SK) – The Slovak labour market is showing signs of overheating. According to the Central Office of Labour, Social Affairs and Family of SR (COLSAF) unemployment in Slovakia reached 7.4% in May which is an historical low.

On Tuesday (June 20th) employees of the Volkswagen plant in Bratislava started an indefinite strike asking for improved working conditions and a significant increase in wages (+16%). As of Thursday (June 22nd), negotiations with management are proceeding and could be finalized by Friday. The VW plant in Bratislava is Slovakia's biggest private company, employing over 12 thousand people. If the strike were to last for 2-3 weeks, it could impact Slovak GDP growth by -0.1%.

The Ministry of Finance published a detailed analysis regarding wage rises. The nominal headline wage rise rate in 2016 was 3.3%, however, people who have been employed for at least 2 years continually saw their wages rise by approximately 8%. This indicates that the economy is under creating job opportunities even for low productivity employees, and that the job market is under stronger pressure than the headline numbers suggest.

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Monetary policy and money markets overview

CEE key interest and money markets outlook

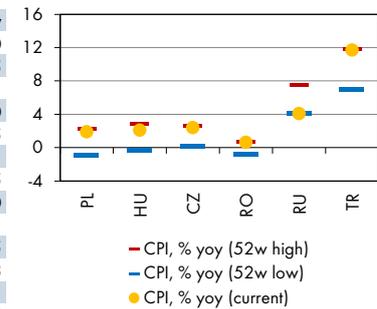
	current*	Sep-17	Dec-17	Mar-18	5y high	5y low
Poland						
Key interest rate	1.50	1.50	1.50	1.50	4.75	1.50
3m money market rate	1.73	1.73	1.73	1.73	5.14	1.65
Hungary						
Key interest rate	0.90	0.90	0.90	0.90	7.00	0.90
3m money market rate	0.15	0.15	0.15	0.15	7.20	0.15
Czech Republic						
Key interest rate	0.05	0.05	0.25	0.25	0.50	0.05
3m money market rate	0.30	0.40	0.50	0.60	1.22	0.00
Romania						
Key interest rate	1.75	1.75	1.75	2.00	5.25	1.75
3m money market rate	0.83	1.05	1.45	1.71	6.30	0.68
Russia						
Key interest rate	9.00	8.25	7.75	7.50	17.00	5.25
3m money market rate	9.19	8.85	8.35	8.10	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	3.75	13.13	3.26
Turkey						
Key interest rate	8.00	8.00	8.00	8.00	10.00	4.50
3m money market rate	13.02	12.30	11.50	10.80	13.02	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	1.25	1.25	1.50	1.75	1.25	0.25

Source: Bloomberg, RBI/Raiffeisen RESEARCH

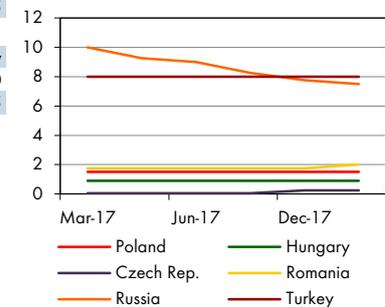
* Bid rates (for Hungary ask rates) as of 22 June 2017, 11:59 p.m. CEST

Inflation snapshot



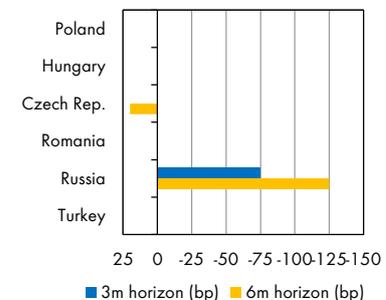
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	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) According to latest MPC minutes there is only limited inflationary pressure and no imbalances building up in the economy in the quarters ahead. While wage inflation needs close monitoring, we remain comfortable with our call of a moderate rate hiking cycle starting only in H2 2018 in order to create positive real rates.

Hungary (MNB) MNB lowered CPI inflation forecast in June's inflation report, remaining below the 3% mid-target in 2017/2018. Meanwhile, BUBORs remain depressed in line with the MNB's explicit goal to do so. A renewal of the MP toolkit is on the cards as the amounts that are allowed to be placed in the 3m deposit facility were further cut in June. Therefore, 3m deposit rate becomes increasingly a "communication tool".

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. This has been also acknowledged by CNB members this week. We assume that rate hikes are only an option at levels above CZK 26/EUR as FX rate is the most crucial decision variable for the CNB.

Romania (BNR) Elevated fiscal risks and other macro imbalances 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) April's overshooting of CPI inflation was only temporary after falling headline inflation in May. We are therefore much more comfortable with our stable base rate outlook for 2017, also given current RSD strength which the NBS tries to curb via most recent EUR buying.

Russia (CBR) CBR cut base rate by only 25bp in June. Nevertheless, we expect cumulative cuts amounting to 175bp by mid-2018 which is more than earlier expected. As room for further falling inflation appears more and more limited, the pace of further rate cuts might be kept at 25bp.

Turkey (TCMB) TCMB kept all rates steady last week. The weighted average costs of funding are still close to 12% (since early-April), but could get eased somewhat going forward after CPI inflation might have reached its inflexion point in May. We assume that the TCMB will muddle through with its multi-interest rate strategy (1w repo: 8.00%, o/n lending rate: 9.25%, late liquidity window: 12.25%).

Source: RBI/Raiffeisen RESEARCH

Foreign exchange market overview

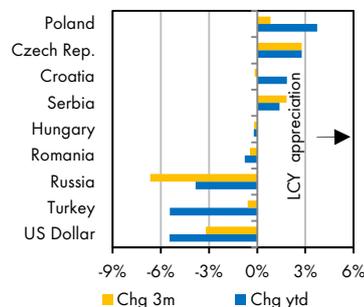
FX forecasts

EUR vs	current*	Sep-17	Dec-17	Mar-18	5y high	5y low	Comment
PLN	4.244	4.10	4.15	4.10	4.40	4.08	PLN retreated back well above 4.20 to the euro following the US key rate hike and rate outlook, but benign economics and reoccurring rate hike speculation to support PLN going forward
HUF	309.5	310	310	310	316	291	MNB to remaining very dovish at its next monetary policy meeting on 20 June, EUR/HUF expected to remain within its 305-315 trading range
CZK	26.29	26.5	25.9	25.6	27.7	25.1	Koruna seeing continued slow appreciation, normalization process (strengthening CZK) after FX regime likely to remain a lengthy process
RON	4.578	4.50	4.55	4.50	4.55	4.45	RON with renewed depreciation pressure due to political conflict and ongoing fiscal risks
HRK	7.421	7.45	7.50	7.45	7.66	7.50	EUR/HRK stable, trading in range between 7.40 and 7.43 kuna per euro.
RSD	121.7	124	125	125	125	112	RSD with continuous appreciation against the euro over the past months, supported by political development
RUB	66.95	63.2	64.2	67.6	79.3	40.3	see USD/RUB below
UAH	29.04	29.4	30.0	31.1	30.0	10.6	see USD/UAH below
BYN	2.157	2.13	2.19	2.29	2.19	1.13	see USD/BYN below
TRY	3.924	3.92	3.96	4.14	3.96	2.35	see USD/TRY below
USD	1.116	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	
RUB	60.00	58.0	60.0	62.0	73.0	30.5	USD strengthening, low oil prices, new US sanctions and continued key rate cuts in Russia to weigh on still very strong RUB
UAH	26.02	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	1.933	1.95	2.05	2.10	2.05	0.86	Despite BYN stability over recent months we remain with our cautious outlook given fundamental weaknesses
TRY	3.517	3.60	3.70	3.80	3.70	1.78	After having profited from USD weakness and falling oil prices the Turkish lira has in our view reached stronger resistance; we see ongoing elevated risk for TRY, supported by our assumption of short-term USD recovery and rebound in oil prices

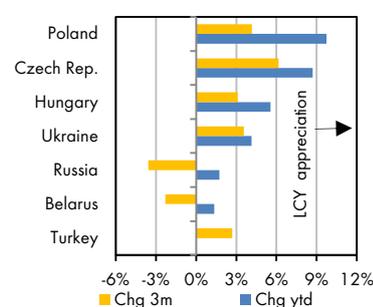
* as of 22 June 2017, 11:59 p.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



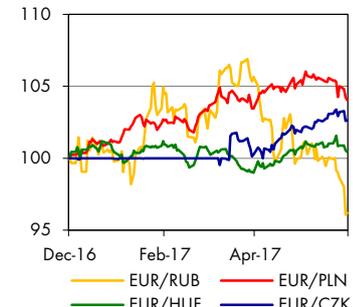
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

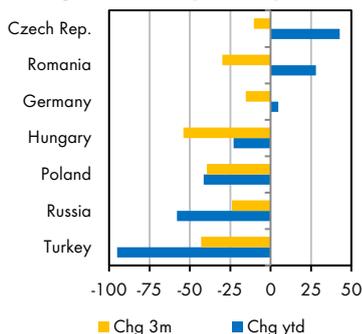
Exchange rate comparison



Indexed 22 Dec-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

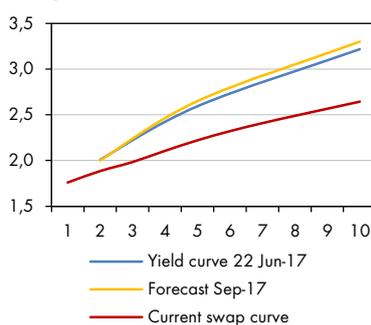
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



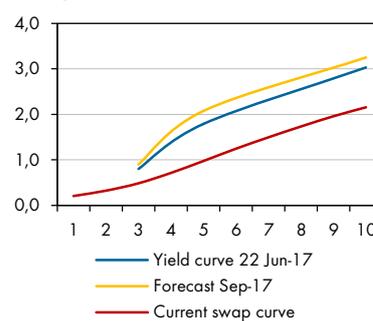
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



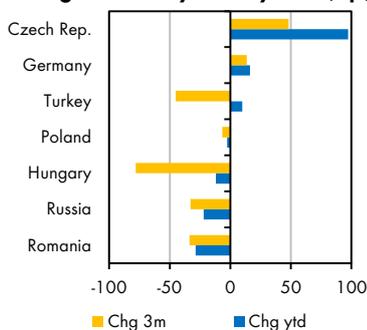
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



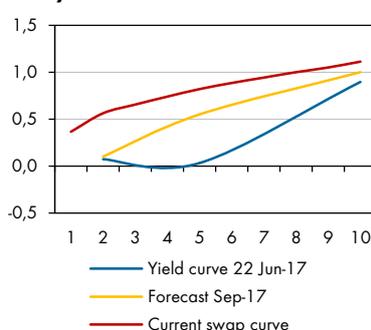
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



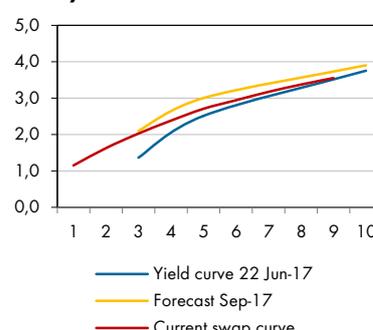
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

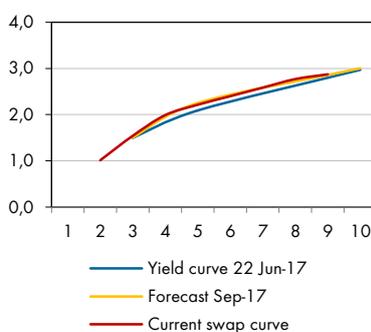
5y USD CDS spreads



Turkey 5y high 327.1, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4

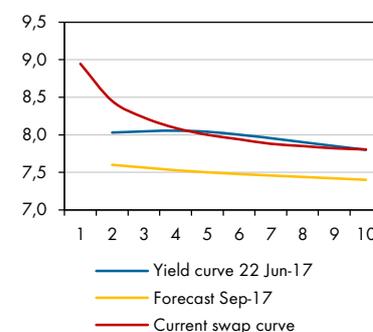
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RUB yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Yield forecasts

2y T-bond yields (%)							10y T-bond yields (%)						
	current*	Sep-17	Dec-17	Mar-18	5y high	5y low		current*	Sep-17	Dec-17	Mar-18	5y high	5y low
Poland	2.01	2.0	2.1	2.3	3.1	1.6	Poland	3.22	3.3	3.5	3.7	4.3	2.5
Hungary **	0.80	0.9	1.0	1.1	5.7	0.9	Hungary	3.03	3.3	3.4	3.5	6.2	3.3
Czech Republic	0.07	0.1	0.1	0.2	0.5	-0.9	Czech Republic	0.90	1.0	1.2	1.4	2.5	0.5
Romania	1.36	1.6	1.8	2.2	6.4	1.5	Romania	3.75	3.9	4.3	4.4	6.9	3.5
Croatia	1.50	1.5	1.6	1.7	4.4	0.9	Croatia	2.88	3.0	3.1	3.2	5.2	3.1
Russia	8.03	7.6	7.3	7.2	15.8	6.2	Russia	7.80	7.4	7.1	7.0	14.1	6.9
Turkey	10.80	10.5	10.5	10.0	11.0	6.1	Turkey	10.14	10.5	10.0	9.5	11.1	6.6
Germany	-0.66	-0.7	-0.7	-0.6	0.2	-0.8	Germany	0.26	0.4	0.7	0.9	1.9	0.1
USA	1.34	1.5	1.7	1.8	1.7	0.2	USA	2.15	2.4	2.8	2.8	3.0	1.8

* Bid yields as of 22 June 2017, 11:59 p.m. CEST; ** 3y yield
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

	Maturity	Coupon (%)	Bid Price	YTM (%)	Spread to Bunds (bp)	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25/07/2019	3.25	102.61	1.95	257	2.0	POLGBs continue to benefit from benign external backdrop and favourable supply dynamics. Although longer-term outlook remains mildly bearish due to reflation, risks of substantially rising LCY bond yields appear contained in the short run.
PLN 5y Gov. Bond	25/04/2022	2.25	98.39	2.61	298	4.6	
PLN 10y Gov. Bond	25/07/2027	2.50	94.07	3.20	294	8.8	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	100.80	0.75	135	3.2	Demand for HGBs remains strong against the favorable external backdrop and the ongoing bond-market-supportive climate on the local scene. Although this should continue in the short run, we project moderately higher HGB yields in the course of this year as inflation could be underestimated.
HUF 5y Gov. Bond	26/10/2022	1.75	100.10	1.73	210	5.1	
HUF 10y Gov. Bond	27/10/2027	3.00	100.17	2.98	272	8.9	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	109.28	-0.17	44	1.7	We maintain our Hold recommendation for CZGBs given limited performance potential in the short run. Due to longer-term CZK appreciation potential, however, we have a more constructive l/t view.
CZK 5y Gov. Bond	12/09/2022	4.70	124.63	-0.02	35	4.7	
CZK 10y Gov. Bond	25/08/2028	2.50	115.96	0.98	72	9.8	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	104.84	0.55	93	1.0	Next week we expect higher trading volumes due to the summer season's arrival and investors' repositioning of their portfolio before summer holidays.
HRK 10y Gov. Bond	14/12/2026	4.25	111.15	2.89	264	7.9	
Romania							
RON 2y Gov. Bond	29/04/2019	2.50	102.02	1.38	198	1.8	LCY debt market continues shrugging-off elevated fiscal risks which were increasing as of late due to another law on wage hikes. Political risks are also back in the limelight. We therefore expect a rise in ROMGB credit risk premium in the medium term and are bearish on our end-Sep. horizon.
RON 5y Gov. Bond	08/03/2022	3.40	103.84	2.52	289	4.4	
RON 10y Gov. Bond	26/07/2027	5.80	116.76	3.77	351	7.7	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	99.41	8.03	864	1.6	OFZ yield curve regained attractiveness following the latest US-sanctions and RUB-related correction. We expect deeper than initially expected rate cuts, but nevertheless expect also favorable performance at the long-end of the curve as our top carry trade.
RUB 5y Gov. Bond	18/08/2021	7.50	98.54	8.07	844	3.5	
RUB 10y Gov. Bond	03/02/2027	8.15	103.45	7.78	752	6.9	
Turkey							
TRY 2y Gov. Bond	15/05/2019	11.10	n.a.	n.a.	n.a.	n.a.	Inflation has likely peaked in May and related expectations for MP easing could support (short-duration) TURKGBs. We entered the market after June's Fed meeting. Major risks are 1) overdoing MP loosening 2) Fed tail risks 3) prolonged risk-off due to possible global stock market shock.
TRY 5y Gov. Bond	02/03/2022	11.00	102.30	10.36	1073	3.8	
TRY 10y Gov. Bond	24/02/2027	11.00	105.40	10.11	985	6.3	

Data as of 23 June 2017, 09:46 p.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

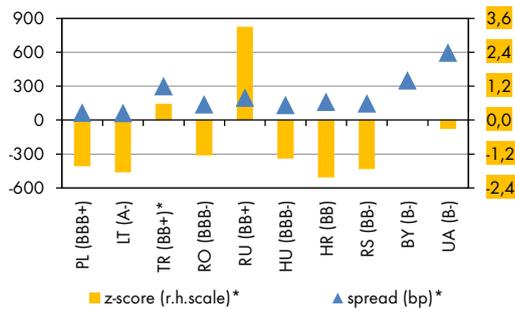
Bond auctions

	ISIN	Coupon	Maturity	Volume		
26 June						
RO		3.4y T-bond	RO1722DBN045	3.40%	08.03.2022	RON 700 mn
27 June						
RO		4y T-bond	n.a.	1.25%	n.a.	n.a.
29 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, 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	100.2	100.2	-0.18	111.8	100.2	-0.79	-19	0.0	XS0802005289	
CROATI 5 7/8 07/09/18	105.9	106.1	-0.02	112.1	99.6	0.03	65	1.0	XS0645940288	
REPHUN 3 7/8 02/24/20	110.0	110.6	0.00	113.1	76.1	0.02	64	2.6	XS0212993678	
REPHUN 4 3/8 07/04/17	100.1	100.4	0.00	108.0	85.1	-7.38	-706	0.0	XS0284810719	
REPHUN 5 3/4 06/11/18	105.8	106.0	-0.12	115.1	88.0	-0.37	25	1.0	XS0369470397	
REPHUN 6 01/11/19	109.4	109.8	0.00	118.4	87.6	-0.18	44	1.5	XS0625388136	
LITHUN 4.85 02/07/18	103.1	103.3	-0.09	114.3	103.2	-0.37	25	0.6	XS0327304001	
POLAND 5 5/8 06/20/18	105.6	106.1	-0.05	122.6	102.1	-0.34	27	1.0	XS0371500611	
POLAND 1 5/8 01/15/19	102.6	103.1	0.07	105.5	98.0	-0.22	41	1.5	XS0874841066	
POLAND 3 3/4 01/19/23	118.3	118.6	-0.21	125.5	101.0	0.39	69	5.1	XS0794399674	
POLAND 3 3/8 07/09/24	117.8	118.1	-0.11	125.6	99.6	0.75	88	6.2	XS0841073793	
ROMANI 4 7/8 11/07/19	111.3	111.8	-0.04	117.8	99.3	0.01	64	2.2	XS0852474336	
TURKEY 5 7/8 04/02/19	108.8	109.0	-0.11	118.9	107.5	0.79	142	1.7	XS0285127329	
TURKEY 5 1/8 05/18/20	109.7	109.9	-0.14	115.9	102.5	1.62	223	2.7	XS0503454166	
USD										
BELRUS 8.95 01/26/18	102.2	102.9	-0.12	111.2	78.0	4.37	326	0.5	XS0583616239	
CROATI 6 3/8 03/24/21	111.6	112.0	-0.13	117.8	96.4	3.02	143	3.3	XS0607904264	
CROATI 5 1/2 04/04/23	110.2	110.6	-0.14	111.7	94.4	3.49	164	4.9	XS0908769887	
REPHUN 5 3/8 02/21/23	112.2	112.4	-0.08	115.4	93.1	2.99	115	4.8	US445545AH91	
REPHUN 7 5/8 03/29/41	151.0	151.7	-0.4	157.5	97.1	4.19	164	13.1	US445545AF36	
LITHUN 7 3/8 02/11/20	113.6	113.9	-0.08	130.7	113.4	1.98	54	2.4	XS0485991417	
LITHUN 6 5/8 02/01/22	118.2	118.5	-0.13	128.6	113.8	2.38	67	4.0	XS0739988086	
LATVIA 2 3/4 01/12/20	101.4	101.8	-0.08	104.5	91.4	2.10	67	2.4	XS0863522149	
LATVIA 5 1/4 06/16/21	111.1	111.6	-0.08	117.2	100.6	2.25	62	3.6	XS0638326263	
POLAND 6 3/8 07/15/19	109.6	109.8	-0.10	125.9	109.6	1.57	20	1.9	US731011AR30	
POLAND 3 03/17/23	102.4	102.6	-0.5	105.1	87.6	2.53	68	5.2	US731011AT95	
ROMANI 6 3/4 02/07/22	117.0	117.2	0.05	124.4	101.6	2.77	105	3.9	US77586TAA43	
ROMANI 4 3/8 08/22/23	107.4	107.6	0.08	111.1	90.8	3.03	113	5.3	US77586TAC09	
RUSSIA 4 1/2 04/04/22	105.5	105.8	-0.67	114.7	82.0	3.21	147	4.3	XS0767472458	
RUSSIA 7 1/2 03/31/30	120.0	120.4	-0.08	128.6	99.6	2.26	3	3.7	XS0114288789	
RUSSIA 5 5/8 04/04/42	109.2	109.8	-2.69	124.9	76.0	4.95	238	13.7	XS0767473852	
SERBIA 5 1/4 11/21/17	101.3	101.5	-0.07	107.1	96.8	1.66	62	0.4	XS0856951263	
SERBIA 4 7/8 02/25/20	104.6	105.0	-0.22	105.4	89.6	2.98	154	2.5	XS0893103852	
TURKEY 6 1/4 09/26/22	109.0	109.5	-0.20	127.0	102.5	4.26	246	4.4	US900123BZ27	
TURKEY 6 7/8 03/17/36	113.7	114.1	-0.58	139.6	99.2	5.66	325	10.8	US900123AY60	
TURKEY 6 3/4 05/30/40	112.7	113.3	-0.61	139.4	97.3	5.72	320	12.2	US900123BG46	
UKRAIN 7 3/4 09/01/19	103.2	103.6	0.14	103.7	88.0	6.06	468	1.9	XS1303918269	
UKRAIN 7 3/4 09/01/23	99.3	99.7	-0.50	100.6	84.6	7.85	595	4.7	XS1303921487	
UKRAIN 7 3/4 09/01/27	97.0	97.5	-0.54	98.4	81.2	8.15	599	6.7	XS1303927179	

YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 23 Jun 2017, 9:52 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+	stable	Baa3	Baa3	positive	A-	A-	stable
SEE									
Romania	BBB-	BBB-	stable	Baa3	Baa3	stable	BBB	BBB-	stable
Bulgaria	BB+	BB+	positive	Baa2	Baa2	stable	BBB	BBB-	positive
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	83.7	23.0	2.6	90.9	32.4	9.1
	2017e	2.9	1.5	12.2	1056	-1.9	82.9	23.8	3.7	86.7	n.a.	8.7
	2018f	2.3	1.7	11.2	1074	-2.0	81.3	24.5	2.2	85.2	n.a.	8.6
Czech Rep.	2016	2.3	0.7	5.5	1020	0.6	37.9	70.3	1.1	73.2	63.8	8.4
	2017e	2.7	2.3	4.4	1086	-0.2	36.8	69.2	1.1	76.3	85.7	12.0
	2018f	2.5	2.1	4.5	1176	0.0	35.8	69.6	1.2	74.0	80.9	10.9
Hungary	2016	2.0	0.2	5.3	847	-2.0	73.9	82.8	5.4	98.3	22.2	3.5
	2017e	3.8	2.6	4.3	937	-2.5	73.2	80.5	3.2	88.3	22.2	3.2
	2018f	3.6	3.3	4.0	1008	-3.0	72.4	79.5	2.9	81.8	20.3	2.8
Poland	2016	2.7	-0.6	9.0	927	-2.6	52.8	41.5	-0.5	74.4	34.3	7.4
	2017e	3.8	2.2	7.3	997	-2.8	54.0	39.4	-0.2	72.4	32.6	7.2
	2018f	3.1	2.4	6.4	1062	-3.0	54.1	37.7	-0.9	71.3	31.1	6.9
Romania	2016	4.8	-1.5	5.9	642	-3.0	37.6	30.7	-2.4	54.6	41.0	7.4
	2017e	4.9	0.9	5.2	718	-3.6	38.4	31.9	-3.6	53.0	39.9	6.6
	2018f	3.8	2.9	5.0	781	-3.8	39.7	32.6	-3.8	52.3	38.3	6.1
Russia	2016	-0.2	7.1	5.5	495	-3.7	13.5	22.1	1.7	39.0	79.1	25.2
	2017e	1.0	4.0	5.3	619	-2.5	14.0	22.2	4.7	29.5	88.5	23.0
	2018f	1.5	4.5	5.3	609	-2.0	14.5	22.6	5.5	25.8	99.8	21.7
Ukraine	2016	2.3	13.9	9.3	n.a.	-2.9	76.1	36.0	-4.1	121.7	14.4	4.8
	2017e	1.5	12.0	9.0	n.a.	-3.2	78.4	35.9	-4.1	114.5	16.9	5.3
	2018f	3.0	7.4	8.5	n.a.	-2.7	73.0	37.2	-3.6	108.8	17.7	5.4
Turkey	2016	2.9	7.8	10.0	n.a.	-1.4	32.0	17.5	-3.8	47.8	27.1	7.0
	2017e	4.0	10.0	10.3	n.a.	-2.5	33.0	18.9	-4.6	50.1	25.8	6.5
	2018f	3.0	8.0	10.0	n.a.	-2.0	32.0	18.6	-4.8	48.8	23.0	5.7

* 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	27%
Hold	60%
Sell	13%
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
20/06/2017	Hold	Hold	Buy	Sell	Buy	Hold
06/06/2017	Hold	Buy	Buy	Hold	Buy	Hold
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

Date	2Y Czech. Rep.	2Y Hungary	2Y Poland	2Y Romania	2Y Russia	2Y Turkey
20/06/2017	Hold	Hold	Hold	Sell	Buy	Buy
06/06/2017	Hold	Hold	Hold	Hold	Buy	Buy
28/04/2017	Hold	Hold	Hold	Hold	Buy	Hold
27/04/2017						
24/03/2017	Hold	Hold	Hold	Hold	Hold	Hold
15/03/2017						
24/02/2017					Sell	
25/01/2017	Hold	Hold	Hold	Hold	Hold	Hold
24/01/2017						
15/12/2016	Hold	Hold	Hold	Hold	Buy	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

Date	BG EUROBOND EUR	BY EUROBOND USD	HR EUROBOND EUR	HR EUROBOND USD	HU EUROBOND EUR	HU EUROBOND USD
20/06/2017					Hold	
06/06/2017	Buy	Hold			Buy	Hold
28/04/2017						
27/04/2017		Buy	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		Hold			
24/11/2016						
21/10/2016		Sell				
26/09/2016	Buy		Buy	Sell		
23/09/2016						
26/08/2016						
25/08/2016						
29/07/2016	Hold				Hold	Hold
27/07/2016						
21/07/2016						

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

Date	RO EUROBOND EUR	RO EUROBOND USD	RS EUROBOND USD	RU EUROBOND EUR	RU EUROBOND USD	SI EUROBOND EUR
20/06/2017						
06/06/2017			Sell			
28/04/2017						
27/04/2017	Hold	Hold				
24/03/2017						
15/03/2017	Buy	Buy			Hold	
24/02/2017						
25/01/2017						
24/01/2017			Hold			
15/12/2016	Hold			Hold		
28/11/2016	Buy			Sell	Sell	
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	Hold		Buy	Buy	
27/07/2016						
21/07/2016						

Date	SI EUROBOND USD	SK EUROBOND EUR	TR EUROBOND EUR	TR EUROBOND USD	UA EUROBOND USD
20/06/2017			Buy	Buy	
06/06/2017					Hold
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	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	

Disclaimer Financial Analysis

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