

Market snapshot

	curr.*	Sep-17	Dec-17	Mar-18
Poland				
EUR/PLN	4.235	4.10	4.15	4.10
Key rate	1.50	1.50	1.50	1.50
10y bond	3.4	3.3	3.5	3.7
Hungary				
EUR/HUF	309.6	310	310	310
Key rate	0.90	0.90	0.90	0.90
10y bond	3.2	3.3	3.4	3.5
Czech Republic				
EUR/CZK	26.23	26.5	25.9	25.6
Key rate	0.05	0.05	0.25	0.25
10y bond	1.0	1.0	1.2	1.4
Romania				
EUR/RON	4.570	4.50	4.55	4.50
Key rate	1.75	1.75	1.75	2.00
10y bond	3.9	3.9	4.3	4.4
Croatia				
EUR/HRK	7.412	7.45	7.50	7.45
Key rate	2.50	2.50	2.50	n.a.
10y bond	3.0	3.0	3.1	3.2
Russia				
USD/RUB	59.04	58.0	60.0	62.0
Key rate	9.00	8.25	7.75	7.50
10y bond	7.7	7.4	7.1	7.0
Turkey				
USD/TRY	3.518	3.60	3.70	3.80
Key rate	8.00	8.00	8.00	8.00
10y bond	10.3	10.5	10.0	9.5
EUR/USD	1.143	1.09	1.07	1.09

* prices as of 29 June 2017, 11:59 p.m. CEST
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

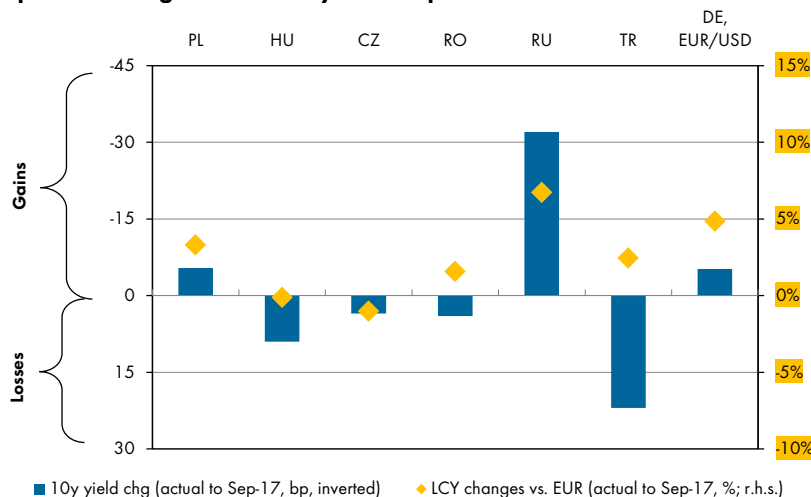
Highlights

The political turmoil in Romania with the non-confidence vote to oust Prime Minister Grindeanu last week proved to be short-lived. Consultations between the political parties started early in the week and shortly afterwards Mihai Tudose was nominated as Prime Minister to form a new cabinet. On Thursday finally the new cabinet was finalized (17 out of 28 ministers of the old Cabinet kept their seats) and received the confidence vote in parliament. But it soon became obvious that some concerns over the political situation will prevail. After important changes to the Fiscal Code were released as an updated government program, relevant political sides shortly afterwards denied some of the changes. In any case, fiscal uncertainty is likely to remain over the coming months in Romania. Otherwise the week was rather quiet from the data side with only the Czech monetary council meeting adding to some market reaction. CNB governor Rusnok, in the statement following the decision to keep the key rate unchanged, said that the observed fulfillment of its macroeconomic forecasts would support key rate hikes as planned – that is in the third quarter of this year. We had penciled in a first key rate hike only for the fourth quarter. The more hawkish CNB wording thereby not only fits to the domestic Czech environment, but should also be seen in the context of a more hawkish tone by other big central banks in recent days and weeks.

In contrast to this week the next week will be crowded with relevant macroeconomic releases in CEE. Among others the PMI data for June will be released and key rate setting meetings in Poland, Ukraine and Romania are scheduled. Even though the Polish Central Bank is expected to keep its wait-and-see stance, the statements of the Polish council after the decision will be closely watched. Inflation figures for June (to be released today and estimated by us to come in at 1.7% yoy and 0.0% mom) should thereby strengthen this neutral stance of the monetary council. While economists recently pushed back their call for a first key rate hike in Poland towards Q4 2018, we keep our projection of a first hike in Q3 2018 as we believe that the MPC's tolerance for negative real rates will dwindle away earlier.

Financial analyst: Wolfgang Ernst (+43 1 71707 1500), CEFA, 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
03-Jul	RU: PMI, points	Jun	n.a.	53.6	53.6	51.5	52.4
03-Jul	PL: PMI, points	Jun	53.8	54.3	53.5	52.6	52.7
03-Jul	CZ: PMI, points	Jun	57.2	n.a.	n.a.	n.a.	56.4
05-Jul	PL: Key rate, %	Jul	1.50	1.50	1.50	1.50	1.50

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 23 June					Friday 30 June						
HR: Unemployment rate, % yoy	May	11.7	11.8	13.2	SI: CPI, % yoy	Jun	n.a.	n.a.	n.a.	n.a.	1.5
Monday 26 June					Monday 03 July						
PL: Unemployment rate, % yoy	May	7.4	7.5	7.7	SI: Retail sales, % yoy	May	n.a.	n.a.	n.a.	n.a.	10.4
Wednesday 28 June					Tuesday 04 July						
HU: Unemployment rate, % yoy	May	4.4	n.a.	4.6	HR: Industrial output, % yoy	May	-0.2	n.a.	n.a.	n.a.	-0.6
Thursday 29 June					Wednesday 05 July						
CZ: Key Rate, %	Jun	0.05	0.05	0.05	HR: Retail sales, % yoy	May	2.7	n.a.	n.a.	n.a.	2.8
					RS: Industrial output, % yoy	May	n.a.	n.a.	n.a.	n.a.	-2.6
					RS: Retail sales, % yoy	May	n.a.	n.a.	n.a.	n.a.	-0.9
					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
					RU: PMI, points	Jun	n.a.	53.6	53.6	51.5	52.4
					TR: CPI, % yoy	Jun	n.a.	n.a.	n.a.	n.a.	11.7
					TR: PMI, points	Jun	n.a.	n.a.	n.a.	n.a.	53.5
					PL: PMI, points	Jun	53.8	54.3	53.5	52.6	52.7
					CZ: PMI, points	Jun	57.2	n.a.	n.a.	n.a.	56.4
					CZ: Budget balance, CZK bn	Jun	n.a.	n.a.	n.a.	n.a.	-18.7
					RO: Key rate, %	Jul	1.75	n.a.	n.a.	n.a.	1.75
					Thursday 06 July						
					CZ: Trade balance, CZK bn	May	16.6	n.a.	n.a.	n.a.	10.6
					SK: Retail sales, % yoy	May	n.a.	n.a.	n.a.	n.a.	6.5
					Friday 07 July						
					RU: PMI Services, points	Jun	n.a.	56.7	56	54.2	56.3
					RU: PMI Composite, points	Jun	n.a.	n.a.	n.a.	n.a.	56.0
					RO: Retail sales, % yoy	May	n.a.	n.a.	n.a.	n.a.	6.1
					HU: Retail sales, % yoy	May	4.5	n.a.	n.a.	n.a.	2.0
					PL: Key rate, %	Jul	1.50	1.50	1.50	1.50	1.50
					Thursday 06 July						
					HU: Industrial output, % yoy	May	3.5	n.a.	n.a.	n.a.	2.5
					HU: Budget balance, ytd HUF bn	Jun	n.a.	n.a.	n.a.	n.a.	-213
					UA: Key rate, %	Jul	n.a.	n.a.	n.a.	n.a.	12.5
					RU: CPI, % yoy	Jun	n.a.	4.3	4.1	3.9	4.1
					Friday 07 July						
					RO: Wages Net, % yoy	May	n.a.	n.a.	n.a.	n.a.	13.4
					CZ: Retail sales, % yoy	May	5.0	n.a.	n.a.	n.a.	-0.3
					CZ: Industrial output, % yoy	May	8.5	n.a.	n.a.	n.a.	-2.5
					HU: Trade balance, EUR mn	May	700	n.a.	n.a.	n.a.	n.a.
					HR: Trade balance, HRK mn	Apr	n.a.	n.a.	n.a.	n.a.	-5,651
					UA: CPI, % yoy	Jun	n.a.	n.a.	n.a.	n.a.	13.5

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Croatia (HR) – Although recent consolidated general government statistics for Q1 showed mild yearly deterioration, the data are not alarming due to the fact that the reduction in government spending in Q1 2016 was conditioned by temporary financing and later by the period in which the technical government was restricted by law regarding the amount and structure of budget expenses. According to the national methodology (which is not fully comparable with the ESA2010) the consolidated general government deficit increased slightly to 2.7%yoy.

The continuation of positive economic indicators suggests that revenues should be at least consistent with the planned figures. We stick to our cautious stance and expect the fiscal deficit to deepen this year, mainly due to the increase on the expenditure side. Still, it should remain at levels below 2% of GDP, with the surplus in primary balance for the third year in a row.

In the upcoming week the May PPI figures should confirm continued subdued inflation rates while tourism readings, after record numbers in April, are expected to show continuation of excellent performance in May as well. Despite improved foreign trade readings in Q1 the seasonal deterioration on the current account (mainly driven by goods account) might be mitigated by a bit subdued surplus on the services (as tourist season begun later this year) and improved EU funds inflow. All in all we assume that the Q1 current account deficit will be lower than last year.

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

Hungary (HU) – Without any relevant macroeconomic data during the week, the forint and the Hungarian government bonds have moved in tandem with Western European markets. The HUF has weakened slightly towards the key resistance level of 310 against the EUR. The implied volatility is still around all-time lows and the upside and downside risks are broadly balanced, therefore the exchange rate on the short- and mid-term seems to be well anchored at recent levels. Our forecast for the rest of the year is 310 flat. As far as the rates and yields are concerned, BUBOR fixings remained unchanged, while HGB yields seemed to have made a U-turn from their multi-

month lows in parallel with the Western European pricing developments on an earlier ECB tapering. However, we consider these developments exaggerated, both rates and yields are forecasted to gradually increase in coming quarters.

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

Poland (PL) – Last week passed without any significant macroeconomic data publication. Worth mentioning is only the final reading of the unemployment rate, which dropped in May to 7.4% against 7.7% in April. Meanwhile the Ministry of Finance published on Friday the budget data for the period of January-May, according to which the deficit reached merely PLN 0.2 bn, 0.3% of the amount planned for 2017. The result was possible due to almost flat expenditures while income increased 11% yoy and reached 44% of the plan for 2017. This in turn was largely driven by the strong economic rebound which boosted tax income (VAT income increased 30% yoy). Flash CPI in June scheduled for today should indicate further fuel prices decline offset by increasing food prices. We estimate that the headline inflation will amount to 0.0% mom (on yearly basis 1.7%). PMI (on Monday), after an unexpected drop in May, might rise again following analogous business indicators provided by national CSO. The MPC meeting on Wednesday may be of greater importance. The press statement after the meeting will include the latest inflation projections which, if revised significantly upwards, may influence the MPC on its neutral stance.

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

Romania (RO) – On Monday President Iohannis appointed as Prime Minister the candidate proposed by the ruling coalition between the Social Democratic Party (PSD) and the Alliance of Liberals and Democrats (ALDE). The government led by Mr Tudose, a former Minister of Finance, on Thursday received the confidence vote in the parliament. This was not a surprise given that the government had the support of the parliamentary majority. Also, on Thursday, PSD presented an updated governing program. Similar to the program presented in January, this would deliver important changes of the Fiscal Code starting from the next year. However, the new version of the program includes several novelties, among the most important being the following: the introduction of a solidarity tax for high income earners, the change of the taxation of enterprises to a differentiated tax on turnover instead of the flat 16% corporate income tax, much larger increases of the minimum wage in the economy. Also, the designated Minister of Finance was quoted by local media as saying that the Second Pillar Pension Fund would be abolished, while Pillar I (public pensions) and Pillar III (facultative private pensions) would remain. Still, the president of PSD, Mr Dragnea, as well as the new Prime Minister, Mr Tudose, denied such action. Such news has brought upside pressures on RON assets (FX and RON government securities).

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

Russia (RU) – Weekly inflation data came in at 0.1% wow leaving the annual figure at 4.2% yoy. Again the main contribution to CPI growth came from the fruit and vegetables segment: the price growth gauged 2% wow on average, slightly lower than a week before. As we claimed earlier, a non-typical price growth is seen only in segments where consumers (through retailers) usually switch from imports to domestically produced goods at this time of the year (but actually failed to do this in the recent weeks). The prices of cabbage (+12.1% wow), carrots (+4.9% wow) and apples (3.5% wow) reflect this trend. Though, in some key food items (i.e. potatoes) there are signs that the inflation loses its steam. For instance, the prices of potatoes (that grew by 5% wow on average in the last four months) virtually stopped growing (reaching only 0.5% wow). We believe that this is a sign that prices start to return to the ordinary seasonal model, with price peak in June and moderate deflation afterwards. For the fresh food products (for which no stocks are built) price dynamics show ordinary seasonal pattern. We believe that although high inflation in the fruit and vegetable segment is quite visible, this will not stop the CBR in its easing cycle.

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

Monetary policy and money markets overview

CEE key interest and money markets outlook

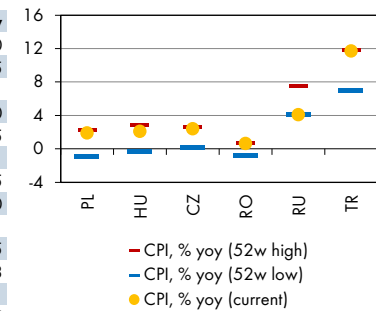
	current*	Sep-17	Dec-17	Mar-18	5y high	5y low
Poland						
Key interest rate	1.50	1.50	1.50	1.50	4.75	1.50
3m money market rate	1.73	1.73	1.73	1.73	5.14	1.65
Hungary						
Key interest rate	0.90	0.90	0.90	0.90	7.00	0.90
3m money market rate	0.15	0.15	0.15	0.15	7.20	0.15
Czech Republic						
Key interest rate	0.05	0.05	0.25	0.25	0.50	0.05
3m money market rate	0.29	0.40	0.50	0.60	1.08	0.00
Romania						
Key interest rate	1.75	1.75	1.75	2.00	5.25	1.75
3m money market rate	0.86	1.05	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	9.23	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

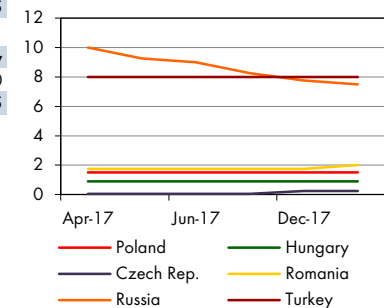
* Bid rates (for Hungary ask rates) as of 29 June 2017, 11:59 p.m. CEST

Inflation snapshot



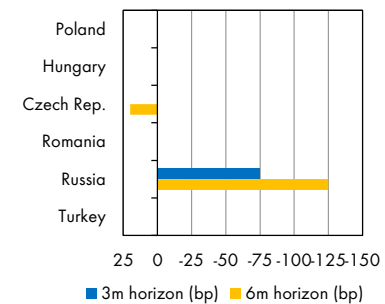
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	Jul	Aug
Poland (NBP)	5	/
Hungary (MNB)	18	22
Czech Republic (CNB)	/	3
Romania (BNR)	3	4
Serbia (NBS)	10	10
Russia (CBR)	28	/
Turkey (TCMB)	27	/

Source: National Central Banks, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP) Fresh Bloomberg consensus pushed back start of rate hiking cycle to Q4 2018, coming more or less in line with our call. While wage inflation needs close monitoring, we are comfortable with our forecast of a moderate rate hiking cycle starting in H2 2018 in order to bring real rates to positive territory.

Hungary (MNB) 3m deposit cap was lowered in June more than expected with MNB signalling that downward pressure on inflation was strengthening. That said MNB lowered own CPI inflation forecast remaining below 3% mid-target in 2017/2018. Meanwhile, BUBORs remain depressed in line with MNB's explicit goal. Next cut to deposit cap - becoming increasingly a "communication tool" - to be announced in Sep., whilst so far no hints how future base rate will look like.

Czech Republic (CNB) Surprisingly, CNB might stick to its earlier forward guidance and start to hike base rate already in Q3. Statement after this week's rate setting meeting confused us: During the past two weeks, CNB members hinted at later start of rate hikes in light of strong CZK. However, FX rate is most crucial decision variable for CNB and we would like to monitor short-term fluctuations before bringing forward our rate hike call.

Romania (BNR) Another wave of fiscal / political risks as well as other macro imbalances should force BNR to finally end pro-cyclical policies in H2 2017. According to BNR, narrowing of interest corridor could be 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 and we are therefore comfortable with our stable base rate outlook for 2017. Current RSD strength which the NBS tries to curb via repeated EUR buying, argues also against frontloaded rate hikes.

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 (expectations) appears more and more limited, pace of further rate cuts might remain slow.

Turkey (TCMB) TCMB kept all rates steady in June. The weighted average costs of funding (WACF) 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 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%), but basically ease WACF.

Source: RBI/Raiffeisen RESEARCH

Foreign exchange market overview

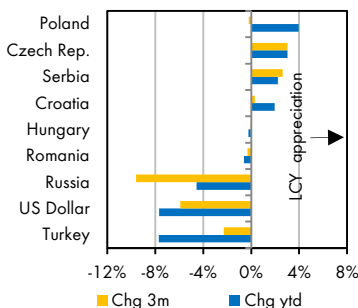
FX forecasts

EUR vs	current*	Sep-17	Dec-17	Mar-18	5y high	5y low	Comment
PLN	4.235	4.10	4.15	4.10	4.40	4.08	EUR/PLN continues to hover above 4.20 after recent setback; low global risk aversion and benign growth environment to give zloty support
HUF	309.6	310	310	310	316	291	EUR/HUF expected to continue trading within its 305-315 trading range; very dovish MNB counterbalances improved economic growth
CZK	26.23	26.5	25.9	25.6	27.7	25.1	Key rate hike already in Q3 could contribute to short-term CZK strengthening, but investors could close their positions at such stronger CZK levels
RON	4.570	4.50	4.55	4.50	4.55	4.45	RON recovery due to quick installment of new government short-lived as fiscal risks remain
HRK	7.412	7.45	7.50	7.45	7.66	7.50	EUR/HRK stable, trading in range between 7.40 and 7.43
RSD	120.7	124	125	125	125	112	RSD with continuous appreciation against the euro over the past months, supported by political development
RUB	67.47	63.2	64.2	67.6	79.3	40.3	see USD/RUB below
UAH	29.80	29.4	30.0	31.1	30.0	10.6	see USD/UAH below
BYN	2.212	2.13	2.19	2.29	2.19	1.13	see USD/BYN below
TRY	4.020	3.92	3.96	4.14	3.96	2.35	see USD/TRY below
USD	1.143	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	59.04	58.0	60.0	62.0	73.0	30.5	Lower oil prices, sanction topics and key rate cuts in Russia weigh on RUB
UAH	26.08	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	1.936	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	3.518	3.60	3.70	3.80	3.70	1.78	Turkish lira continues to profit from a weaker USD, low oil price and calmer politics; our expectations of some USD strengthening and a recovery in oil prices could cause renewed pressure on the lira

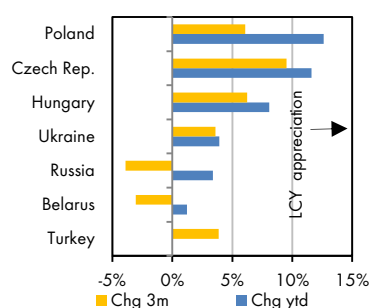
* as of 29 June 2017, 11:59 p.m. CEST
 Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



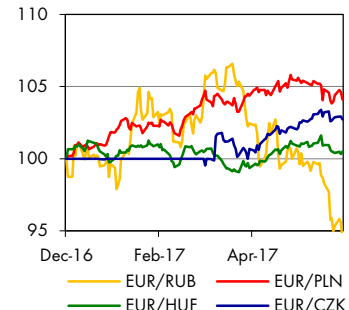
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

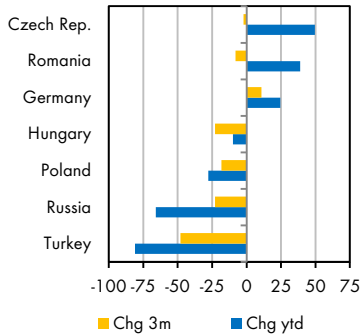
Exchange rate comparison



Indexed 29 Dec-16 = 100
 Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

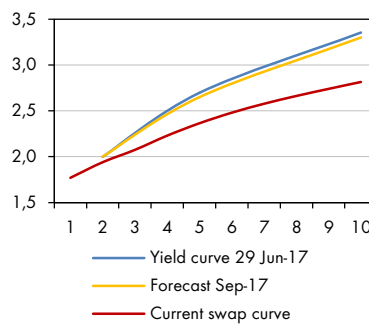
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



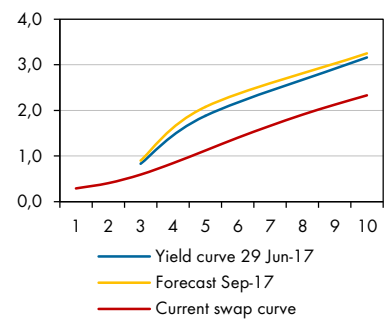
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



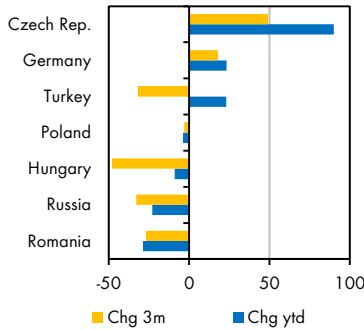
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



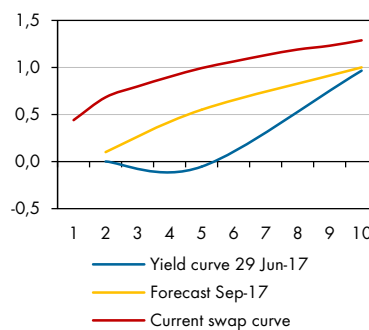
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



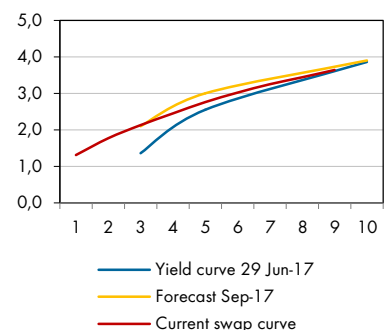
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



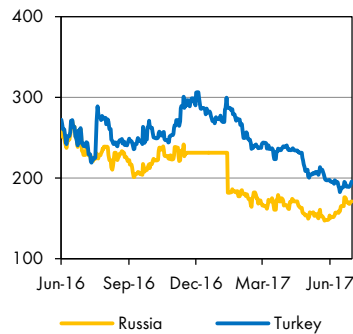
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



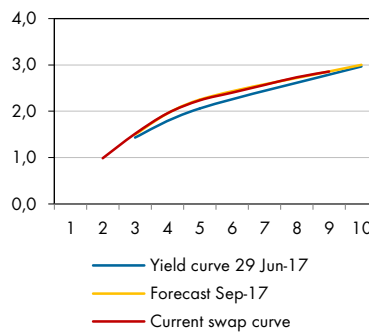
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



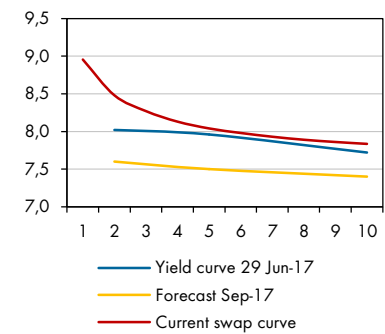
Turkey 5y high 327.1, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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	2.00	2.0	2.1	2.3	3.1	1.6	Poland	3.35	3.3	3.5	3.7	4.3	2.5
Hungary **	0.83	0.9	1.0	1.1	5.7	0.9	Hungary	3.16	3.3	3.4	3.5	6.2	3.3
Czech Republic	0.00	0.1	0.1	0.2	0.5	-0.9	Czech Republic	0.97	1.0	1.2	1.4	2.5	0.5
Romania	1.36	1.6	1.8	2.2	6.4	1.5	Romania	3.86	3.9	4.3	4.4	6.9	3.5
Croatia	1.43	1.5	1.6	1.7	4.4	0.9	Croatia	2.97	3.0	3.1	3.2	5.2	3.1
Russia	8.02	7.6	7.3	7.2	15.8	6.2	Russia	7.72	7.4	7.1	7.0	14.1	6.9
Turkey	10.93	10.5	10.5	10.0	11.0	6.1	Turkey	10.28	10.5	10.0	9.5	11.1	6.6
Germany	-0.61	-0.7	-0.7	-0.6	0.2	-0.8	Germany	0.45	0.4	0.7	0.9	1.9	0.1
USA	1.36	1.5	1.7	1.8	1.7	0.2	USA	2.27	2.4	2.8	2.8	3.0	1.8

* Bid yields as of 29 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	102.57	1.96	251	2.0	Despite moderate Bund-induced correction, POLGBs continue to benefit from benign external backdrop and favourable supply dynamics. Although longer-term outlook remains mildly bearish due to reflation/ECB tapering, risks of substantially rising LCY bond yields appear contained.
PLN 5y Gov. Bond	25/04/2022	2.25	97.82	2.74	295	4.6	
PLN 10y Gov. Bond	25/07/2027	2.50	92.63	3.38	290	8.8	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	100.60	0.81	132	3.2	Against favorable external backdrop and ongoing bond-market-supportive setup on the local scene, demand for HGBs remains very strong. Although this should continue in the short run, we project moderately higher HGB yields in the course of this year as future inflation needs to be better reflected in HGB prices.
HUF 5y Gov. Bond	26/10/2022	1.75	99.60	1.83	204	5.1	
HUF 10y Gov. Bond	27/10/2027	3.00	98.77	3.14	267	8.8	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	108.92	-0.04	52	1.7	Hawkish CNB post-meeting statements pushed CZGB yields higher on Thursday. Due to longer-term CZK appreciation potential, however, we have still a constructive long-term view.
CZK 5y Gov. Bond	12/09/2022	4.70	123.93	0.08	29	4.6	
CZK 10y Gov. Bond	25/08/2028	2.50	114.62	1.10	63	9.8	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	104.83	0.48	69	1.0	In the upcoming week, we expect higher trading volumes before the start of summer vacation season.
HRK 10y Gov. Bond	14/12/2026	4.25	111.22	2.88	241	7.9	
Romania							
RON 2y Gov. Bond	29/04/2019	2.50	102.00	1.38	189	1.8	LCY debt market responded adversely to latest (fiscal) announcements, including possible pension nationalisation plans, justifying our Sell recommendation for ROMGBs. Political uncertainty / political opacity is set to remain with us.
RON 5y Gov. Bond	08/03/2022	3.40	103.14	2.75	296	4.4	
RON 10y Gov. Bond	26/07/2027	5.80	116.73	3.77	330	7.7	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	99.35	8.07	862	1.6	Although the pace might remain slow, we expect deeper than earlier expected rate cutting cycle. Due to ongoing hunt for yield, we expect also favorable performance at long-end of the curve as our top carry trade.
RUB 5y Gov. Bond	18/08/2021	7.50	98.70	8.03	824	3.5	
RUB 10y Gov. Bond	03/02/2027	8.15	103.86	7.72	725	6.8	
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 during the summer.
TRY 5y Gov. Bond	02/03/2022	11.00	101.85	10.48	1069	3.8	
TRY 10y Gov. Bond	24/02/2027	11.00	104.25	10.29	982	6.3	

Data as of 30 June 2017, 09:27 a.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

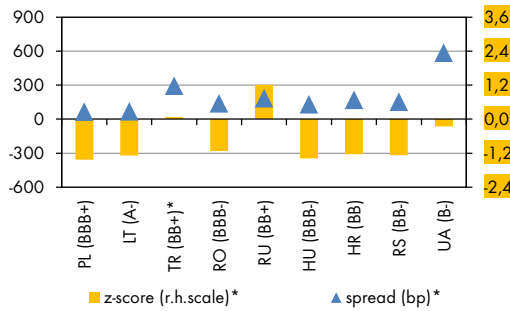
Bond auctions

	ISIN	Coupon	Maturity	Volume
05 July				
RU	T-bond	n.a.	n.a.	n.a.
RU	T-bond	n.a.	n.a.	n.a.
06 July				
HU	T-bond	n.a.	n.a.	n.a.
PL	T-bond	n.a.	n.a.	n.a.
RS	2.8y T-bond	RSMFRSD38581	4.50%	05.04.2020

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

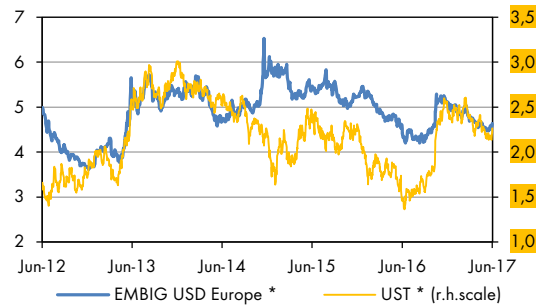
Eurobond market overview

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	100.1	100.2	-0.06	111.8	100.2	-7.23	-687	0.0	XS0802005289
CROATI 5 7/8 07/09/18	105.6	105.8	-0.29	112.1	100.5	0.22	80	1.0	XS0645940288
REPHUN 3 7/8 02/24/20	110.0	110.6	0.00	113.1	81.0	-0.01	52	2.5	XS0212993678
REPHUN 4 3/8 07/04/17	100.0	100.1	0.00	108.0	88.7	-12.45	-1266	0.0	XS0284810719
REPHUN 5 3/4 06/11/18	105.6	105.7	0.00	115.1	92.3	-0.24	34	0.9	XS0369470397
REPHUN 6 01/11/19	109.4	109.8	0.00	118.4	92.5	-0.26	32	1.5	XS0625388136
LITHUN 4.85 02/07/18	102.9	103.2	-0.17	114.3	103.0	-0.21	41	0.6	XS0327304001
POLAND 5 5/8 06/20/18	105.5	105.7	-0.26	122.6	102.1	-0.19	39	1.0	XS0371500611
POLAND 1 5/8 01/15/19	102.6	102.9	-0.17	105.5	98.0	-0.13	44	1.5	XS0874841066
POLAND 3 3/4 01/19/23	118.5	119.0	0.26	125.5	101.6	0.33	46	5.1	XS0794399674
POLAND 3 3/8 07/09/24	117.8	118.5	0.16	125.6	99.6	0.72	66	6.2	XS0841073793
ROMANI 4 7/8 11/07/19	111.3	111.8	0.00	117.8	99.3	-0.03	52	2.2	XS0852474336
TURKEY 5 7/8 04/02/19	108.6	109.0	-0.07	118.9	107.5	0.78	135	1.7	XS0285127329
TURKEY 5 1/8 05/18/20	109.5	109.8	-0.17	115.9	102.5	1.65	217	2.7	XS0503454166
USD									
BELRUS 8.95 01/26/18	102.5	103.1	-0.01	111.2	78.0	3.79	265	0.5	XS0583616239
CROATI 6 3/8 03/24/21	111.2	111.6	-0.42	117.8	98.8	3.12	147	3.3	XS0607904264
CROATI 5 1/2 04/04/23	109.4	109.9	-0.69	111.7	94.4	3.62	168	4.9	XS0908769887
REPHUN 5 3/8 02/21/23	111.3	111.6	-0.78	115.4	93.1	3.14	119	4.8	US445545AH91
REPHUN 7 5/8 03/29/41	149.2	150.0	-1.0	157.5	99.0	4.28	161	13.0	US445545AF36
LITHUN 7 3/8 02/11/20	113.2	113.5	-0.25	130.7	113.4	2.07	62	2.3	XS0485991417
LITHUN 6 5/8 02/01/22	117.6	118.1	-0.47	128.6	113.9	2.47	69	3.9	XS0739988086
LATVIA 2 3/4 01/12/20	101.2	101.7	-0.24	104.5	91.4	2.17	71	2.4	XS0863522149
LATVIA 5 1/4 06/16/21	110.9	111.3	-0.23	117.2	102.2	2.29	60	3.6	XS0638326263
POLAND 6 3/8 07/15/19	108.9	109.1	-0.57	125.9	109.0	1.84	46	1.9	US731011AR30
POLAND 3 03/17/23	101.9	102.2	-0.6	105.1	87.6	2.61	66	5.2	US731011AT95
ROMANI 6 3/4 02/07/22	116.2	116.3	-0.64	124.4	101.6	2.93	114	3.9	US77586TAA43
ROMANI 4 3/8 08/22/23	106.1	106.4	-1.14	111.1	90.8	3.24	124	5.3	US77586TAC09
RUSSIA 4 1/2 04/04/22	105.5	106.0	-0.02	114.7	82.0	3.19	137	4.2	XS0767472458
RUSSIA 7 1/2 03/31/30	120.0	120.3	0.09	128.6	99.6	2.25	-9	3.7	XS0114288789
RUSSIA 5 5/8 04/04/42	108.4	109.0	-0.98	124.9	76.0	5.01	233	13.6	XS0767473852
SERBIA 5 1/4 11/21/17	101.1	101.4	-0.18	107.1	96.8	1.90	81	0.4	XS0856951263
SERBIA 4 7/8 02/25/20	104.3	104.6	-0.39	105.4	89.6	3.11	163	2.4	XS0893103852
TURKEY 6 1/4 09/26/22	108.5	109.3	-0.43	127.0	102.5	4.33	244	4.4	US900123BZ27
TURKEY 6 7/8 03/17/36	112.6	112.9	-1.16	139.6	99.2	5.75	322	10.8	US900123AY60
TURKEY 6 3/4 05/30/40	111.5	112.4	-1.17	139.4	97.3	5.80	315	12.1	US900123BG46
UKRAIN 7 3/4 09/01/19	103.4	103.7	-0.05	103.8	88.0	5.97	457	1.9	XS1303918269
UKRAIN 7 3/4 09/01/23	99.2	99.7	-0.38	100.6	84.6	7.87	587	4.7	XS1303921487
UKRAIN 7 3/4 09/01/27	97.1	97.6	-0.23	98.4	81.2	8.14	586	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 30 Jun 2017, 9:29 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	-0.8	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	31%
Hold	54%
Sell	15%
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
08/06/2017						
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
08/06/2017	Hold					
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		
08/06/2017						
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	
08/06/2017						
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						
08/06/2017						
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	
08/06/2017					
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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