

Market snapshot

	curr.*	Sep-17	Dec-17	Mar-18
Poland				
EUR/PLN	4.266	4.30	4.20	4.15
Key rate	1.50	1.50	1.50	1.50
10y bond	3.3	3.3	3.5	3.7
Hungary				
EUR/HUF	304.3	310	310	310
Key rate	0.90	0.90	0.90	0.90
10y bond	3.1	3.3	3.4	3.5
Czech Republic				
EUR/CZK**	26.11	26.5	25.9	25.6
Key rate**	0.25	0.25	0.25	0.25
10y bond	0.9	1.0	1.2	1.4
Romania				
EUR/RON	4.584	4.50	4.55	4.50
Key rate	1.75	1.75	1.75	2.00
10y bond	4.0	3.9	4.3	4.4
Croatia				
EUR/HRK	7.415	7.45	7.50	7.45
Key rate	2.50	2.50	2.50	n.a.
10y bond	2.8	3.0	3.1	3.2
Russia				
USD/RUB	59.16	58.0	60.0	62.0
Key rate	9.00	8.75	8.25	8.00
10y bond	7.8	8.1	7.9	7.8
Turkey				
USD/TRY	3.483	3.60	3.70	3.80
Key rate	8.00	8.00	8.00	8.00
10y bond	10.4	10.5	10.0	9.5
EUR/USD	1.181	1.20	1.18	1.15

* prices as of 24 August 2017, 11:59 p.m. CEST

** under revision

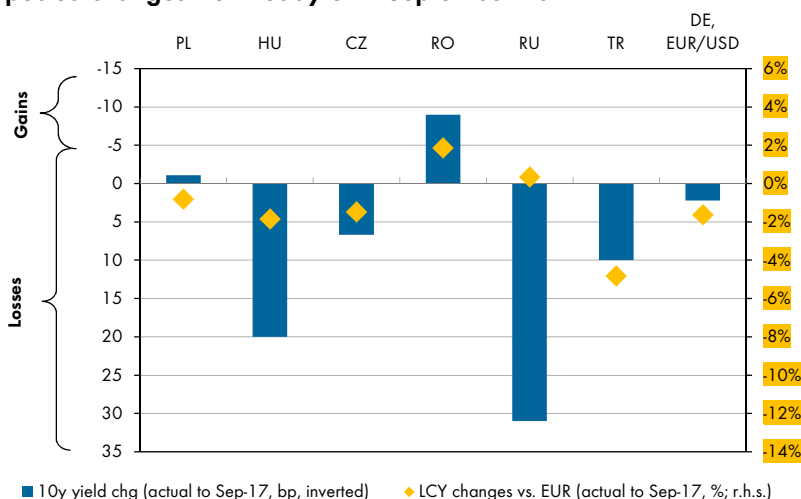
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

Today after closing bells, S&P's rating assessment on Hungary's 1/t FCY rating is due. We expect neither a change to the BBB- rating nor the stable outlook. Albeit gradually declining, still elevated public debt remains the major obstacle for the sovereign to get lifted from the lowest investment grade level. Moreover, the state's future debt path became more uncertain after the EU financial statistics advisory body advised Hungary to classify state-owned Eximbank's (liabilities) as part of the general government sector. In another story, the MNB considered old values and flagged more unconventional easing to temper the appreciation pressure on the HUF. We outline in our country comment why our end-Sep target of HUF 310/EUR appears within reach. Elsewhere in the region, we are reviewing our CZK market forecasts. As an indication, we see now good chances for another rate hike this year casting our bearish end-Q3 EUR/CZK forecast into doubt. Nevertheless, a measured correction remains a likely scenario since the recent announcement of the Finance Ministry – i.e. to stop issuing T-bills in September amidst considerable maturations – will trigger those non-resident investors to leave CZK markets who are satisfied with year-to-date CZK gains vs EUR in the amount of 3.5% currently. On the hard economic data front, next week's data highlight will be Croatian preliminary GDP: Following 2.5% annual growth in Q1, we expect more than 3% in Q2, higher than the 2.8% Bloomberg consensus estimate. Elsewhere in SEE, Romanian politics bear close monitoring. We see increasing risks that the leu could stay on the weaker side for longer should the central bank not start tightening monetary conditions in the upcoming period. In fact, recent BNR statements point into the opposite direction, highlighting the bank's uncomfortableness to press ahead with the lift-off before the ECB and regional peers do. Overall, the CEE data calendar remains thin like in the outgoing week, while trading activity on CEE local financial markets should intensify in the upcoming week due to the petering-out of the holiday season. This will shed more light on the seriousness and sustainability of this month's CEE local FX and FI market moves.

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

Expected changes from today until September 2017*



* under revision EUR/CZK

Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
30-Aug	HU: Unemployment rate, %	Jul	n.a.	4.3	4.1	4.0	4.3
30-Aug	HR: GDP, % yoy	Q2	3.4	3.6	2.8	2.5	2.5
31-Aug	RO: Unemployment rate, %	Jul	n.a.	n.a.	n.a.	n.a.	5.3
31-Aug	PL: CPI, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	1.7

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 18 August					Wednesday 30 August						
PL: Industrial Output, % yoy	Jul	6.2	8.6	4.5	HU: Unemployment rate, %	Jul	n.a.	4.3	4.1	4.0	4.3
PL: Retail sales, % yoy	Jul	7.1	7.9	6.0	HR: GDP, % yoy	Q2	3.4	3.6	2.8	2.5	2.5
SK: Unemployment rate, %	Jul	6.7	n.a.	6.9	HR: Retail sales, % yoy	Jul	5.8	n.a.	n.a.	n.a.	7.8
Tuesday 22 August					Thursday 31 August						
HU: Key rate, %	Aug	0.90	0.90	0.90	RO: Unemployment rate, %	Jul	n.a.	n.a.	n.a.	n.a.	5.3
HR: Unemployment rate, %	Jul	10.8	10.9	10.8	SI: CPI, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	1.0
UA: Industrial output, % yoy	Jul	-2.6	n.a.	3.8	SI: Retail sales, % yoy	Jul	n.a.	n.a.	n.a.	n.a.	10.2
Thursday 24 August					SI: GDP, % yoy	Q2	n.a.	n.a.	n.a.	n.a.	5.3
PL: Unemployment rate, %	Jul	7.1	7.0	7.1	SI: Unemployment rate, %	Q2	n.a.	n.a.	n.a.	n.a.	7.8
					RS: Industrial output, % yoy	Jul	n.a.	n.a.	n.a.	n.a.	5.7
					RS: Retail sales, % yoy	Jul	n.a.	n.a.	n.a.	n.a.	5.3
					PL: CPI, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	1.7
					Friday 01 September						
					RU: PMI, points	Aug	n.a.	n.a.	n.a.	n.a.	52.7
					HU: PMI, points	Aug	n.a.	n.a.	n.a.	n.a.	54.2
					PL: PMI, points	Aug	n.a.	n.a.	n.a.	n.a.	52.3
					CZ: PMI, points	Aug	n.a.	n.a.	n.a.	n.a.	55.3
					HR: Industrial output, % yoy	Jul	4.5	n.a.	n.a.	n.a.	4.0

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Belarus (BY) – On 19 August 2017, the Russian government approved a draft agreement with Belarus on a 10-year USD 700 mn loan (see also CEE Daily dated 23 August). The preliminary agreement on the loan was reached back in April by the political class of Belarus and Russia. The financing is supposed to be channeled for the repayment of Belarus' public debt obligations to Russia and to the Eurasian Fund for Stabilization and Development maturing this year. The loan is disbursed in Russian rubles, but will be accounted for in US dollars. The redemption schedule foresees repayments of principal and interest twice a year (on 15 April and on 15 October) starting from 2018 with the amounts ranging from 2.5% of the principal over the years 2018-2022 to 5.5% - 9.5% during the period 2023-2027.

Financial analyst: Natalya Chernogorova (+375 17 2899231), Priobank JSC, Minsk

Croatia (HR) – This week's labour market releases delivered no surprise. The July registered unemployment rate remained at 10.8% (-2.4pp yoy) while the June net and gross wages continued with solid growth rates (5.6% yoy and 4.2% yoy, respectively). The first one is widely supported by this year's changes in taxation and to some extent by the economic recovery. The latter will be confirmed on Wednesday when the CBS is to release the preliminary Q2 2017 GDP data. Real GDP growth is expected to accelerate to above 3% yoy. In our view, the main drivers of growth were household consumption and exports. Household consumption is supported by lower taxation on labor, lower unemployment and modest but still positive developments in employment. Eventually, we mustn't forget tourism that has been growing by double digit rates in nominal terms and definitely having a huge impact on the economy. Exports of goods and services should confirm the better results of Croatian exporters and also Croatia itself as an attractive tourist destination. However, the positive effects of exports are reduced by the continued growth of imports as well. Finally, it will be interesting to see the first figures of some high frequency indicators in Q317. Namely, the July retail trade and industrial output are set for release. We expect to see relatively strong figures amid improved business and consumer optimism.

Financial analyst: Zrinka Zivkovic-Matijevic (+385 1 6174 338), Raiffeisenbank Austria d.d., Zagreb

Czech Republic (CZ) – This week has been unusually calm, with no releases of macroeconomic data or comments from the CNB's board members regarding the surprisingly high pace of GDP growth in the second quarter. The most notable event was an increase in the minimum wage from CZK 10,000 to CZK 12,200 taking effect from January 2018. This will be the fourth annual consecutive increase. Therefore, we expect the high nominal wage growth to continue in 2018 at an above-average pace. August's business cycle survey indicates an improved situation for both consumers and businesses. Consumer confidence rose by 2.2 points to 5.5 points and the business indicator rose to 16.3 points, both staying above their long-term averages. Lastly, the Ministry of Finance plans to issue CZK 16 bn worth of government bonds in September, but no treasury bills. The development of the Czech government bonds has not experienced any significant changes and so yields have remained flat for both 2-year and 10-year tenors. Compared to last week, the Czech koruna slightly weakened to EUR/CZK 26.10. In the coming days, the only important figure will be the second estimate of the GDP for the second quarter next Friday, when the structure of growth will be provided, shedding more light on what has caused the accelerated growth.

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

Hungary (HU) – The MNB, Hungary's central bank, kept rates unchanged last Tuesday, but later strongly signaled that it could ease further via unconventional measures in order to prevent the HUF from strengthening too much. The strong forint from macro perspective jeopardizes inflation expectations and hampers exports. Moreover, it also means lower income on the MNB's FX reserves that proves to

be at least a strong reason to act. The spot price is around 303, while the average cost of the FX reserves is around 301-302, so the margin between the two, on which the MNB could realize profit, is pretty thin now. In last years, with a 310-315ish EUR/HUF, this played a bigger role in MNB's profitability, and we think that it will remain a key source, even with net interest income on the rise. All in all, we consider MNB's hint on further easing very real, but the question here is whether they just implied the already well-priced shrinkage of the 3m depots or they are going to come up with something new. With the current toolkit they are running, the most likely useful measure beyond the already existing ones in use could be some kind of further limitation of the O/N facility, or some kind of step, which could end up in an even lower O/N rate, which might be too high in terms of maturity or in comparison to the EUR market. Overall, further easing may come that may result in a somewhat weaker HUF at end-Q3.

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

Poland (PL) – Data from the real economy published last Friday indicate solid economic growth in the first month of Q3 and may be a prelude for GDP acceleration in Q3 above 4.0% yoy. Especially construction results bode well for investment dynamics within the coming quarters, coming in at 19.8% yoy against consensus of 13.7% yoy. Meanwhile retail sales and industrial output surprised slightly to the downside (7.1% yoy and 6.2% yoy respectively). The data ended an intense period of macro publications and the calendar for this week was almost empty. Worth mentioning is final estimate on unemployment rate in July at 7.1% - which means the first since 2012 standstill in unemployment rate decline between June and July. Additionally CSO published results of business climate survey and consumer sentiment – both readings coming in higher than in the previous months (forecasting investment acceleration and strong consumption). Next week we await three important readings: flash CPI estimate (we expect further slight upward trend to 1.8-1.9% yoy) PMI in August and GDP breakdown in Q2 2017 – we expect that finally investment will contribute positively (first time since 2015).

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

Romania (RO) – Without disclosing the sources, local website profit.ro reported this week that the size of transfers from the public budget towards the system of mandatory private pensions (Pillar II) might be lowered to 2.5% starting next year from 5.1% at present. Intention was advanced by the Finance Minister during recent talks with the administrators of the Pillar II pension funds (as they confirmed). In 2016, such transfers amounted to RON 5.9 bn or 0.8% of GDP. So, by halving them, the government might save 0.4% of GDP annually in terms of public budget deficit in the following period. On another note, the Justice Minister made public some proposals aimed to change the functioning of the judicial system which resulted in important critics from civil society and some official institutions. Also, President Iohannis said that the proposals will weaken the rule of law and the fight against corruption if enforced. In our view, both actions (cut of transfers for Pillar II pensions and proposal to reform judiciary) have the potential to increase the awareness and the risk aversion of investors towards the local bond market as they will receive a strong scrutiny by civil society. Calendar for the following week is again very light in terms of statistical data releases. Public budget execution for the month of July could be made public late in the evening today or at the beginning of next week.

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

Russia (RU) – Since the beginning of August there has been a marked decline of the RUONIA rate below the key rate (by 70bp at some points). This situation was a result of corporate clients' funds flowing from Otkritie Bank to other banks (presumably, Sberbank and Gazprombank). At the same time, Otkritie bank applied for expensive CBR refinancing to cover a rouble liquidity shortage and did not cause a demand increase on the interbank market. As a result, there was an easing of credit conditions for the whole banking system (excluding Otkritie bank) due to the inflow of cheap corporate funds (state-owned mostly). We estimate this effect on the average rouble-denominated funding of Russian banks (excluding Otkritie bank) at 10-15bp (5.83-5.88% p.a.). However, these funds have not been used for financing the real economy so far. The current level of the RUONIA rate suggests that there is excessive liquidity in the system. We think that at the moment RUONIA does not reflect the situation on the whole money market but only within the largest banks (excluding Otkritie bank) which place funds on the money market but use clients' funding. Given that the CBR does not use fine-tuning operations we assume that the regulator has a good grip on the situation. On the other hand, this could be an argument in favour of a more conservative approach at the CBR's meeting in September.

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

Serbia (RS) – Whereas the National Bank of Serbia (NBS) kept its GDP forecast at 3% yoy for the full-year 2017, the Prime Minister assumes that growth will be lower than initially expected (3%) due to the cold winter season and draughts. The PM sees the economy expanding by 2.5% yoy, as there was a weak start in 2017 with GDP growth averaging 1.3% yoy in H1. However, the government intends to launch several projects that were planned for 2018 ahead of schedule, so economic growth should accelerate this year. These projects include the disbursement of subsidies to all applicants seeking to buy tractors, the clearance of canals and other flood defense efforts and railway and road projects. Besides, the government might be considering new measures in order to foster economic growth in 2018 and 2019 like payroll tax cuts and an increase in the minimum net hourly wage. Also, following salaries hikes (5% and 7%) which were agreed with the IMF in 2016 for targeted sectors and following one-off assistance paid to pensioners in early 2017, the PM is mulling over to hike again public-sector salaries and pensions. Next week the Statistical Office will publish industrial production, retail and foreign trade, unemployment rate and GDP for Q2. The market is curious to find out what were the triggers for the repeated frail economy performance in Q2.

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

Monetary policy and money markets overview

CEE key interest and money markets outlook

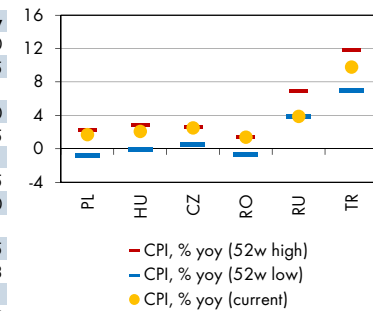
	current*	Sep-17	Dec-17	Mar-18	5y high	5y low
Poland						
Key interest rate	1.50	1.50	1.50	1.50	4.75	1.50
3m money market rate	1.73	1.73	1.73	1.73	5.12	1.65
Hungary						
Key interest rate	0.90	0.90	0.90	0.90	6.75	0.90
3m money market rate	0.15	0.15	0.15	0.15	7.15	0.15
Czech Republic						
Key interest rate**	0.25	0.25	0.25	0.25	0.50	0.05
3m money market rate**	0.46	0.40	0.50	0.60	0.98	0.00
Romania						
Key interest rate	1.75	1.75	1.75	2.00	5.25	1.75
3m money market rate	0.89	1.05	1.45	1.71	6.30	0.68
Russia						
Key interest rate	9.00	8.75	8.25	8.00	17.00	5.25
3m money market rate	9.13	9.35	8.85	8.60	29.93	6.74
Serbia						
Key interest rate	4.00	4.00	4.00	4.00	11.75	4.00
3m money market rate	3.55	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	13.11	12.30	11.50	10.80	13.11	4.85
Benchmark key rates						
ECB key interest rate	0.00	0.00	0.00	0.00	0.75	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 24 August 2017, 11:59 p.m. CEST

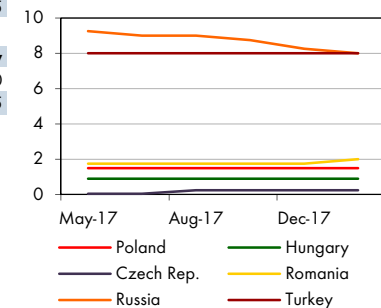
** under revision

Inflation snapshot



Source: Bloomberg, RBI/Raiffeisen RESEARCH

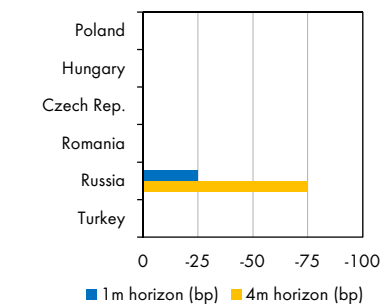
Key rate trends (%)*



* Key rate CZ under revision

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	Sep	Oct
Poland (NBP)	6	4
Hungary (MNB)	19	24
Czech Republic (CNB)	27	/
Romania (BNR)	/	3
Serbia (NBS)	7	9
Russia (CBR)	15	27
Turkey (TCMB)	14	26

Source: National Central Banks, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	Latest MPC Minutes confirm neutral MPC stance, whilst recent private deposit outflows could be discussed more intensely amongst MPC members going forward. Some MPC members already mentioned from time to time the possible negative effects of prolonging negative real rates. Expecting gradual growth of core inflation and rising wage pressure we are still comfortable with our forecast of first rate hikes in H2 2018.
Hungary (MNB)	MNB most recently flagged additional unconventional easing measures to weaken the HUF. Whilst hard to predict given the proven creativity of the MNB, the o/n rate could be targeted next after the successful depression of BUBOR rates. The medium-term outlook remains also dovish as inflation is expected to remain in MP-neutral territory in the foreseeable future.
Czech Republic (CNB)	CNB finally hiked key rate from record low 0.05% to 0.25% ending the era of one of the lowest in EU rates. We are currently revisiting the exact timing of the expected mini rate hiking cycle and tend to expect one additional hike in 2017.
Romania (BNR)	Increasing macro imbalances amidst growing overheating risks would offer incentives to the BNR to tighten monetary conditions already in H2 2017. According to BNR, narrowing of interest corridor may be the first step in this direction while first rate hike possible in H1 2018.
Serbia (NBS)	Stronger LCY currency against euro, weaker oil prices growth and subdued economy growth in H1 will certainly ensure inflation staying in the targeted range (3% +/- 1.5pp). Therefore, NBS is likely to sustaining existing level of MP expansiveness, i.e. combination of flat key rate and ongoing EUR purchases.
Russia (CBR)	Russia's CBR kept key rates unchanged due to elevated medium-term inflation expectations and geo-politics. However, with CPI disinflation likely quickening anew we can expect 25bp in rate cuts in September, whilst more would not be necessary given the latest depression of RUONIA rates.
Turkey (TCMB)	Bad inflation surprise in July pushed back any policy easing hope with TCMB hawkish stance meaning no compromises this time. Still, we expect lower average funding costs as the year progresses.

Source: RBI/Raiffeisen RESEARCH

Foreign exchange market overview

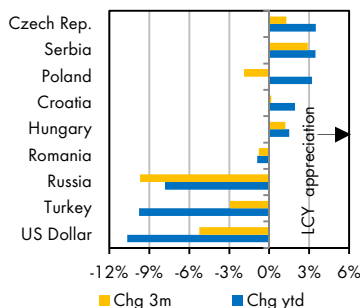
FX forecasts

EUR vs	current*	Sep-17	Dec-17	Mar-18	5y high	5y low	Comment
PLN	4.266	4.30	4.20	4.15	4.40	4.08	Political tensions with Brussels hinders zloty from reaching stronger levels.
HUF	304.3	310	310	310	316	291	More unconventional easing flagged by MNB should bring back HUF closer to the mid of the 300-310 range.
CZK**	26.11	26.5	25.9	25.6	27.7	25.1	Our end-Sep forecast might be too bearish with a moderate setback still in the cards in Sep. due to possible profit taking.
RON	4.584	4.50	4.55	4.50	4.55	4.45	Increasing twin deficit and additional political risks to hinder RON market recovery.
HRK	7.415	7.45	7.50	7.45	7.66	7.50	As the tourist season ends, EUR/HRK should trend slightly upwards.
RSD	119.3	122	123	124	123	112	NBS EUR-buying efforts to counter appreciation of RSD find little success, but price uptick may help to thwart this trend.
RUB	69.84	69.6	70.8	71.3	79.3	40.3	see USD/RUB below
UAH	30.17	32.4	33.0	32.8	33.0	10.6	see USD/UAH below
BYN	2.281	2.34	2.42	2.42	2.42	1.13	see USD/BYN below
TRY	4.112	4.32	4.37	4.37	4.37	2.35	see USD/TRY below
USD	1.181	1.20	1.18	1.15	1.38	1.05	Market underestimating rate hike potential in the US, so short-term weakening of EUR vs USD likely; medium-term EUR outlook remains bullish.

USD vs	current*	Sep-17	Dec-17	Mar-18	5y high	5y low	
RUB	59.16	58.0	60.0	62.0	73.0	30.5	USD/RUB pair likely to further head south maintaining the rouble's medium-term appeal.
UAH	25.55	27.0	28.0	28.5	28.0	8.05	Recent favorable sentiment might cast our rather cautious UAH calls into doubt.
BYN	1.933	1.95	2.05	2.10	2.05	0.86	BYN started to lose ground again after prolonged phase of stability.
TRY	3.483	3.60	3.70	3.80	3.70	1.78	Lira broke the 3.50 threshold recently due to improving sentiment and ongoing prudent central bank.

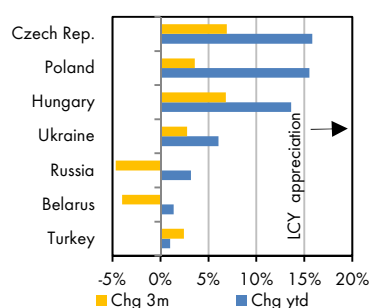
* as of 24 August 2017, 11:59 p.m. CEST
 ** under revision
 Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



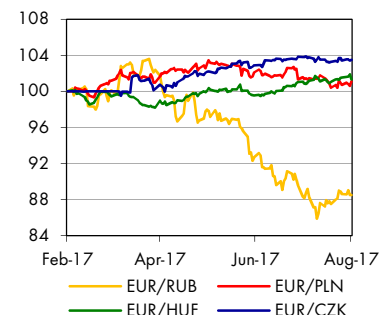
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

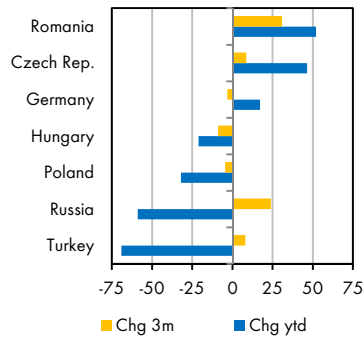
Exchange rate comparison



Indexed 24 Feb-17 = 100
 Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

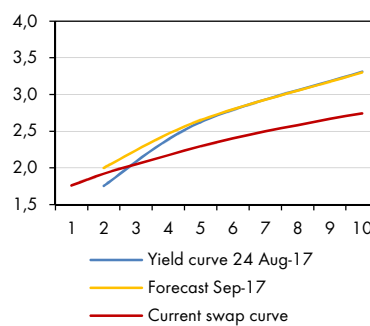
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



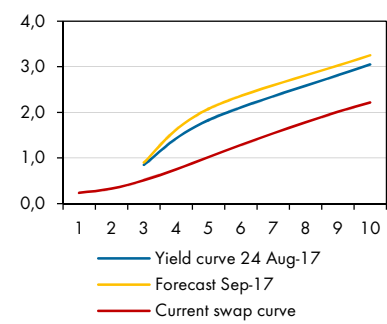
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



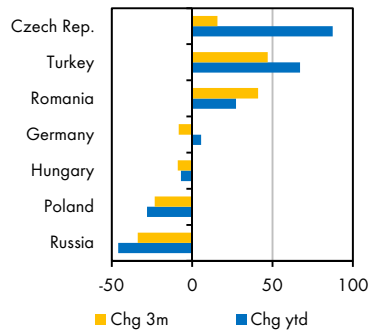
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



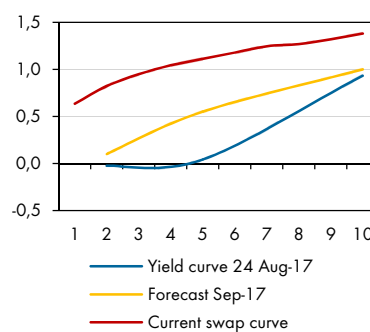
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



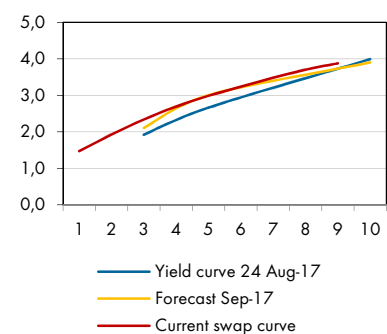
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



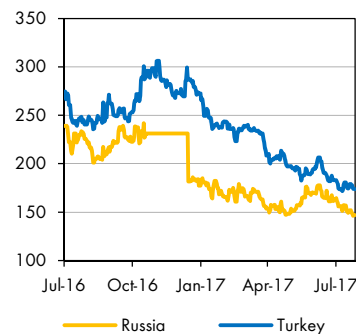
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

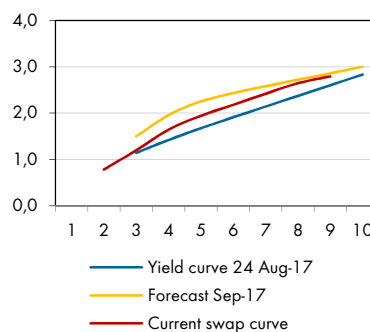
5y USD CDS spreads



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

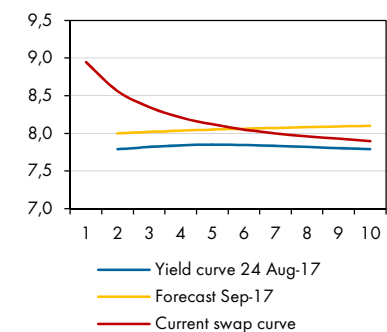
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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	1.75	2.0	2.1	2.3	3.1	1.6	Poland	3.31	3.3	3.5	3.7	4.3	2.5
Hungary **	0.85	0.9	1.0	1.1	5.7	0.9	Hungary	3.05	3.3	3.4	3.5	6.2	3.3
Czech Republic	-0.03	0.1	0.1	0.2	0.5	-0.9	Czech Republic	0.93	1.0	1.2	1.4	2.5	0.5
Romania	1.92	1.6	1.8	2.2	6.4	1.5	Romania	3.99	3.9	4.3	4.4	6.9	3.5
Croatia	1.14	1.5	1.6	1.7	4.4	0.9	Croatia	2.83	3.0	3.1	3.2	5.2	3.1
Russia	7.79	8.0	7.8	7.6	15.8	6.2	Russia	7.79	8.1	7.9	7.8	14.1	6.9
Turkey	11.37	10.5	10.5	10.0	11.0	6.1	Turkey	10.40	10.5	10.0	9.5	11.1	6.6
Germany	-0.75	-0.7	-0.7	-0.6	0.2	-0.8	Germany	0.31	0.4	0.7	0.9	1.9	0.1
USA	1.33	1.5	1.7	1.8	1.7	0.2	USA	2.19	2.4	2.8	2.8	3.0	1.8

* Bid yields as of 24 August 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	102.80	1.74	247	1.9	We see more value in 10y POLGB vs comparable HGBs mainly due to expected FX outperformance, especially if easing tensions with EC unlocked the value.
PLN 5y Gov. Bond	23/09/2022	5.75	114.65	2.62	293	4.4	
PLN 10y Gov. Bond	25/07/2027	2.50	93.26	3.31	291	8.8	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	100.70	0.77	139	3.0	Ongoing unorthodox policy mix makes HGB curve possibly the most insulated from ECB spillover risks in the CEE universe.
HUF 5y Gov. Bond	26/10/2022	1.75	100.05	1.74	204	4.9	
HUF 10y Gov. Bond	27/10/2027	3.00	100.43	2.95	255	8.7	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	108.76	-0.36	37	1.6	10y CZGB sees a return of stability amid lesser risks of surging Bund yields and benefits from bullish CZK outlook. We nevertheless consider taking profits on growing CZK correction risks.
CZK 5y Gov. Bond	12/09/2022	4.70	123.39	0.05	35	4.7	
CZK 10y Gov. Bond	25/08/2028	2.50	115.42	1.01	61	9.8	
Croatia							
HRK 2y Gov. Bond	05/03/2020	6.75	114.15	1.04	135	2.3	Return of investors to the market and increased demand for bonds might bring increased volumes of trading on the domestic bond market.
HRK 10y Gov. Bond	07/02/2028	2.88	98.88	3.00	260	9.1	
Romania							
RON 2y Gov. Bond	29/04/2020	5.75	110.01	1.85	247	2.5	Recent political reform announcements have the potential to further sour sentiment towards RON markets. Whilst some of our CEE yield forecast might be a tad too bearish, we are comfortable with the ones for ROMGBs.
RON 5y Gov. Bond	08/03/2022	3.40	103.36	2.65	295	4.2	
RON 10y Gov. Bond	26/07/2027	5.80	114.57	3.98	358	0.0	
Russia							
RUB 2y Gov. Bond	15/05/2019	6.70	98.47	7.81	854	1.6	RUB FX moved in line with our bullish expectations recently, underscoring the potential for OFZs. We opt for 2y OFZ short-term while still believing in RUB carry trade. CBR likely to restart rate cuts in September.
RUB 5y Gov. Bond	20/07/2022	7.60	99.81	7.79	809	4.2	
RUB 10y Gov. Bond	03/02/2027	8.15	103.32	7.80	740	6.8	
Turkey							
TRY 2y Gov. Bond	15/05/2019	11.10	99.55	11.37	1210	1.6	We reiterate our speculative Buy recommendation for TURKGBs due to improved sentiment amongst international yield hunters towards TRY markets.
TRY 5y Gov. Bond	17/08/2022	10.70	100.18	10.62	1092	4.0	
TRY 10y Gov. Bond	11/08/2027	10.50	100.50	10.39	999	6.4	

Data as of 25 August 2017, 11:12 a.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

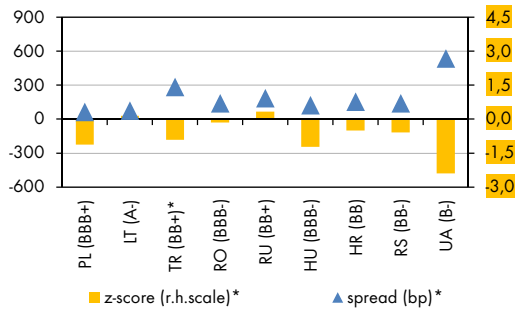
Bond auctions

	ISIN	Coupon	Maturity	Volume		
28 August						
RO		1.5y T-bond	RO1619DBN035	1.35%	25.02.2019	RON 500 mn
30 August						
RU		T-bond	n.a.	n.a.	n.a.	n.a.
RU		T-bond	n.a.	n.a.	n.a.	n.a.
AL		6.5y T-bond	AL0018NF7Y24	n.a.	03.03.2024	ALL 1.5 bn
31 August						
RS		3y T-bond	RSMFRSD38581	4.5%	31.08.2020	RSD 15 bn
HU		T-bond	n.a.	n.a.	n.a.	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

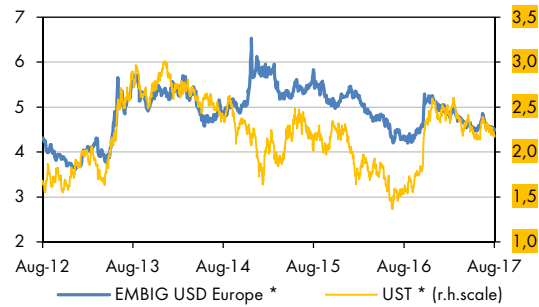
Eurobond market overview

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			YTM mid.		Spread	Mdur.	ISIN	
	Bid	Ask	w/w %	5y max	5y min	% p. a.	Bmk, bp		years
EUR									
CROATI 5 7/8 07/09/18	105.2	105.4	-0.03	112.1	103.5	-0.26	33	0.9	XS0645940288
REPHUN 3 7/8 02/24/20	109.6	110.0	-0.01	113.1	86.0	-0.06	62	2.4	XS0212993678
REPHUN 5 3/4 06/11/18	104.8	105.0	-0.21	115.1	98.1	-0.44	15	0.8	XS0369470397
REPHUN 6 01/11/19	108.5	108.9	-0.17	118.4	98.2	-0.32	34	1.3	XS0625388136
LITHUN 4.85 02/07/18	102.5	102.7	-0.07	114.3	102.6	-0.88	-24	0.4	XS0327304001
POLAND 5 5/8 06/20/18	104.9	105.3	0.00	122.6	102.1	-0.60	-1	0.8	XS0371500611
POLAND 1 5/8 01/15/19	102.1	102.6	0.00	105.5	98.0	-0.09	57	1.4	XS0874841066
POLAND 3 3/4 01/19/23	118.1	118.9	0.42	125.5	105.3	0.29	58	4.9	XS0794399674
POLAND 3 3/8 07/09/24	117.8	118.4	0.00	125.6	99.6	0.67	77	6.2	XS0841073793
ROMANI 4 7/8 11/07/19	110.8	111.3	0.00	117.8	99.3	-0.14	57	2.1	XS0852474336
TURKEY 5 7/8 04/02/19	108.2	108.5	-0.05	118.9	107.5	0.57	127	1.5	XS0285127329
TURKEY 5 1/8 05/18/20	110.0	110.3	0.00	115.9	102.5	1.31	198	2.5	XS0503454166
USD									
BELRUS 8.95 01/26/18	102.5	102.9	-0.01	111.0	77.5	2.34	126	0.4	XS0583616239
CROATI 6 3/8 03/24/21	111.3	111.7	-0.06	118.2	101.7	2.94	138	3.1	XS0607904264
CROATI 5 1/2 04/04/23	110.6	111.1	-0.17	111.6	94.2	3.36	151	4.8	XS0908769887
REPHUN 5 3/8 02/21/23	112.8	113.3	0.00	115.6	93.5	2.80	95	4.8	US445545AH91
REPHUN 7 5/8 03/29/41	153.0	153.6	0.3	158.1	100.0	4.08	150	13.0	US445545AF36
LITHUN 7 3/8 02/11/20	112.4	112.7	-0.04	130.8	112.5	2.11	70	2.3	XS0485991417
LITHUN 6 5/8 02/01/22	117.3	117.7	-0.01	128.7	113.9	2.42	72	3.9	XS0739988086
LATVIA 2 3/4 01/12/20	101.2	101.6	0.03	104.3	91.7	2.14	75	2.3	XS0863522149
LATVIA 5 1/4 06/16/21	110.4	110.9	-0.04	117.3	105.4	2.29	69	3.4	XS0638326263
POLAND 6 3/8 07/15/19	108.8	109.0	0.00	125.9	108.6	1.55	22	1.8	US731011AR30
POLAND 3 03/17/23	102.4	102.7	0.4	105.4	87.9	2.50	65	5.0	US731011AT95
ROMANI 6 3/4 02/07/22	116.4	116.6	0.00	123.7	107.3	2.77	107	3.9	US77586TAA43
ROMANI 4 3/8 08/22/23	107.5	107.9	-0.06	111.2	90.6	2.96	106	5.3	US77586TAC09
RUSSIA 4 1/2 04/04/22	106.5	106.9	0.43	114.6	82.2	2.94	121	4.1	XS0767472458
RUSSIA 7 1/2 03/31/30	120.1	120.3	0.01	128.5	99.5	2.08	-19	3.5	XS0114288789
RUSSIA 5 5/8 04/04/42	111.6	112.2	1.67	124.8	75.8	4.80	218	13.6	XS0767473852
SERBIA 5 1/4 11/21/17	100.7	101.0	-0.04	106.9	95.8	1.31	30	0.2	XS0856951263
SERBIA 4 7/8 02/25/20	105.0	105.4	0.01	105.4	89.5	2.70	130	2.3	XS0893103852
TURKEY 6 1/4 09/26/22	109.9	110.4	0.12	127.0	102.6	4.02	222	4.3	US900123BZ27
TURKEY 6 7/8 03/17/36	115.2	115.7	0.70	139.3	98.6	5.54	310	10.7	US900123AY60
TURKEY 6 3/4 05/30/40	113.8	114.4	0.74	139.4	97.5	5.64	308	12.1	US900123BG46
UKRAIN 7 3/4 09/01/19	104.0	104.3	0.09	104.4	88.0	5.52	417	1.8	XS1303918269
UKRAIN 7 3/4 09/01/23	102.8	103.2	0.94	103.1	84.4	7.13	522	4.6	XS1303921487
UKRAIN 7 3/4 09/01/27	101.1	101.5	1.64	101.3	81.4	7.56	537	6.6	XS1303927179

YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 25 Aug 2017, 10:39 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-	positive
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	3.0	-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	981	-2.8	54.0	40.0	-0.2	73.6	32.6	7.2
	2018f	3.1	2.4	6.4	1047	-3.0	54.1	38.2	-0.9	72.4	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	587	-2.5	14.0	22.2	4.7	29.5	84.7	22.0
	2018f	1.5	4.5	5.3	563	-2.0	14.5	22.6	5.5	25.8	100.0	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	16.2	5.1
	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	24.7	6.2
	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	33%
Hold	49%
Sell	18%
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

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

Date	BG EURO BOND EUR	BY EURO BOND USD	HR EURO BOND EUR	HR EURO BOND USD	HU EURO BOND USD	KZ EURO BOND 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				Hold
15/12/2016				Hold		
28/11/2016	Hold		Hold			Buy
24/11/2016						
21/10/2016		Sell				
26/09/2016	Buy		Buy	Sell		
23/09/2016						
26/08/2016						Hold
25/08/2016						

Date	LT EURO BOND EUR	LT EURO BOND USD	MK EURO BOND EUR	PL EURO BOND EUR	PL EURO BOND USD	RO EURO BOND EUR
20/06/2017				Buy		
08/06/2017						
06/06/2017	Hold		Buy	Hold		
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	

Date	RO EURO BOND USD	RS EURO BOND USD	RU EURO BOND EUR	RU EURO BOND USD	SI EURO BOND EUR	SI EURO BOND USD
20/06/2017						
08/06/2017						
06/06/2017		Sell				
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						

Date	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
24/11/2016				
21/10/2016		Buy	Buy	Buy
26/09/2016		Hold	Hold	
23/09/2016				
26/08/2016	Hold			
25/08/2016				

Disclaimer Financial Analysis

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