

## Market snapshot

	curr.*	Dec-17	Mar-18	Jun-18
<b>Poland</b>				
EUR/PLN	4.248	4.20	4.15	4.15
Key rate	1.50	1.50	1.50	1.50
10y bond	3.3	3.5	3.7	3.5
<b>Hungary</b>				
EUR/HUF	305.6	310	310	310
Key rate	0.90	0.90	0.90	0.90
10y bond	3.0	3.4	3.5	3.6
<b>Czech Republic</b>				
EUR/CZK**	26.12	25.9	25.6	25.5
Key rate**	0.25	0.25	0.25	0.50
10y bond	0.9	1.2	1.4	1.5
<b>Romania</b>				
EUR/RON	4.591	4.55	4.50	4.50
Key rate	1.75	1.75	2.00	2.25
10y bond	4.0	4.3	4.4	4.5
<b>Croatia</b>				
EUR/HRK	7.416	7.50	7.45	7.40
Key rate	2.50	2.50	n.a.	n.a.
10y bond	2.7	3.1	3.2	3.2
<b>Russia</b>				
USD/RUB	58.08	60.0	62.0	62.0
Key rate	9.00	8.25	8.00	7.75
10y bond	7.7	7.9	7.8	7.8
<b>Turkey</b>				
USD/TRY	3.453	3.70	3.80	3.80
Key rate	8.00	8.00	8.00	8.00
10y bond	10.4	10.0	9.5	9.0
<b>EUR/USD</b>	1.189	1.18	1.15	1.20

\* prices as of 31 August 2017, 11:59 p.m. CEST

\*\* under revision

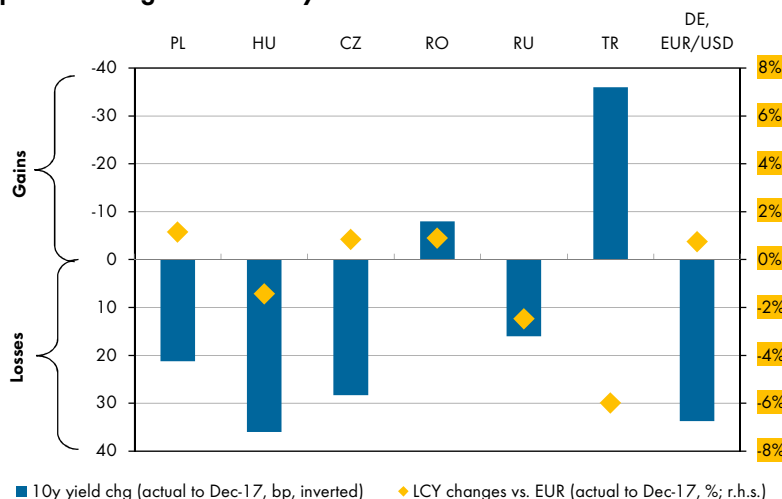
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## Highlights

A major story on CEE markets this week has been the deterioration at the large Russian lender "Otkritie FC" (among the local SIFIs). Finally, the Central Bank of Russia (CBR) had to step in (taking a 75% ownership stake). On a positive note, from a systemic and investor perspective, we have seen a "soft" bail-out. No moratorium on payments and no bail-in is applied with the bank and the wider Otkritie group to function normally in the course of the financial rehabilitation (to last 6-8 months). With no suspension of debt service introduced we see the risks for senior creditors as largely diminished. The broader market reaction (money market, RUB or OFZ, Eurobonds of other Second-Tier Russian banks) to the recent escalation at Otkritie was muted and/or short-lived. In other words: Investors rightly betted on the CBR to step in. Nevertheless, some degree of market uncertainty remains (see our "Focus on" section on page 2-3). Despite a minor setback for the Czech Republic, there has been some recovery in the PMI indicators for August for the CE-3 aggregate (Czech Republic, Poland and Hungary) to an average of 54.7, after a substantial slump in July. The manufacturing PMI for the Euro area and Germany recovered as well, which is a supporting factor for CE-3. The Russian manufacturing PMI continues to zig-zag around 52 points with the latest value slightly weaker at 51.6. Next week on 5 September for several EU countries the Q2 GDP details will be published (HU, BG, RO, SK), which will give us more info on the composition of growth in the region. Also, the Russian inflation rate for August will be published on 5-6 September. Already in July the rate fell below 4% and markets expect 3.7% yoy for August. Low inflation releases generally support our bullish view on Russian OFZ. For the upcoming Serbian rate decision we do not expect a change (despite FX interventions in order to weaken the dinar, which might suggest pressure to lower rates). The rating reviews from the last week brought positive news with S&P upgrading the outlook for Hungary from stable to positive and Moody's moving Ukraine's rating one notch up from Caa3 to Caa2 with positive outlook.

Financial analyst: Andreas Schwabe (+43 1 71707 1389), CFA, RBI Vienna

## Expected changes from today until December 2017\*



\* under revision EUR/CZK

Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## Content

Highlight/Upcoming data	p. 1
Focus on	p. 2
Data releases, Country coverage	p. 4
Monetary policy, money markets	p. 6
FX markets	p. 7
Local currency bond markets	p. 8
Eurobond market	p. 10
Ratings, main macro forecasts	p. 11

## Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
05-Sep	RU: CPI, % yoy	Aug	n.a.	4.0	3.7	3.6	3.9
06-Sep	CZ: Industrial output, % yoy	Jul	6.9	7.2	6.2	2.8	6.2
06-Sep	HU: Industrial output, % yoy	Jul	n.a.	8.0	7.8	5.3	6.5
06-Sep	PL: Key rate, %	Sep	1.50	1.50	1.50	1.50	1.50
07-Sep	RS: Key rate, %	Sep	4.00	n.a.	n.a.	n.a.	4.00

Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Focus on: CBR as “investor of last resort” in Otkritie FC

### Market share (2016, eop %)

Sberbank	27.6%
VTB Group*	15.5%
Gazprombank	6.0%
<b>Otkritie FC</b>	<b>4.0%</b>
Russian Agricultural bank	3.3%
Alfa bank	2.8%
Promsvyazbank	1.6%
UniCredit	1.4%
SocGen*	1.3%
Raiffeisenbank	0.9%

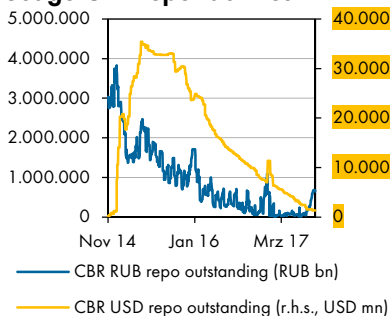
\* VTB Group = VTB, VTB 24, Bank of Moscow, Transcreditbank; SocGen = Rosbank, Rusfinance and Deltacredit

Source: company data, CBR, RBI/Raiffeisen RESEARCH

- Finally CBR has shown a strong commitment to the SIFI framework
- “Soft” bail-out positive for sentiment and from a systemic perspective
- Limited market impact, CBR isolated “Otkritie” and investors were rightly betting on CBR to step in with a “soft” bail-in
- Market share of state-owned banks inches up slightly, but no game changer

On Tuesday (29 August) the Central Bank of Russia (CBR) enforced a temporary administration on Otkritie FC. The assets shall be transferred to a bail-out fund (Banking Sector Consolidation Fund) formed recently. The “soft” CBR bail-out (taking a 75% ownership stake) is market positive. It has brought a longer period of uncertainty to an end. Moreover, it shows the CBR willingness to continue its tough clean-up course, possibly including larger institutions (with Otkritie among the Top-10 lenders, 4% market share). Furthermore, the bail-out is obviously a “soft” one as no moratorium on payments and no bail-in is applied with the bank and the wider Otkritie group to function normally in the course of the financial rehabilitation (to last 6-8 months). With no suspension of debt service introduced we see the risks for senior creditors as largely diminished. That said contagion risks to any other larger private banks and/or smaller lenders are now contained, while CBR has proven its strong commitment to the local SIFI concept. However, the bail-out also shows that CBR’s efforts to avoid a direct intervention by offering standard and non-standard support to Otkritie FC were not effectual. We estimate that the bank was the major consumer of the CBR’s RUB repo line in July and August. On the one hand it is understandable that CBR tried to avoid a direct intervention, on the other hand it is debatable whether the most recent round of deterioration (from Friday 25 August until 29 August) was really helpful. Moreover, it could be questioned how a SIFI could embark on such an aggressive expansion course like Otkritie FC did in the past. That said, it could be positive in terms of markets structures that Otkritie is now no active market player anymore. The Otkritie bail-out brings the share of state-owned banks in Russia to around 60% (some 55% year-end 2016). That said the Otkritie bail-out represents no sweeping change in markets structures (e.g. compared to Ukraine, where the Privatbank bail-out increased state-ownership from some 20-25% to well over 50%). Following the financial rehabilitation program the legal framework stipulates the sale of the recovered bank to a new investor. In this regard, the return of the entity under control of former shareholders represents a low-probability scenario. For Otkritie FC, we view state-owned VTB as a likely take-over candidate, which means that the market share of state-owned banks is likely to remain at least close to the 60% level for some time to come.

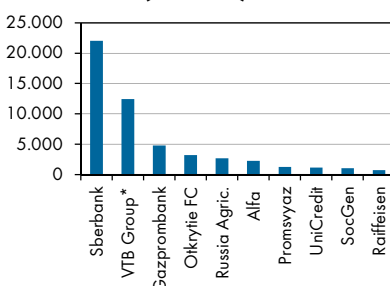
### Usage CBR repo facilities



Source: company data, CBR, RBI/Raiffeisen RESEARCH

From a systemic perspective the Otkritie FC wobbles have shown certain structural risk in the Russian banking sector. Firstly, the deposit run seen illustrates the risks associated with an uneven distribution of the system-wide liquidity surplus. Secondly, the Otkritie causa is also a reflection of elevated concentration risk in Russian banking. Moreover, it has shown that no large/systemically important bank can be insured from a deposit run, even in times of an aggregate liquidity surplus and overall low stress-level in the banking system. According to local GAAP/CBR data Otkritie FC lost about 60% of total deposits in July and August. Moreover, there remains a certain element of uncertainty why the recent deterioration in the liquidity situation has led to such a large-scale failure. Referring to the company, the outflows were partially planned and related to the recent BBB-(RU) rating assigned by ACRA, which limits an access to certain sources of funding, including deposits of the MinFin and non-state pension funds. Meanwhile, the rest of the withdrawals were caused by informational attacks, according to the bank’s representative. Indeed, Otkritie FC already experienced deposit fluctuations of similar scale in past, however with no simultaneous negative news flow. However, it has to be stressed the CBR step-in (together with the liquidity crunch) was also triggered by Otkritie’s exposure to Rosgosstrakh, one of the largest local insurance companies and a weakly performing entity (RUB 33 bn losses in 2016). The acquisition of the insurer has been rumoured since the end 2016. However, Otkritie FC started financing the company before an official regulator’s nod (received in August), which is likely to cause negative adjustments to the bank’s capital, according to the CBR. Referring to S&P, in H1 2017 Otkritie FC’s exposure to Rosgosstrakh amounted to RUB 40 bn (30% of the bank’s local regulatory CET1 capital).

### Total assets (RUB bn)



\* VTB Group = VTB, VTB 24, Bank of Moscow, Transcreditbank; SocGen = Rosbank, Rusfinance and Deltacredit

Source: company data, CBR, RBI/Raiffeisen RESEARCH

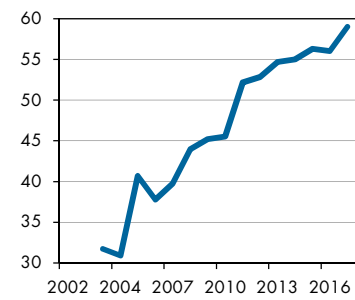
The broader market reaction (money market, RUB or OFZ, Eurobonds of other Second-Tier Russia banks) to the recent escalation at Otkritie was muted and/or short-lived due to several factors. First, money markets were not affected in a negative way, because the CBR apparently "isolated" the bank from the interbank market. Therefore, Otkritie used CBR REPO operations (instead of the interbank REPO and loans) to raise liquidity, while assets withdrawn from the bank, were attracted by other lenders. Therefore, this actually softened the liquidity conditions and the cost of funding in general, pushing the RUONIA lower. Second, the "soft" bail-out approach has minimal impact on the liabilities of the bank, which is also positive. That said, it seems that market participants were rightly betting on the CBR to finally deliver a "soft" bail-out. More clarity with regards to the near-term banking sector situation also keeps all rate-cutting options for the CBR on the table. Moreover, we do not see any impact on the currently very constructive overall risk pricing for Russia on international markets. International investors, who were gradually increasing their share during this year to above 30% in total OFZs outstanding (CBR June data), will likely stay in the market and we see no immediate impact on the ability of Russia and/or non-sanctioned Russian names to tap international markets.

Nevertheless, some degree of market uncertainty remains. For now the CBR launched a temporary administration which is to inspect Otkritie FC's financial standing and define the amount of support needed. At present the stake of current shareholders should be limited to 25% and could decrease to zero if the regulatory capital turns negative upon review. There might be negative adjustments to the bank's capital in case of not sufficient provisioning, which should keep subordinated debt at risk of a write-off or conversion to equity. We note that from legal point of view sub-debt issued before 1 March 2013 (old-style sub-debt) is not eligible for conversion into equity or write-off unless it is agreed with debt holders or bankruptcy initiated. In the past old-style sub-debt was written off on unilateral basis only when the state (represented by DIA) carried out measures for preventing bankruptcy that is in fact a bank was acknowledged to be bankrupt. Now this is not the case as the CBR stipulates that it "[...] has made the decision on implementation of measures, directed to increase in financial stability of PJSC Bank FC Otkritie" so the bank is not recognized bankrupt or insolvent from a legal point. Moreover old-style debt as supposed by Eurobond prospectus does not satisfy definition of subordinated debt provided in article 25.1 of the law "On Banks and Bank Activity" published in the law in December, 2014. Thus we think that there is no legal basis for writing-off old style sub-debt unilaterally. As of 1 August 2017 all sub-debt included into total regulatory capital amounted RUB 121.8 bn of which RUB 42 bn is perpetual debt (T1), RUB 16.6 bn is old-style sub-debt (issued before 1 March 2013) and remaining part is new-style Basel 3 compliant sub-debt. So old-style sub-debt accounts for only a tiny proportion in total capital, whereas a decision taken in favour of such write-off would have negative consequence for all old sub-debt outstanding and investor confidence.

*Gunter Deuber, Ruslan Gadeev; RBI Vienna, Denis Murashov, Raiffeisenbank Russia*

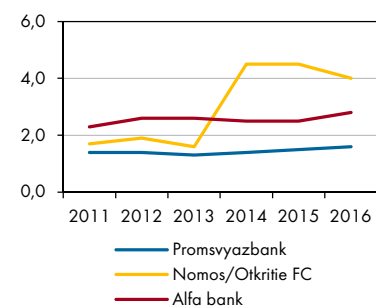
*For more details from a bottom-up/credit research perspective see also our Otkritie FC special released 30 August 2017.*

**Market share state-owned banks\***



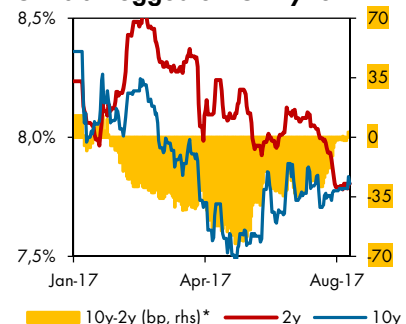
\* % of total assets, 2017 including 75% stake of CBR  
Source: CBR, RBI/Raiffeisen RESEARCH

**Market shares (% of total assets)**



Source: company data, CBR, RBI/Raiffeisen RESEARCH

**OFZs shrugged-off Otkrytie**



\*10y yield minus 2y yield, curve steepness  
10y-2y spread: 5y high 194.5; 5y low -452  
2y: 5y high 17.5; 5y low 5.705  
10y: 5y high 16.06; 5y low 6.89  
Source: Bloomberg, 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
<b>Wednesday 30 August</b>					<b>Monday 04 September</b>						
HU: Unemployment rate, %	Jul	4.2	n.a.	4.3	RO: Retail sales, % yoy	Jul	n.a	n.a	n.a	n.a	6.5
HR: GDP, % yoy	Q2	2.8	3.4	2.5	<b>Tuesday 05 September</b>						
HR: Retail sales, % yoy	Jul	6.0	5.8	7.8	RU: PMI Services, points	Aug	n.a	56.2	53.9	53.3	52.6
<b>Thursday 31 August</b>					RU: PMI Composite, points	Aug	n.a	n.a	n.a	n.a	53.4
RO: Unemployment rate, %	Jul	5.2	n.a.	5.3	CZ: Retail sales, % yoy	Jul	5.0	6.0	6.0	4.9	4.5
SI: CPI, % yoy	Aug	1.2	n.a.	1.0	CZ: Real wages, % yoy	Q2	n.a	4.2	4.2	3.2	2.8
SI: Retail sales, % yoy	Jul	10.0	n.a.	10.2	HU: Retail sales, % yoy	Jul	5.5	5.8	5.3	5.2	5.7
SI: GDP, % yoy	Q2	4.4	n.a.	5.1	SK: Retail sales, % yoy	Jul	n.a	n.a	n.a	n.a	8.1
SI: Unemployment rate, %	Q2	6.4	n.a.	7.8	TR: CPI, % yoy	Aug	n.a	n.a	n.a	n.a	9.8
RS: Industrial output, % yoy	Jul	4.2	n.a.	5.7	TR: PMI, points	Aug	n.a	n.a	n.a	n.a	53.6
RS: Retail sales, % yoy	Jul	4.1	n.a.	5.3	RU: CPI, % yoy	Aug	n.a	4.0	3.7	3.6	3.9
PL: CPI, % yoy	Aug	1.8	n.a.	1.7	RU: CPI core, % yoy	Aug	n.a	3.8	3.1	3.0	3.3
<b>Friday 01 September</b>					<b>Wednesday 06 September</b>						
RU: PMI, points	Aug	51.6	n.a.	52.7	CZ: Industrial output, % yoy	Jul	6.9	7.2	6.2	2.8	6.2
HU: PMI, points	Aug	56.6	n.a.	54.2	CZ: Trade balance, CZK bn	Jul	2.6	3.0	-1.5	-2.0	18.8
PL: PMI, points	Aug	52.5	n.a.	52.3	HU: Industrial output, % yoy	Jul	n.a	8.0	7.8	5.3	6.5
CZ: PMI, points	Aug	54.9	56.2	55.3	PL: Key rate, %	Sep	1.50	1.50	1.50	1.50	1.50
HR: Industrial output, % yoy	Jul	2.5	4.5	4.0	<b>Thursday 07 September</b>						
					RU: Official Reserve Assets, USD bn	Aug	n.a	423	423	420	418
					RS: Key rate, %	Sep	4.00	n.a	n.a	n.a	4.00
					<b>Friday 08 September</b>						
					HU: CPI, % yoy	Aug	2.5	2.9	2.5	2.4	2.1
					TR: Industrial output, % yoy	Jul	n.a	n.a	n.a	n.a	3.4
					BG: Industrial output, % yoy	Jul	n.a	n.a	n.a	n.a	3.6
					BG: Retail sales, % yoy	Jul	n.a	n.a	n.a	n.a	2.6
					St: Industrial output, % yoy	Jul	n.a	n.a	n.a	n.a	6.7
					UA: CPI, % yoy	Aug	15.8	16.5	16.0	15.0	15.9

Source: Bloomberg, RBI/Raiffeisen RESEARCH

**Bosnia a. H. (BA)** – This week saw announcement of the first macroeconomic figures for July 2017. According to the State Agency data, the industrial production grew by 5.6% yoy in July 2017 marking the highest yoy growth rate in this year. All three industry branches contributed to the industrial output: mining (5.5% yoy), manufacturing (8.5% yoy) and electricity supply (2.1% yoy). The CPI inflation moderated by posting 0.9% yoy increase in July 2017, the lowest reading since January 2017. Looking at the period from beginning of the year, the consumer prices are higher by 1.1% compared to same period in 2016 which is still mostly in line with the expectations. Exports of goods increased by 25.4% yoy in July 2017 (strongest gain registered in this year) while imports of goods grew by 13.6% yoy in same month. Consequently, in first seven months of 2017 the foreign trade deficit of B&H reached value of BAM 3.9 bn which is by 4.8% higher amount compared to same period in 2016. All in all, the second semester of 2017 started on the right foot with most of the macroeconomic indicators in positive area. Positive economic dynamics should be confirmed with new macro data which are expected to be published in following week (retail trade, labor market figures).

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

**Croatia (HR)** – After Q2 GDP and retail trade data for July confirmed continuing of favorable trends (growth of 2.8%yoy and 5.9% yoy, respectively), the week ahead should roll out in a positive tone. Namely, the final tourism results for July will surely confirm the expectations of yet another record tourist season with a solid double-digit yoy growth. The August PPI release on Thursday is also worth mentioning. Annual growth rate in August might be around 1.5%. We expect energy prices to recover in the continuation of the year (partly also due to the expiration of the effect of administrative cuts in the prices of natural gas as of 1 April and partly due to recent announced increase of electricity prices starting from 1st September). Local financial markets will continue to perform in line with the usual movements: as the tourist season ends and the end of the year approaches, EUR/HRK should trend slightly upwards. However, compared with 2016, the average as well as the end-of-year figure should reach lower levels. Finally, this week's T-Bill auction passed with a strong investors' demand, which pushed yields to the lowest level ever. The 1Y HRK paper was issued at 0.40%, while the EUR paper of the same maturity yielded at 0.01%. In a 6-year period yield on 1Y HRK papers decreased from 5.5% to 0.4%. It will be interesting to see further development of MM yields in the upcoming period.

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

**Czech Republic (CZ)** – This week, the Vice Governor M. Hampl gave an interview to Reuters in which he stated that the Czech National Bank may discuss further tightening of its monetary policy at an upcoming meeting. He said he might vote for another interest rate hike as early as in the next meeting in September, but his view does not correspond with the CNB forecast, according to which the next rate increase should occur in Q4 2018. The CNB increased its interest rate in August after 4.5 years during which the repo rate was at the level

of technical zero. Thus, the CNB has become the first central bank in the EU to increase its interest rate. We think the hike in August was a rather isolated one, and it is unlikely that another one will happen so soon. Although the Czech economy is growing well and the inflation rate is likely to remain above 2% this year, increases in interest rates are limited by the ECB's very loose monetary policy. The second reading of the GDP for Q2 will provide the detailed structure of the spectacular growth that was indicated in the flash estimate. According to this, the Czech economy had grown by 2.3% qoq and 4.5% yoy, and in qoq terms is the fastest-growing economy in the EU.

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

**Hungary (HU)** – Hungary's Statistical Office will release detailed data on Q2 GDP, retail and industrial output for July along with inflation figures for August. Furthermore, the central bank will release the minutes of its latest rate setting meeting. As far as the GDP numbers are concerned, we do not expect big surprises. Retail and industrial volumes might have grown further by around 5% in July, while inflation might have increased further to 2.5% from previous month's 2.1%. All in all, no major market reactions are expected, as the focus is either on the central bank's latest intervention. The EUR/HUF returned to its late July pricing just above the 306 level as the market participants are looking forward to hear something new from the next rate-setting meeting held on 19 September. On the whole, the high likelihood that the MPC will ease further by restricting the usage of its sterilization tools or beyond, and if necessary will come up with something new, is resulting in a weaker forint. Consequently, we keep our call for end-year EURHUF at 310.

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

**Poland (PL)** – GDP growth in Q2 has been confirmed at 3.9% yoy (compared to 4.0% yoy in Q1), however the GDP breakdown surprised again. Historically high consumer confidence supported the consumption growth, which accelerated to 4.9% yoy (compared to 4.7% in Q1) contributing to the overall result by 2.9 pp. Meanwhile the investment rebound is still modest – its dynamics amounted to 0.8% yoy. Available data allows assuming that the public sector is mainly responsible while private outlays grow in line with expectations. This in turn may imply significant acceleration of public investment in the following quarters, raising the GDP clearly above 4% yoy in Q3. CPI inflation according to the flash estimate increased to 1.8% yoy in August, driven most probably by the food prices. It however confirms that the inflation pressure in the economy is still limited, supporting the current MPC stance on its policy. Domestic business climate survey for industrial sector indicates that PMI will increase only slightly from 52.3 to 52.4 p. in August. Meanwhile next week will bring the first since July MPC meeting, with decision on interest rate on Wednesday.

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

**Romania (RO)** – In July, the public budget balance recorded a surplus of RON 1.2 bn. While a public budget surplus is common in July as public revenues are boosted by receipts in quarterly corporate tax payments, this year's level was below those recorded in the same month from the previous three years. Public budget execution resulted in a deficit of RON 5.2 bn or 0.6% of the full year official GDP projection during January-July. This was above the level recorded in the similar period from 2016 (0.2% of GDP). We further expect the public budget deficit to end this year at a level above 3.0% of GDP. Given the underperformance of public revenues, the Government decided to hike excise duties for fuels. Through an Emergency Ordinance amending the Fiscal Code, the Government approved the gradual hike of excises for fuels as of 15 September and as of 1 October. Fuel prices will increase by around 8% if the hike is fully incorporated in the final price. With additional upside pressure on the inflation rate, we will have to revise upwards our end-2017 inflation forecast of 1.7%. Local media quoted a MP from the main opposition party (PNL), who is also a member of the Budget Committee in the Senate, saying that the Government intends to introduce as of 2018 a tax on the banks' assets, as large as 0.5% of total assets. According to Bloomberg, the Prime Minister denied the introduction of a tax on banks' assets. An official statement released by the Finance Ministry denied the intention to introduce a tax on banks' assets. Previously, the Prime Minister Tudose also denied the Government's intention to introduce a tax on banks' assets, according to Bloomberg.

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

**Russia (RU)** – The Ministry of Economy (MinEco) adjusted its forecasts for socio-economic development. According to its new base-case scenario, GDP growth is adjusted to 2.1% yoy in 2017 and 2.1-2.3% yoy in 2018-2020. The optimistic revision of 2017 and 2018 was made due to an improvement in the oil price forecast – to USD 49/bbl in 2017 and USD 43.8/bbl. Though, the longer term outlook remains unchanged (USD 41.6/bbl in 2019 and USD 42.4/bbl in 2020). The oil price revision also affected the USD/RUB forecast, whose trajectory looks less pessimistic, than in the previous edition – 64.7/66.9/68 on average in 2018-2020, respectively. According to the Minister M. Oreshkin, the current RUB rate is close to the fundamental one and MinEco does not expect any significant fluctuations of the USD/RUB rate in upcoming months. The favorable inflation dynamics have allowed MinEco to adjust the inflation forecast to 3.7% yoy by this YE. The Minister Oreshkin claimed, that the downside risks here are more significant than the upside ones. Although the revised outlook on inflation is in line with our own forecasts, we so far remain more conservative with regard to economic growth and do not expect it to be much higher than 1% yoy this year.

*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*	Dec-17	Mar-18	Jun-18	5y high	5y low
<b>Poland</b>						
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	1.80	4.98	1.65
<b>Hungary</b>						
Key interest rate	0.90	0.90	0.90	0.90	6.50	0.90
3m money market rate	0.15	0.15	0.15	0.20	6.90	0.15
<b>Czech Republic</b>						
Key interest rate**	0.25	0.25	0.25	0.50	0.50	0.05
3m money market rate**	0.46	0.50	0.60	0.70	0.93	0.00
<b>Romania</b>						
Key interest rate	1.75	1.75	2.00	2.25	5.25	1.75
3m money market rate	0.91	1.45	1.71	2.08	6.30	0.68
<b>Russia</b>						
Key interest rate	9.00	8.25	8.00	7.75	17.00	5.50
3m money market rate	9.12	8.85	8.60	8.35	29.93	6.74
<b>Serbia</b>						
Key interest rate	4.00	4.00	4.00	4.00	11.75	4.00
3m money market rate	3.56	3.60	3.75	3.85	12.98	3.26
<b>Turkey</b>						
Key interest rate	8.00	8.00	8.00	8.00	10.00	4.50
3m money market rate	13.12	11.50	10.80	10.30	13.12	4.85

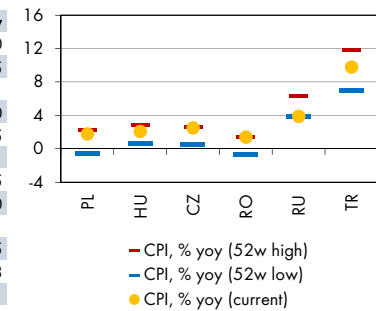
Benchmark key rates	current	Dec-17	Mar-18	Jun-18	5y high	5y low
ECB key interest rate	0.00	0.00	0.00	0.00	0.75	0.00
Fed key interest rate	1.25	1.50	1.75	2.00	1.25	0.25

Source: Bloomberg, RBI/Raiffeisen RESEARCH

\* Bid rates (for Hungary ask rates) as of 31 August 2017, 11:59 p.m. CEST

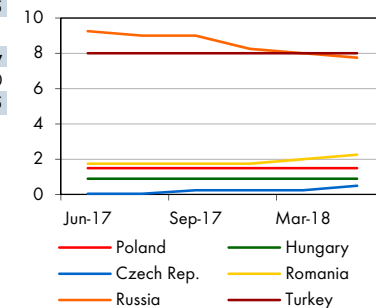
\*\* under revision

## Inflation snapshot



Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Key rate trends (%)\*



Source: Bloomberg, RBI/Raiffeisen RESEARCH

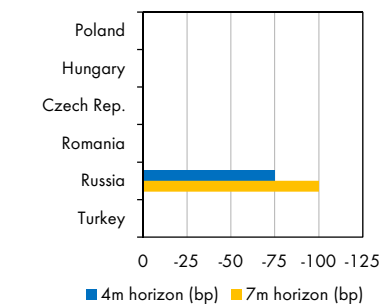
\* CZ under revision

## Central bank watch

<b>Poland (NBP)</b>	While real rates are becoming gradually more negative, still, headline inflation should remain below the mid-target of the NBP. No change expected at next week's meeting, but for the longer term more hawkish voices expected, with first rate hikes materialising in mid-2018.
<b>Hungary (MNB)</b>	MNB deliberately weakened the HUF by flagged additional unconventional easing measures. With the 3m depo rate to get phased-out likely by the end of this year, o/n rate could be targeted next after the successful depression of BUBOR rates. However, MNB is running out of means but should try to maintain dovish policy as long as possible.
<b>Czech Republic (CNB)</b>	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.
<b>Romania (BNR)</b>	Increasing macro imbalances amidst growing overheating risks would offer incentives to the BNR to tighten monetary conditions already in H2 2017. According to BNR, however, they would be uncomfortable to press ahead of MP normalisation in the EMU or regional peer markets. However, the narrowing of interest corridor may be the first step followed by a first rate hike possible in H1 2018.
<b>Serbia (NBS)</b>	NBS continued intervening on the local market via EUR purchases to tame appreciation pressure. We expect inflation to 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. Rate cuts unlikely, as RSD is expected to weaken as the year progresses on seasonality.
<b>Russia (CBR)</b>	Russia's CBR kept key rates unchanged due to elevated medium-term inflation expectations and geo-politics. However, with CPI inflation likely staying low we can expect 25bp in rate cuts in September, whilst the pace will heavily depend on inflation expectations developments.
<b>Turkey (TCMB)</b>	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

## Key rate forecast (chg., bp)\*



Source: Bloomberg, RBI/Raiffeisen RESEARCH

\* CZ under revision

## Rate setting meetings

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

Source: National Central Banks, RBI/Raiffeisen RESEARCH

# Foreign exchange market overview

## FX forecasts

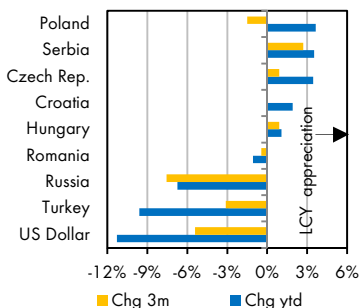
EUR vs	current*	Dec-17	Mar-18	Jun-18	5y high	5y low	Comment
<b>PLN</b>	4.248	4.20	4.15	4.15	4.40	4.08	Political tensions with Brussels hinders zloty from reaching stronger levels
<b>HUF</b>	305.6	310	310	310	316	291	More unconventional easing flagged by MNB should keep HUF close to the mid of the 300-310 range.
<b>CZK**</b>	26.12	25.9	25.6	25.5	27.7	25.1	Despite possible short-lived setbacks in the near-term we expect ongoing CZK strengthening over the coming quarters
<b>RON</b>	4.591	4.55	4.50	4.50	4.55	4.45	Increasing twin deficit and additional political risks to keep RON under pressure
<b>HRK</b>	7.416	7.50	7.45	7.40	7.66	7.50	Slight depreciation pressure on HRK is expected
<b>RSD</b>	119.2	123	124	124	123	112	NBS EUR-buying efforts to counter appreciation of RSD find little success, but price uptick may help to thwart this trend.
<b>RUB</b>	69.05	70.8	71.3	74.4	79.3	40.3	see USD/RUB below
<b>UAH</b>	30.52	33.0	32.8	33.6	33.0	10.6	see USD/UAH below
<b>BYN</b>	2.291	2.42	2.42	2.58	2.42	1.13	see USD/BYN below
<b>TRY</b>	4.105	4.37	4.37	4.56	4.37	2.35	see USD/TRY below
<b>USD</b>	1.189	1.18	1.15	1.20	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*	Dec-17	Mar-18	Jun-18	5y high	5y low	
<b>RUB</b>	58.08	60.0	62.0	62.0	73.0	30.5	USD/RUB pair likely to further head south maintaining the rouble's medium-term appeal
<b>UAH</b>	25.67	28.0	28.5	28.0	28.0	8.05	Recent favorable sentiment might cast our rather cautious UAH calls into doubt
<b>BYN</b>	1.927	2.05	2.10	2.15	2.05	0.86	BYN started to lose ground again after prolonged phase of stability
<b>TRY</b>	3.453	3.70	3.80	3.80	3.70	1.78	Lira broke the 3.50 threshold recently due to improving sentiment and ongoing prudent central bank

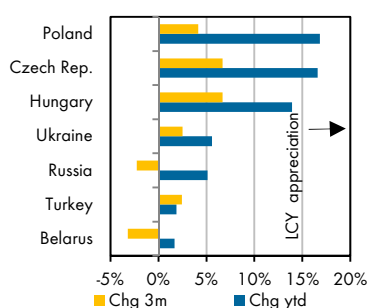
Source: Bloomberg, RBI/Raiffeisen RESEARCH  
 \* as of 31 August 2017, 11:59 p.m. CEST  
 \*\* under revision

### Change of LCY value to EUR (%)



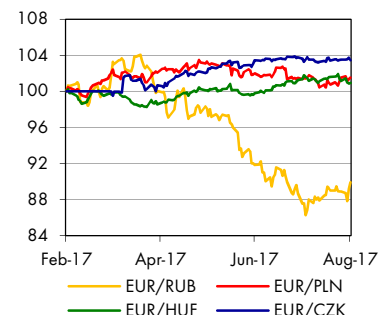
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

### Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

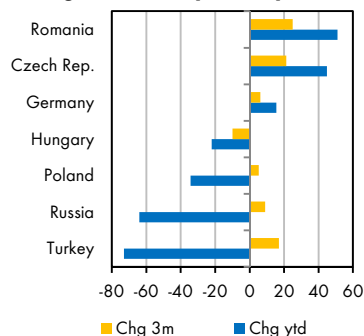
### Exchange rate comparison



Indexed 28 Feb-17 = 100  
 Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

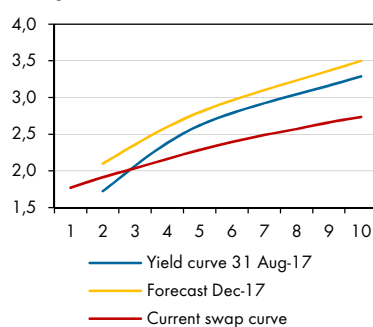
# Local currency bond market overview and forecasts

## Change of LCY 10y bond yields (bp)



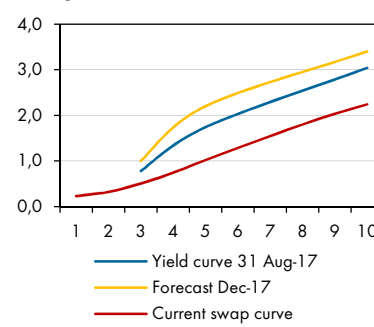
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## PLN yield curve



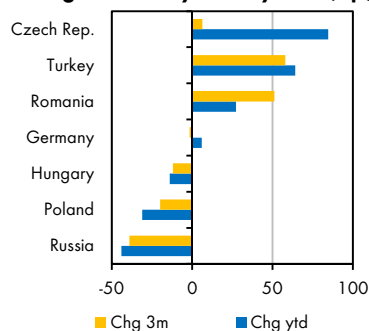
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

## HUF yield curve



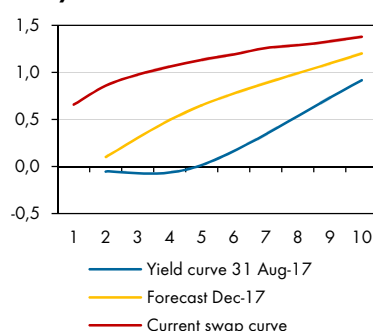
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

## Change of LCY 2y bond yields (bp)



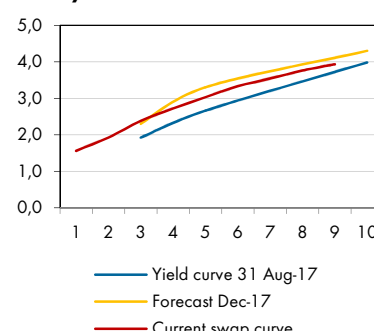
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## CZK yield curve\*



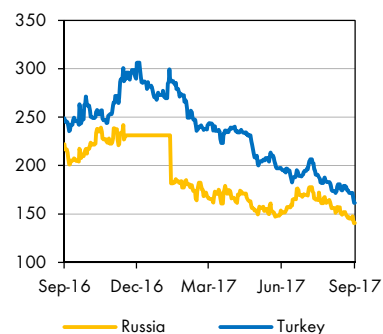
\* under revision  
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

## RON yield curve



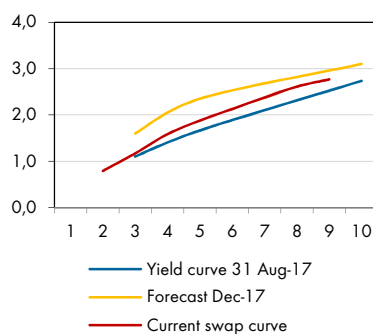
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

## 5y USD CDS spreads



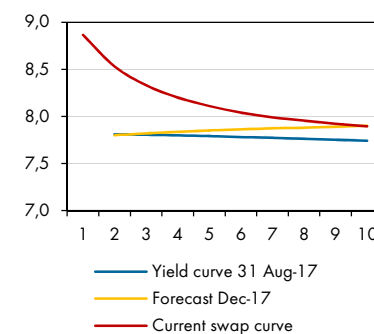
Turkey 5y high 327.1, 5y low 111.7;  
Russia 5y high 628.7, 5y low 119.4  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## 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*	Dec-17	Mar-18	Jun-18	5y high	5y low	current*	Dec-17	Mar-18	Jun-18	5y high	5y low
Poland	1.72	2.1	2.3	2.4	3.1	1.6	3.29	3.5	3.7	3.5	4.3	2.5
Hungary **	0.78	1.0	1.1	1.2	5.7	0.9	3.04	3.4	3.5	3.6	6.2	3.3
Czech Republic***	-0.05	0.1	0.2	0.7	0.5	-0.9	0.92	1.2	1.4	1.5	2.5	0.5
Romania	1.92	1.8	2.2	2.5	6.4	1.5	3.98	4.3	4.4	4.5	6.9	3.5
Croatia	1.10	1.6	1.7	1.8	4.4	0.9	2.74	3.1	3.2	3.2	5.2	3.1
Russia	7.81	7.8	7.6	7.6	15.8	6.2	7.74	7.9	7.8	7.8	14.1	6.9
Turkey	11.34	10.5	10.0	9.5	11.0	6.1	10.36	10.0	9.5	9.0	11.1	6.6
Germany	-0.76	-0.7	-0.6	-0.4	0.2	-0.8	0.29	0.7	0.9	1.1	1.9	0.1
USA	1.32	1.7	1.8	1.9	1.7	0.2	2.12	2.8	2.8	2.9	3.0	1.8

\* Bid yields as of 31 August 2017, 11:59 p.m. CEST; \*\* 3y yield; \*\*\* under revision  
Source: Bloomberg, RBI/Raiffeisen RESEARCH



# Local currency bond market overview

## CEE local currency bond market snapshot

	Maturity	Coupon (%)	Bid Price	YTM (%)	Spread to Bunds (bp)	MDur.	Comment
<b>Poland</b>							
PLN 2y Gov. Bond	25/07/2019	3.25	102.79	1.73	246	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	114.56	2.63	298	4.4	
PLN 10y Gov. Bond	25/07/2027	2.50	93.35	3.30	294	8.8	
<b>Hungary</b>							
HUF 3y Gov. Bond	23/09/2020	1.00	100.81	0.73	137	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	100.39	1.67	201	4.9	
HUF 10y Gov. Bond	27/10/2027	3.00	100.17	2.98	262	8.7	
<b>Czech Republic</b>							
CZK 2y Gov. Bond	11/04/2019	5.00	108.76	-0.46	27	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	123.49	0.02	36	4.6	
CZK 10y Gov. Bond	25/08/2028	2.50	115.59	0.99	64	9.8	
<b>Croatia</b>							
HRK 2y Gov. Bond	05/03/2020	6.75	114.20	0.99	133	2.4	Return of investors to the market and increased demand for bonds might bring increased volumes of trading on the local bond market.
HRK 10y Gov. Bond	07/02/2028	2.88	99.08	2.98	262	9.1	
<b>Romania</b>							
RON 2y Gov. Bond	29/04/2020	5.75	109.94	1.86	250	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	103.08	2.66	301	4.2	
RON 10y Gov. Bond	26/07/2027	5.80	114.63	3.98	362	0.0	
<b>Russia</b>							
RUB 2y Gov. Bond	15/05/2019	6.70	98.48	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	99.92	7.76	810	4.1	
RUB 10y Gov. Bond	03/02/2027	8.15	103.60	7.75	739	6.8	
<b>Turkey</b>							
TRY 2y Gov. Bond	15/05/2019	11.10	99.60	11.34	1207	1.5	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	100.30	10.61	1095	4.0	
TRY 10y Gov. Bond	11/08/2027	10.50	100.88	10.36	1000	6.4	

Data as of 01 September 2017, 10:39 p.m. CEST  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

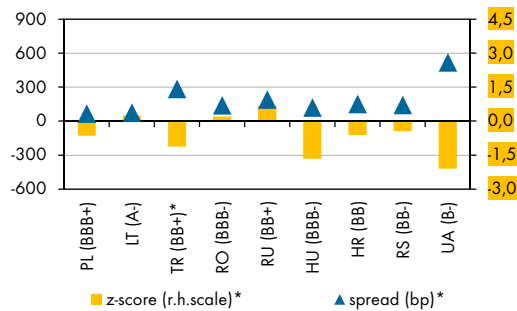
## Bond auctions

	ISIN	Coupon	Maturity	Volume
<b>06 September</b>				
RU	T-bond	n.a.	n.a.	n.a.
<b>07 September</b>				
HU	T-bond	FRN	n.a.	n.a.
RO	2.6y T-bond	RO1320DBN022	5,75%	29.04.2020 RON 0.5 bn
<b>08 September</b>				
PL	T-bond	n.a.	n.a.	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

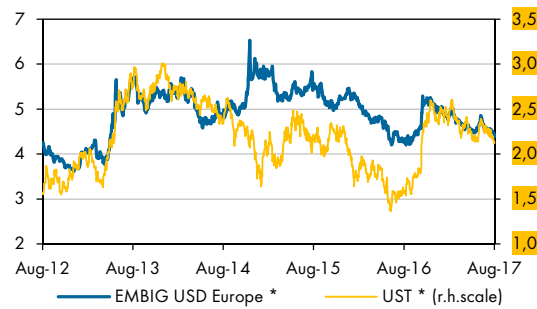
## Eurobond market overview

### 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
<b>EUR</b>									
CROATI 5 7/8 07/09/18	104.8	105.1	-0.21	112.1	104.3	-0.02	57	0.8	XS0645940288
REPHUN 3 7/8 02/24/20	109.5	109.8	0.05	113.1	86.6	-0.02	67	2.4	XS0212993678
REPHUN 5 3/4 06/11/18	104.6	104.7	-0.20	114.9	98.4	-0.33	27	0.8	XS0369470397
REPHUN 6 01/11/19	108.6	108.7	0.12	118.2	98.8	-0.38	26	1.3	XS0625388136
LITHUN 4.85 02/07/18	102.0	102.2	-0.24	114.3	102.1	-0.17	47	0.4	XS0327304001
POLAND 5 5/8 06/20/18	104.8	105.0	-0.17	122.6	104.9	-0.52	7	0.8	XS0371500611
POLAND 1 5/8 01/15/19	102.4	102.5	0.05	105.4	98.5	-0.20	44	1.3	XS0874841066
POLAND 3 3/4 01/19/23	118.2	118.7	0.11	124.6	105.4	0.29	60	4.9	XS0794399674
POLAND 3 3/8 07/09/24	118.0	118.6	0.20	124.6	99.6	0.63	76	6.2	XS0841073793
ROMANI 4 7/8 11/07/19	110.8	111.0	-0.08	117.7	99.1	-0.11	61	2.0	XS0852474336
TURKEY 5 7/8 04/02/19	108.2	108.5	-0.01	118.9	107.5	0.51	118	1.5	XS0285127329
TURKEY 5 1/8 05/18/20	110.1	110.4	0.10	115.9	102.5	1.25	193	2.5	XS0503454166
<b>USD</b>									
BELRUS 8.95 01/26/18	102.3	102.8	-0.15	111.2	78.0	2.30	126	0.4	XS0583616239
CROATI 6 3/8 03/24/21	111.4	111.9	0.12	117.8	101.6	2.90	139	3.1	XS0607904264
CROATI 5 1/2 04/04/23	111.1	111.6	0.42	111.7	94.4	3.27	149	4.7	XS0908769887
REPHUN 5 3/8 02/21/23	113.5	113.8	0.53	115.4	93.1	2.67	90	4.8	US445545AH91
REPHUN 7 5/8 03/29/41	154.3	155.2	0.8	157.5	99.1	4.01	147	13.1	US445545AF36
LITHUN 7 3/8 02/11/20	112.4	112.7	0.10	130.7	112.4	2.05	67	2.3	XS0485991417
LITHUN 6 5/8 02/01/22	117.5	117.9	0.14	128.6	113.9	2.36	74	3.9	XS0739988086
LATVIA 2 3/4 01/12/20	101.3	101.7	0.08	104.5	91.4	2.11	74	2.3	XS0863522149
LATVIA 5 1/4 06/16/21	110.6	111.1	0.09	117.2	105.3	2.24	70	3.4	XS0638326263
POLAND 6 3/8 07/15/19	108.7	108.8	0.01	125.9	108.6	1.56	25	1.8	US731011AR30
POLAND 3 03/17/23	102.9	103.3	0.2	105.1	87.6	2.40	63	5.0	US731011AT95
ROMANI 6 3/4 02/07/22	116.8	117.0	0.12	124.4	108.9	2.67	104	3.9	US77586TAA43
ROMANI 4 3/8 08/22/23	108.2	108.3	0.41	111.1	90.8	2.86	103	5.3	US77586TAC09
RUSSIA 4 1/2 04/04/22	106.7	107.2	0.24	114.7	82.0	2.87	122	4.1	XS0767472458
RUSSIA 7 1/2 03/31/30	119.9	120.1	-0.02	128.6	99.6	2.09	-11	3.5	XS0114288789
RUSSIA 5 5/8 04/04/42	113.0	113.6	1.27	124.9	76.0	4.70	214	13.7	XS0767473852
SERBIA 5 1/4 11/21/17	100.6	101.0	-0.07	107.1	96.8	1.41	42	0.2	XS0856951263
SERBIA 4 7/8 02/25/20	105.1	105.5	0.07	105.4	89.6	2.66	128	2.3	XS0893103852
TURKEY 6 1/4 09/26/22	110.4	110.9	0.53	127.0	102.5	3.91	219	4.3	US900123BZ27
TURKEY 6 7/8 03/17/36	116.4	116.9	1.07	139.6	99.2	5.44	305	10.7	US900123AY60
TURKEY 6 3/4 05/30/40	115.3	115.9	1.27	139.4	97.3	5.54	302	12.1	US900123BG46
UKRAIN 7 3/4 09/01/19	104.2	104.4	0.08	104.4	88.0	5.42	409	1.8	XS1303918269
UKRAIN 7 3/4 09/01/23	103.8	104.3	0.96	104.1	84.6	6.91	509	4.8	XS1303921487
UKRAIN 7 3/4 09/01/27	102.2	102.6	1.06	102.4	81.2	7.41	529	6.9	XS1303927179

YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 01 Sep 2017, 9:44 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
<b>CE</b>									
Poland	A-	BBB+	stable	A2	A2	stable	A	A-	stable
Hungary	BBB-	BBB-	positive	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
<b>SEE</b>									
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
<b>EE</b>									
Russia	BBB-	BB+	positive	Ba1	Ba1	stable	BBB-	BBB-	stable
Ukraine	B-	B-	stable	Caa2	Caa2	positive	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	n.a.	-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.

Any information and recommendations designated as such in this publication which are contributed by analysts from RBI's subsidiary banks or from Raiffeisen Centrobank ("RCB") are disseminated unaltered under RBI's responsibility.

A description of the concepts and methods used in the preparation of financial analyses is available under: [www.raiffeisenresearch.com/concept\\_and\\_methods](http://www.raiffeisenresearch.com/concept_and_methods).

Detailed information on sensitivity analyses (procedure for checking the stability of potential assumptions made in the context of financial analyses) is available under: [www.raiffeisenresearch.com/sensitivity\\_analysis](http://www.raiffeisenresearch.com/sensitivity_analysis).

Disclosure of circumstances and interests which may jeopardise the objectivity of RBI (as per Sec 48f [5] and [6] of the Stock Exchange Act): [www.raiffeisenresearch.com/disclosuresobjectivity](http://www.raiffeisenresearch.com/disclosuresobjectivity)

Detailed information on recommendations concerning financial instruments or issuers disseminated during a period of 12 month prior to this publication (acc. to Art. 4 (1) i) Commission Delegated Regulation (EU) 2016/958 of 9.3.2016) is available under: [https://raiffeisenresearch.com/web/rbi-research-portal/recommendation\\_history](https://raiffeisenresearch.com/web/rbi-research-portal/recommendation_history)

## Bonds

### Distribution of short term recommendations (preceding 3 months prior to this publication)

Recommendation	Basis: all analysed Government bonds
Buy	35%
Hold	49%
Sell	16%
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

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

Date	BG EUROBOND EUR	BY EUROBOND USD	HR EUROBOND EUR	HR EUROBOND USD	HU EUROBOND USD	KZ 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				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						

Date	LT EUROBOND EUR	LT EUROBOND USD	MK EUROBOND EUR	PL EUROBOND EUR	RO EUROBOND EUR	RO EUROBOND USD
20/06/2017				Buy		
08/06/2017						
06/06/2017	Hold		Buy	Hold		
28/04/2017						
27/04/2017	Sell		Hold	Buy	Hold	Hold
24/03/2017						
15/03/2017	Hold	Hold	Buy		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						

Date	RS EUROBOND USD	RU EUROBOND EUR	RU EUROBOND USD	SI EUROBOND USD	TR EUROBOND EUR	TR EUROBOND USD
20/06/2017					Buy	Buy
08/06/2017						
06/06/2017	Sell					
28/04/2017						
27/04/2017						
24/03/2017						
15/03/2017			Hold			
24/02/2017						
25/01/2017						
24/01/2017	Hold					
15/12/2016		Hold				
28/11/2016		Sell	Sell	Hold	Hold	Hold
24/11/2016						
21/10/2016					Buy	Buy
26/09/2016	Buy				Hold	Hold
23/09/2016						

Date	UA EUROBOND USD
20/06/2017	
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
24/11/2016	
21/10/2016	Buy
26/09/2016	
23/09/2016	

### Disclaimer Financial Analysis

Responsible for this publication: Raiffeisen Bank International AG („RBI“)

RBI is a credit institution according to §1 Banking Act (Bankwesengesetz) with the registered office Am Stadtpark 9, 1030 Vienna, Austria.

Raiffeisen RESEARCH is an organisational unit of RBI.

Supervisory authority: As a credit institution (acc. to § 1 Austrian Banking Act; Bankwesengesetz) Raiffeisen Bank International AG is subject to the supervision by the Austrian Financial Market Authority (FMA, Finanzmarktaufsicht) and the National Bank of Austria (OeNB, Oesterreichische Nationalbank). Additionally, RBI is subject to the supervision by the European Central Bank (ECB), which undertakes such supervision within the Single Supervisory Mechanism (SSM), which consists of the ECB and the national responsible authorities (Council Regulation (EU) No 1024/2013 - SSM Regulation). Unless set out herein explicitly otherwise, references to legal norms refer to norms enacted by the Republic of Austria.

This document is for information purposes and may not be reproduced or distributed to other persons without RBI's permission. This document constitutes neither a solicitation of an offer nor a prospectus in the sense of the Austrian Capital Market Act (Kapitalmarktgesetz) or the Austrian Stock Exchange Act (Börsegesetz) or any other comparable foreign law. An investment decision in respect of a financial instrument, a financial product or an investment (all hereinafter "product") must be made on the basis of an approved, published prospectus or the complete documentation for such a product in question, and not on the basis of this document.

This document does not constitute a personal recommendation to buy or sell financial instruments in the sense of the Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz). Neither this document nor any of its components shall form the basis for any kind of contract or commitment whatsoever. This document is not a substitute for the necessary advice on the purchase or sale of a financial instrument, a financial product or advice on an investment. In respect of the sale or purchase of one of the above mentioned products, your banking advisor can provide individualised advice suitable for investments and financial products.

This analysis is fundamentally based on generally available information and not on confidential information which the party preparing the analysis has obtained exclusively on the basis of his/her client relationship to a person.

Unless otherwise expressly stated in this publication, RBI deems all of the information to be reliable, but does not make any assurances regarding its accuracy and completeness.

In emerging markets, there may be higher settlement and custody risk as compared to markets with established infrastructure. The liquidity of stocks/financial instruments may be influenced, amongst others, by the number of market makers. Both of these circumstances can result in elevated risk in relation to the safety of investments made in consideration of the information contained in this document.

The information in this publication is current as per the latter's creation date. It may be outdated by future developments, without the publication being changed.

Unless otherwise expressly stated ([www.raiffeisenresearch.com/special\\_compensation](http://www.raiffeisenresearch.com/special_compensation)), the analysts employed by RBI are not compensated for specific investment banking transactions. Compensation of the author or authors of this report is based (amongst other things) on the overall profitability of RBI, which includes, inter alia, earnings from investment banking and other transactions of RBI. In general, RBI forbids its analysts and persons reporting to the analysts from acquiring securities or other financial instruments of any enterprise which is covered by the analysts, unless such acquisition is authorised in advance by RBI's Compliance Department.

RBI has put in place the following organisational and administrative agreements, including information barriers, to impede or prevent conflicts of interest in relation to recommendations: RBI has designated fundamentally binding confidentiality zones. These are typically units within credit institutions, which are isolated from other units by organisational measures governing the exchange of information, because compliance-relevant information is continuously or temporarily handled in these zones. Compliance-relevant information may fundamentally not leave a confidentiality zone and is to be treated as strictly confidential in internal business operations, including interaction with other units. This does not apply to the transfer of information necessary for usual business operations. Such transfer of information is limited, however, to what is absolutely necessary (need-to-know principle). The exchange of compliance-relevant information between two confidentiality zones may only occur with the involvement of the Compliance Officer.

## SPECIAL REGULATIONS FOR THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (UK):

This document does not constitute either a public offer in the meaning of the Austrian Capital Market Act (Kapitalmarktgesetz; hereinafter „KMG“) nor a prospectus in the meaning of the KMG or of the Austrian Stock Exchange Act (Börsegesetz). Furthermore, this document does not intend to recommend the purchase or the sale of securities or investments in the meaning of the Austrian Supervision of Securities Act (Wertpapieraufsichtsgesetz). This document shall not replace the necessary advice concerning the purchase or the sale of securities or investments. For any advice concerning the purchase or the sale of securities or investments kindly contact your RAIFFEISENBANK. This publication has been either approved or issued by RBI in order to promote its investment business. Raiffeisen Bank International AG (“RBI”), London Branch is authorised by the Austrian Financial Market Authority and subject to limited regulation by the Financial Conduct Authority (“FCA”). Details about the extent of its regulation by the FCA are available on request. This publication is not intended for investors who are Retail Customers within the meaning of the FCA rules and shall therefore not be distributed to them. Neither the information nor the opinions expressed herein constitute or are to be construed as an offer or solicitation of an offer to buy (or sell) investments. RBI may have affected an Own Account Transaction within the meaning of FCA rules in any investment mentioned herein or related investments and/or may have a position or holding in such investments as a result. RBI may have been, or might be, acting as a manager or co-manager of a public offering of any securities mentioned in this report or in any related security.

**SPECIFIC RESTRICTIONS FOR THE UNITED STATES OF AMERICA AND CANADA:** This document may not be transmitted to, or distributed within, the United States of America or Canada or their respective territories or possessions, nor may it be distributed to any U.S. person or any person resident in Canada, unless it is provided directly through RB International Markets (USA) LLC (“RBIM”), a U.S. registered broker-dealer, and subject to the terms set forth below.

**SPECIFIC INFORMATION FOR THE UNITED STATES OF AMERICA AND CANADA:** This research document is intended only for institutional investors and is not subject to all of the independence and disclosure standards that may be applicable to research documents prepared for retail investors. This report was provided to you by RB International Markets (USA) LLC (RBIM), a U.S. registered broker-dealer, but was prepared by our non-U.S. affiliate Raiffeisen Bank International AG (RBI). Any order for the purchase or sale of securities covered by this report must be placed with RBIM. You can reach RBIM at 1177, Avenue of the Americas, 5th Floor, New York, NY 10036, phone +1 212-600-2588. This document was prepared outside the United States by one or more analysts who may not have been subject to rules regarding the preparation of reports and the independence of research analysts comparable to those in effect in the United States. The analyst or analysts who prepared this research (i) are not registered or qualified as research analysts with the Financial Industry Regulatory Authority (“FINRA”) in the United States, and (ii) are not allowed to be associated persons of RBIM and are therefore not subject to FINRA regulations, including regulations related to the conduct or independence of research analysts.

The opinions, estimates and projections contained in this report are those of RBI only as of the date of this report and are subject to change without notice. The information contained in this report has been compiled from sources believed to be reliable by RBI, but no representation or warranty, express or implied, is made by RBI or its affiliated companies or any other person as to the report’s accuracy, completeness or correctness. Securities which are not registered in the United States may not be offered or sold, directly or indirectly, within the United States or to U.S. persons (within the meaning of Regulation S under the Securities Act of 1933 [“the Securities Act”]), except pursuant to an exemption under the Securities Act. This report does not constitute an offer with respect to the purchase or sale of any security within the meaning of Section 5 of the Securities Act and neither shall this report nor anything contained herein form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. This report provides general information only. In Canada it may only be distributed to persons who are resident in Canada and who, by virtue of their exemption from the prospectus requirements of the applicable provincial or territorial securities laws, are entitled to conduct trades in the securities described herein.

## EU REGULATION NO 833/2014 CONCERNING RESTRICTIVE MEASURES IN VIEW OF RUSSIA’S ACTIONS DESTABILISING THE SITUATION IN UKRAINE

Please note that research is done and recommendations are given only in respect of financial instruments which are not affected by the sanctions under EU regulation no 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, as amended from time to time, i.e. financial instruments which have been issued before 1 August 2014.

We wish to call to your attention that the acquisition of financial instruments with a term exceeding 30 days issued after 31 July 2014 is prohibited under EU regulation no 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, as amended from time to time. No opinion is given with respect to such prohibited financial instruments.

**INFORMATION REGARDING THE PRINCIPALITY OF LIECHTENSTEIN:** COMMISSION DIRECTIVE 2003/125/EC of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards the fair presentation of investment recommendations and the disclosure of conflicts of interest has been incorporated into national law in the Principality of Liechtenstein by the Finanzanalyse-Marktmisbrauchs-Verordnung.

If any term of this Disclaimer is found to be illegal, invalid or unenforceable under any applicable law, such term shall, insofar as it is severable from the remaining terms, be deemed omitted from this Disclaimer. It shall in no way affect the legality, validity or enforceability of the remaining terms.

## Imprint

### Information requirements pursuant to the Austrian E-Commerce Act

#### **Raiffeisen Bank International AG**

Registered Office:

Am Stadtpark 9, 1030 Vienna

Postal address:

1010 Vienna, POB 50

Phone: +43-1-71707-0

Fax: + 43-1-71707-1848

**Company Register Number:**

FN 122119m at the Commercial Court of Vienna

**VAT Identification Number:**

UID ATU 57531200

**Austrian Data Processing Register:**

Data processing register number (DVR): 4002771

**S.W.I.F.T.-Code:**

RZBA AT WW

**Supervisory Authorities:**

As a credit institution (acc. to § 1 Austrian Banking Act; Bankwesengesetz) Raiffeisen Bank International AG is subject to the supervision by the Austrian Financial Market Authority (FMA, Finanzmarktaufsicht) and the National Bank of Austria (OeNB, Oesterreichische Nationalbank). Additionally, RBI is subject to the supervision by the European Central Bank (ECB), which undertakes such supervision within the Single Supervisory Mechanism (SSM), which consists of the ECB and the national responsible authorities (Council Regulation (EU) No 1024/2013 - SSM Regulation). Unless set out herein explicitly otherwise, references to legal norms refer to norms enacted by the Republic of Austria.

**Membership:**

Austrian Federal Economic Chamber, Federal Bank and Insurance Sector, Raiffeisen Association

**Statement pursuant to the Austrian Media Act****Publisher and editorial office of this publication**

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

**Media Owner of this publication**

Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen  
Am Stadtpark 9, A-1030 Vienna

**Executive Committee of Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen:**

Mag. Peter Brezinschek (Chairman), Mag. Helge Rechberger (Vice-Chairman)

Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen is constituted as state-registered society. Purpose and activity are (inter alia), the distribution of analysis, data, forecasts and reports and similar publications related to the Austrian and international economy as well as financial markets.

**Basic tendency of the content of this publication**

- Presentation of activities of Raiffeisen Bank International AG and its subsidiaries in the area of conducting analysis related to the Austrian and international economy as well as the financial markets.
- Publishing of analysis according to various methods of analyses covering economics, interest rates and currencies, government and corporate bonds, equities as well as commodities with a regional focus on the euro area and Central and Eastern Europe under consideration of the global markets.

Editor: Andreas SCHWABE, RBI Vienna

**Producer of this publication**

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

Creation time of this publication: 01/09/2017 01:12 PM (CEST)

First Dissemination of this publication: 01/09/2017 01:15 PM (CEST)



### Raiffeisen Bank International AG (Raiffeisen RESEARCH Team)

Global Head of Research: Peter BREZINSCHKEK

Market Strategy / Quant Research	Research Sales and Operations (RSOP)	Economics / Fixed Income / FX Research	Equity Company Research
Valentin HOFSTÄTTER Judith GALTER Christian HINTERWALLNER Thomas KEIL Christoph KLAPER Stefan MEMMER Nina NEUBAUER-KUKIC Andreas SCHILLER Robert SCHITTLER Stefan THEUßL	Werner WEINGRABER Birgit BACHHOFNER Björn CHYBA Silvia DUSEK Kathrin KORINEK Andreas MANNSPARTH Bostjan PETAC Aleksandra SREJIC Martin STELZENEDER Arno SUPPER Marion WANNENMACHER	Gunter DEUBER Jörg ANGELE Wolfgang ERNST Stephan IMRE Lydia KRANNER Patrick KRIZAN Matthias REITH Elena ROMANOVA Andreas SCHWABE Gintaras SHLIZHYUS Gottfried STEINDL Martin STELZENEDER	Connie GAISBAUER Aaron ALBER Hannes LOACKER Johannes MATTNER Christine NOWAK Leopold SALCHER Christoph VAHS
Retail Research Manager			Credit Company Research
Veronika LAMMER Helge RECHBERGER			Jörg BAYER Ruslan GADEEV Eva-Maria GROSSE Michael HELLER Martin KUTNY Werner SCHMITZER Jürgen WALTER

AO Raiffeisenbank (RU)	RAIFFEISEN BANK S.A. (RO)	Raiffeisen Bank Zrt. (HU)	Raiffeisenbank Austria d.d. (HR)
Anastasia BAYKOVA Sergey GARAMITA Stanislav MURASHOV Anton PLETENEV Irina ALIZAROVSKAYA Natalia KOLUPAEVA Fedor KORNACHEV Sergey LIBIN Andrey POLISCHUK Denis PORYVAY Rita TSOVYAN Konstantin YUMINOV	Catalin DIACONU Ionut DUMITRU Silvia ROSCA Nicolae COVRIG	Gergely PALFFY Zoltán TÖRÖK Levente BLAHÓ	Nada HARAMBASIC-NEREAU Elizabeta SABOLEK-RESANOVIC Ana TURUDIC Zrinka ZIVKOVIC-MATJUEVIC
	Raiffeisen Bank Aval (UA)	Raiffeisen Bank dd Bosna i Hercegovina	Raiffeisenbank Bulgaria (BG)
	Sergii DROBOT	Ivona ZAMETICA Srebrenko FATUSIC	Emil KALCHEV
	Raiffeisen Bank Kosovo (KS)	Raiffeisen POLBANK (PL)	Raiffeisenbank a.s. (CZ)
		Mateusz Namysl Aleksandra PIKALA Pawel RADWANSKI Wojciech STEPIEN Dorota STRAUCH	Milan FRYDRYCH Helena HORSKA Monika JUNICKE Lenka KALIVODOVA
	Raiffeisen Bank Sh.A. (AL)	Raiffeisen banka a.d. Beograd (RS)	Tatra banka, a.s. (SK)
	Dritan BAHOLLI Valbona GJEKA	Ljiljana GRUBIC	Tibor LORINCZ Robert PREGA Boris FOJTIK Juraj VALACHY
Priorbank (BY)			
Natalya CHERNOGOROVA Vasily PIROGOVSKY			