

## Market snapshot

	curr.*	Dec-17	Mar-18	Jun-18
<b>Poland</b>				
EUR/PLN	4.284	4.20	4.15	4.15
Key rate	1.50	1.50	1.50	1.50
10y bond**	3.2	3.5	3.7	3.5
<b>Hungary</b>				
EUR/HUF	308.9	310	310	310
Key rate	0.90	0.90	0.90	0.90
10y bond**	3.0	2.7	2.8	3.0
<b>Czech Republic</b>				
EUR/CZK	26.09	25.7	25.3	25.4
Key rate	0.25	0.50	0.75	0.75
10y bond**	1.0	1.2	1.4	1.5
<b>Romania</b>				
EUR/RON	4.603	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	7.483	7.50	7.45	7.40
Key rate	2.50	2.50	n.a.	n.a.
10y bond**	2.6	3.1	3.2	3.2
<b>Russia</b>				
USD/RUB	57.48	60.0	62.0	62.0
Key rate	9.00	8.25	8.00	7.75
10y bond	7.6	7.9	7.8	7.8
<b>Turkey</b>				
USD/TRY	3.448	3.70	3.80	3.80
Key rate**	8.00	8.00	8.00	8.00
10y bond**	10.5	10.0	9.5	9.0
<b>EUR/USD</b>	<b>1.187</b>	<b>1.18</b>	<b>1.15</b>	<b>1.20</b>

\* prices as of 14 September 2017, 11:59 p.m. CEST

\*\* under revision

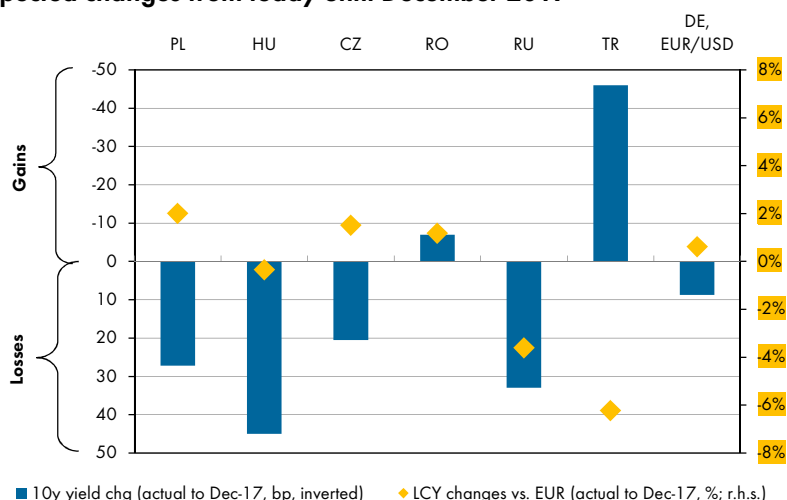
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## Highlights

Slightly rising UST and Bund yields exerted negative pressures on the majority of CEE local debt markets. HGB became the only exception holding firmer ahead of the upcoming MNB policy meeting on 19 September which would be expected to bring additional loosening measures to thwart unwated HUF appreciation. Reciprocally HUF currency lost 0.8% vs EUR and almost 2% vs USD on the week joining PLN in bear market selling. In Poland political headlines do not inspire much confidence while overly dovish remarks from MPC member additionally contributed to PLN weakness. Meanwhile today's CBR rate meeting would be likely to bring a 50bp rate cut which we find already priced into OFZ long-end so the only impact so far may be seen on RUB FX. The increasing likelihood of another rate hike in Czech market also imposed price losses on CZGB while adding to CZK FX stability. Currently we put our CEE yield forecasts except for Russia under a revision which will reflect a more constructive global market backdrop and will be published in the new issue of Strategy Austria & CEE by the end of September. In sovereign rating space two positive developments took place this week. Moody's finally upgraded Slovenia from Baa3 to Baa1 with stable outlook and S&P changed outlook on Kazakhstan's BBB- rating from negative to stable. Recently in its study S&P also alleged improving outlook for CEE sovereigns which is already reflected by fewer negative outlooks. Russia's sovereign review this week by S&P and next week by Fitch would be unlikely to bring any change to its rating or outlook. Also Croatia's rating review by S&P next week will be another big highlight though we would expect no change in outlook or rating too. On Eurobond primary markets the debt swaps are underway in Russia and Ukraine. Russia offers to swap from "old" USD 2018s and 2030s into longer dated outstanding 2027s and 2047s while Ukraine offers to repurchase USD 2019s and 2020s and will add new 10- and 15-year bonds. Next week will be rich on macro data including unemployment and retail sales reports for Russia, Poland and Croatia. Industrial output data release in Poland will also be important for monetary outlook.

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

## Expected changes from today until December 2017\*



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## Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
15-Sep	RU: Key rate, %	Sep	8.50	8.75	8.50	8.50	9.00
19-Sep	HU: Key rate, %	Sep	0.90	0.90	0.90	0.90	0.90
19-Sep	PL: Industrial output, % yoy	Aug	7.6	7.8	5.9	3.1	6.2
19-Sep	PL: Retail sales, % yoy	Aug	6.1	7.9	7.1	5.3	7.1
19-Sep	RU: Retail sales, % yoy	Aug	n.a.	1.8	1.1	0.0	1.0

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
<b>Friday 08 September</b>					<b>Friday 15 September</b>						
UA: CPI, % yoy	Aug	16.2	15.8	15.9	RU: Key rate, %	Sep	8.50	8.75	8.50	8.50	9.00
<b>Monday 11 September</b>					RU: Industrial output, % yoy	Aug	n.a.	2.3	1.5	0.6	1.1
CZ: CPI, % yoy	Aug	2.5	2.5	2.5	<b>Monday 18 September</b>						
SK: Industrial output, % yoy	Jul	9.2	5.2	1.8	SK: HICP, % yoy	Aug	1.5	n.a.	n.a.	n.a.	1.5
TR: GDP, % yoy	Q2	5.1	n.a.	5.0	PL: Average gross wages, % yoy	Aug	5.70	6.3	5.7	4.9	4.9
PL: CPI, % yoy	Aug	1.8	1.8	1.8	<b>Tuesday 19 September</b>						
RU: Trade balance, USD bn	Jul	4.0	n.a.	8.7	HU: Key rate, %	Sep	0.90	0.90	0.90	0.90	0.90
<b>Tuesday 12 September</b>					PL: Industrial output, % yoy	Aug	7.6	7.8	5.9	3.1	6.2
RO: Industrial Output, % yoy	Jul	8.2	n.a.	11.1	PL: Retail sales, % yoy	Aug	6.1	7.9	7.1	5.3	7.1
RO: CPI, % yoy	Aug	1.2	1.2	1.4	PL: Retail sales real, % yoy	Aug	5.7	7.8	6.7	5.3	6.8
RS: CPI, % yoy	Aug	2.5	n.a.	3.2	RU: Unemployment rate, %	Aug	n.a.	5.2	5.1	4.9	5.1
PL: CPI core, % yoy	Aug	0.7	0.8	0.8	RU: Real disposable income, % yoy	Aug	n.a.	0.2	0.0	-0.1	-0.9
<b>Wednesday 13 September</b>					RU: Retail sales, % yoy	Aug	n.a.	1.8	1.1	0.0	1.0
CZ: C/A balance, CZK bn	Jul	-27.4	-17.0	-14.5	RU: Average gross wages, % yoy	Aug	n.a.	5.5	3.8	1.5	4.6
PL: C/A balance, EUR mn	Jul	-878	-820	-932	UA: Retail sales, % yoy YTD	Aug	n.a.	n.a.	n.a.	n.a.	8.0
<b>Thursday 14 September</b>					<b>Wednesday 20 September</b>						
SK: CPI, % yoy	Aug	1.50	1.40	1.40	HU: C/A balance, EUR mn	Q2	n.a.	n.a.	n.a.	n.a.	1221
UA: Key rate, %	Sep	12.50	n.a.	12.50	SK: Unemployment rate, %	Aug	6.6	n.a.	n.a.	n.a.	6.7
TR: Key rate, %	Sep	8.00	8.00	8.00	<b>Thursday 21 September</b>						
<b>Friday 15 September</b>					UA: Industrial output, % yoy	Aug	n.a.	3.0	0.0	-1.0	-2.6
TR: Unemployment rate, %	Jun	12.2	n.a.	10.2	<b>Friday 22 September</b>						
TR: C/A balance, USD bn	Jul	-5.1	n.a.	-3.8	PL: Unemployment rate, %	Aug	7.0	7.1	7.0	7.0	7.1
HR: CPI, % yoy	Aug	1.0	0.9	0.8	HR: Unemployment rate, %	Aug	10.8	n.a.	n.a.	n.a.	10.8

Source: Bloomberg, RBI/Raiffeisen RESEARCH

**Bosnia a. H. (BA)** – On 8 September Standard and Poor's affirmed the credit rating of Bosnia and Herzegovina at B with stable outlook. Among credit positive factors S&P mentioned sustainable fiscal deficit despite a delay of the Extended Fund Facility (EFF) by IMF, and the fact that the country's economy posted a moderate economic growth with positive effect on fiscal revenues.

In another news Bosnia and Herzegovina banking sector ended H1 2017 with a net profit of BAM 215.2 mn (25.8% yoy). Key financial soundness indicators improved further in H1 2017 with capital adequacy ratio (CAR) at a level of 15.9% coming in above the 12% required by local regulator while NPL ratio declined to 11.1% marking the lowest level since Q3 2010. Furthermore, corporate NPLs fell to 13.9% which was the lowest level since Q3 2010, while retail sector NPLs also declined to the lowest 8.0% since Q3 2011.

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

**Croatia (HR)** – The focus of the upcoming week is on the labour market data that are expected to improve further. Since February nominal net wages have risen more than 5% and a similar trend may be expected in the upcoming months as well. Besides a solid growth in wages (widely supported by tax relief since the beginning of the year) we expect August registered unemployment rate to remain at 10.8%. The ILO figures for Q22017 are supposed to confirm also the reduction of unemployment. However, we assume that less than half the unemployment reduction was driven by job creation, while the remaining share was due to a further contraction of the labour force on account of adverse demographic dynamics and net migration outflows. As these trends are expected to continue, reversing the current trend in the labour force will be one of the main challenges of Croatia in the years ahead.

At the very end of the week the S&P Global Ratings has Croatia on its rating review calendar. No change in outlook or rating is expected. Croatia may win positive wording on stronger state finances and debt reduction but still relatively high debt burden may still prevent S&P from upgrading the outlook. Much will depend on the government's ability to convince the rating agency in its ability to implement the needed reforms while the main obstacle this time may relate to risks associated with Agrokor situation.

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

**Czech Republic (CZ)** – Several members of the CNB board already supported the idea of one additional interest rate hike this year. Earlier, the Vice Governor M. Hampl spoke in favour of the next hike being as soon as in September. Recently, another member of the board, V. Benda, argued that another interest rate increase this year is possible, subject to GDP and wage growth. V. Benda specifically stated that he can imagine voting for a rate hike this year. He also emphasised that traditionally monetary policy changes usually happen while debating the updated forecast. His words correspond to an earlier statement by Governor J. Rusnok, who would prefer to wait for the new CNB forecast to decide on a possible increase in rates. So far, solid macroeconomic data confirms the good shape of the Czech economy. The consumer inflation rate in August accelerated to 2.5% yoy with core inflation at 2.4% yoy and we expect it to remain above

the CNB target for the rest of the year. Thus, we share the opinion of the board members that there is enough room to increase the interest rate by 25bp this year, and we expect this to happen in November.

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

**Hungary (HU)** – Thursday's rate decision will be closely watched after the central bank (MNB) has signaled further unconventional easing in August in a response to the too-strong HUF, which then had reached a 28-month high against the EUR. The too-strong HUF not only risks inflation expectations and curbs the export, but also lowers the income on FX reserve, which constitutes a significant portion of the MNB's profit. We believe that the MNB implicitly targets EUR/HUF 310 and will do whatever it takes to keep the spot rate close to, or even above that level, for as long as possible. We expect 1) a HUF 150 bn lower year-end cap (after HUF 300 bn at end-Q3) on the amount banks can place in the 3-month deposits, 2) a 15bp lower O/N depo rate (to -0.2%) and 3) larger and longer FX swaps. These measures could result in 1) lower rates and yields reaching even new lows, 2) higher EUR/HUF, closer to, or even above our year-end target of 310, from where we estimate more depreciation towards 315 only from H2 2018. For the BUBOR rates, we see scope for further 10bp downside across the curve (the 3-month BUBOR would bottom out at around 0.05%) before starting to normalize in H2 2018. Bond yields across the curve could also fall to new lows in coming months, with the 10-year Treasury yield below 2.7% by end-2017.

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

**Poland (PL)** – Poland's CPI inflation reading in August has been confirmed at 1.8% yoy. Slight increase compared to July reading was mainly driven by the fuel prices and higher costs of transport services. Meanwhile core inflation surprised to the upside, dropping to 0.7% yoy (compared to 0.8% yoy in June and July). We believe however that the inflationary pressure eased only temporary, while the tightening labor market should trigger the acceleration of the core inflation within next quarters. Current account in July reached -878 mln EUR, both export and import dynamics noted double digit numbers (supported by the improving global economic situation and the strong internal demand). Positive picture emerges from data on capital account. Sustained raising surplus on capital account indicate gradual improvement in EU funds absorption, which further should support investment activity in Q3. Meanwhile Minister of Finance forecasts that the budget deficit planned for this year can be significantly lower than previously expected – and may reach 2.4-2.5% of GDP (including NBP profit it may even drop to 2.1% of GDP). Next week data releases include August data on labor market and industrial output. We forecast over 20% outcome for construction output amid decent industrial output and retail sales dynamics.

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

**Romania (RO)** – The inflation rate in August came in slightly below expectations. Consumer prices declined by 0.2% compared to July, while our expectations were for a flat dynamics. This decline was driven by the seasonal contraction of volatile prices for food products. So, our in-house aggregate tracking the dynamics of prices for vegetables, fruits and eggs dropped by 5.6% mom in August. On the other hand, the exchange rate depreciation and the increases in fuel's prices had an opposite effect on the inflation rate. In annual terms, the inflation rate stood at 1.2% yoy in August, declining from 1.4% yoy in July, below analysts' consensus in a Bloomberg survey (1.5% yoy). Moreover, the annual dynamics of CORE 3 inflation rate (CPI excluding administered prices, volatile prices of foods and fuels, and prices of tobacco and alcohol) accelerated further to 1.6% yoy in August, from 1.5% yoy in July. The Government amended the public budget plan for 2017. The public budget deficit target remained unchanged at 3.0% of GDP. The revision has incorporated the major tendencies revealed by the execution of the public budget during the first seven months of the year. Among the most important revisions, there were the substantial hikes of target in expenses with personal and in social transfers (by 7.9% and by 3.8%), while cutting drastically the target for total investment spending (by 27%).

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

**Russia (RU)** – We expect a 50bp key rate cut at the CBR's meeting today given the favorable dynamics of key macro indicators and the "softening" signals made by the regulator recently. The price shock seen in June is gone now and the CPI has fallen to historical lows (3.2% yoy based on weekly data). The improvement is seen not only in the fruit and vegetables segment but is also driven by fundamental factors. Year-ahead inflation expected by households touched a record-low of 9.5% yoy while during the three previous months it had been above 10%. Our expectations are also supported by the rhetoric of the governor who stated that two options would be discussed (a cut of either 25bp or 50bp) and noted that the scope of deflation in August had been surprising for the regulator (when the actual figure outpaces the CBR's expectations, usually the rate cut is more pronounced). At the same time, the announced range itself does not guarantee a 50bp cut (there have been some contrary examples). Besides, according to E. Nabiullina, the current level of the CPI is within the target and the regulator doesn't expect any major deviation from this target and non-anchored inflation expectations are more important for the CBR than the CPI below target. Admitting that such concerns could make the regulator more cautious, we still believe that the arguments for a 50bp cut seem stronger now.

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

**Slovakia (SK)** – According to the Statistical Office of the Slovak Republic, CPI inflation in August rose by 1.5% yoy, up from 1.4% in July, and in line with our forecast. Inflation was at its highest since July 2013. The rise was solely due to the base effect, as there was 0% mom growth. The main driver of price level growth is food, growing 4.4% yoy and contributing 0.8 pp to inflation. We expect monthly inflation to grow marginally in the following months, however due to the base effect the annual rate of inflation will remain roughly stable. The average inflation for 2017 should be slightly above 1% yoy.

*Financial analyst: Tibor Lorincz (+421 259 19 2079), Tatra bank a.s., Bratislava*

# Monetary policy and money markets overview

## CEE key interest and money markets outlook

Poland	current*	Dec-17	Mar-18	Jun-18	5y high	5y low
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	4.95	1.65
<b>Hungary</b>						
Key interest rate	0.90	0.90	0.90	0.90	6.50	0.90
3m money market rate	0.12	0.05	0.05	0.05	6.88	0.12
<b>Czech Republic</b>						
Key interest rate	0.25	0.50	0.75	0.75	0.50	0.05
3m money market rate	0.46	0.60	0.90	1.00	0.87	0.00
<b>Romania</b>						
Key interest rate	1.75	1.75	2.00	2.25	5.25	1.75
3m money market rate	0.97	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	8.91	8.85	8.60	8.35	29.93	6.74
<b>Serbia</b>						
Key interest rate**	4.00	4.00	3.50	3.50	11.75	4.00
3m money market rate	3.42	3.60	3.75	3.85	12.60	3.26
<b>Turkey</b>						
Key interest rate**	8.00	8.00	8.00	8.00	10.00	4.50
3m money market rate	13.11	11.50	10.80	10.30	13.12	4.85

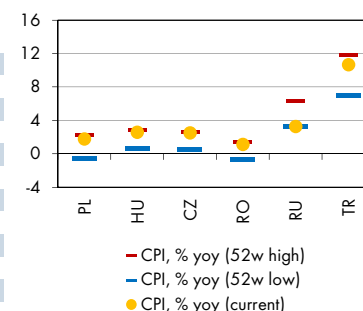
Benchmark key rates	current	Dec-17	Mar-18	Jun-18	5y high	5y low
ECB key interest rate	0.00	0.00	0.00	0.00	0.75	0.00
Fed key interest rate	1.25	1.50	1.75	2.00	1.25	0.25

\* Bid rates (for Hungary ask rates) as of 14 September 2017, 11:59 p.m. CEST

\*\* under revision

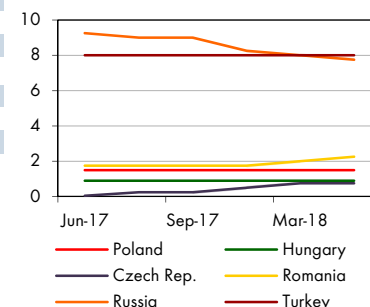
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Inflation snapshot



Source: Bloomberg, RBI/Raiffeisen RESEARCH

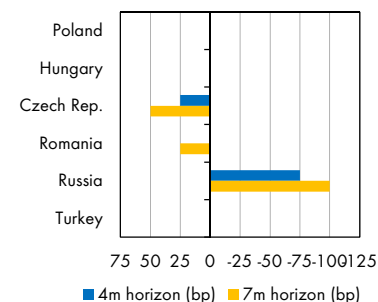
## Key rate trends (%)\*



\*TR under revision

Source: Bloomberg, RBI/Raiffeisen RESEARCH

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



\*TR under revision

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

<b>Poland (NBP)</b>	Favorable growth-inflation mix doesn't challenge inflation target. Although we are about to lower our CPI headline projections for this year, next year should witness significant reflation and finally decrease the tolerance for negative real rates amongst MPC members.
<b>Hungary (MNB)</b>	We expect MNB to walk the talk and ease monetary conditions further in order to cement HUF on the weaker side and bring rates and yields down further. With the 3m depo rate to get phased-out likely by Q1 2018, we expect o/n rate cut by 15 bp to -0.20%, a lowering of the 3m depo cap and the introduction of longer tenor swap facility.
<b>Czech Republic (CNB)</b>	We expect next rate hike in November when the bank has new staff projections at its disposal. Two further hikes are likely afterwards in 2018 within the current mini tightening cycle.
<b>Romania (BNR)</b>	Stronger growth and reflation should finally trigger BNR action as early as Q4. Indeed, the bank showed a sign of life following the regular August MP meeting. Gradual liquidity tightening could be accompanied by the narrowing of interest corridor, followed by a first rate hike possible in H1 2018.
<b>Serbia (NBS)</b>	Serbian rate setters surprised the market by cutting the base rate by 25 bp last week. The recent appreciation bias of the dinar coupled with disappointing activity data in an environment of better calculability of the global monetary policy backdrop were the major arguments to deliver the cut. We are revisiting our forecasts currently and tend to believe that there should be room for another reduction.
<b>Russia (CBR)</b>	CBR is expected to cut the base rate by 50 bp at September rate meeting on faster than expected disinflation. We expect the continuation of rate cuts in the reminder of this year, albeit at a slower pace.
<b>Turkey (TCMB)</b>	TCMB maintained its hawkish stance on recent bad inflation surprises pushing back any policy easing hope. However, with disinflation likely materialising in the upcoming months, the door for some MP relaxation should open up which should be managed by a less tight funding mix.

Source: RBI/Raiffeisen RESEARCH



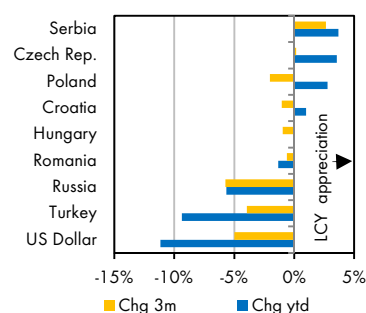
## Foreign exchange market overview

### FX forecasts

EUR vs	current*	Dec-17	Mar-18	Jun-18	5y high	5y low	Comment
PLN	4.284	4.20	4.15	4.15	4.40	4.08	Probe into rule of law caused renewed PLN weakening in last days; only with political calming should we see renewed PLN strengthening towards 4.20 to EUR
HUF	308.9	310	310	310	316	291	More unconventional easing flagged by MNB; we would expect MNB action to drive EUR/HUF back towards 310 as a next relevant move
CZK	26.09	25.7	25.3	25.4	27.7	25.1	Despite possible additional short-lived setbacks in the near-term we expect ongoing CZK strengthening over the coming quarters
RON	4.603	4.55	4.50	4.50	4.55	4.45	Risks of economic imbalance to keep EUR/RON at elevated levels
HRK	7.483	7.50	7.45	7.40	7.66	7.50	In line with seasonal movements EUR/HRK has been moving upward towards 7.50
RSD	119.0	123	124	124	123	112	Despite rate cut and interventions the RSD trades below 120 to the euro; a slowing economy and central bank action to support return above EUR/RSD 120 in our view
RUB	68.24	70.8	71.3	74.4	79.3	40.3	see USD/RUB below
UAH	31.06	33.0	32.8	33.6	33.0	10.6	see USD/UAH below
BYN	2.305	2.42	2.42	2.58	2.42	1.13	see USD/BYN below
TRY	4.094	4.37	4.37	4.56	4.37	2.35	see USD/TRY below
USD	1.187	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 possible; medium-term EUR outlook remains bullish
USD vs	current*	Dec-17	Mar-18	Jun-18	5y high	5y low	
RUB	57.48	60.0	62.0	62.0	73.0	30.5	CBR rate cut expected with question only on the size of the cut; still RUB remains well supported by real yield and oil price
UAH	26.16	28.0	28.5	28.0	28.0	8.05	Recent favorable sentiment might cast our rather cautious UAH calls into doubt
BYN	1.942	2.05	2.10	2.15	2.05	0.86	BYN setback against the USD following a phase of stability; we would project a rather slow depreciation trend over the coming months
TRY	3.448	3.70	3.80	3.80	3.70	1.78	Recent USD recovery weighted on TRY; political risks remain biggest concern for lira

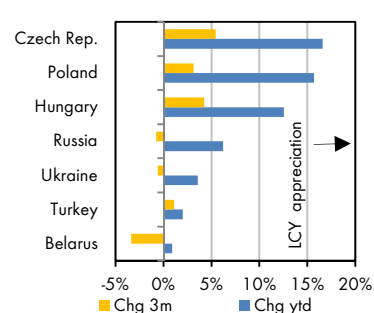
\* as of 14 September 2017, 11:59 p.m. CEST  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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



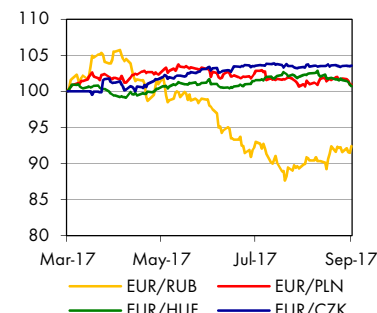
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

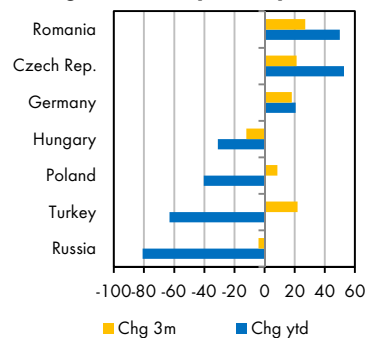
### Exchange rate comparison



Indexed 14 Mar-17 = 100  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

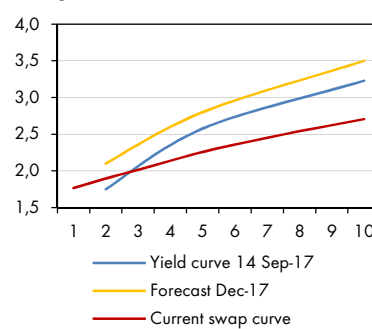
# Local currency bond market overview and forecasts

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



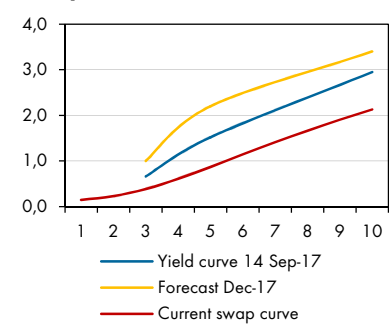
\*RO, CZ, HU, PL, TR under revision  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## PLN yield curve



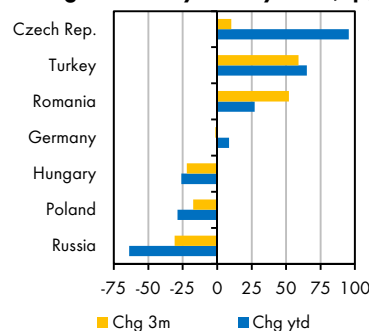
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

## HUF yield curve



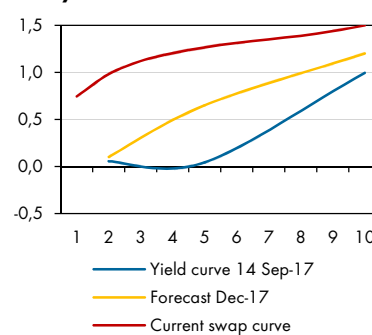
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

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



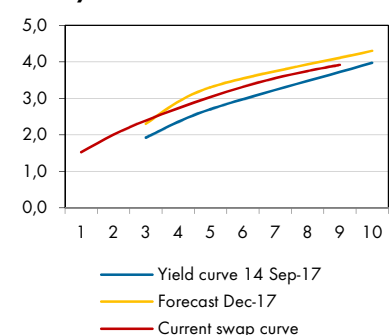
\*RO, CZ, HU, PL, TR under revision  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## CZK yield curve



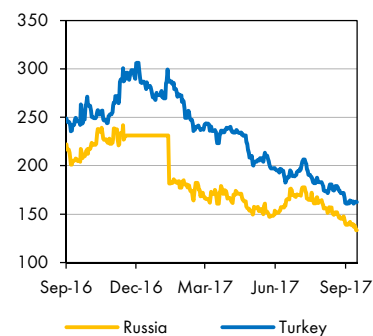
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

## RON yield curve



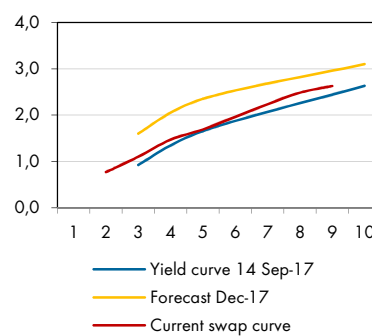
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

## 5y USD CDS spreads



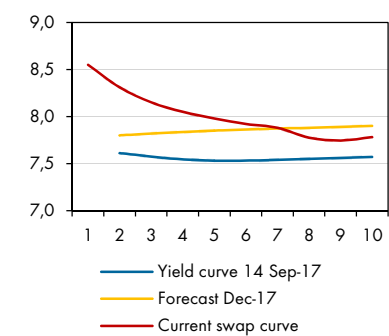
Turkey 5y high 327.1, 5y low 111.7;  
Russia 5y high 628.7, 5y low 119.4  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## 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*	Dec-17	Mar-18	Jun-18	5y high	5y low		current*	Dec-17	Mar-18	Jun-18	5y high	5y low
Poland***	1.75	2.1	2.3	2.4	3.1	1.6	Poland***	3.23	3.5	3.7	3.5	4.3	2.5
Hungary **	0.66	0.5	0.6	0.7	5.7	0.5	Hungary***	2.95	2.7	2.8	3.0	6.2	2.7
Czech Republic***	0.06	0.1	0.2	0.7	0.5	-0.9	Czech Republic***	1.00	1.2	1.4	1.5	2.5	0.5
Romania***	1.92	1.8	2.2	2.5	6.4	1.5	Romania***	3.97	4.3	4.4	4.5	6.9	3.5
Croatia***	0.92	1.6	1.7	1.8	4.4	0.9	Croatia***	2.63	3.1	3.2	3.2	5.2	3.1
Russia	7.61	7.8	7.6	7.6	15.8	6.2	Russia	7.57	7.9	7.8	7.8	14.1	6.9
Turkey***	11.35	10.5	10.0	9.5	11.0	6.1	Turkey***	10.46	10.0	9.5	9.0	11.1	6.6
Germany	-0.76	-0.7	-0.6	-0.4	0.2	-0.8	Germany	0.41	0.5	0.9	1.1	1.9	0.1
USA	1.37	1.7	1.8	1.9	1.7	0.2	USA	2.20	2.8	2.8	2.9	3.0	1.8

\* Bid yields as of 14 September 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
Poland							
PLN 2y Gov. Bond	25/10/2019	5.50	107.71	1.73	244	2.0	Strong (foreign) flows are currently driving POLGB performance, but tensions with the EC still lock some of the value that is left especially in 10y POLGBs in our view, both price and FX-wise.
PLN 5y Gov. Bond	23/09/2022	5.75	114.83	2.56	287	4.3	
PLN 10y Gov. Bond	25/07/2027	2.50	94.05	3.21	281	8.8	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	101.16	0.61	124	3.0	HGBs outperformed the competition during this week due to broad-based expectations for more MP easing next Tuesday. We have recommended buying the front-end of the curve. Due to local MP and strong domestic investor base, HGB curve is possibly the most insulated from ECB spillover risks in the CE/SEE universe.
HUF 5y Gov. Bond	26/10/2022	1.75	101.61	1.42	173	4.9	
HUF 10y Gov. Bond	27/10/2027	3.00	101.21	2.86	245	8.6	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	108.44	-0.38	34	1.5	Still no meaningful profit taking yet, neither by non-residents. We would consider taking (parts of) profits on growing CZK correction risks in September as there are many T-bills maturing amidst zero supply in September.
CZK 5y Gov. Bond	12/09/2022	4.70	122.62	0.14	45	4.6	
CZK 10y Gov. Bond	25/08/2028	2.50	114.33	1.10	70	9.8	
Croatia							
HRK 2y Gov. Bond	05/03/2020	6.75	114.00	0.98	129	2.3	Next week we expect retained levels of trade with extension of high offer prices and lack of sellers on local bond market.
HRK 10y Gov. Bond	07/02/2028	2.88	100.12	2.86	246	9.0	
Romania							
RON 2y Gov. Bond	29/04/2020	5.75	109.83	1.85	248	2.5	It seems that fiscal outlook improved for this year, but deteriorated for next year, so overall fiscal uncertainties remain elevated. While some of our CEE yield forecast might be a tad too bearish, ROMGB should underperform peers in our view.
RON 5y Gov. Bond	08/03/2022	3.40	103.06	2.66	298	4.2	
RON 10y Gov. Bond	26/07/2027	5.80	114.76	3.96	355	0.0	
Russia							
RUB 2y Gov. Bond	15/05/2019	6.70	98.79	7.62	834	1.6	Strong demand at this week's auctions underscores the favorable sentiment towards OFZs. We opt for 2y OFZ short-term while still believing in RUB carry trade as yield pick-up remains huge despite ongoing rate cuts.
RUB 5y Gov. Bond	20/07/2022	7.60	100.62	7.58	789	4.1	
RUB 10y Gov. Bond	03/02/2027	8.15	104.80	7.57	716	6.8	
Turkey							
TRY 2y Gov. Bond	15/05/2019	11.10	99.68	11.30	1202	N/A	We maintain our speculative Buy recommendation for TURKGBs due to improved sentiment amongst international yield hunters towards TRY markets, which is also based on prudent tight CB stance.
TRY 5y Gov. Bond	17/08/2022	10.70	100.15	10.64	1095	3.9	
TRY 10y Gov. Bond	11/08/2027	10.50	100.35	10.44	1003	6.4	

Data as of 15 September 2017, 10:26 a.m. CEST \*CZ, HR, HU, PL, RO, TR under revision  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

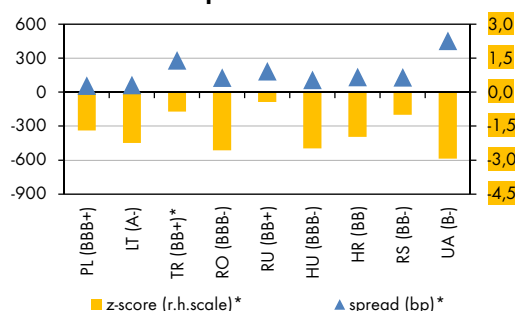
## Bond auctions

		ISIN	Coupon	Maturity	Volume
18 September					
RO	1.8y T-bond	RO1419DBN014	4.75%	24/06/2019	RON 0.5 bn
SK	12y T-bond	SK4120008871	3.38%	15/11/2024	EUR 88.6 mn
SK	20y T-bond	SK4120012691	1.88%	09/03/2037	EUR 200 mn
19 September					
TR	10y T-bond	n.a.	n.a.	11/08/2027	n.a.
20 September					
RU	T-bond	n.a.	n.a.	n.a.	n.a.
21 September					
PL	T-bond	n.a.	n.a.	n.a.	n.a.
RO	3.1y T-bond	RO1720DBN072	2.3%	26/10/2020	RON 0.5 bn
AL	2y T-bond	AL0178NFF2Y19	2.60%	25/09/2019	ALL 3.5 bn
HU	T-bond	n.a.	FRN	n.a.	n.a.

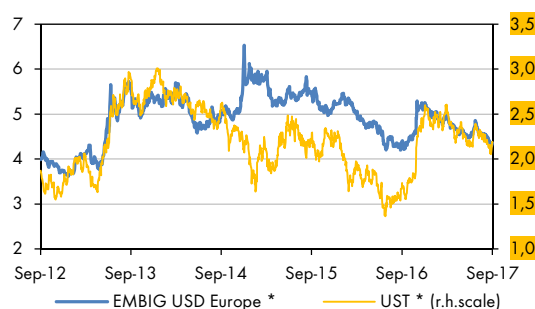
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH



## Eurobond market overview

**CEE USD EMBIG spread valuation\***


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

**CEE EMBIG USD vs. UST YTM\***


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

	Market Price			YTM mid.		Spread	Mdur.	ISIN	
Issuer/rate/due	Bid	Ask	w/w %	5y max	5y min	% p. a.	Bmk, bp	years	—
EUR									
CROATI 3 03/20/27	105.7	106.1	-0.42	106.4	98.9	2.30	195	8.1	XS1428088626
REPHUN 5 3/4 06/11/18	104.8	105.0	0.00	114.9	99.1	-0.91	-30	0.7	XS0369470397
REPHUN 6 01/11/19	108.5	108.9	0.00	118.2	99.8	-0.57	7	1.3	XS0625388136
REPHUN 3 7/8 02/24/20	109.4	109.7	-0.07	113.1	88.5	-0.03	66	2.3	XS0212993678
LITHUN 0.95 05/26/27	100.5	101.0	-0.12	100.9	98.5	0.86	49	9.2	XS1619567677
POLAND 5 5/8 06/20/18	104.5	104.7	-0.12	122.6	104.6	-0.44	16	0.8	XS0371500611
POLAND 1 5/8 01/15/19	102.4	102.7	-0.06	105.4	98.5	-0.26	38	1.3	XS0874841066
POLAND 3 3/4 01/19/23	118.0	118.3	-0.35	124.6	105.4	0.31	58	4.9	XS0794399674
POLAND 1 3/8 10/22/27	102.0	102.4	-0.28	102.5	99.2	1.14	72	9.3	XS1584894650
ROMANI 4 7/8 11/07/19	110.6	110.9	-0.08	117.7	99.1	-0.14	57	2.0	XS0852474336
ROMANI 2 3/8 04/19/27	102.6	103.0	-0.02	102.8	99.1	2.05	169	8.4	XS1599193403
TURKEY 5 7/8 04/02/19	108.1	108.4	-0.16	118.9	107.5	0.48	115	1.5	XS0285127329
TURKEY 3 1/4 06/14/25	101.0	101.6	-0.31	101.6	98.0	3.06	300	6.7	XS1629918415
USD									
BELRUS 8.95 01/26/18	102.0	102.4	-0.13	111.2	78.0	2.66	156	0.3	XS0583616239
CROATI 6 3/8 03/24/21	111.6	111.9	-0.16	117.8	101.6	2.84	127	3.1	XS0607904264
CROATI 5 1/2 04/04/23	111.7	112.2	-0.41	112.4	94.4	3.14	129	4.7	XS0908769887
REPHUN 5 3/8 02/21/23	113.6	113.9	-0.57	115.4	93.1	2.64	81	4.7	US445545AH91
REPHUN 7 5/8 03/29/41	155.6	156.4	-0.5	157.5	99.1	3.95	137	13.1	US445545AF36
LITHUN 7 3/8 02/11/20	112.4	112.7	-0.07	130.7	112.4	1.98	56	2.2	XS0485991417
LITHUN 6 5/8 02/01/22	117.6	118.0	-0.21	128.6	113.9	2.32	62	3.8	XS0739988086
LATVIA 2 3/4 01/12/20	101.4	101.8	-0.05	104.5	91.4	2.05	64	2.2	XS0863522149
LATVIA 5 1/4 06/16/21	110.5	111.1	-0.10	117.2	105.3	2.22	62	3.4	XS0638326263
POLAND 6 3/8 07/15/19	108.3	108.4	-0.34	125.9	108.3	1.71	36	1.7	US731011AR30
POLAND 3 03/17/23	103.0	103.2	-0.2	105.1	87.6	2.39	56	5.1	US731011AT95
ROMANI 6 3/4 02/07/22	116.8	117.0	-0.20	124.4	108.9	2.64	94	3.8	US77586TAA43
ROMANI 4 3/8 08/22/23	108.4	108.6	-0.27	111.1	90.8	2.81	92	5.2	US77586TAC09
RUSSIA 4 1/2 04/04/22	107.0	107.4	-0.11	114.7	82.0	2.80	108	4.0	XS0767472458
RUSSIA 7 1/2 03/31/30	118.3	118.7	-1.24	128.6	99.6	2.40	14	3.4	XS0114288789
RUSSIA 5 5/8 04/04/42	113.6	114.3	-0.38	124.9	76.0	4.66	205	13.7	XS0767473852
SERBIA 5 1/4 11/21/17	100.5	100.8	-0.07	107.1	96.8	1.56	52	0.2	XS0856951263
SERBIA 4 7/8 02/25/20	105.0	105.4	-0.11	105.4	89.6	2.65	122	2.3	XS0893103852
TURKEY 6 1/4 09/26/22	110.4	110.8	-0.25	127.0	102.5	3.90	212	4.2	US900123BZ27
TURKEY 6 7/8 03/17/36	115.3	115.9	-1.16	139.6	99.2	5.52	308	11.0	US900123AY60
TURKEY 6 3/4 05/30/40	114.3	114.9	-1.00	139.4	97.3	5.60	305	12.1	US900123BG46
UKRAIN 7 3/4 09/01/19	105.9	106.4	0.00	106.2	88.0	4.43	307	1.8	XS1303918269
UKRAIN 7 3/4 09/01/23	106.4	106.9	0.29	106.7	84.6	6.39	450	4.7	XS1303921487
UKRAIN 7 3/4 09/01/27	104.5	105.0	0.05	104.8	81.2	7.08	489	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 15 Sep 2017, 10:14 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+	positive
Slovakia *	A+	A+	stable	A2	A2	positive	A+	A+	stable
Slovenia *	A+	A+	stable	Baa1	Baa1	stable	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-	stable	Baa3	Baa3	stable	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	4.3	2.5	4.4	1113	-0.2	36.2	68.9	1.1	95.1	70.1	12.3
	2018f	3.4	2.2	4.2	1234	0.0	34.9	69.0	1.2	84.1	72.3	11.2
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	2.5	4.2	937	-2.5	73.2	80.5	3.2	88.3	22.2	3.2
	2018f	3.6	3.4	3.9	1008	-3.0	72.4	79.5	2.9	81.8	20.3	2.8
Poland	2016	2.7	-0.6	9.0	927	-2.5	52.8	41.5	-0.5	74.5	34.3	7.4
	2017e	4.0	1.8	7.4	981	-2.0	54.0	40.8	-0.2	73.5	32.6	7.0
	2018f	3.2	2.4	6.2	1047	-2.6	54.1	40.5	-0.9	72.2	31.1	6.8
Romania	2016	4.8	-1.5	5.9	642	-3.0	37.6	30.7	-2.4	54.6	41.0	7.4
	2017e	5.7	1.1	5.2	728	-3.0	37.1	31.0	-3.6	52.0	39.7	6.6
	2018f	4.0	3.7	5.0	798	-4.0	38.3	31.3	-3.9	50.7	38.2	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	1.2	4.0	5.3	587	-2.5	14.0	22.1	4.7	29.4	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	13.6	9.0	n.a.	-3.2	71.4	35.2	-4.0	114.5	16.2	5.1
	2018f	3.0	7.8	8.5	n.a.	-2.7	65.9	34.4	-3.6	108.8	17.7	5.3
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	37%
Hold	42%
Sell	21%
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
07/09/2017	Sell	Hold	Buy	Hold	Buy	Hold
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
07/09/2017	Sell	Buy	Hold	Hold	Buy	Buy
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
07/09/2017	Hold					Buy
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
07/09/2017				Hold		
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
07/09/2017	Hold					
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
07/09/2017	Buy
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	

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