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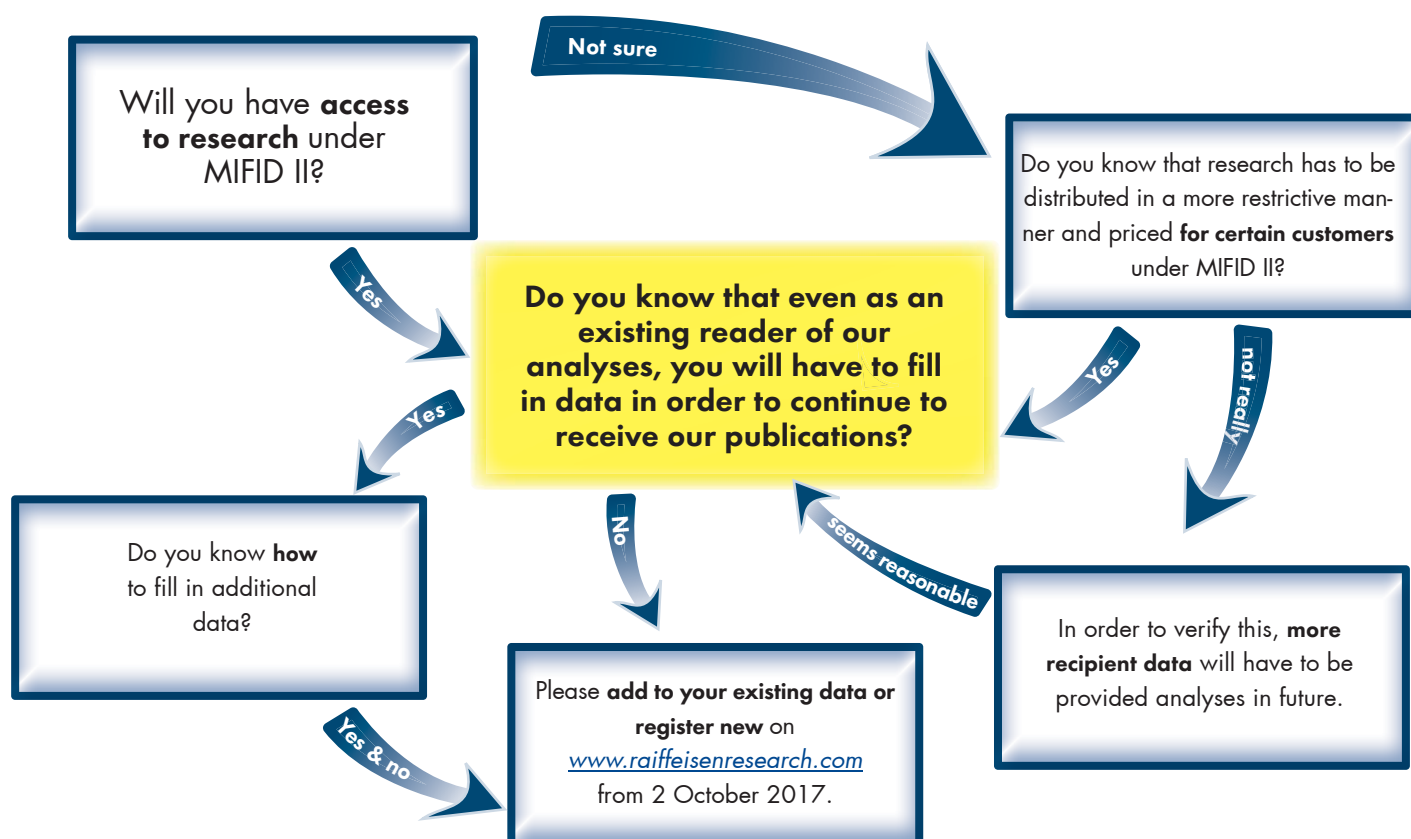
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Peter Brezinschek  
Chief analyst Raiffeisen RESEARCH

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## Market snapshot

	curr.*	Dec-17	Mar-18	Jun-18
<b>Poland</b>				
EUR/PLN	4.273	4.20	4.15	4.15
Key rate	1.50	1.50	1.50	1.50
10y bond	3.4	3.2	3.4	3.4
<b>Hungary</b>				
EUR/HUF	310.4	310	310	310
Key rate	0.90	0.90	0.90	0.90
10y bond	2.8	2.7	2.8	3.0
<b>Czech Republic</b>				
EUR/CZK	26.07	25.7	25.3	25.4
Key rate	0.25	0.50	0.75	0.75
10y bond	1.2	1.2	1.2	1.4
<b>Romania</b>				
EUR/RON	4.598	4.65	4.60	4.60
Key rate	1.75	1.75	2.00	2.25
10y bond	4.0	3.9	4.1	4.4
<b>Croatia</b>				
EUR/HRK	7.481	7.50	7.45	7.40
Key rate	2.50	2.50	n.a.	n.a.
10y bond	2.5	2.6	2.6	2.7
<b>Russia</b>				
USD/RUB	58.09	58.0	58.0	58.0
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	3.510	3.40	3.30	3.40
Key rate	8.00	8.00	8.00	8.00
10y bond	10.7	10.3	10.0	9.8
EUR/USD	1.192	1.18	1.15	1.20

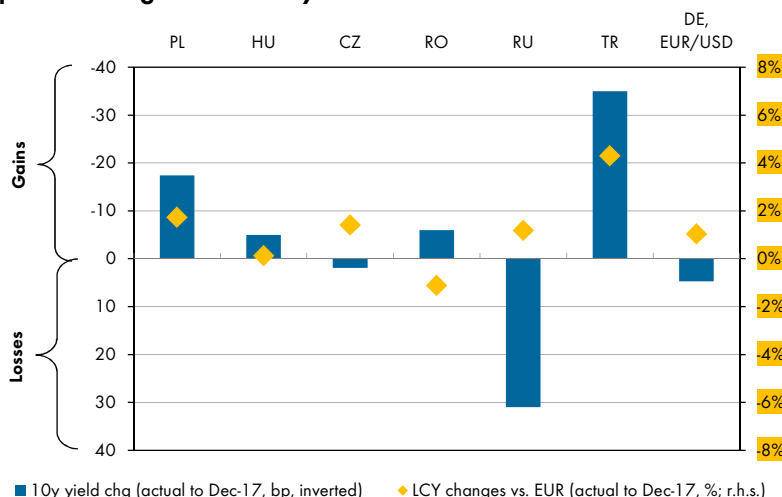
\* prices as of 21 September 2017, 11:59 p.m. CEST  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## Highlights

Fed policy meeting aftermath brought a moderate chill to global debt and currency markets, reminding us that after a hot summer there always comes a cooler "fall" season. One notch rating downgrade of China by S&P also added a negative tonality. In domestic bond markets TURKGB yields soared in reaction to the news that Otas, which owns 55 percent of Turk Telekom, missed two payments of USD 290 million each on the loan it took out from the bank consortium in 2013. Meanwhile TRY lost just 1.5% to USD which was surprisingly small despite intra-day volatility. With no fundamental threat to Turk Telekom, we expect Turkish market to regain stability rather soon so we keep our longs on 2y TURKGB. HGB was the only market gaining on the week thanks to the decision of MNB imposing a stronger easing bias including the cap reduction on 3-m deposit facility and boost of FX swap toolkit which would support HGB and help fend off the unwanted HUF appreciation. Also, the risk of foreign investor exodus from HGB looks much smaller as non-resident share in HGB fell to just 18% of the total. This supports our constructive view of HGB market. In Eurobond market Ukraine and Russia carried out debt swaps to exchange older debt. Ukraine successfully swapped nearly USD 1.5 bn of bonds due 2019-2020 and issued USD 3 bn of new debt maturing 2031-2032. Meanwhile Russia's swap of USD notes due 2018s and 2030s partly failed as the buyback of 2018s was cancelled due to poor bids while the USD 3.9 bn of 2030s were accepted in the swap. Russia also raised USD 4 bn by adding USD 1 bn to 2027s and USD 2 bn to 2047s. Next week, on 27 September, the most important event will be the Czech national bank policy rate meeting. As CNB would be likely to leave rates unchanged the main focus will be on the wording of the policy statement which should give more leads into possible rate hike in November. Meanwhile CNB will be increasingly facing a dilemma between the inflation and policy rate objective and the preservation of CZK stability. Our scenario implies a 25bp rate hike in November and a mild appreciation of CZK to EUR. Next week's most important macro releases include industrial output in Croatia and Serbia, and CPI in Poland.

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

## Expected changes from today until December 2017



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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## Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
27-Sep	CZ: Key rate, %	Sep	n.a.	0.50	0.25	0.25	0.25
29-Sep	HR: Industrial output, % yoy	Aug	2.2	n.a.	n.a.	n.a.	2.5
29-Sep	RS: Industrial output, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	4.2
29-Sep	PL: CPI, % yoy	Sep	n.a.	n.a.	n.a.	n.a.	1.8

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 15 September</b>					<b>Wednesday 27 September</b>						
RU: Key rate, %	Sep	8.50	8.50	9.00	HU: Unemployment rate, %	Aug	4.1	4.1	4.1	3.8	4.2
RU: Industrial output, % yoy	Aug	1.5	n.a.	1.1	CZ: Key rate, %	Sep	n.a.	0.50	0.25	0.25	0.25
<b>Monday 18 September</b>					<b>Friday 29 September</b>						
SK: HICP, % yoy	Aug	1.6	1.5	1.5	St: CPI, % yoy	Sep	n.a.	n.a.	n.a.	n.a.	1.2
PL: Average gross wages, % yoy	Aug	6.6	5.7	4.9	St: Retail sales, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	10.0
<b>Tuesday 19 September</b>					HR: Industrial output, % yoy	Aug	2.2	n.a.	n.a.	n.a.	2.5
HU: Key rate, %	Sep	0.90	0.90	0.90	HR: Retail sales real, % yoy	Aug	5.2	n.a.	n.a.	n.a.	5.9
PL: Industrial output, % yoy	Aug	8.8	7.6	6.2	RS: Industrial output, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	4.2
PL: Retail sales, % yoy	Aug	7.6	6.1	7.1	RS: Retail sales, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	4.1
PL: Retail sales real, % yoy	Aug	6.9	5.7	6.8	PL: CPI, % yoy	Sep	n.a.	n.a.	n.a.	n.a.	1.8
RU: Unemployment rate, %	Aug	4.9	n.a.	5.1							
RU: Real disposable income, % yoy	Aug	-0.3	n.a.	-0.9							
RU: Retail sales, % yoy	Aug	1.9	n.a.	1.0							
RU: Average gross wages, % yoy	Aug	3.7	n.a.	4.6							
UA: Retail sales, % yoy YTD	Aug	8.7	n.a.	8.0							
<b>Wednesday 20 September</b>											
HU: C/A balance, EUR mn	Q2	1,750	n.a.	1,221							
SK: Unemployment rate, %	Aug	6.5	6.6	6.7							
<b>Thursday 21 September</b>											
UA: Industrial output, % yoy	Aug	1.2	n.a.	-2.6							
<b>Friday 22 September</b>											
PL: Unemployment rate, %	Aug	7.0	7.0	7.1							
HR: Unemployment rate, %	Aug	10.9	10.8	10.8							

Source: Bloomberg, RBI/Raiffeisen RESEARCH

**Bosnia a. H. (BA)** – Two macroeconomic data releases came in spotlight during this week. The annual inflation rate edged up to 1.0% in August of 2017 from 0.9% in the previous month driven by higher prices of food and non-alcoholic products (1.0% yoy). On the other hand, transport prices eased further down to 3.8% yoy thus marking the lowest reading in 8 months of 2017. From beginning of the year, the consumer prices are higher by 1.1% compared to first 8 months of 2016. Due to the preceding oil price development (increase of oil on the world market), the inflation rate should accelerate by the end of 2017, lifting the overall reading up to 1.5% yoy marking the first positive CPI rate after 4 years of deflation. Trade balance continued with strong performance in August 2017, as the exports of goods increased by 20.4% yoy (25.4% yoy in July 2017) while imports of goods reported growth of 15.6% yoy (13.6% yoy in July 2017). As for the 8 months of this year, the exports of goods came up by 17.3% yoy while imports of goods increased by 12.3% yoy. Consequently, the trade deficit in mentioned period totaled BAM 4.6 bn (5.3% yoy) while export/import ratio came at 60.7% (from 58.1% in same period of 2016). In next year, the focus will be on industrial production and retail sales data which should confirm the positive economic dynamics in Q3 2017.

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

**Croatia (HR)** – On Friday the CBS has Retail trade and Industrial Production figures for August on the agenda. It will be interesting to see how some high frequency indicators develop in Q317. We expect to see relatively strong figures i.e. the continuation of the positive cycle amidst excellent tourist season data and improved business and consumer optimism. Therefore, the real growth of retail at 5.3% yoy would not be a surprise, while the industrial production might reach 2.2% yoy. Additionally, at the very end of the week the Croatia national bank will announce the Q2 C/A numbers. For the second year in a row we expect healthy surplus in on the C/A of the balance of payment in Q2 mainly driven by positive movements in the service accounts. Namely, a stronger growth in income from travel (tourism) in Q2 is expected due to Easter holidays falling later this year and earlier start of the tourist season (April). On the 2017 level, we expect the current account surplus to reach 3.7% of GDP. Nevertheless, it is noteworthy that this projection includes the influence of bank provisions (1.3 percentage points), which contribute to the surplus. Positive developments in the balance of payments will be a consequence of improvements in the services accounts (good tourist season), better utilisation of EU funds, lower costs of (re)financing of external debt and more favourable developments in Croatia's foreign trade.

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

**Czech Republic (CZ)** – The media blackout period started last Wednesday, a week before the CNB board members' monetary policy meeting. After the first interest rate increase in August, several members of the board, as well as the executive director of the CNB's monetary department stated that an additional hike by the end of the year is realistic. In our opinion there is enough room to increase the interest rates by 25bp this year. However, we do not expect this to happen after the next board meeting on 27 September and neither does

the market consensus. We expect the hike to happen in November, when the CNB updates its forecast. Last Friday, state treasury bills worth CZK 43.4 bn matured. The Czech koruna, however, recorded only a minimal depreciation. This Friday, another set of T-bills worth CZK 66.2 bn will expire, and we do not expect any significant movement in the Czech currency then, either. We expect the Czech koruna to appreciate towards EUR/CZK 25.70 at the end of the year.

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

**Hungary (HU)** – The National Bank of Hungary (MNB) has announced further unconventional easing measures at its rate-setting meeting on Tuesday in a bid to maintain the monetary conditions loose for as long as possible. The Monetary Council has decided to cut the cap on its 3-month deposit again, now for the year-end and by more than the market anticipated – from HUF 300 bn to HUF 75 bn (vs. HUF 150 bn estimated) – and has signaled to leave it there. The bank has also cut the O/N deposit rate, from -5bp to -15bp (which was a bit less than what we anticipated). In addition, the Council also announced that it extends its EUR/HUF FX swap facility, which is intended to boost the HUF liquidity in the system – it is considered to be the new effective facility instead of key rate. In the statement and at the press conference, the MNB has delivered a very dovish forward guidance – they've signaled that they're ready to act if necessary and that they are planning to come up with a new facility in order to anchor more the longer end of the yield curve too, if it won't come down automatically. Looking ahead, we think that the announced measures will stabilize the EUR/HUF exchange rate around the current levels and will lead to a much flatter and deeper curve. We forecast the 1- and 3-month BUBOR at 0.05% and 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)** – Both data on labor market and industrial output published this week surprised to the upside. Employment dynamics remained at its highest levels since 2008 and reached 4.6% yoy. Wage dynamics accelerated markedly to 6.6% yoy – we believe it is a prelude to the rising wage pressure as the labor market tightens gradually. Meanwhile data on industry and retail sales released later this week confirms the Q3 GDP breakdown change in favor of greater investment contribution to the overall result. Consumption dynamics should remain strong (supported by high real fund dynamics (9.6% yoy in August)) while investment activity is expected to accelerate – signaled by the high construction output dynamics (23.5% yoy in August compared to 8.1% yoy in Q2) and improvement in EU funds absorption, reflected in rising surplus on capital account. Additionally, government budget surplus increased to over PLN 4bn which is unprecedented at this time of year. It seems that budget will remain in good shape until the end of the year with budget deficit significantly below its preliminary assumptions (it may stay as low as 2.1%-2.0% of GDP). Next week macroeconomic calendar is relatively empty with preliminary CPI inflation reading due on Friday (we forecast further increase to 1.9%-2.0% yoy).

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

**Romania (RO)** – Last week was rather empty in terms of macroeconomic data releases. Still, some news regarding the change of the social security contributions system, ie the move of the liability for social security contributions from the employer to the employee starting from January 2018, drew the attention. The Finance Minister, Mr Misa, said recently that the Government would constrain through a legal provision the employers to hike gross wages of their employees in order to include also the social security contributions currently paid by the employer. Still, he did not explain how such constrain would function from a technical point of view. By increasing gross wages the effect of the move of the social security contributions from the employer to the employee would be neutralized and it would not result in an automatic decline of the net wage, as it would happen otherwise. We recall that a statement released by the Finance Ministry in July mentioned its intention to move the liability for social security contributions from the employer to the employee starting from January 2018, while reducing the level of social security contributions to 35% from 39.25%. The next week's data release calendar is also rather poor. The public budget execution for the period January-August (due to be released after 25 September) should be in focus, given the risks stemming from the fiscal side.

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

**Russia (RU)** – In August, industrial production growth slightly accelerated to 1.5% yoy (vs 1.1% in July) resulting in +1.9% yoy for 8M 2017. At the same time, seasonally adjusted mom growth remains rather weak and unsustainable (0.3% mom vs -0.3% mom in July). Interestingly, in August, the mining segment demonstrated its weakest performance during the last five months which is explained by the OPEC+ agreement (oil production increased by 0.8% yoy in 8M 2017 vs 1.4% in 7M 2017). We believe that this effect will be among the key negative factors for industrial production in the remaining months of 2017. Besides, manufacturing industries have shown only minor growth in August (0.7% yoy vs -0.8% yoy in July). The results of the various industries are rather mixed. For example, in chemicals, fertilizers and rubber production advanced while some other important industries (plastic) showed negative growth. There is a similar picture in metals production. Going forward, we think that industrial production will be supported by infrastructural projects but its fundamental drivers (FX rate, internal demand) will make a limited input in its recovery. Taking into account slower growth in mining we expect that industrial production will add 1-1.5% yoy in 2017.

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

**Serbia (RS)** – This week International Monetary Fund (IMF) visited Belgrade to initiate discussions on the 2018 budget and the progress in the structural reforms, whereas the final review under the under precautionary stand-by deal with the IMF is scheduled for October. Given nice budget performance this year with surplus achieving RSD 60 bn in the seven months, the discussions also covered the use of the surplus liquidity for targeted increases in public wages and pensions, labor taxes reduction. The SBA is expiring in early 2018 and it is still unclear whether the deal will be extended given the Prime Minister statement that new deal would hinder more robust economy growth. The IMF is content with the macro-economic stability achieved and fiscal ratios improvement, though recommending acceleration in the state-owned companies privatization/restructuring and capital investment. Slowdown in the fixed assets investments and lower net exports caused weak GDP growth in H1 (1.2% average) supporting IMF cutting the GDP projection for 2017 to 2.3% (3.0%) while leaving the growth rate at 3.5% in 2018. We have also cut the GDP growth but for both years to 1.8% (3%) and 2.5 (3%) respectively, due to delay in implementation of the state sponsored infrastructural projects and draughts. Next week Statistical Office will publish industrial production, retail and foreign trade.

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# Monetary policy and money markets overview

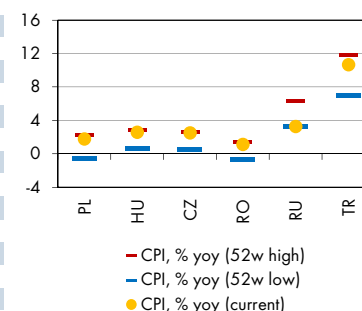
## CEE key interest and money markets outlook

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	4.94	1.65
Hungary						
Key interest rate	0.90	0.90	0.90	0.90	6.50	0.90
3m money market rate	0.05	0.05	0.05	0.05	6.86	0.05
Czech Republic						
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	0.84	0.00
Romania						
Key interest rate	1.75	1.75	2.00	2.25	5.25	1.75
3m money market rate	1.06	1.10	1.30	2.00	6.30	0.68
Russia						
Key interest rate	9.00	8.25	8.00	7.75	17.00	5.50
3m money market rate	8.70	8.85	8.60	8.35	29.93	6.74
Serbia						
Key interest rate	4.00	4.00	3.50	3.50	11.75	4.00
3m money market rate	3.31	3.60	3.75	3.85	12.60	3.26
Turkey						
Key interest rate	8.00	8.00	8.00	8.00	10.00	4.50
3m money market rate	13.12	12.00	11.50	11.00	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	1.50	1.75	1.25	0.25

Source: Bloomberg, RBI/Raiffeisen RESEARCH

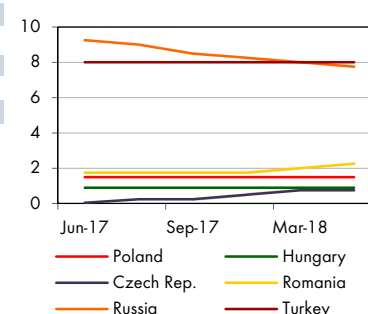
\* Bid rates (for Hungary ask rates) as of 21 September 2017, 11:59 p.m. CEST

## Inflation snapshot



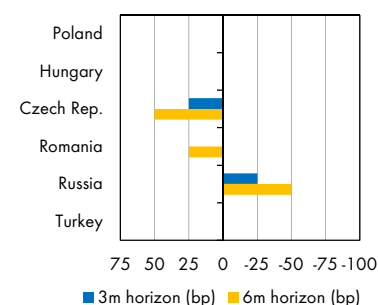
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Rate setting meetings

	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>	MNB delivered slightly more than expected especially in light of the stronger reduction of the 3m deposit cap to HUF 75 bn. It looks for now that MNB reached its goal to keep HUF on the weaker side and bring rates and yields down further after it cut the o/n deposit rate by 10 bp to -0.15% and announced to increase volumes in liquidity providing swap facilities.
<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>	The BNR showed a sign of life following the regular August MP meeting. Gradual liquidity tightening going forward 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. We would foresee another cut to the base rate in October in order to support the economy on the back of the renewed appreciation bias of the dinar amidst a still calculable Fed outlook.
<b>Russia (CBR)</b>	In line with our expectations, the CBR cut the base rate by 50 bp at its September meeting citing mainly faster than expected disinflation. We expect the continuation of rate cuts in the remainder of this year, albeit at a slower pace as a countermovement in CPI headline inflation is expected as Q4 progresses.
<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

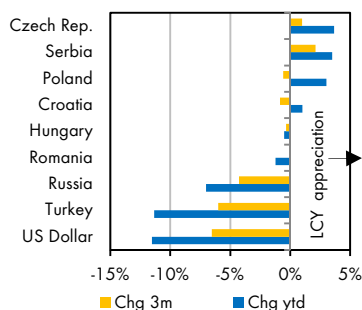
## Foreign exchange market overview

### FX forecasts

EUR vs	current*	Dec-17	Mar-18	Jun-18	5y high	5y low	Comment
PLN	4.273	4.20	4.15	4.15	4.40	4.08	Probe into rule of law caused renewed PLN weakening; only with political calming should we see PLN strengthening towards 4.20 to EUR
HUF	310.4	310	310	310	316	291	More unconventional easing by MNB led to return of EUR/HUF towards 310; we expect it to remain around this level during Q4 17
CZK	26.07	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	4.598	4.65	4.60	4.60	4.65	4.45	Risks of economic imbalance to keep EUR/RON at elevated levels
HRK	7.481	7.50	7.45	7.40	7.66	7.50	Next week we expect EUR/HRK trading range between 7.47 and 7.50
RSD	119.2	122	123	123	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	69.26	68.4	66.7	69.6	79.3	40.3	see USD/RUB below
UAH	31.28	31.9	32.2	33.0	31.9	10.6	see USD/UAH below
BYN	2.317	2.31	2.27	2.38	2.31	1.13	see USD/BYN below
TRY	4.185	4.01	3.80	4.08	4.01	2.35	see USD/TRY below
USD	1.192	1.18	1.15	1.20	1.38	1.05	USD to remain around levels of 1.18 against the euro until year-end 2017
USD vs	current*	Dec-17	Mar-18	Jun-18	5y high	5y low	
RUB	58.09	58.0	58.0	58.0	73.0	30.5	Despite the CBR rate cut the rouble remains stable; we would expect this stability to persist throughout Q4 17 despite ongoing rate cutting cycle
UAH	26.23	27.0	28.0	27.5	27.1	8.05	UAH with some moderate setback since end of August; we predict ongoing weakening towards 27.0 against the USD until year-end 2017
BYN	1.943	1.96	1.97	1.98	1.96	0.86	BYN remaining comparably stable against the USD; we would project a rather slow depreciation trend over the coming months
TRY	3.510	3.40	3.30	3.40	3.52	1.78	Moderate setback for TRY towards 3.50 against USD; further TRY performance will depend on rate of inflation decline and central bank response

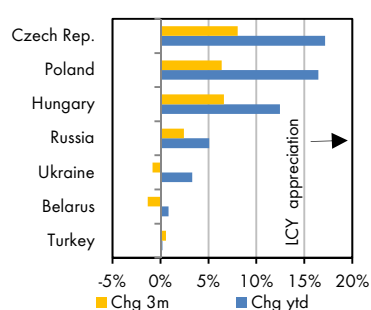
\* as of 21 September 2017, 11:59 p.m. CEST  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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



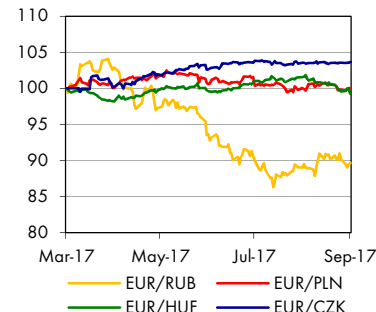
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

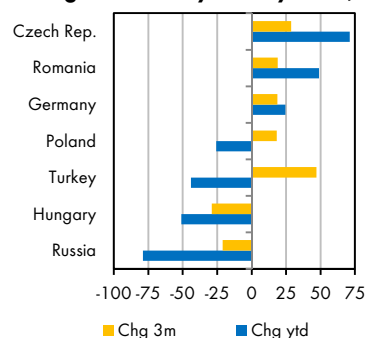
### Exchange rate comparison



Indexed 21 Mar-17 = 100  
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

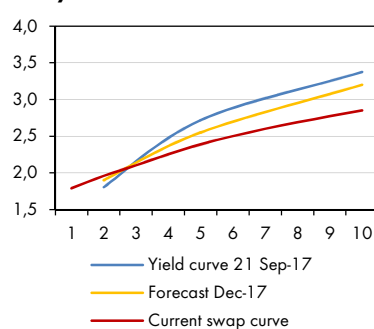
# Local currency bond market overview and forecasts

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



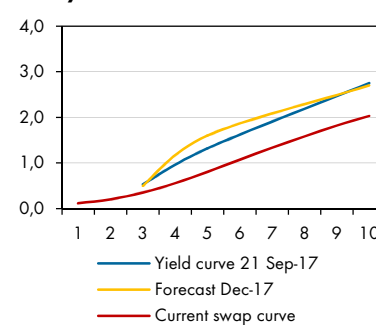
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## PLN yield curve



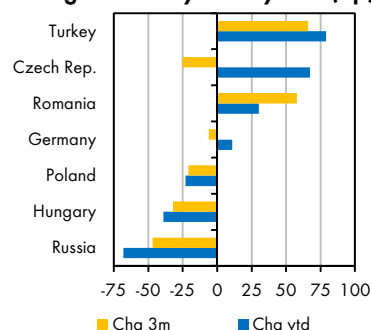
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

## HUF yield curve



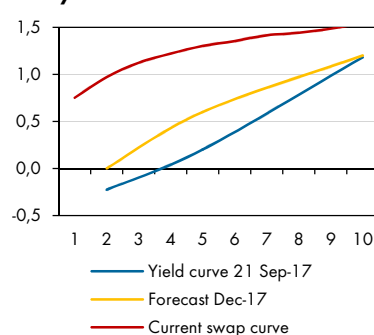
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

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



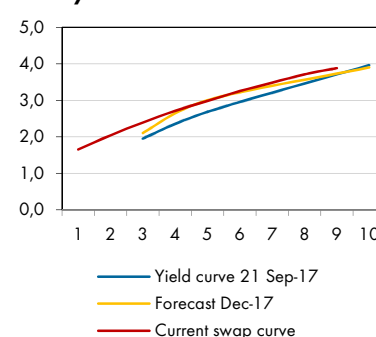
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

## CZK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

## RON yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

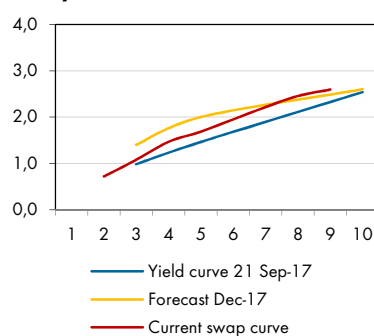
## 5y USD CDS spreads



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

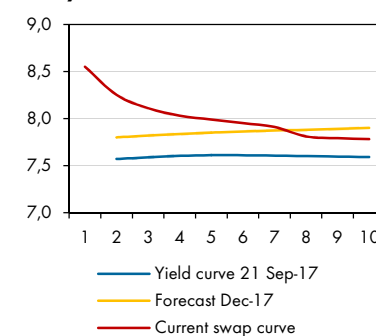
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## HRK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

## RUB yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

## Yield forecasts

2y T-bond yields (%)							10y T-bond yields (%)						
	current*	Dec-17	Mar-18	Jun-18	5y high	5y low		current*	Dec-17	Mar-18	Jun-18	5y high	5y low
Poland	1.81	1.9	2.1	2.2	3.1	1.6	Poland	3.37	3.2	3.4	3.4	4.3	2.5
Hungary **	0.53	0.5	0.6	0.7	5.7	0.5	Hungary	2.75	2.7	2.8	3.0	6.2	2.7
Czech Republic	-0.23	0.0	0.2	0.6	0.5	-0.9	Czech Republic	1.18	1.2	1.2	1.4	2.5	0.5
Romania	1.95	1.6	1.9	2.4	6.4	1.5	Romania	3.96	3.9	4.1	4.4	6.9	3.5
Croatia	0.98	1.4	1.5	1.6	4.4	0.9	Croatia	2.54	2.6	2.6	2.7	5.2	2.6
Russia	7.57	7.8	7.6	7.6	15.8	6.2	Russia	7.59	7.9	7.8	7.8	14.1	6.9
Turkey	11.49	11.2	10.5	10.0	11.2	6.1	Turkey	10.65	10.3	10.0	9.8	11.1	6.6
Germany	-0.72	-0.7	-0.7	-0.7	0.2	-0.8	Germany	0.45	0.5	0.5	0.8	1.9	0.1
USA	1.45	1.6	1.6	1.7	1.6	0.2	USA	2.28	2.4	2.4	2.5	3.0	1.8

\* Bid yields as of 21 September 2017, 11:59 p.m. CEST; \*\* 3y yield

Source: Bloomberg, RBI/Raiffeisen RESEARCH



# Local currency bond market overview

## CEE local currency bond market snapshot

	Maturity	Coupon (%)	Bid Price	YTM (%)	Spread to Bunds (bp)	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25/10/2019	5.50	107.50	1.79	247	1.9	Ongoing quarrels 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	113.94	2.73	297	4.5	
PLN 10y Gov. Bond	25/07/2027	2.50	92.65	3.39	293	8.7	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	101.57	0.47	105	3.0	HGBs again outperformed competition during the week due to broad-based MP easing from the MNB including the announcement that they want to have lower long-end yields. With HUF being back on the weaker side, there is juice left in the market (despite tight valuations).
HUF 5y Gov. Bond	26/10/2022	1.75	102.45	1.25	150	4.9	
HUF 10y Gov. Bond	27/10/2027	3.00	102.70	2.69	223	8.6	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	108.23	-0.33	34	1.5	We would consider taking (parts of) profits on growing CZK correction risks in September, especially if the CNB was to deliver the broadly expected rate hike only in November.
CZK 5y Gov. Bond	12/09/2022	4.70	122.01	0.23	48	4.6	
CZK 10y Gov. Bond	25/08/2028	2.50	112.96	1.22	76	9.8	
Croatia							
HRK 2y Gov. Bond	05/03/2020	6.75	114.00	0.94	118	2.3	Next week we expect similar volumes of trade with the lack of investors on supply side.
HRK 10y Gov. Bond	07/02/2028	2.88	100.87	2.78	232	9.0	
Romania							
RON 2y Gov. Bond	29/04/2020	5.75	109.73	1.85	243	2.4	It seems that fiscal outlook improved for this year, but deteriorated for next year, so overall fiscal uncertainties remain elevated. ROMGB should underperform peers in our view.
RON 5y Gov. Bond	08/03/2022	3.40	102.94	2.69	293	4.1	
RON 10y Gov. Bond	26/07/2027	5.80	114.90	3.93	347	0.0	
Russia							
RUB 2y Gov. Bond	15/05/2019	6.70	98.90	7.56	824	1.5	Strong demand at this week's extra auctions underscores the favorable sentiment towards OFZs. We opt for 2y OFZ short-term while still believing in RUB carry trade as (real) yield pick-up remains huge despite ongoing rate cuts.
RUB 5y Gov. Bond	20/07/2022	7.60	100.66	7.57	782	4.1	
RUB 10y Gov. Bond	03/02/2027	8.15	104.71	7.58	712	6.7	
Turkey							
TRY 2y Gov. Bond	15/05/2019	11.10	99.50	11.39	1207	1.5	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	99.65	10.76	1101	3.9	
TRY 10y Gov. Bond	11/08/2027	10.50	99.20	10.63	1017	6.3	

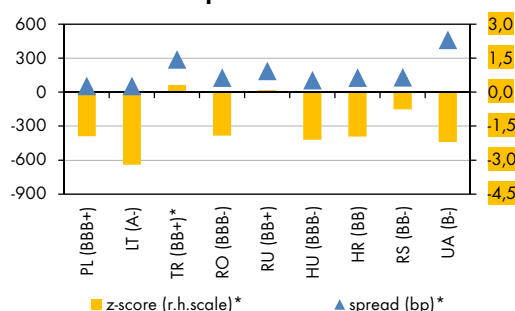
Data as of 22 September 2017, 11:21 a.m. CEST  
Source: Bloomberg, RBI/Raiffeisen RESEARCH

## Bond auctions

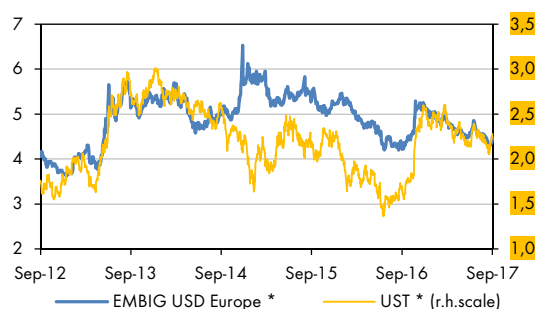
		ISIN	Coupon	Maturity	Volume
25 September					
RO	4.5y T-bond	RO1722DBN045	4.5%	08.03.2022	RON 0.5 bn
BG	7.5y T-bond	n.a.	0.8%	n.a.	n.a.
26 September					
TR	2y T-bond	n.a.	n.a.	15.05.2019	n.a.
27 September					
CZ	3y T-bond	CZ0001005011	0.0%	10.02.2020	max. CZK 4 bn
CZ	11y T-bond	CZ0001004469	1.0%	26.06.2026	max. CZK 4 bn
CZ	15y T-bond	CZ0001004477	0.95%	15.05.2030	max. CZK 4 bn
RU	T-bond	n.a.	n.a.	n.a.	n.a.
28 September					
HU	T-bond	n.a.	n.a.	n.a.	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

## Eurobond market overview

**CEE USD EMBIG spread valuation\***


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

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


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

	Market Price			YTM mid.		Spread	Mdur.	ISIN	
Issuer/rate/due	Bid	Ask	w/w %	5y max	5y min	% p. a.	Bmk, bp	years	—
EUR									
BGARIA 2 5/8 03/26/27	109.9	110.5	0.11	110.2	90.8	1.47	107.39	8.36	XS1208855889
CROATI 3 03/20/27	105.4	105.8	-0.24	106.4	98.9	2.33	194	8.1	XS1428088626
REPHUN 5 3/4 06/11/18	104.1	104.3	-0.14	114.9	99.1	-0.16	45	0.7	XS0369470397
REPHUN 6 01/11/19	107.8	108.0	-0.17	118.2	99.8	-0.08	54	1.2	XS0625388136
REPHUN 3 7/8 02/24/20	109.1	109.4	-0.08	113.1	88.7	0.03	68	2.3	XS0212993678
LITHUN 0.95 05/26/27	100.4	101.0	-0.06	100.9	98.5	0.88	46	9.2	XS1619567677
POLAND 5 5/8 06/20/18	104.3	104.5	-0.19	122.6	104.4	-0.37	24	0.7	XS0371500611
POLAND 1 5/8 01/15/19	102.3	102.5	0.02	105.4	98.5	-0.23	39	1.3	XS0874841066
POLAND 3 3/4 01/19/23	117.8	118.3	-0.14	124.6	105.4	0.32	54	4.8	XS0794399674
POLAND 1 3/8 10/22/27	101.8	102.3	-0.12	102.5	99.2	1.16	69	9.3	XS1584894650
ROMANI 4 7/8 11/07/19	110.4	110.6	-0.19	117.7	99.1	-0.09	58	2.0	XS0852474336
ROMANI 2 3/8 04/19/27	102.2	102.7	-0.33	102.8	99.1	2.09	169	8.4	XS1599193403
TURKEY 5 7/8 04/02/19	107.8	108.1	-0.26	118.9	107.5	0.59	124	1.5	XS0285127329
TURKEY 3 1/4 06/14/25	100.2	100.8	-0.70	101.6	98.0	3.18	307	6.7	XS1629918415
USD									
BELRUS 8.95 01/26/18	101.8	102.3	-0.10	111.2	78.0	2.64	155	0.3	XS0583616239
CROATI 6 3/8 03/24/21	111.3	111.6	-0.28	117.8	101.6	2.90	123	3.2	XS0607904264
CROATI 5 1/2 04/04/23	111.5	111.9	-0.25	112.4	94.4	3.17	122	4.7	XS0908769887
REPHUN 5 3/8 02/21/23	113.1	113.4	-0.43	115.4	93.1	2.73	79	4.7	US445545AH91
REPHUN 7 5/8 03/29/41	154.7	155.5	-0.5	157.5	99.1	3.99	135	13.0	US445545AF36
LITHUN 7 3/8 02/11/20	112.4	112.7	-0.05	130.7	112.4	1.95	45	2.2	XS0485991417
LITHUN 6 5/8 02/01/22	117.4	117.8	-0.14	128.6	113.9	2.34	54	3.8	XS0739988086
LATVIA 2 3/4 01/12/20	101.4	101.8	-0.01	104.5	91.4	2.05	56	2.2	XS0863522149
LATVIA 5 1/4 06/16/21	110.5	111.0	-0.08	117.2	105.3	2.22	52	3.4	XS0638326263
POLAND 6 3/8 07/15/19	108.2	108.3	-0.06	125.9	108.2	1.71	29	1.7	US731011AR30
POLAND 3 03/17/23	102.7	103.0	-0.2	105.1	87.6	2.44	49	5.0	US731011AT95
ROMANI 6 3/4 02/07/22	116.3	116.6	-0.34	124.4	108.9	2.72	92	3.8	US77586TAA43
ROMANI 4 3/8 08/22/23	107.8	108.1	-0.47	111.1	90.8	2.90	90	5.2	US77586TAC09
RUSSIA 4 1/2 04/04/22	106.6	107.1	-0.43	114.7	82.0	2.88	105	4.0	XS0767472458
RUSSIA 7 1/2 03/31/30	117.3	117.7	-0.92	128.6	99.6	2.63	29	3.4	XS0114288789
RUSSIA 5 5/8 04/04/42	111.7	112.3	-2.36	124.9	76.0	4.79	213	13.5	XS0767473852
SERBIA 5 1/4 11/21/17	100.4	100.7	-0.07	107.1	96.8	1.79	77	0.2	XS0856951263
SERBIA 4 7/8 02/25/20	104.8	105.2	-0.23	105.4	89.6	2.72	121	2.3	XS0893103852
TURKEY 6 1/4 09/26/22	109.7	110.2	-0.55	127.0	102.5	4.03	214	4.3	US900123BZ27
TURKEY 6 7/8 03/17/36	113.8	114.3	-1.24	139.6	99.2	5.64	313	10.9	US900123AY60
TURKEY 6 3/4 05/30/40	112.3	112.9	-1.43	139.4	97.3	5.75	313	12.0	US900123BG46
UKRAIN 7 3/4 09/01/19	105.9	106.3	-0.18	106.3	88.0	4.44	299	1.8	XS1303918269
UKRAIN 7 3/4 09/01/23	106.0	106.4	-0.91	107.5	84.6	6.47	447	4.7	XS1303921487
UKRAIN 7 3/4 09/01/27	103.5	104.0	-1.34	105.2	81.2	7.21	493	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 22 Sep 2017, 11:10 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	1.2	11.7	1084	-1.2	82.4	23.8	3.7	84.1	36.7	9.4
	2018f	2.3	1.4	11.1	1116	-1.6	81.1	24.5	2.2	81.3	37.3	9.3
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	1114	-0.2	36.2	68.8	1.1	95.0	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	80.3	3.2	88.0	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	985	-2.0	53.8	40.6	-0.2	73.2	32.6	7.0
	2018f	3.2	2.4	6.2	1047	-2.6	53.9	40.5	-0.9	72.2	33.9	7.4
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	723	-3.0	37.1	31.2	-3.6	52.3	39.7	6.6
	2018f	4.0	3.7	5.0	778	-4.0	38.3	32.2	-4.0	52.1	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	586	-2.5	14.0	22.2	4.7	29.4	84.7	22.0
	2018f	1.5	4.5	5.3	585	-2.0	14.5	21.7	5.3	24.8	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	34.6	-4.0	112.7	16.2	5.1
	2018f	3.0	7.8	8.5	n.a.	-2.7	65.9	33.8	-3.6	106.9	17.7	5.3
Turkey	2016	3.2	7.8	10.0	n.a.	-1.4	32.0	17.4	-3.8	47.5	27.1	7.0
	2017e	5.0	11.0	10.3	n.a.	-2.5	33.0	18.3	-4.5	48.5	24.7	6.2
	2018f	2.5	9.0	10.0	n.a.	-2.0	32.0	16.3	-4.2	42.8	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	40%
Sell	23%
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
21/09/2017	Sell	Hold	Buy	Hold	Buy	Hold
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
21/09/2017	Sell	Buy	Hold	Hold	Buy	Buy
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
21/09/2017		Buy				
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
21/09/2017						
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
21/09/2017						
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
21/09/2017	
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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