CEE Weekly

Issue 04/2017 27 January 2017

Raiffeisen RESEARCH

Market snapshot

	curr.*	Mar-17	Jun-17	Sep-17
Poland				
EUR/PLN	4.345	4.40	4.45	4.40
Key rate	1.50	1.50	1.50	1.50
10y bond	3.9	3.5	3.6	3.7
Hungary				
EUR/HUF	311.7	310	315	310
Key rate	0.90	0.90	0.90	0.90
10y bond	3.6	3.2	3.2	3.3
Czech Republic				
EUR/CZK	27.02	27.0	27.0	27.0
Key rate	0.05	0.05	0.05	0.05
10y bond	0.5	0.6	0.6	0.5
Romania				
EUR/RON	4.498	4.45	4.50	4.45
Key rate	1.75	1.75	1.75	1.75
10y bond	3.6	3.3	3.4	3.5
Croatia				
EUR/HRK	7.484	7.55	7.47	7.50
Key rate	2.50	2.50	2.50	2.50
10y bond	3.0	3.1	3.1	3.2
Russia				
USD/RUB	60.36	63.0	62.0	60.0
Key rate	10.00	9.50	9.00	8.50
10y bond	8.3	8.9	8.8	8.7
Turkey				
USD/TRY	3.864	3.80	3.80	3.70
Key rate	8.00	8.50	8.50	8.50
10y bond	11.0	11.6	11.8	11.6
EUR/USD	1.067	1.04	1.02	1.02

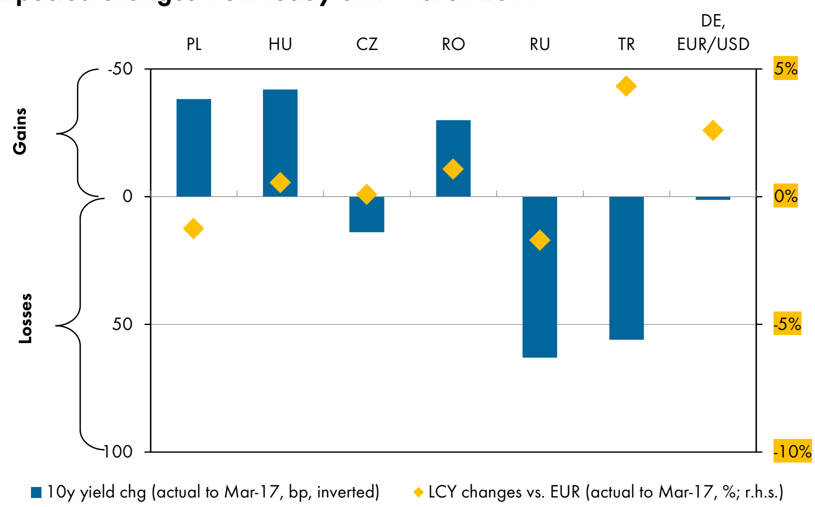
** prices as of 26 January 2017, 11:59 p.m. CET*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

The announcement by Russian authorities to start with FX interventions did not come as a total surprise as we had expected some sort of reaction to RUB below the level of 60 USD. The intervention plans follow the aim of capping the appreciation potential (on the back strong oil) as well as reducing overall volatility. Lower RUB volatility (i.e. lower risks to the carry earned) may help to boost the attractiveness of the OFZ market somewhat, especially for non-residents. For more detailed information please see our Focus on pages 2-3. Meanwhile, the rate setting meeting in Turkey did not bring tangible stabilization. The Turkish Central Bank (TCMB) merely increased the overnight lending rate by 75bp, while leaving the psychologically (and possibly politically) more important benchmark rate unchanged. Some market disappointment was visible as TRY weakening continued. Additional steps may have to be taken for a more sustainable TRY stabilization. Additional negative news-flow may come from the rating front after today's closing bell. Fitch is expected to follow Moody's (and S&P) and cut Turkey's sovereign credit rating from BBB- to BB+, i.e. to sub-investment grade. Following a possible adverse market reaction after the expected Fitch downgrade, we would consider re-entering the TRY government bond market for opportunistic reasons. Please read more details on our updated CEE LCY and FCY bond market recommendations in our "CEE Debt Market Strategy" published earlier today. The upcoming week will feature numerous highlights in CEE with PMI data due on Wednesday (1 Feb.). Monetary policy meetings in the Czech Republic on Thursday and in Russia on Friday will be eagerly awaited. In the case of the Czech rate setting meeting the inflation outlook of the central bank will be most watched. After having reached the inflation mid-target of 2% yoy in December, projected inflation development will have significant impact on the decision when to end the FX regime in the Czech Republic. In the case of the Russian key rate setting meeting the Central Bank will be debating whether to continue with the interest rate cuts it had paused in late 2016. Whereas we would not yet expect the next rate cut, our projections are for a 50bp cut in March and an overall 150bp in rate cuts throughout 2017.

Financial analyst: Gunter Deuber (+43 1 71707 5707), RBI Vienna

Expected changes from today until March 2017



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Content

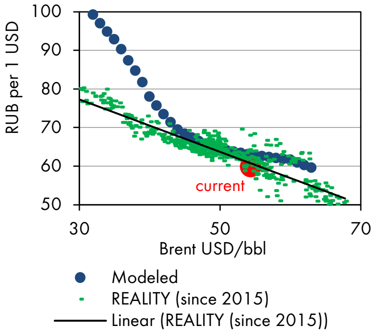
Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
01-Feb	PL: PMI, points	Jan	54.8	n.a.	n.a.	n.a.	54.3
01-Feb	CZ: PMI, points	Jan	54.3	n.a.	n.a.	n.a.	53.8
03-Feb	RU: Key rate, %	Feb	10.00	10.00	10.00	9.50	10.00

Source: Bloomberg, RBI/Raiffeisen RESEARCH

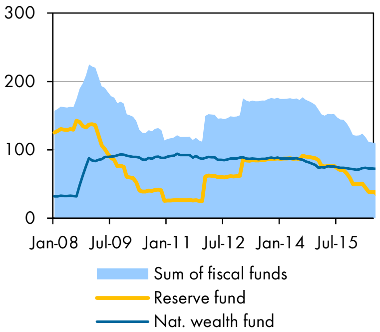
Focus on: FX interventions to cap RUB upside and limit volatility

Rouble sensitivity to oil



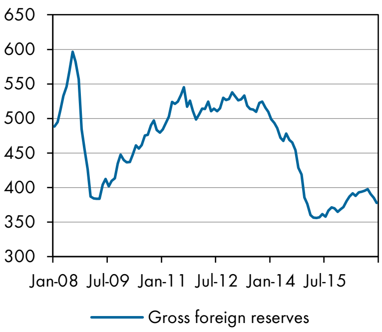
Source: Bloomberg, Raiffeisen RESEARCH

Funds partly depleted* (USD bn)



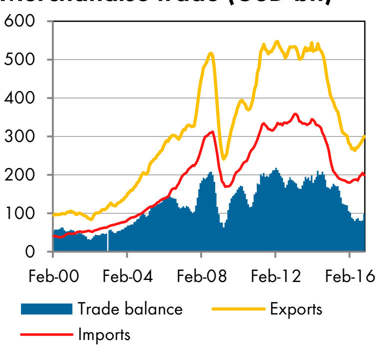
** fiscal funds are mostly part of CBR gross foreign reserves*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Gross foreign reserves (USD bn)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Merchandise trade (USD bn)*



** 3 month average seasonally adjusted and annualized*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

- FX interventions to be revived from February to smooth RUB vola and dampen link to oil price movements
- Plan foresees sale of excess oil revenue compared to conservative budget plan of oil at USD 40
- Overall we perceive change in FX regime (no complete free float) as positive, risks for inflation targeting not to be downplayed
- FX interventions may induce USD/RUB weakening of 5-7% (all other things equal); our cautious/flattish USD/RUB view incorporates certain decoupling from oil

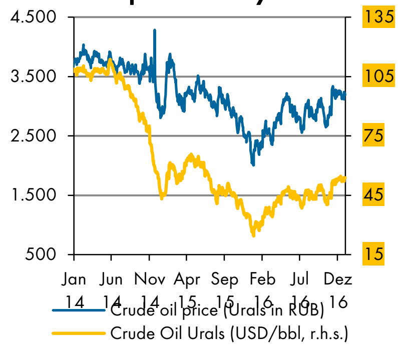
Economically rational FX interventions back on the table

On 19 January, Russian Deputy Prime Minister Shuvalov surprisingly revealed plans for the introduction of a (temporary) FX intervention scheme by the Russian Ministry of Finance (MinFin) in coordination with the Central Bank of Russia (CBR). On 25 January, the MinFin confirmed the interventions, which are to be operated on a daily basis by the CBR, beginning in February. The CBR will buy (or sell) the USD equivalent of the excess amount (or shortfall) of oil budget revenues in comparison to the budget plan, which is based on a conservative oil price for Urals of USD 40/bbl. If oil is above the threshold, like now, the MinFin will accumulate FX on an account at the CBR, and when oil is below USD 40, the ministry will sell FX (only up to previously accumulated amounts). The ultimate objective is to lessen the influence of oil price volatility on the RUB thus increase the stability and predictability of the market. Or in other words: The scheme should help to stabilise the real RUB exchange rate and reduce its impact on the competiveness of the Russian economy and Russian companies. The current scheme is temporary in nature and has been introduced before (or instead of) a formal (permanent) budget rule to be introduced in the forthcoming years.

Basing our estimates on an oil price of USD 52.2/bbl and a USD/RUB rate of 60, the intervention starting in February may amount to a monthly value of USD 1.7bn or USD 90mn per day on average. According to MinFin calculations, Russia's extra budget revenues from oil sales may reach RUB 1tn (USD 16.8bn) if oil is at USD 50, and RUB 1.4tn (USD 23.6bn) in 2017, if oil is at USD 55/bbl. Our own estimates are slightly higher: additional oil and gas revenues in 2017 could reach RUB 1.2tn and RUB 1.6tn at an avg. oil price of USD 50 and USD 55 per bbl respectively, which would translate into annual FX purchases of USD 20-25bn (USD 1.7-2.1bn per month on average). As FX purchases are operated by the CBR, the expected accumulation of interventions will boost official CBR FX reserves. The availability of excess budget revenues in 2017 is not planned to trigger additional budget expenditures, i.e. fiscal policy should remain tight. Fundamentally speaking, there are valid economic arguments in favour of some degree of FX rate management in Russia, so we welcome the initiative. While Russia's monetary and FX policy framework over the last 2-3 years has been hailed by many observers – given that the CBR allowed the RUB to depreciate during the oil slide, supporting the external adjustment of the economy – the free-floating RUB created new economic policy challenges. First, FX moves show an unsettlingly high correlation to oil, i.e. possibly they are too strong (e.g. for mid-term planning strategies in the private or public sector). Second, the recent positive oil price trend pushed the nominal and real RUB exchange rate up quickly, reminiscent of the long-term real appreciation trend in Russia, creating symptoms of the so called "Dutch Disease". The real exchange rate – gauging external price competitiveness – increased by 33% since Feb 2016, and is now just 15% below the 2012-2014 level. With import growth turning positive in Q4, while non-oil exports are still weak, additional swift REER appreciation seems hard to swallow for Russian producers and would add pressure to trade surpluses, which narrowed in 2016. Thus authorities are reacting to an uncomfortably strong RUB – presumably below USD/RUB at 60. The introduction of the scheme also reveals that authorities regained confidence in the sustainability of the oil market rebalancing. Nevertheless, there is clearly no way back to direct exchange rate targeting (or a corridor) as seen before the free-floating (autumn 2014), given structural disadvantages of a fixed FX rate in case of Russia, i.e. strong pass-through of external shocks to GDP and FX reserves. Instead, the scheme could be seen as an attempt to introduce a floating exchange-rate regime which avoids the disadvantages of both extremes – a fixed exchange rate and a completely unmanaged free float. Nevertheless, the (limited) intervention scheme flattens the rouble reaction function to oil price changes, while also dampening short-term volatility (after an adjustment phase). One should note that the spending of fiscal funds, as seen over the past year, creates RUB liquidity, as the government spends funds which were deposited on CBR accounts (i.e. RUB are printed). Likewise, new CBR interventions will add to RUB liquidity with oil above USD 40. At the same time, according to the CBR, the impact of the scheme on RUB liquidity should be close to neutral, meaning monetary emissions should not rise in comparison to a situation without FX interventions. This let us assume that there must be some offsetting mechanisms. For example net spending of fiscal funds is reduced. But even in this case, in our view the same amount of printed RUB does not necessary imply the same impact on liquidity. We think the total effect on RUB liquidity in the case of interventions will be stronger under the new scheme, as RUB liquidity is distributed to the market more evenly via the FX intervention scheme. There are also uncertainties and risks with regard to the implementation of the FX intervention initiative. First, while budget discipline was strong in 2016, we cannot rule out pressure to move on with extra spending, e.g. for social or military purposes, with the presidential elections approaching (March 2018). This would add to RUB liquidity. Secondly, a weaker RUB could make disinflation more difficult, i.e. reaching the CBR's goal of 4% inflation would be less realistic. Thus, the introduction of the FX scheme could require monetary tightening to preserve the CBR's credibility as an "inflation targeter". Rate cuts could be shifted (we expect the first rate cut of 50bp in March, and cuts of 150bp in 2017). Moreover, the CBR communication seems to downplay the changes to the FX regime, which might also reduce credibility. Finally, the sudden announcement and its temporary nature (even if it works) points to some regulatory risk, in the sense that rules now announced might change quickly again.

Financial analysts: Andreas Schwabe (+43 1 71707 1389), CFA, RBI Vienna
Denis Poryvay (+7 495 221 9843), AO Raiffeisenbank, Moscow

Rouble oil price as key variable



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

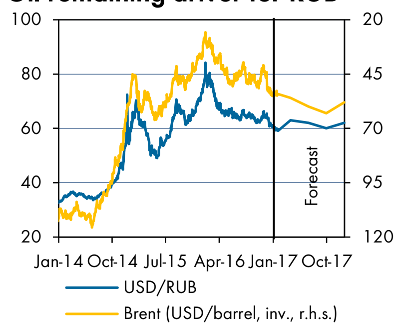
Volatility continuously declining

Source: Bloomberg, RBI/Raiffeisen RESEARCH

FX and OFZ Market strategy

To estimate the effect of interventions on the FX rate we studied capital outflow drivers. According to the CBR, banks have to repay USD 21bn of their external debt in 2017. As seen in 2014-2016, banks mostly do not refinance this debt, but repay it. At the same time, the corporate segment continues to increase its foreign assets (by ~USD 25bn each year). In 2015-2016 it was at least partially compensated by the capital inflow by banks, which decreased their FX-denominated liquid assets. However, now the level of these assets is close to the minimum comfortable level, and in 2017 the capital inflows by banks are unlikely to continue. As a result, we estimate the outflow from the financial account will reach USD 46bn (assuming that corporates will keep refinancing external debt abroad). Using these estimates in our BoP model we would arrive at a RUB depreciation by 3-5 or 5-7% against the US dollar due to the announced FX purchases (all other things equal). We expect a RUB-denominated oil price increase from this 5-7% and recommend buying USD along with oil futures. However, we note that such RUB weakening looks moderate, and is unlikely to decrease the attractiveness of floating OFZ on the one hand, but it is an argument for higher yields on fixed-coupon papers on the other. That said, we do not change our current USD/RUB projection of 63 until the end of March. We expect RUB volatility will decrease as a result of CBR's interventions (CBR will be buying USD at an oil price above USD 40 per bbl, and selling at an oil price below USD 40 per bbl), which may support the overall attractiveness of the OFZ market somewhat; especially for non-residents. USD/RUB will be trading at a premium to its fair level, which would be without interventions, and this premium will buffer the volatility of oil prices. For the remainder of 2017 we then predict the USD/RUB will trade in a basic range of 60-65, taking our oil price outlook into consideration. Most recent announcements of FX interventions just confirm our view that the RUB upside is capped from where we are now.

Oil remaining driver for RUB



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Financial analysts: Wolfgang Ernst (+43 1 71707 1500), CEFA, RBI Vienna
Denis Poryvay (+7 495 221 9843), AO Raiffeisenbank, Moscow

Data calendar and country coverage

This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Previous
Friday 20 January				
UA: Retail sales, % yoy	Dec	4.0	n.a.	3.7
Monday 23 January				
HR: Unemployment rate, % yoy	Dec	14.8	n.a.	14.4
UA: Industrial output, % yoy	Dec	4.5	2.5	3.7
RU: Industrial output, % yoy	Dec	3.2	1.7	2.7
Tuesday 24 January				
TR: Key rate, %	Jan	8.00	8.50	8.00
HU: Key rate, %	Jan	0.90	0.90	0.90
Wednesday 25 January				
PL: Unemployment rate, % yoy	Dec	8.3	8.3	8.2
RU: Retail sales, % yoy	Dec	-5.9	n.a.	-4.1
RU: Unemployment rate, % yoy	Dec	-3.7	n.a.	5.4
RU: Real wages, % yoy	Dec	2.4	1.5	1.7
Thursday 26 January				
UA: Key rate, %	Jan	14.00	14.00	14.00

Indicator	Period	Forecast	High	Mean	Low	Previous
Monday 30 January						
HU: Unemployment rate, % yoy	Dec	n.a.	n.a.	n.a.	n.a.	4.5
HR: Industrial output, % yoy	Dec	6.5	n.a.	n.a.	n.a.	7.1
Tuesday 31 January						
PL: GDP, % yoy annual	2016	2.5	2.9	2.7	2.5	3.6
HR: Real wages, % yoy	Nov	n.a.	n.a.	n.a.	n.a.	1.4
RS: Industrial output, % yoy	Dec	n.a.	n.a.	n.a.	n.a.	1.3
RS: Retail sales, % yoy	Dec	n.a.	n.a.	n.a.	n.a.	7.4
RS: GDP, % yoy	Q4	n.a.	n.a.	n.a.	n.a.	2.6
SK: C/A balance, EUR mn	Nov	n.a.	n.a.	n.a.	n.a.	114.0
Wednesday 01 February						
TR: PMI, points	Jan	n.a.	n.a.	n.a.	n.a.	47.7
RU: PMI, points	Jan	n.a.	n.a.	n.a.	n.a.	53.7
PL: PMI, points	Jan	54.8	n.a.	n.a.	n.a.	54.3
HU: PMI, points	Jan	n.a.	n.a.	n.a.	n.a.	52.2
CZ: PMI, points	Jan	54.3	n.a.	n.a.	n.a.	53.8
Thursday 02 February						
HU: Trade balance, EUR mn	Nov	n.a.	n.a.	n.a.	n.a.	908.0
CZ: Key rate, %	Feb	n.a.	0.1	0.1	0.1	0.1
RU: GDP, % yoy annual	2016	-3.7	n.a.	n.a.	n.a.	-3.7
HR: Retail sales, % yoy	Dec	2.5	n.a.	n.a.	n.a.	2.7
Friday 03 February						
RO: Retail sales, % yoy	Dec	n.a.	n.a.	n.a.	n.a.	9.3
TR: CPI, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	8.5
SK: Retail sales, % yoy	Dec	n.a.	n.a.	n.a.	n.a.	3.9
HU: Retail sales, % yoy	Dec	n.a.	n.a.	n.a.	n.a.	4.7
RU: Key rate, %	Feb	10.00	10.00	10.00	9.50	10.00
UA: Official reserve assets, USD mn	Jan	n.a.	n.a.	n.a.	n.a.	15,539

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Belarus (BY) – Economic data for 2016 as a whole provides evidence of a further contraction of the Belarusian economy, though at a slower pace when compared to the previous year. The country's GDP fell by 2.6%, versus 3.8% in 2015. The slump in industrial output totalled 0.4% yoy in 2016 against 6.6% a year ago. Whereas the oil sector reported a decline of 17% yoy and the chemical industry posted a 3.8% drop, a number of other industries showed signs of recovery (vehicle production and wood processing up by over 10%, food industry up by 2.7%). Investments, on the other hand, tumbled by almost 18% on the back of reduced government support of investment projects, and squeezed private capital inflows due to the bleak economic growth prospects, falling household real incomes (down 7.5%) and retail sales (by 4.1%). External trade was strongly affected by crude undersupplies by Russia and low commodity prices, translating into reduced inflows from oil-product exports and potash fertilizers. Still, net exports remained just positive for 11m 2016. The National Bank managed to keep annual inflation below its official forecast at 10.6% yoy. The BYN lost 15% of its value versus the trade-weighted basket, largely because of 27% depreciation against the stronger RUB (accounting for 50% of the basket), but was broadly stable against the EUR. In 2017 the Regulator announced the continuation of the monetary targeting regime, restricting the increase in broad money supply by 12%-16% to finally meet the 9% yoy inflation target. The key rate was cut by 1 pp to 17% in mid-January 2017, and is likely to be brought down further through to the end of the year. The official forecast anticipates a return to 1.7% growth this year, and a 3.8% increase in exports of goods and services. Real wages according to official plans are set to rise by 1.5%, driven by a 1.8% productivity increase. The IMF and the World Bank are more pessimistic, anticipating that the Belarusian economy will decline by another 0.5% in 2017, before returning to growth at 0.5%-1.3% in 2018. We stay in the middle, and forecast zero growth in 2017 followed by 1.5% in 2018.

Financial analyst: Natalya Chernogorova, Priorbank JSC, Minsk

Bosnia a. H. (BA) – This week brought the first important macroeconomic figures covering the full period of 2016. According to data from the State Agency for Statistics, the foreign trade deficit of B&H narrowed by 2.1% yoy to BAM 6.72bn (22.6% of estimated GDP for 2016), marking the lowest nominal trade deficit since 2010. The narrowing of the trade gap was in line with expectations as goods exports performed much better than goods imports during most of the year (except December 2016). The exports of goods saw an increase of 4.8% yoy (up to BAM 9.42bn), marking the fifth straight year in which goods exports delivered a positive reading (% yoy). The increase in exports was spread among the categories in 2016, with only 6 categories (out of the 22 tracked by the Statistics Agency) in negative territory. The strongest positive contribution to overall export performance (4.8% yoy) came from miscellaneous, chemical products, wood products and vegetable products, which contributed almost ¾ of the posted goods export growth rate. Nevertheless, the largest export categories for B&H remained unchanged: base metals, machinery and mineral products, holding shares of 16.7%, 11.1% and

7.9% respectively. The imports of goods advanced by 1.8% yoy (to BAM 16.14bn) after being in negative territory in the year before (-2.1% yoy in 2015). The modest increase in imports is mostly due to the negative result for mineral products (second largest category of goods imports) due to the drop of oil prices on the world markets. On the other hand, the strongest positive contribution to goods imports came from transportation equipment, textile products and plastic & rubber products. The most important trade partner for B&H remains the European Union with a share of 71.5% in total exports and a 61.5% share in total imports. The strong foreign demand for B&H goods pushed overall industrial production deep into green territory, which advanced by 4.3% yoy in 2016, the fourth straight year of expansion and the strongest reading since 2013. What is even more important is that the positive contribution to industrial expansion came from all three industrial areas: mining and quarrying (3.4% yoy), manufacturing (3.1% yoy) and electricity supply (8.5% yoy). Industrial production accounts for around 18% of B&H GDP and therefore represents the key macro indicator for overall economic projections in B&H. The overall price level in B&H remained in negative territory, but the CPI is heading strongly towards black numbers. In the final months of 2016, consumer prices were down 0.2% overall compared to the year before, marking the weakest deflation print since November 2014. All in all, consumer prices in 2016 were down by 1.1%, which was a slightly stronger decline than our projection of -0.9% yoy. Transport prices went down by 5.3% yoy followed by the prices of foods and non-alcoholic beverages, which fell by 1.1% yoy, and clothing by 8.8% yoy. The only noteworthy increase in consumer prices was delivered by alcohol and tobacco (7.4% yoy) thanks to an annual increase of excise tax on these products. The negative CPI should shift into positive territory as early as Q1 of this year, while the target rate for 2017 remains at 2.0% yoy.

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

Croatia (HR) – According to the 3-year Strategy of Public Debt, total central government borrowing needs in 2017 stood at HRK 65.3 bn. The state plans to finance part of the liabilities on the capital markets by issuing HRK 14 bn in Croatia, and it intends to tap the international market for HRK 11.4bn. The remaining amount will be covered by issuing T-bills and loans. It remains to be seen whether the government will be consistent in implementing the adopted strategy. Moreover, public debt data is expected to be updated and published regularly. In terms of economic releases, industrial production and retail trade for December will round off the data for 2016. With an expected annual retail trade growth rate of 2.5%, growth for the whole of 2016 could accelerate to 3.9% yoy. The projected growth is primarily the result of growing consumer optimism, partly under the influence of the income tax relief. Additionally, due to the generous pre-holiday spending we should not neglect the impact of tourist arrivals and overnight stays. As regards industrial production the annual growth rate for the whole of 2016 could increase to 3.7% yoy. After having slowed down in Q3 we expect manufacturing to see slightly stronger yoy growth rates. Paired with the projected growth in Croatia's most important trading partners, the upward cycle in manufacturing will continue throughout 2017.

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

Czech Republic (CZ) – Next week, all eyes will be on a committee meeting of the Czech National Bank on Thursday. The market expects a revision of the CNB inflation forecast; however, there should be no change to the "hard commitment" not to abandon the FX cap before the end of 2017 Q1. Although we do not rule out CZKexit in April, we see it as less likely. The key variable is CPI inflation for January, released on 10 February. We expect the CNB will abandon the FX cap regime in the second half of 2017.

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

Hungary (HU) – As expected the MNB left monetary conditions unchanged at its rate-setting meeting on Tuesday, while indicating again that they want to hold them steady for a long time; if more easing is needed to stimulate the economy, they will do so again using unconventional tools (measures supplying HUF liquidity). The overall dovish statement cooled expectations of an earlier tightening, and as a result, interbank rates and the HUF dropped even further. The 3M BUBOR has declined 2 bps to 0.25% since then, while the EUR/HUF inched higher too, nearing its 200-day moving average of 311. We reckon the EUR/HUF will remain around its current trading channel in the next few months – supported, as mentioned, by measures providing liquidity. Interest-rate swaps declined, but yields jumped a little; the 5y CDS rose by 4 to 115 basis points. Sentiment is stable overall: last week's trends continued this week as well. Next week we are going to learn about the unemployment rate and retail sales data for December. The jobless rate may have remained historically low around 4.5%, while retail sales may have improved somewhat relative to November.

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

Poland (PL) – Last week was calm and with no important data. The only figure released concerned the unemployment rate, which amounted to 8.3% in December (up 0.1 pp on a monthly basis). The slight increase, in our opinion, is mainly due to seasonal factors and should give rise to no concerns regarding the labour market situation. On Thursday, the minutes from the first MPC meeting showed that the MPC members believe the slowdown in GDP growth in 2016 H2 was temporary. CPI growth should, however, slow after Q1, but some MPC members are worried it could rise faster than currently anticipated. Therefore, some MPC members believe it might be justified to consider interest rates hikes earlier. That said, taking the external source of inflation into account, we believe the coming quarters will see no interest rate changes. In the coming week we expect to see flash data on 2016 GDP. Mainly due to the significant slowdown in investment activity, we think it amounted to 2.5% (market expects 2.7%).

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

Romania (RO) – The Ministry of Finance released its draft of the public budget plan for 2017, but its approval by the Government has been delayed due to some late revisions. The public budget deficit target was set at 2.96% of GDP according to national methodology, which corresponds to a deficit of 2.99% of GDP, expressed according to ESA 2010 standards. The budget for 2017 was based on economic growth of 5.2% and it incorporates the fiscal measures recently enforced. The draft of the public budget plan could be approved by the Government today, and afterwards sent to Parliament for discussions and for the final vote. Setting the public budget deficit target within the 3%-of-GDP threshold could bode well for investor sentiment towards RON assets in the short term. However, we think that the public budget execution could result in a deficit above 3% of GDP in 2017. Despite the 0.5% mom contraction in December, the total loan stock (RON+FCY) advanced by around 1.1% yoy in 2016, after accounting for the EUR/RON FX valuation effects. Lending activity posted a modest performance in December because, except for household loans denominated in RON, all other components (corporate loans in RON and all segments of FCY loans) shared in the contraction.

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

Russia (RU) – The seasonal pick-up of consumption in December was not that significant, which resulted in a decline of the yoy dynamics of retail sales (-5.9% yoy vs. -4.1% yoy in November). The main negative contribution came from the decline in food items (-6.5% yoy, -1.2% mom SA). We think the main reason for this is that consumers are shifting to more economical food items from more expensive ones. In the non-food segment, the total decline was less significant (-5.3% yoy, -0.6% mom SA). The main buffer to the consumption recovery is weak income dynamics: real disposable income dynamics remain negative, while growth in real wages is accompanied by marked disinflation. The other significant factor is the strong savings motivation: according to the CBR survey, the propensity to save increased in December, and remains rather high. In Q1 2017 we expect to see some improvement in consumption on the back of real wage growth and an improvement in consumer sentiment.

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

Serbia (RS) – Appetite (RSD 13.3 bn) for the longer end of the yield curve has been rather weak and Public Debt Management (PDA) only accepted bids worth RSD 5.6 bn, probably those attaching lower yields, as the yield remained flat (5.64%). Yet the maximum bid went up to 7.84% compared to the maximum bid yield at the October 2016 auction of 6.2%. The market demanding higher prices is partly a reflection of the delayed corrections ahead of the Fed's December 2016 rate hike and the massive withdrawal of non-residents from the market last year. Also, the expected reflation, the rumoured early parliamentary elections and the increased gross financing needs for 2017 (EUR 7 bn vs. an average of EUR 5.5 bn in 2012-2016) have supported such sentiment. Still, 86% of January's MinFin T-bill portfolio was refinanced (EUR 273.3mn) and obviously the PDA feels comfortable not accepting all the bids as sufficient liquidity was stocked up during Q4 2016. Extended holidays, the customarily lower capacity utilisation and weaker appetite for the RSD MinFin T-bills flavoured a weaker EUR/RSD, which the NBS mitigated via increased FX interventions (EUR 75 mn), which topped EUR 210 mn. Next week the Statistical Office will release the heavyweights for 2016: industrial production, foreign trade and retail trade. The flash estimate for Q4 2016 GDP will also be published.

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

Monetary policy and money markets overview

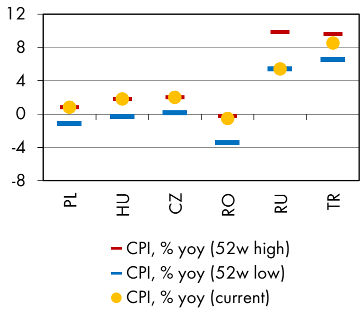
CEE key interest and money markets outlook

Poland	current*	Mar-17	Jun-17	Sep-17	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	1.73	5.14	1.65
Hungary						
Key interest rate	0.90	0.90	0.90	0.90	7.00	0.90
3m money market rate	0.25	0.30	0.30	0.40	7.50	0.25
Czech Republic						
Key interest rate	0.05	0.05	0.05	0.05	0.75	0.05
3m money market rate	0.28	0.30	0.30	0.30	1.25	0.00
Romania						
Key interest rate	1.75	1.75	1.75	1.75	5.75	1.75
3m money market rate	0.82	0.85	1.00	1.15	6.30	0.68
Russia						
Key interest rate	10.00	9.50	9.00	8.50	17.00	5.25
3m money market rate	10.52	10.10	9.60	9.10	29.93	6.65
Serbia						
Key interest rate	4.00	4.00	4.00	4.00	11.75	4.00
3m money market rate	3.49	3.60	3.60	3.60	13.13	3.26
Turkey						
Key interest rate	8.00	8.50	8.50	8.50	10.00	4.50
3m money market rate	11.12	10.30	10.50	10.20	12.44	4.85

Benchmark key rates	current	Mar-17	Jun-17	Sep-17	5y high	5y low
ECB key interest rate	0.00	0.00	0.00	0.00	1.00	0.00
Fed key interest rate	0.75	0.75	1.00	1.00	0.75	0.25

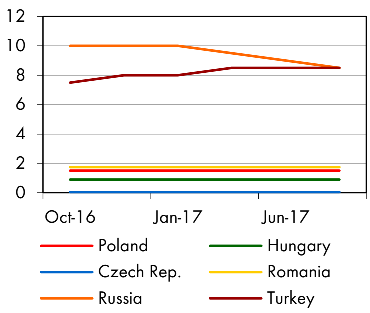
Source: Bloomberg, RBI/Raiffeisen RESEARCH
** Bid rates (for Hungary ask rates) as of 26 January 2017, 11:59 p.m. CET*

Inflation snapshot



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



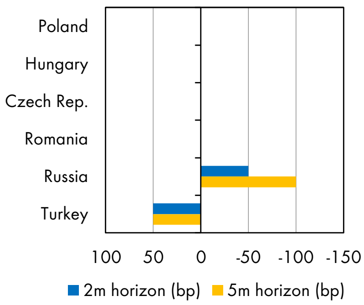
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	NBP sees no reason to hike rates this year according to January's MPC statement. Despite recent uptick in CPI, headline rate to remain below the official mid-target in 2017.
Hungary (MNB)	Cap to 3m deposit rate since October and FX swap operations add additional liquidity to the system. Ultra-loose monetary conditions to be maintained as long as possible. Mission to depress BUBOR rates mostly accomplished.
Czech Republic (CNB)	Dec.'s surge in headline CPI to CNB's 2% mid-target partly due to one-offs with CPI likely to retreat in mid-2017 again. We expect 'CZKexit' to be postponed from mid-2017 ('soft commitment') to H2 2017 after inflation dynamics become more forceful and ECB QE is coming to an end.
Romania (BNR)	Excess liquidity remains high, so no end to procyclical policies yet. Verbal interventions by the BNR might point to tightening stance in 2017 going forward, however, especially if FX volatility was to increase (e. g. triggered by fiscal/political risks).
Serbia (NBS)	NBS lowered inflation target range by 1pp to 3% +/- 1.5 pp last year and has likely ended MP easing due expected acceleration in CPI inflation in the next few months. External risks in terms of Fed uncertainty, in light of the high share of USD-based investors in RSD bonds, might have eased somewhat.
Russia (CBR)	Rule-based FX interventions announced recently in order to hinder RUB from further appreciation underscores our case of re-starting rate cuts in Q1. Policy makers get increasingly confident in terms of current oil price levels but CBR continues highlighting need for cautious stance.
Turkey (TCMB)	TCMB widened o/n interest rate corridor by 75bp most recently through hike to o/n lending rate (o/n rate corridor now at 7.25%-9.25%). Late-liquidity window, in which local borrowers were forced most recently after 1w repo auctions were suspended, was also hiked by 1 pp to 11%. However, 1w repo rate remained untouched. Although weighted average costs of funding (WACF) increased by around 80bp to 9.1% during the past few weeks, we expect TCMB to put more wood on the fire in order to stabilise TRY more sustainably, especially in light of ongoing US MP tightening.

Source: RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	Feb	Mar
Poland (NBP)	8	8
Hungary (MNB)	28	28
Czech Republic (CNB)	2	30
Romania (BNR)	7	
Serbia (NBS)	14	14
Russia (CBR)	3	24
Turkey (TCMB)	n.a.	n.a.

Source: National Central Banks, RBI/Raiffeisen RESEARCH

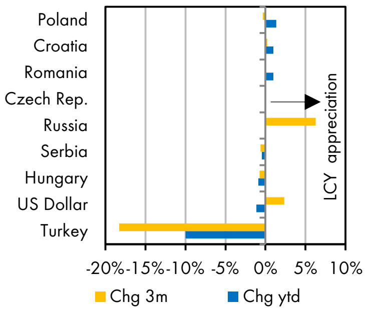
Foreign exchange market overview

FX forecasts

EUR vs	current*	Mar-17	Jun-17	Sep-17	5y high	5y low	Comment
PLN	4.345	4.40	4.45	4.40	4.40	4.08	The zloty managed to strengthen further during the past week, but has by now exploited its short-term appreciation potential in our view
HUF	311.7	310	315	310	316	291	The forint re-entered the old trading range of 310-315 as expected, we basically project it to remain in this range throughout 2017
CZK	27.02	27.0	27.0	27.0	27.7	25.1	CNB wording did not change regarding abandoning of FX regime in mid-2017; inflation expectations key; CNB board also discussing negative rates
RON	4.498	4.45	4.50	4.45	4.54	4.45	EUR/RON remaining stable despite risks surrounding the public budget deficit plan for 2017
HRK	7.484	7.55	7.47	7.50	7.66	7.55	Possible decline in EUR/HRK due to stronger holiday demand and inflow of foreign exchange from beginning of low season
RSD	123.9	123	123	124	125	112	Uncertainty over presidential elections weigh on RSD, markets looking on determination of central bank to stabilize movement
RUB	64.40	65.5	63.2	61.2	79.3	40.3	see USD/RUB below
UAH	29.00	29.1	27.5	27.5	29.4	10.6	see USD/UAH below
BYN	2.070	2.24	2.30	2.35	2.47	1.13	see USD/BYN below
TRY	4.122	3.95	3.88	3.77	3.89	2.35	see USD/TRY below
USD	1.067	1.04	1.02	1.02	1.38	1.05	Expectation on further US Fed rate hikes to support USD against euro
USD vs	**current***	**Mar-17**	**Jun-17**	**Sep-17**	**5y high**	**5y low**	
RUB	60.36	63.0	62.0	60.0	73.0	30.5	Rouble setback due to FX intervention announcement, measures are aimed at preventing too strong RUB and volatility
UAH	27.18	28.0	27.0	27.0	28.0	8.05	Key rate kept stable after recent rise in FX volatility and growing risk of price stability
BYN	1.941	2.15	2.25	2.30	2.35	0.86	From July 2016 the old Belarusian rouble (BYR) was replaced by a new BYN at a ratio of 10,000:1; it is the third denomination of the local currency after 1994 and 2000; overall depreciation trend in BYN expected to continue on weak fundamentals
TRY	3.864	3.80	3.80	3.70	3.70	1.78	Central Bank measures not adequate to stabilize the lira, markets are looking for additional central bank support

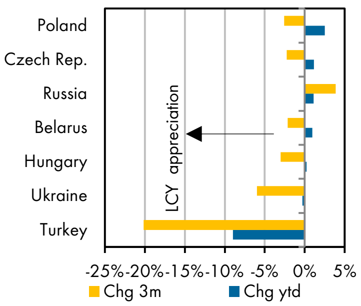
** as of 26 January 2017, 11:59 p.m. CET*
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



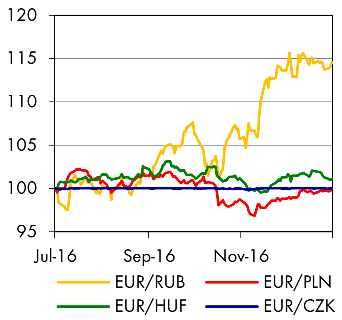
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Exchange rate comparison

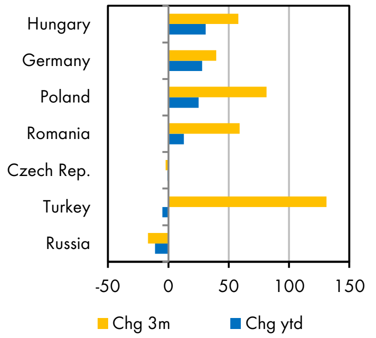


Indexed 26 Jul-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Please note the risk notifications and explanations at the end of this document

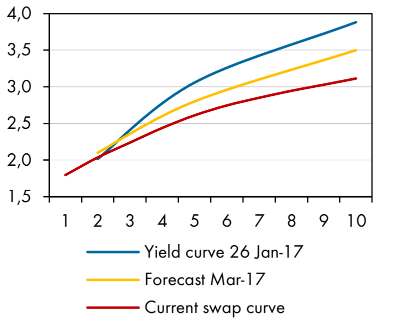
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



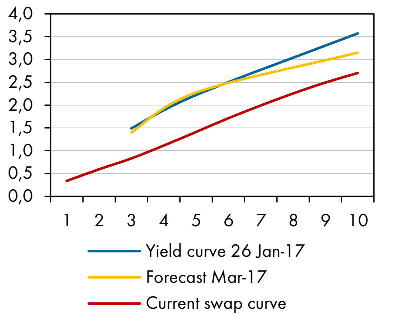
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



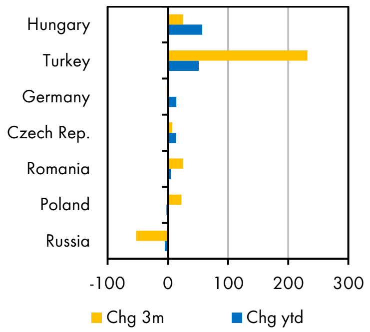
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



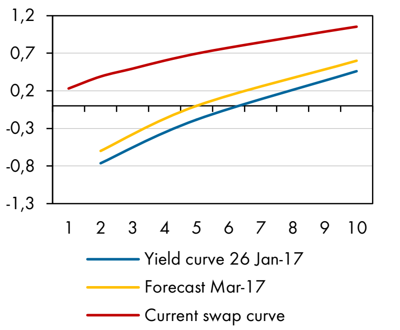
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



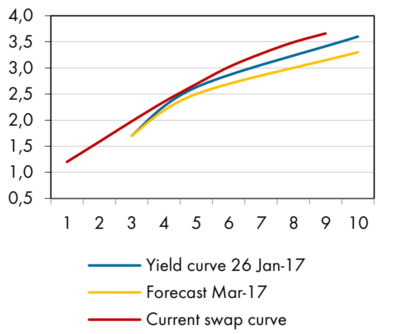
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



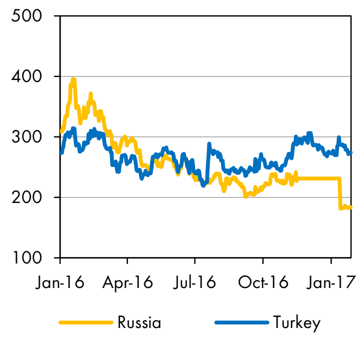
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



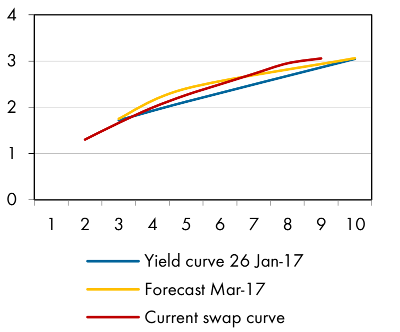
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



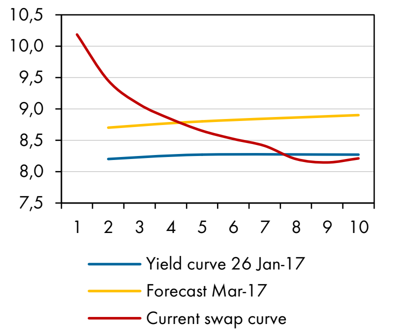
Turkey 5y high 327.1, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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 (%)	current*	Mar-17	Jun-17	Sep-17	5y high	5y low
Poland	2.01	2.1	2.2	2.2	3.1	1.6
Hungary **	1.49	1.4	1.5	1.6	5.7	0.9
Czech Republic	-0.76	-0.6	-0.7	-0.6	0.5	-0.9
Romania	1.70	1.7	1.8	1.9	7.1	1.1
Croatia	1.72	1.8	1.8	1.9	6.9	0.9
Russia	8.20	8.7	8.7	8.5	15.8	6.2
Turkey	11.21	11.0	11.5	11.0	11.0	6.1
Germany	-0.66	-0.7	-0.7	-0.7	0.2	-0.8
USA	1.21	1.3	1.4	1.4	1.5	0.2

10y T-bond yields (%)	current*	Mar-17	Jun-17	Sep-17	5y high	5y low
Poland	3.88	3.5	3.6	3.7	4.3	2.5
Hungary	3.57	3.2	3.2	3.3	6.2	3.3
Czech Republic	0.46	0.6	0.6	0.5	2.5	0.5
Romania	3.60	3.3	3.4	3.5	6.9	3.5
Croatia	3.05	3.1	3.1	3.2	5.2	3.1
Russia	8.27	8.9	8.8	8.7	14.1	6.9
Turkey	11.04	11.6	11.8	11.6	11.5	6.6
Germany	0.49	0.5	0.5	0.5	1.9	0.1
USA	2.51	2.7	2.5	2.7	3.0	1.8

** Bid yields as of 26 January 2017, 11:59 p.m. CET; ** 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	25/04/2019	0.00	95.17	2.24	290	2.2	Another moderate yield increase makes POLGBs attractive in our view as most of UST repricing might be concluded for now and local rate hike expectations should ease further. We keep PL on tactical Buy.
PLN 5y Gov. Bond	25/04/2022	2.25	95.32	3.24	360	4.9	
PLN 10y Gov. Bond	25/07/2027	2.50	87.80	3.94	347	9.1	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	98.45	1.44	210	3.6	HGBs remained quite stable and we see still room for further gains at the back end of the curve (bull flattening). Bond-market-supporting CB measures and the state-led improvement of growth prospects are helping and should keep the appeal of HUF government assets alive.
HUF 5y Gov. Bond	26/10/2022	1.75	97.71	2.18	254	5.5	
HUF 10y Gov. Bond	27/10/2027	3.00	95.32	3.53	306	9.2	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	112.12	-0.55	11	2.1	Long-end CZGB yield spread over Bunds more or less non-existent at the moment due to hefty speculative positioning for an earlier CZKexit triggered by the surge in Dec. headline CPI. Since we expect EUR/CZK cap policy exit only as early as H2, we bet on a renewed disappointment for speculators as witnessed several times in the past.
CZK 5y Gov. Bond	29/09/2021	3.85	119.02	-0.20	16	4.3	
CZK 10y Gov. Bond	26/06/2026	1.00	105.00	0.46	-2	9.0	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	105.98	1.06	142	1.4	Next week on domestic market we expect a continuation of higher volumes due to announced new
HRK 10y Gov. Bond	14/12/2026	4.25	111.09	2.95	247	8.3	
Romania							
RON 2y Gov. Bond	17/01/2018	3.25	101.98	1.17	183	1.0	Fiscal risks in post-election period are set to continue weighing on longer-end ROMGBs with ECB support and FED risks currently balancing each other.
RON 5y Gov. Bond	22/03/2021	3.25	102.55	2.59	295	3.8	
RON 10y Gov. Bond	24/02/2025	4.75	108.29	3.55	308	6.7	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	98.86	8.27	892	1.9	Announced CBR RUB weakening interventions coupled with deteriorating supply-demand dynamics amidst tight valuations set the stage for a moderate s/t correction on the OFZ market. However, l/t outlook still favorable mainly due to resumed rate cuts.
RUB 5y Gov. Bond	18/08/2021	7.50	97.70	8.28	864	3.9	
RUB 10y Gov. Bond	03/02/2027	8.15	100.20	8.29	782	6.7	
Turkey							
TRY 2y Gov. Bond	11/07/2018	8.70	96.20	11.21	1186	1.4	Under the assumption that TCMB will put more coal on the fire as January's action was only half-hearted and US Fed tail risks remain in place, we upgraded TURKGBs from Sell to opportunistic Hold.
TRY 5y Gov. Bond	22/09/2021	9.20	92.90	11.19	1155	3.8	
TRY 10y Gov. Bond	11/02/2026	10.60	96.98	11.13	1066	5.6	

Data as of 27 January 2017, 09:45 a.m. CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

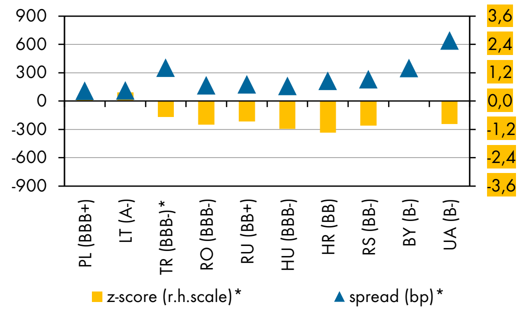
Bond auctions

		ISIN	Coupon	Maturity	Volume
01 February 2017					
RU	T-bonds	n.a.	n.a.	n.a.	n.a.
AL	5y T-bonds	n.a.	n.a.	n.a.	n.a.
02 February 2017					
HU	T-bonds	n.a.	n.a.	n.a.	n.a.
PL	T-bonds	n.a.	n.a.	n.a.	n.a.
CZ	3m T-bills	n.a.	n.a.	05.05.2017	max. CZK 5 bn

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

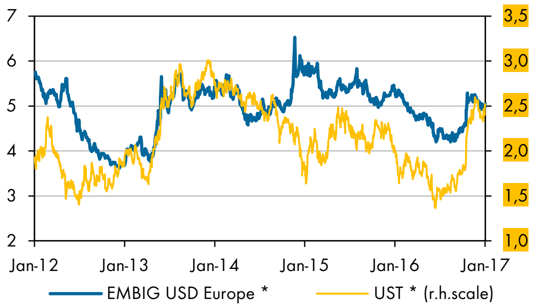
Eurobond market overview

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 4 1/4 07/09/17	101.9	102.2	0.05	111.8	100.3	-0.44	12	0.4	XS0802005289
CROATI 5 7/8 07/09/18	108.4	108.6	0.03	112.1	92.4	-0.04	57	1.4	XS0645940288
REPHUN 3 7/8 02/24/20	111.0	111.5	-0.11	113.1	74.9	0.19	80	2.9	XS0212993678
REPHUN 4 3/8 07/04/17	101.9	102.1	-0.15	108.0	82.4	-0.35	20	0.4	XS0284810719
REPHUN 5 3/4 06/11/18	107.8	108.1	-0.09	115.1	84.5	-0.09	51	1.3	XS0369470397
REPHUN 6 01/11/19	111.2	112.2	-0.11	118.4	86.4	-0.01	64	1.9	XS0625388136
LITHUN 4.85 02/07/18	105.1	105.4	-0.12	114.3	99.4	-0.27	29	1.0	XS0327304001
POLAND 5 5/8 06/20/18	107.9	108.2	-0.28	122.6	102.1	-0.18	42	1.3	XS0371500611
POLAND 1 5/8 01/15/19	103.3	103.7	0.01	105.5	98.0	-0.14	52	1.9	XS0874841066
POLAND 3 3/4 01/19/23	118.0	118.8	-0.21	125.5	99.9	0.61	77	5.5	XS0794399674
POLAND 3 3/8 07/09/24	116.6	117.4	-0.27	125.6	99.6	0.99	94	6.6	XS0841073793
ROMANI 4 7/8 11/07/19	112.9	113.3	-0.13	117.8	99.3	0.13	78	2.6	XS0852474336
TURKEY 5 7/8 04/02/19	109.2	109.4	0.17	118.9	102.0	1.48	214	2.0	XS0285127329
TURKEY 5 1/8 05/18/20	107.9	108.3	0.19	115.9	96.5	2.52	310	2.9	XS0503454166
USD									
BELRUS 8.95 01/26/18	102.7	103.5	-0.40	111.2	78.0	5.70	489	0.9	XS0583616239
CROATI 6 3/8 03/24/21	109.4	109.9	-0.18	117.8	91.7	3.84	207	3.6	XS0607904264
CROATI 5 1/2 04/04/23	106.3	106.8	-0.06	111.7	94.4	4.28	211	5.2	XS0908769887
REPHUN 5 3/8 02/21/23	109.2	109.6	-0.27	115.4	93.1	3.63	147	5.1	US445545AH91
REPHUN 7 5/8 03/29/41	138.9	140.0	-1.18	157.5	87.4	4.84	190	12.7	US445545AF36
LITHUN 7 3/8 02/11/20	113.7	114.4	-0.04	130.7	107.6	2.53	102	2.7	XS0485991417
LITHUN 6 5/8 02/01/22	116.1	116.6	-0.21	128.6	101.0	3.07	110	4.2	XS0739988086
LATVIA 2 3/4 01/12/20	101.0	101.6	-0.03	104.5	91.4	2.29	80	2.8	XS0863522149
LATVIA 5 1/4 06/16/21	110.6	111.2	-0.22	117.2	92.4	2.60	78	3.9	XS0638326263
POLAND 6 3/8 07/15/19	110.6	110.9	-0.12	125.9	109.0	1.88	51	2.3	US731011AR30
POLAND 3 03/17/23	98.2	98.6	-0.16	105.1	87.6	3.30	112	5.5	US731011AT95
ROMANI 6 3/4 02/07/22	114.3	114.6	-0.22	124.4	99.2	3.58	160	4.2	US77586TAA43
ROMANI 4 3/8 08/22/23	103.3	103.7	-0.44	111.1	90.8	3.77	152	5.6	US77586TAC09
RUSSIA 4 1/2 04/04/22	104.0	104.5	0.07	114.7	82.0	3.59	159	4.5	XS0767472458
RUSSIA 7 1/2 03/31/30	119.8	120.2	-0.13	128.6	99.6	2.46	-14	3.8	XS0114288789
RUSSIA 5 5/8 04/04/42	107.8	108.5	-0.62	124.9	76.0	5.05	210	13.6	XS0767473852
SERBIA 5 1/4 11/21/17	102.2	102.7	0.09	107.1	96.8	2.13	140	0.8	XS0856951263
SERBIA 4 7/8 02/25/20	102.6	103.2	-0.13	105.4	89.6	3.87	236	2.8	XS0893103852
TURKEY 6 1/4 09/26/22	104.1	104.6	0.26	127.0	102.5	5.35	326	4.6	US900123BZ27
TURKEY 6 7/8 03/17/36	102.3	102.8	0.25	139.6	99.2	6.64	385	10.4	US900123AY60
TURKEY 6 3/4 05/30/40	100.4	101.2	0.11	139.4	97.3	6.68	377	11.6	US900123BG46
UKRAIN 7 3/4 09/01/19	100.0	100.5	0.18	102.3	88.0	7.64	625	2.2	XS1303918269
UKRAIN 7 3/4 09/01/23	96.3	96.7	-0.32	99.9	84.6	8.45	621	4.9	XS1303921487
UKRAIN 7 3/4 09/01/27	94.0	94.5	-0.13	98.4	81.2	8.59	606	6.8	XS1303927179

YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 27 Jan 2017, 9:35 AM CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Summary: Ratings & macro data

Country ratings: CE, SEE, EE

	S&P			Moody's			Fitch		
	LCY	FCY	Outlook	LCY	FCY	Outlook	LCY	FCY	Outlook
CE									
Poland	A-	BBB+	stable	A2	A2	negative	A	A-	stable
Hungary	BBB-	BBB-	stable	Baa3	Baa3	stable	BBB-	BBB-	stable
Czech Republic	AA	AA-	stable	A1	A1	stable	AA-	A+	stable
Slovakia *	A+	A+	stable	A2	A2	stable	A+	A+	stable
Slovenia *	A	A	positive	Baa3	Baa3	positive	A-	A-	stable
SEE									
Romania	BBB-	BBB-	stable	Baa3	Baa3	positive	BBB	BBB-	stable
Bulgaria	BB+	BB+	stable	Baa2	Baa2	stable	BBB	BBB-	stable
Croatia	BB	BB	stable	Ba2	Ba2	negative	BB+	BB	negative
Serbia	BB-	BB-	positive	B1	B1	positive	BB-	BB-	stable
EE									
Russia	BBB-	BB+	stable	Ba1	Ba1	negative	BBB-	BBB-	stable
Ukraine	B-	B-	stable	Caa3	Caa3	stable	B-	B-	stable
Belarus	B-	B-	stable	Caa1	Caa1	stable	B-	B-	stable
Kazakhstan	BBB-	BBB-	negative	Baa3	Baa3	negative	BBB	BBB	stable
Turkey	BB+	BB	stable	Ba1	Ba1	stable	BBB-	BBB-	negative

** Euro area (Euro currency) members; positive rating/outlook changes (in previous week) in green, negative changes in red*
Source: rating agencies websites

Main macro data & forecasts*

Country	Year*	GDP, % avg. yoy	CPI, % avg. yoy	Unem-ployment, %	Nominal wages, EUR	Fiscal balance, % GDP	Public debt, % GDP	Export **, % GDP	C/A, % GDP	Ext. Debt, % GDP	FXR***% ext. debt	Import cover, months
Croatia	2016	2.7	-1.2	13.6	1030	-2.4	85.3	24.3	3.1	96.5	30.9	9.1
	2017f	2.8	1.3	12.5	1047	-2.9	84.5	24.1	2.5	94.0	30.3	8.8
	2018f	2.8	2.2	11.2	1067	-2.8	82.9	23.8	2.2	91.5	29.8	8.6
Czech Rep.	2016	2.5	0.7	5.6	1020	0.0	39.2	70.0	2.4	73.0	63.5	8.4
	2017f	2.7	2.0	5.3	1073	-0.2	38.2	69.8	1.5	77.1	71.5	10.0
	2018f	2.5	2.0	5.3	1176	0.0	37.0	69.3	1.2	73.9	69.5	9.4
Hungary	2016	2.3	0.3	5.3	847	-1.5	74.1	83.8	3.5	97.8	22.2	3.4
	2017f	3.2	2.5	4.5	937	-2.5	73.4	82.7	3.2	89.0	22.5	3.2
	2018f	3.4	3.0	4.1	1010	-3.0	72.6	82.2	2.9	83.2	21.1	2.8
Poland	2016	2.5	-0.6	9.0	930	-2.5	52.2	41.4	-0.5	74.3	34.3	7.4
	2017f	3.0	1.1	8.3	964	-3.1	53.3	41.6	-0.8	77.2	28.8	6.4
	2018f	2.5	2.0	8.2	1019	-3.4	54.9	n.a.	-1.1	77.5	27.4	n.a.
Romania	2016	4.7	-1.6	6.1	642	-2.5	38.2	30.5	-2.6	54.5	41.2	7.4
	2017f	3.6	1.2	5.8	700	-3.2	39.3	30.8	-3.3	53.1	40.0	6.8
	2018f	3.0	2.4	5.7	732	-3.0	40.2	32.2	-3.5	53.6	38.3	6.2
Russia	2016	-0.5	7.2	6.0	476	-4.4	13.5	23.0	2.1	40.7	80.6	25.6
	2017f	1.0	5.4	6.0	587	-3.3	14.0	24.6	5.2	32.6	86.0	22.4
	2018f	1.5	5.2	6.0	594	-2.4	14.5	23.7	5.7	27.0	98.0	21.3
Ukraine	2016	1.0	13.3	9.0	n.a.	-3.5	77.5	36.3	-3.3	133.4	13.6	5.0
	2017f	2.0	10.7	9.0	n.a.	-4.0	78.4	36.3	-4.7	126.6	14.5	5.0
	2018f	3.0	7.5	8.5	n.a.	-3.0	73.0	35.0	-3.9	119.6	14.6	5.0
Turkey	2016	2.0	7.6	10.0	n.a.	-2.0	32.0	21.7	-5.2	57.5	27.1	6.5
	2017f	2.0	8.0	10.3	n.a.	-2.5	33.0	26.0	-6.3	66.3	25.7	6.0
	2018f	3.5	7.5	10.0	n.a.	-1.8	32.0	n.a.	-4.9	63.5	22.1	n.a.

** only for countries included in CEE Weekly, ** Export of goods only, *** FXR - Foreign exchange reserves*
Source: Thomson Reuters, National Statistics, RBI/Raiffeisen RESEARCH

Please note the risk notifications and explanations at the end of this document

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.

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.

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
This analysis by Raiffeisen Bank International AG ("RBI") is presented to you by Kathrein Privatbank Aktiengesellschaft. Supervisory authority: Austrian Financial Market Authority FMA, Otto-Wagner-Platz 5, A-1090 Vienna and National Bank of Austria, Josefsplatz 1, 1015 Vienna. Additionally, Raiffeisen Bank International AG is subject to supervision by the European Central Bank (ECB), which ECB undertakes within the Single Supervisory Mechanism (SSM), which consists of the ECB on national responsible authorities (Council Regulation (EU) No 1024/2013).

Bonds

Distribution of short term recommendations (preceding 3 months prior to this publication)	
Recommendation	Basis: all analysed Government bonds
Buy	18%
Hold	64%
Sell	18%
Not rated	0%

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

Date	10Y Czech Rep.	10Y Hungary	10Y Poland	10Y Romania	10Y Russia	10Y Turkey
25/01/2017	Hold	Buy	Buy	Hold	Hold	Hold
24/01/2017	|	|	|	|	|	|
15/12/2016	Hold	Buy	Buy	Hold	Hold	Sell
28/11/2016	|	|	|	|	|	|
24/11/2016	|	|	|	|	Hold	|
21/10/2016	|	|	|	|	|	|
26/09/2016	|	|	|	|	|	|
23/09/2016	Hold	Hold	Hold	Hold	Buy	Sell
26/08/2016	|	|	|	|	|	|
25/08/2016	Hold	Buy	Hold	Hold	Buy	Sell
29/07/2016	Hold	Buy	Hold	Hold	Buy	Sell
27/07/2016	|	|	|	|	|	|
21/07/2016	|	|	|	|	|	Sell
20/06/2016	Hold	Buy	Hold	Hold	Buy	Buy
31/05/2016	Hold	Buy	Hold	Hold	Buy	Buy
13/05/2016	|	|	|	|	|	|
26/04/2016	Hold	Buy	Hold	Hold	Hold	Hold
20/04/2016	|	|	|	|	|	|
30/03/2016	|	|	|	|	|	|
29/03/2016	|	|	|	|	|	|
24/03/2016	Hold	Buy	Hold	Hold	Hold	Sell
17/03/2016	|	|	|	|	|	|
23/02/2016	Buy	Buy	Hold	Hold	Hold	Hold
11/02/2016	Buy	Buy	Hold	Hold	Hold	Hold

Date	2Y Czech. Rep.	2Y Poland	2Y Russia	2Y Turkey	BG EUROBOND EUR	BY EUROBOND USD
25/01/2017	Hold	Hold	Hold	Hold	|	|
24/01/2017	|	|	|	|	|	Hold
15/12/2016	Hold	Hold	Buy	Sell	|	|
28/11/2016	|	|	|	|	Hold	|
24/11/2016	|	|	Hold	|	|	|
21/10/2016	|	|	|	|	|	Sell
26/09/2016	|	|	|	|	Buy	|
23/09/2016	Hold	Hold	Buy	Sell	|	|
26/08/2016	|	|	|	|	|	|
25/08/2016	Hold	Hold	Buy	Sell	|	|
29/07/2016	Hold	Hold	Buy	Sell	Hold	|
27/07/2016	|	|	|	|	|	|
21/07/2016	|	|	|	Sell	|	|
20/06/2016	Hold	Hold	Buy	Buy	Buy	Hold
31/05/2016	Hold	Hold	Buy	Buy	|	|
13/05/2016	|	|	|	|	Hold	Hold
26/04/2016	Hold	Hold	Hold	Hold	Hold	Hold
20/04/2016	|	|	|	|	Buy	Hold
30/03/2016	|	|	|	|	|	Hold
29/03/2016	|	|	|	|	Buy	Hold
24/03/2016	Hold	Hold	Hold	Sell	Hold	Hold
17/03/2016	|	|	|	|	Hold	|
23/02/2016	Hold	Hold	Hold	Hold	Hold	Hold
11/02/2016	Hold	Buy	Hold	Hold	|	|

Date	CZ EUROBOND EUR	HR EUROBOND EUR	HR EUROBOND USD	HU EUROBOND EUR	HU EUROBOND USD	KZ EUROBOND USD
25/01/2017	|	|	|	|	|	|
24/01/2017	|	|	|	|	|	Hold
15/12/2016	|	|	Hold	|	|	|
28/11/2016	|	Hold	|	|	|	Buy
24/11/2016	|	|	|	|	|	|
21/10/2016	|	|	|	|	|	|
26/09/2016	|	Buy	Sell	|	|	|
23/09/2016	|	|	|	|	|	|
26/08/2016	|	|	|	|	|	Hold
25/08/2016	|	|	|	|	|	|
29/07/2016	|	|	|	Hold	Hold	Buy
27/07/2016	|	|	|	|	|	|
21/07/2016	|	|	|	|	|	|
20/06/2016	Hold	Sell	Sell	Buy	Buy	Hold
31/05/2016	|	|	|	|	|	|
13/05/2016	Hold	Hold	Hold	Hold	Hold	Hold
26/04/2016	Hold	Hold	Hold	Hold	Hold	Hold
20/04/2016	Hold	Hold	Hold	Hold	Hold	Buy
30/03/2016	|	|	|	|	|	|
29/03/2016	Hold	Hold	Hold	Hold	Hold	Buy
24/03/2016	Hold	Hold	Hold	Hold	Hold	Buy
17/03/2016	Hold	Hold	Hold	Buy	Buy	Buy
23/02/2016	Hold	Hold	Hold	Buy	Buy	Buy
11/02/2016	|	|	|	|	|	|

Date	LT EUROBOND EUR	LT EUROBOND USD	MK EUROBOND EUR	PL EUROBOND EUR	PL EUROBOND USD	RO EUROBOND EUR
25/01/2017	|	|	|	|	|	|
24/01/2017	Buy	|	|	|	|	|
15/12/2016	|	Buy	Hold	|	|	Hold
28/11/2016	|	|	|	Hold	|	Buy
24/11/2016	|	|	|	|	|	|
21/10/2016	|	|	|	|	|	|
26/09/2016	|	|	|	Buy	|	|
23/09/2016	|	|	|	|	|	|
26/08/2016	|	|	|	|	|	|
25/08/2016	|	|	|	Hold	Hold	|
29/07/2016	|	|	|	|	|	Hold
27/07/2016	|	|	Buy	|	|	|
21/07/2016	|	|	|	|	|	|
20/06/2016	Hold	Hold	Hold	Sell	Sell	Sell
31/05/2016	|	|	|	|	|	|
13/05/2016	Hold	Hold	Hold	Sell	Sell	Hold
26/04/2016	Hold	Hold	Hold	Sell	Sell	Hold
20/04/2016	Buy	Hold	Hold	Buy	Hold	Hold
30/03/2016	|	|	|	|	|	|
29/03/2016	Buy	Hold	Buy	Buy	Hold	Hold
24/03/2016	Hold	Hold	Buy	Buy	Buy	Hold
17/03/2016	Hold	Hold	Buy	Buy	Buy	Hold
23/02/2016	Hold	Hold	Buy	Buy	Buy	Hold
11/02/2016	|	|	|	|	|	|

Date	RO EUROBOND USD	RS EUROBOND USD	RU EUROBOND EUR	RU EUROBOND USD	SI EUROBOND EUR	SI EUROBOND USD
25/01/2017	|	|	|	|	|	|
24/01/2017	|	Hold	|	|	|	|
15/12/2016	|	|	Hold	|	|	|
28/11/2016	|	|	Sell	Sell	|	Hold
24/11/2016	|	|	|	|	|	|
21/10/2016	|	|	|	|	|	|
26/09/2016	|	Buy	|	|	|	|
23/09/2016	|	|	|	|	|	|
26/08/2016	|	Hold	Hold	Hold	Hold	|
25/08/2016	|	|	|	|	|	|
29/07/2016	Hold	|	Buy	Buy	|	|
27/07/2016	|	|	|	|	|	|
21/07/2016	|	|	|	|	|	|
20/06/2016	Sell	Buy	Hold	Hold	Buy	Buy
31/05/2016	|	|	|	|	|	|
13/05/2016	Hold	Buy	Hold	Hold	Buy	Buy
26/04/2016	Hold	Buy	Hold	Hold	Buy	|
20/04/2016	Hold	Hold	Hold	Hold	Buy	|
30/03/2016	|	|	|	|	|	|
29/03/2016	Hold	Hold	Hold	Hold	Buy	|
24/03/2016	Hold	Hold	Hold	Hold	Buy	|
17/03/2016	Hold	Hold	Hold	Hold	Buy	|
23/02/2016	Hold	Hold	Buy	Buy	Buy	|
11/02/2016	|	|	|	|	|	|

<table>
<tr><th>Date</th><th>SK EUROBOND EUR</th><th>TR EUROBOND EUR</th><th>TR EUROBOND USD</th><th>UA EUROBOND USD</th></tr>
<tr><td>25/01/2017</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>24/01/2017</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>15/12/2016</td><td>|</td><td>|</td><td>|</td><td>Sell</td></tr>
<tr><td>28/11/2016</td><td>|</td><td>Hold</td><td>Hold</td><td>Hold</td></tr>
<tr><td>24/11/2016</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>21/10/2016</td><td>|</td><td>Buy</td><td>Buy</td><td>Buy</td></tr>
<tr><td>26/09/2016</td><td>|</td><td>Hold</td><td>Hold</td><td>|</td></tr>
<tr><td>23/09/2016</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>26/08/2016</td><td>Hold</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>25/08/2016</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>29/07/2016</td><td>Sell</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>27/07/2016</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>21/07/2016</td><td>|</td><td>Sell</td><td>Sell</td><td>|</td></tr>
<tr><td>20/06/2016</td><td>Hold</td><td>Buy</td><td>Hold</td><td>Hold</td></tr>
<tr><td>31/05/2016</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>13/05/2016</td><td>Hold</td><td>Hold</td><td>Hold</td><td>Hold</td></tr>
<tr><td>26/04/2016</td><td>Hold</td><td>Buy</td><td>Buy</td><td>Hold</td></tr>
<tr><td>20/04/2016</td><td>Hold</td><td>Buy</td><td>Buy</td><td>Hold</td></tr>
<tr><td>30/03/2016</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
<tr><td>29/03/2016</td><td>Hold</td><td>Buy</td><td>Buy</td><td>Hold</td></tr>
<tr><td>24/03/2016</td><td>Hold</td><td>Buy</td><td>Buy</td><td>Sell</td></tr>
<tr><td>17/03/2016</td><td>Hold</td><td>Buy</td><td>Buy</td><td>Sell</td></tr>
<tr><td>23/02/2016</td><td>Hold</td><td>Buy</td><td>Buy</td><td>Sell</td></tr>
<tr><td>11/02/2016</td><td>|</td><td>|</td><td>|</td><td>|</td></tr>
</table>

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), 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 of 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-Marktmissbrauchs-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: Wolfgang ERNST, RBI Vienna

Producer of this publication
Raiffeisen Bank International AG
Am Stadtpark 9, A-1030 Vienna

Creation time of this publication: 27/01/2017 12:55 PM (CET)
First Dissemination of this publication: 27/01/2017 12:56 PM (CET)

Raiffeisen Bank International AG (Raiffeisen RESEARCH Team)
Global Head of Research: Peter BREZINSCHEK

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

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