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Peter Brezinschek
Chief analyst Raiffeisen RESEARCH

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Market snapshot

	curr.*	Dec-17	Mar-18	Jun-18
Poland				
EUR/PLN	4.315	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
Hungary				
EUR/HUF	311.1	310	310	310
Key rate	0.90	0.90	0.90	0.90
10y bond	2.7	2.7	2.8	3.0
Czech Republic				
EUR/CZK	26.03	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
Romania				
EUR/RON	4.602	4.65	4.60	4.60
Key rate	1.75	1.75	2.00	2.25
10y bond	4.2	3.9	4.1	4.4
Croatia				
EUR/HRK	7.496	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
Russia				
USD/RUB	57.94	58.0	58.0	58.0
Key rate	8.50	8.25	8.00	7.75
10y bond	7.6	7.9	7.8	7.8
Turkey				
USD/TRY	3.560	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	1.179	1.18	1.15	1.20

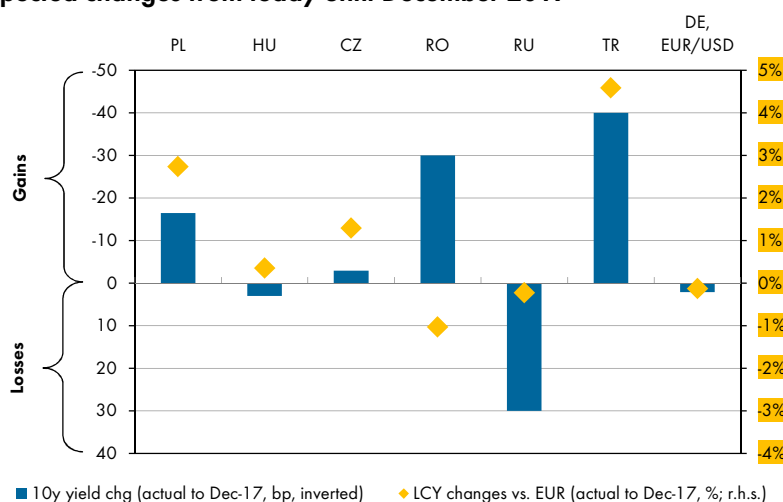
* prices as of 28 September 2017, 11:59 p.m. CEST
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

Romania's money market started to show signs of normalisation. Given the considerable rate increases in the past two weeks, the Romanian central bank (BNR) could opt for keeping rates unchanged at next Tuesday's regular rate setting meeting. According to our long-held call, monetary policy normalisation in Romania should gain traction going forward with a first hike to the depo rate expected in November and to the key rate in Q1 2018. This, coupled with ongoing economic policy uncertainty, are the major reasons for us to expect further ROMGB underperformance vs regional peers in the months ahead. However, the NBR joins the Czech protagonists in terms of monetary policy normalisation who started to hike the key rate in August. At this week's MPC meeting, though, the CNB paused the rate hiking cycle in a close call, but the next rate increase is likely at the November meeting when CNB board members will have the new staff projections at their disposal. Nevertheless, the CNB highlighted the importance of the CZK exchange rate level for future monetary policy decisions. In Poland, today's annual flash CPI should show a moderate increase but stay in the monetary policy neutral zone. Next week's focus should remain directed on the political scene regarding the judiciary reforms and the related tensions with the EU. We currently do not see the light at the end of the tunnel, so the moderate pressure on PLN assets could remain in place. We will also monitor PMI releases next week where we basically expect the moderation in levels to continue, from, nota bene, high levels. The overall favorable economic backdrop in the broader CEE universe should therefore remain in place. Hungary, finally, surprised with the announcement to return to the Eurobond primary market. The debt managers plan to sell in EUR and buy back as much as USD 1.2 bn of existing USD denominated debt. That said the issuance of the 10y EUR benchmark paper will not change government debt and/or the share of FCY debt. It will, however, reduce refinancing costs and lengthen the average maturity of the ÁKK FCY portfolio. Given the latest surprise rating outlook upgrade and other supportive topics, prospects for a successful sale appear favourable.

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

Expected changes from today until December 2017



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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Content

Highlight/Upcoming data	p. 1
Data releases, Country coverage	p. 2
Monetary policy, money markets	p. 4
FX markets	p. 5
Local currency bond markets	p. 6
Eurobond market	p. 8
Ratings, main macro forecasts	p. 9

Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
29-Sep	PL: CPI, % yoy	Sep	2.0	2.1	2.0	1.7	1.8
03-Oct	RO: Key rate, %	Oct	1.75	n.a.	n.a.	n.a.	1.75
04-Oct	PL: Key rate, %	Oct	1.50	1.50	1.50	1.50	1.50
05-Oct	RU: CPI, % yoy	Sep	n.a.	3.4	3.2	3.1	3.3

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
Wednesday 27 September					Friday 29 September						
HU: Unemployment rate, %	Aug	4.2	4.1	4.2	RS: Industrial output, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	4.2
CZ: Key rate, %	Sep	0.25	n.a.	0.25	RS: Retail sales, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	4.1
Friday 29 September					PL: CPI, % yoy	Sep	2.0	2.1	2.0	1.7	1.8
SI: CPI, % yoy	Sep	1.4	n.a.	1.2	Monday 02 October						
SI: Retail sales, % yoy	Aug	7.5	n.a.	10.0	RO: Unemployment rate, %	Aug	n.a.	n.a.	n.a.	n.a.	5.2
HR: Industrial output, % yoy	Aug	3.2	2.2	2.5	RU: PMI, points	Sep	n.a.	n.a.	n.a.	n.a.	51.6
HR: Retail sales real, % yoy	Aug	6.4	5.2	5.9	HU: PMI, points	Sep	n.a.	n.a.	n.a.	n.a.	56.6
					PL: PMI, points	Sep	n.a.	53.7	53.0	52.2	52.5
					CZ: PMI, points	Sep	55.7	56.1	55.1	54.2	54.9
					Tuesday 03 October						
					RO: Key rate, %	Oct	1.75	n.a.	n.a.	n.a.	1.75
					TR: CPI, % yoy	Sep	n.a.	n.a.	n.a.	n.a.	10.7
					Wednesday 04 October						
					PL: Key rate, %	Oct	1.50	1.50	1.50	1.50	1.50
					UA: FX reserves, USD mln	Sep	19,000	19,000	18,700	17,900	18,035
					RU: PMI Services, points	Sep	n.a.	n.a.	n.a.	n.a.	54.2
					RU: PMI Composite, points	Sep	n.a.	n.a.	n.a.	n.a.	54.2
					RO: Retail sales, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	8.2
					HU: Retail sales, % yoy	Aug	5.5	n.a.	n.a.	n.a.	4.2
					SK: Retail sales, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	4.9
					Thursday 05 October						
					RU: CPI, % yoy	Sep	n.a.	3.4	3.2	3.1	3.3
					Friday 06 October						
					CZ: Trade balance, CZK bn	Aug	4.9	5.0	5.0	4.5	-2.1
					CZ: Retail sales, % yoy	Aug	4.3	n.a.	n.a.	n.a.	2.5
					HU: Industrial output, % yoy	Aug	1.5	n.a.	n.a.	n.a.	0.2

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Croatia (HR) – In these past days, lacking any important macroeconomic data, the highlight of the week were the most recent results of the “Global Competitiveness Report, 2017-2018”. In this year’s report Croatia remained at the 74th place (out of 137), and is stagnating with the grade of 4.19. The latter is, above all, a consequence of the still slow implementation of structural reforms that are critical for long-term, sustainable economic development. Furthermore, the areas in which intensive reforms are required have become even clearer, especially in the factors of institutions, in which Croatia’s ranking fell by 13 places. On the other side, this year’s results showed improvements in the grades for macroeconomic environment and health and primary education. The latest Report confirmed, once more, the need to continue and accelerate the key reforms in order to create a stimulating investment environment, thereby creating new jobs and raising living standards. Apart from the ability and adaptability of the private sector, changes will largely depend on the government’s measures aimed at removing the most problematic factors for business activities in Croatia. According to the last Report, these relate predominantly to the public sector and include low efficiency of public administration, taxation burden, unstable policies, tax regulations, corruption, etc.

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

Hungary (HU) – Yields are getting lower and lower and foreign holdings hit a new 2017 high as market participants are pricing in more measures to come to the longer end of the curve. Outperforming most of peers, yields on the 10y benchmark dropped 22bp to 2.49%, its lowest level ever. Although there is room for further downside moves, ongoing Fed and ECB tightening should see higher yields over time. Nevertheless, we expect the 10y yield to remain well below 3% by late 2018. Meanwhile, the EUR/HUF looks to stabilize above 310, which is our mid-term target, as falling money market rates diminishing the carry of longer-maturity forward rates too.

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

Poland (PL) – Political developments were in the spotlight this week. President A. Duda has presented the new proposal of judiciary reforms, after he had vetoed legislation forced by the ruling party earlier this summer. Although it seems that the new proposal does not break EU regulations (need of equal retirement age for women and men), it still contains many controversial paragraphs and may lead to further escalation of the internal conflict in Poland as well as fuel tensions with the EU. Meanwhile the government adopted the budget bill for 2018. According to the budgetary assumptions, GDP growth will reach 3.9% yoy (our forecast: 3.2% yoy), inflation will rise to 2.3% yoy (our forecast: 2.4% yoy), while the budget deficit should drop to PLN 41.5 bn (vs PLN 59.3 bn expected this year). We believe that these assumptions, although optimistic, are still feasible, especially if the process of sealing tax system will continue to succeed. Today’s flash CPI estimation should indicate further inflation acceleration to approx. 2.0% yoy (from 1.8% yoy in August). On Monday PMI read-

ing will be released – we believe, in line with the consensus – that the indicator will follow the downward trend and will reach 52.2 pts. Meanwhile the Wednesday's MPC should not bring any significant change neither to the interest rates level nor to MPS's 'dovish tone.

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

Romania (RO) – Money market interest rates (ROBOR) were on an upward trend in the second half of September. Hence, important increases were recorded since mid-September, ranking from 30 bp (in case of ROBOR 12m) to 88 bp (in case of ROBOR overnight). Such increases point to a decline of the banks' excess liquidity. The liquidity surplus from the banking system could decline also in October as issuances in terms of RON Government Securities would most likely exceed redemptions (which are very low). Given past years' pattern, there are good chances that the public authorities would realize the bulk of the public budget deficit towards the end of the year, i.e. in November-December, channeling back part of the excess liquidity in the money market. We expect the Central Bank (BNR) to keep the key interest rate unchanged at 1.75% at the monetary policy meeting on 3 October. Still, the chances for the BNR to increase the interest rate for the permanent deposit facility have reduced given the increase of ROBOR rates. We think that the BNR could wait until the last monetary policy meeting in 2017 (on 7 November) to increase the depo rate. However, in case of an increase of the depo rate at the meeting on Tuesday, the BNR could take into account a cut of the MRR ratio for RON liabilities. The recent increases of ROBOR rates already represent a step towards the normalization of the monetary policy stance.

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

Russia (RU) – This week, the results of the OFZ auctions were rather contrasting. While at the first one 7y OFZs were placed with the whole offering of RUB 20 bn without any yield premium to the secondary market (YTM 7.8%), at the second one the ministry placed only RUB 5 bn of 2.5y OFZ 26214 out of RUB 20 bn offered as it was not willing to provide a premium (the cut-off at YTM 7.72%). We note that at the currently high RUB-denominated oil price (higher than stipulated by budget law) and relatively low budget expenses (in line with the budget law) Minfin could afford to place OFZs only in the amount which investors are ready to buy without a premium. Assuming the average key rate (and RUONIA) at 7.53% p.a. for the next 24 months the purchase of OFZ 26214 could only be attractive at a minimum YTM 7.85%.

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

Serbia (RS) – The preparations for the International Monetary Fund (IMF) technical review that will start on 26 October are under way. According to President Vucic, an agreement on a pension hike has been reached and the size of increase will be announced by the Prime Minister timely. Also, the public sector wages will be adjusted upwards. Both measures have been enabled by the budget space created in the past two years, with budget deficit falling to 1.3% of GDP this year down from 6.6% back in 2014 and will support personal consumption. Furthermore, improved fiscal performance finally allowed the government planning to start the restitution process via 12-year bonds worth EUR 2 bn from the next year. Restitution is a process of returning to the original owners property nationalized after World War II, either in kind or via bonds. The bonds will come with a 2% annual interest rate and will be repaid from the budget. The return of original property that can be restituted is still ongoing. Next week is rather data empty. We still wait for the Public Debt Management to publish the Ministry of Finance issuance calendar for Q4.

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

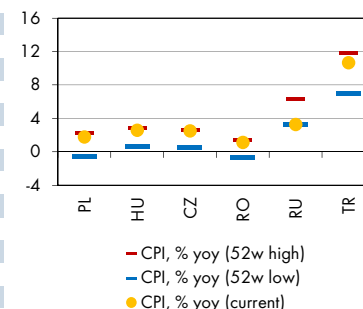
Poland	current*	Dec-17	Mar-18	Jun-18	5y high	5y low
Key interest rate	1.50	1.50	1.50	1.50	4.75	1.50
3m money market rate	1.73	1.73	1.73	1.80	4.92	1.65
Hungary						
Key interest rate	0.90	0.90	0.90	0.90	6.25	0.90
3m money market rate	0.04	0.05	0.05	0.05	6.61	0.04
Czech Republic						
Key interest rate	0.25	0.50	0.75	0.75	0.25	0.05
3m money market rate	0.47	0.60	0.90	1.00	0.74	0.00
Romania						
Key interest rate	1.75	1.75	2.00	2.25	5.25	1.75
3m money market rate	1.46	1.10	1.30	2.00	6.30	0.68
Russia						
Key interest rate	8.50	8.25	8.00	7.75	17.00	5.50
3m money market rate	8.68	8.85	8.60	8.35	29.93	6.74
Serbia						
Key interest rate	3.75	3.50	3.50	3.50	11.75	3.75
3m money market rate	3.32	3.60	3.20	3.30	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

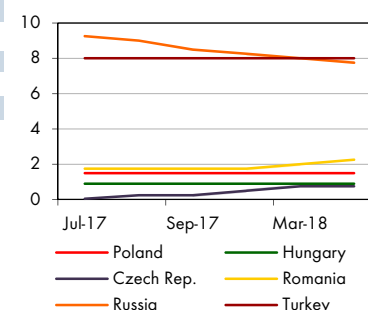
* Bid rates (for Hungary ask rates) as of 28 September 2017, 11:59 p.m. CEST

Inflation snapshot



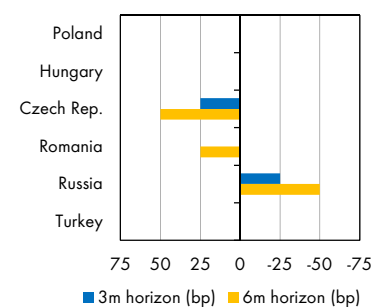
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	Oct	Nov
Poland (NBP)	4	8
Hungary (MNB)	24	21
Czech Republic (CNB)	/	2
Romania (BNR)	3	7
Serbia (NBS)	9	9
Russia (CBR)	27	/
Turkey (TCMB)	26	/

Source: National Central Banks, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	Only next year should witness significant reflation and finally decrease the tolerance for negative real rates amongst MPC members. Until then, neutral MPC stance expected.
Hungary (MNB)	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.
Czech Republic (CNB)	Although it was a tight vote, CNB remained on Hold this week but flagged further rate hikes when the new in-house macro forecast set is available in November. Two further hikes are likely afterwards in 2018 within the current mini tightening cycle.
Romania (BNR)	Further gradual liquidity tightening going forward could be accompanied by the narrowing of interest corridor, followed by a first rate hike possible in H1 2018.
Serbia (NBS)	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 order to support the economy on the back of the renewed appreciation bias of the dinar amidst a still calculable Fed outlook.
Russia (CBR)	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 moderate countermovement in CPI headline inflation is expected during Q4.
Turkey (TCMB)	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 and Fed tightening expectations better digested, the door for some MP relaxation should open up which should be managed by a less tight funding mix.

Source: RBI/Raiffeisen RESEARCH

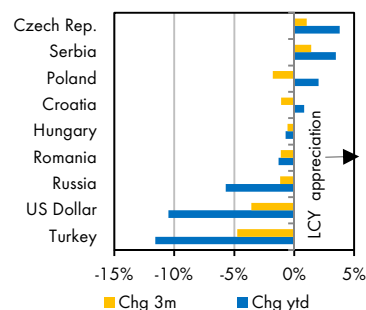
Foreign exchange market overview

FX forecasts

EUR vs	current*	Dec-17	Mar-18	Jun-18	5y high	5y low	Comment
PLN	4.315	4.20	4.15	4.15	4.40	4.08	Uncertainties over rule of law caused renewed PLN weakening; only with political calming should we see PLN strengthening towards 4.20 to EUR
HUF	311.1	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	26.03	25.7	25.3	25.4	27.7	25.1	Support for CZK expected to come from key rate hike(s) and benign economic fundamentals, we expect EUR/CZK to break below 26.0 level
RON	4.602	4.65	4.60	4.60	4.65	4.45	Risks of economic imbalance to keep EUR/RON at elevated levels
HRK	7.496	7.50	7.45	7.40	7.66	7.50	We expect EUR/HRK stabilization around current levels
RSD	119.3	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	68.29	68.4	66.7	69.6	79.3	40.3	see USD/RUB below
UAH	31.24	31.9	32.2	33.0	31.9	10.6	see USD/UAH below
BYN	2.311	2.31	2.27	2.38	2.31	1.13	see USD/BYN below
TRY	4.196	4.01	3.80	4.08	4.01	2.35	see USD/TRY below
USD	1.179	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	57.94	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	26.50	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	1.961	1.96	1.97	1.98	1.96	0.86	BYN witnessing some depreciation over September against USD; we would project a rather slow depreciation trend over the coming months
TRY	3.560	3.40	3.30	3.40	3.52	1.78	Setback for TRY towards 3.60 against USD; we would not expect short-term movement well above USD/TRY 3.60

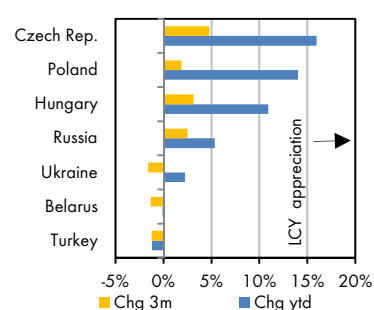
* as of 28 September 2017, 11:59 p.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



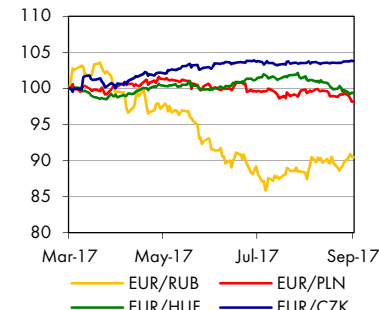
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

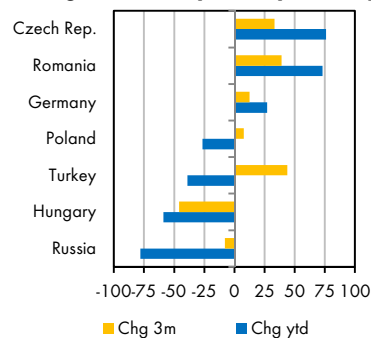
Exchange rate comparison



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

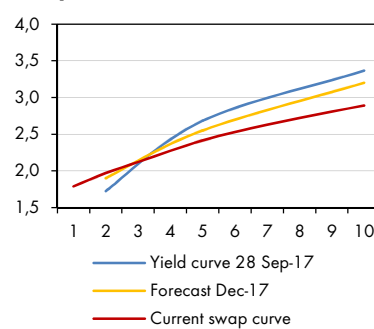
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



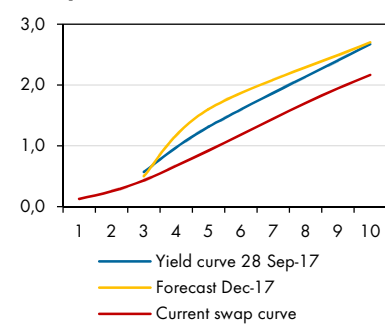
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



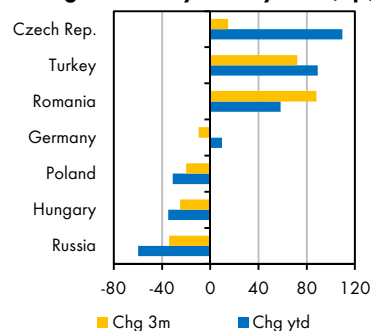
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



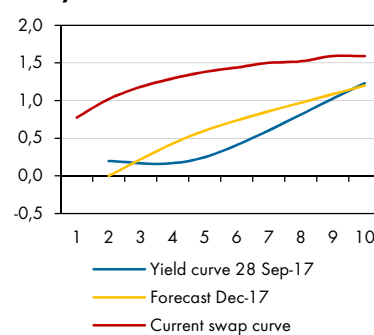
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



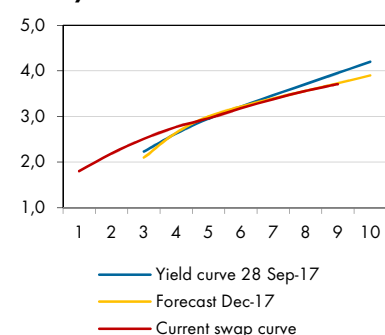
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



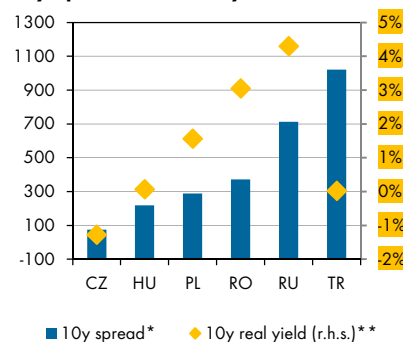
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

10y spread and real yields*

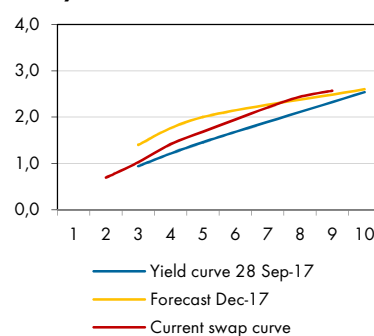


*10y spread: 10y LCY bond yield minus GER pendant (bp)

**10y real yield: current 10y LCY yield minus latest CPI headline rate

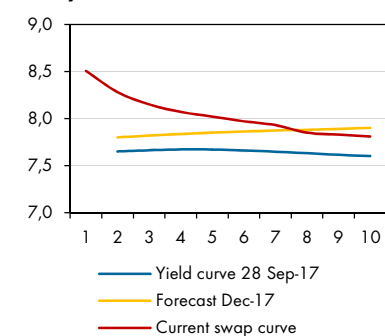
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RUB yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Yield forecasts

2y T-bond yields (%)							10y T-bond yields (%)						
	current*	Dec-17	Mar-18	Jun-18	5y high	5y low		current*	Dec-17	Mar-18	Jun-18	5y high	5y low
Poland	1.72	1.9	2.1	2.2	3.1	1.6	Poland	3.37	3.2	3.4	3.4	4.3	2.5
Hungary **	0.57	0.5	0.6	0.7	5.7	0.5	Hungary	2.67	2.7	2.8	3.0	6.2	2.7
Czech Republic	0.20	0.0	0.2	0.6	0.5	-0.9	Czech Republic	1.23	1.2	1.2	1.4	2.5	0.5
Romania	1.54	1.6	1.9	2.4	6.4	1.5	Romania	4.20	3.9	4.1	4.4	6.9	3.5
Croatia	0.94	1.4	1.5	1.6	4.4	0.9	Croatia	2.54	2.6	2.6	2.7	5.2	2.6
Russia	7.65	7.8	7.6	7.6	15.8	6.2	Russia	7.60	7.9	7.8	7.8	14.1	6.9
Turkey	11.59	11.2	10.5	10.0	11.2	6.1	Turkey	10.70	10.3	10.0	9.8	11.1	6.6
Germany	-0.75	-0.7	-0.7	-0.7	0.2	-0.8	Germany	0.48	0.5	0.5	0.8	1.9	0.1
USA	1.44	1.6	1.6	1.7	1.6	0.2	USA	2.31	2.4	2.4	2.5	3.0	1.8

* Bid yields as of 28 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	107.58	1.72	243	1.9	Dispute with EU over judicial reform weighed this week on the market, locking the value especially in 10y POLGBs in our view, both price and FX-wise.
PLN 5y Gov. Bond	23/09/2022	5.75	114.12	2.68	296	4.5	
PLN 10y Gov. Bond	25/07/2027	2.50	92.95	3.35	290	8.7	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	101.29	0.56	117	2.9	MNB policy to depress long-end rates worked out this week with HGB yields reaching new historical lows. We assume that we have seen the lows for now unless the MNB delivers some additional measures to keep HGB yields low.
HUF 5y Gov. Bond	26/10/2022	1.75	102.34	1.27	155	4.8	
HUF 10y Gov. Bond	27/10/2027	3.00	103.23	2.63	217	8.6	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	108.04	-0.18	53	1.5	There are indications that some market players took profits in recent times, in line with our expectations. The broadly expected continuation of rate hikes is set to create further price losses, so we remain on Sell.
CZK 5y Gov. Bond	12/09/2022	4.70	121.95	0.23	51	4.6	
CZK 10y Gov. Bond	25/08/2028	2.50	111.85	1.32	87	9.7	
Croatia							
HRK 2y Gov. Bond	05/03/2020	6.75	114.00	0.90	117	2.3	Next week we expect increased demand for domestic bonds and continued increase in prices with diminished volumes of trade.
HRK 10y Gov. Bond	07/02/2028	2.88	101.15	2.75	229	9.0	
Romania							
RON 2y Gov. Bond	29/04/2020	5.75	109.61	1.88	249	2.4	In line with our call, ROMGB yields inched upwards recently on increasing rate hike bets and ongoing fiscal uncertainties.
RON 5y Gov. Bond	08/03/2022	3.40	101.88	2.94	322	4.1	
RON 10y Gov. Bond	26/07/2027	5.80	114.53	3.98	353	0.0	
Russia							
RUB 2y Gov. Bond	15/05/2019	6.70	98.79	7.64	834	1.5	Muted demand at this week's extra auctions; nevertheless, overall sentiment remains favorable towards OFZs. We prefer short-end papers since the OFZ curve is still flat currently and more rate cuts should help short-end more.
RUB 5y Gov. Bond	20/07/2022	7.60	100.31	7.66	794	4.1	
RUB 10y Gov. Bond	03/02/2027	8.15	104.45	7.62	717	6.7	
Turkey							
TRY 2y Gov. Bond	15/05/2019	11.10	99.30	11.56	1226	1.5	We maintain our speculative Buy recommendation for TURKGBs especially after the recent correction. We assume that the sentiment amongst international yield hunters towards TRY markets should remain favorable, which is also based on prudent tight CB stance.
TRY 5y Gov. Bond	17/08/2022	10.70	99.50	10.81	1109	3.9	
TRY 10y Gov. Bond	11/08/2027	10.50	98.80	10.70	1025	6.3	

Data as of 29 September 2017, 10:28 a.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

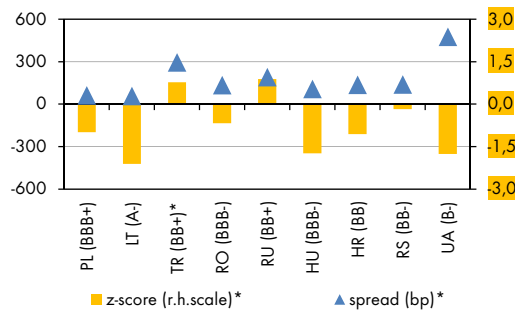
Bond auctions

		ISIN	Coupon	Maturity	Volume
05 October					
HU	T-bond	n.a.	FRN	n.a.	n.a.
PL	T-bond	n.a.	n.a.	n.a.	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

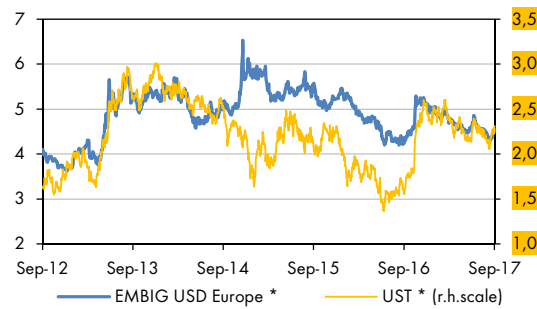
Eurobond market overview

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	110.4	0.17	110.2	90.8	1.47	112	8.4	XS1208855889
CROATI 3 03/20/27	105.7	106.1	-0.42	106.4	98.9	2.30	195	8.1	XS1428088626
REPHUN 5 3/4 06/11/18	104.8	105.0	0.00	114.9	99.1	-0.91	-30	0.7	XS0369470397
REPHUN 6 01/11/19	108.5	108.9	0.00	118.2	99.8	-0.57	7	1.3	XS0625388136
REPHUN 3 7/8 02/24/20	109.4	109.7	-0.07	113.1	88.5	-0.03	66	2.3	XS0212993678
LITHUN 0.95 05/26/27	100.5	101.0	-0.12	100.9	98.5	0.86	49	9.2	XS1619567677
POLAND 5 5/8 06/20/18	104.5	104.7	-0.12	122.6	104.6	-0.44	16	0.8	XS0371500611
POLAND 1 5/8 01/15/19	102.4	102.7	-0.06	105.4	98.5	-0.26	38	1.3	XS0874841066
POLAND 3 3/4 01/19/23	118.0	118.3	-0.35	124.6	105.4	0.31	58	4.9	XS0794399674
POLAND 1 3/8 10/22/27	102.0	102.4	-0.28	102.5	99.2	1.14	72	9.3	XS1584894650
ROMANI 4 7/8 11/07/19	110.6	110.9	-0.08	117.7	99.1	-0.14	57	2.0	XS0852474336
ROMANI 2 3/8 04/19/27	102.6	103.0	-0.02	102.8	99.1	2.05	169	8.4	XS1599193403
TURKEY 5 7/8 04/02/19	108.1	108.4	-0.16	118.9	107.5	0.48	115	1.5	XS0285127329
TURKEY 3 1/4 06/14/25	101.0	101.6	-0.31	101.6	98.0	3.06	300	6.7	XS1629918415
USD									
BELRUS 8.95 01/26/18	101.7	102.2	-0.01	111.2	78.0	2.60	151	0.3	XS0583616239
CROATI 6 3/8 03/24/21	110.9	111.3	-0.38	117.8	101.6	2.99	134	3.1	XS0607904264
CROATI 5 1/2 04/04/23	111.0	111.4	-0.55	112.4	94.4	3.27	131	4.7	XS0908769887
REPHUN 5 3/8 02/21/23	112.8	113.1	-0.18	115.5	93.1	2.77	83	4.7	US445545AH91
REPHUN 7 5/8 03/29/41	154.2	155.0	-0.26	157.5	99.1	4.01	132	13.3	US445545AF36
LITHUN 7 3/8 02/11/20	112.1	112.5	-0.22	130.7	112.3	2.00	50	2.2	XS0485991417
LITHUN 6 5/8 02/01/22	117.3	117.7	-0.16	128.6	113.9	2.35	56	3.8	XS0739988086
LATVIA 2 3/4 01/12/20	101.3	101.7	-0.07	104.5	91.4	2.07	58	2.2	XS0863522149
LATVIA 5 1/4 06/16/21	110.4	110.8	-0.09	117.2	105.3	2.25	56	3.3	XS0638326263
POLAND 6 3/8 07/15/19	108.1	108.2	-0.10	125.9	108.1	1.73	31	1.7	US731011AR30
POLAND 3 03/17/23	102.4	102.7	-0.26	105.1	87.6	2.50	55	5.0	US731011AT95
ROMANI 6 3/4 02/07/22	115.7	115.9	-0.55	124.4	108.9	2.86	107	3.8	US77586TAA43
ROMANI 4 3/8 08/22/23	107.1	107.4	-0.62	111.1	90.8	3.02	102	5.2	US77586TAC09
RUSSIA 4 1/2 04/04/22	106.6	107.0	-0.21	114.7	82.0	2.88	106	4.0	XS0767472458
RUSSIA 7 1/2 03/31/30	117.4	117.8	-0.04	128.7	99.6	2.84	45	3.7	XS0114288789
RUSSIA 5 5/8 04/04/42	110.9	111.6	-0.88	124.9	76.0	4.84	212	13.5	XS0767473852
SERBIA 5 1/4 11/21/17	100.3	100.6	-0.03	107.1	96.8	1.81	76	0.1	XS0856951263
SERBIA 4 7/8 02/25/20	104.6	104.9	-0.23	105.4	89.6	2.81	131	2.2	XS0893103852
TURKEY 6 1/4 09/26/22	109.4	109.9	-0.33	127.0	102.5	4.08	219	4.3	US900123BZ27
TURKEY 6 7/8 03/17/36	112.7	113.3	-0.80	139.6	99.2	5.73	318	10.9	US900123AY60
TURKEY 6 3/4 05/30/40	110.9	111.5	-0.81	139.4	97.3	5.85	318	11.9	US900123BG46
UKRAIN 7 3/4 09/01/19	105.3	105.8	-0.59	106.3	88.0	4.70	326	1.8	XS1303918269
UKRAIN 7 3/4 09/01/23	104.9	105.4	-0.36	107.5	84.6	6.67	467	4.7	XS1303921487
UKRAIN 7 3/4 09/01/27	102.5	102.9	-0.35	105.2	81.2	7.36	505	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 29 Sep 2017, 9:58 AM CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Summary: Ratings & macro data

Country ratings: CE, SEE, EE

	LCY	S&P FCY	Outlook	LCY	Moody's FCY	Outlook	LCY	Fitch FCY	Outlook
CE									
Poland	A-	BBB+	stable	A2	A2	stable	A	A-	stable
Hungary	BBB-	BBB-	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
SEE									
Romania	BBB-	BBB-	stable	Baa3	Baa3	stable	BBB	BBB-	stable
Bulgaria	BB+	BB+	positive	Baa2	Baa2	stable	BBB	BBB-	positive
Croatia	BB	BB	stable	Ba2	Ba2	stable	BB+	BB	stable
Serbia	BB-	BB-	positive	Ba3	Ba3	stable	BB-	BB-	stable
EE									
Russia	BBB-	BB+	positive	Ba1	Ba1	stable	BBB-	BBB-	stable
Ukraine	B-	B-	stable	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	69.3	1.1	73.9	62.3	8.4
	2017e	4.3	2.5	4.4	1114	-0.2	36.2	66.9	1.0	89.9	72.0	12.3
	2018f	3.4	2.1	4.2	1234	0.0	34.9	66.4	1.1	80.3	72.9	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	-2.4	54.3	41.5	-0.3	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	

Disclaimer Financial Analysis

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