

Market snapshot

	curr.*	Mar-17	Jun-17	Sep-17
Poland				
EUR/PLN	4.324	4.40	4.45	4.40
Key rate	1.50	1.50	1.50	1.50
10y bond	3.8	3.5	3.6	3.7
Hungary				
EUR/HUF	308.3	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	7.467	7.55	7.47	7.50
Key rate	2.50	2.50	2.50	2.50
10y bond	2.8	3.1	3.1	3.2
Russia				
USD/RUB	58.89	63.0	62.0	60.0
Key rate	10.00	10.00	9.50	9.00
10y bond	8.1	8.9	8.8	8.7
Turkey				
USD/TRY	3.690	3.80	3.80	3.70
Key rate	8.00	8.50	8.50	8.50
10y bond **	10.6	11.6	11.8	11.6
EUR/USD	1.066	1.04	1.02	1.02

* prices as of 09 February 2017, 11:59 p.m. CET

** under revision

Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

Massive street protests in Romania during the previous weekend were not without consequences. In order to calm down protests the government revoked the decree decriminalising smaller corruption offenses and, on 09 February, the justice minister (expectedly) had to step down. We reckon the uncertainty is likely to persist with smaller-scale protests in the coming days, but a full-blown political crisis (e.g. the government resignation or snap elections) would be highly unlikely. The financial market reaction has been muted (for more info please see Focus On section on pages 2-3). Meanwhile, the Romanian National Bank kept the key rates unchanged. At the same time the regulator slightly lowered its inflation outlook for 2017 thus diminishing the likelihood of rate hike for this year. Though, in Romania we still pencil in the first rate hike of 25bp for Q4 2017.

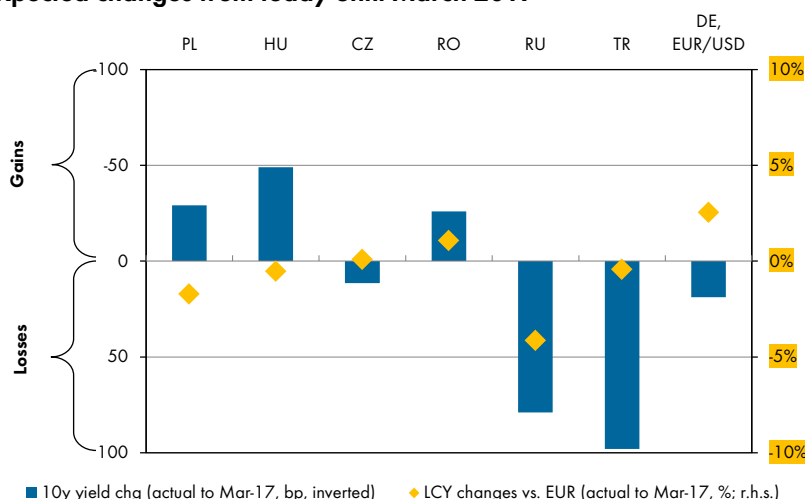
In another story, for Russia, we changed our key rate outlook and the inflation forecast for this year. First, after the hawkish Central Bank statement last Friday, we shifted our estimate for the first rate cut from March to June. Moreover, recent speculations suggest that the CBR could do smaller rate cuts in smaller steps of 25bp each in future. With regard to the Russian inflation outlook, we lowered our own forecast from 5% yoy to 4.5% yoy for 2017 which, though, would still be above the CBR target of 4%.

On the data release calendar in the upcoming week we would watch out for important flash estimates on GDP Q4 2016 data for CE/SEE. We feel slightly more optimistic than the consensus in Romania, Slovakia and Poland and considerably more optimistic on the Hungarian GDP estimate. At least the recent PMI data for CE-3 is suggesting a high probability of the accelerating growth dynamic in coming months. On monetary policy front we do not expect Serbia's central bank to change its key rate at the meeting next week.

The rating calendar also is unlikely to bring us any surprises. The rating reviews of the Czech Republic (Moody's) and Slovakia (Fitch) would be unlikely to bring any changes to their ratings/outlooks. Meanwhile next week Fitch would be likely to leave the negative outlook on Macedonia intact owing to the inability of Macedonia to form a new government undermining fragile political stability.

Financial analyst: Andreas Schwabe, CFA (+431 71707 1389), RBI Vienna

Expected changes from today until March 2017



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
14-Feb	RO: GDP, % yoy	Q4	4.3	4.8	4.1	3.3	4.3
14-Feb	SK: GDP, % yoy	Q4	3.2	3.2	2.9	2.6	3.0
14-Feb	CZ: GDP, % yoy	Q4	2.3	2.4	2.3	2.1	1.9
14-Feb	HU: GDP, % yoy	Q4	2.7	2.3	2.0	1.0	2.2
14-Feb	PL: GDP, % yoy	Q4	2.5	2.6	2.4	1.4	2.5

Source: Bloomberg, RBI/Raiffeisen RESEARCH

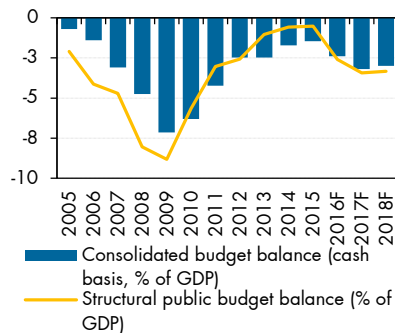
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Focus on Romania: Political crisis

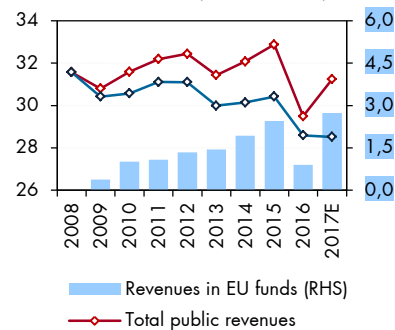
- Protests force government to cancel decree decriminalising corruption offenses
- Due to extra fiscal stimulus, public budget deficit to exceed 3% of GDP
- Negative market impact on FX and local bonds rather muted; RONGB on hold
- No rating/outlook change expected, more value in EUR than USD Eurobonds

Budget balance (as % of GDP)



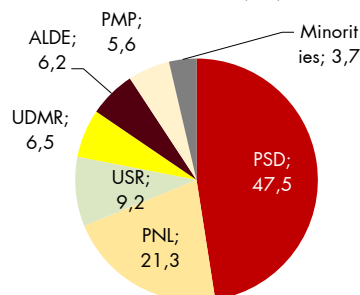
Source: EC, Ministry of Finance, RBI/Raiffeisen RESEARCH

Public revenues (% of GDP)



Source: Ministry of Finance, Fiscal Council, RBI/Raiffeisen RESEARCH

Parliament structure* (%)



* after Dec-2016 elections
Source: Parliament, RBI/Raiffeisen RESEARCH

The revision of Romania's Criminal Code emerged as an important objective of the ruling alliance formed between PSD and ALDE. To enforce this quickly, the government backed by the parliamentary alliance unexpectedly adopted an Emergency Ordinance to bring the Criminal Code in line with recent constitutional court rulings. In reality, it turned out that the measures also benefited many corrupt politicians facing prosecution charges, and the action triggered massive street protests across the entire country, with the largest demonstrations in Bucharest. President Iohannis also expressed his rejection of the decree that could make it possible to decriminalise corruption offences, as did the main judicial bodies. As a result, the decree was challenged in the Constitutional Court too. In an apparent response to massive street protests on 5 February, the government repealed the controversial decree. In the meantime, the Constitutional Court refused to rule on the constitutionality of the decree as it was already repealed by the government. Nevertheless, the withdrawal of the controversial legislation failed to calm the protests down, as the people were also demanding the resignation of the one-month-old social-liberal government. That said, the number of protesters did decline after peaking last Sunday night. Some very small solidarity rallies in support of the government and against the President also took place.

Meanwhile a no-confidence vote initiated by the parliamentary opposition against the government unsurprisingly failed to gain enough votes, as the PSD/ALDE alliance used its comfortable majority in parliament to back the government. So despite protesters asking for the government's resignation, we expect the cabinet will remain in place, though the Minister of Justice has resigned. We reckon the uncertainty will persist with smaller-scale protests in the coming days, but a full-blown political crisis is highly unlikely. Meanwhile, a referendum on the need to continue the fight against corruption, called at the initiative of President Iohannis, is expected to take place. At the same time, plans and the need to change the Criminal Code do exist, even though the procedure has not yet been officially started as the government annulled the controversial decree.

Given that the political instability is likely to wane in the coming weeks, from a fundamentals perspective we see potential fiscal slackening in 2017 as the main risk for the RON markets and Romania's sovereign credit outlook. On 7 February, the parliament voted to approve the 2017 budget law, which rests on overly optimistic economic assumptions. Taking into account several fiscal easing measures enacted in the 2017 budget law, the deficit could surpass a 3%-of-GDP threshold during 2017-2018. The draft laws as initially approved by the government, and which we do not expect to have been altered significantly by parliament, set the public budget deficit target at 3.0% of GDP. The budget for this year was based on assumed GDP growth of 5.2%, which is significantly above the market consensus and IMF/EBRD/WB forecasts. The budget plan for 2017 accommodates multiple tax cuts resulting in loss of public revenue, as well as a large increase in public wages and pensions, prompting an increase in budget spending.

We believe the public budget deficit target set for 2017 is too ambitious, and there is a real chance the government could miss it. By contrast, despite important tax reductions and a planned increase in spending, the government sees the public deficit widening only to 3.0% of GDP from the 2.4% recorded for 2016. The Fiscal Council already thinks the macroeconomic scenario for the 2017 budget is too optimistic, and could result in a shortfall in the revenue plan, while the expenditure impact may be underestimated. The Fiscal Council warned that if corrective measures are not taken, the public budget deficit could exceed 3% of GDP. Given the multiple fiscal easing measures adopted recently, and in the absence of corrective measures, our baseline assumption for the public budget deficit falls to 3.5%-3.7% of GDP. As our current budget deficit forecast for 2017 of 3.2% of GDP does not include the impact of fiscal easing enforced by the new government, we plan to revise the deficit projection upwards.

The fiscal stimulus, comprising the reduction of taxes and increase in public sector wages and pensions, would also lead to elevated private consumption dynamics in 2017. Hence

economic growth in 2017 may top 4.0%, while our 3.6% GDP growth forecast does not include the impact of the enacted fiscal stimulus. Consequently, we will revise our GDP forecast upwards for 2017.

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

Market strategy

We do not expect the current political crisis to evolve into an event triggering re-rating actions. Instead, a diffusion of the political tensions is a more likely scenario as the political parties forming the Romanian government still enjoy good support, despite the sudden popular backlash. At the same time, the risk of fiscal slackening embedded into the 2017 budget law could trigger an outlook deterioration for Romania in the medium-term. That said, we expect no rating revision for Romania during 2017, so the country should keep its average rating of BBB-. However, Moody's, which has a positive outlook on Romania, may be compelled to drop to stable this year. Moreover, the rating outlook may suffer even more if the implications of the fiscal slackening become more pronounced due to the poorly planned economic parameters of the 2017 budget. Still, we foresee no material reasons for immediate rating action in the near future. Romania is currently rated BBB- by S&P and Fitch, and Baa3 by Moody's, with a stable outlook.

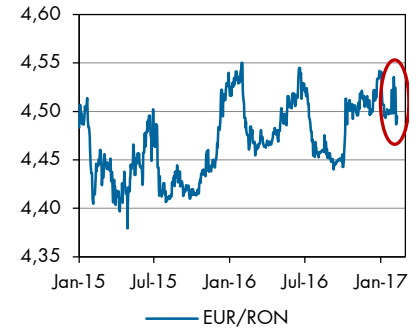
Despite the political turmoil mentioned, the reaction of the Romanian leu was muted at best. Whereas the EUR/RON witnessed an uptick from 4.50 towards 4.55 during the public protests, this proved to be short-lived as the EUR/RON quickly returned towards previous levels, slightly below 4.50. While we assume some political calming is on the way and we do not expect any noteworthy appreciation potential from the current EUR/RON levels, we likewise do not predict any strong negative reaction in the case of continued political instability. We think this would need to intensify severely to trigger a more pronounced negative reaction in the leu, something we currently do not expect.

The reaction of local bond market investors did not get out of hand either. Following the withdrawal of the decree, ROMGB yields started to recoup their initial losses. The 10y benchmark bond (with a residual maturity of 8 years) was trading around 3.5% when this report was written, which equals the levels from before the political crisis erupted. What also provided some tailwind for the relief rally was the resignation of the Justice Minister and the downward correction of the National Bank's (BNR) inflation forecasts – both on Thursday. In its new Inflation Report, the BNR now expects CPI inflation to be 1.7% yoy at the end of this year, below a previous estimate of 2.1% and below its 2.5% mid-target. Against this backdrop and a renewed change in the economic policy framework, the chances of a first key rate hike in 2017 have diminished. Accordingly, our ROMGB yield forecasts are also under revision for fine-tuning, while our Hold recommendation for ROMGBs remains intact.

At the same time a very modest widening of Eurobond spreads for Romania stemmed from a fairly optimistic view among investors with regard to the current political impasse. Indeed, it would be highly unlikely to see this situation triggering early parliamentary elections, while the government reshuffle could still help to lower the protestors' zeal. Meanwhile, Romanian Eurobond spreads in EUR and USD did not change much during the crisis, proving relatively resilient to the political events. The average spread for EUR-denominated bonds in particular went up just 15bp compared to the start of the crisis, and was virtually flat compared to the start of 2017. The USD-denominated issues exhibited a similar pattern, almost returning back to pre-crisis levels. As a result, the current spread tightening largely eroded any advantage that Romanian Eurobonds may have gained during the sell-off phase. In this regard we feel content with our Hold recommendation for the Romanian market, while we see more tightening potential in EUR issues compared to the tightly priced USD issues.

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Initial RON reaction limited



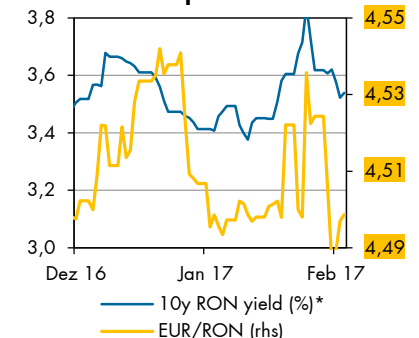
EUR/RON: 5y high 4.64, 5y low 4.30
Source: Bloomberg, Raiffeisen RESEARCH

Romania Eurobond spread (bp)*



* Eurobond spread (bp) - EMBIG USD spread in basis points
5y high 528bp; 5y low 141bp
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

ROMGB recouped initial losses



* 10y Bloomberg benchmark, residual maturity 8y
5y high 7.1; 5y low 2.6
Source: Bloomberg, Raiffeisen RESEARCH

Data calendar and country coverage

This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Previous	Indicator	Period	Forecast	High	Mean	Low	Previous
Monday 06 February					Friday 10 February						
CZ: Retail sales, % yoy	Dec	3.7	7.5	8.6	SI: Industrial output, % yoy	Dec	n.a.	n.a.	n.a.	n.a.	7.4
SI: CPI, % yoy	Jan	1.3	n.a.	0.5	RU: Trade balance, USD bn	Dec	n.a.	12.1	9.5	1.6	9.1
Tuesday 07 February					Monday 13 February						
CZ: Trade balance, CZK bn	Nov	-5.0	2.0	10.8	CZ: C/A balance, CZK bn	Dec	6.0	6.0	4.2	0.0	4.6
CZ: Industrial output, % yoy	Dec	2.7	5.3	7.0	PL: C/A balance, EUR mn	Dec	-350	-40	-556	-1077	427
HU: Industrial output, % yoy	Dec	0.5	n.a.	0.6	PL: Trade balance, EUR mn	Dec	-472	363	-262	-530	102
HU: Budget balance, HUF bn	Jan	123	n.a.	848	PL: CPI, % yoy	Jan	1.6	1.8	1.7	1.0	0.8
RU: Official reserve assets, USD bn	Jan	391	n.a.	378	RO: C/A balance, EUR mn	Dec	n.a.	n.a.	n.a.	n.a.	3,441
RO: Key rate, %	Feb	1.75	n.a.	1.75	UA: GDP, % yoy	Q4	n.a.	3.3	2.8	1.5	2.0
RU: CPI, % yoy	Jan	5.0	n.a.	5.4	Tuesday 14 February						
Wednesday 08 February					RO: GDP, % yoy	Q4	4.3	4.8	4.1	3.3	4.3
TR: Industrial output, % yoy	Dec	1.3	n.a.	2.7	SK: GDP, % yoy	Q4	3.2	3.2	2.9	2.6	3.0
PL: Key rate, %	Feb	1.50	1.50	1.50	CZ: GDP, % yoy	Q4	2.3	2.4	2.3	2.1	1.9
UA: CPI, % yoy	Jan	12.6	13.0	12.4	HU: CPI, % yoy	Jan	1.9	2.4	2.1	1.8	1.8
BG: Industrial output, % yoy	Dec	6.9	n.a.	4.3	HU: GDP, % yoy	Q4	2.7	2.3	2.0	1.0	2.2
BG: Retail sales, % yoy	Dec	3.5	n.a.	0.9	PL: GDP, % yoy	Q4	2.5	2.6	2.4	1.4	2.5
Thursday 09 February					RS: Key rate, %	Feb	4.00	4.00	4.00	4.00	4.00
RO: Trade balance, EUR mn	Dec	-1,185	n.a.	-866	BG: GDP, % yoy	Q4	n.a.	3.7	3.6	3.5	0.7
RO: Industrial sales, % yoy	Dec	7.3	n.a.	9.8	Wednesday 15 February						
HU: Trade balance, EUR mn	Dec	556	n.a.	878	RO: CPI, % yoy	Jan	-0.2	0.5	0.2	0.0	-0.5
BY: CPI, % yoy	Jan	9.5	n.a.	10.6	SK: CPI, % yoy	Jan	0.7	0.7	0.7	0.3	0.2
Friday 10 February					BG: CPI, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	0.1
RO: Industrial output, % yoy	Dec	3.9	n.a.	1.5	RU: Industrial output, % yoy	Jan	n.a.	5.1	2.7	1.2	3.2
CZ: CPI, % yoy	Jan	2.2	2.1	2.0	Friday 17 February						
SK: Industrial output, % yoy	Dec	3.0	n.a.	2.4	PL: Industrial output, % yoy	Jan	8.0	13.0	8.0	3.9	2.3
					PL: Retail sales, % yoy	Jan	8.3	9.4	7.7	4.9	6.4

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Albania (AL) – The annual inflation rate jumped to 2.8% in January from 2.2% in December, moving closer to the target of 3.0%. The increase in food and non-alcoholic beverage prices by 5.8% yoy was the major contributing factor (+2.33pp). Transport prices shifted into positive territory (+2.8% yoy) due to higher oil prices and a hike in excise tax on gas for transport (+8 ALL/l) in the 2017 fiscal package. Other CPI categories made smaller contributions (0.0-0.15pp) to CPI. A gradual increase of inflation is expected in 2017 (from an average 1.3% in 2016) in response to the expected recovery of economic activity and higher imported inflation, however, it will return to its target by 2018.

Financial analyst: Valbona Gjeka (+355 42 381 000 2714), Raiffeisen Bank Sh.a., Tirana

Bosnia a. H. (BA) – The first banking sector figures for the end of 2016 took central stage during the week under review. Credit growth in B&H remained positive but weak in the final month of 2016, as the overall loan stock posted a plus of just 2.0% yoy (weakest end-of-the-year figure since 2009) reaching BAM 17.2bn. Both key segments (retail and corporate) generated positive dynamics with retail loans up by 3.8% yoy (to BAM 8.07bn) and corporate loans up by 3.3% yoy (to BAM 8.07bn), the first positive year-end growth rate for the corporate sector since 2013. Consequently, the retail and corporate sector have almost equal shares in the total loan structure (47.0% vs 46.9%) as of December 2016. On the negative side, public sector loans contracted, downsizing to BAM 962.7mn or 5.6% of total loans. In terms of funding, the deposit base is still growing rather robustly, with a rise of 7.4% yoy in December 2016, up to BAM 17.75bn. Citizens' savings as the core deposit category soared by 8.1% yoy up to BAM 10.66bn or 60.1% of total deposits. Furthermore, corporate deposits advanced by 8.0% yoy reaching BAM 4.05bn (23.1% of total deposits) while the public sector grew by 8.8% yoy to BAM 1.7bn (9.6% of total deposits). It should be noted that B&H banks have been lending money out at a slower rate than they take it in from deposits since March 2013. Consequently, such dynamics pushed the L/D ratio below 100% in August 2016 for the first time since the beginning of 2008. Thus the L/D ratio dropped to 96.9% at the end of 2016, from 102.0% at the end of 2015. In the following week we expect to see labour market statistics for December 2016 published by the State Agency for Statistics.

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

Croatia (HR) – As expected, the new pure HRK bond papers generated more dynamic trading, confirming the significant investor interest consequently reflected in rising bond prices. Meanwhile, the most recent data confirmed the continuation of public-sector deleveraging, primarily driven by the greater than expected fiscal consolidation in 2016. So, at the end of October, total public debt declined to HRK 287.4bn (-0.6% mom, -0.3% yoy). Over the same observed period, gross external debt stood at EUR 42.6bn (-9.9% yoy) thus confirming the declining trend in annual terms for the 11th month in a row. The latter is primarily the result of domestic banks deleveraging due to

relatively cheaper domestic deposits, high liquidity, and the still subdued demand for loans. Given the rising demand for HRK loans, borrowing abroad has decreased and this trend is expected to continue in 2017 as well.

This week also brought some important data releases confirming the record-high tourist season and the still high dependence on imports as well. Total tourist arrivals and nights in 2016 increased by 8.7% yoy and 9.0% yoy respectively. We think the expected strengthening of domestic demand and the relatively strong growth in service exports implies stronger growth in goods imports. The latter is also reflected in the recent foreign trade deficit for the first 11 months in 2016, which deteriorated by 5.6% yoy. The upcoming data calendar is not very exciting; only the final retail trade data will be published on Monday.

Financial analyst: Tomislava Ujević (+385 1 6174 606), Raiffeisenbank Austria d.d., Zagreb

Czech Republic (CZ) – The Czech CPI inflation in January increased by 0.2 pp to 2.2 % yoy corresponding to 0.8 % mom. The market consensus expected increase in consumer prices by 2.0 % in January, the CNB was even more skeptical expecting 1.9 % . The price increase was mainly caused by seasonal and one-off effects such as increase in price of food and package holidays. The core inflation increased to 1.5 % yoy from 1.3 % yoy in December and thus, hand in hand with the Hungarian one, should be the highest in the region.

According to our opinion, the development of the Czech CPI inflation is not a big surprise, for which the CNB would break its “hard commitment” and exit the FX cap before end of March 2017. We believe that the CNB will take some time to observe the inflation trend. According to some members of the CNB board “the risk of a premature exit is more serious than the risk of a later one”. Thus, it seems that an early CZKexit in the Q2 2017 is possible but not certain at all. However, the longer the CNB waits, the closer the parliamentary elections approach. And, although the CNB will never admit it in public, this can influence its decision to move the CZKexit up to Q4 2017. Next week there will be a flash GDP release for Q4 2016. We expect an acceleration to 2.3 % yoy from previous 1.9 %.

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

Hungary (HU) – Hungary published its latest industrial output, budget and trade balance data during the week. The slowdown in industrial production in December was due largely to reduced car manufacturing; Audi’s local unit, Audi Hungaria, moved some workers during preparations for the production shift to the Q3 model; the monthly growth rate declined from a revised 0.8% to 0.5%, resulting in 1.9% annual growth vs. the estimated 0.5%. The government recorded a budget surplus in January of HUF 123.4bn, the highest in at least twenty years. The trade balance in December, according to preliminary data, declined to EUR 556mn from EUR 878mn in November, resulting in EUR 10bn surplus for the entire year. Hungary has been running a trade surplus since 2009. Overall, economic data continues to suggest a stable growth outlook. Next week we will receive the first reading of Q4 GDP, at around 2.7% yoy, and January’s inflation at ~1.9% yoy. Meanwhile, the EUR/HUF tested its 50-day moving average at 310.5, but rebounded and remained below 310 again. We still see the EUR/HUF trading around these levels, coupled with possible liquidity-boosting actions from the central bank. The benchmark curve notched a little bit higher again, just like the HUF swap curve, so ASW spreads remained flat. On the BUBOR market some tenors dropped 1bp, but the 3m BUBOR is still at 0.25%. We do not rule out further declines in rates, but stagnation or even a gradual normalisation to long-term levels is more likely in our opinion.

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

Poland (PL) – Calm trading in Poland. Thursday was very calm in Polish market. Yields closed slightly higher with 10 year at 3.78% even though in the morning market continued bullish trend, which began after the dovish MPC on Wednesday. The 10 year swap spread was stable at about 75 bp., which may be interesting given a sudden improvement in risk aversion abroad and in Poland. In our opinion this may reflect increasing uncertainty about the government being really successful in improving tax collection after the December data on VAT was disappointing. At the moment it seems that real “improvement” in VAT collection brought about PLN 1.0 bn in 2016 against previous expectations on about PLN 5.0 bn.

Financial analyst: Pawel Radwanski, Raiffeisen Polbank, Warsaw

Romania (RO) – As expected, the National Bank of Romania (NBR) remained on hold at the monetary policy meeting from 7 February, keeping the key interest rate unchanged (at 1.75%) along with its other monetary policy instruments. NBR communications mentioned the domestic risks steaming from fiscal policy (ambitious public revenues plan and optimistic public expenses projection) as well as from politics. However, there was nothing suggesting the need to tighten monetary policy in the near term. The NBR released its updated inflation forecasts. The NBR now expects the annual inflation rate to be 1.7% at the end of 2017, instead of the 2.1% forecasted in November. However, slightly faster inflation dynamics are foreseen in 2018 compared with the previous forecast (year-end inflation rate as seen by NBR: 3.4%).

On 14 February, the National Statistical Office will release the flash estimate on GDP growth in Q4. We predict a quarterly advance of 0.8%-1.0% qoq (around 4.3% yoy), as the incoming data for Q4 pointed towards positive GDP dynamics, but there are downside risks to our forecast. Inflation data for January will be published on 15 February. We expect consumer prices to have declined by around 0.4% mom in January. The drivers of the negative dynamics are mainly the fiscal measures enforced: reduction of the VAT rate to 19% from 20% and cut of excises for fuels.

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

Russia (RU) – The recent central bank meeting and the overall performance of the Russian economy triggered a revision of our baseline scenario for the key rate and inflation. The CBR was rather hawkish at the last MPC meeting, even though overall economic activity is showing signs of recovery and headline CPI continues to slow down. We believe that the main factor provoking the hawkish monetary policy stance is the start of regular FX interventions by the MinFin. As the latter prevent the rouble from appreciating and even pose risks of moderate depreciation (by 3-5 RUB) we believe the CBR considers this one of the pro-inflationary factors. We took out our forecast of a cut in March, shifting the first cut of 50 BP to late June and reducing the overall size of cuts for this year from 150bp to 100bp. Accordingly, we see the money market rates higher this year.

Meanwhile, the disinflationary dynamics continued in February against the backdrop of weak consumption and stable FX. As we believe only a modest recovery of consumption is possible this year, we have revised the headline CPI forecast from 5.0% to 4.5% by year-end. However, we still believe there are significant risks to the CBR's goal, mainly concentrated around FX dynamics and a possible acceleration of the non-monetary part of the CPI (regulated and volatile prices).

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

Serbia (RS) – The NBS intervened only once since last week, selling EUR 45mn, as the dinar slid down to 123.89. The weaker local currency was supported by non-residents' gradual withdrawal from the debt market amidst the three rate hikes announced by the Fed, the weaker appetite of local players for the debt auctions and the increased energy imports due to the very tough winter. Then again, weaker EUR/RSD sentiment is more or less traditional for the beginning of the year. The NBS was offsetting the dinar weakening against the euro by selling FX (cut off, 8 Feb: EUR 300mn)

The National Bank of Serbia will hold its key rate-setting meeting next Tuesday and we do not think it will bring many surprises given the expected reflation, the weaker local currency sentiment and the forthcoming elections, and will thus very likely stay steady at 4%. Next week, the leading Serbian Progressive Party will officially confirm its candidate for the forthcoming regular presidential elections, and we may also find out whether there will be third early parliamentary elections.

Public Debt Management will auction the 2Y (RSD 10bn) and 2Y (EUR75mn) papers next week. We assume the appetite will remain weak amidst the PDA's strategy to accept only lower-yielding bids.

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

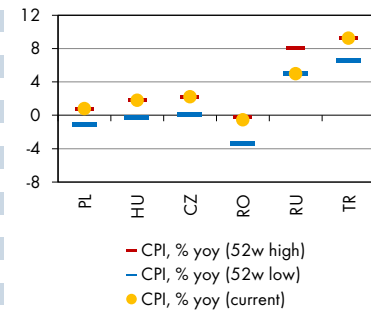
	current*	Mar-17	Jun-17	Sep-17	5y high	5y low
Poland						
Key interest rate	1.50	1.50	1.50	1.50	4.75	1.50
3m money market rate	1.73	1.73	1.73	1.73	5.14	1.65
Hungary						
Key interest rate	0.90	0.90	0.90	0.90	7.00	0.90
3m money market rate	0.25	0.30	0.30	0.40	7.43	0.25
Czech Republic						
Key interest 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	5.50	1.75
3m money market rate	0.81	0.85	1.00	1.15	6.30	0.68
Russia						
Key interest rate	10.00	10.00	9.50	9.00	17.00	5.25
3m money market rate	10.48	10.60	10.10	9.60	29.93	6.65
Serbia						
Key interest rate	4.00	4.00	4.00	4.00	11.75	4.00
3m money market rate	3.46	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	11.55	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

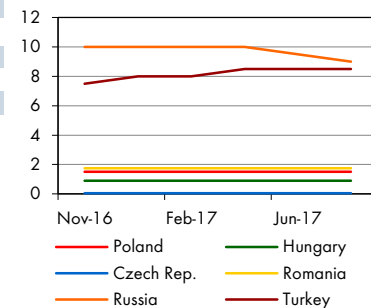
* Bid rates (for Hungary ask rates) as of 09 February 2017, 11:59 p.m. CET

Inflation snapshot



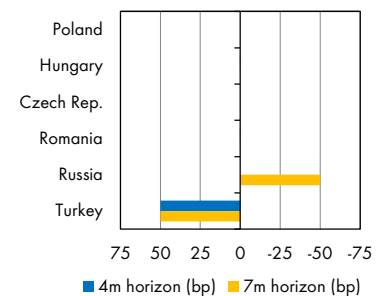
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	NBP maintains wait-and-see stance and sees no reason to hike rates this year under current circumstances. Despite recent uptick in CPI, headline rate to remain below the official mid-target in 2017.
Hungary (MNB)	MNB remains sanguine on reflation dynamics and maintains ultra-loose MP stance. Cap to 3m deposit rate since October and FX swap operations add additional liquidity to the system. MP relaxation to be maintained as long as possible. Mission to depress BUBOR rates accomplished.
Czech Republic (CNB)	Although January's CPI came-in again at the mid-target of the CNB, CPI is likely to retreat in mid-2017 again. We therefore see good chances that 'CZKexit' could be postponed from mid-2017 ('soft commitment') to later in H2 2017 as inflation dynamics should become more forceful and ECB QE should come to an end.
Romania (BNR)	BNR CPI inflation forecasts were revised downwards most recently mainly due to changing economic policy framework. Our call for rate hikes starting in Q4 2017 becomes increasingly challenged.
Serbia (NBS)	NBS maintains prudent MP stance, i.e. sufficient rate differential, and continues to intervene on the local FX market from time to time to bolster the dinar.
Russia (CBR)	Rule-based FX interventions announced recently in order to hinder RUB from further appreciation caused more dovishness amongst rate setters. We adjusted our base rate trajectory flatter and do not expect a 50bp in March anymore.
Turkey (TCMB)	TCMB continued to keep weighted average costs of funding (WACF) at high levels, i.e. around 10.4%, providing ongoing support for lira markets. With its multi-interest rate policy, the bank tries to balance between controlling inflation and investors' call for tight as well as conventional monetary conditions and constant demands for lower interest rates from politicians.

Source: 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)	/	16

Source: National Central Banks, RBI/Raiffeisen RESEARCH

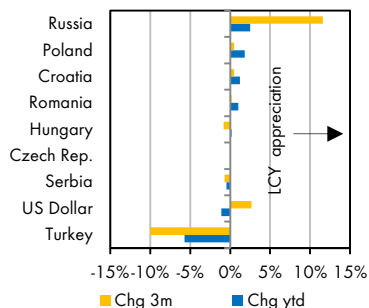
Foreign exchange market overview

FX forecasts

EUR vs	current*	Mar-17	Jun-17	Sep-17	5y high	5y low	Comment
PLN	4.324	4.40	4.45	4.40	4.40	4.08	The zloty has in our view exploited its short-term appreciation potential, a moderate setback can be expected
HUF	308.3	310	315	310	316	291	The forint hovers just below the strong end of its 310-315 trading range to the euro, we expect low volatility to remain
CZK	27.02	27.0	27.0	27.0	27.7	25.1	January CPI came in above expectation at 2.2% yoy, fuelling speculation about a possible early end of the FX regime (mid-2017)
RON	4.498	4.45	4.50	4.45	4.54	4.45	EUR/RON with only short-lived setback due to political turmoil, we would not expect significant volatility in RON
HRK	7.467	7.55	7.47	7.50	7.66	7.55	We expect slightly higher FCY demand by corporate sector thus the EUR/HRK could turn upward within the range 7.46-7.49 kuna per euro.
RSD	124.0	123	123	124	125	112	Uncertainty over presidential elections weigh on RSD, markets looking on determination of central bank to stabilize movement
RUB	62.81	65.5	63.2	61.2	79.3	40.3	see USD/RUB below
UAH	28.86	29.1	27.5	27.5	29.4	10.6	see USD/UAH below
BYN	2.036	2.24	2.30	2.35	2.47	1.13	see USD/BYN below
TRY	3.935	3.95	3.88	3.77	3.89	2.35	see USD/TRY below
USD	1.066	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	58.89	63.0	62.0	60.0	73.0	30.5	USD/RUB hovers below level of 60, supported by oil price; we would expect depreciation above the level of 60 as the next relevant move
UAH	27.06	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	1.909	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	3.690	3.80	3.80	3.70	3.70	1.78	USD/TRY remaining volatile; we would, however, not expect sustainable strengthening or significant weakening from current levels

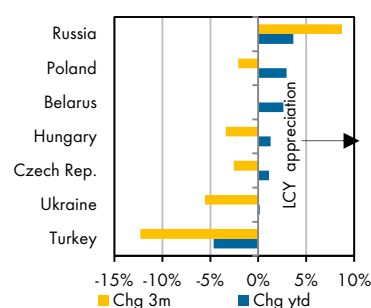
* as of 09 February 2017, 11:59 p.m. CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



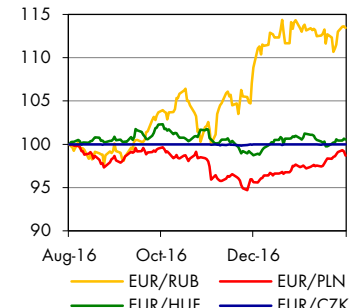
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

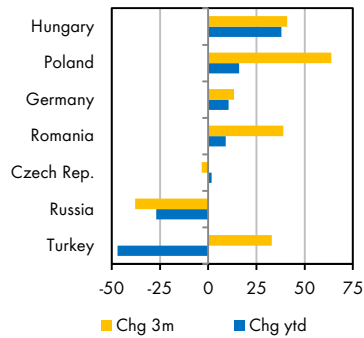
Exchange rate comparison



Indexed 09 Aug-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

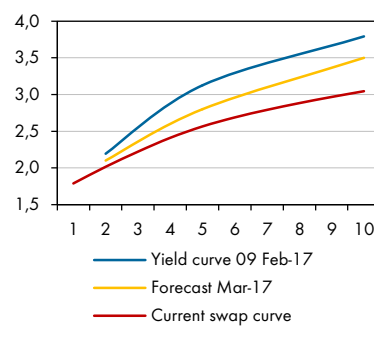
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



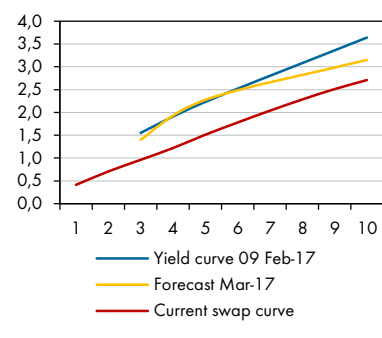
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



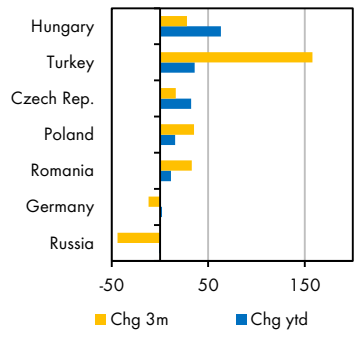
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



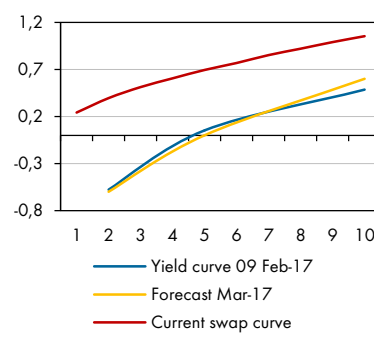
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



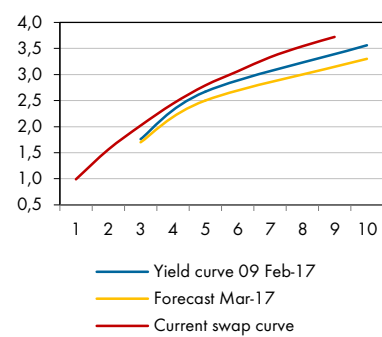
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



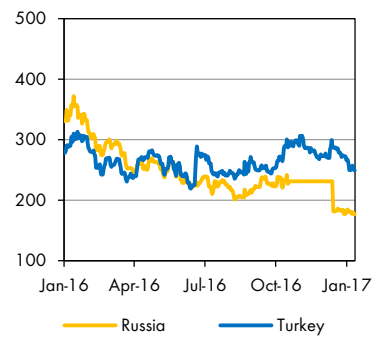
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



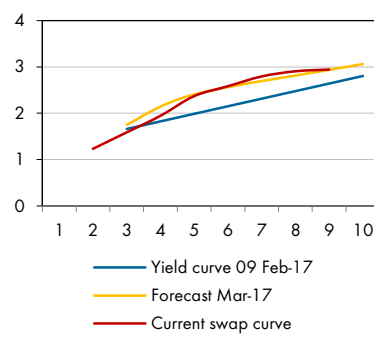
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



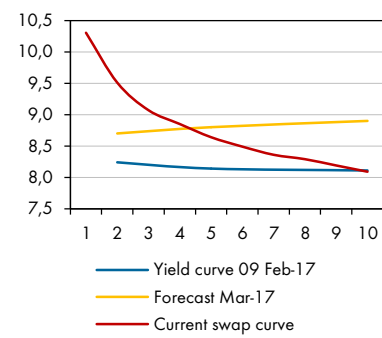
Turkey 5y high 327.1, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RUB yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Yield forecasts

2y T-bond yields (%)							10y T-bond yields (%)						
	current*	Mar-17	Jun-17	Sep-17	5y high	5y low		current*	Mar-17	Jun-17	Sep-17	5y high	5y low
Poland	2.19	2.1	2.2	2.2	3.1	1.6	Poland	3.79	3.5	3.6	3.7	4.3	2.5
Hungary ¹⁾	1.55	1.4	1.5	1.6	5.7	0.9	Hungary	3.64	3.2	3.2	3.3	6.2	3.3
Czech Republic	-0.58	-0.6	-0.7	-0.6	0.5	-0.9	Czech Republic	0.49	0.6	0.6	0.5	2.5	0.5
Romania ¹⁾²⁾	1.1	1.1	1.2	1.3	6.4	1.4	Romania ¹⁾²⁾	3.56	3.3	3.4	3.5	6.9	3.5
Croatia	1.66	1.8	1.8	1.9	6.9	0.9	Croatia	2.80	3.1	3.1	3.2	5.2	3.1
Russia	8.24	8.7	8.7	8.5	15.8	6.2	Russia	8.11	8.9	8.8	8.7	14.1	6.9
Turkey	11.06	11.0	11.5	11.0	11.0	6.1	Turkey ²⁾	10.62	11.6	11.8	11.6	11.5	6.6
Germany	-0.80	-0.7	-0.7	-0.7	0.2	-0.8	Germany	0.31	0.5	0.5	0.5	1.9	0.1
USA	1.18	1.3	1.4	1.4	1.5	0.2	USA	2.41	2.7	2.5	2.7	3.0	1.8

* bid yields as of 09 February 2017, 11:59 p.m. CET; 1) HU: 3y yield, RO 2y and 10y Bloomberg benchmarks: residual maturity 1y and 8y respectively; 2) under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

	Maturity	Coupon (%)	Bid Price	YTM (%)	Spread to Bunds (bp)	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25/04/2019	0.00	95.29	2.23	300	2.2	POLGB yields seem to have found a new equilibrium at fairly elevated levels with spreads over Bunds remaining comfortable. As most of UST repricing might be concluded for now and local rate hike expectations should ease further, we find POLGBs attractive.
PLN 5y Gov. Bond	25/04/2022	2.25	95.78	3.14	357	4.9	
PLN 10y Gov. Bond	25/07/2027	2.50	89.08	3.78	345	9.1	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	98.26	1.50	221	3.6	HGB yields witnessed a moderate upward drift most recently which renews the attractiveness of longer-dated papers in our view. Bond-market-supporting CB measures and the state-led improvement of growth prospects should lend support.
HUF 5y Gov. Bond	26/10/2022	1.75	97.67	2.19	262	5.5	
HUF 10y Gov. Bond	27/10/2027	3.00	94.99	3.57	324	9.2	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	111.90	-0.52	26	2.0	CZGB yield spreads over Bunds increased most recently with excessive CZKexit positioning likely having peaked. 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	117.93	-0.02	40	4.3	
CZK 10y Gov. Bond	26/06/2026	1.00	104.86	0.47	14	9.0	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	105.87	1.02	145	1.4	More dynamic trading, strongly influenced by new HRK bond issuance, is expected to continue.
HRK 10y Gov. Bond	14/12/2026	4.25	111.93	2.85	252	8.3	
Romania							
RON 2y Gov. Bond	17/01/2018	3.25	101.95	1.10	181	0.9	ROMGBs recouped initial losses triggered by political turmoil. Given the surprisingly stable RON exchange rate, ROMGB investors remained sanguine despite the
RON 5y Gov. Bond	22/03/2021	3.25	102.14	2.68	311	3.8	
RON 10y Gov. Bond	24/02/2025	4.75	108.18	3.60	327	6.6	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	99.00	8.20	897	1.8	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, expected decrease in volatility additional argument for favorable l/t outlook.
RUB 5y Gov. Bond	18/08/2021	7.50	98.25	8.13	856	3.9	
RUB 10y Gov. Bond	03/02/2027	8.15	101.45	8.09	776	7.2	
Turkey							
TRY 2y Gov. Bond	11/07/2018	8.70	96.96	11.07	1184	1.3	TURKGBs extended gains in a relief rally due to ongoing support to the exchange rate by the central bank. We maintain our Hold recommendation, but see room for further gains increasingly limited due to elevated inflation risks.
TRY 5y Gov. Bond	22/09/2021	9.20	94.30	10.79	1122	3.8	
TRY 10y Gov. Bond	11/02/2026	10.60	99.83	10.65	1032	5.6	

Data as of 10 February 2017, 11:04 a.m. CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

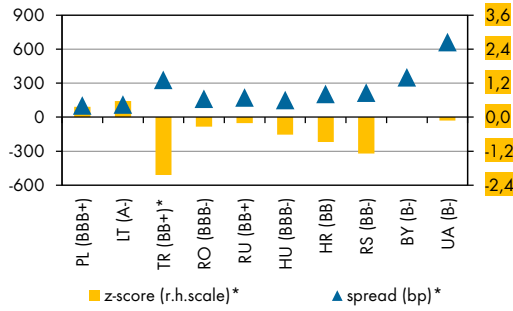
Bond auctions

		ISIN	Coupon	Maturity	Volume
13 February					
RS	1.9y T-bond	RSMFRSD60304	3.50%	12.01.2019	RSD 19 bn
RO	6m T-bill	n.a.	n.a.	16.08.2017	RON 800 mn
14 February					
TR	9y T-bond	n.a.	10.60%	14.01.2026	n.a.
TR	10y T-bond	n.a.	11.67%	14.02.2026	TRL 737.1 mn
RS	T-bond	n.a.	1.00%	n.a.	n.a.
15 February					
AL	3y T-bond	n.a.	n.a.	15.01.2019	n.a.
AL	3y T-bond	n.a.	n.a.	15.01.2019	n.a.
16 February					
PL	T-bond	n.a.	FRN	n.a.	n.a.
CZ	3m T-bills	n.a.	n.a.	19.05.2017	max. CZK 5 bn
RO	6.2y T-bond	RO1624DBN027	3.25%	29.04.2024	RON 300 mn

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

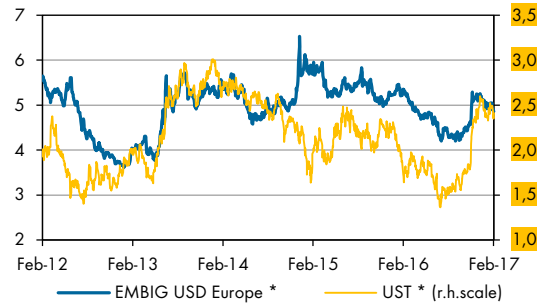
Eurobond market overview

CEE USD EMBIG spread valuation*



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

CEE EMBIG USD vs. UST YTM*



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

Issuer/rate/due	Market Price			YTM mid.		Spread	Mdur.	ISIN	
	Bid	Ask	w/w %	5y max	5y min	% p. a. Bmk, bp	years		
EUR									
BGARIA 4 1/4 07/09/17	101.9	102.2	0.05	111.8	100.3	-0.87	-19	0.4	XS0802005289
CROATI 5 7/8 07/09/18	107.9	108.2	-0.13	112.1	94.6	0.11	81	1.3	XS0645940288
REPHUN 3 7/8 02/24/20	110.9	111.4	-0.11	113.1	74.9	0.19	92	2.8	XS0212993678
REPHUN 4 3/8 07/04/17	101.8	102.0	-0.06	108.0	82.9	-0.49	19	0.4	XS0284810719
REPHUN 5 3/4 06/11/18	107.7	107.9	0.00	115.1	85.7	-0.15	54	1.3	XS0369470397
REPHUN 6 01/11/19	111.1	111.5	-0.04	118.4	86.4	0.07	85	1.9	XS0625388136
LITHUN 4.85 02/07/18	104.9	105.3	-0.02	114.3	100.4	-0.33	30	1.0	XS0327304001
POLAND 5 5/8 06/20/18	107.7	108.3	-0.08	122.6	102.1	-0.28	41	1.3	XS0371500611
POLAND 1 5/8 01/15/19	103.2	103.5	-0.02	105.5	98.0	-0.12	66	1.9	XS0874841066
POLAND 3 3/4 01/19/23	118.1	118.8	0.00	125.5	99.9	0.58	91	5.4	XS0794399674
POLAND 3 3/8 07/09/24	116.5	117.3	0.00	125.6	99.6	1.00	111	6.6	XS0841073793
ROMANI 4 7/8 11/07/19	112.6	112.9	0.00	117.8	99.3	0.19	93	2.6	XS0852474336
TURKEY 5 7/8 04/02/19	109.3	109.7	0.05	118.9	103.1	1.32	209	2.0	XS0285127329
TURKEY 5 1/8 05/18/20	108.9	109.3	0.25	115.9	97.3	2.20	291	2.9	XS0503454166
USD									
BELRUS 8.95 01/26/18	102.0	102.8	-0.16	111.2	78.0	6.30	552	0.9	XS0583616239
CROATI 6 3/8 03/24/21	109.7	110.1	0.19	117.8	91.7	3.75	207	3.6	XS0607904264
CROATI 5 1/2 04/04/23	107.2	107.7	0.67	111.7	94.4	4.11	205	5.1	XS0908769887
REPHUN 5 3/8 02/21/23	110.0	110.4	0.10	115.4	93.1	3.49	143	5.1	US445545AH91
REPHUN 7 5/8 03/29/41	142.5	143.9	1.08	157.5	87.4	4.63	179	12.8	US445545AF36
LITHUN 7 3/8 02/11/20	113.7	114.2	0.10	130.7	110.2	2.51	106	2.7	XS0485991417
LITHUN 6 5/8 02/01/22	116.5	117.0	0.19	128.6	103.8	2.97	110	4.3	XS0739988086
LATVIA 2 3/4 01/12/20	101.1	101.4	0.03	104.5	91.4	2.30	87	2.8	XS0863522149
LATVIA 5 1/4 06/16/21	110.7	111.2	0.04	117.2	92.9	2.56	83	3.9	XS0638326263
POLAND 6 3/8 07/15/19	110.7	110.8	-0.03	125.9	109.0	1.81	50	2.3	US731011AR30
POLAND 3 03/17/23	99.1	99.4	0.37	105.1	87.6	3.14	106	5.5	US731011AT95
ROMANI 6 3/4 02/07/22	115.1	115.3	0.44	124.4	99.8	3.41	152	4.3	US77586TAA43
ROMANI 4 3/8 08/22/23	104.0	104.2	0.38	111.1	90.8	3.66	152	5.5	US77586TAC09
RUSSIA 4 1/2 04/04/22	105.7	106.3	0.97	114.7	82.0	3.22	133	4.5	XS0767472458
RUSSIA 7 1/2 03/31/30	120.0	120.4	-0.07	128.6	99.6	2.38	-11	3.7	XS0114288789
RUSSIA 5 5/8 04/04/42	109.3	110.1	-0.02	124.9	76.0	4.94	208	13.7	XS0767473852
SERBIA 5 1/4 11/21/17	102.2	102.4	0.00	107.1	96.8	2.18	146	0.7	XS0856951263
SERBIA 4 7/8 02/25/20	103.1	103.7	0.36	105.4	89.6	3.68	222	2.7	XS0893103852
TURKEY 6 1/4 09/26/22	106.1	106.8	0.52	127.0	102.5	4.91	292	4.6	US900123BZ27
TURKEY 6 7/8 03/17/36	106.2	106.7	0.09	139.6	99.2	6.29	360	10.5	US900123AY60
TURKEY 6 3/4 05/30/40	104.5	105.5	0.20	139.4	97.3	6.33	352	11.8	US900123BG46
UKRAIN 7 3/4 09/01/19	99.5	100.0	-0.13	102.3	88.0	7.86	652	2.2	XS1303918269
UKRAIN 7 3/4 09/01/23	95.5	96.0	0.07	99.9	84.6	8.61	648	4.8	XS1303921487
UKRAIN 7 3/4 09/01/27	93.8	94.2	0.72	98.4	81.2	8.63	621	6.7	XS1303927179

YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 10 Feb 2017, 9:35 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	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	stable
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	negative	Ba1	Ba1	stable	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	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	2.8	-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	-0.2	7.1	6.0	476	-4.4	13.5	22.2	2.0	39.1	80.6	25.6
	2017f	1.0	4.7	6.0	587	-3.3	14.0	23.6	5.0	31.4	86.0	22.4
	2018f	1.5	4.5	6.0	594	-2.4	14.5	22.8	5.5	26.0	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

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Bonds

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

Recommendation	Basis: all analysed Government bonds
Buy	19%
Hold	63%
Sell	19%
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						

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

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Editor: Andreas SCHWABE, RBI Vienna

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