

Market snapshot

	curr.*	Mar-17	Jun-17	Sep-17
Poland				
EUR/PLN	4.304	4.40	4.45	4.40
Key rate	1.50	1.50	1.50	1.50
10y bond	3.8	3.8	3.9	4.0
Hungary				
EUR/HUF	307.9	310	315	310
Key rate	0.90	0.90	0.90	0.90
10y bond	3.6	3.5	3.5	3.6
Czech Republic				
EUR/CZK	27.02	27.0	27.0	27.0
Key rate	0.05	0.05	0.05	0.05
10y bond	0.6	0.6	0.6	0.5
Romania				
EUR/RON	4.518	4.45	4.50	4.45
Key rate	1.75	1.75	1.75	1.75
10y bond	3.7	3.8	3.9	3.8
Croatia				
EUR/HRK	7.432	7.45	7.40	7.45
Key rate	2.50	2.50	2.50	2.50
10y bond	2.7	2.7	2.7	2.7
Russia				
USD/RUB	57.61	63.0	62.0	60.0
Key rate	10.00	10.00	9.50	9.00
10y bond	8.2	8.5	8.7	8.5
Turkey				
USD/TRY	3.561	3.80	3.80	3.70
Key rate	8.00	8.00	8.00	8.00
10y bond	10.4	10.8	11.2	10.7
EUR/USD	1.059	1.04	1.02	1.02

* prices as of 23 February 2017, 11:59 p.m. CET
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

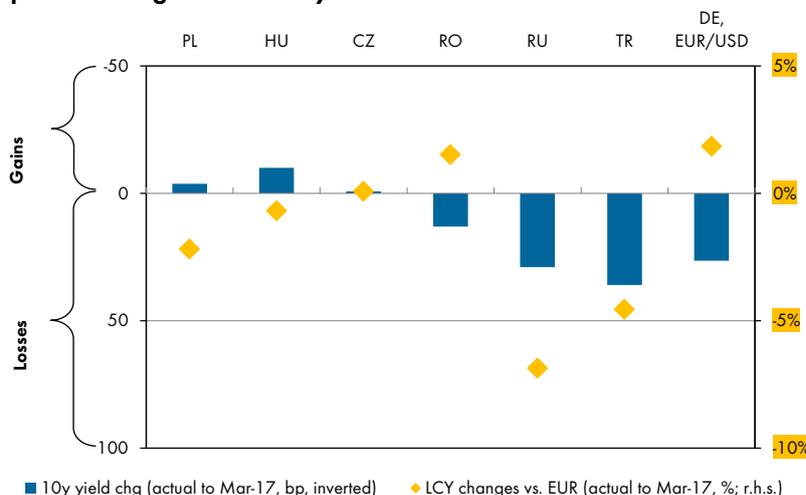
Highlights

A pick-up in inflation rates across the region not only intensifies speculation in the Czech Republic on the timetable for the FX regime abandoning (we are currently in the process of revising our CZK outlook), but has likewise raised questions about possible changes in the interest rate outlook throughout the region. This was especially true for Poland, where a combination of strong and improving economic data as well as rising inflation revived rate hike speculation. Nevertheless, we would regard such speculation as premature given the questionable sustainability of the inflation trajectory as well as the prolonged ECB QE program. Following the rating outlook upgrade by Moody's, the rather hawkish comments by the Russian Central Bank at its last key rate setting meeting, the support by the high carry and especially the oil price increase, the Russian rouble witnessed additional strengthening. With pressure on the budget as well as the economic development coming out of such a RUB strength we could well see response from official side in the near-term to try balancing USD/RUB more towards levels of 60. Meanwhile the news-flow out of Ukraine on the payout of the next IMF tranche has not brought any more clarity. While Ukrainian officials stress that the talks are constructive, a decision on the IMF board level is yet outstanding. Nevertheless, such an IMF board level decision could follow in the coming weeks according to sources, but this something we have gotten used to over the past weeks.

PMI data to be released next week (01 March) should be among the mostly watched, with GDP data for the fourth quarter and the key rate setting meetings in Hungary following up.

Financial analyst: Wolfgang Ernst (+43 1 71707 1500), CEFA, RBI Vienna

Expected changes from today until March 2017



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

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Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
28-Feb	SI: GDP, % yoy	Q4	n.a.	n.a.	n.a.	n.a.	2.7
28-Feb	HU: Key rate, %	Mar	0.90	n.a.	n.a.	n.a.	0.90
28-Feb	HR: GDP, % yoy	Q4	3.4	n.a.	n.a.	n.a.	2.9
01-Mar	PL: PMI, points	Feb	54.9	n.a.	n.a.	n.a.	54.8
02-Mar	UA: Key rate, %	Mar	14.00	n.a.	n.a.	n.a.	14.00

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
Friday 17 February					Friday 24 February						
PL: Industrial output, % yoy	Jan	9.0	8.0	2.3	HR: CPI, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	0.2
PL: Retail sales, % yoy	Jan	7.7	8.3	6.4	Tuesday 28 February						
Monday 20 February					SI: Retail sales, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	10.1
RU: Retail sales, % yoy	Jan	-2.3	n.a.	-5.9	SI: GDP, % yoy	Q4	n.a.	n.a.	n.a.	n.a.	2.7
RU: Industrial output, % yoy	Jan	2.3	n.a.	0.2	SI: CPI, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	1.3
Wednesday 22 February					RS: Industrial output, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	3.9
SK: CPI, % yoy	Jan	0.9	n.a.	0.2	RS: Retail sales, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	6.8
Thursday 23 February					HU: Key rate, %	Mar	0.90	n.a.	n.a.	n.a.	0.90
RS: CPI, % yoy	Jan	2.4	n.a.	1.6	HR: GDP, % yoy	Q4	3.4	n.a.	n.a.	n.a.	2.9
UA: Industrial output, % yoy	Jan	5.6	n.a.	4.5	Wednesday 01 March						
					RU: PMI, points	Feb	n.a.	n.a.	n.a.	n.a.	54.7
					TR: PMI, points	Feb	n.a.	n.a.	n.a.	n.a.	48.7
					HU: PMI, points	Feb	n.a.	n.a.	n.a.	n.a.	56.5
					PL: PMI, points	Feb	54.9	n.a.	n.a.	n.a.	54.8
					CZ: PMI, points	Feb	n.a.	n.a.	n.a.	n.a.	55.7
					Thursday 02 March						
					RO: Unemployment rate, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	5.5
					UA: Key rate, %	Mar	14.00	n.a.	n.a.	n.a.	14.00
					Friday 03 March						
					RO: Retail sales, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	8.4
					TR: CPI, % yoy	Feb	n.a.	n.a.	n.a.	n.a.	9.2
					RU: PMI Services, points	Feb	n.a.	n.a.	n.a.	n.a.	58.4
					RU: PMI Composite, points	Feb	n.a.	n.a.	n.a.	n.a.	58.3
					HU: Retail sales, % yoy	Jan	5.0	n.a.	n.a.	n.a.	3.2
					HU: Trade balance, EUR mn	Dec	556	n.a.	n.a.	n.a.	556
					SK: Retail sales, % yoy	Jan	n.a.	n.a.	n.a.	n.a.	4.3

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Bosnia a. H. (BA) – Political topics were in the spotlight in the week under review, with the main focus being the new political crisis after Mr. Bakir Izetbegovic, Bosniak member of the state tripartite presidency, announced that B&H will launch an appeal against the ICJ 2007 verdict that cleared Serbia of complicity in genocide during the 1992-95 war. As expected, the political parties from Republika Srpska came back with a strong response, emphasising that the revision of the verdict is a decision taken by only one State Presidency member, and not the whole country. This topic has already fuelled political tensions in the region and within the country, even before the formal decision was adopted within the country. For the time being it is uncertain what political response will come from the RS political representatives. According to some announcements from RS political parties, their representatives will not participate in the work of the State Parliamentary Assembly for a prolonged period, meaning that they will participate in the Parliamentary Sessions, but will not take part in its work (adoption of new laws, etc.). A more specific political decision and action from the RS political representatives is expected after the extraordinary session of the RS entity's National Assembly, which should be held next week. If representatives of the RS decide to block all decisions and law adoptions in the State Parliament, B&H could face its biggest post-Dayton crisis with a very uncertain outcome. In the worst-case scenario, the state could find itself blocked until the new parliamentary elections in October 2018.

A blocked State Parliament would primarily have economic consequences for the country, given the many reform laws that need adopted in order to continue with the IMF arrangement and EU accession. In the short-term, the most important law for the State Parliament is amending the Law on Excise Duties for the planned hike of excise tax on oil products, which is a precondition for the continuation of the IMF agreement. This law is also required for the country to finally withdraw the funds allocated by international financial institutions for infrastructure projects in Corridor Vc. Therefore, a possible lengthy blockade of the State Parliament could lead to a downward revision of our baseline growth forecast for 2017-2018. We remind you that our forecasted GDP growth rate of 3.0% yoy in 2017 is largely based on positive expectations regarding fiscal stability and the announced public investments in energy and infrastructure. These expectations materialising is solely dependent on political stability. Without political stability, the B&H economy will remain driven only by external economic factors and the environment, and will depend mostly on export-oriented sectors and private consumption. However, we will wait until we see a clearer and firmer political response from the RS political parties before possibly revising our economic outlook downwards.

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

Croatia (HR) – In the forthcoming week, the focus will be on the first GDP estimate for Q4 2016. Given that economic growth in Croatia during 2016 has exceeded even the most optimistic expectations, we project growth will accelerate to over 3% (3.4%). The high-frequency indicators point to growth in all components of domestic demand. The largest contribution to growth is expected from private consumption, which has been encouraged by the announced changes in the tax system aimed at lowering tax burdens. Although the tax

reform started at the beginning of 2017, the mere announcement of the tax relief has obviously stimulated consumption. Additionally, consumer confidence and expectation indicators are on positive trends.

On the other hand, the return of political stability and the Government's cut of administrative barriers have definitely encouraged investments that also support better utilisation of EU funds. Although high import dependence mitigates the positive effect of goods' and services' exports, we expect to see a slightly positive contribution from net exports, especially considering the excellent tourism results (with the prolonged tourist season and the festive period).

In view of previous quarters, when real GDP grew on an annual basis by 2.7%, 2.8% and 2.9% respectively, we expect the GDP growth rate to have reached at least 2.9% for 2016 as a whole.

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

Czech Republic (CZ) – A survey released last week by the Czech Statistical Office showed that food prices went up significantly in February. Consumer inflation remains a key variable for CNB decisions. The last survey indicates a further acceleration of inflation in February. We expect consumer inflation will accelerate towards 2.5% yoy, which is 40pp above the CNB forecast. Our forecast, in which we predicted the end of the CNB commitment in the second half 2017, is currently under revision. Recent data indicates an increased probability that the CNB will take the decision to abandon the FX cap as early as Q2 2017. However, we have to admit that the pick-up in inflation is supported by a low comparative base and by changes in food prices that are very volatile. Members of the CNB board repeatedly stated that they prefer stable inflation growth. Thus CZKexit in Q2 2017 is not certain at all, and February's inflation, released on 9 March, will be closely watched.

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

Hungary (HU) – According to the Statistical Office, the annual growth rate of average gross earnings in Hungary declined to 5.7% in December, from the previous 8.2%. The market expected an 8% rise. Next week, January's unemployment rate and retail sales data are due for release. The annual growth of retail sales may have increased to 5% from 3.2% in December, while the jobless rate possibly remained unchanged at 4.4%. The MNB's rate-setting meeting will be held on Tuesday, but we do not expect any meaningful change in the forward guidance. The most likely outcome of the meeting will be a reiteration of the dovish stance regarding the surprising jump in headline CPI to 2.3% in January. Some of the market's participants revised their CPI forecasts upwards drastically following the January data release, saying that the headline figure will reach and even exceed the upper end of the tolerance band in the coming months, which is 4%, prompting speculation that rates will rise earlier than anticipated. We think these expectations are more or less exaggerated, and stick by our prediction that the central bank will not start tightening before the second half of 2018. We saw some market correction during the week: the EUR/HUF ticked up a bit, but is still trading around 308, while HGB yields across the curve declined, with the 10y benchmark dropping 14bp to 3.45%. For next week we anticipate a subdued market reaction to the central bank's rate-setting meeting.

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

Poland (PL) – Data for January indicated a strong improvement in the real economy. Industrial output rose by 9.0% (market consensus expected 8.1%), supported mainly by the manufacturing sector. The first growth in the construction sector for 15 months indicates that infrastructure investments may accelerate in the coming months. Retail sales growth amounted to 11.4%, which is the best result in 5 years. PPI rose by 4.1% yoy, which is in line with our expectations of further CPI growth, possibly even to 2% yoy in February. Such optimistic data may exert stronger pressure on the MPC, and some MPC members indicated that the higher than forecasted inflation could justify interest-rate hikes in subsequent quarters. Still, it was also stressed that hiking rates too early could adversely affect corporate investment growth. Taking into account the dovish minutes after the February meeting as well, we believe there will be no changes in the MPC outlook in the coming quarters, and our baseline scenario assumes flat rates at least until the end of 2017. The coming week will see the final data on Q4 GDP along with its structure (28 February), while on Wednesday we expect the PMI reading for February. Given the very good PMI readings in the euro area, another strong reading is possible.

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

Romania (RO) – The banking sector posted a net profit of around RON 4.2 bn in 2016, down from RON 4.5 bn in 2015. We recall that the activity and profitability of the banking system in 2016 were adversely affected by two laws, the "Datio in solutum" law and the law aimed at converting CHF-denominated loans into RON at historical exchange rates. Still, given the recent rulings of the Constitutional Court, the final impact of the two laws should be lower than initially estimated. In the first case, the provisions of the law could be applied only if hardship is identified by a judge, while the second law was declared unconstitutional even before it became effective. The return on equity (ROE) stood at 10.7% in 2016, below the 11.8% registered in 2015. The clean-up of bank balance sheets continued in 2016, resulting in a decline of the NPL ratio to 9.5% in December 2016, from 13.5% in December 2015.

The week ahead is rather light in terms of macroeconomic releases. The most important will probably be public budget execution for January, due to be released at the beginning of next week. The Deputy Finance Minister already said recently that the public budget balance for January recorded a small surplus of around 0.3% of GDP. This is below the public budget surplus recorded both in January 2015 and in January 2016 of around 0.6% of GDP.

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

Serbia (RS) – In February's inflation report the National Bank of Serbia (NBS) reckons inflation will enter the targeted range of 3% +/- 1.5pp in Q1, supported by the low base, higher oil prices on the global markets, and the hike in tobacco prices (excise adjustments to inflation growth). Furthermore, seasonal growth in vegetable and fruit prices will contribute to inflation growth further ahead. Once inflation enters the target range, the reading sentiment will stabilise, moving within the range until the end of 2018 supported by the low base with vegetables and fruits, gradual growth in aggregate demand in the country and the inflation pick-up in the euro area. Low food production costs will still have a disinflationary impact, as well as the high base with oil derivative prices. State-controlled prices will increase by 4% (0.75pp contribution to inflation), which includes electricity price growth. GDP growth is set to be 3.0% yoy in 2017 (unchanged forecast compared with November's report) and 3.5% yoy in 2018. Economic growth in 2018 will be driven by investments and exports.

Next week the Statistical Office will publish the heavyweights of industrial production, retail sales and foreign trade for January 2017, as well as the unemployment rate and GDP for Q4 2016.

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

Monetary policy and money markets overview

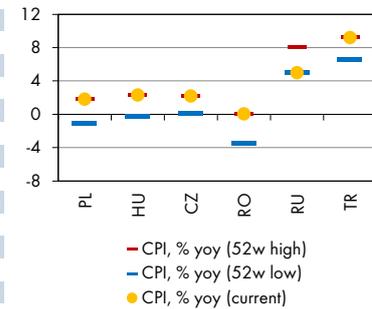
CEE key interest and money markets outlook

Poland	current*	Mar-17	Jun-17	Sep-17	5y high	5y low
Key interest rate	1.50	1.50	1.50	1.50	4.75	1.50
3m money market rate	1.73	1.73	1.73	1.73	5.14	1.65
Hungary						
Key interest rate	0.90	0.90	0.90	0.90	7.00	0.90
3m money market rate	0.24	0.30	0.30	0.40	7.38	0.23
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	0.83	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	10.50	10.50	10.00	9.50	29.93	6.65
Serbia						
Key interest rate	4.00	4.00	4.00	4.00	11.75	4.00
3m money market rate	3.56	3.60	3.60	3.60	13.13	3.26
Turkey						
Key interest rate	8.00	8.00	8.00	8.00	10.00	4.50
3m money market rate	11.55	11.60	11.80	11.00	12.44	4.85
Benchmark key rates						
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

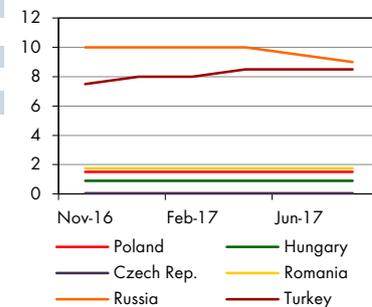
* Bid rates (for Hungary ask rates) as of 23 February 2017, 11:59 p.m. CET

Inflation snapshot



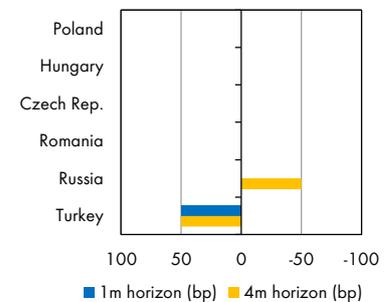
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

	Mar	Apr
Poland (NBP)	8	5
Hungary (MNB)	28	25
Czech Republic (CNB)	30	/
Romania (BNR)	/	5
Serbia (NBS)	14	11
Russia (CBR)	24	28
Turkey (TCMB)	16	26

Source: National Central Banks, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	February minutes confirmed NBP's wait-and-see stance. With the headline CPI rebound in January regarded as partly driven by one-offs, start of rate hikes is not discussed in the MPC, underlining our call of a flat base rate trajectory well into 2018.
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 February's CPI came-in slightly above CNB mid-target, CPI likely to retreat in mid-2017 again. However, the overall higher CPI path increases the chances that 'CZKexit' could already happen earlier, i.e. as early as end-Q2.
Romania (BNR)	BNR lowered CPI inflation forecasts mainly due to changing economic policy framework. Only after liquidity tightening happens forcefully, rate hikes could start as early as 2018.
Serbia (NBS)	NBS maintains prudent MP stance, i.e. sufficient rate differential, amidst global and election uncertainties.
Russia (CBR)	Rule-based FX interventions which started recently in order to hinder RUB from too strong appreciation caused more hawkishness 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. slightly below 10.4%, providing ongoing support for lira markets. With its multi-interest rate policy, the bank tries to balance between controlling inflation, investors' call for tight as well as conventional monetary conditions and constant demands for lower interest rates from politicians.

Source: RBI/Raiffeisen RESEARCH

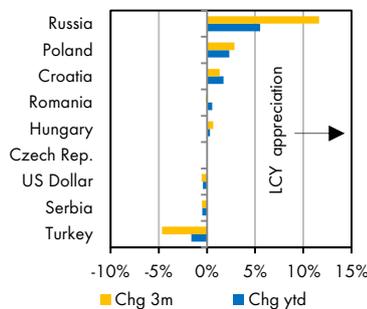
Foreign exchange market overview

FX forecasts

EUR vs	current*	Mar-17	Jun-17	Sep-17	5y high	5y low	Comment
PLN	4.304	4.40	4.45	4.40	4.40	4.08	The zloty has in our view exploited its short-term appreciation potential at 4.30 to the euro, a moderate setback can be expected
HUF	307.9	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	4.518	4.45	4.50	4.45	4.54	4.45	EUR/RON with setback due to political turmoil and budget uncertainty, we would not expect significant volatility in RON
HRK	7.432	7.45	7.40	7.45	7.66	7.50	In case of further HRK strengthening we would not exclude FX intervention by the central bank
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	61.02	65.5	63.2	61.2	79.3	40.3	see USD/RUB below
UAH	28.51	29.1	27.5	27.5	29.4	10.6	see USD/UAH below
BYN	1.985	2.24	2.30	2.35	2.47	1.13	see USD/BYN below
TRY	3.772	3.95	3.88	3.77	3.89	2.35	see USD/TRY below
USD	1.059	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	57.61	63.0	62.0	60.0	73.0	30.5	USD/RUB supported by appealing carry, hawkish CBR comments and oil price; we would, nevertheless, expect depreciation back above the level of 60 as the next relevant move supported by FX/verbal interventions
UAH	26.91	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	1.874	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	3.561	3.80	3.80	3.70	3.70	1.78	USD/TRY with a recent stabilization, volatility expected to remain elevated

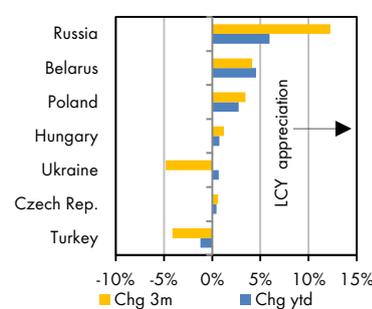
* as of 23 February 2017, 11:59 p.m. CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



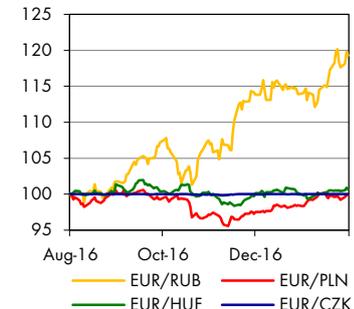
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

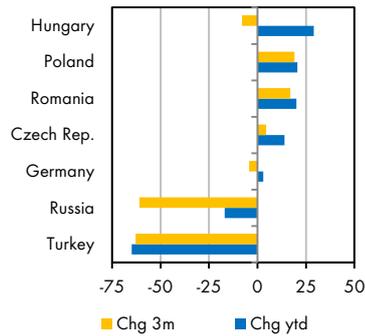
Exchange rate comparison



Indexed 23 Aug-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

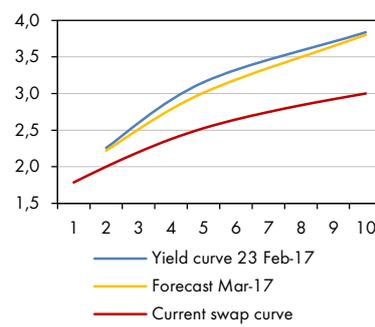
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



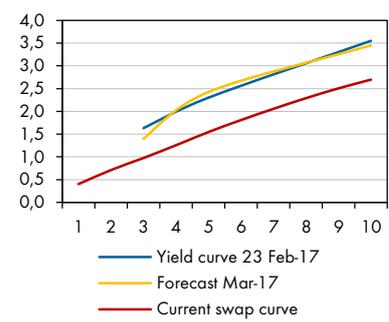
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



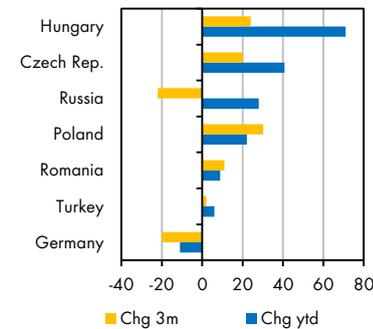
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



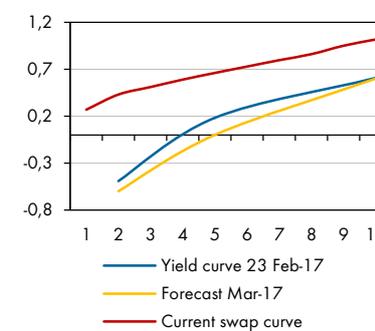
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



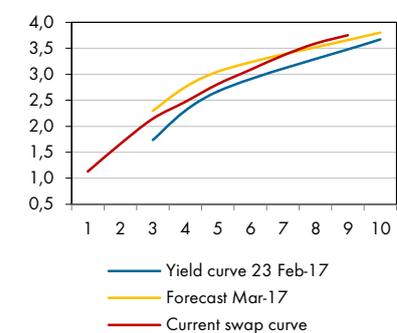
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

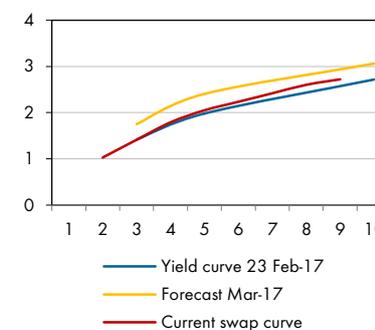
5y USD CDS spreads



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

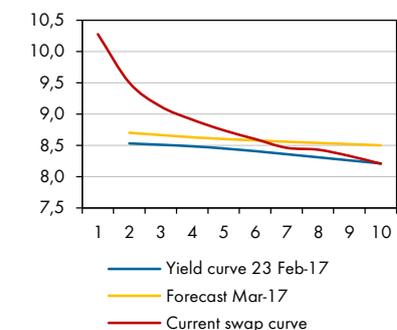
Source: Bloomberg, RBI/Raiffeisen RESEARCH

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	2.26	2.2	2.3	2.3	3.1	1.6	Poland	3.84	3.8	3.9	4.0	4.3	2.5
Hungary **	1.63	1.4	1.5	1.6	5.7	0.9	Hungary	3.55	3.5	3.5	3.6	6.2	3.3
Czech Republic	-0.49	-0.6	-0.7	-0.6	0.5	-0.9	Czech Republic	0.61	0.6	0.6	0.5	2.5	0.5
Romania	1.74	1.8	1.9	2.1	6.4	1.5	Romania	3.67	3.8	3.9	3.8	6.9	3.5
Croatia **	1.42	1.5	1.5	1.5	4.4	0.9	Croatia	2.72	2.7	2.7	2.7	5.2	2.7
Russia	8.53	8.7	8.7	8.5	15.8	6.2	Russia	8.21	8.5	8.7	8.5	14.1	6.9
Turkey	10.76	11.0	11.5	10.5	11.0	6.1	Turkey	10.44	10.8	11.2	10.7	11.1	6.6
Germany	-0.91	-0.7	-0.7	-0.7	0.2	-0.8	Germany	0.23	0.5	0.5	0.5	1.9	0.1
USA	1.18	1.3	1.4	1.4	1.5	0.2	USA	2.39	2.7	2.5	2.7	3.0	1.8

* Bid yields as of 23 February 2017, 11:59 p.m. CET; ** 3y yield
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

	Maturity	Coupon (%)	Bid Price	YTM (%)	Spread to Bunds (bp)	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25/04/2019	0.00	95.34	2.24	318	2.2	POLGB yields seem to have warmed to higher yield levels, maintaining comfortable spreads over Bunds. Although a considerable uptick in CPI inflation was witnessed locally, local rate hike expectations for 2017 should ease again due to only moderate reflation dynamics in 2017. Given that 43% of 2017's refinancing needs are already covered, supply-side flexibility is high.
PLN 5y Gov. Bond	25/04/2022	2.25	95.60	3.19	378	4.8	
PLN 10y Gov. Bond	25/07/2027	2.50	88.50	3.86	366	9.1	
Hungary							
HUF 3y Gov. Bond	23/09/2020	1.00	98.04	1.57	243	3.5	HGB yields are staying more or less constant which keeps attractiveness of longer-dated papers alive. Exaggerated reflation pricing as well as bond-market-supporting CB measures should hinder yields from further material increases in the short-term.
HUF 5y Gov. Bond	26/10/2022	1.75	97.42	2.24	283	5.4	
HUF 10y Gov. Bond	27/10/2027	3.00	95.69	3.49	328	9.2	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	111.55	-0.41	53	2.0	10y CZGB yield spreads over Bunds were narrowing most recently on announced changes regarding CZGBs falling out from JPM developed market index. Further narrowing in the cards due expected acceleration of speculative inflows ahead of CZKexit.
CZK 5y Gov. Bond	29/09/2021	3.85	117.19	0.09	68	4.3	
CZK 10y Gov. Bond	26/06/2026	1.00	103.56	0.61	40	8.9	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	105.95	0.85	144	1.3	We expect the government to tap the international market till the end of Q1. The new issuance is expected to be denominated in euro.
HRK 10y Gov. Bond	14/12/2026	4.25	112.86	2.74	254	8.3	
Romania							
RON 2y Gov. Bond	17/01/2018	3.25	102.02	0.96	182	0.9	ROMGBs are increasingly repricing fiscal risks going forward amidst ongoing political uncertainty. Given the stable RON exchange rate, however, ROMGB investors remained sanguine despite the ongoing street protests.
RON 5y Gov. Bond	22/03/2021	3.25	102.28	2.66	325	3.8	
RON 10y Gov. Bond	24/02/2025	4.75	107.36	3.68	347	6.9	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	98.27	8.64	958	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 tightly-priced OFZ market. However, expected decrease in volatility additional argument for favourable l/t outlook.
RUB 5y Gov. Bond	18/08/2021	7.50	97.00	8.49	908	3.8	
RUB 10y Gov. Bond	03/02/2027	8.15	100.75	8.20	799	7.1	
Turkey							
TRY 2y Gov. Bond	11/07/2018	8.70	97.30	10.84	1178	1.3	It seems that the current tightening of monetary conditions is not capable to unlock more relief for TRY assets. Future gains on TURKGB market remain a function of further TRY gains vs USD with prospects of the latter set to worsen in light of looming US rate hikes.
TRY 5y Gov. Bond	22/09/2021	9.20	94.75	10.67	1126	3.8	
TRY 10y Gov. Bond	11/02/2026	10.60	100.58	10.51	1030	6.2	

Data as of 24 February 2017, 10:29 a.m. CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

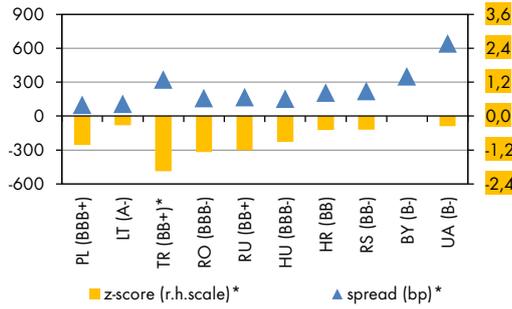
Bond auctions

		ISIN	Coupon	Maturity	Volume
28 February					
UA	T-bonds	n.a.	n.a.	n.a.	n.a.
KS	2y T-bonds	n.a.	n.a.	n.a.	n.a.
01 March					
AL	7y T-bonds	AL0018NF7Y24	n.a.	03.03.2024	ALL 2.5 bn
CZ	3y T-bonds	CZ0001005011	zero	10.02.2020	max. CZK 5.0 bn
CZ	11.5y T-bonds	CZ0001004253	2.40%	17.09.2025	max. CZK 4.0 bn
RU	T-bonds				
02 March					
RS	6m T-bills	n.a.	n.a.	n.a.	n.a.
HU	T-bonds	n.a.	n.a.	n.a.	n.a.
PL	T-bonds	n.a.	n.a.	n.a.	n.a.

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

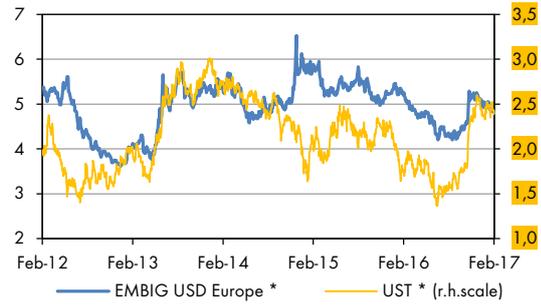
Eurobond market overview

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

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	101.6	101.9	-0.05	111.8	100.3	-0.60	2	0.4	XS0802005289
CROATI 5 7/8 07/09/18	107.8	108.1	-0.01	112.1	95.2	0.05	77	1.3	XS0645940288
REPHUN 3 7/8 02/24/20	110.9	111.3	-0.06	113.1	74.9	0.16	101	2.9	XS0212993678
REPHUN 4 3/8 07/04/17	101.6	101.9	-0.12	108.0	83.5	-0.66	-5	0.3	XS0284810719
REPHUN 5 3/4 06/11/18	107.5	107.8	-0.05	115.1	86.3	-0.20	49	1.2	XS0369470397
REPHUN 6 01/11/19	111.0	111.3	0.08	118.4	86.4	0.03	94	1.8	XS0625388136
LITHUN 4.85 02/07/18	105.0	105.3	-0.01	114.3	100.4	-0.56	-1	0.9	XS0327304001
POLAND 5 5/8 06/20/18	107.8	108.0	-0.12	122.6	102.1	-0.37	33	1.3	XS0371500611
POLAND 1 5/8 01/15/19	103.3	103.5	-0.10	105.5	98.0	-0.17	75	1.9	XS0874841066
POLAND 3 3/4 01/19/23	118.0	118.8	0.00	125.5	99.9	0.57	102	5.4	XS0794399674
POLAND 3 3/8 07/09/24	117.0	117.5	-0.21	125.6	99.6	0.94	116	6.5	XS0841073793
ROMANI 4 7/8 11/07/19	112.6	112.8	-0.04	117.8	99.3	0.14	100	2.6	XS0852474336
TURKEY 5 7/8 04/02/19	109.7	110.0	0.23	118.9	104.6	1.07	197	1.9	XS0285127329
TURKEY 5 1/8 05/18/20	110.1	110.4	0.46	115.9	98.7	1.81	263	2.9	XS0503454166
USD									
BELRUS 8.95 01/26/18	102.7	103.4	0.09	111.2	78.0	5.42	465	0.9	XS0583616239
CROATI 6 3/8 03/24/21	109.7	110.1	0.14	117.8	91.7	3.74	207	3.5	XS0607904264
CROATI 5 1/2 04/04/23	107.2	107.7	0.34	111.7	94.4	4.11	207	5.1	XS0908769887
REPHUN 5 3/8 02/21/23	110.0	110.3	0.10	115.4	93.1	3.48	146	5.1	US445545AH91
REPHUN 7 5/8 03/29/41	142.2	143.2	0.28	157.5	87.4	4.66	183	12.8	US445545AF36
LITHUN 7 3/8 02/11/20	113.6	114.0	0.05	130.7	112.3	2.49	106	2.7	XS0485991417
LITHUN 6 5/8 02/01/22	116.8	117.2	0.34	128.6	106.4	2.90	105	4.3	XS0739988086
LATVIA 2 3/4 01/12/20	101.1	101.6	0.04	104.5	91.4	2.27	86	2.7	XS0863522149
LATVIA 5 1/4 06/16/21	110.7	111.2	0.03	117.2	96.0	2.55	83	3.8	XS0638326263
POLAND 6 3/8 07/15/19	110.4	110.6	-0.06	125.9	109.0	1.82	54	2.2	US731011AR30
POLAND 3 03/17/23	99.7	100.0	0.64	105.1	87.6	3.03	100	5.4	US731011AT95
ROMANI 6 3/4 02/07/22	115.5	115.9	0.44	124.4	99.9	3.27	142	4.2	US77586TAA43
ROMANI 4 3/8 08/22/23	104.9	105.2	0.72	111.1	90.8	3.50	140	5.6	US77586TAC09
RUSSIA 4 1/2 04/04/22	106.1	106.5	0.09	114.7	82.0	3.15	127	4.5	XS0767472458
RUSSIA 7 1/2 03/31/30	120.0	120.5	0.04	128.6	99.6	2.34	-14	3.7	XS0114288789
RUSSIA 5 5/8 04/04/42	108.9	109.6	0.49	124.9	76.0	4.97	212	13.6	XS0767473852
SERBIA 5 1/4 11/21/17	102.1	102.4	0.02	107.1	96.8	2.10	138	0.7	XS0856951263
SERBIA 4 7/8 02/25/20	103.1	103.5	-0.01	105.4	89.6	3.70	226	2.8	XS0893103852
TURKEY 6 1/4 09/26/22	106.5	107.0	0.05	127.0	102.5	4.86	290	4.6	US900123BZ27
TURKEY 6 7/8 03/17/36	107.0	107.5	0.70	139.6	99.2	6.22	355	10.5	US900123AY60
TURKEY 6 3/4 05/30/40	105.9	106.6	0.64	139.4	97.3	6.24	344	11.8	US900123BG46
UKRAIN 7 3/4 09/01/19	100.8	101.3	0.54	102.3	88.0	7.29	597	2.2	XS1303918269
UKRAIN 7 3/4 09/01/23	96.6	97.1	-0.16	99.9	84.6	8.39	628	4.8	XS1303921487
UKRAIN 7 3/4 09/01/27	93.6	94.1	-0.92	98.4	81.2	8.65	626	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 24 Feb 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	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	stable	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	2.9	-1.1	13.6	1029	-2.0	84.2	24.4	3.2	94.7	31.5	9.0
	2017f	3.3	1.9	12.5	1055	-2.4	82.6	23.9	2.5	87.4	32.4	8.8
	2018f	2.8	1.6	11.2	1074	-2.5	80.6	23.6	2.2	86.1	31.5	8.6
Czech Rep.	2016	2.3	0.7	5.6	1020	0.0	39.2	70.1	2.4	73.2	63.8	8.5
	2017f	2.7	2.0	5.3	1073	-0.2	38.2	69.9	1.5	77.3	71.5	10.0
	2018f	2.5	2.0	5.3	1176	0.0	37.0	69.5	1.2	74.0	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	2.6	52.8	41.3	-0.5	74.1	34.3	7.4
	2017f	3.3	1.9	8.3	964	3.0	53.2	41.4	-0.8	76.8	28.8	6.4
	2018f	3.0	2.2	8.2	1019	3.2	53.7	n.a.	-1.1	76.7	n.a.	n.a.
Romania	2016	4.8	-1.5	6.0	642	-2.6	37.9	30.9	-2.4	54.9	41.0	7.4
	2017f	4.2	0.9	5.4	718	-3.6	38.9	31.0	-3.6	52.8	40.0	6.8
	2018f	3.5	2.9	5.1	760	-3.8	40.3	32.2	-3.8	53.0	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	2.2	13.9	9.0	n.a.	-3.0	76.5	36.9	-3.7	131.8	13.6	4.8
	2017f	2.0	10.7	9.0	n.a.	-4.0	78.4	35.9	-4.6	125.1	14.5	5.0
	2018f	3.0	7.5	8.5	n.a.	-3.0	73.0	34.6	-3.8	118.2	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

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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Detailed information on sensitivity analyses (procedure for checking the stability of potential assumptions made in the context of financial analyses) is available under: www.raiffeisenresearch.com/sensitivity_analysis.

Detailed information on recommendations concerning financial instruments or issuers disseminated during a period of 12 month prior to this publication (acc. to Art. 4 (1) i) Commission Delegated Regulation (EU) 2016/958 of 9.3.2016) is available under: https://raiffeisenresearch.com/web/rbi-research-portal/recommendation_history

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Bonds

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

Recommendation	Basis: all analysed Government bonds
Buy	16%
Hold	65%
Sell	18%
Not rated	0%

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

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

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	

Date	CZ EURO BOND EUR	HR EURO BOND EUR	HR EURO BOND USD	HU EURO BOND EUR	HU EURO BOND USD	KZ EURO BOND 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

Date	LT EURO BOND EUR	LT EURO BOND USD	MK EURO BOND EUR	PL EURO BOND EUR	PL EURO BOND USD	RO EURO BOND 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

Date	RO EURO BOND USD	RS EURO BOND USD	RU EURO BOND EUR	RU EURO BOND USD	SI EURO BOND EUR	SI EURO BOND 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	

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

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