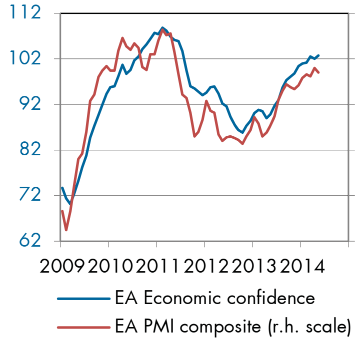
Market Outlook Bond markets

weekly

20 June 2014

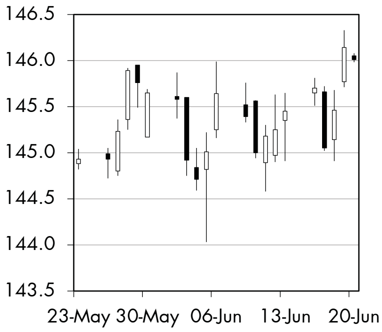
Raiffeisen RESEARCH

Sentiment index lags Markit survey



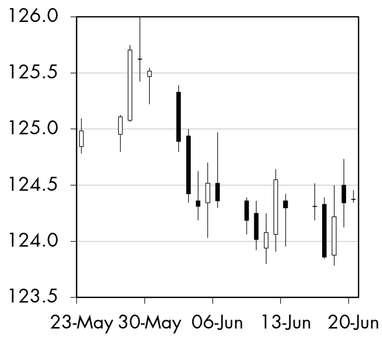
Source: Thomson Reuters, Raiffeisen RESEARCH

Bund Future



5Y-High: 147.16; 5Y-Low 119.90
Source: Bloomberg

T-Note Future



5Y-High: 135.66; 5Y-Low: 114.94
Source: Bloomberg

Forecasts

USA	curr.[1]	Sep-14	Dec-14	Mar-15
Key rate	0.25	0.25	0.25	0.50
Libor 3M	0.23	0.30	0.45	0.70
Yield 5Y	1.68	1.90	2.30	2.50
Yield 10Y	2.63	2.90	3.30	3.50
Euro area				
Key rate	0.15	0.15	0.15	0.15
Euribor 3M	0.21	0.20	0.20	0.30
Yield 5Y	0.38	0.50	0.70	0.90
Yield 10Y	1.33	1.50	1.80	2.00
Swaprate 5Y	0.67	0.85	1.05	1.30

1 as of 20 June 2014, 08:55 a.m. CET;
Source: Thomson Reuters, Raiffeisen RESEARCH

USA

US economic data from **the past week** was stronger than the market expected almost across the board: industrial production rose by 0.6% mom, NAHB housing market index rose from 45 to 49 points. The performance from the first economic leading indicators for July was especially positive, namely the Empire State (19.28) and the Philadelphia Fed Index (17.8), which not only held onto last month's strong showing but beat it altogether – just another indicator for the significant growth acceleration since (and including) Q2 2014. At the same time, the inflation rate (CPI) rose a bit higher (+2.1% yoy; core rate: +2.0% yoy) than our own estimate, which was already above the consensus (both rates are expected to settle above 2% in 2015).

The **Fed**'s wording following the **FOMC** meeting on Wednesday and the accompanying press release was practically unchanged over the last time (April), namely that bond purchases will be reduced by a further USD 10 bn (to USD 35 bn) and that the fed funds target rate shall be kept at the current range "a considerable time after the asset purchase program ends" (both in line with expectations). During the press conference Fed Chair Yellen emphasized again how little trust she places in the improvement in the labor market and that the Fed's monetary policy stance can still remain expansive for some time to come. It does not seem that all members of the FOMC (still) share this opinion, though. In any

Key figures

USA					**RBI**	**Kons.**	**zuletzt**
Mon,	23.	14:30	Chicago Fed National Activity Index	May	**n.a.**	n.a.	-0.32
Mon,	23.	15:45	Markit PMI Manufacturing, prel.	Jun.	**n.a.**	56.0	56.4
Mon,	23.	16:00	Existing home sales (mln, ann.)	May	**4.70**	4.73	4.65
Tue,	24.	16:00	Consumer confidence Conf. Board	Jun.	**83.3**	83.5	83.0
Tue,	24.	16:00	New home sales (thsd, ann.)	May	**n.a.**	440	433
Wed,	25.	14:30	Durable goods orders (% mom)	May	**-0.4**	-0.3	0.6
Wed,	25.	14:30	- ex. transportation (% mom)	May	**0.3**	0.3	0.3
Wed,	25.	14:30	GDP (% qoq, ann., 3rd estimate)	Q4	**-1.1**	-1.7	-1.0
Thu,	26.	14:30	Personal income (% mom)	May	**0.4**	0.4	0.3
Thu,	26.	14:30	Personal spending (% mom)	May	**0.4**	0.4	-0.1
Fri,	27.	15:55	U. of Michigan consumer confidence	Jun.	**82.0**	82.0	81.2
Europe							
Mon,	23.	09:00	FR: PMI Manufacturing, prel.	Jun.	**50.2**	49.5	49.6
Mon,	23.	09:00	FR: PMI Services, prel.	Jun.	**49.6**	49.5	49.1
Mon,	23.	09:30	DE: PMI Manufacturing, prel.	Jun.	**53.0**	52.5	52.3
Mon,	23.	09:30	DE: PMI Services, prel.	Jun.	**55.5**	55.8	56.0
Mon,	23.	10:00	EA: PMI Manufacturing, prel.	Jun.	**52.7**	52.1	52.2
Mon,	23.	10:00	EA: PMI Services, prel.	Jun.	**52.7**	53.3	53.2
Tue,	24.	10:00	DE: ifo business climate	Jun.	**110.1**	110.2	110.4
Tue,	24.	10:00	DE: ifo current assessment	Jun.	**114.8**	115.1	114.8
Tue,	24.	10:00	DE: ifo business expectations	Jun.	**105.5**	106.0	106.2
Tue,	24.	15:00	BE: Business confidence	Jun.	**-6.0**	-6.3	-6.8
Wed,	25.	08:45	FR: Business confidence	Jun.	**100**	99	99
Fri,	27.	09:00	ES: Consumer price index (% yoy), prel.	Jun.	**n.a.**	0.1	0.2
Fri,	27.	10:00	IT: Business confidence	Jun.	**100.0**	100.0	99.7
Fri,	27.	11:00	EA: Economic confidence	Jun.	**102.0**	103.0	102.7
Fri,	27.	11:00	EA: Industrial confidence	Jun.	**-3.5**	-3.0	-3.0
Fri,	27.	14:00	DE: Consumer price index (% yoy), prel.	Jun.	**0.7**	0.7	0.6

Source: Bloomberg, Raiffeisen RESEARCH

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

Raiffeisen RESEARCH

GDP (real %yoy)

	2013	2014f	2015f
Austria	0.3	1.3	2.1
Germany	0.5	1.8	2.5
France	0.4	0.7	1.8
Belgium	0.2	1.5	2.3
Netherlands	-0.8	0.7	2.1
Finland	-1.4	0.0	1.5
Ireland	-0.3	2.0	3.0
Italy	-1.8	0.5	1.5
Spain	-1.2	1.5	2.0
Portugal	-1.4	0.9	2.0
Greece	-3.9	0.0	2.0
Euro area	-0.4	1.2	2.0
United Kingdom	1.8	3.1	2.6
Switzerland	2.0	2.0	2.0
USA	1.9	2.5	3.2
Japan	1.5	1.4	1.1

Source: Thomson Reuters, Raiffeisen RESEARCH

Consumer price index (% yoy)

	2013	2014f	2015f
Austria	2.1	1.5	1.8
Germany	1.6	1.0	2.0
France	1.0	1.0	1.3
Belgium	1.2	1.3	1.9
Netherlands	2.6	0.6	1.4
Finland	2.2	1.3	1.8
Ireland	0.5	0.6	1.3
Italy	1.3	0.5	1.0
Spain	1.5	0.3	0.9
Portugal	0.4	-0.1	0.8
Greece	-0.9	-1.5	-0.5
Euro area	1.4	0.8	1.3
United Kingdom	2.6	2.1	2.8
Switzerland	-0.2	0.4	1.1
USA	1.5	1.9	2.2
Japan	0.4	2.3	0.9

Source: Thomson Reuters, Raiffeisen RESEARCH

Forecasts

	current[1]	Sep-14	Dec-14	Mar-15
CHF				
Libor 3M	0.01	0.0	0.0	0.0
Yield 10Y	0.71	0.8	0.9	1.1
YEN				
Key rate	0.10	0.1	0.1	0.1
Libor 3M	0.13	0.1	0.1	0.2
Yield 10Y	0.59	0.6	0.7	0.8
FX				
EUR/USD	1.36	1.32	1.30	1.30
EUR/JPY	138.7	135	134	138
USD/JPY	101.9	102	103	106
EUR/CHF	1.22	1.22	1.22	1.23
Crude				
Brent (USD)	115.2	115	114	115

1 as of 20 June 2014, 08:55 p.m. CET
Source: Thomson Reuters, Raiffeisen RESEARCH

case, the FOMC's key rate forecast was revised upwards to 1.2% by end-2015 and 2.53% end-2016. We continue to think that the Fed is well behind the curve and is underestimating the improvement in the labor market now just as they have been doing over the past two years. This circumstance, combined with strong GDP growth and growing inflation pressure for 2015 should lead to earlier and sharper interest rate hikes than either the Fed or the market currently assumes. As soon as this outlook becomes part of the consensus over the coming months and quarters, we expect to see bond yields to climb, which is why we continue to expect higher bond yields (especially for longer maturities) already in H2 2014.
The **coming week's** data calendar is full: **GDP for Q1** could be negatively revised again, although one should not forget that this data is already old and the drop is due to a number of special one-off factors. Additionally, the economy in Q2 has probably already accelerated to at least 3%, so the stark negative revision should not hurt the market in any noteworthy manner. The volatile **new durable goods orders** can be expected to record a sharp drop after the large jump seen last month but nothing new should be gleaned from this news. We are expecting little change in both **consumer confidence surveys**, while the next monthly leading indicator, the **Markit PMI**, will provide a further important indicator for the ISM Index at the start of July (up until now the indications for the ISM have been very favorable). Moreover, **private income and spending** for May will be published and both should show very positive growth. Our expectation for **housing sales** is below the market consensus (which proved to be correct in last week's housing turnover data), but the overall impression of a robust real estate market recovering in line with the rest of the economy should not be endangered.

(10y) **US treasuries** in the last week floated tightly around 2.6%; a small drop in yields following the FOMC meeting was swiftly recovered the following day. We are unable to read any clear direction out of the coming week's economic data, as such the sideways movement should continue in the short-term. But our yield forecast for Q3 is clearly higher and we could already receive a first trigger following the publication of the next data heavyweights at the start of July (ISM, labor market report).

Financial analyst: Valentin Hofstätter

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

Euro area

Over the coming days we have a number of interesting economic surveys on the calendar. The main focus will be placed on the **purchasing managers' indices** for Germany, France and the euro area. We expect an improvement for France in both manufacturing and services following the previous disappointing results. For Germany and the euro area we also expect a rise in manufacturing, however subdued business expectations are signaling a drop in the services sector index. Moreover, we are expecting a drop in the industrial and economic confidence **surveys from the European Commission** for the euro area. While both indices are on the upswing, the latest drops in a number of other industrial surveys make a temporary set back highly possible. In addition there are a number of **national economic surveys** due. We expect improvement in business confidence for **France**, **Italy** and **Belgium**. In the case of the **German ifo Index**, the assessment of the current situation should remain at its high level. Future expectations are likely to be slightly subdued, though, which is why we expect a drop of the overall index. In addition to the several economic surveys, price data are sure to be the most interesting. In any case, low inflation is the main reason for the latest loosening in monetary policy. In some countries there is even a certain amount of deflation risk. **Germany**, **Spain** and **Belgium** are publishing their preliminary estimates for **inflation** in June.

On the **secondary market** bond yields have stabilized at their low levels recent weeks. In addition to the monetary policy decisions at the start of June, geopolitical developments over the past few days continue to support government bonds. Due to the military conflicts in both Iraq and Ukraine, safe havens are in relatively higher demand. As result spreads over the German benchmark have expanded somewhat. We consider this latest widening in spreads to be temporary, though, and we assume the trend towards tighter spreads will continue over the coming months. Yields on German government bonds with mid- to long-running maturities are, on the other hand, likely to rise as soon as deflation fears on the market tapper off.

Belgium, the Netherlands and Italy have all announced bond issuances to take place on the **primary market** over the next few days. Germany, Spain, Malta and Italy will also be auctioning money market paper.

The **rating calendar** has Slovenia for S&P and Germany, Austria and Luxembourg for Moody's marked for this coming Friday.

Financial analyst: Gottfried Steindl

Overview government bonds

Yields 10Y	curr.[1] (%)	1W Δ (BP)	5Y H (%)	5Y L (%)	Ytd Δ (BP)
AT	1.64	-5.2	4.26	1.48	-62.9
DE	1.33	-3.1	3.51	1.17	-59.7
FR	1.78	4.9	3.83	1.66	-77.7
BE	1.80	-5.5	5.86	1.79	-76.0
NL	1.57	-5.2	3.90	1.49	-66.8
FI	1.54	-4.3	3.90	1.33	-59.2
IE	2.44	3.6	14.08	2.40	-107.6
IT	2.93	15.5	7.26	2.70	-119.7
ES	2.73	7.3	7.62	2.58	-142.3
PT	3.50	11.6	17.39	3.32	-263.3
GR	5.88	8.0	37.10	4.42	-254.1
GB	2.74	1.8	4.23	1.44	-28.7
CH	0.72	-3.5	2.37	0.39	-35.3
US	2.62	1.6	3.99	1.39	-40.9
JP	0.59	-1.6	1.48	0.45	-15.4

1 as of 20 June 2014, 8:43 a.m. CET
Source: Bloomberg

Debt issuance calendar

Issuer	Date		Maturity	Coupon (%)	Vol*
			Bonds		
BE	Mon,	23.	2024	2.6	n.a.
	Mon,	23.	2028	5.5	n.a.
	Mon,	23.	2045	3.75	n.a.
NL	Tue,	24.	2016	4	n.a.
	Tue,	24.	2042	3.75	n.a.
IT	Wed,	25.	n.a.	0	n.a.
	Wed,	25.	n.a.	I/L	n.a.
	Wed,	27.	n.a.	n.a.	n.a.
			Bills		
DE	Mon,	23.	12M	-	2
ES	Tue,	24.	3M, 9M	-	n.a.
MT	Tue,	24.	1M, 6M	-	n.a.
IT	Thu,	26.	n.a.	-	n.a.

** EUR bn*
Source: Bloomberg

Ratings

	Moody's	S&P	Fitch
Austria	Aaa (s)	AA+ (s)	AAA (s)
Germany	Aaa (s)	AAA (s)	AAA (s)
France	Aa1 (n)	AA (s)	AA+ (s)
Belgium	Aa3 (s)	AA (s)	AA (s)
Netherlands	Aaa (s)	AA+ (s)	AAA (n)
Finland	Aaa (s)	AAA (n)	AAA (s)
Ireland	Baa1 (s)	A- (p)	BBB+ (s)
Italy	Baa2 (s)	BBB (n)	BBB+ (s)
Spain	Baa2 (p)	BBB (s)	BBB+ (s)
Portugal	Ba2 (p)	BB (s)	BB+ (p)
Greece	Caa3 (s)	B- (s)	B (s)
UK	Aa1 (s)	AAA (s)	AA+ (s)
Switzerland	Aaa (s)	AAA (s)	AAA (s)
USA	Aaa (s)	AA+ (s)	AAA (s)
Japan	Aa3 (s)	AA- (n)	A+ (n)

Outlook: p = positive, n = negative, s = stable
Source: Bloomberg

Market Outlook Equity Markets

Raiffeisen RESEARCH

Recommendations (horizon: end of September)

Stock markets:	**Buy:** ATX, DAX, Euro STOXX 50, NIKKEI 225 **Hold:** FTSE, SMI, USA

Performance

	-5D*	-5Y in %**
STOXX Europe 50	0.9	7.5
CECE Comp. (CE)	0.7	5.1
ATX	0.7	4.4
Hang Seng CE	0.6	-0.3
Euro STOXX 50	0.5	6.4
FTSE	0.4	9.4
SMI	0.3	9.9
Nasdaq Comp.	0.0	19.0
DAX	-0.1	15.6
MSCI World	-0.1	12.1
S&P 500	-0.5	16.3
DJIA	-0.6	14.7
Nikkei	-0.7	9.4

** performance from 12 June 2014 - 19 June 2014 (closing prices in each case), ** per year; Source: Thomson Reuters, Raiffeisen RESEARCH*

Performance

	-5D*	-5Y in % **
Energy	1.6	9.4
Financials	0.1	8.9
MSCI World	-0.1	12.1
IT	-0.2	14.7
Cons. Staples	-0.2	13.5
Health Care	-0.3	16.1
Industrials	-0.4	14.8
Materials	-0.4	6.6
Telecoms	-0.5	9.1
Cons. Discretionary	-0.6	18.7
Utilities	-1.0	3.7

*weekly performance of global MSCI sector indices from 12 June 2014 - 19 June 2014 (closing prices in each case), ** per year, Source: Thomson Reuters, Raiffeisen RESEARCH*

Forecasts

	current[1]	Sep-14	Dec-14
Euro STOXX 50	3,323	3,450	3,550
DAX	10,049	10,350	10,700
ATX	2,554	2,650	2,750
SMI	8,705	8,900	9,200
FTSE	6,835	6,950	7,200
DJIA	16,921	17,000	17,200
S&P 500	1,959	1,990	2,020
Nasdaq Comp.	4,359	4,480	4,650
Nikkei	15,349	16,000	16,500
Hang Seng CE	10,395	10,700	11,200

1 as of 20 June 2014, 12:00 noon CET
Source: Bloomberg, Raiffeisen RESEARCH

Established equity markets

The Federal Reserve continues to reduce its bond purchases step by step and will soon end the program entirely. In H1 2015, we could also see the first interest rate hike given the ongoing economic recovery. Against this backdrop one must obviously ask the question to what extent the upward trend on equity markets will experience a small correction or be in general danger. It can be fundamentally said that while the central bank liquidity injected into the banking system has certainly been a supporting factor, it has not been the sole driver of the upswing of the last years. For instance, in the USA the strong performance of US stocks is mainly attributable to the extraordinary profit development being reported.

In a historical comparison, the normalisation of monetary policy does not mean an immediate end to an upward trend in stocks. Since 1965, the S&P 500 saw largely positive performance in the first twelve months following the first interest rate hike (average gains of 3%). Only when monetary policy is too restrictive and not accompanied by an improvement in the economy (a typical warning signal for such a situation would be an inverse interest curve) could bring an end to this bull market, which has been charging forward for more than five years, and would then be followed by an expected significant drop in profits.

On the other side one should also not forget that the ECB has recently initiated an even more expansive monetary policy. In addition, credit aggregates are starting to show tendencies towards revival. A glance at the cash cushion held by institutional investors is also quite revealing in a “liquidity context”. The cash ratios of the portfolio managers recently fell slightly but still are quite high, which means that a large correction still seems unlikely.

The start of the debate over higher interest rates in the US could provide the opportunity for a temporary consolidation phase among established stock markets during the summer months. In addition, volatility indices signal a too high level of complacency and investor sentiment surveys are at the highest level since January; all of this argues against a linear continuation in the positive trend. However, given our outlook for further improvement in the global economy, the established stock indices should be nevertheless be higher (although in different magnitudes) by the end of the summer and thus in line with our revised forecasts.

Financial analyst: Christian Hinterwallner

Expected corporate releases

USA		
Mon,	23	Micron Technology
Wed,	25	Bed Bath & Beyond, General Mills, Monsanto
Thu,	26	Conagra Foods, McCormick , Nike
Europe		
Mon,	23	Colruyt
Wed,	25	Zumtobel

Source: Bloomberg, Raiffeisen RESEARCH

Risk notifications and explanations

Warnings

- Figures on performance refer to the past. Past performance is not a reliable indicator of the future results and 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 is reduced by commissions, fees and other charges, which depend on the individual circumstances of the investor.
- The return on an investment 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 the future results and development of a financial instrument, a financial index or a securities service.

A description of the concepts and methods which are used in the preparation of financial analyses can be found at: www.raiffeisenresearch.at/conceptsandmethods

Detailed information on sensitivity analyses (procedure for checking the stability of the assumptions made in this document) can be found at: www.raiffeisenresearch.at/sensitivityanalysis

Equity market indices

Financial instruments	Date of the first publication
Euro STOXX 50	26/02/1998
DAX 30	01/04/1993
FTSE 100	01/04/1993
SMI	01/04/1993
S&P 500	01/04/1993
Nasdaq Comp.	01/07/1998
DJIA	01/04/1993
Nikkei 225	01/04/1993
HSCEI	01/01/2007

Recommendation history (12m)

Date	ATX	Euro STOXX 50	DAX 30	FTSE 100	SMI	S&P 500	Nasdaq Comp.	DJIA	Nikkei 225	HSCEI
22/03/2013	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Sell	Buy
10/05/2013	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold	I
07/06/2013	I	I	I	I	I	I	I	I	Buy	I
20/06/2013	I	I	I	I	I	I	I	I	Buy	I
08/08/2013	I	I	I	I	I	I	I	I	I	I
13/08/2013	Sell	I	I	I	I	I	I	I	I	I
13/09/2013	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy	I	I
07/11/2013	I	I	I	I	I	I	I	I	I	I
08/11/2013	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold	I	I
15/11/2013	I	I	I	I	I	I	I	I	Hold	I
13/12/2013	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy	I
20/12/2013	I	I	I	I	Hold	I	I	Hold	Hold	I
17/01/2014	Hold	Hold	Hold	Hold	I	Hold	Hold	I	I	I
14/02/2014	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy	I
19/03/2014	I	I	I	Hold	I	Hold	I	Hold	I	I
18/04/2014	I	I	I	I	I	Buy	I	I	I	I
02/05/2014	Hold	Hold	Hold	I	Hold	Hold	I	I	I	Hold
16/05/2014	Buy	I	I	I	I	I	I	I	I	I
20/06/2014	I	Buy	Buy	I	I	I	Hold	I	I	Buy

Disclaimer

Publisher: Raiffeisen Bank International AG

Supervisory authority: Austrian Financial Market Authority (FMA)

This document is for information purposes and may not be reproduced or distributed to other persons. This document constitutes neither a solicitation of an offer nor a prospectus in the sense of the Austrian Capital Market Act (KMG) or the Stock Exchange Act or any other comparable foreign law. An investment decision in respect of a security, financial product or investment must be made on the basis of an approved, published prospectus or the complete documentation for the security, financial product or investment in question, and not on the basis of this document.

This document does not constitute a personal recommendation to buy or sell financial instruments in the sense of the Securities Supervision Act. Neither this document nor any of its components shall form the basis for any kind of contract or commitment whatsoever. This document is not a substitute for the necessary advice on the purchase or sale of a security, investment or other financial product. In respect of the sale or purchase of securities, investments or financial products, your banking advisor can provide individualised advice which is suitable for investments and financial products.

This analysis is fundamentally based on generally available information and not on confidential information which the party preparing the analysis has obtained exclusively on the basis of his/her client relationship with a person.

Unless otherwise expressly stated in this publication, RBI deems all of the information to be reliable, but does not make any assurances regarding its accuracy and completeness.

In emerging markets, there may be higher settlement and custody risk as compared to markets with established infrastructure. The liquidity of stocks/financial instruments can be influenced by the number of market makers. Both of these circumstances can result in elevated risk in relation to the safety of investments made on the basis of the information contained in this document.

The information in this publication is current, up to the creation date of the document. It may be outdated by future developments, without the publication being changed.

Unless otherwise expressly stated (http://www.raiffeisenresearch.at/spezialvergütung), the analysts employed by Raiffeisen Bank International AG are not compensated for specific investment banking transactions. Compensation of the author or authors of this report is based (amongst other things) on the overall profitability of RBI, which includes, inter alia, earnings from investment banking and other transactions of RBI. In general, RBI forbids its analysts and persons reporting to the analysts from acquiring securities or other financial instruments of any enterprise which is covered by the analysts, unless such acquisition is authorised in advance by RBI's Compliance Department.

RBI has put in place the following organisational and administrative agreements, including information barriers, to impede or prevent conflicts of interest in relation to recommendations: RBI has designated fundamentally binding confidentiality zones. Confidentiality zones are typically units within credit institutions, which are delimited vis-ŕ-vis other units by organisational measures covering the exchange of information, because compliance-relevant information is continuously or temporarily handled there. Compliance-relevant information may fundamentally not leave a confidentiality zone and is to be treated as strictly confidential in internal business operations, including interaction with other units. This does not apply to the transfer of information necessary for usual business operations. Such transfer of information is limited, however, to what is absolutely necessary (need-to-know principle). The exchange of compliance-relevant information between two confidentiality zones may only occur with the involvement of the Compliance Officer.

SPECIAL REGULATIONS FOR THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (UK) AND JERSEY (CHANNEL ISLANDS): This publication has been approved or issued by Raiffeisen Bank International AG (RBI) in order to promote its investment business. RBI London Branch is authorised by the Austrian Financial Market Authority (FMA) and subject to limited regulation by the Financial Services Authority (FSA). Details on the extent of the London branch's regulation by the Financial Services Authority are available on request. This publication is not intended for investors who are retail customers within the meaning of the FSA regulations and should therefore not be distributed to them. Neither the information contained in this document nor the opinions expressed herein constitute or are to be construed as an offer or a solicitation to purchase (or sell) investments. RBI may have effected own-account transactions within the meaning of the FSA regulations in any investment mentioned herein or related investments and may thus have a position or holding in such investments as a result. RBI may act or have acted as the manager or co-manager of a public offering of any security mentioned in this report or any related security. The RBI Jersey marketing representative office is not regulated by the Jersey Financial Services Commission as it does not perform any financial services in Jersey as defined by the Financial Services (Jersey) Law 1998 (FSJL).

SPECIFIC RESTRICTIONS FOR THE UNITED STATES OF AMERICA AND CANADA: This document may not be transmitted to, or distributed within, the United States of America or Canada or their respective territories or possessions, nor may it be distributed to any U.S. person or any person resident in Canada, unless it is provided directly through RB International Markets (USA) LLC, a U.S. registered broker-dealer ('RBIM'), and subject to the terms set forth below.

SPECIFIC INFORMATION FOR THE UNITED STATES OF AMERICA AND CANADA: This research document is intended only for institutional investors and is not subject to all of the independence and disclosure standards that may be applicable to research documents prepared for retail investors. This report was provided to you by RB International Markets (USA) LLC, a U.S. registered broker-dealer ('RBIM'), but was prepared by our non-U.S. affiliate, Raiffeisen Bank International AG (RBI). Any order for the purchase or sale of securities covered by this report must be placed with RBIM. You can reach RBIM at 1133 Avenue of the Americas, 16th Floor, New York, NY 10036, 212-600-2588. This document was prepared outside the United States by one or more analysts who may not have been subject to rules regarding the preparation of reports and the independence of research analysts comparable to those in effect in the United States. The analyst or analysts who prepared this research (i) are not registered or qualified as research analysts with the Financial Industry Regulatory Authority (FINRA) in the United States, and (ii) are not allowed to be associated persons of RBIM and are therefore not subject to FINRA regulations, including regulations related to the conduct or independence of research analysts.

The opinions, estimates and projections contained in this report are those of RBI only as of the date of this report and are subject to change without notice. The information contained in this report has been compiled from sources believed to be reliable by RBI, but no representation or warranty, express or implied, is made by RBI or its affiliated companies or any other person as to the report's accuracy, completeness or correctness. Securities which are not registered in the United States may not be offered or sold, directly or indirectly, within the United States or to U.S. persons (within the meaning of Regulation S under the Securities Act of 1933 [the 'Securities Act']), except pursuant to an exemption under the Securities Act. This report does not constitute an offer with respect to the purchase or sale of any security within the meaning of Section 5 of the Securities Act and neither shall this report nor anything contained herein form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. This report provides general information only. In Canada it may only be distributed to persons who are resident in Canada and who, by virtue of their exemption from the prospectus requirements of the applicable provincial or territorial securities laws, are entitled to conduct trades in the securities described herein.

If any term of this Disclaimer is found to be illegal, invalid or unenforceable under any applicable law, such term shall, insofar as it is severable from the remaining terms, be deemed omitted from this Disclaimer; it shall in no way affect the legality, validity or enforceability of the remaining terms.

Acknowledgements

Global Head of Research:
Peter Brezinschek (1517)

Top-Down CEE Banking Sector:
Gunter Deuber (5707), Elena Romanova (1378)

Research Sales:
Werner Weingraber (5975)

Economics, Fixed Income, FX:
Valentin Hofstätter (Head, 1685), Jörg Angelé (1687), Eva Bauer (5644), Gunter Deuber (5707), Wolfgang Ernst (1500), Stephan Imre (6757), Lydia Kranner (1609), Matthias Reith (6741); Andreas Schwabe (1389), Gintaras Shlizhyus (1343), Gottfried Steindl (1523), Martin Stelzeneder (1614)

Credit/Corporate Bonds:
Christoph Klaper (Head, 1652), Michael Ballauf (2904), Jörg Bayer (1909), Igor Kovacic (6732), Martin Kutny (2013), Peter Onofrej (2049), Manuel Schreiber (3533), Lubica Sikova (2139), Jürgen Walter (5932)

Stocks:
Helge Rechberger (Head, 1533), Aaron Alber (1513), Christian Hinterwallner (1633), Jörn Lange (5934), Hannes Loacker (1885), Johannes Mattner (1463), Christine Nowak (1625), Leopold Salcher (2176), Andreas Schiller (1358), Connie Schümann (2178), Christoph Vahs (5889)

Quant Research/Emerging Markets:
Veronika Lammer (Head, 3741), Björn Chyba (8161), Judith Galter (1320), Dagmar König (8017), Andreas Mannsparth (8133), Manuel Schuster (1529), Stefan Theußl (1593)

Technical Analysis:
Robert Schittler (1537), Stefan Memmer (1421)

Layout:
Birgit Bachhofner (3518), Kathrin Rauchlatner (1518)

Translation:
David Wietstruk (6781), William Burton, Sarah Fleissner, Benjamin-Zsolt Zombori

Publisher: Raiffeisen RESEARCH GmbH, A-1030 Vienna, Am Stadtpark 9, Phone: +43 1 717 07-1521

Editorial Department: Raiffeisen RESEARCH / RBI A-1030 Vienna, Am Stadtpark 9, Phone: +43 1 717 07 - 1521