

Financial Markets Global Strategy

1st quarter 2017

Politics gets heavily involved

- More expansive fiscal policy on the horizon
- Inflation set to surge
- Equity markets: Trump results in winners & losers
- Equities still a better choice than bonds



**Raiffeisen
RESEARCH**

Financial Markets Global Strategy

Topic: Political events and their implications for the capital market	3
Forecasts	4
Asset Allocation	6
Special: Fiscal policy stance increasingly shaped by the political climate	10
Economy euro area	12
DE economy	13
US Economy	14
CN economy	15
Money market euro area/US	16
Global interest rates	17
Fixed income euro area	18
Currency trends	19
Corporate Bonds: Financials	21
Credit/Corporate Bonds: Non financials	22
Oil market	24
Gold market	25
Stock markets – USA	26
Stock markets – EMU	27
Stock markets – Japan, Switzerland	28
Global industry groups	29
Emerging Markets assets	32
Technical analysis	34
Risk notifications and explanations	36
Disclosure	37
Disclaimer	38
Acknowledgements	39

Editor:

Helge Rechberger, CEFA, Raiffeisen Bank International AG, Vienna
helge.rechberger@rbinternational.com

Explanation:

e	estimate	CPI	Consumer Price Index	FI	Finland
f	forecast	MSCI	Morgan Stanley Composite Index	FR	France
r.h.s.	right hand scale	OAS	Option Adjusted Spread	GB	Great Britain
n.v.	no value	QE	Quantitative Easing	GR	Greece
ABS	Asset backed securities	WTI	West Texas Intermediate	IE	Ireland
BM	Benchmark			IT	Italy
CB	Covered Bonds	CEE	Central and Eastern Europe	LT	Lithuania
ETF	Exchange Traded Funds	EM	Emerging Markets	LV	Latvia
BM	Benchmark	AT	Austria	PT	Portugal
AI	Alternative Investments (Hedge funds & real estate)	BE	Belgium	SI	Slovenia
IL	Inflation Linked bonds	BG	Bulgaria	SK	Slovakia
IG	Investmentgrade	CH	Schweizerland	US	United States of America
HY	High-Yield	CY	Cyprus		
bp	basis points	DE	Germany		
pp	percentage points	EA	Euro area		
ASW	Asset Swap Spread	EE	Estonia		
		ES	Spain		

Political events and their implications for the capital market

- Donald Trump launches expansive fiscal policy
- Less fiscal discipline in Europe due to elections?
- Inflation expectations twist the yield curve

Political changes were a major factor in 2016. Along with Brexit and the surprising result of the US election, the capital markets were also impacted by the failure of the constitutional reform in Italy.

Several important elections are scheduled in Europe in 2017, as voters will be going to the polls in the Netherlands, France and Germany, and probably also in Italy. And with regard to the last of these, the risk of deep-reaching changes is clearly the highest. Furthermore, the capital shortfalls at Italian banks have weighed on the investment climate. In relation to the extension of the ECB's asset purchase programme (quantitative easing), the fragile situation in Italy had an influence in stabilising the euro area. Expansive monetary policy is still in place in many parts of the world.

But the shift in the USA towards a very expansive fiscal policy with a significant increase in budget deficits will lead to a new dynamic in the markets. One of the first measures of Donald Trump as president will be to launch a massive tax reduction programme (for both companies and private households). In addition to this, an infrastructure programme will be started, and this was quickly anticipated by the equity markets. The situation is very similar to what happened when Ronald Reagan took office. Whether or not similar plans will be launched in Europe remains to be seen. But the likelihood of looser fiscal policy in the EU is also increasing. Italy may play a prominent role in this regard.

Inflation expectations are beginning to rise, because in the meantime commodity and energy prices have turned significantly higher. In parallel with this, long-term capital market rates have moved sharply upwards since the election of Donald Trump. In the USA, the increase in yields amounted to 90 basis points, while a rise of 55 basis points was seen in Germany, and more than 100 basis points in some of the emerging markets. As a result, the yield curve has grown steeper. This development will probably be typical for 2017.

How will monetary policy react to this? The trend in interest rates will head higher in the USA, even though it will not proceed very quickly by historical standards. The deviation between market expectations and the Fed's forward guidance on interest rates has narrowed considerably since the US elections. The quicker the changes in interest rates occur, the smaller the increase in long-term yields will be. And this is also relevant for the long-end of the European bond market.

Impact on the currency markets

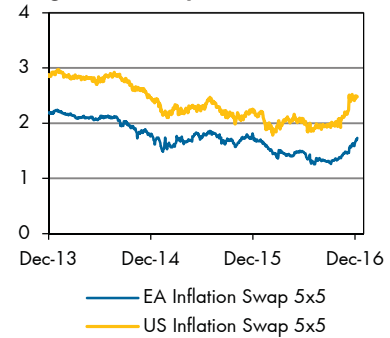
The widening interest rate differential between the USA and the euro area should mainly benefit USD during the first half of 2017. By contrast, we expect little movement by CHF versus EUR.

Impact on the capital markets

The earning expectations for 2017 are ambitious, but in the case of the USA significant tax cuts are realistic. The moderate economic recovery and ample supply of liquidity by the central banks will continue, leaving positive factors in place for the equity markets. The global linkage of yields on longer maturities will lead to falling prices for bonds, but the short end should avoid this thanks to the QE programme in Europe, both in relation to government bonds and corporate bonds.

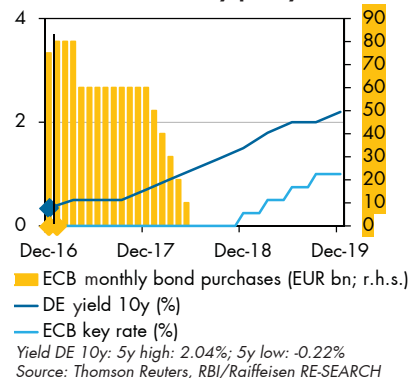
Financial analyst: Peter Brezinschek

Rising inflation expectations



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Euro area: monetary policy & bonds



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Recommendations*

Stock markets:	
Buy	DAX, Euro STOXX 50, SMI, S&P 500, Nasdaq Comp., Nikkei 225
Hold	Dow Jones Industrials, HSCEI
Industries:	
Over-weight	Financials, Materials, Energy, Consumer discretionary, IT, Telecommunication, Industrials
Under-weight	Healthcare, Consumer staples, Utilities
Government bond markets:	
Sell	DE2Jy, DE5y, DE10y
Hold	US2y, US10y
Spread:	
Buy	AT-DE10y, FR-DE10y, IE-DE10y
Hold	IT-DE10y, ES-DE10y, PT-DE10y
Corporate bond markets:	
Hold	Non-Financials, Financials
FX markets:	
Buy	EUR/GBP
Hold	EUR/USD

* horizon: end of 1st quarter 2017
Source: RBI/Raiffeisen RESEARCH

GDP (real % yoy)

Countries	2015	2016e	2017f	2018f
Austria	1.0	1.4	1.3	1.5
Germany	1.5	1.8	1.7	1.5
France	1.2	1.2	1.4	1.5
Belgium ¹	1.5	1.3	1.3	1.4
Netherlands ¹	2.0	1.7	1.6	1.7
Finland ¹	0.2	0.9	1.0	1.4
Ireland ¹	26.3	4.4	3.1	3.1
Italy	0.6	0.9	0.6	1.0
Spain	3.2	3.3	2.5	1.9
Portugal ¹	1.6	1.0	1.2	1.3
Greece ¹	-0.3	-0.4	1.3	1.7
Euro area	2.0	1.6	1.5	1.7
GB ¹	2.2	1.9	1.0	1.2
Switzerland	0.8	1.5	1.7	1.7
USA	2.6	1.6	2.4	2.2
China	6.9	6.7	6.5	6.0

¹⁾ Consensus
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH;

Consumer price index (% yoy)

Countries	2015	2016e	2017f	2018f
Austria	0.8	1.0	2.0	2.1
Germany	0.1	0.7	1.9	2.2
France	0.1	0.3	1.4	1.3
Belgium ¹	0.6	1.8	1.8	1.9
Netherlands ¹	0.2	0.2	1.1	1.4
Finland ¹	-0.2	0.4	1.2	1.8
Ireland ¹	0.0	0.3	1.4	1.4
Italy	0.1	0.0	1.3	1.4
Spain	-0.6	-0.4	1.7	1.6
Portugal ¹	0.5	0.6	1.2	1.4
Greece ¹	-1.1	0.1	0.9	1.1
Euro area	0.0	0.2	1.5	1.5
GB ¹	0.0	0.7	2.5	2.6
Switzerland	-1.1	-0.3	0.5	0.7
USA	0.1	1.4	2.2	2.5
China	1.4	2.0	2.5	2.7

¹⁾ Consensus
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH;

Current account balance (% of GDP)

Countries	2015	2016e	2017f	2018f
Austria	1.8	1.9	1.5	1.7
Germany	8.3	9.0	8.5	8.0
France	-0.2	-1.6	-1.5	-1.5
Belgium ¹	0.4	0.9	0.9	1.0
Netherlands ¹	8.7	8.9	8.6	7.9
Finland ¹	-0.4	-0.4	-0.1	0.0
Ireland ¹	10.2	6.5	5.9	5.8
Italy	1.6	2.7	2.8	2.6
Spain	1.4	1.9	1.5	1.4
Portugal ¹	0.4	0.3	0.3	0.3
Greece ¹	0.1	0.4	0.5	0.5
Euro area	3.1	3.3	3.3	3.1
GB ¹	-5.4	-5.6	-4.9	-3.3
Switzerland	11.1	8.9	9.8	8.8
USA	-2.6	-3.2	-3.5	-3.5
China	3.1	2.5	1.8	1.5

¹⁾ Consensus
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH;

General budget balance (% of GDP)

Countries	2015	2016e	2017f	2018f
Austria	-1.2	-1.3	-1.2	-1.1
Germany	0.7	0.2	0.1	0.0
France	-3.5	-3.3	-2.9	-3.1
Belgium	-2.5	-3.0	-2.3	-2.4
Netherlands	-1.9	-0.8	-0.3	-0.1
Finland	-2.8	-2.4	-2.5	-2.0
Ireland	-1.9	-1.1	-0.7	-0.3
Italy	-2.6	-2.3	-2.6	-2.5
Spain	-5.1	-4.4	-3.4	-3.2
Portugal	-4.4	-2.7	-2.2	-2.4
Greece	-7.5	-2.5	-1.0	0.9
Euro area	-2.1	-1.8	-1.5	-1.5
GB	-4.3	-3.5	-2.8	-2.3
Switzerland	-0.2	1.5	-0.2	0.0
USA	-2.4	-3.2	-3.5	-2.6
China	-3.4	-3.0	-3.5	-3.7

Source: Thomson Reuters, EU Commission, IMF, national governments, RBI/Raiffeisen RESEARCH

Public debt (% of GDP)

Countries	2015	2016e	2017f	2018f
Austria	86.2	83.4	81.1	79.5
Germany	71.2	68.6	66.3	64.0
France	96.2	96.4	96.8	97.1
Belgium	105.8	107.0	107.1	106.4
Netherlands	65.1	63.0	61.3	59.3
Finland	63.6	65.4	67.1	68.1
Ireland	78.6	85.0	82.1	78.7
Italy	132.3	132.7	133.5	132.5
Spain	99.8	99.2	99.0	99.5
Portugal	129.0	130.3	129.5	127.8
Greece	177.4	181.6	179.1	172.4
Euro area	90.4	89.4	88.5	87.4
GB	89.1	89.2	88.9	87.5
Switzerland	46.4	43.1	46.0	45.5
USA	101.9	105.5	105.6	104.9
China	16.7	17.3	18.0	18.5

Source: Thomson Reuters, EU Commission, IMF, national governments, RBI/Raiffeisen RESEARCH

Ratings

	Moody's	S&P	Fitch
Austria	Aa1 (s)	AA+ (s)	AA+ (s)
Germany	Aaa (s)	AAA (s)	AAA (s)
France	Aa2 (s)	AA (n)	AA (s)
Belgium	Aa3 (s)	AA (s)	AA (n)
Netherlands	Aaa (s)	AAA (s)	AAA (s)
Finland	Aa1 (s)	AA+ (n)	AA+ (s)
Ireland	A3 (p)	A+ (s)	A (s)
Italy	Baa2 (s)	BBB- (s)	BBB+ (s)
Spain	Baa2 (s)	BBB+ (s)	BBB+ (s)
Portugal	Ba1 (s)	BB+ (s)	BB+ (s)
Greece	Caa3 (s)	B- (s)	CCC (n.a.)
GB	Aa1 (n)	AA (n)	AA (n)
Switzerland	Aaa (s)	AAA (s)	AAA (s)
USA	Aaa (s)	AA+ (s)	AAA (s)
Japan	A1 (s)	A+ (s)	A (n)
China	Aa3 (n)	AA- (n)	A+ (s)

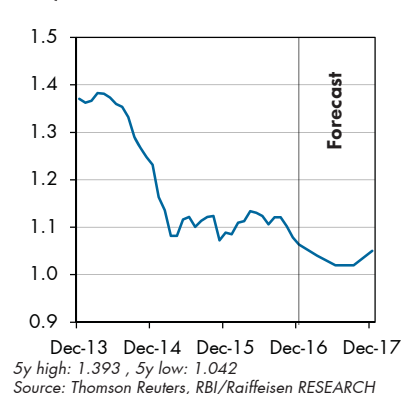
Outlook: p = positive, n = negative, s = stable
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Currencies: FX per Euro

Countries	current		Forecast		
	15-Dec 16 ¹	Mar-17	Jun-17	Sep-17	Dec-17
USA	1.05	1.04	1.02	1.02	1.05
Switzerland	1.07	1.10	1.10	1.12	1.12
GB	0.84	0.86	0.86	0.86	0.86
China	7.27	7.23	7.14	7.19	7.46
Sweden ²	9.74	9.40	9.31	9.21	9.13
Norway ²	9.03	8.92	8.88	8.84	8.80

¹⁾ 9:00 a.m. CET
²⁾ Consensus estimates
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

EUR/USD



Money market rates 3M (%)

Countries	current	Forecast			
	15-Dec 2016 ¹	Mar-17	Jun-17	Sep-17	Dec-17
Euro area	-0.32	-0.30	-0.30	-0.30	-0.30
GB ²	0.38	0.40	0.40	0.40	0.40
Switzerland	-0.74	-0.75	-0.75	-0.75	-0.75
USA	0.97	1.15	1.40	1.40	1.65

¹ 9:00 a.m. CET; ² Consensus
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Government bond yields 2y (%)

Countries	current		Forecast		
	Mar-17	Jun-17	Sep-17	Dec-17	
DE	-0.76	-0.7	-0.7	-0.7	-0.6
CH	-0.87	-0.9	-0.8	-0.8	-0.7
USA	1.29	1.3	1.4	1.4	1.5

¹ 9:00 a.m. CET
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Government bond yields 5y (%)

Countries	current		Forecast		
	Mar-17	Jun-17	Sep-17	Dec-17	
DE	-0.44	-0.3	-0.3	-0.2	0.0
CH	-0.62	-0.7	-0.6	-0.4	-0.3
USA	2.09	2.1	2.0	2.1	2.2

¹ 9:00 a.m. CET
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Government bond yields 10y (%)

Countries	current	Forecast			
	15-Dec 2016 ¹	Mar-17	Jun-17	Sep-17	Dec-17
Austria	0.64	0.7	0.7	0.8	1.0
Germany	0.38	0.5	0.5	0.5	0.7
France	0.85	0.9	1.0	1.0	1.2
Italy	1.89	2.0	2.1	2.3	2.6
Spain	1.52	1.7	1.8	2.1	2.4
GB ²	1.38	1.5	1.6	1.6	1.7
Switzerland	-0.06	-0.2	-0.2	0.0	0.2
USA	2.61	2.7	2.5	2.7	2.9

¹ 9:00 a.m. CET; ² Consensus
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Credit markets*

	current	Forecasts			
	15-Dec 2016 ¹	Mar-17	Jun-17	Sep-17	Dec-17
IG Non-Fin	113	105	100	110	130
High-Yield	371	350	345	385	480
Financials Senior	106	100	95	105	120
Financials Subord.	244	230	225	245	280

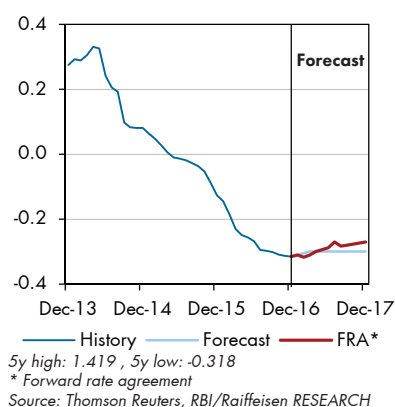
¹ 11:59 p.m. CET closing prices
* Option Adjusted Spread over Bund (in bp)
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Stock markets

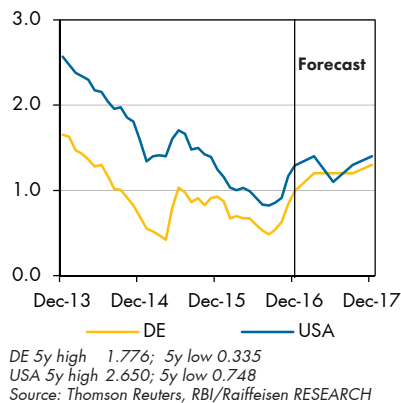
	current	Forecasts			
	15-Dec 2016 ¹	Mar-17	Jun-17	Sep-17	Dec-17
Euro STOXX 50	3,250	3,350	3,470	3,250	3,450
DAX 30	11,366	11,900	12,100	11,500	12,000
SMI	8,214	8,500	8,650	8,250	8,450
DJIA	19,852	20,400	21,100	20,200	21,000
S&P 500	2,262	2,350	2,400	2,300	2,400
Nasdaq Comp.	5,457	5,650	5,800	5,500	5,700
Nikkei 225	19,274	20,000	20,900	19,600	20,700
Hang Seng CE	9,479	9,700	9,800	9,350	9,500

¹ 11:59 p.m. CET closing prices on the respective main stock exchange
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

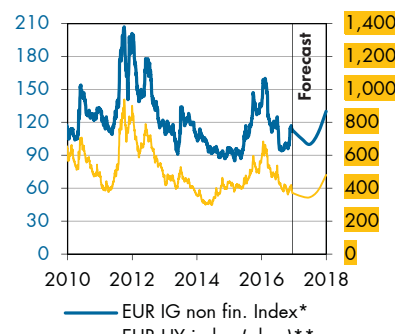
Euribor 3m (%)



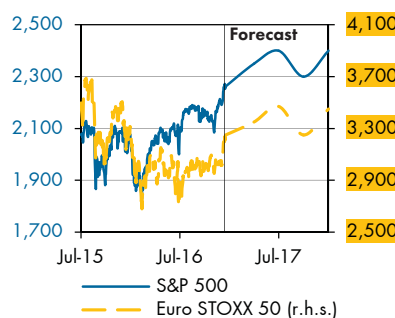
Yield spread 10y - 2y (pp)



Spread history IG vs HY***



S&P 500 and Euro STOXX 50



Risk notifications and explanations

Warnings

- Figures on performance refer to the past. Past performance is not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service. This is particularly true in cases when the financial instrument, financial index or securities service has been offered for less than 12 months. In particular, this very short comparison period is not a reliable indicator for future results.
- Performance of a financial instrument, a financial index or a securities service is reduced by commissions, fees and other charges, which depend on the individual circumstances of the investor.
- The return on an investment in a financial instrument, a financial or securities service can rise or fall due to exchange rate fluctuations.
- Forecasts of future performance are based purely on estimates and assumptions. Actual future performance may deviate from the forecast. Consequently, forecasts are not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service.

Any information and recommendations designated as such in this publication which are contributed by analysts from RBI's subsidiary banks or from Raiffeisen Centrobank ("RCB") are disseminated unaltered under RBI's responsibility.

A description of the concepts and methods used in the preparation of financial analyses is available under: www.raiffeisenresearch.com/concept_and_methods

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

Disclosure of circumstances and interests which may jeopardise the objectivity of RBI: www.raiffeisenresearch.com/disclosuresobjectivity

The distribution of all recommendations relating to the 12 months prior to the publications date (column A), as well as the distribution of recommendations in the context of which services of investment firms set out in Sections A (investment services and activities) and B (ancillary services) of Annex I of Directive 2014/65/EU of the European Parliament and of the Council ("special services") have been provided in the past 12 months (column B).

Investment recommendation	Column A Basis: All recommendations for all financial instruments (last 12 months)	Column B Basis: Recommendations for financial instruments of all issuers, for which special services were rendered in the last 12 months
Buy recommendations	46.6%	61.5%
Hold recommendations	35.9%	38.5%
Sell recommendations	17.5%	0.0%

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

Disclosure Single stocks

E.ON			
Start of Coverage 29/11/2002			
ISIN	Date of past recommendations	Company	Recommendation
DE000ENAG999	12.10.2016	E.ON	Hold
DE000ENAG999	29.08.2016	E.ON	Hold
DE000ENAG999	06.07.2016	E.ON	Hold
DE000ENAG999	23.03.2016	E.ON	Hold
DE000ENAG999	21.12.2015	E.ON	Hold
DE000ENAG999	01.10.2015	E.ON	Sell

RWE			
Start of Coverage 19/03/2004			
ISIN	Date of past recommendations	Company	Recommendation
DE0007037129	17.10.2016	RWE	Sell
DE0007037129	22.08.2016	RWE	Sell
DE0007037129	24.03.2016	RWE	Hold
DE0007037129	15.12.2015	RWE	Hold

Government bonds

Outright: Recommendations concerning financial instruments or issuers (disseminated during a period of 12 month prior to this publication), which differ from recommendations made in this publication with a recommendation horizon of 1-4 months

Issuer	DE			US	
	2Y	5Y	10Y	2Y	10Y
Maturity segment					
17/12/2015	Sell	Hold	Sell	Sell	Sell
31/12/2015					
21/01/2016		Sell			
26/02/2016	Sell		Sell	Sell	Sell
11/03/2016		n.v.	n.v.		
18/03/2016		Sell	Hold		
01/04/2016					
29/04/2016			Sell		
27/05/2016	Sell		Sell	Sell	Sell
09/06/2016		Sell			
01/07/2016	Sell		Sell	Sell	Sell
08/07/2016		Sell			
22/07/2016			Hold		
28/07/2016			Sell		
05/09/2016	Sell	Sell	Sell	Sell	Sell
16/09/2016	Sell	Sell	Sell		
23/09/2016				Sell	Sell
28/10/2016		Hold	Hold		
11/11/2016			Buy		Hold
18/11/2016				Hold	
25/11/2016	Sell	Sell	Hold	Hold	Hold
16/12/2016	Sell	Sell	Sell	Hold	Hold

| ... no change

Spread: Recommendations concerning financial instruments or issuers (disseminated during a period of 12 month prior to this publication), which differ from recommendations made in this publication with a recommendation horizon of 1-4 months

Issuer	AT-DE	FR-DE	IT-DE	ES-DE	IE-DE	PT-DE	DE-DE
	10Y-10Y	10Y-10Y	10Y-10Y	10Y-10Y	10Y-10Y	10Y-10Y	10Y-2Y
Maturity segment							
18/12/2015	Buy	Buy	Buy	Buy	Buy	Buy	Sell
11/01/2016							
26/02/2016	Buy	Buy	Buy	Buy	Buy	Buy	Sell
11/03/2016							n.v.
18/03/2016							Hold
01/04/2016			Buy	Buy	Buy	Buy	
27/05/2016	Buy	Buy	Buy	Buy	Buy	Buy	Sell
06/06/2016							
29/06/2016	Hold	Hold	Hold	Hold	Hold	Hold	
01/07/2016							Sell
15/07/2016							Hold
03/08/2016	Hold	Hold	Hold	Hold	Hold	Hold	
05/09/2016	Hold	Hold	Hold	Hold	Hold	Hold	Hold
16/09/2016							Sell
23/09/2016	Hold	Hold	Hold	Hold	Hold	Hold	
10/10/2016							
28/10/2016	Hold	Hold	Hold	Hold	Hold	Hold	Hold
04/11/2016							
18/11/2016	Buy	Buy			Buy		
25/11/2016	Buy	Buy	Hold	Hold	Buy	Hold	Hold
16/12/2016	Buy	Buy	Hold	Hold	Buy	Hold	Sell

| ... no change

Technical analysis

Recommendations concerning financial instruments or issuers (disseminated during a period of 12 month prior to this publication), which differ from recommendations made in this publication with a recommendation horizon of 1-4 months

Datum	EUR Bund Future	U.S. T.-Note Future	Nasdaq 100 Future	DAX 30 Future	DJIA Future
17/12/2015	Bullish	Neutral	Bullish	Neutral	Bullish
25/03/2016	Neutral	Neutral	Neutral	Neutral	Neutral
30/03/2016	Neutral	Neutral	Neutral	Neutral	Neutral
22/09/2016	Bearish	Neutral	Neutral	Neutral	Neutral
14/12/2016	BEARISH	BEARISH	BULLISH	BULLISH	BULLISH

Disclaimer Financial Analysis

Responsible for this publication: Raiffeisen Bank International AG („RBI“)

RBI is a credit institution according to §1 Banking Act (Bankwesengesetz) with the registered office Am Stadtpark 9, 1030 Vienna, Austria.

Raiffeisen RESEARCH is an organisational unit of RBI.

Supervisory authority: As a credit institution (acc. to § 1 Austrian Banking Act; Bankwesengesetz) Raiffeisen Bank International AG is subject to the supervision by the Austrian Financial Market Authority (FMA, Finanzmarktaufsicht) and the National Bank of Austria (OeNB, Oesterreichische Nationalbank). Additionally, RBI is subject to the supervision by the European Central Bank (ECB), which undertakes such supervision within the Single Supervisory Mechanism (SSM), which consists of the ECB and the national responsible authorities (Council Regulation (EU) No 1024/2013 - SSM Regulation). Unless set out herein explicitly otherwise, references to legal norms refer to norms enacted by the Republic of Austria.

This document is for information purposes and may not be reproduced or distributed to other persons without RBI's permission. This document constitutes neither a solicitation of an offer nor a prospectus in the sense of the Austrian Capital Market Act (Kapitalmarktgesetz) or the Austrian Stock Exchange Act (Börsegesetz) or any other comparable foreign law. An investment decision in respect of a financial instrument, a financial product or an investment (all hereinafter "product") must be made on the basis of an approved, published prospectus or the complete documentation for such a product in question, and not on the basis of this document.

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

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

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

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

The information in this publication is current as per the latter's creation date. It may be outdated by future developments, without the publication being changed.

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

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

SPECIAL REGULATIONS FOR THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (UK):

This document does not constitute either a public offer in the meaning of the Austrian Capital Market Act (Kapitalmarktgesetz; hereinafter „KMG“) nor a prospectus in the meaning of the KMG or of the Austrian Stock Exchange Act (Börsegesetz). Furthermore, this document does not intend to recommend the purchase or the sale of securities or investments in the meaning of the Austrian Supervision of Securities Act (Wertpapieraufsichtsgesetz). This document shall not replace the necessary advice concerning the purchase or the sale of securities or investments. For any advice concerning the purchase or the sale of securities of investments kindly contact your RAIFFEISENBANK. This publication has been either approved or issued by RBI in order to promote its investment business. Raiffeisen Bank International AG („RBI“), London Branch is authorised by the Austrian Financial Market Authority and subject to limited regulation by the Financial Conduct Authority („FCA“). Details about the extent of its regulation by the FCA are available on request. This publication is not intended for investors who are Retail Customers within the meaning of the FCA rules and shall therefore not be distributed to them. Neither the information nor the opinions expressed herein constitute or are to be construed as an offer or solicitation of an offer to buy (or sell) investments. RBI may have affected an Own Account Transaction within the meaning of FCA rules in any investment mentioned herein or related investments and/or may have a position or holding in such investments as a result. RBI may have been, or might be, acting as a manager or co-manager of a public offering of any securities mentioned in this report or in any related security.

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

SPECIFIC INFORMATION FOR THE UNITED STATES OF AMERICA AND CANADA: This research document is intended only for institutional investors and is not subject to all of the independence and disclosure standards that may be applicable to research documents prepared for retail investors. This report was provided to you by RB International Markets (USA) LLC (RBIM), a U.S. registered broker-dealer, but was prepared by our non-U.S. affiliate Raiffeisen Bank International AG (RBI). Any order for the purchase or sale of securities covered by this report must be placed with RBIM. You can reach RBIM at 1133, Avenue of the Americas, 16th floor, New York, NY 10036, phone +1 212-600-2588. This document was prepared outside the United States by one or more analysts who may not have been subject to rules regarding the preparation of reports and the independence of research analysts comparable to those in effect in the United States. The analyst or analysts who prepared this research (i) are not registered or qualified as research analysts with the Financial Industry Regulatory Authority („FINRA“) in the United States, and (ii) are not allowed to be associated persons of RBIM and are therefore not subject to FINRA regulations, including regulations related to the conduct or independence of research analysts.

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

EU REGULATION NO 833/2014 CONCERNING RESTRICTIVE MEASURES IN VIEW OF RUSSIA'S ACTIONS DESTABILISING THE SITUATION IN UKRAINE

Please note that research is done and recommendations are given only in respect of financial instruments which are not affected by the sanctions under EU regulation no 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, as amended from time to time, i.e. financial instruments which have been issued before 1 August 2014.

We wish to call to your attention that the acquisition of financial instruments with a term exceeding 30 days issued after 31 July 2014 is prohibited under EU regulation no 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, as amended from time to time. No opinion is given with respect to such prohibited financial instruments.

INFORMATION REGARDING THE PRINCIPALITY OF LIECHTENSTEIN: COMMISSION DIRECTIVE 2003/125/EC of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards the fair presentation of investment recommendations and the disclosure of conflicts of interest has been incorporated into national law in the Principality of Liechtenstein by the Finanzanalyse-Marktmisbrauchs-Verordnung.

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

Imprint

Information requirements pursuant to the Austrian E-Commerce Act

Raiffeisen Bank International AG

Registered Office: Am Stadtpark 9, 1030 Vienna

Postal address: 1010 Vienna, POB 50

Phone: +43-1-71707-0 **Fax:** + 43-1-71707-1848

Company Register Number: FN 122119m at the Commercial Court of Vienna

VAT Identification Number: UID ATU 57531200

Austrian Data Processing Register: Data processing register number (DVR): 4002771

S.W.I.F.T.-Code: RZBA AT WW

Supervisory Authorities: As a credit institution (acc. to § 1 Austrian Banking Act; Bankwesengesetz) Raiffeisen Bank International AG is subject to the supervision by the Austrian Financial Market Authority (FMA, Finanzmarktaufsicht) and the National Bank of Austria (OeNB, Oesterreichische Nationalbank). Additionally, RBI is subject to the supervision by the European Central Bank (ECB), which undertakes such supervision within the Single Supervisory Mechanism (SSM), which consists of the ECB and the national responsible authorities (Council Regulation (EU) No 1024/2013 - SSM Regulation). Unless set out herein explicitly otherwise, references to legal norms refer to norms enacted by the Republic of Austria.

Membership: Austrian Federal Economic Chamber, Federal Bank and Insurance Sector, Raiffeisen Association

Statement pursuant to the Austrian Media Act

Publisher and editorial office of this publication: Raiffeisen Bank International AG, Am Stadtpark 9, A-1030 Vienna

Media Owner of this publication: Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen, Am Stadtpark 9, A-1030 Vienna

Executive Committee of Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen:

Mag. Peter Brezinschek (Chairman), Mag. Helge Rechberger (Vice-Chairman)

Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen is constituted as state-registered society. Purpose and activity are (inter alia), the distribution of analysis, data, forecasts and reports and similar publications related to the Austrian and international economy as well as financial markets.

Basic tendency of the content of this publication

- Presentation of activities of Raiffeisen Bank International AG and its subsidiaries in the area of conducting analysis related to the Austrian and international economy as well as the financial markets.
- Publishing of analysis according to various methods of analyses covering economics, interest rates and currencies, government and corporate bonds, equities as well as commodities with a regional focus on the euro area

Producer of this publication: Holzer Druck, 1100 Vienna, Buchengasse 79

Cut-off for data: 15 December 2016

Completed: 23/12/2016, 1:00 PM CET;

First dissemination: 23/12/2016, 1:00 PM CET;

Completed in German language: 19/12/2016, 5:00 PM CET;

First dissemination in German language: 21/12/2016, 09:30 AM CET

Cover photo: Fotolia; **Design:** Kathrin Kořinek, Birgit Bachhofner

* FA ... Financial analyst

WALL ST

Martinstraße

Kommen Sie den
Finanzmärkten
ein gutes Stück näher.

www.raiffeisenresearch.com

Raiffeisen RESEARCH Team
Global Head of Research: Peter Brezinschek, FA*

Österreich: Raiffeisen Bank International AG (RBI AG)

Research Sales and Operations (RSOP)

Werner Weingraber (Head)
Birgit Bachhofner
Björn Chyba
Kathrin Kořinek
Andreas Mannsparth
Aleksandra Srejjic
Marion Stadler
Martin Stelzeneder, FA*
Arno Supper
Marion Wannemacher

Retail Research Manager

Veronika Lammer, FA*
Helge Rechberger, FA*

* FA ... Financial analyst

Economics / Fixed Income / FX Research

Gunter Deuber, FA* (Head)
Jörg Angelé, FA*
Wolfgang Ernst, FA*
Stephan Imre, FA*
Lydia Kranner, FA*
Patrick Krizan, FA*
Matthias Reith, FA*
Elena Romanova, FA*
Andreas Schwabe, FA*
Gintaras Shlizhyus, FA*
Gottfried Steindl, FA*
Martin Stelzeneder, FA*

Credit Company Research

Jörg Bayer, FA* (Head)
Eva-Maria Grosse, FA*
Michael Heller, FA*
Martin Kutny, FA*
Werner Schmitzer, FA*
Jürgen Walter, FA*

Market Strategy / Quant Research

Valentin Hofstätter, FA* (Head)
Judith Galter, FA*
Christian Hinterwallner, FA*
Thomas Keil, FA*
Christoph Klaper, FA*
Dagmar König, FA*
Stefan Memmer, FA*
Nina Neubauer-Kukić, FA*
Stefan Theußl, FA*
Andreas Schiller, FA*
Robert Schittler, FA*

Equity Company Research

Connie Gaisbauer, FA* (Head)
Aaron Alber, FA*
Hannes Loacker, FA*
Johannes Mattner, FA*
Christine Nowak, FA*
Leopold Salcher, FA*
Christoph Vahs, FA*

Company Research:

Raiffeisen Centrabank AG
Stefan Maxian, FA* (Head)

Christian Bader, FA*
Oleg Galbur, FA*
Jakub Krawczyk, FA*
Bernd Maurer, FA*
Dominik Niszczyński, FA*
Markus Remis, FA*
Teresa Schinwald, FA*
Jovan Sikimic, FA*
Arno Supper

Albania: Raiffeisen Bank Sh.A.

Joan Canaj, FA*
Valbona Gjeka, FA*

Belarus: Priorbank Open Joint-Stock Company

Oleg Leontev, FA*
Vasily Pirogovsky, FA*
Olga Laschevskaya, FA*
Natalya Chernogorova, FA*

Bosnia & Herzegovina: Raiffeisen Bank dd Bosna i Hercegovina

Ivona Zametica, FA*
Sebrenko Fatusic, FA*

Bulgaria: Raiffeisenbank (Bulgaria) Sole-owned Joint Stock Company

Emil S. Kalchev, FA*

Croatia: Raiffeisenbank Austria d.d.

Zrinka Zivkovic Matijevec, FA*
Nada Harambasic-Nereau, FA*
Marijana Cigic, FA*
Elizabeta Sabolek-Resanovic, FA*
Tomislava Ujevic, FA*
Ana Turudic, FA*

Czech Republic: Raiffeisenbank a.s.

Helena Horská, FA*
Daniela Milučka, FA*
Lenka Kalivodova, FA*

Hungary: Raiffeisen Bank Zrt.

Zoltán Török, FA*
Gergely Pálffy, FA*
Levente Blahó, FA*

Kosovo: Raiffeisen Bank Kosovo J.S.C.

Arta Kastrati, FA*
Antigona Limani, FA*

Poland: Raiffeisen Bank Polska S.A.

Marta Pełka-Zagajewska, FA*
Dorota Strauch, FA*
Mateusz Namysl, FA*

Romania: RAFFEISEN BANK S.A.

Ionut Dumitru, FA*
Nicolae Covrig, FA*
Catalin Diaconu, FA*
Silvia Rosca, FA*

Russia: AO Raiffeisenbank Austria

Anastasia Baykova, FA*
Denis Poryvay, FA*
Anton Pletenev, FA*
Konstantin Yuminov, FA*
Sergey Libin, FA*
Andrey Polischuk, FA*
Fedor Kornachev, FA*
Natalia Kolupaeva, FA*
Stanislav Murashov, FA*
Sergey Garamita, FA*

Serbia: Raiffeisen banka a.d. Beograd

Ljiljana Grubic, FA*

Slovakia: Tatra banka, a.s.

Robert Prega, FA*
Juraj Valachy, FA*
Boris Fojtik, FA*

Ukraine: Raiffeisen Bank Aval Public Joint Stock Company

Sergii Drobot, FA*