

Eastern European Equities: Weekly Overview

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- Eastern European equities advance on higher global risk appetite
- Turkey's GDP unexpectedly fell 1.8% y/y in 3Q2016
- 3Q2016 GDP growth in CEE region: Hungary and Bulgaria

Global equities continued their ascend last week, hitting 16-month highs as the ECB prolonged its bond purchasing program, global macro data remained strong, and commodities climbed further. Closer to the Eastern European space, Russian equities represented by RTS index jumped 5.7%, as investors continued building up positions in anticipation of higher oil prices. Elsewhere, Polish equity market was the leader of the region, as WIG20 index surged 6.5% with banking stocks leading the advance of elevated volumes. Finally, Turkish equities bounced back by 3.2% as measured by BIST30 index, however another deadly terrorist attack over the weekend might overshadow the recovery going forward.

Macro news

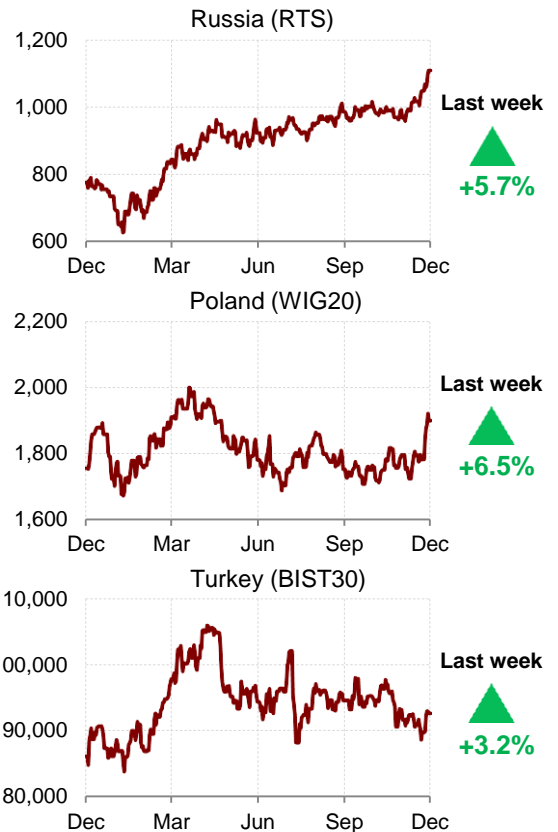
Turkey

Turkey's GDP unexpectedly fell by 1.8% in 3Q2016 compared with the respective quarter in 2015. Economists had forecast growth of 0.3% y/y after the country's economy had expanded by upwards revised 4.5% y/y in 2Q2016. The service sector fell by 8.4% y/y, the most among the activities that constitute the GDP. Government expenditures supported the GDP the most as those increased by 23.8% y/y, whilst net exports were a significant drag hurt by 7.0% decline in exports and increasing imports. Analysts expect the country's economy to expand by 3.0% in 2016 and further by 3.1% in 2017.

Central and Eastern Europe

According to the final data release, Hungary's GDP growth rate slowed down to 2.2% y/y in 3Q2016, however, surpassing flash estimate of 2.0% y/y; the advancement was trailing the revised 2.8% y/y growth rate recorded in 2Q2016. In line with previous release, further improvement was restrained by falling industrial sectors, including car manufacturing. Overall, consensus expectation for Hungarian GDP are set for 2.1% y/y expansion in 2016 and for 2.6% y/y in 2017.

Bulgaria's 3Q2016 GDP growth was revised down to 3.4% y/y and 0.7% q/q on a seasonally adjusted basis compared with 3.5% y/y and 0.8% q/q estimated previously. The GDP growth was boosted by the 'Arts, entertainment and recreation, repair of households goods and other services' economic sector which expanded the most or by 7.9% y/y and was dragged by 'Financial and insurance activities' economic sector which contracted the most, by 1.4% y/y. By final use, net export dynamics had a positive boost to the country's growth and dragged by gross fixed capital formation. Economists expect the country's economy to expand by 2.9% in 2016 and by further 2.8% in 2017.



Market performance

Best performers	1W return (USD)	YTD return (USD)	Worst performers	1W return (USD)	YTD return (USD)
Alior Bank	19.0%	-11.8%	Mechel	-3.2%	199.5%
Rosseti	13.7%	233.0%	Bogdanka	-1.9%	91.3%
Bank Zachodni	12.8%	5.3%	PGN	-1.9%	-8.0%
VTB	12.1%	10.1%	QIWI	-1.9%	-29.7%
Transneft (pref)	11.5%	23.8%	Bashneft (pref)	-1.8%	-8.5%
Rosneft	11.2%	71.8%	M.Video	-0.4%	58.8%
KGHM	11.1%	41.0%	LPP	-0.2%	-1.7%
Synthos	11.0%	18.2%	NLMK	0.2%	111.8%
Tatneft (pref)	11.0%	32.6%	Turk Hava Yollari	0.4%	-46.0%
Aeroflot	10.8%	208.9%	Petkim	0.6%	-2.9%

Name	Last	1W	1M	3M	1Y	YTD
EQUITY MARKETS						
Russia (MICEX)	2,208.5	3.7%	8.0%	8.9%	28.4%	25.4%
Russia (RTS)	1,110.1	5.7%	11.7%	12.4%	42.8%	46.6%
Russia second tier (RTS 2)	1,239.3	5.0%	7.9%	29.6%	94.3%	95.8%
Russia GDR (RDX)	1,391.7	6.3%	14.5%	19.6%	49.4%	51.1%
Turkey (BIST30)	92,690.7	3.2%	-0.5%	-2.0%	7.5%	6.0%
Poland (WIG20)	1,899.8	6.5%	5.7%	8.3%	8.1%	2.2%
Czech Republic (PX)	900.7	1.5%	-0.1%	2.4%	-2.4%	-5.8%
Hungary (BUX)	30,588.4	2.6%	0.2%	7.5%	32.3%	27.9%
Baltic OMX (OMX TR Index)	775.7	0.0%	3.0%	6.3%	19.7%	19.6%
Romania (BET)	6,895.0	-0.8%	0.7%	-1.9%	-0.7%	-1.6%
Emerging Europe (MSCI IMI)	808.2	3.7%	6.4%	8.0%	19.1%	15.5%
MSCI Emerging Markets	877.9	2.9%	0.3%	-3.5%	13.5%	10.5%
US (S&P 500)	2,259.5	3.1%	4.2%	6.2%	12.3%	10.5%
Europe (STOXX Europe 600)	355.4	4.7%	4.9%	2.9%	-0.1%	-2.9%
MSCI World	1,760.1	3.0%	3.5%	3.1%	7.5%	5.9%
COMMODITIES						
Brent (NYMEX)	54.3	-0.2%	18.5%	13.2%	43.2%	45.7%
Coking Coal (TSI)	268.7	-1.7%	8.4%	69.6%	277.4%	267.6%
Base metals (LME)	2806.1	1.3%	2.7%	19.5%	28.7%	27.4%
Aluminium (LME)	1754.8	2.3%	-0.9%	12.5%	18.0%	17.0%
Copper (LME)	5822.0	1.1%	4.2%	26.2%	23.8%	23.7%
Nickel (LME)	11422.0	0.2%	-0.6%	10.6%	31.9%	30.1%
Iron ore	78.9	5.8%	13.1%	36.3%	104.1%	99.3%
Gold	1160.0	-1.5%	-7.9%	-12.6%	7.9%	9.3%
Agriculture (S&P GSCI)	295.7	1.4%	-1.6%	1.5%	2.3%	4.3%
CURRENCIES						
RUB/USD	62.4636	-2.1%	-4.9%	-3.7%	-11.2%	-13.9%
TRY/USD	3.4772	-1.2%	7.0%	17.1%	16.6%	19.2%
POL/EUR	4.4514	-0.7%	1.9%	2.5%	1.9%	4.5%
CZK/EUR	27.0300	-0.1%	0.0%	0.0%	0.0%	0.0%
HUF/EUR	314.8400	0.4%	2.3%	1.7%	-0.8%	-0.2%
UAH/EUR	27.5287	-0.7%	-1.2%	-8.1%	5.3%	5.5%
KZT/USD	334.2700	-1.0%	-1.2%	-1.1%	6.1%	-1.9%
EUR/USD	1.0561	-1.0%	-3.0%	-6.0%	-3.9%	-2.8%
GBP/USD	0.7952	1.2%	-0.2%	5.5%	21.1%	17.2%

Source: All data are from Bloomberg, unless otherwise stated.

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