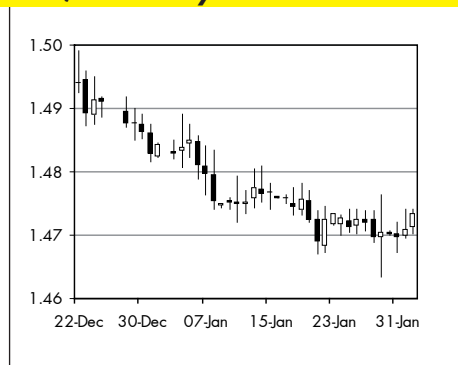


Focus FX monthly

Issue 02/2010

2 February 2010

EUR/CHF daily

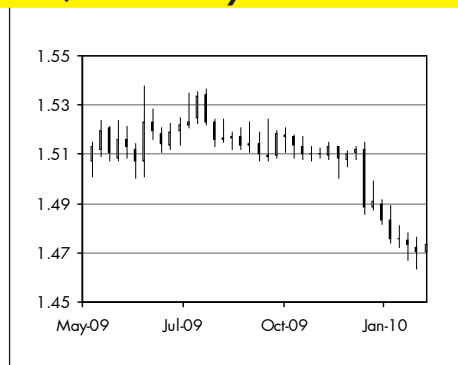


Source: Thomson Reuters

EUR/CHF: 1.473 → 1.47 (March)

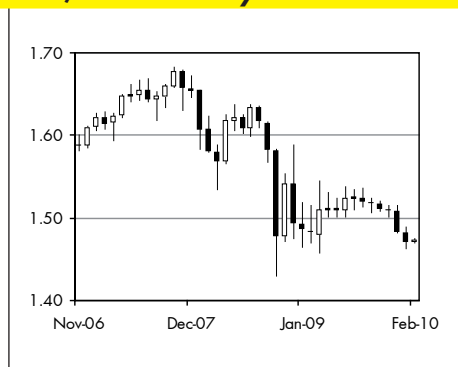
On Friday, CHF appreciated substantially versus EUR, most likely due to the current general malaise being experienced by the single European currency (cf. USD commentary). As a result, EUR/CHF dipped below the mark of 1.464, which we postulate as being the current intervention threshold for the Swiss National Bank (SNB). And lo and behold: shortly after 17:30, Switzerland's central bankers made their move and within just an hour, EUR/CHF jumped from 1.463 to 1.476. Nevertheless, as with the previous interventions, the volume was small again this time, with the result that no sustained change in the exchange rate level was registered compared to the previous days. Since the SNB changed

EUR/CHF weekly



Source: Thomson Reuters

EUR/CHF monthly



Source: Thomson Reuters

Exchange rate forecasts

	actual	Mar-10	Jun-10	Sep-10	Dec-10
EUR/USD	1.392	1.45	1.50	1.45	1.37
EUR/CHF	1.473	1.47	1.50	1.50	1.53
EUR/JPY	126.0	132	140	142.00	147.00
USD/JPY	90.5	91	93	97.93	107.30
EUR/GBP	0.875	0.90	0.93	0.95	0.95
EUR/PLN	3.987	4.20	3.80	3.75	3.65
EUR/HUF	269.5	285	285	275.00	275.00
EUR/CZK	25.94	25.8	25.4	24.80	25.00
EUR/RON*	4.080	4.30	4.25	4.20	4.15
EUR/HRK	7.314	7.36	7.40	7.40	7.50
EUR/RUB	42.01	42.93	42.12	41.72	40.87
USD/RUB	30.18	29.60	28.08	28.77	29.83
EUR/UAH*	11.162	13.05	12.00	11.96	11.51
USD/UAH*	8.033	9.00	8.00	8.25	8.40
EUR/TRY*	2.067	2.18	2.19	2.20	2.11
USD/TRY*	1.485	1.50	1.46	1.52	1.54
EUR/BYR	4032	4205	4275	4277.50	4178.50
USD/BYR	2895	2900	2850	2950.00	3050.00
EUR/BGN	1.956	1.96	1.96	1.96	1.96
EUR/ALL	138.80	137.5	137.0	135.50	133.00
EUR/RSD	98.44	98.0	97.0	96.50	95.00
EUR/CNY	9.505	9.89	10.19	9.79	9.11
USD/CNY	6.827	6.82	6.79	6.75	6.65
EUR/BRL	2.585	2.76	2.78	2.54	2.33
USD/BRL	1.857	1.90	1.85	1.75	1.70
EUR/ZAR	10.433	11.455	11.475	11.53	10.89
USD/ZAR	7.476	7.90	7.65	7.95	7.95
EUR/KZT	205.990	211.70	216.00	205.90	191.80
USD/KZT	147.960	146.00	144.00	142.00	140.00

* under revision

Source: Thomson Reuters. Raiffeisen RESEARCH



**Raiffeisen
RESEARCH**
R Z B Group

its policy at its December meeting and decided to “act decisively” to prevent only “excessive appreciation” and not merely “appreciation” of the franc, the country’s currency has gained 2.7% versus the euro. If the franc appreciates to just below EUR/CHF 1.455, then all of the buffer created by the intervention will have been used up. Due to the robust Swiss economic data, the SNB is probably not interested in weakening the franc over the long term. Both the PMI and the KOF economic survey show that Switzerland reached potential growth in January. As a result, the SNB is probably quite comfortable with the current rate of EUR/CHF 1.47 right now. Consequently, we

adjust our March forecast to EUR/CHF 1.47. If Swiss economic activity does not slow down significantly starting from Q2 2010, as projected in the SNB’s and our forecasts, then rate hikes may become an issue in the Confederation earlier than in the euro area. Hence, if leading economic indicators do not turn around and begin heading south in the months ahead (by April), we may see emerging speculation about rate hikes fuelling more appreciation for the franc.

Analyst: Ingo Jungwirth
 ingo.jungwirth@raiffeisenresearch.at

Trading Ideas

FX

Recommendation	Entry date	Entry level	Current level	Target level	Stop	Carry (ann. %)	Comments
Sell EUR/USD	21/01/2010	1.4118	1.392	1.37	1.43	-	negative sentiment for EUR; strong momentum of depreciation
Buy EUR/JPY	02/02/2010	126	126	132	123	52bp	Favourable interest carry

Source: Thomson Reuters, Bloomberg

Recently closed trades

Recommendation	Entry date	Entry level	Close date	Close level	Total Return	Comments
BUY EUR/JPY	28/01/2010	126.8	29/01/2010	125	-1.42%	Stopped Out
BUY EUR/JPY	25/01/2010	127.44	26/01/2010	126.5	-0.74%	Stopped Out
Buy USD/JPY	21/01/2010	91.64	21/01/2010	90.5	-1.24%	Stopped Out
Buy EUR/CHF	07/01/2010	1.476	19/01/2010	1.475	-0.07%	Closed early
Buy EUR/CHF	04/01/2010	1.486	06/01/2010	1.48	-0.40%	Stopped Out

Source: Thomson Reuters, Bloomberg

Note: This list contains only the strongest trading ideas for the markets that we cover. Therefore not every market forecast that implies a buy recommendation is also listed as a trading idea! Trading ideas may also differ from our quarterly forecasts, as the time horizon can be different. The time horizon of the trade is at least two weeks, but not more than 3 months.

EUR/USD: 1.392 → 1.45 (March)

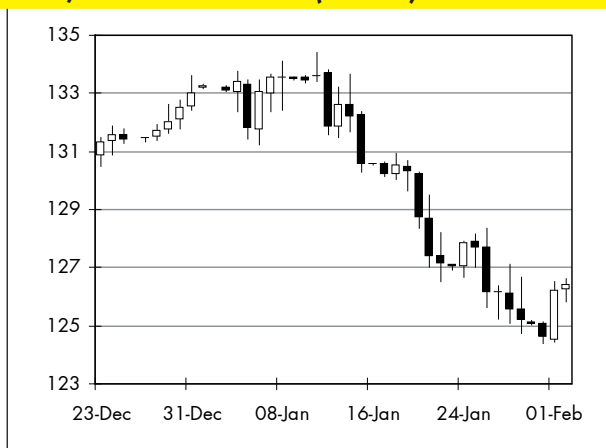
Source: Thomson Reuters

EUR/USD continued to correct lower last week as well, as circumstances really conspired against the euro right now: stronger US economic data, and despite this, rising risk aversion on the markets (which tends to be good for USD), and last but not least mounting worries about Greek insolvency. As long as these factors remain in place, EUR will stay under pressure, which is why we stick with our short-term

Trading Idea "Sell EUR/USD". Nevertheless, we do not think that Greece will be left out in the cold by its EU partners in the event of looming insolvency and we do not believe that the euro area will break up because of it. The market's worries about this scenario will persist until Greece presents credible plans for reforms (a difficult solution) or until the country receives outside support (perhaps after more escalation in the situation). But just as the market was overly negative on the US dollar up until recently, the market is now slowly heading for exaggeration in the other direction in our opinion. Consequently, towards mid-year we believe the euro may stage a come-back towards 1.45 (1.50 would be a long shot), before losing ground again in the second half of the year, against the backdrop of mounting expectations of US rate hikes. We do not expect much news from the ECB's rate-setting meeting scheduled for Thursday (the outlook for monetary policy in H1 is well known, along with the ECB's stance on Greece). What's more interesting will be the US labour market report on Friday (a strong increase in payrolls would most likely be negative for EUR).

Analyst: Valentin Hofstätter

valentin.hofstaetter@raiffeisenresearch.at

EUR/JPY: 126.0 → 132 (March)
USD/JPY: 90.5 → 91 (March)

Source: Thomson Reuters

Following the collapse in late 2008 and early 2009 due to the slump in exports, Japanese industry came back strong in Q4 2009. Despite the stronger yen, industrial output jumped 2.2% in December compared to the preceding month, and was thus 5.4% higher in a 12-month comparison. With regard to Japan's GDP, we estimate that annualised growth reached 4.3% in Q4 2009, compared to the previous quarter, thanks to state support and robust growth in exports (due to its strong export-orientation, the Japanese economy has profited greatly from economic

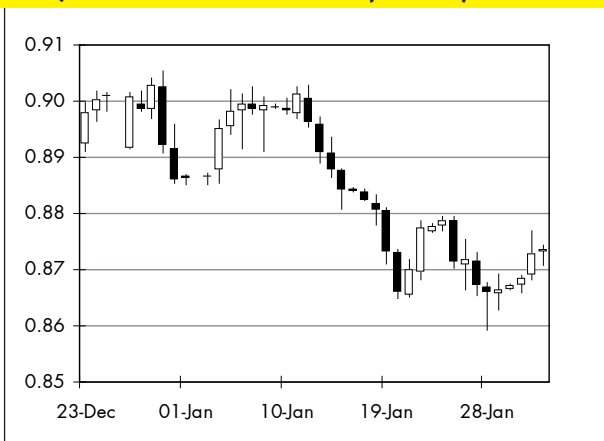
stimulus packages abroad as well). In Q1 2010, growth looks set to remain strong (annualised rate of 2% qoq), subsequently settling in at annualised quarterly growth rates below 1% in H2 2010. This modest growth will, however, be enough to generate a growth rate of around 2% compared to the weak performance seen in the previous year. As a result, despite deflation of -1.5% yoy, nominal GDP should rise. Based on the demographic contraction in the Japanese population (approximately -0.25% per year), this should result in nominal per-capita growth of around 1%, which is roughly comparable with growth rates in Europe. On Monday, the yen managed a turnaround and appreciated against both the euro and the US dollar. The JPY appreciation trend which started in early January was not fundamentally justified, with an eye to the prospects that interest rates will remain unchanged at rock-bottom levels until well into 2011. The crumbling equity markets, however, were able to generate considerable support for the funding currency yen. As we expect to see flat development on the equity markets for the immediate future, the interest rate argument should weaken the yen. Consequently, we open a short-term, trading recommendation Buy EUR/JPY (= Sell yen): current: 126; Target: 132; Stop: 123.

Analyst: Ingo Jungwirth

ingo.jungwirth@raiffeisenresearch.at



EUR/GBP: 0.875 → 0.90 (March)



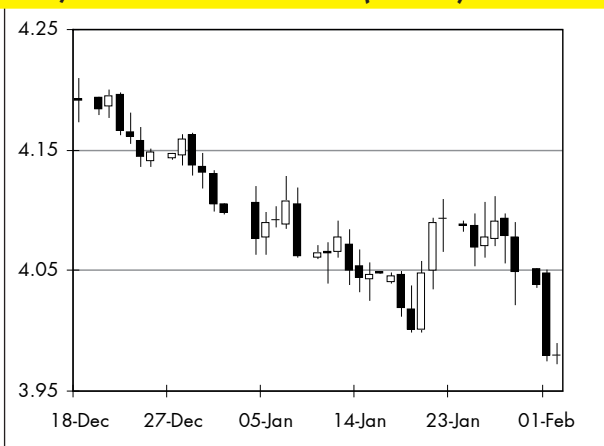
Source: Thomson Reuters

In Q4 2009, British GDP grew by 0.1% qoq, falling well short of the market's expectations. GBP shrugged off the poor GDP data, and managed to strengthen to EUR/GBP 0.86 by the middle of last week. Nevertheless, the pound was unable to secure its gains over the week. Amongst other things, the pound suffered from a report by Standard & Poor's, in which the rating agency highlighted the higher risk profile of the UK banking sector compared to other

industrialised countries and no longer classified the British financial sector as one of the most stable in the world. Risk factors that were cited included the massive state support for parts of the banking sector, the reputation loss from the financial crisis and the subdued outlook for UK growth as a result of high public and private. Along with the purchasing managers' index for the service sector and manufacturing, the latter of which registered a surprisingly robust increase to 56.7 points on Monday (its highest level in 15 years), the market will be keeping a close eye on the rate-setting meeting of the Bank of England (BoE) on Thursday and the publication of the new inflation report this week. In our view, the BoE will vote against further gilt purchases. In light of the poor GDP data, however, the BoE should stick with its dovish rhetoric and leave the door open for further purchases of bonds. The BoE is also likely to revise its growth forecasts for 2010 slightly lower and once again stress the existing risks to a sustained economic recovery. Accordingly, rate hikes by the BoE should not be an issue before the end of 2010, which is why we continue to expect a weak pound over a one-year horizon.

Analyst: Julia Neudorfer
julia.neudorfer@raiffeisenresearch.at

EUR/PLN: 3.987 → 4.20 (March)



Source: Thomson Reuters

At the beginning of the week, the zloty once again moved to test EUR/PLN 4.00 and finally managed to breach this mark. In the week before, there was more good news on the economy, but much of this was already anticipated: in 2009, GDP growth amounted to 1.7% yoy, representing growth of around 2.9-3.0% yoy for Q4 2009. A positive sign was also seen in front of the figure for domestic demand for the first time in 2009. On the other hand, Friday's

publication of the budget consolidation plans for Poland's public finances lacked any radical reforms, although the government did at least touch on some of the major issues. The spending rule, according to which the flexible budget expenditures may not increase by more than 1.0% yoy in real terms (until the budget deficit reaches 3% of GDP) and which is to be written into law, can certainly be seen as the most striking point of the plan that was published and is viewed as a positive move. More efficient steering of liquidity in the public sector and accelerated privatisation efforts (a previously known item) are to further reduce the state's financing requirements (which is one main factor that supported the further declines in bond yields). Reforms in the pension system were addressed partially, but there was a lack of important measures (probably for political reasons). Nevertheless, the biggest problem is that the points in the plan are merely "recommendations". The market will have to wait to see what specific steps are actually taken to put this plan into action. Following the recent rise, we see EUR/PLN weakening over the short term. Over the long term, the upturn in growth should continue to have a benign impact on PLN.

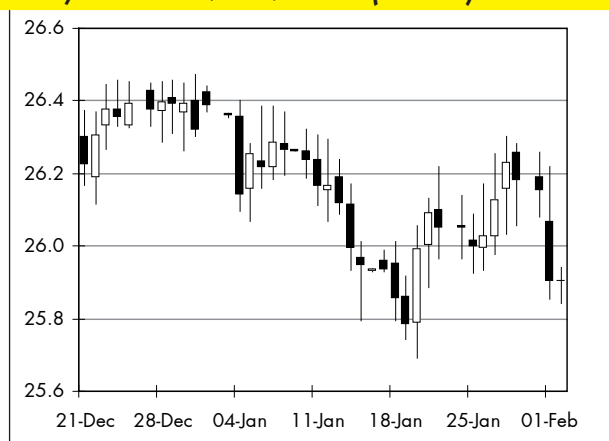
Analyst: Marcin Kopaczynski
marcin.kopaczynski@raiffeisenresearch.at

EUR/HUF: 269.5 → 285 (March)

Source: Thomson Reuters

PMI data in January came in very positive at 53.5 and indicates an economic recovery compared to the 49.1 in December. However, the forint did not react to the figure. Friday will bring industrial output figures for December that could also indicate an improvement. We expect -2% yoy compared with -7% yoy in November. Nevertheless, altogether the economic recovery is going to be slow and domestic demand is likely to remain very weak. Elections and the budget outlook 2010 are likely to get more into focus in the coming weeks. Even though including the debt of public companies into the budget 2010 would only have accounting effects investors could react negatively towards a budget deficit of 6-7% of GDP in 2010. We expect some HUF weakness in the coming weeks that could last until the end of H1 2010. Accordingly we have adjusted our outlook for July from EUR/HUF 275 to 285.

Analyst: Wolfgang Ernst
wolfgang.ernst@raiffeisenresearch.at

EUR/CZK: 25.94 → 25.8 (March)

Source: Thomson Reuters

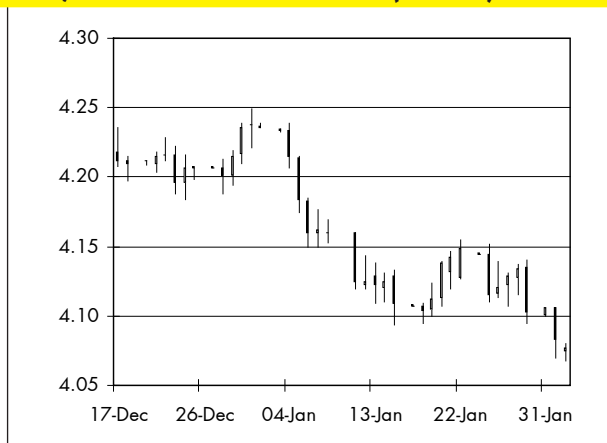
The Czech koruna (CZK) strengthened back slightly below the 26 level against the Euro on the back of improved market sentiment at the beginning of the week. Although we believe in the continuation of

the fundamental long-term appreciation trend of the CZK in the course of 2010 (in Q3 2010 even beyond 25.0), the CZK remains vulnerable to the global market sentiment and risk aversion. On Thursday this week the Czech National Bank will hold its regular monetary policy board meeting. Although no change of the key rate from its current all-time low of 1.0% is expected, the meeting will still be in the center of market interest. The official statement after the meeting could be important as some of the board members started to speak about future interest rate hikes in recent weeks. However, we still believe that the most likely time for a first rate hike is Q3 this year. The main risk to our forecast scenario is a stalemate after parliamentary elections in spring. This would postpone the necessary medium-term fiscal consolidation and expose the CZK to the risk of a change in the rating of Czech debt.

Analyst: Walter Demel
walter.demel@raiffeisenresearch.at



EUR/RON*: 4.080 → 4.30 (March)



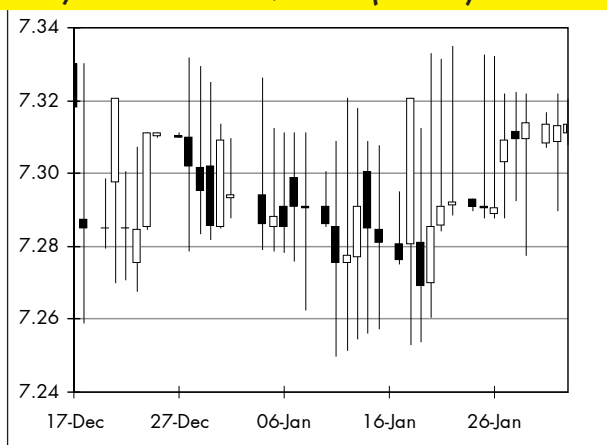
* under revision
Source: Thomson Reuters

Sentiment on the leu remains positive, as the currency reached a new peak against the euro at the

beginning of the week when it breached 4.1 and fell to below 4.08. As we stressed in our previous reports, we think that the recent leu appreciation reflects a decrease in the risk premium for Romania after the political turmoil calmed down at the end of December, but is also sustained by improvement in the country's external vulnerability indicators. We think that additional gains cannot be ruled in the coming weeks. Moreover, leu appreciation has increased the room of manoeuvre for central bank to further cut the monetary policy rate which remains at a high level, taking into account the sharp deceleration in economic activity and expectations of low inflation in the months ahead. The first occasion would be tomorrow's monetary policy meeting, when we expect the central bank to cut the key interest rate by 50bp to 7%.

Analyst: *Martin Stelzeneder*
martin.stelzeneder@raiffeisenresearch.at

EUR/HRK: 7.314 → 7.36 (March)



Source: Thomson Reuters

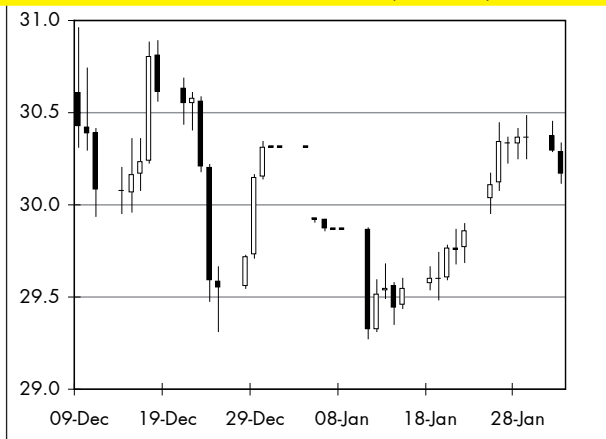
After a relatively calm beginning to the week on the domestic FX market, characterised by modest trading volumes with EUR/HRK around 7.295, trading finally intensified at the middle of the week. More pronounced demand for euros than last week, primarily from the banking sector, but also from the corporate sector as well, caused the rate to move towards

7.32. By the end of the week, we saw some minor downward corrections, but the rate stayed above 7.30. On the domestic money market, the period of high liquidity and low interest rates continues, with the absence of yet another repo auction.

For the week ahead we do not expect to see any significant changes on the FX market, and thus the rate should remain around 7.30. The same holds at a monthly level – no important changes are expected. Depreciation pressures on the kuna could come from EUR 500 mn worth of Eurobond maturing on 24 February. Furthermore, a possible cut in the reserve requirement rate announced by CNB would probably cause an increase in the FX rate. According to the Bank's deputy governor, the CNB is prepared to gradually cut the reserve requirement rate in 2010 to 11% from the current 14%, which should increase liquidity by HRK 9 bn. A CNB meeting is scheduled for Wednesday, when it will be decided if the rate will be lowered to 13%. However, the high liquidity dominant in recent months has not caused major kuna depreciation pressures so far.

Analyst: *Martin Stelzeneder*
martin.stelzeneder@raiffeisenresearch.at

EUR/RUB: 42.01 → 42.9 (March)
USD/RUB: 30.18 → 29.60 (March)



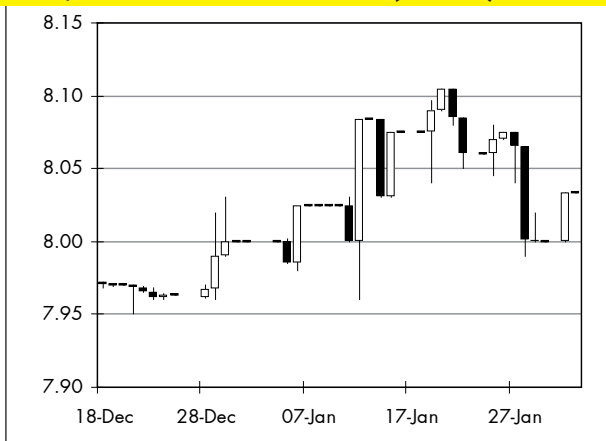
Source: Thomson Reuters

The rouble remains under the spell of oil prices and the global equity markets. Last week, the rouble plunged to 35.90 against the dual currency basket. But some stabilisation on the global equity markets and the end of the decline in the oil market eventually lent some support for the rouble. The rouble then jumped to a stronger 35.7 against the basket by the end of the last week. This notwithstanding, the rouble faces

more market volatility as investors are talking about the negative effect of possible monetary tightening in China on oil prices and consequently on the rouble. We believe that the issue of China is overblown, as there is no credible proof to substantiate the magnitude of the tightening effect and its influence on oil prices. Besides, recovering US and European economies may help boost commodity prices, although these prices have already reached pretty strong levels. We see the rouble market ignoring domestic macro data, whilst US economic reports and oil prices continue to drive the global equity markets and the rouble as well. Currently, the rouble is showing some marginal weakness against the basket, following analysts' comments about China's impact on the oil market, which put oil prices on a stagnating path. But it is by no means certain that this trend will continue since oil prices might tend upwards with the global equity market, if the US dollar weakens against the euro again. We see last week's levels as a new trading range for the rouble. The rouble may, however, remain under some pressure, since investors in the Russian market might be in a profit-taking mood.

Analyst: *Gintaras Shlizhyus*
gintaras.shlizhyus@raiffeisenresearch.at

EUR/UAH*: 11.162 → 13.05 (March)
USD/UAH*: 8.033 → 9.00 (March)



* under revision
 Source: Thomson Reuters

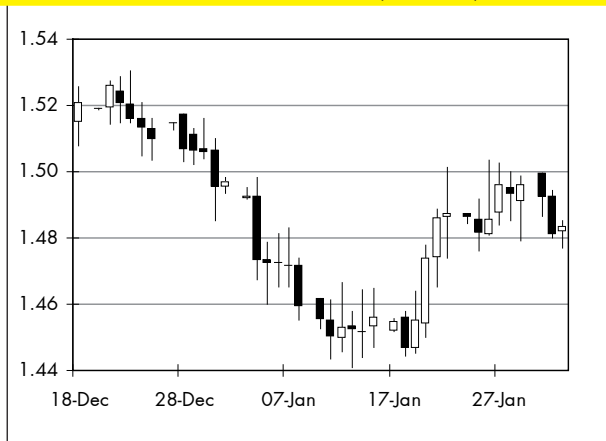
On Sunday, 7 February, the second round of the presidential elections will be held in Ukraine, in a run-off between the incumbent PM Julia Tymoshenko and opposition leader Viktor Yanukovich. In the first round, Yanukovich was able to take a lead of 10 percentage points. But as it is very difficult to estimate the behaviour of voters who supported can-

didates which are now out of the race, the results of the election are still wide open. Nonetheless, we see Yanukovich as having slightly better chances of winning. Regardless of the outcome of the elections, the currently suspended IMF programme needs to be resumed and a supplementary budget for 2010 must be passed by parliament.

The central bank published preliminary data on the 2009 balance of payments and comments on its outlook for 2010. The current account deficit dropped to 1.7% of GDP, and capital outflows amounted to 10.7% of GDP, mainly due to households converting UAH into FX (almost USD 10 bn or -8.4% of GDP). Igor Shumilo, executive director on economic issues at Ukraine's central bank, expects an almost balanced current account balance and only a minor deficit on the capital balance this year, if a "realistic" budget is passed, the economy grows by 3-4% and inflation comes in around 10%. In this case, there would be no major reasons for larger depreciation or appreciation of the currency in excess of 10%. This scenario is in line with our expectations for 2010 as well.

Analyst: *Andreas Schwabe*
andreas.schwabe@raiffeisenresearch.at

EUR/TRY*: 2.067 → 2.18 (March)
USD/TRY*: 1.485 → 1.50 (March)



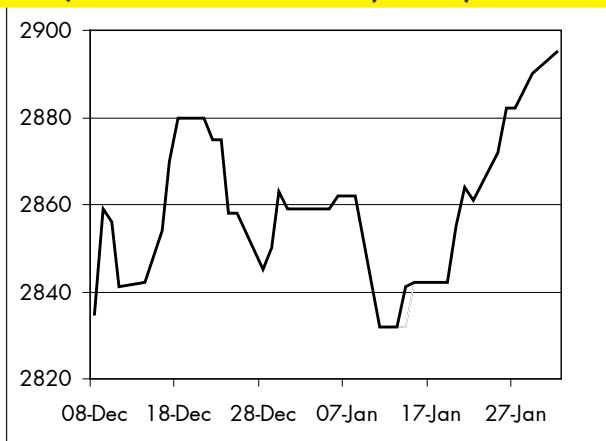
* under revision
 Source: Thomson Reuters

After appreciating from USD/TRY 1.49 to around 1.45 in the first half of January, the lira was hit by worsening global risk sentiment and returned to the 1.50 mark. Thanks to the upbeat market mood in early February, however, this trend reversed, letting the lira appreciate somewhat versus the US dollar. The lira rate against the euro was largely influenced by the EUR/USD weakness in January, sending EUR/TRY down to 2.07. At its first rate-setting meeting this year in mid-January, the Turkish Central Bank (CBRT)

held the key rate unchanged at 6.50. Also, in its first inflation report released this year, the CBRT revised its inflation target upwards to 6.9% yoy at end-2010 and 5.2% at end-2011, due to higher-than-expected food price inflation and hikes in administrative prices. In our view, this deteriorating inflation outlook will put an end to the monetary easing cycle. The central bank is likely to keep interest rates on hold at least for the next two months (the next rate-setting meeting is on 16 February) and then increase the rate beginning from H2 2010. Despite the recent drop in risk aversion (which should support the lira!), we cannot rule out a further correction of global equity markets, which may weigh negatively on the currency. A mildly dovish stance of the CBRT in the face of expected January CPI figures of almost 2% mom (above 8% in yoy terms; up from 6.5% in December) might trigger additional lira weakness, while a faster-than-expected recovery for the economy might contribute to some lira strengthening (industrial production figures for December will be released on 8 February). We see downside risk for the lira from inflation and weaker global equities, which may put TRY back into the range 1.50-1.57 against USD. Consequently, we are considering revising our lira forecast to 1.55 for end-Q1.

Analyst: *Andreas Schwabe*
andreas.schwabe@raiffeisenresearch.at

EUR/BYR: 4032 → 4205 (March)
USD/BYR: 2895 → 2900 (March)



Source: Thomson Reuters

The National Bank announced its plan to limit the maximum change in the BYR rate versus the currency basket (composed of USD, EUR and RUB) to ±10% in comparison to the 2009 year-end parity. We believe the target to be rather achievable given the recently increased amount of international reserves (USD 5.6

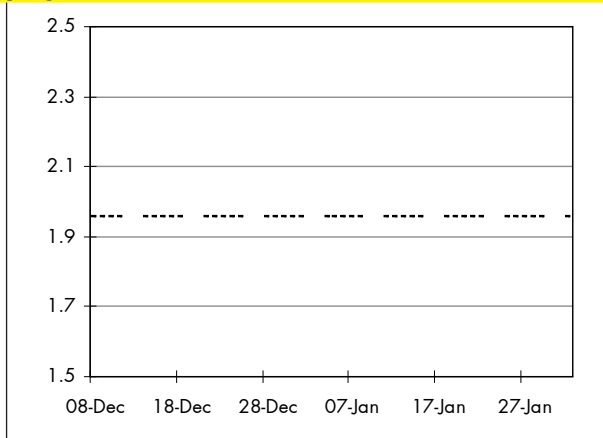
bn as of 1 January, of which, however, only USD 2.5 bn are FX reserves) accumulated as a result of external financing and privatisation proceeds, as well as the government's willingness to further expand external borrowings and the good cooperation with the IMF.

In January, the local currency even saw some slight appreciation versus the currency basket, mainly due to a 2% fall in EUR/BYR to 4036.17, while USD/BYR went up 1.1% to 2890 and RUB/USD appreciated by 0.5% to 94.97.

The agreement on the new terms of oil supplies from Russia reached this January will increase demand for FX and therefore exert some downward pressure on the local currency. According to the agreement, duty-free oil imports are restricted to supplies for internal use only, while other oil imports are subject to the full duty. However, we expect this negative effect to be partly offset by lower FX demand for other import items (i.e. consumer as well as investment goods). Thus, we stick to our forecast of USD/BYR 3050 for end-2010.

Analyst: *Andreas Schwabe*
andreas.schwabe@raiffeisenresearch.at

EUR/BGN: 1.956 → 1.96 (Currency Board pegs BGN to EUR)



Source: Thomson Reuters

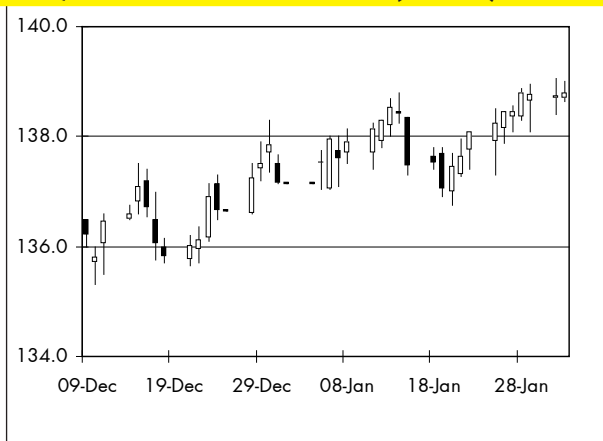
Bulgaria's budget deficit resulted in EUR 270.7 mn (BGN 529.5 mn) in 2009, equivalent to 0.8% of the

projected gross domestic product (GDP) and in line with plan. This might be a clear signal that the Bulgarian government is pursuing a disciplined and prudent fiscal policy despite the unfavourable economic situation. The consolidated budget revenue reached BGN 25.022 bn in 2009, or 37.6% of the projected GDP, compared to 40.9% of GDP for 2008. Consolidated spending totalled BGN 25.551 bn, equivalent to 38.4% of GDP, compared to 38.1% in 2008. In January Moody's Investors Service changed the outlook on Bulgaria's Baa3 ratings to positive from stable, saying the government's finances were relatively resilient through the financial crisis. Bulgaria aims to enter ERM II by the mid of 2010 and the Eurozone by 2013. According to the convergence programme the economic growth is projected at 0.3% yoy in 2010 and should accelerate to 3.8% yoy in 2011 and 4.8% yoy in 2012.

Analyst: Martin Stelzener

martin.stelzener@raiffeisenresearch.at

EUR/ALL: 138.80 → 137.5 (March)



Source: Thomson Reuters

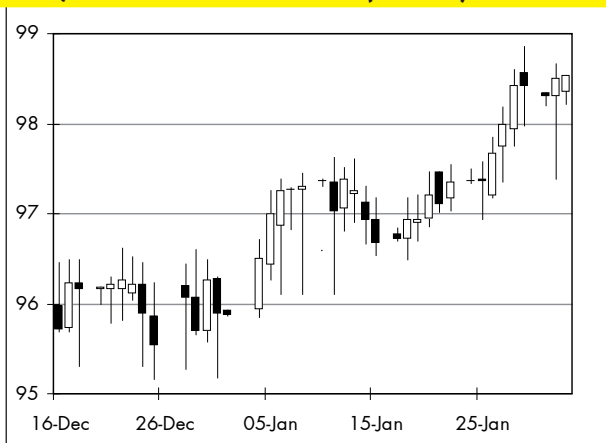
During the meeting of 27 January 2010 the Supervisory Board of the Bank of Albania decided to keep unchanged the base interest rate at 5.25 percent. Board evaluated the base rate level is in conformity with the target of Bank of Albania to keep inflation rate within the forecasted objective in mid term. The decision also aims the further consolidation of macroeconomic equilibriums. Albania's economy grew by a real 4.1% yoy in the third quarter of 2009 boosted mostly by the telecommunications sector. The government has projected a 5.0% real economic growth for 2009 and expects a 6.5% economic growth in 2010. In its latest report, the European Bank for Reconstruction and Development said it expects Albania's economy to grow by 4.3% in 2009 and by 2.0% in 2010.

Analyst: Martin Stelzener

martin.stelzener@raiffeisenresearch.at



EUR/RSD: 98.44 → 98.0 (March)



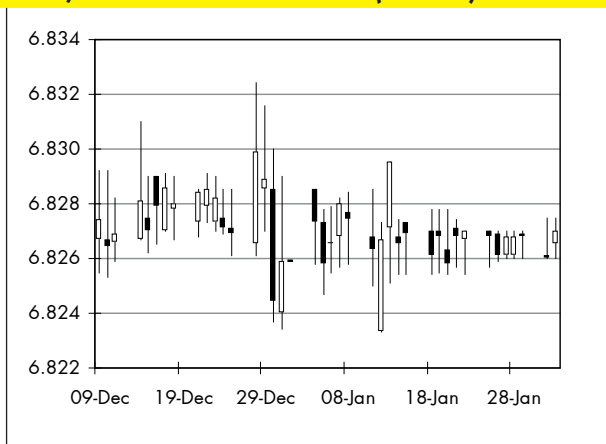
Source: Thomson Reuters

The IMF completed the second review of Serbia's economic performance in December 2009 under its Stand-By agreement enabling Serbia to draw the second tranche under the deal (EUR 349.6 mn) in

December after drawing the first one of EUR 788 mn in May 2009. IMF announced that the next regular visit to Serbia is scheduled for February when the mission is expected to help the ministry to finalize its tax system reform proposal. Serbia's central bank sold EUR 40 mn in the interbank market at the beginning of February, its seventh intervention so far this year, but offered no boost to the dinar currency. According to central bank vice-governor Bojan Markovic the bank might turn more selective in its future market interventions, choosing to sell euros to banks that trade the dinar currency at narrower spreads. The series of their interventions will have to stop the dinar declines. A setback of the global equity markets, which is expected by the end of the first quarter, might have an impact on the currencies. The economic upturn is also picking up steam only gradually. Therefore we expect the EUR/RSD exchange rate to remain at the level of 98 in the next months.

Analyst: *Martin Stelzener*
martin.stelzener@raiffeisenresearch.at

EUR/CNY: 9.505 → 9.89 (March)
USD/CNY: 6.827 → 6.82 (March)



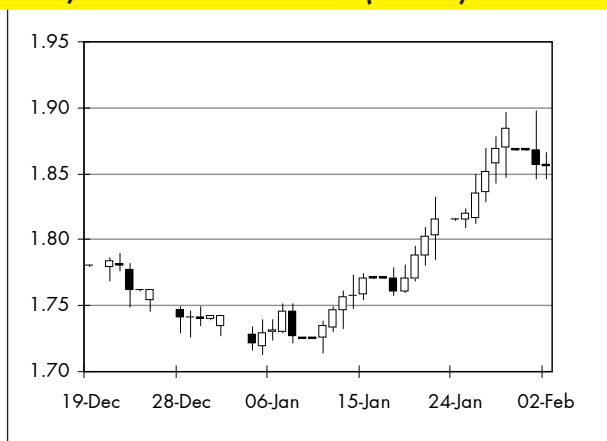
Source: Thomson Reuters

For the most part, the monetary policy countermeasures are directed at limiting the overly abundant supply of liquidity in order to prevent overheating in asset markets. The central bank is taking a multi-faceted approach in this regard: it is steering liquidity via open market operations, raising the minimum reserve rate and implementing different reserve regulations by bank size, as well as resorting to direct credit controls. One last remaining issue is that

of interest rate hikes, but in our view the market is paying too much attention to this. First and foremost, an increase in interest rates will probably serve to guide inflation expectations, as this monetary policy channel is not nearly as effective in China (with a 1-year lending rate of 5.31% versus nominal GDP growth of 13.5%!) as it is in the developed markets. Due to the development of the data, we have drawn forward our projection for the first rate hike, which was originally expected in Q2 2010. A move of this nature could happen as early as March (higher inflation rates, robust GDP, strong credit demand). The timing of a hike, however, is difficult to estimate, and consensus is tending to gravitate more towards Q2. Last but not least: the issue of exchange rate policy. In this regard, we stick with our opinions: In Q1 we expect to see no changes in the policy of FX appreciation. In Q2, there will be some deviation from the previous linkage, but in very small steps. Factors supporting this view include positive feedback from inflation and mounting external pressure, whereas factors against it are the ensuing expectations of appreciation, which may lead to a dreaded inflow of capital and thus work to counter efforts to control money supply.

Analyst: *Lydia Kranner*
lydia.kranner@raiffeisenresearch.at

EUR/BRL: 2.585 → 2.76 (March)
USD/BRL: 1.857 → 1.90 (March)



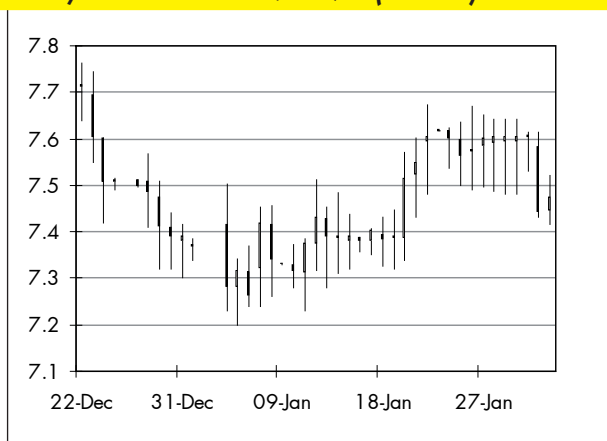
Source: Thomson Reuters

As expected, the Brazilian central bank left the key rate unchanged at 8.75% at its last meeting in January, in a unanimous decision. Nonetheless, there was a significant change in the statement released after the meeting, with the same wording chosen as in January 2008. Back then, the central bank subsequently embarked on a series of rate hikes in April

2008, and we think that this pattern may be repeated this year as well. On the whole, we expect to see the key rate increased by 250bp by year-end. The markets, on the other hand, had been anticipating rate hikes earlier and more aggressively. Amongst other things, this was one factor that caused the Brazilian real (BRL) to lose ground at the end of January. A more important driver behind this BRL weakness, however, was the rise in risk aversion, which caused the BRL – one of the frontrunners on the currency markets in 2009 – to depreciate. Markets are now speculating about whether Brazil, which has been one of the main beneficiaries of capital inflows, will be badly affected by the mounting risk aversion. On the other hand, the economic data remain quite good and this points to positive performance by the Brazilian economy in 2010. GDP growth of 5% appears entirely within reach. We presume that this bout of depreciation may continue for a short time, and that the rate will overshoot the target of USD/BRL 1.9 for March 2010. By year-end, however, we anticipate a strong rebound by the real against the US dollar.

Analyst: Josef Wolfesberger
 josef.wolfesberger@raiffeisenresearch.at

EUR/ZAR: 10.433 → 11.46 (March)
USD/ZAR: 7.476 → 7.90 (March)



Source: Thomson Reuters

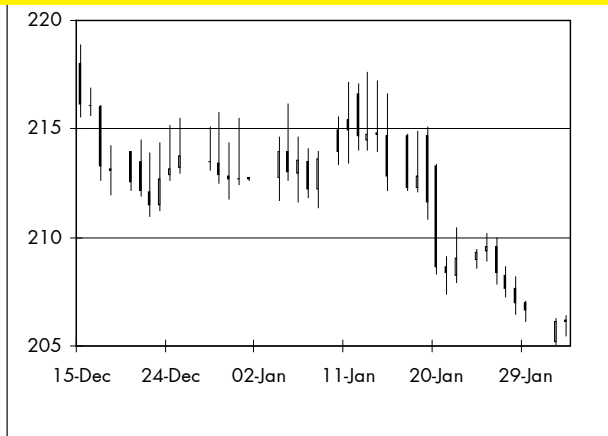
The road to recovery for South Africa's economy will be a bumpy one. For example, in January the PMI rose to 53.6, up from the previous 52.5 points. In-

dustrial production came in at -4.7% in November, which was a smaller decline than registered in the previous month. Retail sales, on the other hand, did not exhibit any improvement, dropping by 6.6% in year-on-year terms. Lending also suffered yet another setback, falling by 0.6% in the private sector and by 5% in the corporate sector. Inflation in South Africa advanced to 6.3%, thus breaking out of the 3-6% range targeted by the central bank. During H1 2010, however, the rate of inflation should drop back down into this range again. The South African rand remained almost untouched by these data publications. As is so often the case, the increased volatility on the international stock markets had a stronger impact on USD/ZAR, as the rand has lost 2.5% versus the US dollar since the beginning of the year. We project that the correction on the stock markets will continue and consequently expect to see the rand weaken more, moving to USD/ZAR 7.9 as a result.

Analyst: Nina Kukic
 nina.kukic@raiffeisenresearch.at



EUR/KZT: 205.990 → 211.70 (March)
USD/KZT: 147.960 → 146.00 (March)



Source: Thomson Reuters

The latest inflation figures for January reflected the strongest monthly increase in prices since June 2008: the rates of 1.4% mom and 7.3% yoy likely mark a return to a rising inflation trend. According to the

government, economic growth in 2009 amounted to +1.1% yoy. At the same time, the projections are for 1.5-2.0% yoy GDP growth in 2010. According to our calculations, this would mean that GDP grew at a rate of 7-10% yoy in Q4 2009, which seems a bit steep even in light of the higher oil prices. Official data for Q4 have not yet been released by the Kazakh statistical office. With rising oil prices, there has also been more appreciation pressure on the currency, and this is likely to continue in 2010. Contrary to our forecasts, the central bank will now significantly widen the range in which USD/KZT can fluctuate, starting from 5 February (from KZT 150 +/- 5 to KZT 150 +15/-22.5 KZT). This asymmetrical range reflects the expectations of further appreciation of the tenge. With our oil price forecast for 2010, we also project more appreciation for the Kazakh currency. Towards the end of the year, we see USD/KZT at 140 (and EUR/KZT 192).

Analyst: Marcin Kopaczynski
marcin.kopaczynski@raiffeisenresearch.at

Raiffeisen Zentralbank Österreich AG, Vienna **Global Markets**

Head of Sales: Stefan Weiser Tel: +43 1 71707 3974
Head of International Sales: Luca Scalzini Tel: +43 1 71707 3981
Head FI Sales (AUT/GE/LIE): Hans Retzl Tel: +43 1 71707 3300
Head of MM & FX Sales: Richard Quinn Tel: +43 1 71707 3904
Corporate Sales: Wolfgang Kalinka Tel: +43 1 71707 3959

Belgrade: Raiffeisenbank a.d. Serbia

Treasury: Branko Novakovic Tel: +381 11 2207 131

Bratislava: Tatra banka, a.s.

Treasury: Miroslav Paracka Tel: +421 2 5919 1386
Sales: Milan Cavojec Tel: +421 2 5919 1212

Bucharest: Raiffeisen Bank S.A.

Treasury: Cristian Sporis Tel: +40 21 306 1210
Sales: Razvan Szilagyi Tel: +40 21 306 1205

Budapest: Raiffeisen Bank Zrt.

Treasury: Gabor Liener Tel: +36 1 484 4304
Sales: Zsolt Matolcsi Tel: +36 1 484 4840

Kiev: Raiffeisen Bank Aval

Treasury: Vladimir Kravchenko Tel: +380 44 490 8808

Maribor: Raiffeisen Krekova banka d.d. Slovenia

Treasury: Thomas Schindl Tel: +386 1 475 7841

Minsk: Priorbank JSC Belarus

Treasury: Andrey Filazafivich Tel: +375 17 289 9312

Moscow: ZAO Raiffeisenbank Austria

Treasury: Sergei Monin Tel: +7 495 721 9922
Sales: Arsen Manoukian Tel: +7 495 721 9978

RZB London Branch

Sales: Stefan Gabriele Tel: +44 20 7933 8104

Raiffeisen Centrobank AG, Vienna **Equity Capital Markets**

Head: Wilhelm Celeda Tel: +43 1 515 20 402
Sales: Klaus della Torre Tel: +43 1 515 20 472

Prague: Raiffeisenbank a.s.

Treasury: Vit Brdlik Tel: +420 221 141 145
Sales: Michal Michalov Tel: +420 221 141 830

Pristina: Raiffeisen Bank Kosovo JSC

Treasury: Berat Isa Tel: +381 38 226400 129

Sarajevo: Raiffeisen BANK d.d. Bosna i Hercegovina

Treasury: Sanja Korene Tel: +387 33 208 372

Sofia: Raiffeisenbank (Bulgaria) EAD

Treasury: Evelina Miltenova Tel: +359 2 91985 441

Tirana: Raiffeisen Bank Sh.a. Albania

Treasury: Adriana Jorgji Tel: +355 4 222 669 2545

Warsaw: Raiffeisen Bank Polska S.A.

Treasury: Mirosław Winiarczyk Tel: +48 22 585 26 00
Sales: Adam Pers Tel: +48 22 585 26 26

Zagreb: Raiffeisenbank Austria d.d.

Treasury: Ivan Zizic Tel: +385 1 46 95 076

Editor:

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

This report was completed on 2 February 2010.

Head of Raiffeisen RESEARCH:

Peter Brezinschek (1517)

This document does not constitute an offer or invitation to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. Any investment decision with respect to any securities of the respective company must be made on the basis of an offering circular or prospectus approved by such company and not on the basis of this document. RZB may have effected an own account transaction in any investment mentioned herein or related investments and or may have a position or holding in such investments as a result. RZB 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. Information contained herein is based on sources, including annual reports and other material which might have been made available by the entity which is the subject of this document. RZB believes all the information to be reliable, but no representations are made as to their accuracy and completeness. Unless otherwise stated, all views (including statements and forecasts) are solely those of RZB and are subject to change without notice. Investors in emerging markets need to be aware that settlement and custodial risk may be higher than in markets where there is a long established infrastructure and that stock liquidity may be impacted by the numbers of market makers which may therefore impact upon the reliability of any investments made as a result of acting upon information contained in this document. Special regulations for the Republic of Austria: This document does not constitute either a public offer in the meaning of the Kapitalmarktgesetz („KMG“) nor a prospectus in the meaning of the KMG or of the Börsegesetz. Furthermore this document does not intend to recommend the purchase or the sale of securities or investments in the meaning of the 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 or investments kindly contact your RAIFFEISENBANK. Special regulations for the United Kingdom of Great Britain, Northern Ireland (UK) and Jersey (Channel Islands): Raiffeisen Zentralbank. This publication has been either approved or issued by Raiffeisen Zentralbank Österreich AG (RZB) in order to promote its investment business. RZB 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 rules and should 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. RZB may have effected an Own Account Transaction within the meaning of FSA rules in any investment mentioned herein or related investments and or may have a position or holding in such investments as a result. RZB 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. The RZB Jersey marketing representative office is not regulated by the Jersey Financial Services Commission as it does not perform any financial services activity in Jersey as defined by the Financial Services (Jersey) Law 1998 (FSJL). Special regulations for the United States of America (USA) and Canada: This document or any copy hereof may not be taken or transmitted or distributed, in the USA or Canada or their respective territories or possessions nor may it be distributed to any USA-person or person resident in Canada by any means other than via a US Broker Dealer. Any failure to comply with these restrictions may constitute a violation of USA or Canadian securities laws.

