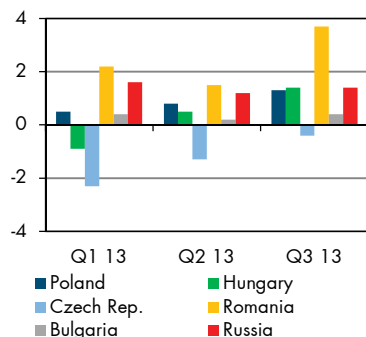


Q3 GDP forecast (% yoy)



Source: Bloomberg, Raiffeisen RESEARCH

Market snapshot

	curr.*	Dec-13	Mar-14	Jun-14
Poland				
EUR/PLN	4.18	4.15	4.10	4.00
Key rate	2.50	2.50	2.50	2.50
10y bond	4.1	4.6	4.6	4.7
Hungary				
EUR/HUF	295.9	300	305	300
Key rate	3.40	3.00	2.80	2.80
10y bond	5.5	5.8	6.3	6.7
Czech Rep.				
EUR/CZK**	27.0	25.5	25.4	25.1
Key rate	0.05	0.05	0.05	0.05
10y bond	2.2	2.6	2.8	3.1
Romania				
EUR/RON	4.44	4.50	4.45	4.50
Key rate	4.00	4.00	3.50	3.50
10y bond	5.2	5.0	5.0	5.1
Croatia				
EUR/HRK	7.62	7.60	7.57	7.48
Key rate	6.25	6.00	6.00	6.00
10y bond	4.9	5.5	5.6	5.6
Russia				
USD/RUB	32.5	32.3	32.5	33.2
Key rate	5.50	5.25	5.25	5.25
10y bond	7.3	7.2	7.0	7.3
Turkey				
USD/TRY	2.04	1.95	2.00	2.10
Key rate	4.50	4.50	5.00	5.50
10y bond	8.7	9.2	9.7	10.0
EUR/USD	1.34	1.36	1.31	1.29

* prices as of 8 November 2013, 10:25 a.m. CET
** under revision

Source: Thomson Reuters, Raiffeisen RESEARCH

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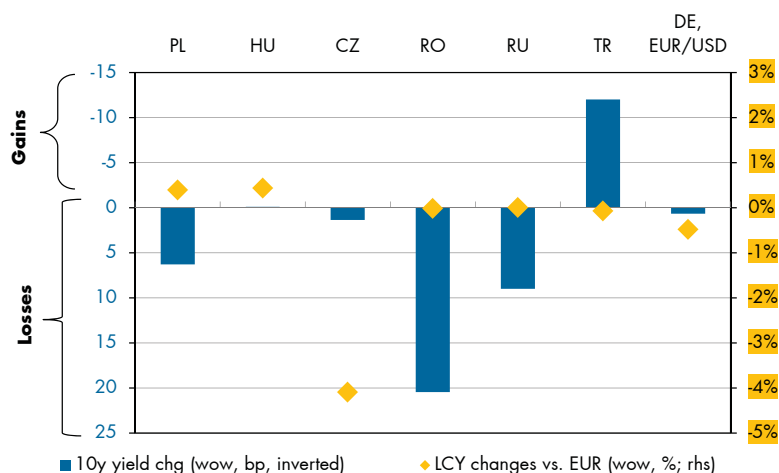
Next week Q3 GDP data in focus

Surprising central bank decisions dominated this past week's news flow. Apart from the ECB's rate cut, the CZK sales of the Czech National Bank proved to be an unexpected move. Serbia continued with another 50bp rate cut and only the Russian and the Romanian Central Banks did not surprise markets with their decisions to leave the interest rate unchanged (RU) and continue the rate cycle respectively (RO).

Next week first Q3 GDP figures will be released in Russia, Poland, Hungary, the Czech Republic, Romania and Bulgaria. Our expectations are for a continued economic improvement across the board, albeit at different speed. In Russia the consensus expects a slightly higher yoy GDP growth rate of 1.4% after 1.2% in Q2. Poland is projected to see a stronger improvement of economic growth, we estimate GDP to rise by 1.3% yoy. For the Czech Republic our expectations are in line with consensus estimates at 0.6% qoq and -0.4% yoy. In Hungary the economy is projected to grow by 0.2% qoq and 1.4% yoy, but most likely the growth will continue to be unevenly spread across the economy. Romania's real GDP growth should come in at 3.7% yoy, whilst Bulgaria – following the slight decline on a quarterly base in Q2 2013 (0.2% yoy) – should see only a moderate improvement (0.4% yoy).

On a final note, the medium-term outlook for rouble and lira bonds should be supported by an improved sentiment effect due to Barclay's announcement to include them into their benchmark index from end-March 2014.

Last week's changes



Source: Bloomberg, Raiffeisen RESEARCH

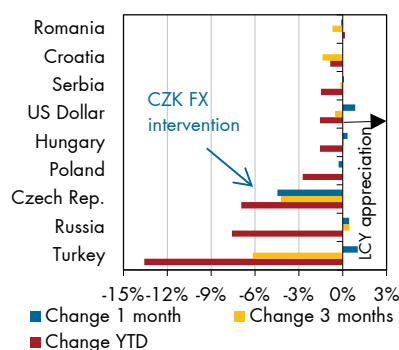
Data highlights upcoming week

Date	Indicator	Period	est.	High	Mean	Low	Prev.
12-13 Nov	RU GDP, % yoy	Q3	n.a.	2.0	1.4	0.9	1.2
14-Nov	PL GDP, % yoy	Q3	1.3	2.2	1.8	1.0	0.8
14-Nov	HU GDP, % yoy	Q3	1.4	1.3	0.7	0.5	0.5
14-Nov	CZ GDP, % yoy	Q3	-0.4	0.1	-0.4	-0.6	-1.3
14-Nov	RO GDP, % yoy	Q3	3.7	n.a.	n.a.	n.a.	1.5
14-Nov	BG GDP, % yoy	Q3	0.4	n.a.	n.a.	n.a.	0.2

Source: Bloomberg, Raiffeisen RESEARCH

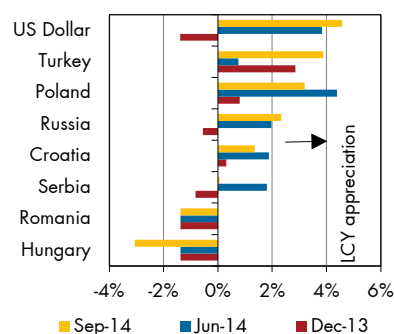
Focus on: Positive on PLN – watch out for UAH and BYR in 2014

Change of LCY value to EUR (%)



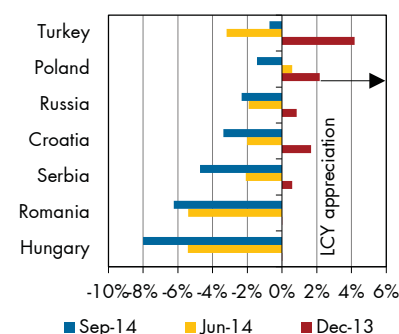
Source: Bloomberg, Raiffeisen RESEARCH

Forecast of LCY value to EUR (%)



Source: Raiffeisen RESEARCH

Forecast of LCY value to USD (%)



Source: Raiffeisen RESEARCH

Yesterday's policy meetings by the European Central Bank (ECB) and the Czech National Bank (CNB) resulted in some rather major surprises. The ECB unexpectedly lowered its key interest rate by 25bp to 0.25%, while the CNB decided to replace the verbal intervention of previous months with the announcement of real intervention, stating that it will start using the exchange rate as an additional instrument to ease monetary conditions and intervene on the foreign exchange market to take EUR/CZK close to CZK 27. The interest rate was left at technical zero (0.05%). Given this fairly radical step, we expect the EUR/CZK 27 goal to remain in place for at least 6-9 months, as otherwise the effects from such a measure would not be achieved. At the press conference after the decision, CNB officials mentioned a 2014 average EUR/CZK goal of 26.8. The move would therefore counteract any appreciation potential we had for CZK owing to an improving economy that we expected for 2014.

Despite some short-term movements on the CEE FX markets, these surprising moves do not change our overall assessment of CEE currencies. From a fundamental perspective, we continue to see the most potential for the Polish zloty in the coming months. This projection is backed by the expected economic improvement in Poland, along with the relatively strong fundamental position. However, given the rate cuts by the ECB, our expectations of possible interest rate hikes by the Polish central bank as early as H2 2014 may be postponed. Then again, the current decisions increase the interest rate spread between Poland and the euro area, which should generate additional support for PLN in return.

For the Hungarian forint, we remain rather pessimistic regarding any appreciation trend against the euro. A slow and not very diversified economic recovery is accompanied by very aggressive interest rate cuts (we currently expect cuts to continue towards 2.8%). This entails considerable risks as soon as liquidity conditions tighten. In recent months, Hungary has strongly profited from investors' hunt for yields, but in an environment where liquidity is being cut back Hungary could turn out to be one of the most vulnerable CEE countries.

Over a shorter time horizon of 3 months, we would therefore buy PLN while selling HUF. Despite our expectations of some short-term rebound for RUB and the Turkish lira, we would currently not yet recommend buying into such risky trading ideas. TRY in particular involves considerable risk in a scenario of reduced liquidity.

For 2014, however, the most attention should be paid to Ukraine and Belarus. Both Ukraine and Belarus have a weak external liquidity position and will rely on external financial aid. For Ukraine, this translates into the necessity of an agreement, either with the IMF or with Russia. However, an agreement with the IMF will only be possible if comprehensive, credible reforms are made upfront. This would include exchange rate flexibility and consequently an adjustment of the exchange rate towards a weaker hryvnia. The extent of such depreciation would depend on the IMF's assessment of overvaluation and feasibility. In any case, such a move would be significant (at least 10%).

For Belarus the picture is similar: a high current account deficit of some 10% in 2013 continues to weaken the external financial position. While in the past Belarus managed to maintain financial stability thanks to financial support by Russia, the outlook for 2014 is bleak. We see high chances that at some point in 2014 Belarus will have to let BYR depreciate against USD. In contrast to Ukraine, however, depreciation should most likely be more gradual and smooth given the National Bank's more flexible approach. Nevertheless, the extent of such depreciation could even be larger than in Ukraine with possibly 20% or more over a 12-month horizon.

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Data calendar and country section

This week, previous week: key data releases					Upcoming week: key data releases							
Date	Indicator	Period	Actual	Prev.	Date	Indicator	Period	est.	High	Mean	Low	Prev.
01-Nov	PL PMI, points	Oct	53.4	53.1	11-Nov	CZ CPI, % yoy	Oct	0.9	1.1	0.9	0.7	1.0
01-Nov	CZ PMI, points	Oct	54.5	53.4	11-Nov	RO Trade balance, EUR mn	Sep	n.a.	n.a.	n.a.	n.a.	-640.8
01-Nov	TR PMI, points	Oct	53.3	54.0	11-Nov	RO CPI, % yoy	Oct	n.a.	n.a.	n.a.	n.a.	1.9
01-Nov	RU PMI, points	Oct	51.8	49.4	12-Nov	PL Current account, EUR mn	Sep	-680	-310	-905	-1120	-719
04-Nov	HU PMI, points	Oct	51.0	54.4	12-Nov	HU CPI, % yoy	Oct	1.4	1.6	1.4	1.2	1.4
04-Nov	RO Retail sales, % yoy	Sep	-0.8	0.4	12-Nov	CZ Current account, CZK bn	Sep	1.0	5.5	-1.0	-6.5	-14.2
04-Nov	RO PPI, % yoy	Sep	0.3	0.6	12-Nov	RS CPI, % yoy	Oct	n.a.	n.a.	n.a.	n.a.	4.9
04-Nov	TR CPI, % yoy	Oct	7.7	7.9	12-13 Nov	RU GDP, % yoy	Q3	n.a.	2.0	1.4	0.9	1.2
05-Nov	CZ Retail sales, % yoy	Sep	3.70	-0.3	13-Nov	BG CPI, % yoy	Oct	n.a.	n.a.	n.a.	n.a.	-1.6
05-Nov	RO Key rate, %	Nov	4.00	4.25	13-Nov	TR Current account, USD bn	Sep	n.a.	-2.7	-2.7	-2.8	-2.0
05-Nov	HR Retail trade, % yoy	Sep	-0.50	2.6	14-Nov	PL GDP, % yoy	Q3	1.3	2.2	1.8	1.0	0.8
06-Nov	PL Key rate, %	Nov	2.5	2.5	14-Nov	PL CPI, % yoy	Oct	1.0	1.1	1.0	0.9	1.0
06-Nov	HU Retail sales, % yoy	Sep	0.3	1.4	14-Nov	PL Money supply (M3), % yoy	Oct	5.6	n.a.	n.a.	n.a.	6.1
06-Nov	CZ Industrial output, % yoy	Sep	7.10	1.6	14-Nov	HU GDP, % yoy	Q3	1.4	1.3	0.7	0.5	0.5
06-Nov	CZ Trade balance, CZK bn	Sep	35.1	19.2	14-Nov	CZ GDP, % yoy	Q3	-0.4	0.1	-0.4	-0.6	-1.3
06-Nov	RU CPI, % yoy	Oct	6.3	6.1	14-Nov	RO GDP, % yoy	Q3	3.7	n.a.	n.a.	n.a.	1.5
06-Nov	UA CPI, % yoy	Oct	-0.1	-0.5	14-Nov	BG GDP, % yoy	Q3	0.4	n.a.	n.a.	n.a.	0.2
07-Nov	HU Budget balance, HUF bn ytd.	Oct	-888	-949	14-Nov	BG Unemployment rate, %	Oct	n.a.	n.a.	n.a.	n.a.	10.8
07-Nov	CZ Key rate, %	Nov	0.05	0.05	14-Nov	HR CPI, % mom	Oct	0.4	n.a.	n.a.	n.a.	0.6
07-Nov	RO Industrial sales, % yoy	Sep	6.1	0.5	14-Nov	HR CPI, % yoy	Oct	1.2	n.a.	n.a.	n.a.	1.1
07-Nov	BG Industrial output, % yoy	Sep	0.5	-2.9	14-Nov	PL Core inflation, % yoy	Oct	1.2	1.4	1.3	1.2	1.3
07-Nov	BG Retail sales, % yoy	Sep	6.2	4.9	15-Nov	CZ PPI, % yoy	Oct	0.3	0.6	0.4	0.2	0.6
07-Nov	RS Key rate, %	Nov	10.00	10.50								
07-Nov	RS PPI, % yoy	Oct	0.4	0.4								
08-Nov	HU Industrial output, % yoy	Sep	3.1	0.8								
08-Nov	RO Industrial output, % yoy	Sep	7.1	5.6								
08-Nov	HR PPI, % yoy	Oct	-2.8	-1.8								
08-Nov	RU Key rate, %	Nov	5.5	5.50								
08-Nov	TR Industrial output, % yoy	Sep	6.4	-0.1								

Source: Bloomberg, Raiffeisen RESEARCH

Poland – In contrast to the ECB, the NBP had no surprises in store this week (key rate flat at 2.50%). The extension of forward guidance (i.e. “flat key rate” at least throughout H1 2014) was expected and priced in on the market. Nevertheless, we still expect the 10-2 year yield spread to flatten from a short-term perspective, even though recent developments moved the market in the opposite direction. Long-term bonds in Poland remain attractive against German Bunds and the recent update of the Polish central bank’s projections, showing a prolonged period of low inflation, should be supportive for the long end of the curve. Meanwhile, short maturities still look expensive in light of fundamentals and a possible rate hike in H2 2014. Turning to the data, the Q3 GDP and October CPI readings will be in the spotlight next week and should confirm a slow recovery with no inflationary pressure.

Paweł Radwański (+48 22 585 20 00)

Hungary – Hungarian lawmakers passed a proposal for foreign currency mortgage holders this week. The law opens the existing exchange rate scheme to all, allowing repayment of their FX debt at below market rates with the difference between the spot and fixed discounted rate accrued in a special forint account that must be repaid after maturity of the FX loans. This week, Economy Minister Varga indicated Hungary would be planning to tap international bond markets again in 2013. Due to high liquidity on the USD market, a USD 2 bn bond issuance may be aimed for. Varga also mentioned that, in his view, there was still room for additional interest rate cuts as the inflation rate is well below the inflation target of the National Bank. In respect of the FX mortgage relief scheme, Varga mentioned the government would not rule out accepting the Banking Association’s proposal. This proposal by the Banking Association, however, has not yet been made public. Retail sales figures released this week disappointed with just 0.3% yoy (consensus was looking for 2.2%). The figure underpins the weak domestic demand which continues to weigh on the economy. The focus for next week will be on CPI data from October and most importantly Q3 GDP data.

Wolfgang Ernst (+43 1 71707 1500)

Czech Republic – The CNB announced that it will intervene on the foreign exchange market to weaken the koruna so that the exchange rate against the euro is close to CZK 27. We and the market did not expect this intervention, as the economy has been recovering. But the fears about undershooting the inflation target played a bigger role in the decision. The CNB now perceives the so-called alternative scenario as more probable than the baseline forecast. In the alternative scenario, the CNB sees EUR/CZK at 26.80 on average in 2014. With this assumption, the CNB projects inflation at 3% at the beginning of 2015. If that is the case, we would expect that the CNB would allow the koruna to appreciate sooner than assumed in the CNB forecast i.e. in the second half of 2014. Next week, the CNB will present the details of the forecast.

Michal Brožka (+420 234 40 1489)

Slovenia – In its Autumn Economic Forecast, the European Commission lowered the GDP estimates to -2.7% for 2013 and -1% for 2014. More shocking, however, was the budget deficit expectation of -7.1% of GDP for 2014. Possibly, the EC already has assumptions of a higher refinancing requirement for the banking sector. The figure underpins our assumption that pressure on Slovenia to accept external financial aid is mounting. For more information on the developments and our views, see our most recent special “Slovenia – Still risks from sovereign-banking feed-back loops”.

Wolfgang Ernst (+43 1 71707 1500)

Romania – Yields reversed their direction at the end of previous week, increasing since then by several basis points for short maturities and by between 14bp and 28bp for long tenors. This occurred in the regional context and as players in the bond market considered the issuance plan for November too ambitious. The Ministry of Finance (MoF) plans to sell RON 4.4 bn, issuing only bonds with an average residual maturity of 4.5 years. The first two auctions this week went as planned, with MoF selling RON 800 mn in a 9.5y bond and RON 1 bn in a 1y bond, but they revealed some upside pressures on yields on the long-dated instruments and a reduction in demand, as the bid-to-cover ratio was about 1.4 at both tenders. In line with market consensus, the central bank cut the key rate by 25bp to 4%, reaffirming its bias towards a gradual adjustment in the monetary policy stance, while allowing excess liquidity to persist on the money market. The government agreed with the IMF, EC and the World Bank on the budget for 2014, projecting a deficit of 2.2% of GDP, based on economic growth of 2.2%. The budget plan provides additional taxes and increases in some public wages and pensions. Levying a new tax on special constructions, indexation of excises to the rate of inflation and the introduction of a uniform excise tax of 7 euro cents per litre of fuel are among the most important measures meant to boost public revenues. In our view, the impact of these measures on next year's inflation rate will be significant, amounting to at least 0.5 percentage points. This raises upside risks to our end-2014 inflation forecast of 3.0%, also putting at risk our baseline scenario for the monetary policy rate (i.e. key rate-cutting cycle might end at 3.75% instead of 3.5%).

Gabriel Bobeica (+40 21 306 1369)

Croatia – In its European Economic Forecast Autumn 2013, the European Commission confirmed expectations of a general government deficit of 5.4% of GDP in 2013 and further widening in the next two years (-6.5% in 2014 and -6.2% of GDP in 2015). The ratio of public debt to GDP is forecast to continue to rise over the forecast period (until 2015), edging to above 60% of GDP on the back of high deficits and subdued nominal GDP growth. As regards economic data, retail trade in September dropped by 0.5% yoy in real terms, after four months in a row with positive growth rates. Although the base effect favourably impacted real growth in retail trade, it failed to neutralize the adverse developments in the economy, such as fragile domestic demand, declining employment and a decline in real income. As for the bond market, the Ministry of Finance announced that they have chosen bookrunners for the new foreign Eurobond issue. The market interpreted this as a sign that the issue will happen by the end of the year. As a result, we saw a price correction for Croatian Eurobonds amounting to approximately 1%. The domestic bond market did not move in response to new bond issue news.

Elizabeta Sabolek-Resanovic (+385 1 46 95 099)

Serbia – The National Bank of Serbia cut the key interest rate by 50bp to 10%, influenced by the drop in inflation (September: 4.9% yoy), declining prices of primary agricultural commodities, low demand and a relatively stable exchange rate supported by highly favourable foreign trade trends and the anticipated effects of the government's fiscal consolidation efforts. According to the Executive Board, annual inflation might come in close to the lower end of the target band of 4% +/- 1.5 percentage points in October. Inflation data will be announced on 12 November. The next rate-setting meeting of the central bank will be held on 12 December. After launching the second consolidation package and timely delivery of the Budget Law 2014, the government left some room for the introduction of additional measures if revenues undershoot the plans in 2014. The key downside trigger could come from private investments, whose flows are determined by home market sentiment, incentives provided locally and the success in implementing consolidation measures. As for investment incentives, the government is thinking of scrapping direct subsidies for privately-owned companies (except for those already agreed), due to the stretched budget funding and introducing risk-sharing guarantees for businesses to obtain loans from commercial banks. While these

incentives have been an appealing trigger for a number of investors (i.e. EUR 10,000 per new employee paid in cash to the investor amongst others), we reckon that the flow will continue, supported by the start of accession negotiations with the EU in early 2014, although volumes will remain at the level from 2013, given the muted global sentiment.

Ljiljana Grubic (+381 11 2207178)

Russia – The volatile external environment has not played in favour of the Ministry of Finance. The result of Wednesday's auction stood in stark contrast to the previous auction, when – due to demand from non-residents – the Finance Ministry managed to put all of the declared amount (RUB 35 bn). This time, out of the proposed RUB 30 bn, only one-third was realised, at the upper end of the guidance. Demand from non-residents was not seen. The low interest in the 3-year OFZ 25082 by local participants (placement of only 1.4 bn) resulted from the increased rates in the money market: the spread between yields on securities (YTM 6.43%) and money market rates (RUONIA at 6.25%) does not exceed 20 basis points. Things did not go much better with the placement of the 7-year OFZ 26214: demand reached 44% of the proposed amount. Russian headline CPI unexpectedly accelerated to 6.3% in October (rates negative). According to recent Rosstat data, headline CPI unexpectedly increased to 0.6% mom (vs. 0.2% mom in September and 0.5% our estimate), causing its surge to 6.3% yoy after a local low of 6.1% yoy in September. The higher CPI should be explained by weaker disinflationary effects in food and vegetables, as well as a supply shock in milk and eggs production, while the impact of other inflation components decreased. Given the higher-than-forecasted inflationary pressure, the CBR's CPI target of 5.8-5.9% yoy in 2013 hardly looks achievable (our estimate >6%) in our view, and altogether this seriously decreases the probability of rate cuts in next 2 months.

Maria Pomelnikova (+7 495 221-9845)

Ukraine – Standard&Poor's (S&P) rating agency announced a downgrade of Ukraine's sovereign bond ratings (both foreign currency and local currency) to B- from B. The rationales for the downgrade all sound familiar and do not differ much from what Moody's rating agency was referring to when it downgraded Ukraine to Caa1 in September. S&P expects the hryvnia to depreciate by almost 20% in 2014 (to 9.50), while GDP growth will amount to 1.5% in 2014 (after a decline of 1.0% in 2013). The country has been in a recession for five quarters in a row with the GDP slump deepening to -1.5% yoy in Q3 (from -1.1% and -1.3% in Q1 and Q2, respectively), on the back of weakening external demand and a notable slowdown in agricultural output growth, due to the adverse weather conditions in September. Furthermore, feeble exports and a seasonal hike in energy imports triggered a sharp increase in the C/A deficit in Q3 (30% yoy). As a result, in Jan-Sep of 2013 the current account deficit reached USD 10.2 bn, up 7% in yoy terms. The "muddling through" approach, which has worked well over the last two years (including tapping international bond markets), is looking more and more difficult going forward, given the outlook for US Fed tapering in the coming quarters, which is already now elevating borrowing costs for Ukraine. We still see no other options for the authorities than to re-engage with the IMF, subsequently implementing the required policy steps. In this case, we expect no sharp changes in the economic situation next year with a moderate exchange rate adjustment, and a slightly positive GDP growth rate. On the other hand, i.e. if the authorities stick to the "muddling through" approach, their policy might still be successful in the first half of the year (at the expense of further shrinkage in reserves), but there is a very high chance of these policies collapsing in H2 2014, risking the destruction of economic stability. We should also note that – apart from looming economic uncertainty – the short-term political picture looks extremely clouded as well. In particular, with only three weeks to go before the EU Vilnius summit (where Ukraine is supposed to sign Association and Free Trade agreement with EU), the deal has not been done yet, as the fate of imprisoned former Prime Minister Yulia Tymoshenko continues to be a major stumbling block. Consequently, it's hard to say where it will end up: a few weeks ago the most realistic outcome appeared to be signing of the agreement, while now a postponement of deal to 2014 looks increasingly likely (see below for the key dates ahead).

Dmytro Sologub (+380 44 49590-72)

Turkey – On the data front, Turkey saw two favourable surprises during the week with both industrial production and the purchasing manager index coming in higher than expected. Industrial production in September was up 5.8% compared to the previous month, bringing the year-on-year growth rate to 6.4%. Since manufacturing was the main driver of the favourable headline print, this bodes well for the outlook of exports and the current account balance – still Turkey's weakest point. Although the PMI decreased slightly in October, it continued to stand out in absolute terms compared to other CEE markets. Regarding Turkish assets, two events supported the recent recovery: First, the surprise ECB rate cut boosted Turkish assets, since the decision was not unanimously expected. Earlier this week, Barclay's announced that Russian and Turkish government bonds in rouble and lira will join a global debt index from next March. Although their weighting will remain relatively small (0.14% and 0.17% respectively), a positive sentiment effect from index inclusion should be expected. The overall bearish medium-term outlook for TRY assets improved therefore a bit, easing the risks associated to the materializing of Fed tapering which the market consensus expects currently for March.

Stephan Imre (+43 1 71707 6757)

Monetary policy and money markets overview

CEE key interest and money markets outlook

Poland	current*	Dec-13	Mar-14	Jun-14	Sep-14
Key interest rate (% eop)	2.50	2.50	2.50	2.50	2.75
1m money market rate (% eop)	2.40	2.63	2.63	2.64	2.88
3m money market rate (% eop)	2.46	2.73	2.75	2.80	3.10
6m money market rate (% eop)	2.50	2.75	2.90	3.00	3.35
Hungary					
Key interest rate (% eop)	3.40	3.00	2.80	2.80	2.80
1m money market rate (% eop)	3.40	3.00	2.90	2.90	2.90
3m money market rate (% eop)	3.36	3.10	3.10	3.10	3.10
6m money market rate (% eop)	3.34	3.20	3.37	3.40	3.47
Czech Republic					
Key interest rate (% eop)	0.05	0.05	0.05	0.05	0.05
1m money market rate (% eop)	0.05	0.05	0.05	0.05	0.05
3m money market rate (% eop)	0.12	0.20	0.20	0.20	0.20
6m money market rate (% eop)	0.56	0.30	0.33	0.33	0.33
Romania					
Key interest rate (% eop)	4.00	4.00	3.50	3.50	3.50
1m money market rate (% eop)	1.44	2.85	2.70	2.80	2.85
3m money market rate (% eop)	2.06	3.00	2.90	2.90	2.95
6m money market rate (% eop)	2.44	2.80	2.75	2.75	2.95
Russia					
Key interest rate (% eop)	5.50	5.25	5.25	5.25	5.25
1m money market rate (% eop)	6.61	6.70	6.50	6.65	6.75
3m money market rate (% eop)	6.85	7.10	6.95	7.10	7.20
6m money market rate (% eop)	7.06	7.40	7.15	7.35	7.45
Turkey					
Key interest rate (% eop)	4.50	4.50	5.00	5.50	5.50
1m money market rate (% eop)	7.21	7.20	7.50	7.60	7.60
3m money market rate (% eop)	7.70	7.40	7.70	7.80	7.70
6m money market rate (% eop)	7.80	7.50	7.80	7.90	7.80
Benchmark key rates (% eop)					
ECB key interest rate (% eop)	0.25	0.50	0.50	0.50	0.50
Fed key interest rate (% eop)	0.08	0.25	0.25	0.25	0.25

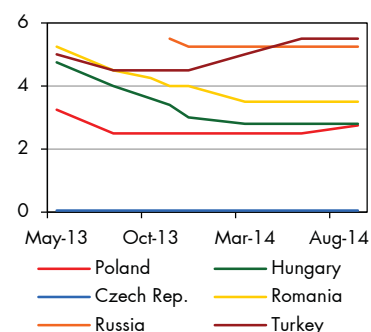
* Bid rates (for Hungary ask rates) as of 8 November 2013, 9:37 a.m. CET
Source: Bloomberg, Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	Extended forward guidance (flat key rates throughout H1 2014) was expected and priced in on markets
Hungary (MNB)	Interest rate cutting cycle to continue, surprises in terms of scope possible (i.e. cutting well below 3%)
Czech Republic (CNB)	FX intervention used as additional tool for monetary policy
Romania (BNR)	25bp rate cut ends interest rate cutting cycle for 2013 - two 25bp cuts in Q1-2014
Serbia (NBS)	50bp rate cut driven by favourable inflationary development
Russia (CBR)	Rate cuts in November became very unlikely
Turkey (TCMB)	No rate hike stance of TCMB receives currently support from unexpected Fed tapering postponement and surprise ECB cut

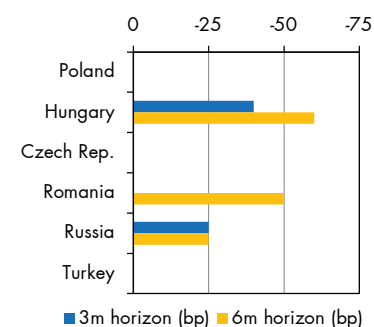
Source: Bloomberg, Reuters, Raiffeisen RESEARCH

Key rate trends (%)



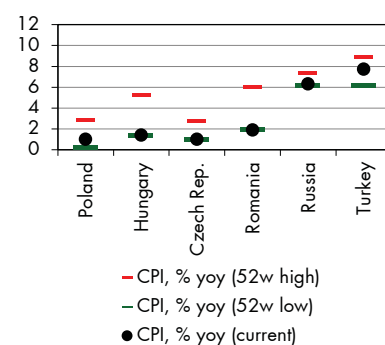
Source: Bloomberg

Key rate forecast (chg., bp)



Source: Bloomberg

Inflation snapshot



Source: Bloomberg, Raiffeisen RESEARCH

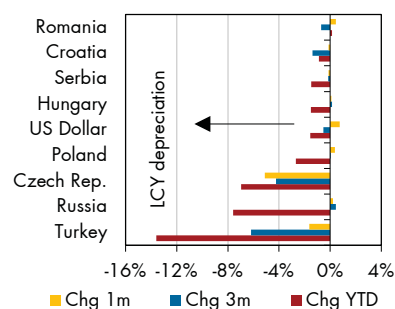
Rate setting meetings

	Nov	Dec
Poland (NBP)	6	4
Hungary (MNB)	26	17
Czech Rep. (CNB)	7	17
Romania (BNR)	5	
Serbia (NBS)	7	12
Russia (CBR)	8	1st half
Turkey (TCMB)	19	17

Source: National Central Banks, Raiffeisen RESEARCH

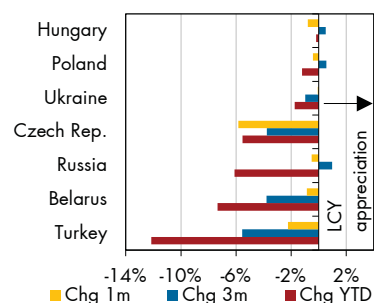
Foreign exchange market overview

Change of LCY value to EUR (%)



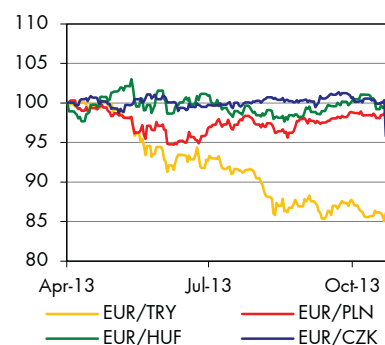
Source: Bloomberg

Change of LCY value to USD (%)



Source: Bloomberg

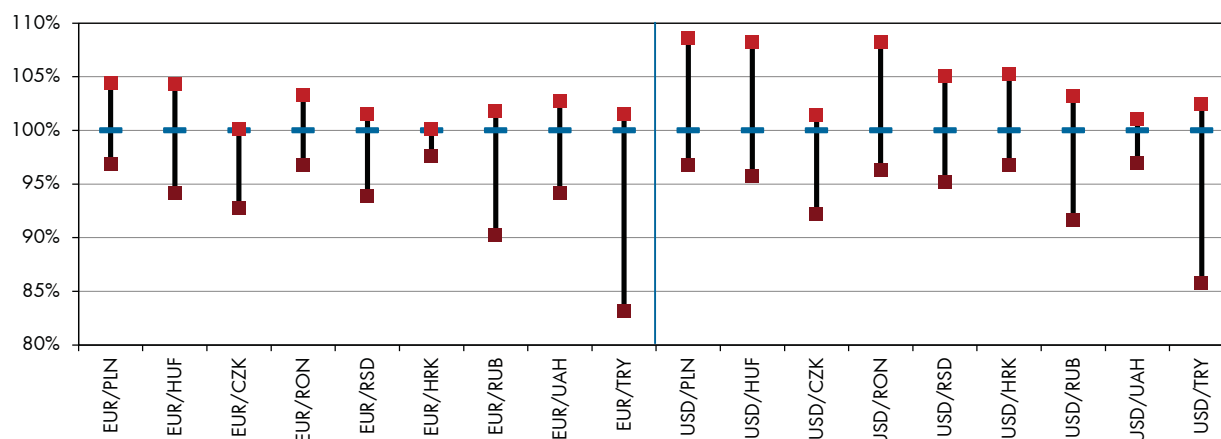
Exchange rate comparison



Indexed April 2013 = 100

Source: Bloomberg

CEE FX trading range*



* 365 day high and low, 100% is current value; value of above 100% is depreciation, below 100% appreciation

Source: Bloomberg

FX forecasts

EUR vs	current ¹	Dec-13	Mar-14	Jun-14	Sep-14	Comment
PLN	4.18	4.15	4.10	4.00	4.05	EUR/PLN getting closer to breaching important support line at 4.16
HUF	295.9	300.0	305.0	300.0	305.0	HUF surprisingly strong but this should not be long-lasting
CZK*	26.97	25.50	25.40	25.10	24.90	FX intervention with target of EUR/CZK 27
RON	4.44	4.50	4.45	4.50	4.50	Limited appreciation potential
HRK	7.62	7.60	7.57	7.48	7.52	EUR/HRK trading in a tight range from 7.61 to 7.63
RSD	114.1	115.0	113.0	112.0	114.0	EUR/RSD relative stable at the level of 114
RUB	43.65	43.89	42.54	42.79	42.63	see rouble basket below
UAH	11.01	11.15	10.74	10.71	10.75	see USD/UAH below
BYR	12,448	13,300	13,500	13,900	14,600	see USD/BYR below
TRY	2.73	2.65	2.62	2.71	2.62	see USD/TRY below
USD	1.34	1.36	1.31	1.29	1.28	Current strong EUR supports a lot of CEE currencies
USD vs	current ¹	Dec-13	Mar-14	Jun-14	Sep-14	Comment
RUB	32.55	32.27	32.47	33.17	33.30	see rouble basket below
UAH	8.21	8.20	8.20	8.30	8.40	Pressure in coming weeks on the rise given political uncertainty
BYR	9,250	9,800	10,300	10,800	11,400	We further increased our depreciation expectation on weakening fundamentals
TRY	2.04	1.95	2.00	2.10	2.05	Surprise ECB cut lends currently support to TRY assets
RUB basket	37.54	37.50	37.00	37.50	37.50	Relative neutral short term view

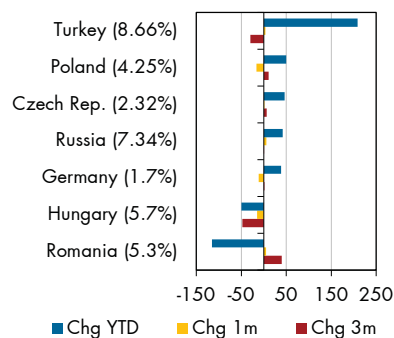
¹ as of 8 November 2013, 09:37 a.m. CET

* under revision

Source: Bloomberg, Raiffeisen RESEARCH

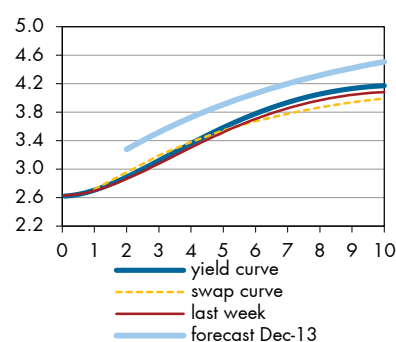
Local currency bond market overview

Change of LCY 10y bond yields (bp)



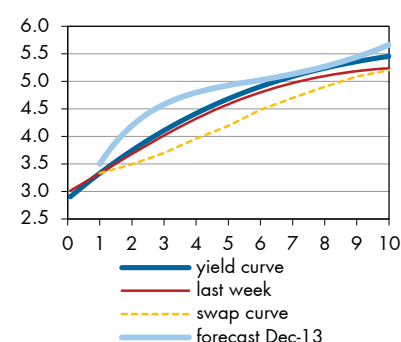
Source: Bloomberg

PLN yield curve



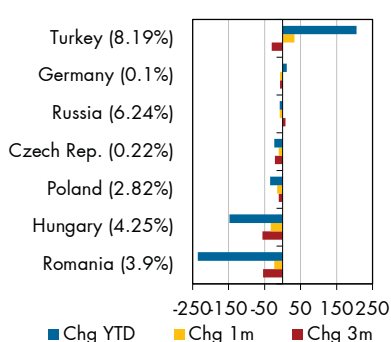
Source: Bloomberg

HUF yield curve



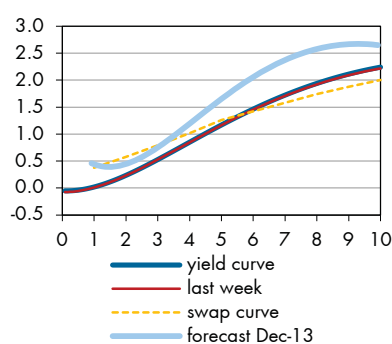
Source: Bloomberg

Change of LCY 2y bond yields (bp)



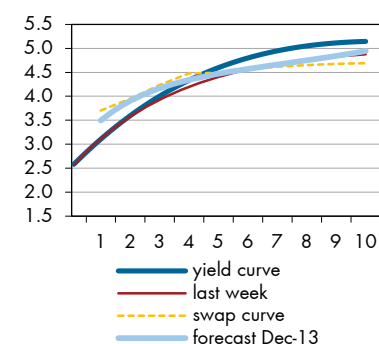
Source: Bloomberg

CZK yield curve



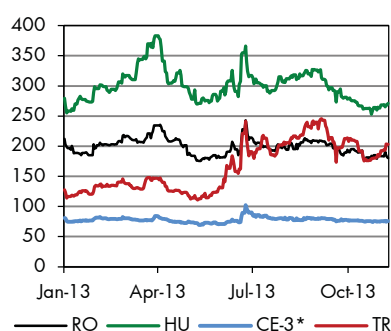
Source: Bloomberg

RON yield curve



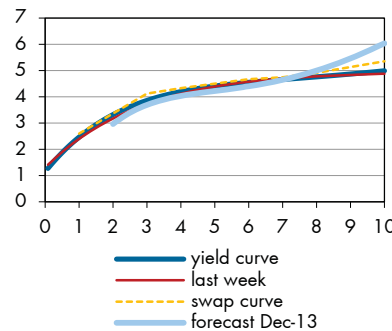
Source: Bloomberg

5y USD CDS spreads



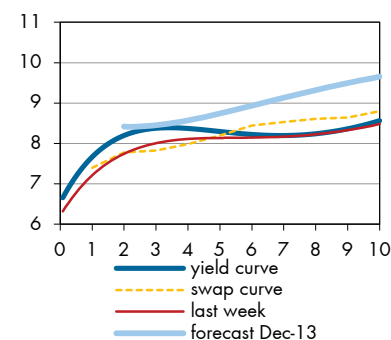
* CE-3: CZ, PL, SK
Source: Bloomberg, Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg

TRY yield curve



Source: Bloomberg

Yield forecasts

2y T-bond yields (%)						10y T-bond yields (%)					
	current*	Dec-13	Mar-14	Jun-14	Sep-14		current*	Dec-13	Mar-14	Jun-14	Sep-14
Poland	2.76	3.2	3.4	3.5	3.6	Poland	4.21	4.6	4.6	4.7	4.8
Hungary	4.16	4.0	4.4	4.6	4.8	Hungary	5.57	5.8	6.3	6.7	6.8
Czech Rep.	0.08	0.3	0.4	0.6	0.8	Czech Rep.	2.28	2.6	2.8	3.1	3.2
Romania	3.70	4.0	3.9	3.9	3.9	Romania	5.24	5.0	5.0	5.1	5.2
Croatia	4.17	3.5	3.5	3.6	3.7	Croatia	4.95	5.5	5.6	5.6	5.6
Russia	6.21	6.2	6.0	6.3	6.0	Russia	7.31	7.2	7.0	7.3	7.2
Turkey	8.11	8.8	9.3	9.2	9.0	Turkey	8.63	9.2	9.7	10.0	9.9
Eurozone	0.09	0.3	0.4	0.6	0.8	Eurozone	1.70	1.9	2.3	2.7	2.8
USA	0.28	0.3	0.5	0.8	1.0	USA	2.61	2.6	3.1	3.2	3.3

* Ask yields as of 8 November 2013, 10:48 a.m. CET
Source: Bloomberg, Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

		Maturity	Coupon, %	Ask Price	YTM, %	Spread to Bunds, bp	MDur.	Comment
Poland								
PLN	2y Gov. Bond	24.10.2015	6.25	106.53	2.76	267	1.9	Longer maturities may outperform short-end of the curve in Nov; however, from a longer-term perspective yield curce may steepen
PLN	5y Gov. Bond	25.07.2018	2.50	95.75	3.49	286	4.5	
PLN	10y Gov. Bond	25.10.2023	4.00	99.20	4.10	242	8.4	
Hungary								
HUF	3y Gov. Bond	22.12.2016	5.50	104.02	4.09	389	2.8	Yield curve moved down further, short-end by rate cuts and long-end by growing risk appetite
HUF	5y Gov. Bond	20.12.2018	5.50	103.85	4.63	400	4.4	
HUF	10y Gov. Bond	24.11.2023	6.00	103.14	5.58	390	7.5	
Czech Republic								
CZK	2y Gov. Bond	11.04.2015	3.80	105.30	0.04	-5	1.4	Czech government bond prices did not significantly react to CNB
CZK	5y Gov. Bond	18.08.2018	4.60	116.79	0.98	35	4.4	
CZK	10y Gov. Bond	25.05.2024	5.70	132.36	2.22	54	8.4	
Croatia								
HRK	5y Gov. Bond	10.07.2018	5.25	103.40	4.43	380	4.2	Market to position for year-end and next year focusing new government bond issue
HRK	8y Gov. Bond	05.03.2020	6.75	109.65	4.95	327	5.2	
Romania								
RON	3y Gov. Bond	29.08.2016	4.75	102.33	3.85	365	2.7	Abundant liquidity continuing to support short end of the yield curve
RON	5y Gov. Bond	26.07.2017	5.90	105.52	4.25	362	3.4	
Russia								
RUB	2y Gov. Bond	15.07.2015	6.88	101.20	6.21	612	1.6	OFZ market is positive due to higher demand from foreign investors; in the medium term, inclusion of RUB bonds into Barclay's index from end-2014 improves medium-term outlook
RUB	5y Gov. Bond	03.08.2016	6.90	101.45	6.41	578	2.5	
RUB	10y Gov. Bond	24.11.2021	7.00	96.50	7.36	568	6.0	
Turkey								
TRY	2y Gov. Bond	13.05.2015	5.00	95.65	8.11	802	1.5	Announcement by Barclay's to include Turkey into benchmark index from end-March 2014 and latest ECB easing improves medium-term outlook for TRY bonds, while tapering risks still loom
TRY	5y Gov. Bond	08.03.2017	9.00	102.25	8.21	758	2.9	
TRY	10y Gov. Bond	08.03.2023	7.10	89.95	8.69	701	6.7	

Prices as of 8 November 2013, 09:37 a.m. CET
Source: Bloomberg, Raiffeisen RESEARCH

Bond auctions

		ISIN	Coupon	Maturity	Volume
11 January 1900					
RO	2y T-bond	RO1015DBN010	6.00%	30 Apr-15	RON 600 mn
14 November 2013					
HU	n.a.	n.a.	floaters	n.a.	n.a.
RO	5y T-bond	RO1318DBN034	5.60%	28 Nov-18	RON 700 mn

Summary: Ratings & macro data

Country ratings: CE, SEE, CIS

	S&P			Moody's			Fitch		
	LCY	FCY	Outlook	LCY	FCY	Outlook	LCY	FCY	Outlook
CE									
Poland	A	A-	stable	A2	A2	stable	A	A-	positive
Hungary	BB	BB	negative	Ba1	Ba1	negative	BBB-	BB+	stable
Czech Republic	AA	AA-	stable	A1	A1	stable	AA-	A+	stable
Slovakia *	A	A	stable	A2	A2	negative	A+	A+	stable
Slovenia *	A-	A-	stable	Ba1	Ba1	negative	BBB+	BBB+	negative
SEE									
Romania	BB+	BB+	stable	Baa3	Baa3	negative	BBB	BBB-	stable
Bulgaria	BBB	BBB	stable	Baa2	Baa2	stable	BBB	BBB-	stable
Croatia	BB+	BB+	negative	Ba1	Ba1	stable	BBB-	BB+	stable
Serbia	BB-	BB-	negative	B1	B1	stable	BB-	BB-	negative
CIS									
Russia	BBB+	BBB	stable	Baa1	Baa1	stable	BBB	BBB	stable
Ukraine	B	B	negative	Caa1	Caa1	negative	B	B	negative
Belarus	B-	B-	stable	B3	B3	negative	not rated	not rated	not rated
Kazakhstan	BBB+	BBB+	stable	Baa2	Baa2	stable	A-	BBB+	stable
Turkey	BBB	BB+	stable	Baa3	Baa3	stable	BBB	BBB-	stable

* Eurozone (Euro currency) members; positive rating/outlook changes (in previous week) in green, negative changes in red
Source: rating agencies websites

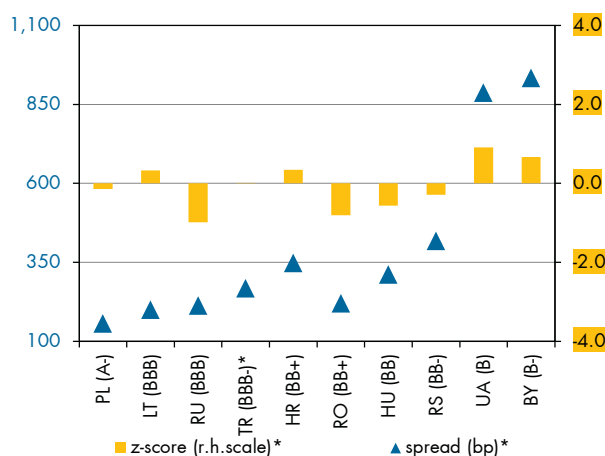
Main macro data & forecasts *

Country	Year	GDP, % avg. yoy	CPI, % avg. yoy	Unemployment, %	Nominal wages, EUR	Fiscal balance, % GDP	Public debt, % GDP	Export**, % GDP	C/A, % GDP	Ext. debt, % GDP	FXR*** % ext. debt	Import cover, months
Croatia	2012	-2.0	3.4	19.1	1047	-4.1	53.7	22.3	0.0	102.3	25.0	8.5
	2013e	-0.5	2.5	19.8	1027	-4.5	61.8	20.6	-0.7	103.1	24.5	8.7
	2014f	1.0	2.7	19.5	1024	-3.6	65.4	19.5	-0.9	99.8	24.7	8.8
Czech Rep.	2012	-0.9	3.3	6.8	1000	-4.4	45.9	67.2	-2.5	50.7	44.0	4.2
	2013e	-1.0	1.5	7.6	985	-2.9	48.4	69.1	-1.0	51.5	45.5	4.4
	2014f	1.9	1.2	7.4	1041	-2.9	49.6	71.6	-0.8	50.5	45.2	4.1
Hungary	2012	-1.7	5.7	10.9	771	-1.9	79.2	82.6	1.9	126.8	27.6	5.5
	2013e	0.5	1.8	10.6	783	-2.9	78.7	84.0	2.6	119.2	25.9	4.8
	2014f	1.5	2.0	9.9	802	-2.9	77.2	84.1	2.8	110.3	25.5	4.4
Poland	2012	1.9	3.7	12.8	842	-3.9	55.6	38.4	-3.5	72.4	29.9	6.5
	2013e	1.2	1.2	14.0	860	-4.1	57.1	39.5	-2.6	73.1	30.5	6.7
	2014f	2.5	2.0	13.1	926	-3.8	57.6	39.1	-4.0	70.9	30.3	6.3
Romania	2012	0.7	3.3	7.0	467	-2.9	37.8	34.2	-3.8	75.2	31.5	7.2
	2013e	2.5	4.2	7.3	493	-2.8	38.5	34.5	-1.0	70.9	31.5	7.0
	2014f	2.0	2.2	7.2	512	-2.5	38.9	36.2	-2.0	69.6	29.1	5.9
Russia	2012	3.4	5.1	5.7	671	0.4	10.5	26.3	3.7	30.9	76.3	17.0
	2013e	2.0	6.7	6.0	685	-0.5	11.0	24.0	2.8	32.3	67.2	16.4
	2014f	2.0	5.5	6.0	726	-0.2	11.5	23.3	2.0	33.9	61.6	15.7
Ukraine	2012	0.2	0.6	7.7	290	-5.5	36.8	40.0	-8.5	76.3	17.0	2.9
	2013e	-1.0	-0.2	7.5	310	-4.0	37.5	37.2	-6.6	77.3	11.9	2.3
	2014f	1.5	5.0	7.0	350	-5.0	39.0	38.4	-6.5	76.5	11.7	2.2
Turkey	2012	2.2	9.0	9.2	749	-2.4	36.8	19.4	-6.1	45.2	27.7	5.0
	2013e	3.5	6.0	9.5	701	-2.2	35.0	19.0	-6.7	46.3	19.7	3.6
	2014f	3.5	6.7	9.3	700	-2.5	33.0	18.8	-6.6	49.5	17.4	3.6

* only for countries included in CEE bond market weekly, ** Export of Goods only, *** FXR - Foreign exchange reserves
Source: Thomson Financial Datastream, National Statistics

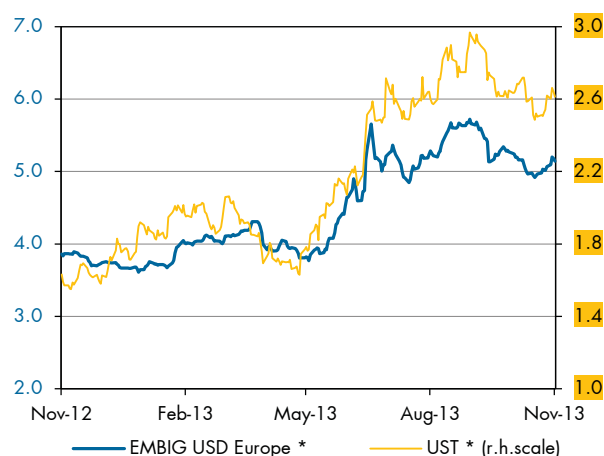
Eurobond market overview

CEE USD EMBIG spread valuation*



* z-score - EMBIG USD country spread deviation from mean normalised by 1 standard deviation, score at or below minus 1 = expensive, at or above 1 = cheap
Source: Thomson Reuters, Raiffeisen RESEARCH

CEE EMBIG USD vs. UST YTM*



* YTM - yield to maturity EMBI Global USD, UST - 10-year US Treasury note
Source: Thomson Reuters, Raiffeisen RESEARCH

Issuer/rate/due	Market Price					YTM mid.	Spread vs.	Mdur.	ISIN
	Bid	Ask	w/w %	52w max	52w min	% p. a.	Bmk, bp	years	—
EUR									
BGARIA 4 1/4 07/09/17	108.2	108.3	0.20	110.5	106.7	1.89	157	3.4	XS0802005289
CROATI 6 1/2 01/05/15	104.7	105.1	-0.24	108.5	104.6	2.10	200	1.1	XS0431967230
CROATI 5 7/8 07/09/18	107.3	107.8	-0.29	111.3	103.6	4.06	350	4.0	XS0645940288
REPHUN 3 1/2 07/18/16	101.8	102.6	0.14	102.2	95.2	2.64	247	2.5	XS0240732114
REPHUN 5 3/4 06/11/18	106.7	107.4	-0.42	108.1	99.9	4.02	348	3.9	XS0369470397
REPHUN 6 01/11/19	107.8	108.8	-0.45	109.3	100.8	4.18	352	4.2	XS0625388136
LITHUN 4.85 02/07/18	110.6	111.0	-0.06	113.0	107.5	2.16	171	3.7	XS0327304001
POLAND 3 5/8 02/01/16	106.2	106.6	-0.30	108.7	106.0	0.70	57	2.1	XS0242491230
POLAND 1 5/8 01/15/19	100.0	100.4	0.18	102.3	98.0	1.59	93	4.9	XS0874841066
POLAND 3 3/4 01/19/23	108.0	108.7	-0.53	113.1	104.5	2.71	115	7.6	XS0794399674
POLAND 3 3/8 07/09/24	104.1	104.9	-0.47	107.4	99.3	2.88	109	8.8	XS0841073793
ROMANI 5 1/4 06/17/16	107.5	108.0	-0.20	109.2	104.6	2.16	200	2.4	XS0638742485
ROMANI 4 7/8 11/07/19	105.7	106.2	0.02	109.4	99.4	3.76	295	5.2	XS0852474336
TURKEY 5 7/8 04/02/19	109.8	110.8	-0.52	119.4	107.5	3.73	304	4.5	XS0285127329
TURKEY 5 1/8 05/18/20	106.4	107.2	0.16	115.9	102.4	3.92	298	5.4	XS0503454166
USD									
BGARIA 8 1/4 01/15/15	108.3	108.7	-0.18	116.4	108.6	0.93	79	1.1	XS0145623624
BELRUS 8 3/4 08/03/15	96.9	98.9	-2.57	106.1	94.3	10.11	987	1.5	XS0529394701
BELRUS 8.95 01/26/18	95.6	97.4	-3.26	111.2	90.0	9.98	897	3.3	XS0583616239
CROATI 6 3/8 03/24/21	104.6	105.4	-1.21	116.9	101.4	5.54	348	5.8	XS0607904264
CROATI 5 1/2 04/04/23	97.3	98.0	-1.50	109.0	93.9	5.83	332	7.2	XS0908769887
REPHUN 5 3/8 02/21/23	98.2	98.6	-0.91	106.0	93.0	5.60	311	7.1	US445545AH91
REPHUN 7 5/8 03/29/41	109.5	110.5	-1.86	121.3	97.0	6.81	324	12.0	US445545AF36
LITHUN 7 3/8 02/11/20	121.2	122.1	0.11	131.0	118.0	3.48	175	5.1	XS0485991417
LITHUN 6 5/8 02/01/22	118.1	118.9	-0.04	128.9	113.7	3.96	171	6.4	XS0739988086
LATVIA 2 3/4 01/12/20	95.4	96.3	0.72	101.2	91.3	3.50	179	5.5	XS0863522149
LATVIA 5 1/4 06/16/21	108.4	109.3	0.41	117.4	105.2	3.89	178	6.2	XS0638326263
POLAND 3 7/8 07/16/15	104.8	105.2	-0.01	107.8	104.2	0.85	62	1.6	US731011AS13
POLAND 6 3/8 07/15/19	117.9	118.3	0.11	125.9	114.3	2.90	136	4.8	US731011AR30
POLAND 3 03/17/23	93.1	93.5	0.13	101.3	87.4	3.86	136	8.0	US731011AT95
ROMANI 6 3/4 02/07/22	115.4	115.8	0.24	124.4	108.4	4.46	221	6.3	US77586TAA43
ROMANI 4 3/8 08/22/23	97.5	97.9	0.18	105.5	90.4	4.67	207	7.8	US77586TAC09
RUSSIA 4 1/2 04/04/22	103.2	103.7	-0.15	116.2	97.7	4.01	172	6.9	XS0767472458
RUSSIA 7 1/2 03/31/30	118.8	118.9	0.00	128.7	114.6	3.84	88	4.9	XS0114288789
RUSSIA 5 5/8 04/04/42	102.0	102.8	-1.29	125.0	95.6	5.46	182	14.2	XS0767473852
SERBIA 5 1/4 11/21/17	99.4	100.7	0.00	107.1	95.9	5.23	428	3.5	XS0856951263
SERBIA 4 7/8 02/25/20	93.3	94.8	-0.30	99.0	89.3	6.03	429	5.2	XS0893103852
TURKEY 6 1/4 09/26/22	108.6	109.4	-0.78	127.3	102.4	4.98	258	6.8	US900123B227
TURKEY 6 7/8 03/17/36	108.3	109.1	-1.01	139.9	98.4	6.15	286	11.7	US900123AY60
TURKEY 6 3/4 05/30/40	106.8	107.7	-1.52	139.7	97.2	6.19	266	12.4	US900123BG46
UKRAIN 7 3/4 09/23/20	90.0	91.2	-0.81	108.1	85.5	9.66	772	5.1	XS0543783194
UKRAIN 7.8 11/28/22	87.8	88.8	-0.11	107.0	83.4	9.79	735	5.9	XS0858358236
UKRAIN 7 1/2 04/17/23	86.9	87.9	0.00	101.8	82.5	9.56	703	6.4	XS0917605841

* w/w - week on week, 52w - 52 week, YTM mid - yield to maturity based on mid market price, Bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 8 November 2013, 07:33 a.m. CET
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