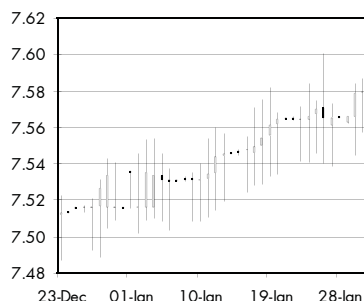


EUR/HRK daily



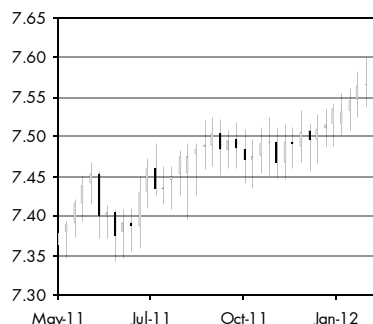
Source: Thomson Reuters

EUR/HRK: 7.577 → 7.55 (March)

Last week, EUR/HRK was slowly but surely going up, even exceeding 7.58. And then, on Thursday, the CNB finally decided to take action. It raised the mandatory reserve requirement for commercial banks by one percentage point to 15% to halt the depreciation pressures. The new CNB measure did not come out of the blue, since the Governor had been saying that monetary policy would remain consistent in terms of implementing the policy of a stable EUR/HRK rate, adding that foreign exchange interventions are not the most preferred instrument. The new rate took effect on Friday, January 27. With this measure, the central bank withdrew some HRK 3.1 bn from the system. Money market rates have risen (at 1.87 O/N ZIBOR, 5.04 1-month and 5.5% 3-month), but only temporarily, as the MM rates returned to the previous levels on Monday. Moreover, EUR/HRK started to rise again at the beginning of this week, leading to the conclusion that the CNB did not actually manage to stabilise EUR/HRK. In a situation marked by permanent demand for EUR and scarce EUR inflows to the economy, we expect that depreciation pressures on HRK will continue at least until the beginning of the tourist season. However, the CNB will remain committed to a stable EUR/HRK rate, and we can expect another measure from the central bank. In light of all of the aforementioned, we have revised our forecasts once more.

Analyst: Ivana Juric
ivana.juric@rba.hr

EUR/HRK weekly



Source: Thomson Reuters

EUR/HRK monthly



Source: Thomson Reuters

Exchange rate forecasts

	current ¹	Mar-12	Jun-12	Sep-12	Dec-12
EUR/USD	1.317	1.30	1.32	1.35	1.35
EUR/CHF	1.205	1.22	1.22	1.23	1.24
EUR/JPY	100.5	100	102	108	105
USD/JPY	76.3	77	77	80	78
EUR/GBP*	0.837	0.84	0.84	0.83	0.84
EUR/PLN	4.246	4.45	4.30	4.15	4.05
EUR/HUF	294.9	305	300	295	290
EUR/CZK	25.19	25.2	24.7	24.4	23.8
EUR/RON	4.338	4.40	4.35	4.30	4.30
EUR/HRK	7.577	7.55	7.52	7.57	7.60
EUR/RSD	106.16	104.0	106.0	106.0	105.0
EUR/RUB	39.94	42.4	43.0	43.0	43.2
USD/RUB	30.32	32.6	32.6	31.9	32.0
EUR/UAH	10.558	10.40	10.60	10.80	11.90
USD/UAH	8.032	8.00	8.00	8.00	8.80
EUR/TRY	2.339	2.47	2.51	2.50	2.43
USD/TRY	1.779	1.90	1.90	1.85	1.80

¹ as of 31 January 2012, 08:47 a.m. CET, *Consensus
 Source: Thomson Reuters. Raiffeisen RESEARCH

Trading Ideas

FX

Recommendation	Entry date	Entry level	Current level1	Target	Stop	Carry (ann. %)	Comments
Buy EUR, sell CHF	03/01/2012	1.217	1.206	1.249	1.199	-	Continued speculation about raising the EUR/CHF-limit

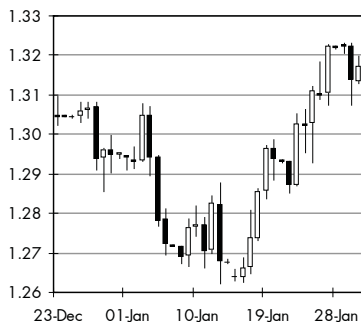
*1 as of 31 January 2012, 09:11 a.m. CET
Source: Thomson Reuters, Bloomberg*

Recently closed trades

Recommendation	Entry date	Entry level	Close date	Close level	Total return	Comments
Sell EUR/USD	18/10/2011	1.372	21/10/2011	1.39	-1.31%	Stopped out
Buy USD/JPY	23/08/2011	76.7	12/10/2011	77.3	0.78%	Closed early
Sell EUR/USD	06/10/2011	1.334	07/10/2011	1.352	-1.35%	Stopped out
Sell EUR, buy USD	21/09/2011	1.368	29/09/2011	1.363	0.37%	Closed early
Buy EUR, sell USD	24/06/2011	1.42	06/07/2011	1.437	1.18%	Closed early
Sell EUR/HUF (long HUF)	29/11/2010	280.42	18/01/2011	273.42	3.12%	Closed early
Sell EUR/PLN (long PLN)	15/03/2011	3.98	25/03/2011	4.06	-2.01%	Stopped out
Sell EUR/PLN (long PLN)	25/03/2011	4.06	08/04/2011	3.955	2.59%	Closed early

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: 1.317 → 1.30 (March)

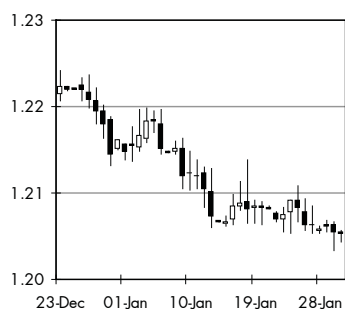
Source: Thomson Reuters

The euro continued the recovery against the dollar that began in the middle of January. Responsible for

this recovery are the following two factors: to great surprise, the Fed announced that the key rate will remain at the current ultra-low level longer than originally intended; the weaker than expected GDP growth in the United States for Q4 2011. Up until now there has been no agreement reached over a voluntary haircut on Greek bonds, the possibility of a hard default in Greece has risen and the swift collapse in prices of Portuguese government bonds all seem to have only bothered investors briefly. Investors seem to be confident that there

will most definitely be a credible solution to the debt crisis. We feel the current respite on the market to be deceiving and expect more bad news concerning the debt crisis in the next weeks. The data situation in the USA will also become somewhat cloudy in the first half of the year. We therefore do not see a clear direction in the development of exchange rates in the coming months but the EUR/USD should remain around 1.30.

Analyst: Jörg Angelé
joerg.angele@raiffeisenresearch.at

EUR/CHF: 1.205 → 1.22 (March)

Source: Source: Thomson Reuters

The EUR/CHF also traded slightly weaker in the past few days and even came in at times at 1.2034. Despite the usual statements from SNB officials that they will defend the lower bound, the market seems to remain skeptical not least as a result of the unresolved personnel issue. A decision regarding this could come already in February and not in May as was previously planned, according to unnamed sources. Even without a successor to Hildebrand, the SNB is still fully functional and more than

capable and willing to defend this lower bound. Current economic development will also likely play into the hands of the SNB: the KOF economic barometer in January is at -0.17, a much stronger reduction as was previously expected. Inflation pressure, which could undermine the legitimacy of the lower bound, is therefore unforeseeable (December CPI: -0.7% p.a.).

Analyst: Matthias Reith
matthias.reith@raiffeisenresearch.at

EUR/PLN: 4.246 → 4.45 (March)

Source: Thomson Reuters

EUR/PLN firmed somewhat in response to the risk-on sentiment seen this last

week. Moreover, the current EUR/PLN strength is clearly helpful for undermining inflationary pressure. Thus, the NBP may tone down its hawkish wording, although the inflation reading published this week should show an elevated reading. Nevertheless, the NBP does not see any monetary loosening as warranted and – from a short-term perspective – this may give some additional support to the zloty (on top of the current momentum). A stronger PMI this week (in line with the current German PMI performance) should also support

the growth optimism of the NBP which has been voiced recently. From a short-term perspective, we would see EUR/PLN levels around 4.20 as a cap of the current appreciation trend. Any setbacks in the European sovereign debt crisis could easily push back EUR/PLN towards the 4.35/4.40 level.

Analyst: Dorota Strauch
dorota.strauch@raiffeisen.pl

EUR/HUF: 294,9 → 305 (March)



Source: Thomson Reuters

In contrast to the expectations of a 50bp rate hike, Hungary's Monetary Policy Council left the key rate unchanged at 7.0% last week. It is quite likely that the decision was a very tight one, and a rate hike was presumably only avoided due to the recent improvement on Hungary's situation on the financial markets (CDS, bond yields, HUF). How the situation develops now will depend on the negotiations with the IMF. Although we expect to see an agreement with the

IMF by the end of Q1 2012, we still anticipate some weak phases until such agreement is reached. These soft patches, however, should also be followed by quite rapid rebounds. At the current levels below 295, EUR/HUF is looking quite strong, and during the weeks ahead we expect the forint to return to the old range of 300-320.

Analyst: Wolfgang Ernst
 wolgang.ernst@raiffeisenresearch.at

EUR/CZK: 25.19 → 25.2 (March)



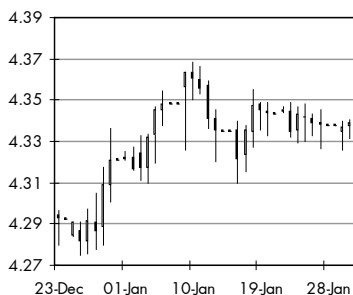
Source: Thomson Reuters

During the second half of January, CZK was able to post significant gains against EUR again, recently reaching the 25.2 mark, which we had set as a target for end-Q1. It is clear that markets have calmed in recent days, but we still believe that it is quite likely that the market will continue to be wracked by uncertainties through to the end of this quarter. This will probably trigger periods of weakening for the Czech koruna. The rate decision

on 2 February will probably not bring any surprises: we expect no change in the key rate from the current level of 0.75%. Although we expect EUR/CZK to appreciate to 23.8 until end of 2012, we still expect higher volatility and repeated phases of weakening during the months to come.

Analyst: Wolfgang Ernst
 wolgang.ernst@raiffeisenresearch.at

EUR/RON: 4.338 → 4.40 (March)



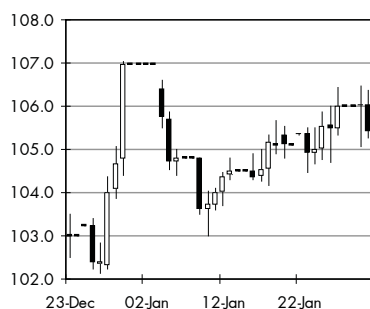
Source: Thomson Reuters

The RON exchange rate is still trading in a narrow range and remains decoupled from the dynamics of its regional peers. While not expected to have an impact on exchange rate dynamics,

there are two events this week which warrant some attention from investors. On Thursday, the NBR is expected to once again cut the monetary policy rate by 25bp to 5.5%, after having reduced it by a total of 50bp at the previous two meetings (in November and January). While we expected the key rate to bottom out at 5.5%, the chances for a more ample easing cycle have increased, thanks to the rapidly declining inflation rate. So, the focus should be on the central bank's rhetoric in the statement following the monetary policy meeting. The NBR will make also public its new inflation forecast, along with the Inflation

Report in the days after the meeting. Secondly, technical missions from the IMF and the European Commission returned to Bucharest for the regular quarterly review of Romania's macroeconomic policies in the context of the precautionary financial agreements concluded in March of last year. We are looking for a favourable review, given that Romanian authorities met last year's public deficit. Hints from IMF officials on the macroeconomic outlook might come before the end of the visit on 6 February.

Analyst: Ionut Dumitru
 ionut.dumitru@raiffeisen.ro

EUR/RSD: 106.16 → 104.0 (March)

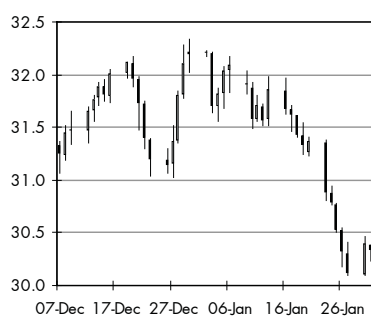
Source: Thomson Reuters

Trading last week was mostly upwards in terms of the EUR/RSD rate, with lots

of uncertainty and position hedging by local clients, including some foreign demand for EUR. This last aspect was probably related to the squaring of positions after the most attractive issues of the Ministry of Finance had passed. Speaking of government debt, opinions from the relevant rating authorities also helped blur the picture for Serbian debt sustainability, as talks with the biggest exporter, US Steel, are still not finished and this will most probably involve heavy state intervention for the moment. The weeks ahead

will see some more T-bill supply, as 2y paper is issued with a volume of RSD 10 bn initially, while most eyes are trained on any possible breakthrough in the discussions on Hungary and Greece. Without the prospect of the central bank in action on the FX market, EUR/RSD will again seek technical levels by testing the historical highs of last year's holiday season, waiting for some more possible action in terms of the interest rate decreasing.

Analyst: *Ljiljana Grubic*
ljiljana.grubic@raiffeisenbank.rs

EUR/RUB: 39.94 → 42.4 (March), USD/RUB: 30.32 → 32.6 (March)

Source: Thomson Reuters

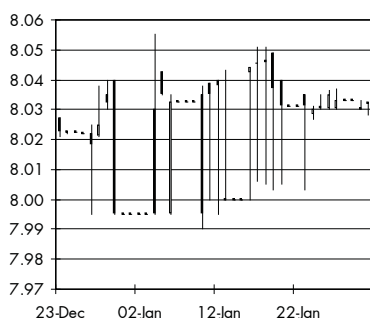
This week, the rouble paused after a powerful rally. The currency managed to climb from 35.55 to 34.51 in a week's time by last Friday. However,

a weaker reading for the US GDP Q4 data and the weaker oil price then pushed the rouble market back into a consolidation mood. The currency dipped back to a slightly weaker 34.69, as measured against the dual currency basket.

Notwithstanding the momentary weakness of the currency, market players in Russia are still betting on a stronger rouble. Many believe that the strong easing bias in the USA and fiscal problems across Eurozone will push more investors into alternative markets including Emerging Markets. Despite the sudden drop, oil prices

hold well above 100 USD per barrel, which is also positive for the rouble. In the domestic market, still tight rouble liquidity and the unwillingness of the central bank to resort to more powerful liquidity measures might signal that the rouble rally is not fully over. Nonetheless, we believe the rouble is likely to hold flat this week since the consolidation phase in the market will take a few days to complete.

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

EUR/UAH: 10.558 → 10.40 (March), USD/UAH: 8.032 → 8.00 (March)

Source: Thomson Reuters

USD/UAH traded unchanged at 8.03. The national bank offered recently in mid-January to intervene should the exchange rate fall to 7.991. The economic growth in Ukraine for 2011 has been initially estimated in a statistical report to be strong at 5.2%. The fourth quarter did show signs of a slowdown in the economy with growth at 4.6% p.a. and 0.6% p.q. This is attributable to warmer weather (lower energy consumption) and a reduced demand for Ukrainian exports. The main driver for

the growth in 2011 was clearly private consumption, which also helped the import sector. The deficit that resulted presents itself as a mortgage for economic stability in 2012. Should the government be unable to introduce effective measures to counteract this, the chances of long-term survival for the linkage to the dollar will be significantly smaller.

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

Raiffeisen Bank International AG

Raiffeisen Bank International AG, Vienna

Global Markets
 Head of Global FI & Cov. Capital
 Market Sales: Harald Kreuzmair
 Tel: +43 1 71707 1750
 Head of International Sales:
 Luca Scalzini
 Tel: +43 1 71707 3981
 Head FI Sales (AUT/GE/LIE):
 Hans Retzl
 Tel: +43 1 71707 3300
 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 banka d.d. Slovenia

Treasury: Marko Stolica
 Tel: +386 2 229 3183

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

RBI London Branch

Sales: Lorna Robertson
 Tel: +44 20 7933-8113

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 Isha
 Tel: +381 38 226400 129

Sarajevo: Raiffeisen BANK d.d. Bosnia Hercegovina

Treasury: Lejla Kurtovic
 Tel: +387 33 287 144
 Sales: Haris Mustafic
 Tel: +387 33 287 127

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

This report was completed on
 31 January 2012.

Editor:

Raiffeisen RESEARCH GmbH
 A-1030 Vienna, Am Stadtpark 9
 Tel.: +43 1 717 07-1521
 Head of Raiffeisen RESEARCH:
 Peter Brezinschek (1517)

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