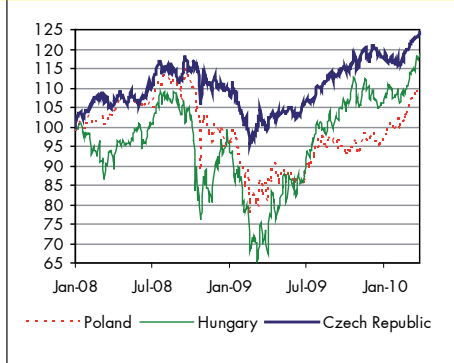


CEE Weekly Bond Markets Outlook

Issue 12/2010

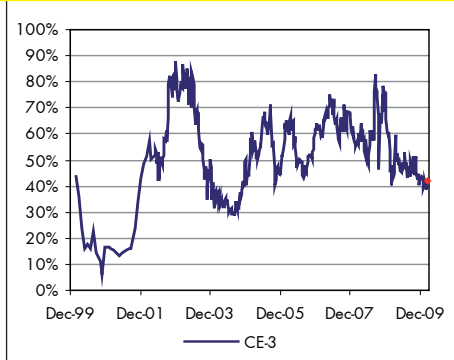
26 March 2010

Performance of 7-10y bond indices



Source: EFFAS, Bloomberg, Raiffeisen RESEARCH

RZB Convergence Index



Composite (GDP-weighted) index for PL, HU & CZ
Source: Thomson Reuters, Raiffeisen RESEARCH

Forecast

	current	Jun-10	Sep-10	Dec-10
Poland				
PLN	3.89	3.80	3.75	3.65
1m-rate	3.4	3.6	3.8	4.3
5y bond	5.2	5.0	5.1	5.4
10y bond	5.5	5.3	5.3	5.7
Hungary				
HUF	264.1	275.0	275.0	270.0
1m-rate	5.7	5.2	4.9	5.0
5y bond	6.1	6.3	6.2	6.0
10y bond	6.8	7.0	6.8	6.6
Czech Rep.				
CZK	25.4	25.4	24.8	25.0
1m-rate	0.9	1.0	1.2	1.5
5y bond	3.1	3.3	3.5	3.8
10y bond	3.9	4.4	4.4	4.6
Romania				
RON	4.07	4.10	4.05	3.95
1m-rate	4.5	5.5	5.8	5.6
5y bond	5.7	6.5	6.6	6.5
10y bond	5.7	6.0	6.0	6.0
USD	1.34	1.35	1.42	1.35

Currencies per 1 EUR

Source: Thomson Reuters, Raiffeisen RESEARCH

Recommendations (1-month horizon)

Buy PLN bonds; Neutral HUF bonds; Neutral CZK bonds; Neutral RON bonds;
Sell TRY Bonds

Highlights

- Poland** – Though the unemployment rate is expected to rise again in March, we think that retail sales should pick up at a rate of roughly 5% yoy. Moreover, industrial production data have remained quite robust so far, which leads us to think that there is no need for a Q1 GDP growth revision. As far as yields are concerned, we believe that there is still some room for rising bond prices in the next couple of months as inflation is still trending down and bond issuance in the 10-year segment has been rather limited so far.
- Hungary** – Considering the strength of the HUF it is out of the question that the Monetary Council will cut the key rate at its next meeting on Monday (29 March). Although we do not know much about the next government's policy, the upcoming parliamentary election in April is anticipated to be a non-risk event, so the rate cut cycle could continue for another 25bp/25bp in Q2 and Q3 in our view.
- Czech Republic** – As was expected the Czech National Bank (CNB) left its key 2-week repo rate unchanged at 1.0 % on its regular monetary policy board meeting on Thursday. However, 2 of the 6 board members present at the meeting voted in favor of a rate cut and CNB governor Zdenek Tuma said it was possible to imagine the next move in rates could be down.

Key upcoming events and data releases

Country	Indicator	Period	Forecast	Range	Last
29-Mar					
HU	Monetary council meeting	Mar	5.5	% 5.5/5.5/5.75	5.8
HU	Unemployment	Feb	10.9	% n.a.	10.8
RO	Monetary policy meeting	Mar	6.75	% n.a.	7.0
31-Mar					
PL	NBP rate decision	Mar	3.5	% 3.5/3.5/3.5	3.5
HU	Current account balance	Q4	280.0	EUR mn -210/200/350	698.0
HR	Imports	Feb	1099.0	EUR mn n.a.	958.0
HR	Exports	Feb	757.0	EUR mn n.a.	592.0
TR	GDP, yoy	Q4	4.5	% 1.7/4.0/5.5	-3.3
TR	Trade balance	Feb	n.a.	USD bn -2.4/-3.5/-4.3	-3.6
01-Apr					
TR	Manufacturing PMI	Mar	52.0	points n.a.	50.9
02-Apr					
RO	PPI, yoy	Mar	3.0	% n.a.	3.3



**Raiffeisen
RESEARCH**

RZB Group

Local currency bonds

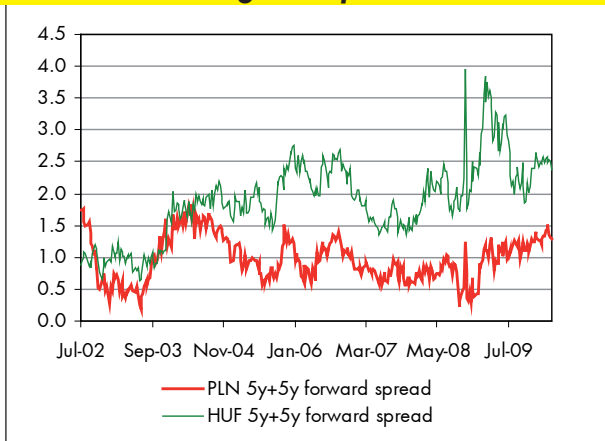
Market overview

CEE local currency bond market snapshot

26/03/2010	Maturity	Coupon %	Ask price	YTM %	Spread to bunds (bp)	MDuration
Poland						
PLN 2y Gov. Bond	25/ Jul 12	0.00	90.00	4.65	377	2.3
PLN 5y Gov. Bond	25/ Apr 15	5.50	101.46	5.16	296	4.4
PLN 10y Gov. Bond	25/ Oct 19	5.50	99.99	5.50	235	7.5
PLN 20y Gov. Bond	25/ Apr 29	5.75	99.00	5.84	196	11.4
Hungary						
HUF 3y Gov. Bond	24/ Oct 13	7.50	105.17	5.84	451	3.2
HUF 5y Gov. Bond	12/ Feb 15	8.00	107.79	6.10	389	4.2
HUF 10y Gov. Bond	24/ Jun 19	6.50	98.28	6.75	360	6.9
HUF 15y Gov. Bond	24/ Nov 23	6.00	93.48	6.74	290	9.4
Czech Republic						
CZK 2y Gov. Bond	5/ Oct 11	6.55	108.50	0.87	0	1.5
CZK 5y Gov. Bond	11/ Apr 15	3.80	103.20	3.10	91	4.5
CZK 10y Gov. Bond	11/ Apr 19	5.00	108.00	3.93	78	7.2
CZK 15y Gov. Bond	25/ May 24	5.70	111.05	4.62	77	9.9
Slovakia						
SKK 2y Gov. Bond	4/ May 12	0.00	96.36	1.79	91	2.1
SKK 5y Gov. Bond	11/ Feb 14	4.90	108.26	2.62	43	3.6
SKK 10y Gov. Bond	12/ May 19	5.30	110.73	3.88	73	7.3
Croatia						
HRK 5y Gov. Bond	11/ Jul 13	4.50	99.53	4.65	223	3.0
HRK 10y Gov. Bond	8/ Feb 17	4.75	94.23	5.78	263	6.0
Romania						
RON 3y Gov. Bond	25/ Oct 10	6.00	99.69	6.49	516	0.6
RON 5y Gov. Bond	5/ Mar 12	6.50	100.16	6.40	421	1.9
Turkey						
TRY 2y Gov. Bond	16/ Nov 11	0.00	87.00	8.84	797	1.6
TRY 5y Gov. Bond	6/ Aug 14	11.00	102.40	10.56	837	3.5
TRY 10y Gov. Bond	15/ Jan 20	10.50	100.80	10.61	746	6.4

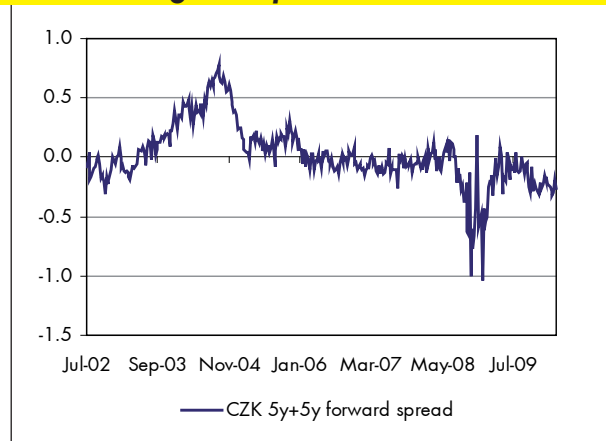
Source: Thomson Thomson Reuters, Raiffeisen RESEARCH

PLN, HUF convergence spread



Source: Thomson Thomson Reuters, Raiffeisen RESEARCH

CZK convergence spread



Source: Thomson Thomson Reuters, Raiffeisen RESEARCH

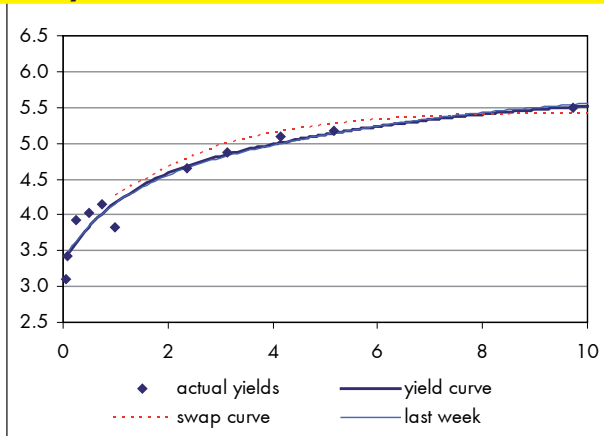
Poland

Yields stabilise ahead of NBP rate decision

(P)review of key economic figures/events

24 Mar 10	Retail sales, % yoy	Feb 0.1 (Jan 2.5)	Weakest yoy-reading since April 2005
24 Mar 10	Unemployment rate, %	Feb 13.0 (Jan 12.7)	
31 Mar 10	NBP rate decision, %	Mar 3.5 (Feb 3.5)	Unchanged interest rates expected

PLN yield curve



Source: Thomson Reuters, Raiffeisen RESEARCH

Money market focus

MM rates	1m	3m	6m	12m
Actual	3.42	3.92	4.03	4.23
Change from last week	-0.01	-0.01	0.00	-0.01
Forecast Jun-10	3.60	4.20	4.26	4.50
Forward rates	3x6	6x9	9x12	
Change from last week	4.16	4.34	4.44	
Change from last week	0.01	0.00	-0.04	

Bond market focus

	2y	5y	10y	20y
Actual	4.65	5.16	5.50	5.84
Change from last week	-0.01	0.01	-0.02	0.02
Forecast Jun-10	4.70	5.00	5.30	5.80
Spread to bunds	377.4	295.6	234.8	195.9
Change from last week	-1.4	-7.6	-2.5	3.5
Spread to swaps	6.7	15.6	-1.6	

EUR/PLN



Source: Thomson Reuters, Raiffeisen RESEARCH

Market strategy

Buy PLN T-bonds

Market comment

Economic data was disappointing this week: Retail sales were up only 0.1% yoy and down by 4% mom in February. Moreover, retail sales even declined by nearly 3% yoy in real terms, the second consecutive negative reading. The unemployment figures came in as expected, with the unemployment rate rising to 13%. The reaction of bond yields and EUR/PLN to the data was, however, rather limited. We expect that the central bank will leave the reference rate unchanged at its meeting next week.

Market outlook

Retail sales data were quite disappointing, though there is a significant seasonal effect in the numbers. Our forecast of 3.1% yoy for retail sales growth proved to be overly optimistic, and the reported result together with the weak construction output for the first two months of the year could mean weaker GDP growth in Q1. Though the unemployment rate is expected to rise again in March, we think that retail sales should pick up at a rate of roughly 5% yoy. Moreover, industrial production data have remained quite robust so far, which leads us to think that there is no need for a Q1 GDP growth revision. As far as yields are concerned, we believe that there is still some room for rising bond prices in the next couple of months as inflation is still trending down and bond issuance in the 10-year segment has been rather limited so far. As long as international market sentiment remains positive, capital inflows should remain strong over the next months and support the zloty. We therefore change our recommendation from "neutral" to "buy" for the 10-year segment.

Analysts: Marcin Grotek (+48 22 585 29 44)
Marcin Kopzynski (+43 1 71707 1423)

Exchange rate focus

	actual	Jun-10	Sep-10	Dec-10
EUR/PLN	3.89	3.80	3.75	3.65
Change from last week	-0.5%			
USD/PLN	2.92	2.81	2.64	2.70
Change from last week	-3.0%			

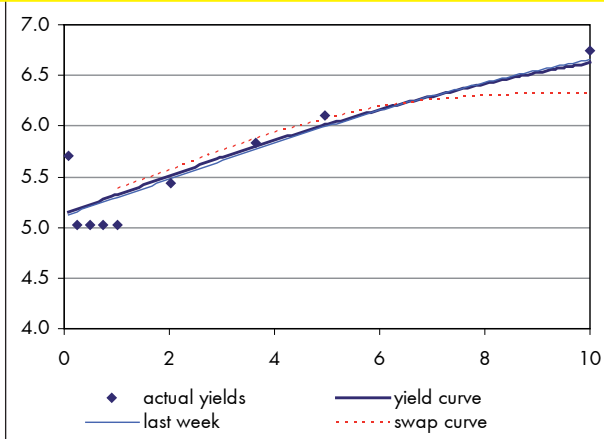
Hungary

Room to cut further

(P)review of key economic figures/events

29 Mar 10	Monetary council meeting, %	Mar 5.5 (Feb 5.75)	Due to positive sentiment further cuts are expected
29 Mar 10	Unemployment rate, %	Feb 10.9 (Jan 10.8)	
31 Mar 10	Current account balance, EUR mn	Q4 280 (Q3 698)	

HUF yield curve



Source: Thomson Reuters, Raiffeisen RESEARCH

Market strategy

Neutral HUF T-bonds

Market comment

In spite of the optimistic international market sentiment, EUR/HUF switched to a sideways trend following last week's surge to a 15-month low and some upside corrections, and now seems to have found its direction for the time being. At the same time, Hungarian government bonds yields retreated by another 5bp on the short end and 15bp on the long end. Forward rate agreements reflect the market's increasing expectations for further rate cuts (nearly three times 25bp in the coming months).

Market outlook

Considering the strength of the HUF (2% appreciation last month), it is out of the question that the Monetary Council will cut the key rate at its next meeting on Monday (29 March). Although we do not know much about the next government's policy, the upcoming parliamentary election in April is anticipated to be a non-risk event, so the rate cut cycle could continue for another 25bp/25bp in Q2 and Q3 in our view. The Hungarian forint still seems to be overvalued, so there is limited potential for further appreciation in the coming weeks and we expect EUR/HUF to move back towards the 270 level in the medium term. We feel that Hungarian government bonds are close to their lowest achievable levels, so we are changing our recommendation from buy to HOLD at the long end.

Analyst: *Matyas Kovacs (+36 148 44 874)*
Wolfgang Ernst (+43 1 71707 1500)

Money market focus

MM rates	1m	3m	6m	12m
Actual	5.71	5.68	5.66	5.59
Change from last week	-0.02	-0.04	-0.02	-0.04
Forecast Jun-10	5.2	5.0	5.0	4.9

Bond market focus

	3y	5y	10y	15y
Actual	5.84	6.10	6.75	6.74
Change from last week	0.01	0.02	-0.05	-0.05
Forecast Jun-10	6.0	6.3	7.0	6.9
Spread to bunds	451.3	389.3	360.2	289.7
Change from last week	-3.1	-6.2	-9.4	-8.4

EUR/HUF



Source: Thomson Reuters, Raiffeisen RESEARCH

Exchange rate focus

	actual	Jun-10	Sep-10	Dec-10
EUR/HUF	264.14	275.0	275.0	270.0
Change from last week	-1.0%			
USD/HUF	198.02	203.7	193.7	200.0
Change from last week	-3.5%			

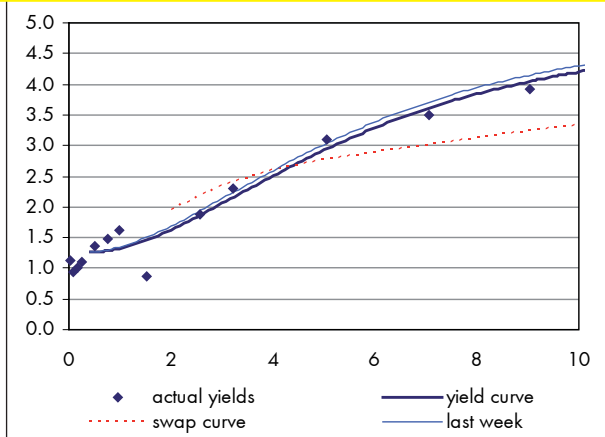
Czech Republic

CNB quite dovish again

(P)review of key economic figures/events

25 Mar 10 CNB monetary policy board meeting Mar 1.0 (Feb 1.0) Unexpectedly 2 board members voted for rate cut

CZK yield curve



Source: Thomson Reuters, Raiffeisen RESEARCH

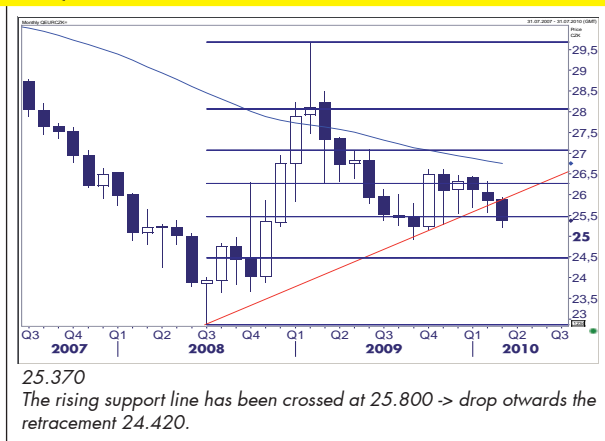
Money market focus

MM rates	1m	3m	6m	12m
Actual	0.94	1.10	1.36	1.61
Change from last week	0.00	0.00	0.01	0.01
Forecast Jun-10	1.0	1.1	1.3	1.6
Forward rates	1x2	3x6	6x9	9x12
Change from last week	0.00	0.02	-0.05	0.07

Bond market focus

	2y	5y	10y	15y
Actual	0.87	3.10	3.93	4.62
Change from last week	-0.13	-0.05	-0.14	-0.16
Forecast Jun-10	1.2	3.3	4.4	4.8
Spread to bunds	-0.2	91.4	78.2	77.5
Change from last week	-14.7	-12.7	-18.7	-19.1
Spread to swaps	113.8	-24.0	-43.4	n.a.

EUR/CZK



Source: Thomson Reuters, Raiffeisen RESEARCH

Market strategy

Neutral CZK T-bonds

Market comment

As was expected the Czech National Bank (CNB) left its key 2-week repo rate unchanged at 1.0% on its regular monetary policy board meeting on Thursday. However, the press conference proved to be quite exciting. It was revealed that two CNB board members voted for a rate cut. CNB governor Zdenek Tuma also said that the latest economic data was roughly in line with its macroeconomic forecast, which assumes unchanged interest rates in the first half of 2010 followed by a gradual increase. Furthermore, the governor stated that the current risks for the prognosis are slightly anti-inflationary.

Market outlook

Next week the minutes of the CNB board meeting could reveal additional information of importance. The market will be especially curious about the names of the two board members who voted for the rate cut, as are we. For the time being, our forecast scenario reckons with an increase of the CNB's key rate in the third quarter 2010. While such a scenario is still possible it depends on the development of the Czech crown, which could be negatively effected by an inconclusive outcome of the parliamentary elections in June. For the time being the short end of the yield curve is likely to remain compressed. Thus, we change our sell recommendation for Czech government bonds with up to two year maturities back to neutral (for all maturities).

Analysts: Michal Brozka (+420 221 141 498)
Walter Demel (+43 1 71707 1526)

Exchange rate focus

	actual	Jun-10	Sep-10	Dec-10
EUR/CZK	25.36	25.4	24.8	25.0
Change from last week	0.2%			
USD/CZK	18.99	18.8	17.5	18.5
Change from last week	-2.8%			

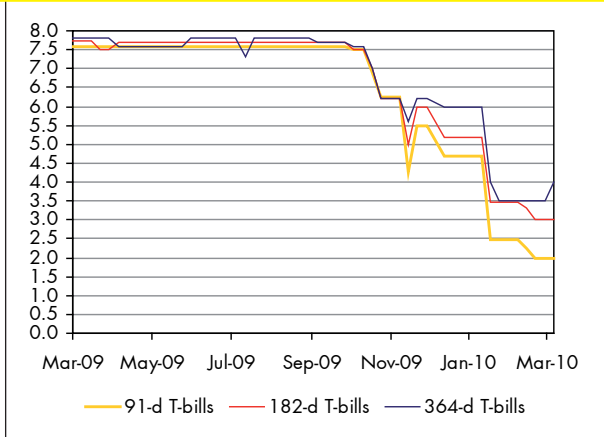
Croatia

Industrial production – trend reversed

(P)review of key economic figures/events

24 Mar 10	Industrial output, % yoy	Feb 0.2 (Jan 1.5)
31 Mar 10	Imports, EUR mn	Feb 1099 (Jan 958)
31 Mar 10	Exports, EUR mn	Feb 757 (Jan 592)

Interest rates on T-bills



Source: Thomson Reuters, Raiffeisen RESEARCH

Market strategy

Neutral EUR/HRK

Market comment

Starting in January 2010, the CBS changed its concept for publishing the initial results of the industrial production indices to harmonise the presentation and interpretation of the industrial production statistics with the standards prescribed by Eurostat. According to the new methodology, industrial production recorded an increase of 0.2% yoy in February following an increase of 1.5% yoy in January, thereby reversing the negative trend seen consistently throughout 2009. This came primarily as a result of last year's low base, but also as a result of a recovery in external demand and lower inventories, which declined in previous months. We expect industrial production output to increase mildly in the coming months. However, this is not a solid indicator of a rebound in industrial activity because the possible rise will be influenced by the base effect. We expect the genuine recovery in industrial production to come in the second half of 2010, when domestic demand is expected to recover and positive developments in foreign markets could have a stronger impact. Croatia's gross foreign debt amounted to EUR 43.6 bn or 96.5% of GDP at the end of November 2009. The increase in foreign debt from January to November was attributable mostly to the corporate sector (up by EUR 1.3 bn) and the government (up by EUR 968 bn). In 2009, we expect the external debt to GDP ratio to reach 99%.

Money market focus

	1m	3m	6m	12m
ZIBOR actual	1.21	1.93	2.76	3.71
Change from last week	-0.01	0.14	0.01	0.12
T-bills actual	n.a.	2.00	3.00	4.00

Exchange rate focus

	actual	Jun-10	Sep-10	Dec-10
EUR/HRK	7.256	7.32	7.30	7.32
Change from last week	0.1%			
USD/HRK	5.43	5.42	5.14	5.42
Change from last week	3.2%			

EUR/HRK



Source: Thomson Reuters, Raiffeisen RESEARCH

Market outlook

We saw another calm week with low trading volumes on the FX market last week. The EUR/HRK FX rate was stable at 7.26 kuna per euro. In the week ahead, a possible increase in demand for euros will be met fully by the ample euro supply in the system. Therefore, EUR/HRK will most likely stay at roughly the same level as last week, i.e. around 7.26 kuna per euro. One month out, slight depreciation pressures may occur and the rate could move towards 7.30 kuna per euro.

Analysts: Ivana Juric (+385 1 61 74 349)
Zrinka Zivkovic-Matijevic (+385 1 61 74338)

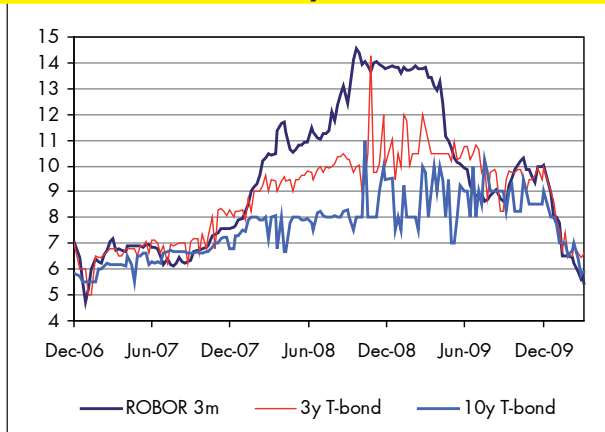
Romania

NBR to cut the key interest rate further

(P)review of key economic figures/events

23 Mar 10	Non-government credit, % yoy	Feb -3.7 (Jan -3.5)
29 Mar 10	Monetary policy meeting, %	Mar 6.75 (Feb 7.00) 50bp cut possible
02 Apr 10	PPI, % yoy	Mar 3.0 (Feb 3.3)

ROBOR 3m & T-bond yields (%)



Source: Thomson Reuters, Raiffeisen RESEARCH

Market strategy

Neutral RON T-bonds

Market comment

The NBR Board will meet again on 29 March to discuss monetary policy issues. In our opinion, a new cut in the monetary policy rate (7% at the moment) is a done deal, with the only question being the size of the cut. The inflation expectations and the low level of economic activity (combined with the poor outlook for the period ahead) clearly argue for low interest rate levels. In fact, interbank interest rates are already substantially below the monetary policy rate as the NBR let more liquidity into the market as sentiment was favourable for the leu. The management of the liquidity in the money market remains very important for the Romanian central bank and is a key determinant of the interest rate levels and trends in the economy. In addition, the discrepancies between the monetary policy rate and the deposit and lending interest rates have been substantial over the last quarters. In our baseline scenario, we expect the NBR to continue letting significant levels of liquidity into the market, which would keep the interbank interest rates low. However, we only expect the NBR to cut the key interest rate gradually in the period ahead to avoid having to raise it again if new inflationary risks emerge (unexpected hikes in administered prices or increases in food prices due to adverse weather conditions). We expect a cut of only 25bp at Monday's meeting, but a cut of 50bp is also possible.

Money market focus*

MM rates	1m	3m	6m	12m
Actual	4.95	5.44	5.97	5.98
Change from last week	-0.60	-0.28	-0.05	-0.04
Forecast Jun-10	5.5	5.8	6.3	5.8
Implicit forward rates	3x6	6x9	9x12	
	6.57	5.95	5.85	
Change from last week	0.19	-0.02	-0.04	

Bond market focus*

	2y	3y	5y	10y
Actual	5.70	6.61	6.68	5.90
Change from last week	-0.31	0.07	0.03	0.00
Forecast Jun-10	6.30	6.40	6.50	6.00
Spread to bunds	482.4	527.8	447.4	275.3
Change from last week	-35.3	-8.7	0.0	-10.3

*forecasts under revision

EUR/RON



Source: Thomson Reuters, Raiffeisen RESEARCH

Market outlook

A cut of 25 or 50bp should have no impact on bond yields, which decreased rapidly over the past months. In fact, we think that the potential of further yield decreases in the coming months is limited. Because of this, we are changing our recommendation for RON bonds from "buy" to "neutral".

Analyst: Ionut Dumitru (+40 37 2211269)

Exchange rate focus

	actual	Jun-10	Sep-10	Dec-10
EUR/RON	4.07	4.10	4.05	3.95
Change from last week	0.2%			
USD/RON	3.05	3.04	2.85	2.93
Change from last week	-1.0%			

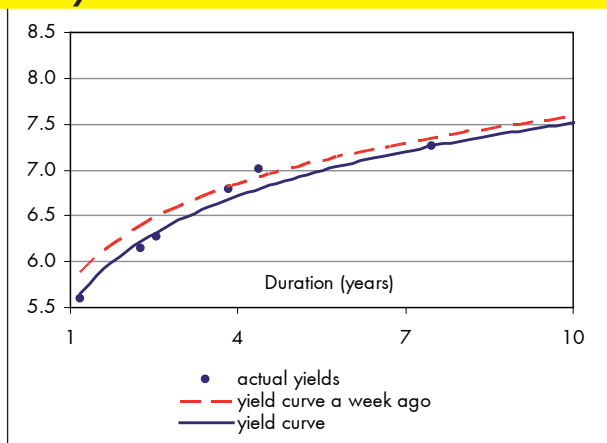
Russia

New Russian Eurobond plan

(P)review of key economic figures/events

No important data or market releases next week

RUB yield curve



Source: Thomson Reuters, Raiffeisen RESEARCH

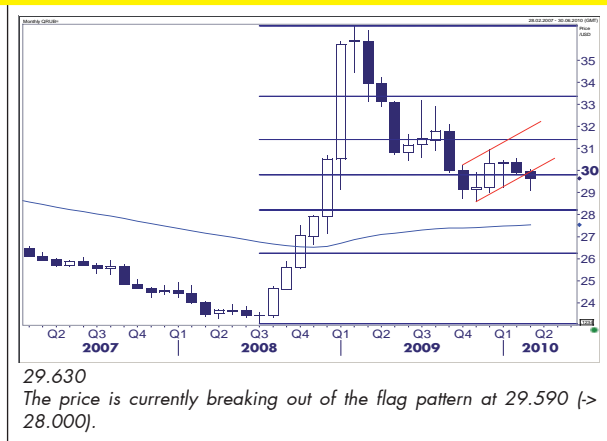
Money market focus

MM rates	1m	3m	6m	12m
Actual	5.22	5.87	7.24	8.23
Change from last week	0.02	0.04	0.05	0.02
Forecast Mar-10	3.91	4.21	4.56	n.a.
Forward rates	1x2	3x6	6x9	9x12
	6.00	8.76	n.a.	n.a.
Change from last week	0.05	-0.01	n.a.	n.a.

Bond market focus

	1y	2y	5y	15y
Actual	5.76	6.49	6.94	7.30
Change from last week	0.04	0.19	-0.07	-0.12
Forecast Mar-10	5.22	5.80	6.81	n.a.

USD/RUB



Source: Thomson Reuters, Raiffeisen RESEARCH

Market strategy

We maintain our buy recommendation on the rouble for a horizon of 3–6 months, while we expect short-term profit taking to ensue at around 34.00 vs. the dual currency basket.

Market outlook

The Russian finance ministry will launch a road show in New York on April 21–22, and Barclays Capital, Citibank, Credit Suisse and VTB Capital will be acting as the lead managers for the issue. The issue will be denominated in US dollars (144A Reg.). Originally, the government planned to roll a new bond in late March or early April. According to deputy finance minister Mr. Pankin, Russia will place between USD 3 and 5 bn in 10- and/or 30-year bonds. Sources familiar with the situation say that Russia is looking to achieve very tight pricing conditions, but no further details were given that would allow us to evaluate the upcoming issue. We understand that Russia's placement strategy will centre around a duration spread where the issuer can offer either a single 30-year bond or opt for a combination of 10-year and 30-year tranches to achieve better overall pricing conditions. In any case, we expect a benchmark jumbo issue from Russia that will also be included in JP Morgan's EMBI Global. We recommend selling outstanding 30-year Russian paper versus buying 28-year paper, and we would also buy into the 10-year CDS spread, which currently appears to be too tight for Russia's risk. We assume that some investors might be selling outstanding 30-year paper in order to get into the new issue without increasing their overall Russia exposure.

Market outlook

With the end of March approaching, we are keeping our eyes on the central bank, which promised to decide on interest rates by the end of the month. We still expect a 50bp rate cut in response to excessive rouble appreciation.

Analyst: Gintaras Shlizhyus (+43 1 71707 1343)

Exchange rate focus

	actual	Jun-10	Sep-10	Dec-10
EUR/RUB	39.47	39.30	40.84	38.84
Change from last week	1.0%			
USD/RUB	29.52	29.11	28.76	28.77
Change from last week	-0.9%			

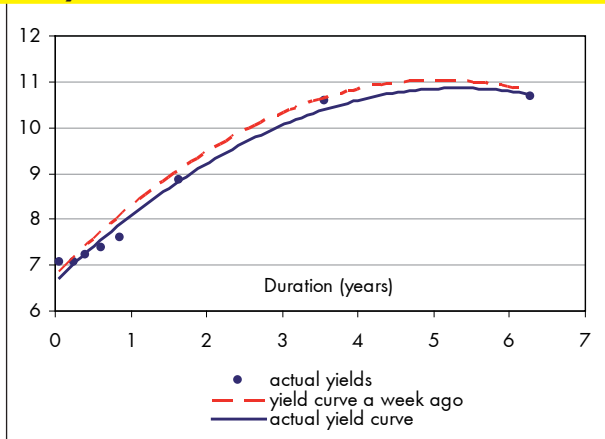
Turkey

PMI poised to climb

(P)review of key economic figures/events

31 Mar 10	GDP , % yoy	Q4 4.5 (Q3 -3.3)	Strong rebound of industrial production of 9 % yoy in Q4 (3mma)
31 Mar 10	Trade balance, USD bn	Feb n.a. (Jan -3.6)	Consensus sees minimal improvement to USD -3.45 bn
01 Apr 10	Manufacturing PMI	Mar 52 (Feb 50.9)	After 2.1 point drop in February some rebound

TRY yield curve



Source: Thomson Reuters, Raiffeisen RESEARCH

Market strategy

Underweight TRY bonds relative to the benchmark index

Market comment

Capacity utilisation in March remained virtually unchanged at 67.9% (67.8% in February), while manufacturing confidence soared by 5.2 points to 110.6. The general perception of the economic situation seems to be improving more quickly than the economy itself. Next Wednesday, GDP for the fourth quarter of 2009 will be published. Given the average industrial growth of 9.0% yoy in Q4, we think that the consensus of 4% yoy will be exceeded. This will also bring the GDP decline for 2009 as a whole to around -5.5%, which is better than the government's estimation of -6%. We are also upbeat regarding the manufacturing PMI for March, which will be released on Thursday. February's figure of 50.9 was rather disappointing, so some improvement seems to be quite likely. Additionally, a surprisingly high Flash PMI figure for the Eurozone indicates accelerating manufacturing activity, which should be supportive for Turkey as well.

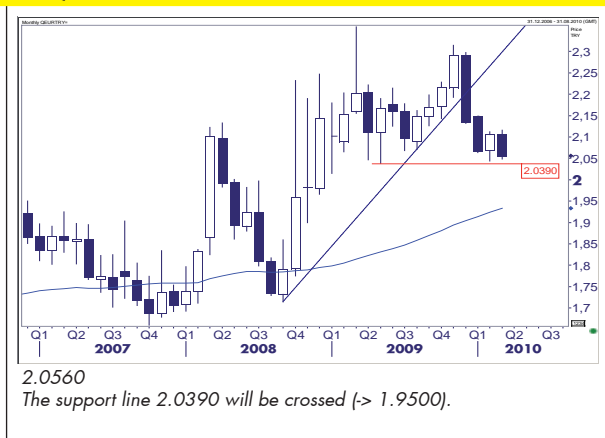
Money market focus

MM rates	1m	3m	6m	12m
Actual	6.23	6.25	6.85	7.65
Change from last week	-0.47	-0.41	-0.35	-0.15
Forecast Jun-10	7.34	7.52	7.84	8.43
Implied forward rates	1x2	3x6	6x9	9x12
Change from last week	6.36	7.54	8.01	8.66
Change from last week	0.10	-0.29	-0.34	0.47

Bond market focus

	1m	1y	2y	5y
Actual	7.07	7.61	8.86	10.59
Change from last week	-0.01	-0.11	-0.28	-0.24
Forecast Jun-10	n.a.	8.43	9.27	10.94

EUR/TRY



Source: Thomson Reuters, Raiffeisen RESEARCH

Market outlook

A reform package that would curb the power of judges may be presented to the parliament as early as next Monday. The reforms would change the way judges are appointed, make it harder to ban political parties and make members of the armed forces accountable to civilian courts. Markets initially reacted negatively and USD/TRY reached a three-week high. Nevertheless, equity markets soared on Thursday. Turkish bonds and the lira profited as well. Going forward, the ongoing recovery should support the lira and put downward pressure on bond prices. However, the political situation is largely unpredictable and might hurt the Turkish markets at any time.

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Exchange rate focus

	actual	Jun-09	Sep-09	Dec-09
EUR/TRY	2.05	2.00	1.94	1.90
Change from last week	-1.5%			
USD/TRY	1.53	1.50	1.45	1.42
Change from last week	0.5%			

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This report was completed on 26 March 2010.

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