



Svetovni pregled

Oktobra so se globalni finančni trgi dobro razvijali, saj ni bilo prisotnih motečih dejavnikov. Delnice borz na pragu razvitosti so nadaljevale septembra začeto izboljšanje in so s porastom v višini 4,3 % ponovno presegle razvite trge v indeksu razvijajočih se trgov MSCI. Posebej pozitivno je presenetil indijski delniški trg, ki je z več kot 10-odstotnim porastom kar nekaj nadoknadil. Tudi obveznice in valute držav na pragu razvitosti so se razvijale relativno stabilno.

Potem ko se je okrepilo pričakovanje, da bo ameriška centralna banka svoje mesečne nakupe obveznic ohranila na dosednji ravni vse do leta 2014 in s tem zagotovila, da bodo imeli finančni trgi na voljo dovolj svežega denarja, je za dodatno olajšanje poskrbel še kompromis v ameriškem proračunskem sporu. Po dolgih razpravah v senatu sprejet zakonski osnutek predvideva zvišanje meje zadolževanja do 7. februarja 2014. Skoraj dva tedna trajajoči 'Government Shutdown' oktobra sicer naj ne bi občutno vplival na konjunkturne kazalnike, po začasno manjši dinamiki pa se zlasti od leta 2014 računa z izboljšanjem stanja v potrošnji, vlaganji ter nadaljnjim izboljšanjem na področju nepremičnin. V svetovnem merilu vedno več dejavnikov kaže na oživitve svetovnega gospodarstva. Konjunktorni kazalniki za evroobmočje napovedujejo za začetek 4. četrletja rahel porast. Z velikim navdušenjem je bila sprejeta vrnitev držav s težavami, kot denimo Španije, v območje rasti. Nazadnje objavljeni podatki za regijo CEE – močnejši indeksi nabavnih menedžerjev za Poljsko, Češko, Turčijo in Rusijo – ustrezajo celotni podobi izboljšanja konjunktura v Vhodni Evropi v okviru pojevanja napetosti v evrskem območju. To lahko v največji meri spodbudi lokalne valute in da veter v jadra delniških trgov. Večina držav regije CEE trenutno v primerjavi z drugimi rastočimi trgi izstopa zaradi izredno nizkih bonitetnih ocen, zlasti Rusija, kjer lahko izhajamo iz dejstva, da so v veliki meri že upoštevane tudi še naprej padajoče vrednosti surovin. Dodatno v prid nekaterih držav govori ohlapni manevrski prostor na denarno politični ravni. Od konca novembra se bo regija CEE razširila z Grčijo, ki se bo preselila z indeksa razvitih trgov na indeks rastočih trgov in bo med slednjimi višje ovrednotena.

Na sploh je treba rastoče trge glede rasti, razvoja inflacije, produktivnosti in odvisnosti od tujega kapitala obravnavati diferencirano. Četudi se zdi ocena pogosto dokaj privlačna, pa še vedno obstaja velik pritisk s strani razvoja dobička. Skupno – kar zlasti velja za azijske trge – je mnogo odvisno od gospodarske rasti na Kitajskem, saj bi lahko pomenil eter v hrbet njenega razvoja tudi izboljšanje za druge trge. Volatilnega razvoja v državah na pragu razvitosti tudi v prihodnje ne moremo izključiti, zlasti pa lahko slednje močnejše prizadene države z deficitarnimi trgovinskimi in plačilnimi bilancami (npr. Indija, Indonezija, Turčija).



Country focus

China

Positive signs for China's economy, but investors are still cautious

Chinese GDP growth in Q3 2013 came in at 7.8% yoy, in line with the official growth target. The current economic data are being watched very closely. Last month, the purchasing managers' indices beat expectations, banishing more serious concerns about the economy. In order to achieve lasting growth, the government wishes to provide financial support for smaller companies, cut back on surplus capacities and take new measures to boost consumption. Possible measures are to be detailed at the upcoming party congress in November. In the meantime, the data on lending and growth in monetary aggregates are indicating that somewhat tighter monetary policy conditions are needed due to rising real estate prices and higher inflation expectations. At the same time, however, the economic recovery must not be choked off. In October, China took another step towards internationalising the yuan, by allowing trading directly against the British pound in London and the Singapore dollar. Following a 2-month flat trend, renmimbi appreciated versus USD again.

Chinese stocks were relatively volatile in October, as the Hang Seng China Index was able to post a small gain on balance, leaving the index 7% down on the mark from beginning of the year. In terms of valuations, Chinese shares look relatively attractive, but investors remain cautious due to concerns about the continuity of economic developments going forward and the difficulties faced by Chinese banks.

India

Indian economic activity still fragile, but sentiment improved significantly last month

Conditions remain slack in the Indian economy. Despite slightly better figures, manufacturing in India continues face major challenges. The purchasing managers' index moved on a flat trend during the past month, owing to persistent weakness in domestic demand. One positive point was a sharp rise in new export orders. There was also an improvement for the first time in the struggling services sector, which is highly important for the Indian economy. For both sectors, however, progress is expected to be slow. With the strong improvement in the trade deficit in September, the situation in India started to stabilise. The Indian central bank raised the key interest rate from 7.5% to 7.75%, mainly to get the persistently high inflation under control, as the rate was at almost 10% last month. At the same time, the marginal standing facility rate was lowered from 9% to 8.75%, making short-term funds cheaper for banks. In July, this rate and other Indian interest rates were increased to prevent further depreciation of the rupee. With this reduction, it was possible to take another step towards normalising liquidity and interest rate conditions. If inflationary pressures persist, the key rates may be increased further despite the weak economy. Following the dramatic declines this year and the strong rebound in September, the Indian currency hardly budged in October.

There was also very good news on the Indian stock market, which profited from non-resident investors' interest following the massive volatility since the beginning of the year and was able to post a gain of more than 10% in October.



Brazilian central bank to fight inflation with rate hikes, economy remains sluggish

Brazil

In terms of economic activity, the third quarter in Brazil appears to have been somewhat weaker than the first half of the year. At least this is what the indicators are suggesting so far. Indicators of economic activity in August reflected much more subdued increases compared to the previous month, and there was also a decline of 1.2% yoy in industrial production. As in previous months, the increase in the production of capital goods was strong at 11.8% yoy, whereas consumer good production actually contracted by 2.8% yoy. As anticipated, the Brazilian central bank increased the key interest rate by 50bp to 9.5%. In doing so, it once again underlined its determination to tighten monetary policy until the rate of inflation is back closer to the median value of the targeted range of 4.5% yoy. Last month, the rate of inflation was at 5.9% yoy, driven by the strong depreciation of the real until mid-year. Accordingly, it is impossible to rule out further increases in interest rates. Moody's confirmed Brazil's Baa2 rating, but lowered the outlook from positive to stable.

Following a good recovery until the middle of the month, the positive mood on the stock market vanished again. The Ibovespa Index was around 3% higher, and little change was seen for BRL during October.

Russia

Russia's economy continues to decelerate and the growth situation has continuously deteriorated in the past quarters. From a technical perspective, the country is now in recession following two quarters with mild contraction in economic output, but for the year as a whole we expect to see positive growth. As anticipated, the central bank left the most important interest rates unchanged in October, and at the meeting it once again brought up the weakening trends in the economy and lower inflationary risks. At the same time, the current rate of inflation is still far too high (+6.1% yoy), meaning that the central bank has had limited leeway to lower interest rates so far.

The rouble moved sideways on the whole in October, similar to the other currencies in the region. Bond yields also followed the global trend and moved slightly lower. Following the September rally, the equity market was able to post further gains, even though the price of oil has been under massive pressure recently. Investors' interest was concentrated on blue chips, and the IPO by the consumer credit bank Tinkoff in London was a great success.

Turkey

Due to the weak external position and strong dependence on foreign capital inflows, Turkey has been one of the Emerging Markets which has been most strongly hit in recent months. Even though its high C/A deficit has long been a major vulnerable point, the focus only shifted to this aspect in Turkey when there was an abrupt turnaround in capital flows into and out of the Emerging Markets. Since then, the central bank has raised the upper end of the corridor for short-term interest rates on two occasions to stabilise the currency. Further increases, however,

Russia's economic growth still slow, but upbeat developments on the stock market



Stable development recently, despite weak exports and C/A balance

are not on the cards right now, as this might have an overly negative impact on the economy. The situation calmed down on the global markets in September and October, and this was good news for Turkish bonds, which made a strong come-back as a result. In terms of economic growth, there is a trend towards weakness, but on the other hand falling growth rates in lending and the depreciation of the currency during the summer months will probably have a positive impact on the country's relatively high C/A deficit in the months ahead.

In the previous month, a strong rally was seen on the Turkish stock market thanks to the easing of tensions in relation to Syria and the decision on tapering by the US Fed. In October, however, there were no more positive triggers, in light of the quarterly corporate data publications which were in line with expectations.

Poland

Polish economy continues to improve, strong performance by the stock market

In Poland, most of the economic signals are now looking positive again. Industrial production and retail sales are improving, real wage developments are providing some support, and the purchasing managers indices also point to better economic dynamics. At the same time, the annual rate of inflation remains at a very low level (+1%). As anticipated, the central bank did not move to change the key interest rate in early October, and no changes are expected in the coming months. One interesting point was the detailed news on the pension reform which came out in September. The share of bonds held by private pensions funds will be taken over by the state, thus reducing the level of public sector debt by around 8% of GDP. The level of public debt currently exceeds the limit of 55% of GDP set in the constitution. This would require quick budgetary measures, but the pension reform means that such steps can be avoided for now. The reform bears some similarities to the pension reform in Hungary, but was not nearly so radical. For the bond market, this development will tend to have negative impacts over the longer term, as it removes one of the important players from this market. At the same time, experiences in Hungary have shown that this effect can be handled. At any rate, the immediate reaction was negative, both for bonds and for the Polish currency, but this did not last for very long. During October, Polish bonds were supported by the improving investor sentiment and advanced in line with the overall trend; the zloty appreciated.

The stock market continued the rally from September and managed an impressive gain of over 7% for October, posting the best performance in the CEE region.

Czech Republic

Czech economy emerging from recession

At the end of October, early general elections were held in the Czech Republic. The party taking the most votes was the CSSD, but its support turned out to be smaller than expected prior to the elections. Accordingly, the winner of the elections can be seen as the newly founded protest party ANO, which took almost 20% of the votes in its first try and will thus play a key role in the formation of a coalition. Forming a coalition, however, will not be easy in the fragmented Czech political environment. At any rate, the CSSD and Communist Party do not have a majority,



meaning that the discussed special taxes for certain sectors and the increase in the corporate tax rate now look less likely.

The latest economic data point to an upswing in activity after around two years of recession, with this upturn borne mostly by strong developments in foreign trade. Industrial production is also on an upward trend, and domestic dynamics are also improving, with retail sales offering more and more support. The leading indicators for the months ahead are also good, thanks to the rise in new orders. At +1 % yoy, inflation is currently not a cause for concern. Bond yields followed the general trend in German Bunds and increased slightly in October, whilst CZK weakened a bit. The stock market in Prague managed a handsome gain of over 6%, mainly driven by banks and CEZ. Conditions continue to be positive.

Hungary

Domestic demand remains weak in Hungary, but on the other hand some support is coming from foreign trade. As generally anticipated, the Hungarian central bank lowered the key interest rate by another 0.2 percentage points at the end of October, bringing it to 3.4%. With this move, the central bank has lowered the key rate by a total of 3.6% since mid-2012. Hungarian bonds profited from the general trend in yields, and the forint has exhibited positive development similar to that of the zloty, indicating that it is mainly external factors that are currently driving currency developments in the region, whilst country-specific aspects are playing a subordinated role. The government continues to work on measures to further ease the burdens on mortgage debtors with FX loans. The performance of the Hungarian stock market was once again weaker than the rest of CEE, with the exchange closing the month almost unchanged.

Hungary continues to cut rates, domestic demand still slack

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