Economics

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Emerging Markets Daily and Week Ahead

CEEMEA Edition

- **Focus on Egypt — The unfinished revolution.** Current protests have highlighted the longstanding underlying issues with Egypt's political revolution which cannot continually be avoided, especially if the economic outlook deteriorates in 2013.
- **Czech Republic — Broad based fall in November confidence indicator.** While this is in line with our forecast for a further slowdown in economy activity in 2012, downside risks remain.
- **Hungary — Retail sales stagnate in September.** Declining consumer confidence indices, the prospect of eroding net real wage growth and a rising household debt burden suggest a deeper contraction of household consumption.
- **Next Week's Key Events** — At next week's interest rate setting meetings, we expect the Bank of **Israel** to cut rates by 25bp to 2.75%, while in **Hungary** we look for interest rates to rise by the same amount to 6.25%.

Figure 1. Event Calendar

Time	Country	Indicator	Period	Actual	Citi	Market	Previous (revision)
Yesterday's events							
08:00	Czech Rep.	Business Confidence	Nov	7.5	-	-	10.9
08:00	Czech Rep.	Consumer Confidence	Nov	-29.0	-	-	-21.3
08:00	Czech Rep.	Consumer & Business Confidence	Nov	0.2	-	-	4.5
08:00	Hungary	Retail Sales (%YoY)	Sep	0.3	0.1	-0.1	0.4
09:30	South Africa	Producer Prices (%YoY)	Oct	10.6	11.0	11.0	10.5
12:30	Turkey	Capacity Utilisation (%)	Nov	76.9	-	76.6	77.0
12:30	Turkey	Industrial Confidence	Nov	102.3	-	-	101.9
15:00	Egypt	Deposit Rate (%)	Nov	9.25	-	-	8.25
15:00	Egypt	Lending Rate (%)	Nov	10.25	-	-	9.75
Today's events							
09:00	Poland	Retail Sales (% YoY)	Oct		-	10.5	11.4
09:00	Poland	Unemployment Rate (%)	Oct		-	11.9	11.8
09:00	Turkey	Tourist Arrivals (%YoY)	Oct		-	-	12.5

Source: National Sources, Bloomberg, Citi Investment Research and Analysis (CIRA)

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

Focus on Egypt

The unfinished revolution

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Egypt heads to the polls this weekend against the background of a week of violence (although given the complicated voting process, results will only be known by mid-January). The clashes in Tahrir Square since Sunday are at least in part a response to the large protest last Friday by supporters of the more religious based parties. Initially quite small in number, and despite having grown, still a minority, the protestors since Sunday largely reflect the more liberal wing of the revolution and early protestors, who feel that the original goals of the protests early this year (apart from forcing the resignation of the former president, Hosni Mubarak) to create a new democratic Egypt have been lost to religious based parties and the military.

Meanwhile, the Supreme Council of the Armed Forces (SCAF) has struggled to respond to the protests. This reflects its unwillingness to use the army to control the protests, relying more heavily on the less disciplined police force, which may help explain the high casualty rate. In addition, although the military leadership has offered some concessions, in the form of agreeing to hold presidential polls no later than June 30 2012, its ability to respond to others, such as the resignation of the head of the SCAF, Mohamed Hussein Tantawi, or dropping proposals to give it immunity from prosecution, is limited. While the military did opt to remove its support for Mr Mubarak as a political liability in response to the protests earlier this year, to follow with its current leader, who would only be replaced by a similar figure, would not only divide the military, but probably increase the likelihood of a military coup.

But in order to get protestors to leave Tahrir Square, an important concession is likely to be needed over demands to introduce a government of national unity. This is turn reflects a key demand of the current protestors that that the new constitution should not be written while the military remains in power. While the SCAF is unlikely to bow completely to this demand, it may well be able to appoint a new prime minister significantly removed from the Mubarak regime, but acceptable to the protestors. Such a move, coupled with the elections for the upper and lower houses of parliament set to be held over the coming months, should allow the SCAF to step far enough back from the political spotlight and retain broad support. In fact, it probably hopes that credible polls will give its popularity a boost. But, while this compromise would solve one problem for the military, it would raise another, as the very real practical implication of the current protests is that the hopes the military leadership have of either one of its members seeking election as a presidential civilian candidate now seemed dashed. Instead, it will likely have to try to put its weight, very cautiously, behind an external candidate who it feels will be able to protect its position in the post election period.

Meanwhile, away from politics, it should not be forgotten that the economy will also have suffered another setback with the violence. In particular, the heightened political tension is bound to have some impact on capital flows and the large fall in foreign exchange reserves seen in October could well be repeated in November, pushing down total reserves to around the US$20bn level. Moreover, with the political changes likely to mean that any deal with the IMF is delayed even further, the prospects of the Central Bank of Egypt being able to maintain the exchange rate at its current level around EGP6:USD1 for more than a couple of months seem to be fading, unless it opts to impose some form of capital controls. However, it may be able just about to delay the decision until after the elections are held, or only allow a very modest depreciation. But the reality remains that a weakening currency will impact on inflation and the budget deficit in 2012 and is likely to mean that the politics plays out against the background of a much less benign economic environment than was the case in 2011.

Country Analysis

Czech Republic

Broad based fall in November confidence indicator

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November confidence fell across all sectors after a temporary improvement in October. The industrial survey points to a weaker current situation as well as expectations. Consumer confidence fell significantly accompanied by greater concerns about a higher unemployment rate and was also negatively influenced by higher price expectations (the exact figures will be published in the EC survey on 29 November, followed by manufacturing PMI on 1 December).

The November confidence survey is in line with our forecast of a further slowdown in economy activity to zero growth in 2012, a higher unemployment rate and CPI inflation acceleration. Confidence indicators have a good record of tracking GDP growth and suggest that a further deceleration in 4Q11 GDP is on the way – we expect it to come in at 0.8%YoY after recording 1.5% in the third quarter. November confidence is more negative and suggests that growth will ease back to 0%YoY. However, this reading would require a 0.7%QoQ *decline* while we are more sanguine, looking for -0.1%. Nevertheless, unless we see some improvement in December a stronger fall of around 0.3%QoQ in 4Q11 would not be surprising. We think the November indicators are neutral to our forecast for a stable CNB policy rate at 0.75% until 1Q13 and a weak koruna at 25.8 against the EUR over 0-3 months, followed by a mild appreciation to average 25 in 2012.

Hungary

Retails sales stagnate in September

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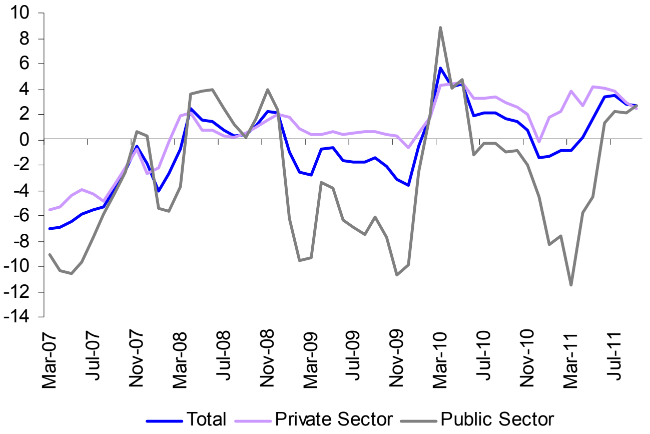
Retail sales remained unchanged in September on a seasonally adjusted monthly basis, easing the annual growth from 0.4%YoY to 0.3%. Food consumption has increased by 1.5%YoY in September offsetting the 0.6% decline in non-food items. The largest drop was measured in clothing and footwear (down by 16.8%YoY in September). The acceleration of price increases registered in clothing in October, which we think was likely driven by currency weakening, may slow consumption of non-durable goods further.

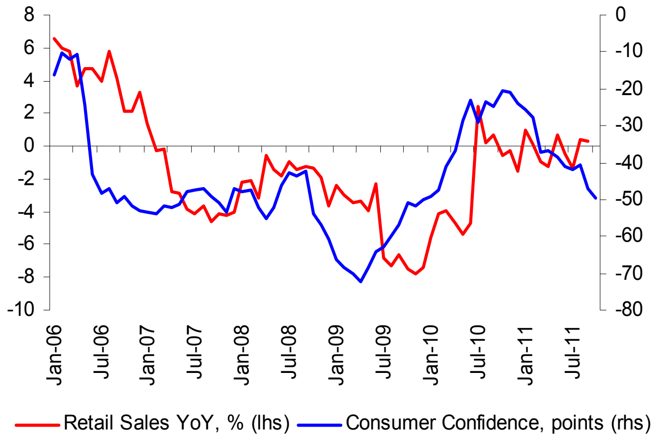
Further contraction in household consumption likely. The ongoing decline in consumer confidence indices, the prospect of eroding net real wage growth due to a rising inflation outlook and the increasing household debt burden due to currency weakening suggest a further contraction of household consumption lies ahead. We expect a 2.5% drop in household consumption in 2012 following a 0.7% contraction expected this year. Given the deterioration in the prospects for external demand and the increased fiscal tightening needed for Hungary to keep its deficit target on track, we have cut our GDP growth forecast for 2012 from 0.5%YoY to 0.2%.

Figure 2. Net real wage growth, 3m rolling avg (%, YoY)



Source: Central Statistical Office, Citi Investment Research and Analysis

Figure 3. Retail sales and consumer confidence



Source: Central Statistical Office, GKI, Citi Investment Research and Analysis

Next Week's Key Events

We think the **Hungary**'s central bank will raise rates by 25bp. This is in contrast to the market consensus of no change. The outcome of the rate decision is surrounded by unusually high uncertainty, but we think the inflation outlook, weak demand on government paper actions and financial stability risks owing to currency weakening support the argument for rate hikes. However, we also believe that the government's unexpected announcement about seeking new cooperation with the IMF is likely to weaken the MPC's rate hiking bias, given the expected decline in risk premiums if the government finally pledges a new deal with the IMF. We, along with market consensus, are expecting a 25bp cut in **Israel** policy rates on Monday.

Figure 4. Next Week's Key Events

Time	Country	Indicator	Period	Citi Forecast	Mkt Forecast	Previous	Comment
Monday 28 November							
08:00	Hungary	Unemployment Rate (%)	Oct	10.8	10.7	10.7	Seasonal summer workers have likely contributed to a decline in unemployment in previous months.
08:00	Slovakia	Producer Prices (%YoY)	Oct	-	-	2.4	-
15:30	Israel	Interest Rate Announcement (%)	Nov	2.75	2.75	3.00	-
Tuesday 29 November							
06:00	South Africa	Private Sector Credit (%YoY)	Oct	5.8	5.6	5.5	PSCE growth probably picked up a little, but nonetheless is likely to have remained in a fairly narrow range in which it has hovered in the past 12 months or so.
06:00	South Africa	M3 Money Supply (%YoY)	Oct	6.0	6.4	6.8	
08:00	Slovakia	Consumer Confidence	Nov	-	-	-30.1	-
08:00	Slovakia	Industrial Confidence	Nov	-	-	0.7	-
09:30	South Africa	Real GDP (% YoY)	3Q	3.0	3.1	3.0	The main drag on activity in Q3 is likely to have been mining, but is likely to have been partly offset by strength in retail and motor trade sales over the quarters.
13:00	Hungary	Interest Rate Announcement (%)	Nov	6.25	6.00	6.00	We think this small step reflects the uncertainty related to the final outcome of a new IMF cooperation.
Wednesday 30 November							
-	Slovakia	Current Account (€mn)	Sep	-	-	-34	-
08:00	Hungary	Producer Prices (%YoY)	Oct	5.8	7.2	4.1	The recent currency weakening has likely delivered a sharp acceleration in PPI.
08:00	Turkey	Trade Balance (US$ bn)	Oct	-8.2	-	-10.4	We expect the 12-month rolling trade deficit rose to US$106.8bn from US$105bn in September.
09:00	Czech Rep.	Money Supply (%YoY)	Oct	-	-	4.4	-
09:00	Poland	GDP (%YoY)	3Q	4.0	4.1	4.3	Growth was probably still driven by domestic demand, with a neutral contribution from net exports.
12:00	South Africa	Budget (ZAR bn)	Oct	-15.0	-	-17.1	The data should however be reasonably favourable.
12:00	South Africa	Trade Balance (ZAR bn)	Oct	-2.8	-2.0	2.5	We expect that October was in line with the choppy pattern of earlier months.
13:00	Poland	Inflation Expectations (%)	Nov	-	-	4.2	-
15:30	Israel	Unemployment Rate (%)	3Q	-	-	5.5	-
Thursday 1 December							
-	Czech Rep.	Budget Balance (CZK bn)	Nov	-	-	-91.5	
-	Hungary	PMI	Nov	48.0	-	48.2	The contraction in PMI is likely to slow following the sharp drop from October. The outlook may deteriorate further.
-	Kazakhstan	Consumer Prices (%YoY)	Nov	-	-	8.0	-
-	Kazakhstan	Producer Prices (%YoY)	Nov	-	-	26.6	-
-	Russia	Reserve Fund (US$ bn)	Nov	-	-	26.4	-
-	Russia	Wellbeing Fund (US$ bn)	Nov	-	-	91.2	-
-	Slovakia	Budget Balance (€ bn)	Nov	-	-	-2.3	-
05:00	Russia	Manufacturing PMI	Nov	-	-	50.4	-
08:00	Poland	Manufacturing PMI	Nov	-	-	51.7	-
08:00	Turkey	Manufacturing PMI	Nov	-	-	53.3	-
08:30	Czech Rep.	Manufacturing PMI	Nov	-	-	51.7	-
09:00	South Africa	Kasigo PMI	Nov	50.7	-	50.5	We expect a further marginal gain.
Friday 2 December							
-	Romania	International Reserves (€ bn)	Nov	-	-	36.3	-
08:00	Romania	Producer Prices (%YoY)	Oct	-	-	8.1	-
09:00	South Africa	Naamsa Vehicle Sales (% YoY)	Nov	-	-	18.9	-

Source: National Statistics Offices, National Central Banks, Bloomberg, Citi Investment Research and Analysis

Country Previews

Hungary

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	Period	Citi Forecast	Market Forecast	Previous Release
Interest Rate Announcement (%)	Nov	6.25	6.00	6.00

Source: Hungarian Central Statistical Office, National Bank of Hungary, Bloomberg and Citi Investment Research and Analysis

Interest Rate Announcement, Nov

The outcome of the rate decision is surrounded by unusually high uncertainty, in our view. The MPC has signalled in its statement issued following the non-rate setting meeting from Nov 15 that it is likely to hike rates gradually and refrain from emergency hikes, despite the weakness in the currency. In our view, the inflation outlook, weak demand on government paper actions and financial stability risks owing to currency weakening support the argument for rate hikes. Having said that, we believe that the government's unexpected announcement about seeking new cooperation with the IMF is likely to weaken the MPC's rate hiking bias, given the expected decline in risk premiums if the government finally pledges a new deal with the IMF. The risk of failing to reach an agreement with the IMF and the ongoing deterioration in eurozone financing conditions, however, is likely to put further pressure on Hungarian assets, which in our view calls for the need of gradual tightening even before the negotiations are closed.

In our view, the outcome of the November rate decision and the tone of the statement will also prove an important credibility test to monetary policy independence. Failure to gather support for a rate hike or sticking to an overly optimistic risk assessment of domestic factors may hamper risk assessment further and weaken the chances of an IMF agreement. In our view, a 50bp step would trigger a positive market reaction but we see greater chance for a 25bp hike, given the split in the MPC.

Poland

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	Period	Citi Forecast	Market Forecast	Previous Release
GDP (%YoY)	3Q	4.0	4.1	4.3

Source: Central Statistical Office, National Bank of Poland, Bloomberg and Citi Investment Research and Analysis

GDP, 3Q

In our view, GDP growth decelerated in the third quarter to 4.0%YoY from the 4.3% reported a quarter earlier. According to our estimates, economic growth was still driven by domestic demand, which grew by 4%YoY down from 4.3%YoY in 2Q, with a neutral contribution from net exports. The growth engine of the continued domestic demand strength was investments though, according to our estimates, they decelerated to 6.9%YoY from 7.8%. However, the GDP projection of the central bank released earlier this month showed a further acceleration of investments in 3Q, therefore we see some upside risk to our estimate. We also expect private consumption decelerated again in 3Q to 2.8%YoY from 3.5% in 2Q. In our view, the coming months should bring a further slowdown in economic growth to 3.5%YoY in 4Q and then 1.9%YoY in 2012.

South Africa

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	Period	Citi Forecast	Market Forecast	Previous Release
Private Sector Credit (%YoY)	Oct	5.8	5.6	5.5
M3 Money Supply (%YoY)	Oct	6.0	6.4	6.8
GDP (% Ann.)	3Q	1.6	-	1.3
GDP (%YoY)	3Q	3.0	3.1	3.2
Budget (ZAR bn)	Oct	-15.0	-	-17.1
Trade Balance (ZAR bn)	Oct	-2.8	-2.0	2.5
Kasigo PMI	Nov	50.7	-	50.5

Source: Statistics South Africa, South African Reserve Bank, Bloomberg and Citi Investment Research and Analysis

PSCE and Money, Oct

Growth in private-sector credit extension (PSCE) probably picked up a little bit in October after a slowdown in the previous month, but nonetheless is likely to have remained in a fairly narrow range of 5.0% to 6.5% in which it has hovered in the past 12 months or so. Credit continues to decline as a share of GDP, an indication that the private sector as a whole is deleveraging, and we see no reason to expect this pattern to change in the near term, with uncertainties about the global economy and how it could impact local businesses and job prospects. In addition, lack of growth in property prices and indications of lingering over-supply limits growth in mortgages outstanding – the largest component of PSCE – with the small exception of commercial mortgages, which have picked up somewhat in recent months.

GDP, 3Q

Real GDP probably posted a growth rate not much higher than the soft 1.2%QoQ annualized seen in Q2, but at the very least the worst fears of a few months ago – that output would contract on a QoQ basis – are unlikely to be realized. The main drag on activity in Q3 is likely to have been mining, where partly because of strikes production declined by about 5% QoQ (non-annualized) in the quarter. Meanwhile, manufacturing stagnated, again because of strikes in several key sectors in July, after a contraction in Q2. But these negative effects are likely to have been in part offset by dynamism in the “trade, hotels and restaurants” sector owing to strength in retail and motor trade sales over the quarters. In other services sector, too, we expect relatively decent growth, while construction activity – although still very soft – may have continued to pick up slightly from earlier in the year.

Budget, Oct

Budget execution data so far in the fiscal year have been consistent with a mild increase in the full-year deficit compared with 2010/11, and we do not think that the October data will have sent a different message. The data should, however, be reasonably favorable as we project a deficit of R15.0 billion, down from R17.1 billion in September and from R17.5 billion in the same month last year (the YoY comparison is the most valid as the data are not seasonally-adjusted). Preliminary financing data for October from the Treasury showed cash balances increased by R8.1 billion and there were small exceptional revenues. If our projection is correct, the cumulated deficit for April-October (the first half of the fiscal year) would be around R119 billion, about R11 billion wider than a year earlier.

Trade Balance, Oct

The SA trade balance has been quite volatile of late, though the underlying trend remains one consistent with a fairly moderate current account deficit. We expect that October was in line with the choppy pattern of earlier months, and after a surplus of R2.51 billion in September we look for a deficit of R2.75 billion in the following months. Growth in non-oil import volumes may have slackened off from the rather elevated 34%YoY pace seen in September; however, we also expect a moderation in export growth, in particular amid evidence that export volumes of coal (through the Richards Bay Coal Terminal) and new vehicles stagnated on a YoY basis.

Kasigo PMI, Nov

In recent months, the Kagiso PMI has been gradually clawing back some ground lost during the July strikes in the manufacturing sector, and in October the survey's forward-looking components – like the new orders or expected business conditions indices – moved ahead of the headline index. For that reason, we expect a further marginal gain in the PMI in November (0.2 point up from October). Nonetheless, the recent rise in market stress in Europe, amid growing fears of a euro-area recession, limits in our view the chances of the PMI rising significantly above 50. With respect to the prices PMI, we feel it may have risen again somewhat in November as the trade-weighted rand weakened towards the end of the month.

Turkey

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	Period	Citi Forecast	Market Forecast	Previous Release
Trade Balance (US$ bn)	Oct	-8.2	-	-10.4

Source: Turkish Statistical Institute, Central Bank of the Republic of Turkey (CBT), Bloomberg and Citi Investment Research and Analysis

Trade Balance, Oct

While there are signs of stabilization in Turkey's trade balance, the pace of adjustment does not look particularly strong or steady. For example, our estimates point to the October trade deficit coming in at around US$8.2bn, bringing the 12-month rolling deficit to US$106.8bn — compared with US$105bn in September. Moreover, we expect that, while export growth decreased to about 10%YoY in October (from 21% in September), import growth decelerated to about 17%YoY (from 36% in September). Looking ahead, external developments to date lead us to believe that the current account deficit is on track to come in at around 10% of GDP in 2011 and remain at elevated levels of about 8.5% of GDP in 2012.

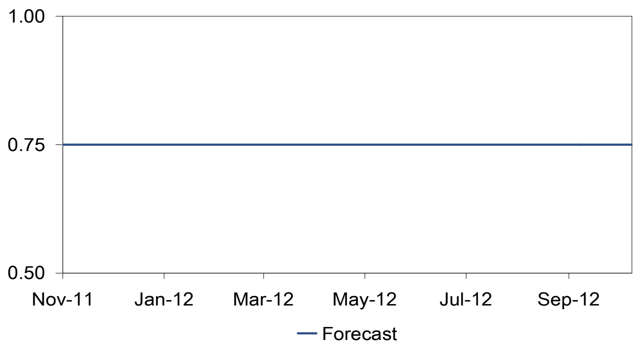
Local Interest Rates

Figure 5. CEEMEA monetary policy watch

			Last Move		Next Move		2011 Year-end
		Spot	Date	Amount (bp)	Date	Amount (bp)	forecast
Czech Republic	2 Week Repo Rate	0.75	Jun-11	-25	1Q13	+25	0.75
Hungary	14-Day Repo Rate	6.00	Jan-11	+25	Nov-11	+25	7.25
Israel	Base Rate	3.00	Sep-11	-25	Dec-11	-25	2.50
Poland	7-Day Repo Rate	4.50	Jun-11	+25	Mar-12	-25	3.75
Romania	Refinancing Rate	6.00	Nov-11	-25	Jan-12	-25	5.00
Russia	Refinancing Rate	8.25	Apr-11	+25	Dec-11	-25	7.50
S. Africa	Average Repo rate	5.50	Nov-10	-50	Sep-12	+50	6.50
Turkey	1-Week Repo Rate	5.75	Aug-11	-50	3Q13	+25	5.75
Ukraine	Discount Rate	7.75	Aug-10	-75	Sep-11	-25	7.50

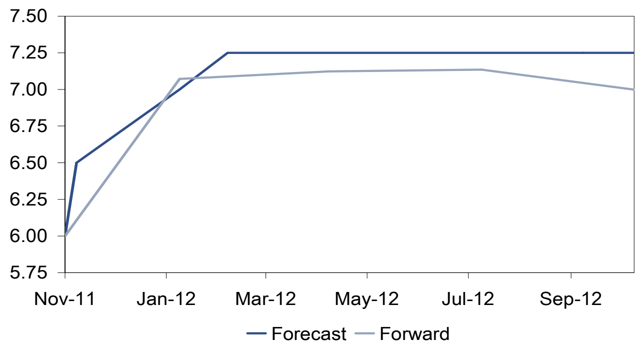
Source: Citi Investment Research and Analysis

Figure 6. Czech Republic (Percent)



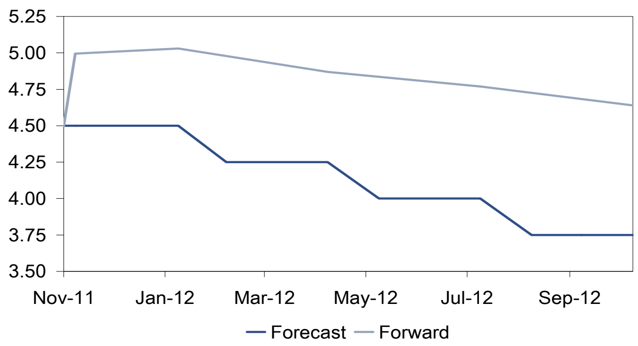
Source: Bloomberg, Citi Investment Research and Analysis. Note: 41bp spread 3M PRIBOR vs. CNB's rate.

Figure 7. Hungary (Percent)



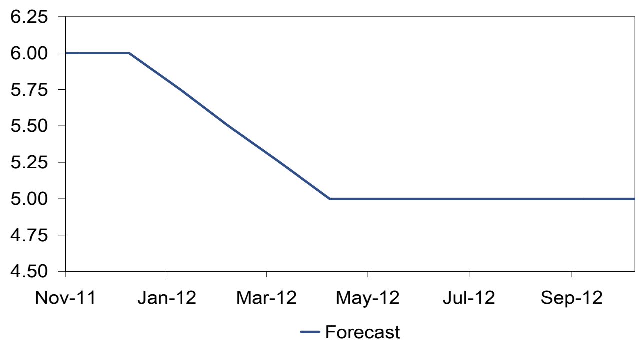
Source: Bloomberg, Citi Investment Research and Analysis

Figure 8. Poland (Percent)



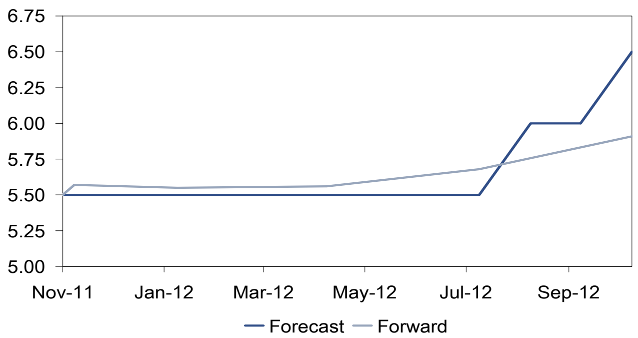
Source: Bloomberg, Citi Investment Research and Analysis

Figure 9. Romania (Percent)



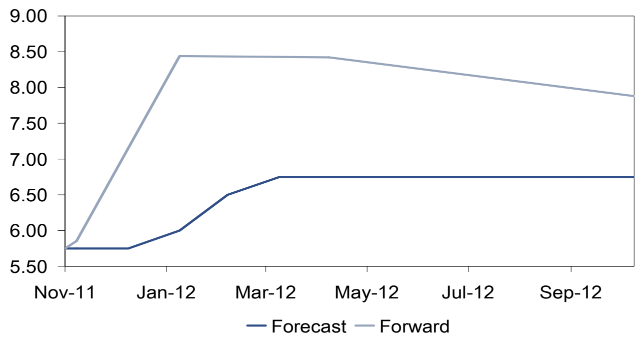
Source: Bloomberg, Citi Investment Research and Analysis

Figure 10. South Africa (Percent)



Source: Bloomberg, Citi Investment Research and Analysis

Figure 11. Turkey (Percent)



Source: Bloomberg, Citi Investment Research and Analysis

Global Foreign Exchange Forecasts

Figure 12. Citi Foreign Exchange Forecasts (as of 19 November)

		Market data			Forecasts			Returns**	
		spot	3m Fwd	12m Fwd	0-3 mos	6-12 mos	long-term	3 mos rtn	12 mos rtn
G10									
Euro	EURUSD	1.35	1.35	1.36	1.31	1.25	1.30	-3.1%	-7.8%
Japanese yen	USDJPY	77	77	76	75	76	78	-2.2%	0.0%
British Pound	GBPUSD	1.58	1.58	1.57	1.58	1.52	1.65	0.1%	-3.0%
Swiss Franc	USDCHF	0.92	0.91	0.91	0.95	0.98	1.04	4.3%	8.6%
Australian Dollar	AUDUSD	1.00	0.99	0.97	0.96	0.95	0.95	-3.4%	-2.4%
New Zealand Dollar	NZDUSD	0.76	0.75	0.74	0.73	0.70	0.63	-3.1%	-5.8%
Canadian Dollar	USDCAD	1.03	1.03	1.03	1.06	1.07	0.95	3.2%	3.9%
Dollar Index*	DXY	78.06	78.01	77.85	79.71	82.61	79.36	2.2%	6.1%
G10 Crosses									
Japanese yen	EURJPY	104	104	103	98	95	101	-5.3%	-7.8%
Swiss Franc	EURCHF	1.24	1.24	1.23	1.25	1.23	1.35	1.0%	0.2%
British Pound	EURGBP	0.86	0.86	0.86	0.83	0.82	0.79	-3.3%	-5.0%
Swedish Krona	EURSEK	9.17	9.21	9.29	9.35	9.10	8.80	1.5%	-2.1%
Norwegian Krone	EURNOK	7.81	7.86	7.94	7.90	7.80	7.70	0.6%	-1.8%
Norwegian Krone	NOKSEK	1.17	1.17	1.17	1.18	1.17	1.14	0.9%	-0.3%
Australian Dollar	AUDNZD	1.32	1.32	1.31	1.32	1.36	1.51	-0.3%	3.6%
Australian Dollar	AUDJPY	77	76	74	72	72	74	-5.6%	-2.4%
Asia									
Chinese Renminbi	USDCNY	6.36	6.35	6.33	6.27	6.08	5.80	-1.3%	-4.0%
Hong Kong Dollar	USDHKD	7.79	7.78	7.76	7.77	7.76	7.75	-0.1%	0.0%
Indonesian Rupiah	USDIDR	9020	9210	9674	9247	8847	8600	0.4%	-8.5%
Indian Rupee	USDINR	51.3	52.3	53.8	50.5	49.2	47.0	-3.5%	-8.6%
Korean Won	USDKRW	1139	1141	1145	1130	1095	1000	-0.9%	-4.3%
Malaysian Ringgit	USDMYR	3.17	3.18	3.20	3.15	3.09	2.93	-0.8%	-3.3%
Philippine Peso	USDPHP	43.4	43.5	43.5	43.7	42.6	41.0	0.4%	-2.1%
Singapore Dollar	USDSGD	1.30	1.30	1.29	1.28	1.25	1.19	-1.3%	-3.0%
Thai Baht	USDTHB	31.0	31.3	31.7	30.8	30.4	29.5	-1.4%	-4.2%
Taiwan Dollar	USDTWD	30.3	30.2	29.8	30.2	29.3	27.8	0.0%	-1.7%
EMEA									
Czech Koruna	EURCZK	25.4	25.4	25.3	25.8	25.0	23.8	1.4%	-1.2%
Hungarian Forint	EURHUF	304	308	317	335	315	285	8.7%	-0.6%
Polish Zloty	EURPLN	4.43	4.47	4.55	4.55	4.30	3.90	1.8%	-5.5%
Israeli Shekel	USDILS	3.73	3.74	3.76	3.80	3.90	3.70	1.6%	3.8%
Russian Ruble	USDRUB	30.9	31.3	32.7	32.5	34.2	32.6	3.6%	4.6%
Russian Ruble Basket		35.3	35.7	36.3	37.9	37.0	38.0	37.0	1.9%
Turkish Lira	USDTRY	1.83	1.86	1.97	1.85	1.87	1.80	-0.5%	-4.9%
South African Rand	USDZAR	8.20	8.31	8.59	8.10	8.50	8.80	-2.5%	-1.0%
LATAM									
Brazilian Real	USDBRL	1.78	1.82	1.90	1.80	1.70	1.70	-1.1%	-10.4%
Chilean Peso	USDCLP	511	517	529	520	530	490	0.6%	0.2%
Mexican Peso	USDMXN	13.7	13.8	14.1	13.2	13.2	12.2	-4.2%	-6.1%
Colombian Peso	USDCOP	1918	1929	1950	1900	1850	1800	-1.5%	-5.1%

* The DXY forecasts are implied from the forecasts of the constituent crosses.
** Returns are relative to forwards

Source: Citi Investment Research and Analysis. Note: These forecasts are a joint venture between Citi's foreign exchange, global macro and technical strategy groups and our developed and emerging markets economists. Details are available in Global Foreign Exchange: Forecasts November 2011, published on 19 November 2011.

Selected Market Indicators

Figure 13. Selected Market Indicators

Currency Performance	Spot (Prev Close)	Change (%) 1 Day	1 M	Local Rates*	Last Close	Change 1 Day	1 M	Equities	Last Index Level	Change (%) 1 Day	1 M
Europe (vs euro)				Europe				Europe			
Bulgaria Lev	1.96	0.00%	0.02%	Bulgaria	0.45	0.01	-0.03	Bulgaria SOFIX	318	-0.63%	-7.63%
Croatia Kuna	7.49	-0.03%	0.09%	Croatia	0.78	0.00	-1.89	Croatia CROBEX	1750	-0.87%	-3.28%
Czech Koruna	25.8	0.32%	3.31%	Czech	0.72	0.00	0.08	Czech PX50	852	0.85%	-9.80%
Hungary Forint	311	0.27%	4.56%	Hungary	5.34	-0.02	0.05	Hungary BUX	16974	-0.03%	-4.85%
Poland Zloty	4.50	0.11%	2.82%	Poland	4.35	0.00	0.11	Poland WIG020	2147	0.06%	-8.61%
Romania Lei	4.36	-0.02%	0.75%	Romania	5.86	3.72	0.37	Romania BSE	4238	-0.88%	-6.22%
Russia Ruble	42.0	-0.20%	-1.17%	Russia	5.31	0.00	-0.42	Russia RTS (US$)	1403	-1.35%	-6.48%
Serbia Dinar	103	0.00%	3.46%	Serbia	NA	NA	NA	Serbia BELEX15	511	-0.94%	-6.27%
Turkey Lira***	1.87	-0.02%	5.24%	Turkey	11.86	0.17	2.56	Turkey ISE	49622	-2.88%	-11.83%
Ukraine Hryvnia***	8.01	0.00%	0.04%	Ukraine	22.00	0.00	-0.20	Ukraine PFTS	577	0.72%	8.72%
Middle East (vs USD)				Middle East				Middle East			
Bahrain Dinar	0.38	0.00%	0.00%	Bahrain	0.50	0.00	0.00	Bahrain BHSE All-Sh	1161	0.00%	1.48%
Egypt Pound	6.00	0.08%	0.56%	Egypt	9.18	0.00	0.07	Egypt HERMES	391	1.31%	-11.95%
Israel Shekel	3.79	0.47%	3.72%	Israel (1M)	2.94	-0.05	-0.06	Israel TA-100	927	-1.06%	-10.01%
Jordan Dinar	0.71	-0.01%	-0.03%	Jordan	3.30	0.09	0.71	Jordan ASE	1998	0.26%	1.30%
Kuwait Dinar	0.28	-0.22%	0.40%	Kuwait (1M)	0.56	0.00	0.00	Kuwait KWSE	5782	-0.28%	-2.02%
Lebanon Pound	1506	0.00%	0.00%	Lebanon	NA	NA	NA	Lebanon BLOM (US$)	1167	0.05%	-3.55%
Qatar Rial	3.64	0.00%	0.00%	Qatar	NA	NA	NA	Qatar DSM 20	8565	-0.13%	1.33%
S Arabia Riyal	3.75	0.00%	0.01%	S Arabia	0.43	0.00	0.03	S Arabia TASI	6086	0.00%	-1.12%
UAE Dirham	3.67	0.00%	0.00%	UAE (1M)	0.96	0.00	-0.01	UAE ADSMI	2418	-0.49%	-1.33%
Sub-Saharan Africa (vs USD)				Sub-Saharan Africa**				Sub-Saharan Africa			
Botswana Pula	0.13	0.77%	-5.43%	Botswana	NA	NA	NA	Botswana DCIBT	6930	0.00%	-2.13%
Ghana Cedi	1.63	0.06%	2.35%	Ghana	NA	NA	NA	Ghana GSE	983	-0.22%	-1.63%
Kenya Shilling	90.4	0.00%	-10.63%	Kenya	NA	NA	NA	Kenya NSEK	3289	-0.97%	-0.61%
Malawi Kwacha	166	-0.33%	0.08%	Malawi	NA	NA	NA	Malawi	NA	NA	NA
Nigeria Naira	160	-0.16%	2.44%	Nigeria (1M)	NA	NA	NA	Nigeria NGSE	19682	-1.94%	-2.94%
S. Africa Rand	8.49	-0.44%	7.41%	S. Africa (1M)	5.41	0.00	-0.04	S. Africa JALSH	31202	-36.42%	-37.84%
Tanzania Shilling	1705	-0.15%	-2.57%	Tanzania	6.25	0.00	-0.10	Tanzania	NA	NA	NA
Zambia Kwacha	5100	0.20%	3.07%	Zambia	NA	NA	NA	Zambia	NA	NA	NA
Commodities				FX Volatility				Major Indices			
Gold $/troy oz.	1694	-0.16%	-0.20%	EUR - CZK	10.42	-0.67%	15.46%	US NYSE	1162	0.00%	-5.47%
Platinum $/troy oz.	1538	-1.14%	-1.79%	EUR - HUF	15.89	-2.07%	-0.47%	US NASDAQ	2460	0.00%	-6.76%
Silver $/troy oz.	31.77	-0.78%	-4.19%	EUR - PLN	14.02	-2.25%	-4.35%	UK FTSE 100	5138	-0.03%	-7.01%
Copper US$/ton	7213	0.00%	-4.10%	EUR - RON	7.25	0.00%	-9.38%	France CAC 40	2832	0.35%	-10.78%
Tin US$/lb	1073	-0.56%	-3.09%	USD - RUB	16.14	-0.68%	1.29%	Germany DAX	5449	-0.16%	-9.88%
Natural Gas US$	2.83	0.00%	-21.82%	USD - ZAR	24.76	-0.78%	0.91%	Japan Nikkei 225	8165	-1.80%	-6.81%
Oil US$ Brent Crude	107.6	0.35%	-3.93%	USD - TRY	16.69	-1.92%	-1.77%				
CRB All Commod	307	0.00%	-4.14%	USD - ILS	10.22	-0.07%	7.50%	FTSE Global	322	-0.15%	-7.95%
								FTSE Emerging	537	0.69%	-6.17%

Source: Bloomberg, Citi Investment Research and Analysis. Note: Equities are local currency unless otherwise stated; FX Volatility is the mid price At-the Money (ATM) 1M term; * Overnight unless otherwise stated. **Weekly data on 3 month rates except S Africa. *** Turkey Lira & Ukraine Hryvnia are against the US dollar.

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