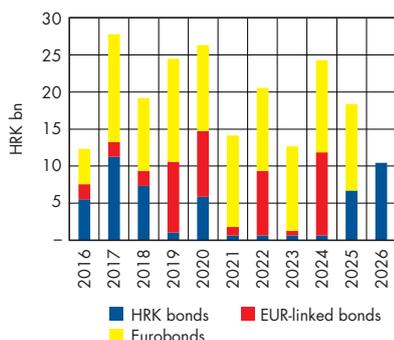


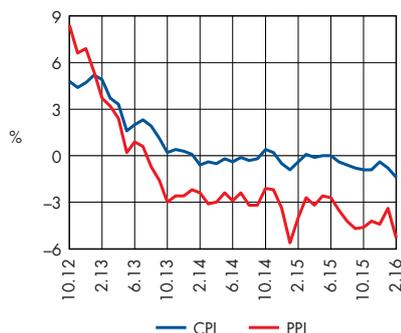
## New Domestic Bond Issuance

### Government bond maturities (principal and interest)



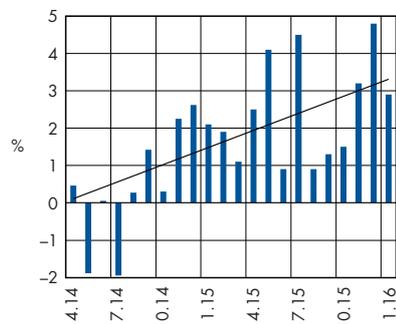
\* converted at mid-FX rate on 21<sup>st</sup> March 2016  
Sources: MoF, Raiffeisen RESEARCH

### CPI and PPI, annual changes (%)



Sources: CBS, Raiffeisen RESEARCH

### Retail trade, real annual changes (%)



Sources: CBS, Raiffeisen RESEARCH

Last week was marked with a **new Government borrowing** on the domestic capital market. The MoF successfully tapped the existing 2026 HRK bond by issuing the 2<sup>nd</sup> tranche in the total amount of HRK 4bn (YTM 3.99%). The majority in allocation were pension funds. Given that, according to the 2016 Budget proposal, the total bond issuance is planned in the amount of HRK 17.7bn, of which HRK 10bn in LCY, it is obvious that this is not the last Government's entry on the domestic capital market this year. Furthermore, due to the favorable conditions on the international markets, we are rather certain that the Government will tap the international market before the summer. On the **secondary domestic bond market**, after the new issuance, the price of pure HRK 2026 bond recorded a noticeable increase (+0.50% on a weekly basis) with the total weekly volume of HRK 220mn. On the Eurobond markets, it was confirmed that the Croatian Eurobonds follow more the CEE regional sentiment rather than the one-time domestic fundamental announcements. Furthermore, the Moody's downgrad of Croatia's long-term debt ratings was obviously priced in as two other credit rating agencies have already (in 2015) put Croatia's LT credit rating two notches below investment grade. Therefore, on the wings of the falling yields on the CEE market, the Croatian Eurobonds experienced a rather strong price increase, especially the USD denominated issues (0.8% on the average). This week we expect higher trading volumes on the domestic bonds market while the still present higher demand for CEE debt papers will impact the downward pressures on the yields curve and positively affect the Croatian Eurobonds. A positive trend prevails on the **FX market** as well where the kuna appreciated against the euro up to 7.53 kuna per euro (lowest since August 2015) due to a higher FCY supply from foreign banks and institutional investors. In the week to come a slight appreciation pressure on HRK is expected to continue due to the upcoming Easter holidays. Finally, on the last week's T-bills auction yields remained unchanged (1y pure HRK stood at 0.99%).

As regards economic releases, the **CPI figures** for February declined again (-1.4%yoy), representing an intensification of negative growth rates and confirming the trend of deflationary pressures that has lasted since February 2014 with sporadic interruptions. Retail trade in January (based on w. d. a. indices) advanced 2.9%yoy in real terms, rising for the eighteenth consecutive month. In the (pre)holiday week ahead, as regards economic indicators, **labor market data** are due for release. The monthly decline in the number of unemployed in February will be reflected probably in the fall of registered unemployment rate for February (18.2%) which is in line with the usual seasonal employment. Namely, given the earlier beginning of the low tourist season (due to the earlier timing of Easter this year), preparing for the tourist pre-season and an increased demand for seasonal workers has already begun. Hence, we expect the decrease in the number of unemployed to continue in the coming months. The first results of real average gross and net wages in January might show more growth on the annual level, driven by the lack of inflationary pressures and at the same time resulting in higher disposable income.

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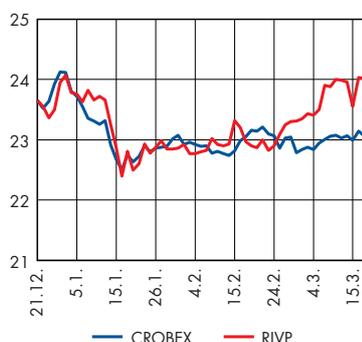
## Dividends in focus

### Janaf (3 m)



Sources: ZSE, Raiffeisen RESEARCH

### Valamar Riviera (3 m)



Sources: ZSE, Raiffeisen RESEARCH

### Trading comment

The continuing trend of poor turnover on the Zagreb Stock Exchange is on-going, and only HRK 6.1 mn of regular turnover on average daily has been achieved which is at the level of the week before. Hrvatski Telekom stock was the most traded one in regular turnover for the fifth week in a row, with HRK 4.7 mn turnover, while the Valamar Riviera followed with a turnover of HRK 4.1 mn. General indices CROBEX and CROBEX10 continue on a positive note with an increase of 1.05% and 1.74% respectively, while all sector indices ended the week in the red with the largest decline of 5.57% achieved by the index CROBEXtransport who had the highest growth of 5.17% the week before. Among CROBEX constituents, shares of Optima Telekom increased the most while shares of RIZ Odašiljači lost the most. The majority of stock indices in the region had positive performance led by Romanian BETI index.

### Company news

**Ericsson Nikola Tesla** Supervisory and Management Board proposed to the General Assembly the regular dividend payment to the amount of HRK 20 per share and extraordinary dividend to the amount of HRK 80 per share. General Assembly Meeting will be held on 31<sup>st</sup> of May. **Ericsson Nikola Tesla** and Armenian operator Ucom signed a frame contract for 4G/LTE network roll-out throughout Armenia. The value of the first phase of the contract is more than HRK 41 mn. **Janaf's** Supervisory and Management Board proposed that at the General Assembly Meeting the dividend payment to the amount of HRK 66.10 per share is adopted, what is in total HRK 66.6 mn. **Croatia Osiguranje** has informed that it has acquired additional stake in the Slovenian reinsurance company Sava Re, and now owns 14.17% of the share capital and 14.81% in voting rights. Before this acquisition, Croatia Osiguranje had 10.20% in voting rights. Valamar Riviera intends to invest HRK 196.7 mn in Family Life Bellevue Resort 4\* for the season 2017. The branding and the standards of the project will be done in cooperation with TUI in period 2017–2019. In destination Rabac by 2018 Valamar plans to invest total of EUR 56 mn. The dividend proposition amounts to HRK 0.6 per share and Valamar also intends to buyout up to 1% of own shares.

### In this week

We expect continuation of low trading activity in share turnover on the Zagreb Stock Exchange and small changes of leading stock indices.

Financial analyst Damjan Suttić (+385 1 55 75 733)

### Market performance

| Index           | 1w %  | ytd % | Value on* |
|-----------------|-------|-------|-----------|
|                 |       |       | 18.3.2016 |
| BETI (RO)       | 3.41  | -2.45 | 6,833     |
| NTX (SEE,CE,EE) | 2.71  | 1.74  | 976       |
| WIG30 (PL)      | 2.60  | 5.37  | 2,187     |
| MICEX (RU)      | 2.05  | 8.73  | 1,915     |
| ATX (AT)        | 1.78  | -3.01 | 2,325     |
| BUX (HU)        | 1.19  | 8.34  | 25,914    |
| CROBEX (HR)     | 1.05  | -3.51 | 1,630     |
| BELEX15 (RS)    | 0.60  | -6.53 | 602       |
| SOFIX (BG)      | 0.59  | -2.76 | 448       |
| PX (CZ)         | 0.51  | -4.61 | 912       |
| SBITOP (SI)     | 0.35  | 2.61  | 714       |
| SASX10 (BH)     | -0.23 | -2.59 | 681       |

\* as at 16:30 CET. Source: Bloomberg

### Top/Flop – CROBEX index

| Share           | 1w %  | Price on* | Share            | 1w %  | Price on* |
|-----------------|-------|-----------|------------------|-------|-----------|
|                 |       |           |                  |       | 18.3.2016 |
| OT–Optima T.    | 9.34  | 2         | Zagrebačka Banka | -1.07 | 39        |
| Podravka        | 5.17  | 325       | Ingra            | -1.11 | 3         |
| Ericsson NT     | 4.15  | 1,042     | Atlantic Grupa   | -1.22 | 800       |
| Adris Grupa (P) | 3.56  | 367       | Arenaturist      | -1.49 | 330       |
| Končar El       | 2.16  | 649       | Đuro Đaković H.  | -1.96 | 36        |
| Valamar Riviera | 1.71  | 24        | AD Plastik       | -1.98 | 99        |
| Ina             | 1.23  | 2,390     | Kraš             | -2.21 | 530       |
| Luka Ploče      | 0.00  | 600       | Petrokemija      | -2.71 | 11        |
| Luka Rijeka     | 0.00  | 42        | Belje            | -8.89 | 19        |
| Tankerska NG    | -0.07 | 74        | Atlantska Plov.  | -9.25 | 103       |
| HT              | -0.07 | 143       | Dalekovod        | -9.63 | 11        |
| Maistra         | -0.70 | 213       | RIZ Odašiljači   | -9.64 | 75        |

\* as at 16:30 CET. Source: ZSE, Raiffeisen RESEARCH

# Economic RESEARCH

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### Abbreviations

|   |   |   |
|---|---|---|
| avg – average   | EUR – Euro                              | MoF – Ministry of Finance                       |
| bp – basis points                                       | FCY – foreign currency                  | mom – month over month                          |
| C/A – current account                                   | FED – Federal Reserve System            | ON – overnight                                  |
| CBRD – Croatian Bank for Reconstruction and Development | FI – financial institutions             | MM – money market                               |
| CBS – Croatian Bureau of Statistics                     | FY – full year                          | MFEA – Ministry of Foreign and European Affairs |
| CES – Croatian Employment Service                       | GDP – Gross Domestic Product            | qoq – quarter over quarter                      |
| CNB – Croatian National Bank                            | GFCF – Gross fixed capital formation    | RBA – Raiffeisenbank Austria d.d.               |
| DPS – dividend per share                                | ILO – International Labour Organisation | RoC – Republic of Croatia                       |
| EC – European Commission                                | IMF – International Monetary Fund       | SMP – Securities markets programme              |
| ECB – European Central Bank                             | kn, HRK – Kuna                          | SNA – System of national accounts               |
| EDP – Excessive Deficit Procedure                       | LSE – London Stock Exchange             | USD – Dollar                                    |
| EM – Emerging Markets                                   | MIP – Macroeconomic imbalance procedure | w.d.a – working day adjusted                    |
| eop – end of period                                     |   | yoy – year over year                            |

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