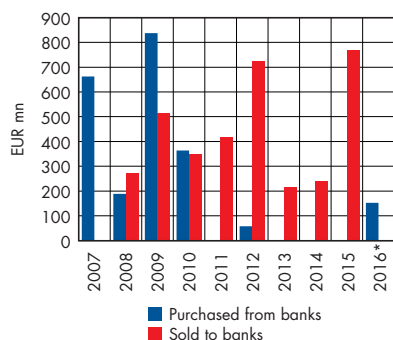


## Ample macroeconomic week overshadowed by elections

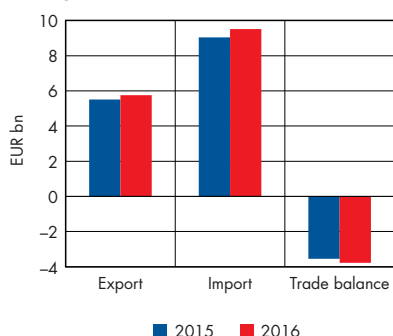
### FX interventions by CNB



\*till 5.9.2016

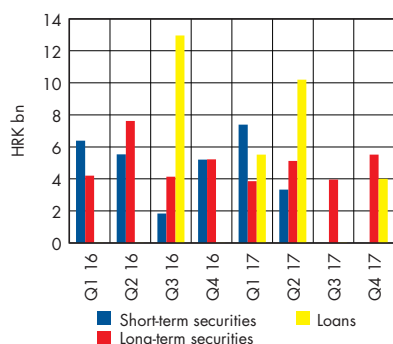
Sources: CNB, Economic RESEARCH/RBA

### Foreign trade in H1



Sources: CBS, Economic RESEARCH/RBA

### The projection of the general government debt maturity



Source: CNB

Despite the last week's macroeconomic releases being in the shadow of politics, the fact is that the week behind us was highlighted by an unexpected central bank **FX intervention** although the EUR/HRK has been relatively stable over the last two months. Therefore, in our view, without any fundamental reasons, the CNB bought EUR 69mn from commercial banks and released additional HRK liquidity. Following the intervention, HRK just temporarily experienced slight depreciation pressures but very soon the EUR/HRK returned down to the level of 7.48 kuna per euro. Likewise, during the week ahead we see stability to be kept within the trading range of 7.47–7.50 kuna per euro. In spite of the official rationale behind such a move of further stimulating economic recovery and lending, the fact remains that the local market is flush with a liquidity surplus, which keeps the interest rates at their lows. In that context we do not see any changes in the upcoming weeks or even quarters. For the time being the accommodative monetary policy is widely supported by a lack of any inflationary pressures. In the meantime HRK is bolstered by FCY inflows from **tourism** as the latest July data showed double digit growth rates. We are rather convinced that this will be the record tourist season ever, in terms of nights, arrivals but also revenues. On the other hand, despite solid growth rates of exports, the latest data repeatedly warned of high import dependence. Namely, in H1 the **foreign trade** deficit deepened by 6.4%yoy thus the coverage of imports by exports decreased to 60.4% (0.5pp lower than in H12015). However, negative trends in merchandise trade were partly offset by annual drop in oil prices on world commodity markets. Consequently, August **PPI figures** also confirmed the trend of negative growth rates (-5.0%yoy) and the same impact is anticipated on the next **CPI release** scheduled for Thursday (-1.4%yoy).

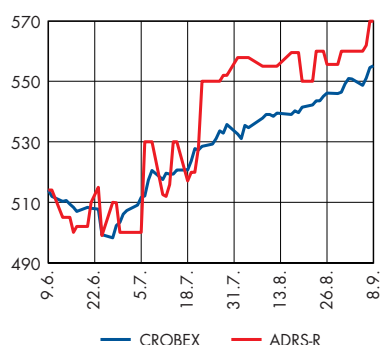
Turning our attention to the **financial market**, the week passed quite calmly with decreased trading volumes. Over the week ahead the pension pay outs are expected to increase liquidity in the system which, paired with still weak HRK demand, could support money market interest rates on a slightly downward path. In line with our expectation, the Ministry of Finance did not announce a T-bill auction for this week due to the fact that the next significant amounts of the T-bills mature at the very end of October (HRK 1.3bn and EUR 8.8mn).

On the local **bond market** nothing special was recorded, only a slight decrease in EUR denominated bond prices, partially supported by the above mentioned CNB intervention. This week could finally bring a somewhat higher trading volume, after relatively calm summer month. If looking at the upcoming Government's (re)financing needs, it is clear that already the next fiscal year will be far more challenging when the bulk amount of the next year's sovereign bonds matures in H1 2017. Overall, in the year to come total refinancing needs climb to the high HRK 27bn, therefore tapping the international market will be a must rather than an option. In that context the factor of political stability will play one of the crucial roles, especially in terms of pricing on the financial market.

Economic analyst: Tomislava Ujević (+385 61 74 606), Raiffeisenbank Austria d.d., Zagreb

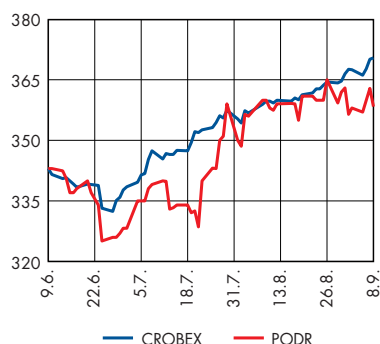
## Shares of Adris in the spotlight

### Adris(R) (3 m)



Sources: ZSE, Economic RESEARCH/RBA

### Podravka (3 m)



Sources: ZSE, Economic RESEARCH/RBA

### Trading comment

Equity indices of the Zagreb Stock Exchange CROBEX and CROBEX10 continued to upward momentum in the last week. Between CROBEX members, shares of Atlantska Plovidba and Tankerska Next Generation had the highest price growth while shares of Varteks fell the most. Hence, CROBEXtransport index performed the best among sector indices. During the week, a remarkably high regular equity turnover was recorded; on average HRK 17 mn daily. Out of the total turnover, common and preferred shares of Adris participated with almost 40% with the joint turnover of HRK 33 mn. Regional indices also had gains, with CROBEX posting the highest return.

### Company news

**Podravka** signed new syndicated loan contract of EUR 123 mn with the EBRD and four other banks: Privredna Banka Zagreb, Raiffeisenbank Austria, SKB and Erste &Steiermarkische Bank. The loan term is six years at a favourable rate and savings of HRK 3.5 mn are expected in a full-year period. The amount will be used for refinancing of existing loans and CAPEX or possible acquisitions. **Adris** acquired liabilities of the so called Anex of the hotel Marjan in Split, what amounts to 20% of the entire complex surface. **INA** published a public offer for the takeover of remaining 33% shares in Energopetrol at the price of BAM 2.3 per share. **Tehnika** signed a contract for construction works on a residential-commercial building in Podbrežje worth HRK 156.5 mn.

### In this week

The results of the parliament elections could determine course of the trading on the Zagreb Stock Exchange.

Financial analyst Ana Turudić

### Market performance

Index	1w %	ytd %	Value on*
			<b>9.9.2016</b>
CROBEX (HR)	1.51	9.56	1,851
MICEX (RU)	1.43	15.39	2,032
BELEX15 (RS)	1.27	-0.84	639
ATX (AT)	1.04	-0.14	2,394
BUX (HU)	0.75	18.72	28,400
SASX10 (BH)	0.70	-0.71	694
PX (CZ)	0.66	-7.83	881
NTX (SEE,CE,EE)	0.66	-2.48	936
BETI (RO)	0.56	0.57	7,044
SBITOP (SI)	0.51	5.91	737
SOFIX (BG)	0.01	2.39	472
WIG30 (PL)	-0.20	-2.44	2,025

\* as at 16:30 CET. Source: Bloomberg, Economic RESEARCH/RBA

### Top/Flop – CROBEX index

Share	1w %	Price on*	Share	1w %	Price on*
					<b>9.9.2016</b>
Atlantska Plov.	9.20	190	Ingra	0.82	2
Tankerska NG	7.72	78	Podravka	0.56	360
Arenaturist	5.81	415	Belje	0.09	23
Ericsson NT	4.79	1,149	OT-Optima T.	0.00	2
AD Plastik	3.94	129	Valamar Riviera	-0.17	29
Atlantic Grupa	3.21	848	Maistra	-0.22	232
Adris Grupa (P)	3.20	419	Končar EI	-0.28	673
Luka Rijeka	2.97	49	Kraš	-0.93	520
Zagrebačka Banka	0.97	42	Dalekovod	-1.53	13
Ledo	0.94	10,750	Đuro Đaković Holding	-2.47	47
HT	0.94	156	Varteks	-5.56	16
Ina	0.83	3,050			

\* as at 16:30 CET. Source: ZSE, Economic RESEARCH/RBA

# Raiffeisen RESEARCH

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### Abbreviations

bp – basis points	GDP – Gross Domestic Product	kn, HRK – Kuna
CERP – Restructuring and Sale Center	HBOR – Croatian Bank for Reconstruction and Development	MF – Ministry of Finance
DZS – Croatian Bureau of Statistics	HNB – Croatian National Bank	RBA – Raiffeisenbank Austria d.d.
ECB – European Central Bank	IMF – International Monetary Fund	USD – Dollar
EUR – Euro		
FED – Federal Reserve System		

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"Reduce": expected negative return up to -10% over next 12 months.

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Investment banking services	0	2	0	0	0	0
% all IB services	0%	29%	0%	0%	0%	0%

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