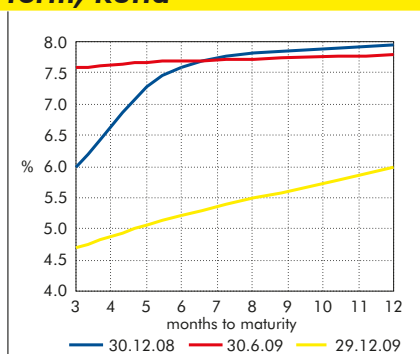


# Raiffeisen Weekly Report

January 11<sup>th</sup>, 2010 • RBA Croatia Weekly Report no. 1/2010

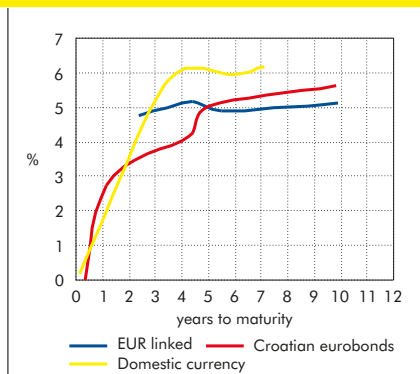
## No significant changes at the beginning of the year

### Yield curve – short term, kuna



Sources: Ministry of Finance, CNB

### Yield curve – bonds



Sources: Raiffeisen Research, Bloomberg

### Last Week's Overview

Activities at the CEE markets in the first week of January remained at modest levels. And while the beginning of a New Year brought no significant changes to Polish and Hungarian bonds, the yield on ten-year Czech bonds have significantly increased. Foreign trade surplus surprised the market positively, but the Czech budget deficit was worse than expected. Key interest rate is at a new all-time low and we do not see any more room for further reduction. MoF in Poland announced that in 2010 plans to offer PLN 26 bn in government securities. PLN 4-8 bn is to be offered in January, mostly concentrated on the shorter end of the yield curve. On the domestic bond market relatively modest trading volumes were recorded mostly with EUR denominated bonds with shortest maturity which on the weekly basis reported a slight rise in prices and the narrowing of spreads compared to benchmark German bonds. Demand for government bonds is still moderately high due to the good liquidity and low interest rates on the MM.

### This Week's Expectations

We do not expect significant changes in the bonds prices on CEE markets, although the lower risk aversion on the global markets could support demand for CEE bonds. As the MoF in Poland is offering mostly shorter maturity bonds, we reckon that spreads between the 10-year and 2-year benchmark will decline in the months to come. Higher inflationary expectations in Hungary reduced the space for the further cut of key interest rate. Domestic market is expected to continue with good liquidity and modest demand for government bonds.

### Government bonds in domestic market

Indexed to foreign currency (eur/hrk)	Coupon	Maturity date	Price*		Ytm		Change**		Spread BUND	Spread EUROWAP
			Bid	Ask	Bid	Ask	Price-Ask	Yield-Ask		
RHMF-O-125A	6.875	23.5.2012	103.65	104.65	5.21	4.77	0.20	-0.10	377	329
RHMF-O-142A	5,500	10.2.2014	100.30	101.30	5.42	5.17	0.05	-0.01	333	290
RHMF-O-157A	4,250	14.7.2015	94.00	97.00	5.53	4.88	0.00	0.00	297	251
RHMF-O-19BA	5,375	29.11.2019	98.00	102.00	5.64	5.11	0.00	0.00	232	204
<b>Domestic currency</b>										
RHMF-O-103A	6,750	8.3.2010	100.30	101.00	4.66	0.20	0.00	-0.25	-	-
RHMF-O-13CA	4,500	11.7.2013	94.90	95.90	6.14	5.81	0.30	-0.09	-	-
RHMF-O-15CA	5,250	15.12.2015	94.50	96.50	6.38	5.96	-0.30	0.07	-	-
RHMF-O-172A	4,750	8.2.2017	90.95	91.95	6.36	6.17	0.05	0.00	-	-

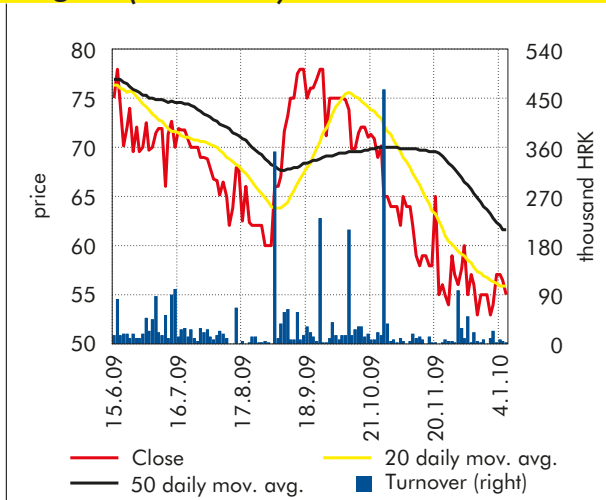
\* Raiffeisen Research; \*\* in comparison with end of last week



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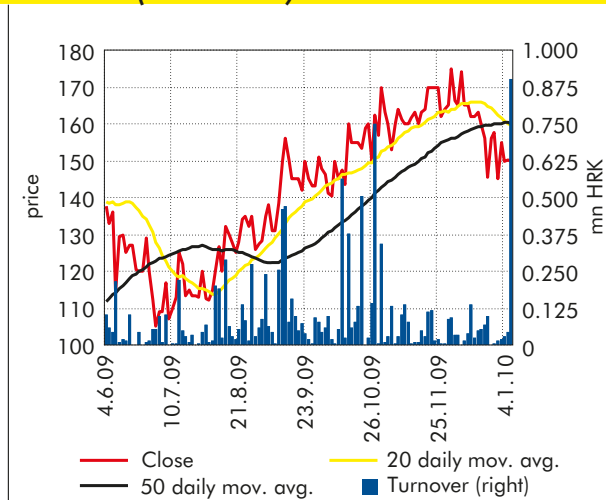
# Turmoil at the year start

## Magma (6 months)



Sources: ZSE, Raiffeisen research

## Konzum (6 months)



Sources: ZSE, Raiffeisen research

The short (post)holiday week on the ZSE prevailed on positive side and CROBEX closed 3,5% up. Average daily turnover was almost doubled compared to November and December, HRK 64.5mn. Intra-day trading was somewhat more volatile than usual due to political turmoil.

**Magma** published its FY 2009 sales results which are 14.3% down yoy and consolidated sales amount to HRK 848 mn. The highest drop was recorded in fashion segment and children products proved to be the most resilient to economic downturn. Company's sales on Serbian market in December were 6.8% higher yoy. Negative sales trend is expected to be reversed in H2 next year and together with shorter inventory turnover, reduction of employees' expenses and lower sales areas rent expense should help the bottom line to improve. **Konzum** sold its cosmetic arm Kozmo to private equity fund Nexus Alpha for an undisclosed amount on the very end of the year. **HT** has executed the merger of T-Mobile Hrvatska into HT. Hence, T-Mobile Hrvatska ceased to exist. However, for accounting and reporting purposes fixed and mobile segment will continue to be reported separately. On Friday, Podravka's share jumped by over 5% on the newspaper article published in Večernji list. The article content wrote about strategic plans of **Podravka's** actual management board to split up the company on five parts and sell 25% in each. Podravka denied these plans officially: "The strategy stated in the article has not been presented, worked out nor accepted by Podravka's Board." All speculated mergers and alliances have also been denied. After the refutation share growth eased.

## Market performance

Index	1 w %	ytd %	Value on 8.1.10
ATX (AT)	5,20	49,94	2.625
BELEX15 (RS)	0,00	17,44	664
BETI (RO)	8,26	75,04	5.078
BUX (HU)	4,52	81,23	22.186
CROBEX (HR)	3,53	33,77	2.075
PX (CZ)	3,69	34,99	1.159
RTSI (RU)	0,00	128,62	1.445
SBI20 (SI)	2,31	12,91	4.173
SOFIX (BG)	0,84	20,13	431
SASX10 (BH)	0,02	-14,62	1.053
NTX (SEE,CE,EE)	4,52	41,58	1.210
WIG20 (PL)	1,89	35,99	2.433.88

Source: Bloomberg

## Top/Flop – CROBEX index

Share	1 w %	Price on 8.1.10	Share	1 w %	Price on 8.1.10
Jadroplov	11.42	179	Luka Ploče	3.08	1,572
Podravka	7.74	320	Petrokemija	2.94	140
Atlantska plov.	7.10	1,017	Ericsson NT	2.65	1,375
Tankerska plov.	7.01	1,595	Dalekovod	2.50	332
Institut IGH	6.72	2,764	Dom holding	2.46	42
INA	5.76	1,745	Adris grupa (P)	1.93	264
Viadukt	5.04	313	PBZ	1.41	575
Viro TŠ	4.38	376	Atlantic grupa	0.10	682
HT	3.83	285	Ingra	0.07	41
Tehnika	3.79	1,505	Zagrebačka banka	0.00	260
Uljanik plov.	3.75	640	Đuro Đaković H.	-4.76	35
Končar	3.49	445	Ledo	-5.21	6,351

Source: ZSE, Raiffeisen research



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## Abbreviations

GDP – Gross Domestic Product  
 kn, HRK – Kuna  
 EUR – Euro  
 USD – Dollar  
 DZS – Croatian Bureau of Statistics

HNB – Croatian National Bank  
 ECB – European Central Bank  
 FED – Federal Reserve System  
 IMF – International Monetary Fund  
 MoF – Ministry of Finance

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