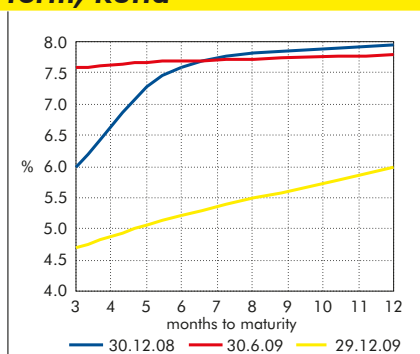


# Raiffeisen Weekly Report

January 25<sup>th</sup>, 2010 • RBA Croatia Weekly Report no. 3/2010

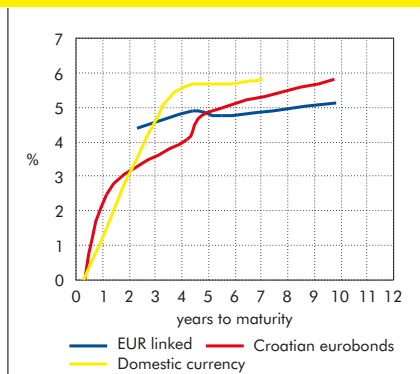
## Partial impact of increased uncertainty on the European market

### Yield curve – short term, kuna



Sources: Ministry of Finance, CNB

### Yield curve – bonds



Sources: Raiffeisen Research, Bloomberg

### Last Week's Overview

Return of risk aversion did not disrupt a strong demand on the primary and secondary market of Polish government bonds. Demand for the 10y and 20y bonds together was more than 3 times higher than the amount sold. Yields on 10y bonds dropped to 6.1%. On the other hand the global market uncertainty and fears about the sustainability of (re)financing Greek public debt were creating pressures on some emerging markets such as Hungary, where we saw a significant weakening of HUF against EUR. Yields on the Czech government bonds remained at relatively high level and the spread between CZK and EUR 10-year bonds is at a 3-month high currently. As we expected, on the domestic bond market high liquidity, low interest rates and the absence of T-bills auctions supported the demand for HRK-denominated bonds. On weekly level, HRK-denominated bonds' prices continued with upward trend, while the EUR-denominated bonds as well as eurobonds did not record significant changes.

### This Week's Expectations

On Wednesday, the Czech MoF will issue a 3-year bond (CZK 8 bn). Demand is expected to be weak and higher yield required. However, additional sources for financing the budget will be collected through the planned issues of Eurobonds. Hence, this could make the upward pressure on yields. The monetary council decision on the key interest rate in Hungary could bring one more correction by additional 25 bp, which should be positively reflected on yields. The domestic market is expected to continue with good liquidity and moderate demand for government bonds.

### Government bonds in domestic market

Indexed to foreign currency (eur/hrk)	Coupon	Maturity date	Price*		Ytm		Change**		Spread BUND	Spread EUROSAP
			Bid	Ask	Bid	Ask	Price-Ask	Yield-Ask		
RHMF-O-125A	6.875	23.5.2012	104.40	105.40	4.84	4.40	0.10	-0.06	351	310
RHMF-O-142A	5.500	14.6.2014	101.40	102.40	5.14	4.88	0.10	-0.03	309	269
RHMF-O-157A	4.250	14.7.2015	95.50	97.50	5.21	4.77	0.00	0.00	267	232
RHMF-O-19BA	5.375	29.11.2019	98.00	102.00	5.64	5.11	-1.00	0.13	222	202
<b>Domestic currency</b>										
RHMF-O-103A	6.750	8.3.2010	100.45	100.80	3.28	0.73	0.15	-1.38	-	-
RHMF-O-13CA	4.500	11.7.2013	95.45	96.45	5.97	5.64	0.55	-0.18	-	-
RHMF-O-15CA	5.250	15.12.2015	95.85	96.85	6.10	5.89	1.35	-0.28	-	-
RHMF-O-172A	4.750	8.2.2017	91.95	92.95	6.18	5.99	1.00	-0.18	-	-

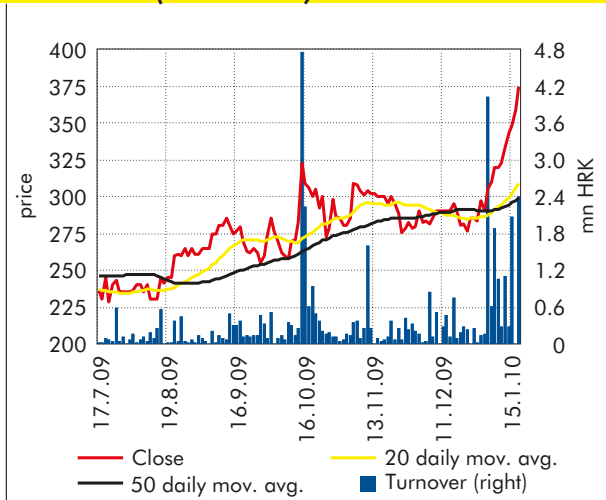
\* Raiffeisen Research; \*\* in comparison with end of last week



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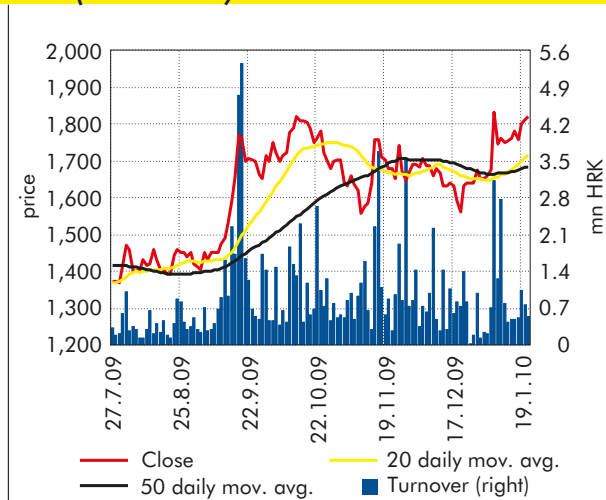
# Reporting season ahead

## Podravka (6 months)



Sources: ZSE, Raiffeisen research

## INA (6 months)



Sources: ZSE, Raiffeisen research

Average daily volumes on Zagreb Stock Exchange amounted just HRK 15 million, with CROBEX index almost flat with weekly change of  $-0.12\%$ . In addition to low liquidity, the week was labelled by **Podravka**. After the article in Jutarnji list indicated **Atlantic grupa** is negotiating with Podravka related to Podravka's takeover, HANFA suspended shares from trading until all facts from the article are checked. From Thursday on HANFA allowed trading continuation and concluded that the takeover process as such has not been underway and the price stated is not relevant since it is based on old data and made for internal purposes only. In relation to Atlantic takeover aspirations, CEO confirmed its interest in case owners are willing to sell. The Government said they have not considered the option yet. Soon after the opening, Podravka's share turned to positive suspension. However, till the end of the day, euphoria plumped and the share closed at  $+4.32\%$ .

**INA** will issue a 200 million euros convertible bond by March. A half of the issue will be bought by the state or institutional investors while another half will be taken by MOL. The bond will probably have a four- or five-year maturity. The owners will be able to convert the bond no sooner than 18 months after its issue. Slovenian company Akras, which represents eight banks in sale process of their 36% stake in Mercator, arranged the meeting of the company's Management with potential buyers. **Agrokor** said they are interested in acquisition of the stake and informed they are preparing the documentation. Next week the reporting season is expected to begin with Podravka's and **Petrokemija's** FY 2009 reports release scheduled for Friday.

## Market performance

Index	1 w %	ytd %	Value on 22.1.10
ATX (AT)	-4.21	47.09	2,575
BELEX15 (RS)	-0.72	20.91	683
BETI (RO)	-3.90	73.33	5,028
BUX (HU)	-3.55	77.36	21,712
CROBEX (HR)	-0.12	38.97	2,156
PX (CZ)	-0.08	38.03	1,185
RTSI (RU)	-4.67	135.25	1,487
SBI20 (SI)	-0.07	11.95	4,137
SOFIX (BG)	-0.66	20.71	433
SASX10 (BH)	-0.06	-15.68	1,040
NTX (SEE,CE,EE)	-3.06	39.99	1,196
WIG20 (PL)	-1.11	34.95	2,415.31

Source: Bloomberg

## Top/Flop – CROBEX index

Share	1 w %	Price on 22.1.10	Share	1 w %	Price on 22.1.10
Ledo	5.87	6,990	Tehnika	-1.65	1,790
Atlantic Grupa	4.37	716	Atlantska plov.	-1.90	1,030
INA	2.25	1,820	Jadroplov	-2.17	180
Podravka	2.01	355	Zagrebačka banka	-2.55	264
Končar	1.94	479	Dalekovod	-2.98	342
Petrokemija	1.86	146	Tankerska plov.	-3.05	1,590
Dom holding	1.15	44	Ingra	-3.11	42
Ericsson NT	0.45	1,435	Đuro Đaković H.	-3.24	36
Adris grupa (P)	0.37	272	IGH	-3.53	2,730
PBZ	-0.19	564	Uljanik plovidba	-3.76	640
HT	-0.25	295	Viro TŠ	-4.16	395
Luka Ploče	-0.93	1,605	Viadukt	-4.63	330

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

## Publisher

Raiffeisenbank Austria d.d. Zagreb  
 Petrinjska 59, 10000 Zagreb  
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Publication finished on January 22<sup>nd</sup>, 2010

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