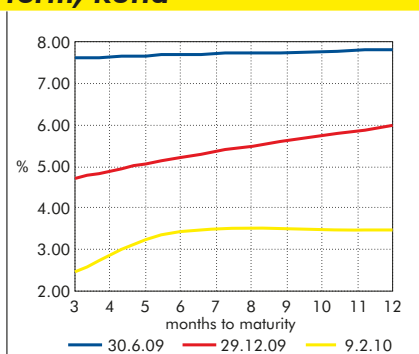


Raiffeisen Weekly Report

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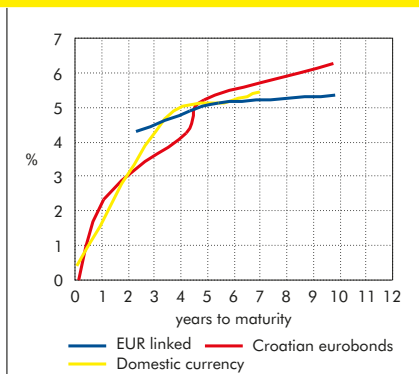
No great excitement on the market

Yield curve – short term, kuna



Sources: Ministry of Finance, CNB

Yield curve – bonds



Sources: Raiffeisen Research, Bloomberg

Last Week's Overview

Solid investor's interest in CEE government bonds has continued last week. Namely, at the auction of the 15-year Czech government bond the bid/cover ratio reached a high level of 4.51. However, the average yield increased to 5.16% so the MoF decided to sell only a part of the initial offer under the current market conditions. As a reaction to the deceleration of inflation in January Czech government bond yields went slightly down. Polish bonds moved more or less sideways compared the previous week with the exception of the 10-year benchmark bond, whose yield increased by roughly 10bp. Hungarian FI and FX market were under the influence of general global sentiment, i.e. fiscal policy of Greece. At the weekly level longer-maturity yields recorded an increase while the HUF strengthened against the euro, by 1%. On the domestic bond market illiquid EUR-denominated government bonds begin to follow liquid Croatian eurobonds. Hence, quotations reported a rise in yields and the widening of spreads compared to benchmark German bonds. On HRK – denominated yield curve decline on weekly level were particularly pronounced on the longer – end.

This Week's Expectations

The short-term development on the CEE market could continue to depend on the global sentiment. In Hungary once again, in the focus of investors will be fiscal policy since an updated evaluation by the IMF is expected. According to news reports, the IMF detected a gap of 1–1.2% of GDP in the 2010 budget which is in line with our expectations. Since inflation remains subdued the CNB in Czech Republic is not under time pressure to raise its key interest rate.

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	104.50	105.50	4.75	4.30	-0.50	0.21	355	314
RHMF-O-142A	5.500	14.6.2014	101.35	102.35	5.15	4.89	-0.40	0.13	327	284
RHMF-O-157A	4.250	14.7.2015	94.00	96.00	5.55	5.10	-2.00	0.45	320	276
RHMF-O-19BA	5.375	29.11.2019	96.00	100.00	5.92	5.37	-2.00	0.28	272	244
Domestic currency										
RHMF-O-103A	6.750	8.3.2010	100.00	100.37	6.55	0.39	-0.30	3.75	-	-
RHMF-O-13CA	4.500	11.7.2013	98.50	99.50	4.98	4.66	-0.50	0.16	-	-
RHMF-O-15CA	5.250	15.12.2015	98.50	100.50	5.55	5.15	0.50	-0.10	-	-
RHMF-O-172A	4.750	8.2.2017	95.00	96.00	5.63	5.45	2.00	-0.36	-	-

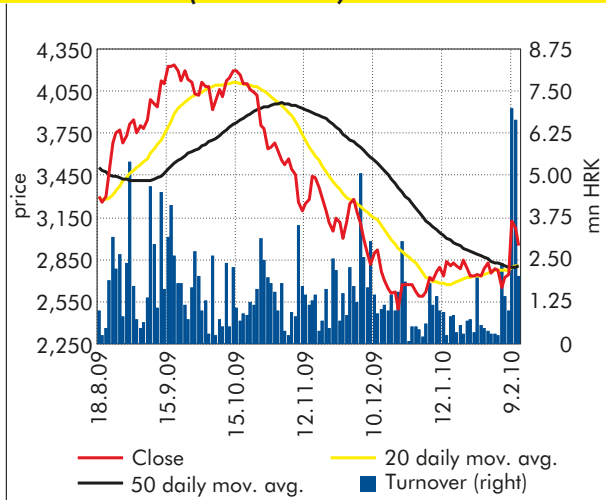
* Raiffeisen Research; ** in comparison with end of last week



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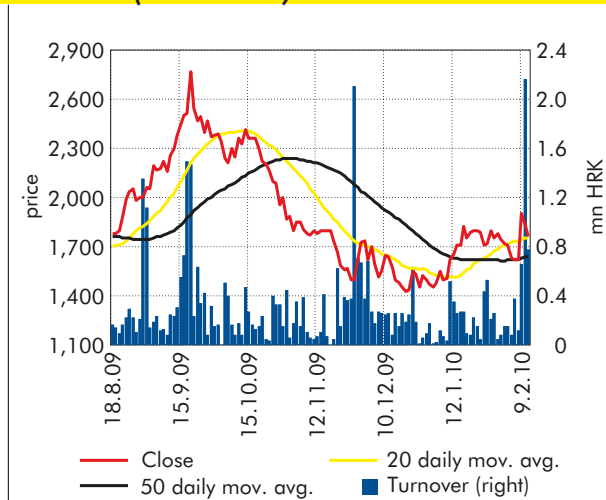
Construction stocks shook the market

Institut IGH (6 months)



Sources: ZSE, Raiffeisen research

Tehnika (6 months)



Sources: ZSE, Raiffeisen research

Most of the world equity markets closed the week up, as the news that EU will help Greece on its budgetary deficit improved investors' confidence. The week behind us on ZSE was labelled by construction sector news. Average daily turnovers amounted to roughly HRK 25 million, similar to the previous week.

As reported on the ZSE on Tuesday, consortium of Konstruktor, **Institut IGH** and **Tehnika** delivered the guarantees worth EUR 810 million to the Government of Montenegro for the construction of Bar-Boljare highway. The good news induced strong surge of construction stocks and pushed them to positive suspension soon. On the other hand, in Montenegrin media appeared some articles claiming that Croatian consortium has not delivered necessary guarantees, but only the promise to fulfil all the requirements till the end of February, which caused sharp drop of Institut IGH and Tehnika's shares. Afterwards, HANFA decided to temporarily suspend trading with aforementioned shares, until the companies deliver accurate information regarding the guarantees. As Institut IGH delivered the response to HANFA on Friday, the trading will be continued on February, 15.

On Friday Tehnika released FY 2009 reports. Posted sales were 30.9% yoy lower, whereas EBIT slumped 68.6%. Severe drop of operating earnings is a consequence of lower realized sales, but also the lower margins on contracted works. The bottom line amounted to HRK 11.9 million (-60.8% yoy). **Dalekovod** won another contract in Norway, related to 423 kV transmission line Sauda – Liastolen. The contract is worth EUR 12 million.

Market performance

Index	1 w %	ytd %	Value on 12.2.10
ATX (AT)	2.13	-2.08	2,444
BELEX15 (RS)	3.73	7.10	711
BETI (RO)	4.30	9.11	5,118
BUX (HU)	2.60	-2.25	20,750
CROBEX (HR)	-0.25	7.03	2,145
PX (CZ)	2.09	-0.01	1,117
RTSI (RU)	-3.56	-5.80	1,361
SBI20 (SI)	0.64	0.88	4,114
SOFIX (BG)	0.93	3.12	441
SASX10 (BH)	2.17	1.95	1,074
NTX (SEE,CE,EE)	2.47	-2.36	1,130
WIG20 (PL)	0.29	-7.82	2,202.02

Source: Bloomberg

Top/Flop – CROBEX index

Share	1 w %	Price on 12.2.10	Share	1 w %	Price on 12.2.10
Tehnika	8.77	1,762	Jadroplov	-0.06	169
Viadukt	8.52	348	Ingra	-0.15	40
IGH	8.14	2,950	Uljanik plovodba	-0.63	628
Đuro Đaković H.	7.46	36	Ericsson NT	-0.70	1,415
Ledo	2.77	6,680	Atlantic Grupa	-1.37	720
Zagrebačka b.	1.55	260	Adris grupa (P)	-1.59	273
Atlantska plov.	1.02	998	Dom holding	-1.59	43
Luka Ploče	0.57	1,569	INA	-1.95	1,843
HT	0.11	302	Končar	-2.09	468
Dalekovod	0.00	346	PBZ	-2.31	568
Petrokemija	0.00	140	Podravka	-4.08	329
Tankerska plov.	0.00	1,560	Viro TŠ	-4.41	387

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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