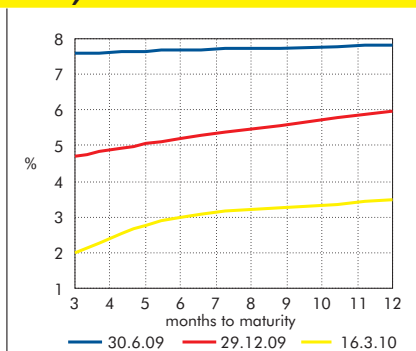


# Raiffeisen Weekly Report

March 22<sup>nd</sup>, 2010 • RBA Croatia Weekly Report no. 11/2010

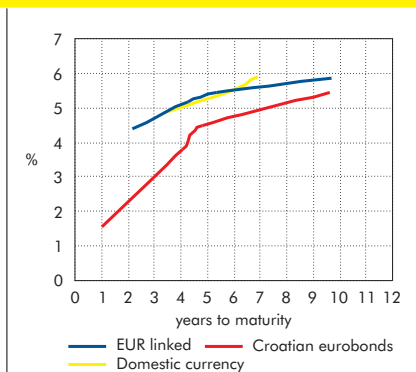
## Positive sentiment, solid interest – lower yields

### Yield curve – short term, kuna



Sources: Ministry of Finance, CNB

### Yield curve – bonds



Sources: Raiffeisen Research, Bloomberg

### Last Week's Overview

Reduced global risk aversion and positive sentiment on the CEE markets have pushed yields on 10-year Polish bonds to the lowest level since January 2009. With a bid-cover-ratio at 5.17, Poland sold a floating-rate bond worth PLN 3 bn, maturing in 2021. The economic data last week gave even more reason to believe that Poland's fundamental position is very strong. In such market sentiment, Hungarian forint reached a 15-month high versus euro, and yields continued to fall from 15 to 30bb. The Czech koruna profited also from the lower risk aversion, while the Czech government yield curve steepened slightly over the last week as the CZK/EUR spread increased. The interest on domestic market was mainly focused on government bonds with longest maturity (HRK-denominated and euro-denominated) and yields continued falling. Croatian Eurobond issuances registered narrowing of spreads compared to benchmark German bonds. Reduced perception of risk was also reflected in a decrease of 5-year CDS spreads (below 180bb).

### This Week's Expectations

Sentiment on the CEE bond market is currently very positive, what could bring yields even lower in coming days. On Thursday Czech National Bank will most likely keep the main interest rate unchanged, while the looming rate increase by the central bank in Poland will trigger yield increase on the short end of the curve leading to a drop of the 10-year to 2-year spread which is currently at elevated levels. On the domestic market this week the focus will stay on the bonds with longest maturities. MoF will hold a new T-bill auction due to the huge volumes of debt maturity in the coming period.

### 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	104.55	105.05	4.64	4.40	0.40	-0.21	356	311
RHMF-O-142A	5.500	14.6.2014	100.80	101.30	5.28	5.15	0.00	0.00	357	309
RHMF-O-157A	4.250	14.7.2015	94.00	94.50	5.57	5.46	0.00	0.00	333	289
RHMF-O-19BA	5.375	29.11.2019	96.00	96.50	5.92	5.85	1.00	-0.14	283	264
RHMF-O-203E	6.500	5.3.2020	104.00	104.50	5.96	5.90	0.75	-0.10	283	269
<b>Domestic currency</b>										
RHMF-O-15CA	5.250	15.12.2015	98.50	99.00	5.56	5.45	0.00	0.00	-	-
RHMF-O-172A	4.750	8.2.2017	93.00	93.50	6.01	5.91	0.00	0.00	-	-
RHMF-O-203A	6.750	5.3.2020	102.00	102.50	6.47	6.41	0.25	-0.03	-	-

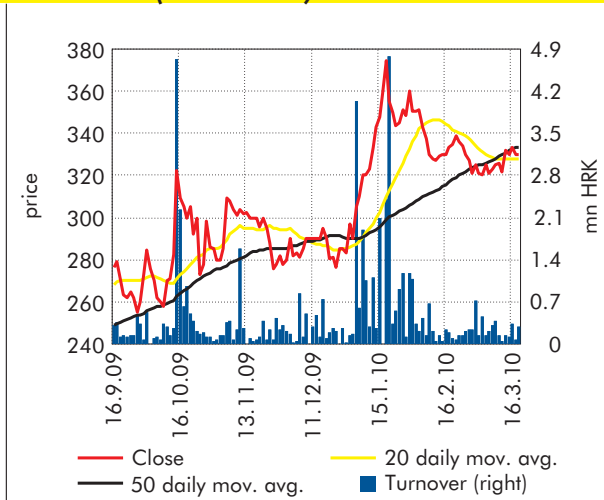
\* Raiffeisen Research; \*\* in comparison with end of last week



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# Podravka enters CROBEX10

## Podravka (6 months)

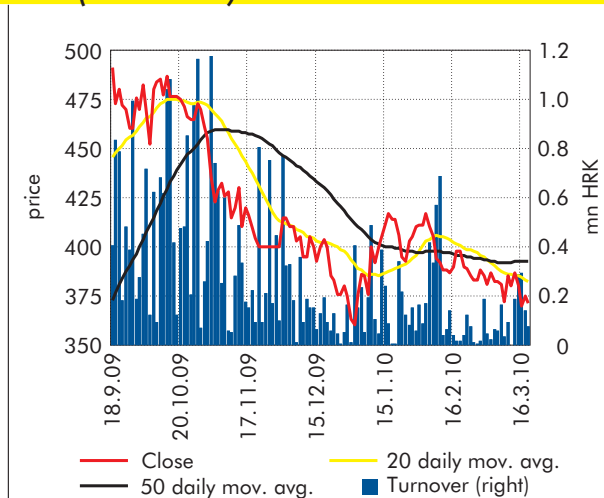


Sources: ZSE, Raiffeisen research

Last week on ZSE average daily turnover amounted to only HRK 18.3 million, whilst CROBEX recorded a weekly drop of 0.9%. Construction sector stocks recorded a sharp drop at the end of the week. The index committee concluded the CROBEX10 index revision. **Jadroplov** stocks have not met the conditions to stay in the index, hence **Podravka** stocks will enter the CROBEX10 index starting from March 29, 2010.

On Wednesday **Viro** released financial results for FY 2009, which lifted the stock 1.4% up. Posted sales revenues of HRK 531.9 million are 32.2% yoy lower, with domestic revenues share increased to 71.7% from 67.1% in 2008. EBIT amounted to HRK 35.2 million, almost as triple as in previous year, mostly due to 40.3% lower material expenses and 25.2% decreased personnel expenses. However, due to loss from financial operations of HRK 44.1 million (loss from financial assets sales) the Company realized bottom line of HRK 3.5 million. **IPK Kandit** announced possible sale of its sugar refinery. Viro expressed interest in the refinery takeover on Friday and the share lost 1.6% thereafter.

## Viro (6 months)



Sources: ZSE, Raiffeisen research

AGM of **Privredna banka Zagreb** is scheduled for April, 19. According to the announced agenda, HRK 323.2 million out of the total bank's profit for 2009 will be paid out to shareholders, which is a per share dividend of HRK 17. **Zagrebačka banka** reported net profit of HRK 1,216.2 million. The total amount will be allocated to retained earnings.

## Market performance

Index	1 w %	ytd %	Value on 19.3.2010
ATX (AT)	1.53	3.27	2,577
BELEX15 (RS)	0.27	2.92	683
BETI (RO)	5.06	25.75	5,898
BUX (HU)	2.83	12.43	23,866
CROBEX (HR)	-0.90	7.37	2,152
PX (CZ)	-0.01	6.41	1,189
RTSI (RU)	0.70	6.98	1,545
SBI20 (SI)	1.83	-5.20	3,867
SOFIX (BG)	0.91	-0.95	423
SASX10 (BH)	-0.02	-3.30	1,018
NTX (SEE,CE,EE)	2.15	7.94	1,249
WIG20 (PL)	2.78	3.95	2,482.99

Source: Bloomberg

## Top/Flop – CROBEX index

Share	1 w %	Price on 19.3.2010	Share	1 w %	Price on 19.3.2010
Dalekovod	2.76	360	Uljanik plovdba	-1.34	649
IGH	0.71	2,509	Tankerska plov.	-1.55	1,497
Petrokemija	0.12	136	Končar	-1.82	464
Ledo	0.01	6,301	Zagrebačka banka	-1.88	252
HT	0.00	319	Viadukt	-1.92	319
Atlantik Grupa	-0.20	690	Ingra	-2.33	39
INA	-0.45	1,792	Atlantska plov.	-2.75	982
Ericsson NT	-0.66	1,495	Jadroplov	-2.99	169
PBZ	-0.83	595	Đuro Đaković H.	-4.58	35
Adris grupa (P)	-0.85	285	Viro TŠ	-5.50	366
Luka Ploče	-0.93	1,605	Dom holding	-5.89	39
Podravka	-1.12	328	Tehnika	-6.45	1,507

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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