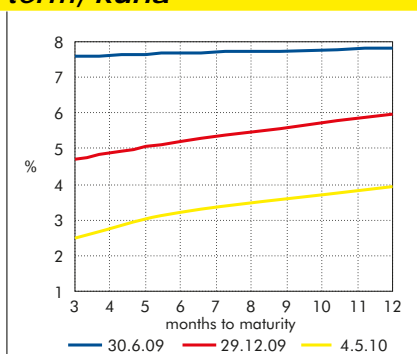


Raiffeisen Weekly Report

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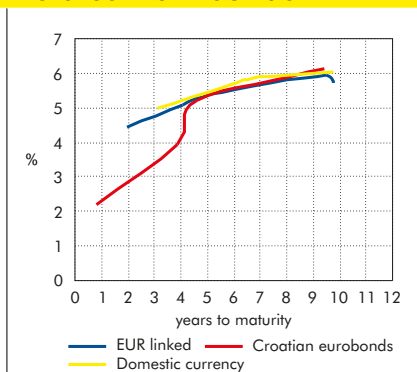
Yields rise, spreads wide

Yield curve – short term, kuna



Sources: Ministry of Finance, CNB

Yield curve – bonds



Sources: Raiffeisen Research, Bloomberg

Last Week's Overview

In the second part of last week, slightly improved risk sentiment positively influenced the CEE currencies. However, CEE government bond yields went up on a weekly level. However, local issuance still seems to be very attractive which was confirmed in Czech government bond auction (9-year maturity) held last week. The total volume sold exceeded the scheduled amount of CZK 6 bn even though the bid/cover ratio was only 1.50. The rate decision by the MPC in Poland was not surprising, as key interest rates did not change. In Hungary the focus remained on fiscal policy since the deficit target of 3.8% for this year is out of question and will represent a risk factor for Hungary, if the global environment deteriorates. On the domestic market yields on HRK-denominated bonds remained stable, while EUR-denominated issuances on the short-end curve have risen slightly. Croatian eurobonds at the beginning of the week were under strong pressures due to the rising risk aversion. As the end of the week was approaching, yields retreated to levels from the previous week.

This Week's Expectations

Besides macroeconomic data in this week, the yields will mostly depend on global sentiment. The rate-cutting cycle of the National Bank of Hungary for last 10 months is going end this Monday as global sentiment has deteriorated rapidly in the recent past. The outcome of the parliamentary election on 28–29 May will be the key topic on the Czech market. Poland is expecting Q1 GDP. On domestic market we expect upward pressure on yields.

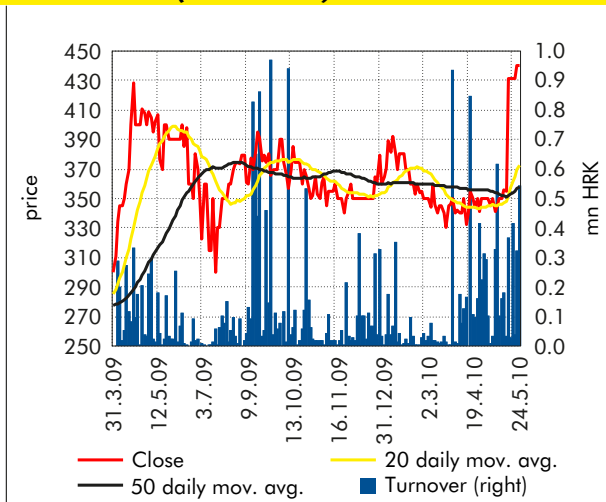
Government bonds in domestic market

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	104.10	104.55	4.68	4.45	-0.05	0.01	414	330
RHMF-O-142A	5.500	14.6.2014	101.05	101.50	5.21	5.08	0.00	0.00	424	334
RHMF-O-157A	4.250	14.7.2015	94.50	95.00	5.50	5.38	0.00	0.00	368	293
RHMF-O-19BA	5.375	29.11.2019	95.50	96.00	6.00	5.93	-0.50	0.07	425	394
RHMF-O-203E	6.500	5.3.2020	104.60	105.60	5.87	5.74	-0.15	0.02	335	301
Domestic currency										
RHMF-O-137A	4.500	11.7.2013	98.20	98.60	5.13	4.99	0.00	0.00	-	-
RHMF-O-15CA	5.250	15.12.2015	98.00	98.50	5.68	5.57	0.00	0.00	-	-
RHMF-O-172A	4.750	8.2.2017	93.40	93.90	5.96	5.86	0.00	0.00	-	-
RHMF-O-203A	6.750	5.3.2020	104.20	105.20	6.17	6.04	0.00	0.00	-	-

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

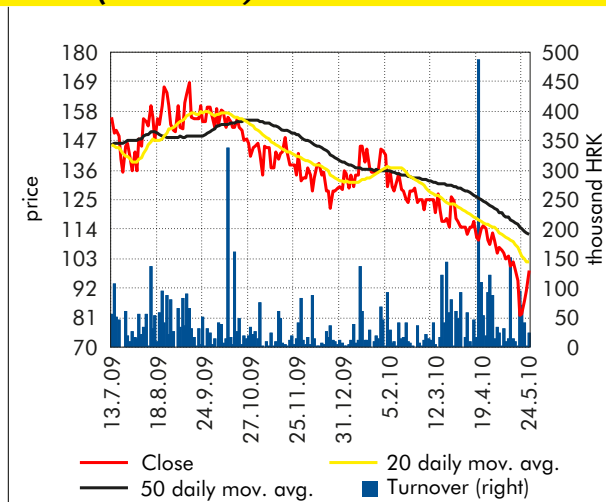
Risk aversion halved the turnover

Erste Bank (6 months)



Sources: ZSE, Raiffeisen research

Dioki (6 months)



Sources: ZSE, Raiffeisen research

On the beginning of the last week, negative market sentiment prevailed due to concerns over the stability of the European financial system. After the majority of stock exchanges saw erasing of gains since the year beginning, technical correction and inflow of good macroeconomic results managed to turnaround the momentum at the end of the week. Zagreb Stock Exchange was trailing the global movements but increased risk aversion resulted in halved turnover which was as low as HRK 25 mn daily, on average. Finally, CROBEX and CROBEX10 posted growth of 0.4% and 0.5%, respectively, during the week. **Erste & Steiermärkische Bank** invited shareholders to the AGM scheduled for July 23, 2010 to vote on the ESB Holding's proposition, the majority shareholder which owns 96.09% of Bank's shares, to buy remaining shares for HRK 450 per share. **Nava banka** informed about the intention of an unnamed strategic investor to enter the Bank's ownership by acquiring the majority stake and increase the Bank's capital by EUR 15 mn. The strategic partner is an Austrian-German group with the primary goal to invest in new technologies in energy sector once enters the market, according to web portal banka.hr. From the few corporate announcements in the past week, the resignation of Mr Petar Đukan, the member and President of Supervisory Board of **Institut IGH**, has drawn much of the attention. Also, the dispute between **Dioki** and **INA** because of the amount and repayment dynamics of Dioki's debt to INA and contracting the gas delivery for 2010, has been resolved and the two companies informed about continuation of business cooperation. After the resignation of Mr Zdenko Belošević, Mr Robert Ježić was appointed as the head of Dioki's Management Board.

Market performance

Index	1 w %	ytd %	Value on 28.5.2010
WIG20 (PL)	4.38	0.90	2410
PX (CZ)	2.90	4.65	1,169
MICEX (RU)	2.77	-0.96	3,105
NTX (SEE,CE,EE)	2.69	0.04	1,158
BUX (HU)	2.18	4.37	22,155
BETI (RO)	1.47	6.07	4,975
SOFIX (BG)	1.41	-10.52	382
ATX (AT)	1.37	-2.60	2,431
CROBEX (HR)	0.41	-0.08	2,003
SBI20 (SI)	-0.47	-10.34	881
SASX10 (BH)	-1.01	-10.93	938
BELEX15 (RS)	-3.91	-2.89	645

Source: Bloomberg

Top/Flop – CROBEX index

Share	1 w %	Price on 28.5.2010	Share	1 w %	Price on 28.5.2010
Viadukt	4.31	300	Belišće	0.00	480
Atlantic Grupa	3.65	710	IGH	-0.81	2,449
Ericsson NT	3.52	1,470	Dalekovod	-1.45	340
Uljanik plovidba	3.18	617	Tehnika	-1.66	1,250
Končar	2.52	472	Adris grupa (P)	-1.85	265
HT	2.26	269	Ingra	-2.19	33
INA	2.12	1,736	Dom holding	-2.50	35
Zagrebačka banka	1.83	224	Podravka	-3.13	310
Atlantska plov.	1.16	957	Ledo	-3.17	6,100
Luka Ploče	0.93	1,730	JANAF	-3.56	2,604
Jadroplov	0.59	161	Petrokemija	-3.84	124
Kraš	0.28	355	Viro TŠ	-5.71	330
PBZ	0.00	560			

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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