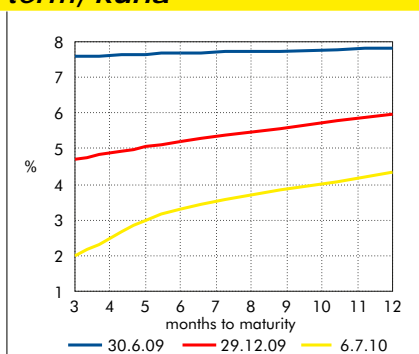


Raiffeisen Weekly Report

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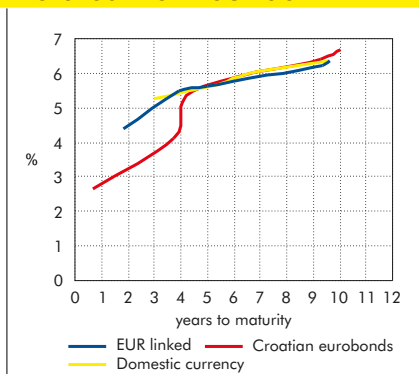
High (re)financing needs require new issues

Yield curve – short term, kuna



Sources: Ministry of Finance, CNB

Yield curve – bonds



Sources: Raiffeisen Research, Bloomberg

Last Week's Overview

As we expected, improvement of the global sentiment continued to support CE bonds during the last week. Therefore, we have seen stable yields with downward tendency. Last week the Croatian government issued second tranche of the 10-year HRK-denominated bond worth HRK 1.5 bn (at an interest rate of 6.75%) and EUR-denominated bond worth EUR 650 mn (at an interest rate of 6.5%) on the domestic market. Together with previous bond issues this year and considering that the MoF should be able to issue roughly HRK 15 bn of new T-bills in 2010, the level of new debt this year (excluding loans) will total around HRK 35 bn. Since the government's estimated (re)financing needs for this year are around HRK 42 bn and the budget deficit has already reached around 90% of what was planned for 2010, we can expect that the government will once again (most likely in Q4) tap the international market by issuing a eurobond. In the last week EUR-denominated bonds reported rise in prices on weekly level. With exception of RHMF20, all HRK-denominated bonds reported correction in prices.

This Week's Expectations

Despite expectations that the market sentiment could continue to gradually improve, the downside potential for CE yields is still limited. The economic calendar in the region for this week seems somewhat empty. On the domestic market, we expect the usual modest volumes of trading (partially due to the summer season) with higher demand for EUR-denominated bonds, especially for shorter maturities.

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	103.75	104.35	4.72	4.39	0.60	-0.35	416	349
RHMF-O-142A	5.500	14.6.2014	99.60	100.10	5.61	5.47	0.45	-0.13	473	390
RHMF-O-157A	4.250	14.7.2015	93.50	94.00	5.77	5.65	0.50	-0.12	432	365
RHMF-O-19BA	5.375	29.11.2019	93.50	94.00	6.30	6.23	0.50	-0.07	401	348
RHMF-O-203E	6.500	5.3.2020	100.00	101.00	6.50	6.36	0.75	-0.11	409	374
Domestic currency										
RHMF-O-137A	4.500	11.7.2013	97.40	97.90	5.46	5.27	-0.40	0.15	-	-
RHMF-O-15CA	5.250	15.12.2015	97.50	98.00	5.79	5.68	-0.30	0.07	-	-
RHMF-O-172A	4.750	8.2.2017	92.80	93.30	6.10	6.00	-0.10	0.02	-	-
RHMF-O-203A	6.750	5.3.2020	101.75	102.75	6.50	6.36	2.25	-0.32	-	-

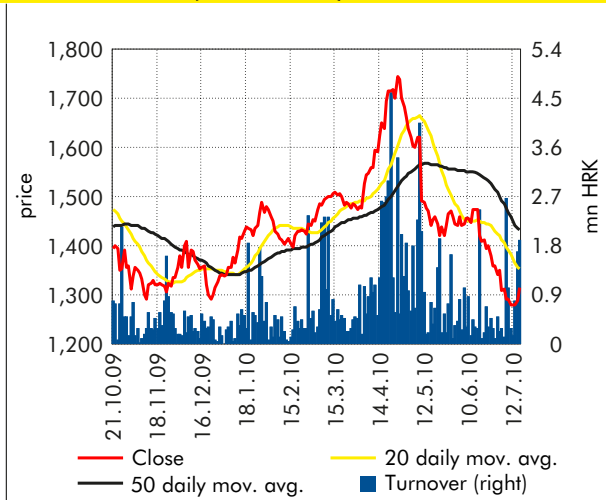
* Raiffeisen Research; ** in comparison with end of last week



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Higher activity on the market

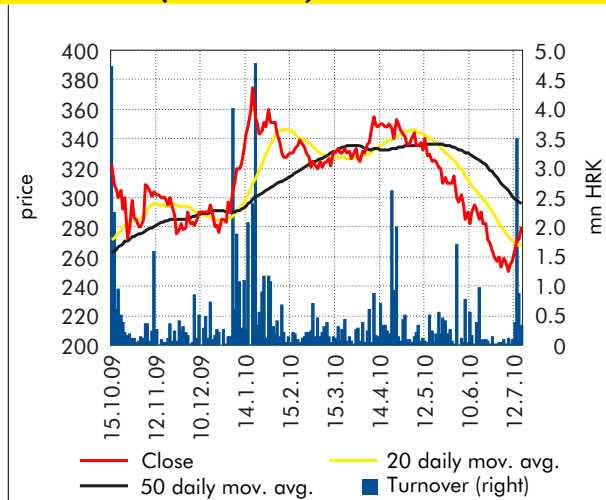
Ericsson NT (6 months)



Sources: ZSE, Raiffeisen research

Ericsson NT contracted new deals in Russian Federation, Belarus, Moldova, Georgia, and Kazakhstan worth over HRK 27 million. The contracts are related to the modernization and extension of mobile and fixed networks and microwave solutions in broadband network, as well as IP oriented solutions for business users. The counterparties are long-term customers. Podravka's new Supervisory Board constitution has been agreed upon. The Board will have nine members in total, three from the government side, three from pension funds and three from workers and small shareholders. Mr Jurčić remains on the head of the Board and three new members come from AZ and Erste Plavi pension funds (Mr Novoselec and Mr Vlaić) and the Faculty of Law (Mr Miladin). This Board proposition is subject to the AGM approval scheduled for August 31st. There were many discussions last week that Podravka could be out for sale by the government within the announced big privatisation plan. This possibility resulted in a solid price increase during the week. The General assembly of Ingra's bondholders accepted the proposition to postpone the maturity for five years.

Podravka (6 months)



Sources: ZSE, Raiffeisen research

The trading in previous week was rather high in volumes, over 60 mn kuna daily turnover on average. At the same time, moves of above $\pm 0.5\%$ on daily basis were recorded in 4/5 days, hence, market activity was higher. Also, the momentum was moving somewhat independently from the global sentiment. Next week Atlantic Grupa will open 1H earnings reporting season but majority of companies will report in the last week of July.

Market performance

Index	1 w %	ytd %	Value on 16.7.2010
ATX (AT)	0.36	-6.16	2,342
BELEX15 (RS)	1.29	-4.84	632
BETI (RO)	1.17	4.27	4,891
BUX (HU)	-0.77	5.62	22,421
CROBEX (HR)	1.70	-7.43	1,855
PX (CZ)	0.83	3.58	1,157
MICEX (RU)	-0.04	-0.90	3,107
SBI20 (SI)	-1.23	-14.78	837
SOFIX (BG)	-0.38	-15.34	362
SASX10 (BH)	-1.41	-16.68	877
NTX (SEE,CE,EE)	0.15	-2.58	1,128
WIG20 (PL)	2.02	-0.33	2,380.84

Source: Bloomberg

Top/Flop – CROBEX index

Share	1 w %	Price on 16.7.2010	Share	1 w %	Price on 16.7.2010
Podravka	11.29	286	Atlantic Grupa	0.43	704
Tehnika	9.95	1,050	Viro TŠ	0.32	301
Ingra	8.83	26	Belišće	0.00	450
Jadroplov	6.20	137	JANAF	-0.16	2,420
Dom holding	5.73	32	INA	-0.47	1,690
Petrokemija	5.42	115	Viadukt	-0.81	250
PBZ	3.99	520	Ledo	-0.83	5,851
Atlantska plov.	3.94	790	HT	-1.06	257
Uljanik plovidba	3.64	569	Dalekovod	-1.21	285
Adris grupa (P)	3.49	264	Kraš	-1.31	375
Zagrebačka banka	3.13	214	Luka Ploče	-2.36	1,611
Končar	1.41	460	IGH	-6.45	1,740
Ericsson NT	0.76	1,290			

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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