

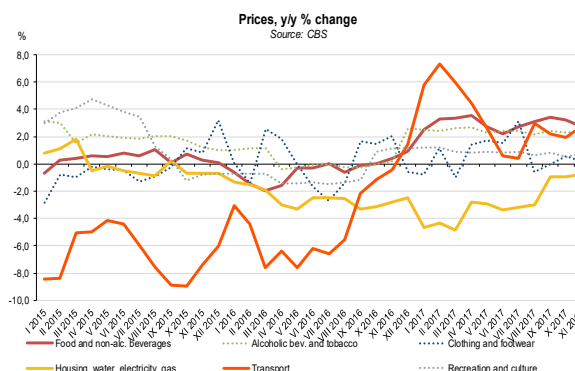
PBZ Weekly Analysis

Number 589, December 18, 2017

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Weekly overview

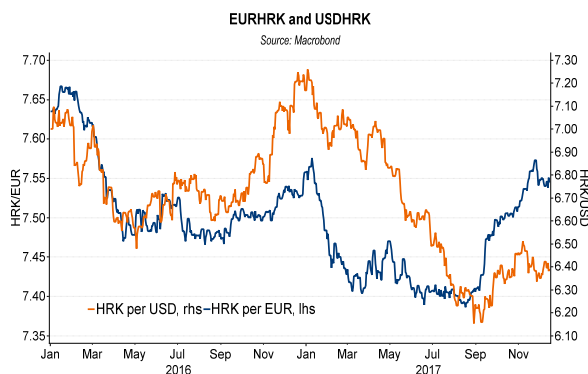
The yoy increase in consumer prices amounted to +1.4% in November, the same as in the previous two months, where the largest contribution came from higher prices in the categories Food (by +0.7 p.p.), Transport and Restaurants and hotels (both by +0.3 p.p.), whereas the only negative contribution to the consumer price increase was recorded in the category Housing, water, electricity, gas and other fuels (by -0.1 p.p.). The contribution of other groups to the yoy increase in the consumer price index in November was not recorded or was moderately positive (+0.1 p.p.). The mom consumer price index in November remained unchanged, where the largest positive contribution came from higher prices in the category Transport (+0.1 p.p.), whereas the largest negative contribution came from lower prices of Food (-0.1 p.p.). The twelve-month average in November rose to 1.1% (from +0.9% in October), while the core inflation rate amounted to 1.4% (as in the previous three months). Over the first eleven months of 2017, mainly due to a rise in the prices of food and crude oil, but also as a result of higher VAT rates on hotels and restaurants, the average inflation rate amounted to 1.1%, while we anticipate the average inflation rate around 1.2% throughout 2017.



Fed raises interest rate, CNB intervenes

In line with the expectations of investors, the Fed raised the target range of the key interest rate by 25 b.p. to 1.25-1.50% at its last week's meeting, thus confirming that three interest rate rises are expected next year. Trading closed at 1.1749 dollar to the euro at the end of the week, down by 0.2% wow.

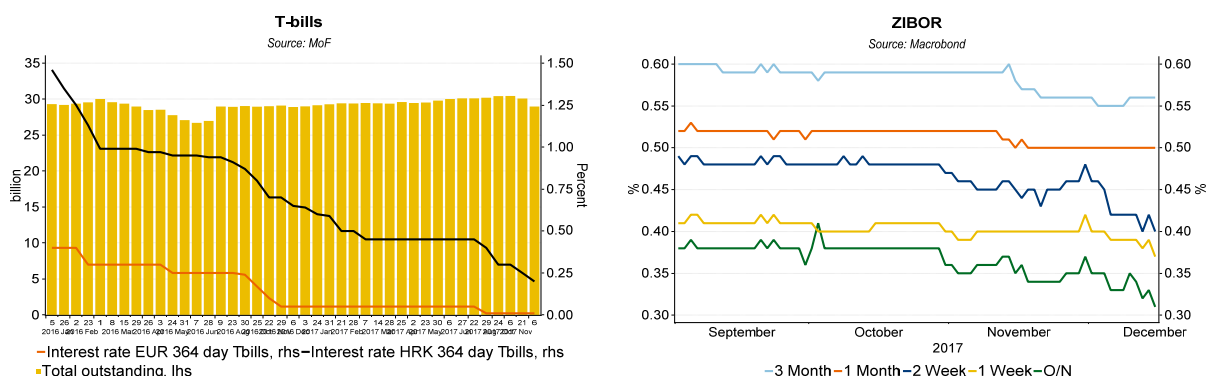
Last week saw stronger appreciation pressures, therefore the central bank intervened on Wednesday, when the exchange rate was around 7.535-7.54, purchasing from banks 345.5 billion euro at the average exchange rate of 7.5605 kuna, up by 0.1% wow. The kuna against the dollar strengthened by 0.5% to 6.3913 kuna to the dollar. We expect a more moderate increase in the exchange rate by the end of the year.



Liquidity exceeds 20 billion kuna

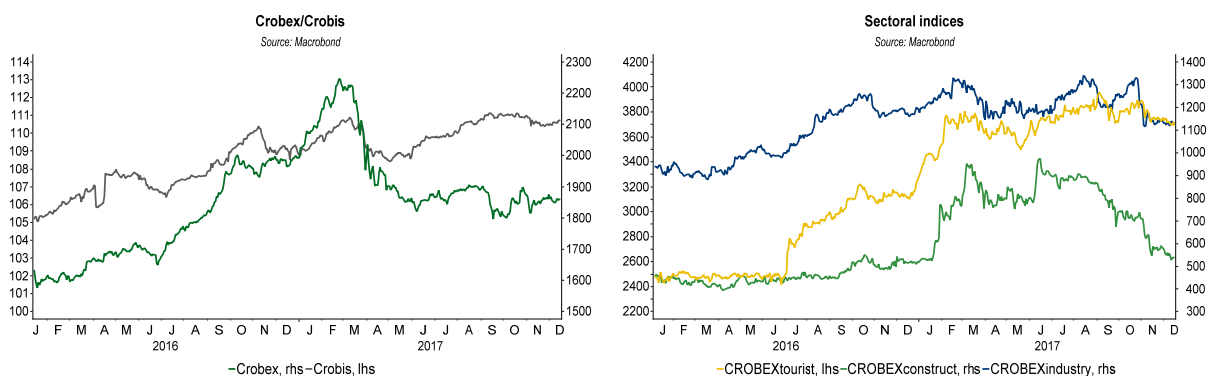
Excess liquidity recorded a midweek increase of almost 19 billion kuna, increasing further by 2.6 billion kuna after the intervention of the central bank. The overnight Zibor decreased to 0.31% at the end of the week, down by 2 b.p. wow, 1M stayed at 0.50% and 3M increased by 1 b.p. to 0.56%. At the regular reverse repo auction, 15 million kuna were injected in the system at the fixed interest rate of 0.3%, while there was no turnover on the ZMM.

There was no maturity or auction last week, therefore the government debt under T-bills remained at 29.0 billion kuna. The next auction is scheduled for 2 January 2018.

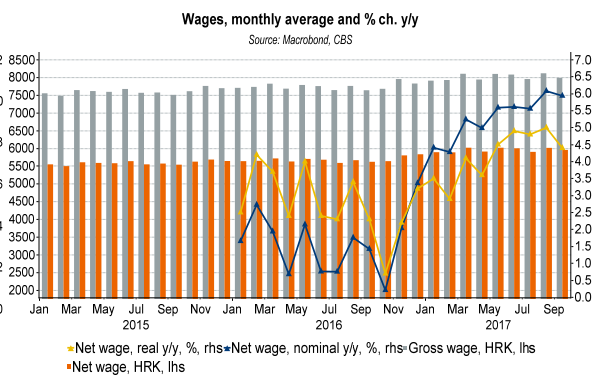
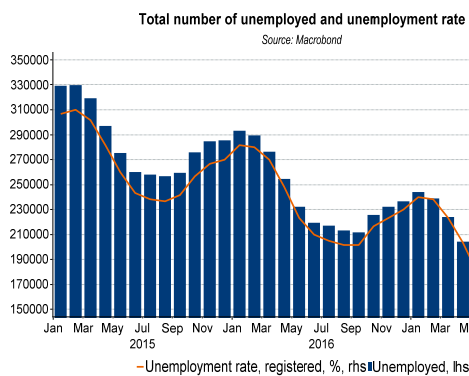
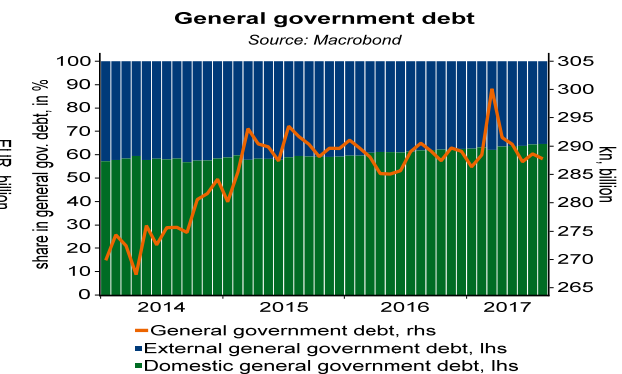
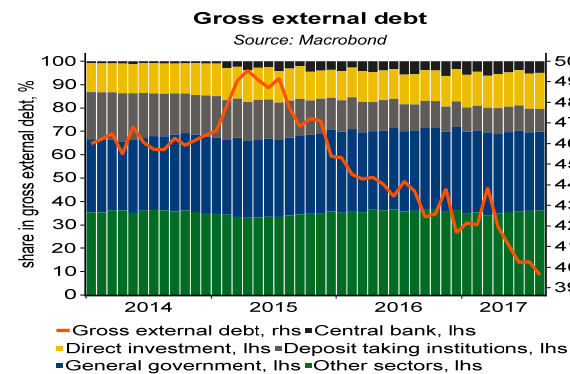
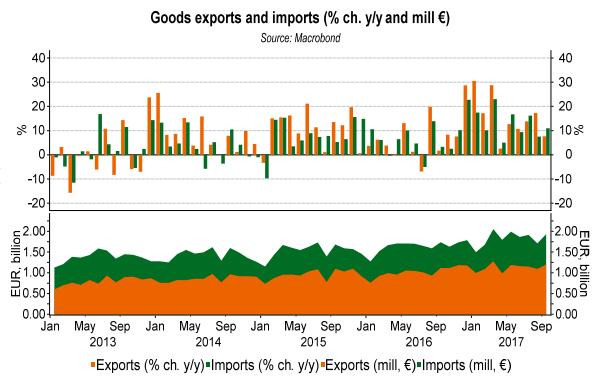
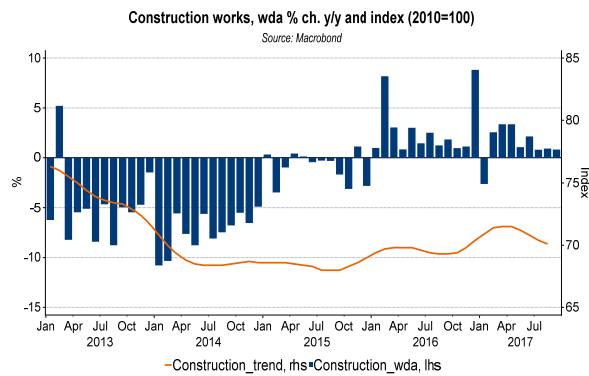
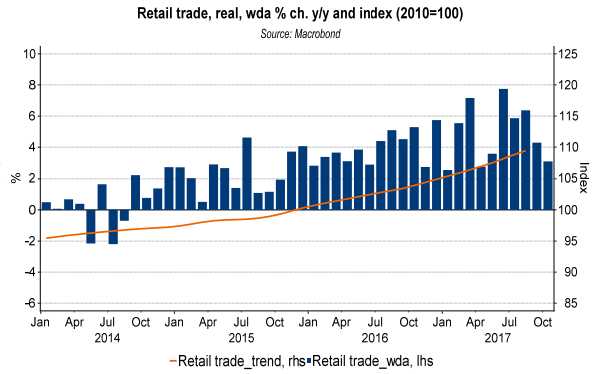
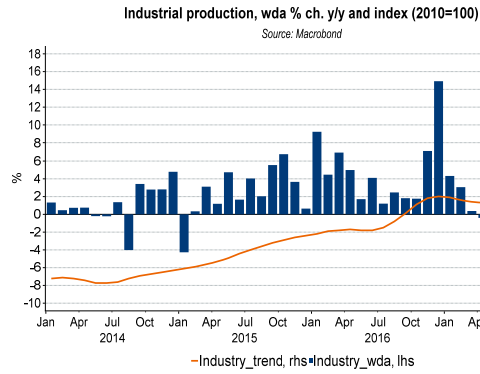


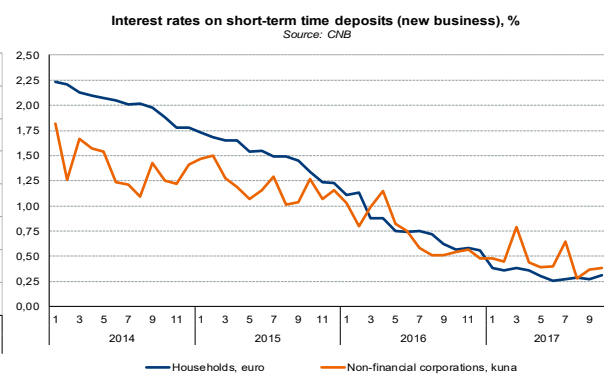
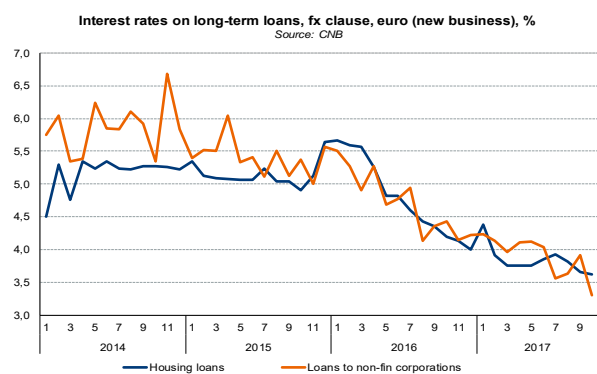
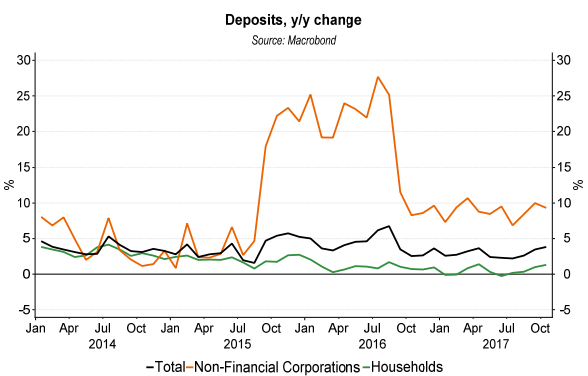
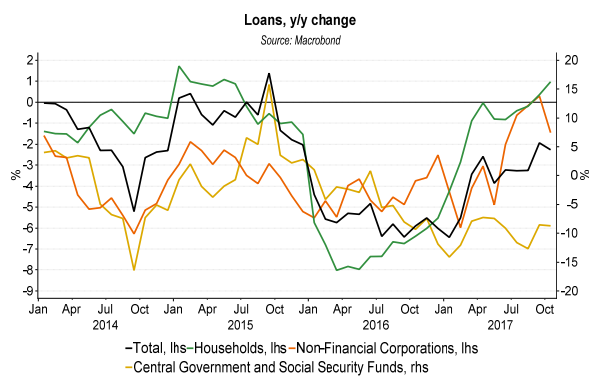
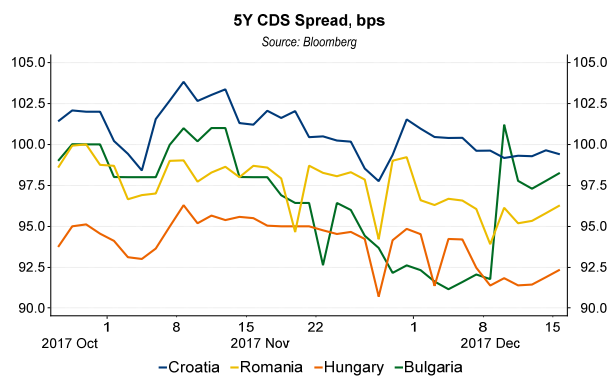
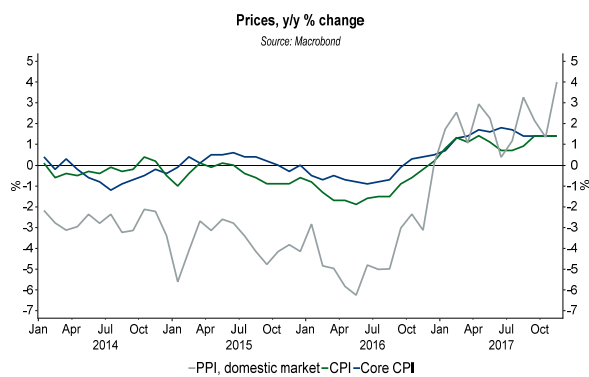
Crobex up wow

The Crobex index closed at a 0.6% higher wow level last Friday, i.e. at 1,859.34 points, while Crobis closed on Friday at 110.74 points or up by 0.1% versus the week before. As regards sector indices, CROBEXindustry closed last week at 1,128.34 points or up by 0.8% wow, whereas CROBEXconstruct (536.96 points) and CROBEXtourist (3,693.31 points) closed last week down by 3.5%, i.e. 0.7%. The total ZSE turnover amounted to 1.4 billion kuna last week, up by 24.0% versus the week before, due to a 29,6% higher turnover in bonds (reaching 1.3 billion kuna), while the turnover in shares decreased by 29.3% (to 75 million kuna).



Statistics





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