

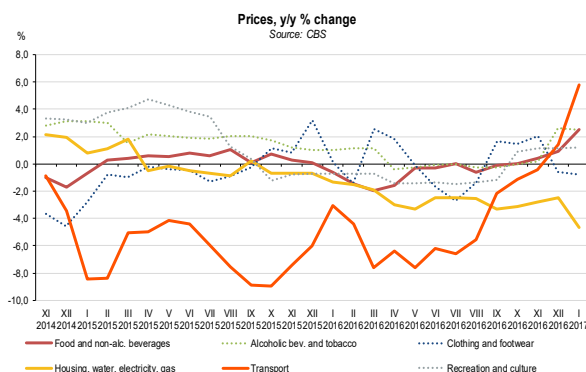
PBZ Weekly Analysis

Number 552, February 27, 2017

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Weekly overview

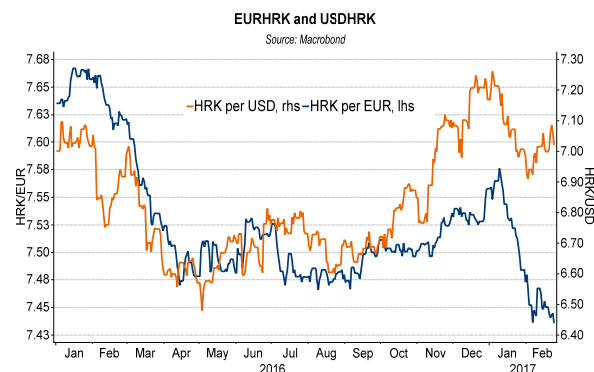
- The consumer price index for January 2017 recorded an increase of 0.9% yoy (the largest increase since September 2013 when the price growth was 1.1%), while the comparison with the last month of 2016 indicates a slight decrease of 0.1% in the mentioned index. The largest positive contribution to the yoy growth of January consumer prices came from higher prices of Transport (by 0.7 p.p. or +5.9%, of which fuels by +12.8%) and Food (by 0.7 p.p. or +2.6%, of which Vegetables by +13.9%), thus reflecting an increase in the prices of crude oil and food products. On the other hand, the largest contribution to the yoy reduction in consumer prices came from the category Housing, water, electricity, gas and other fuels (by 0.8 p.p. or -4.6%), mostly due to lower prices of gas (-11.9%) and electricity (-9.7%). A decrease in the consumer price index mom is mostly a result of lower prices of Clothing and footwear (by 11.0%, due to seasonal sales) and 3.1% lower prices in the category Housing (of which electricity by 9.7%). In the upcoming period, we expect a continuation of inflationary movements, which will remain under the influence of higher prices of crude oil and food products, as well as the administrative increase in the prices of electricity and gas for households announced for April and June.



Dollar and kuna stronger

Although investors estimated that the probability of the Fed's interest rate hike by more than three times this year has not increased despite the upcoming U.S. tax reform, since there will be no short-term impact of lower taxes, the strengthening of the dollar has not stopped. Trading on Friday closed at 1.0563 dollar to the euro, down by 0.5% versus the previous Friday.

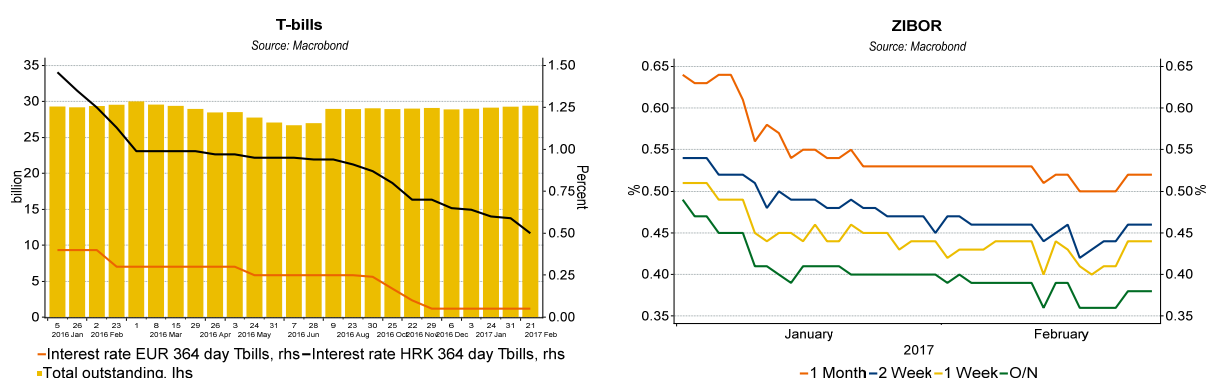
Last week, domestic FX market saw trading in the range 7.43-7.45 kuna to the euro, while the CNB mid-exchange rate amounted to 7.4357 kuna to the euro at the end of the week, down by 0.2% wow. The kuna against the dollar weakened by 0.3% to 7.0208 kuna to the dollar. This week, we expect trading in the range 7.42-7.46 kuna to the euro.



T-bill yield decline continues

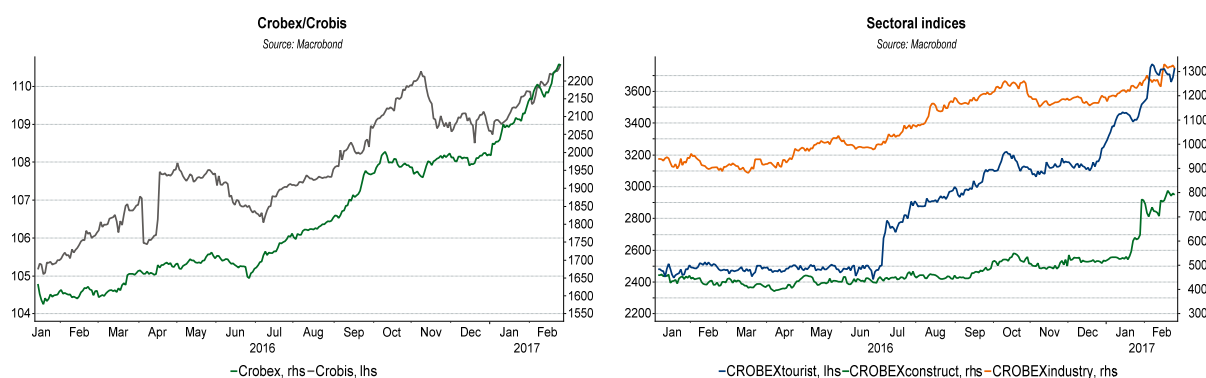
Liquidity surplus has remained around 17 billion kuna, therefore interest rates recorded only minor shifts. The overnight Zibor rose by 2 b.p. wow to 0.38%, 1M also by 2 b.p. to 0.52%, while 3M decreased by 1 b.p. to 0.61%. At the regular reverse repo auction, CNB injected 40 million kuna, the same amount as the previous week, at the fixed repo rate of 0.3%, while the ZMM turnover was low, amounting to 15 million kuna.

Last week, 1.3 billion kuna matured and 1.5 billion kuna in T-bills were subscribed, due to which the government debt under T-bills increased to 29.4 billion kuna. One-year kuna T-bills were subscribed at the interest rate of 0.50%, down by 9 b.p. from the previous issue. This week, 1.5 billion kuna will mature and the auction with the planned 1.4 billion kuna has been announced.

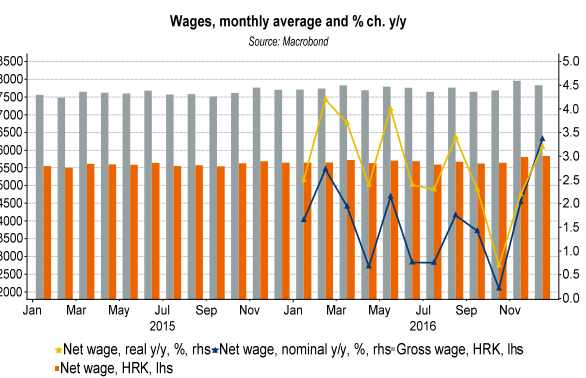
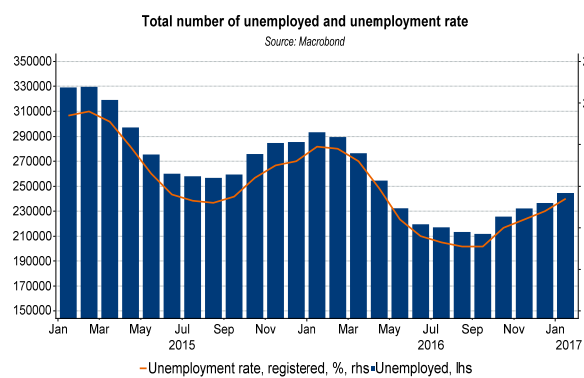
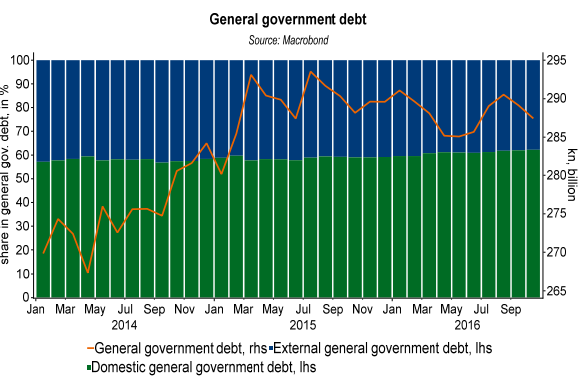
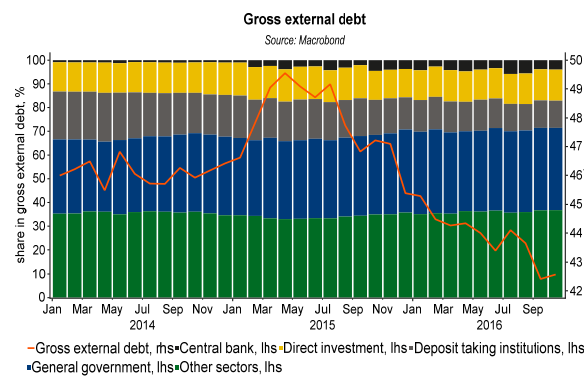
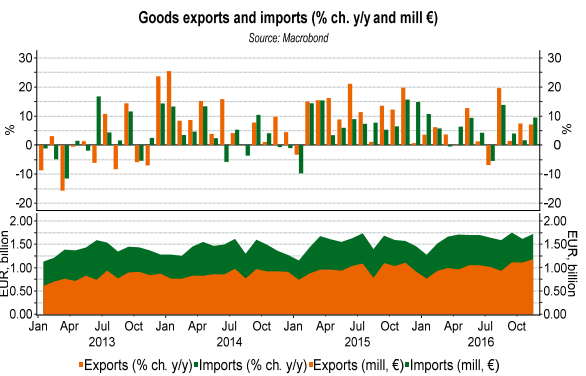
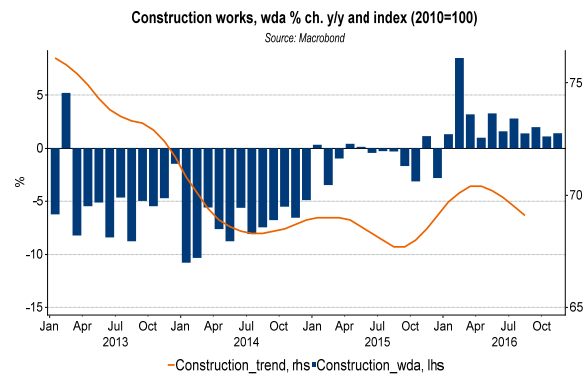
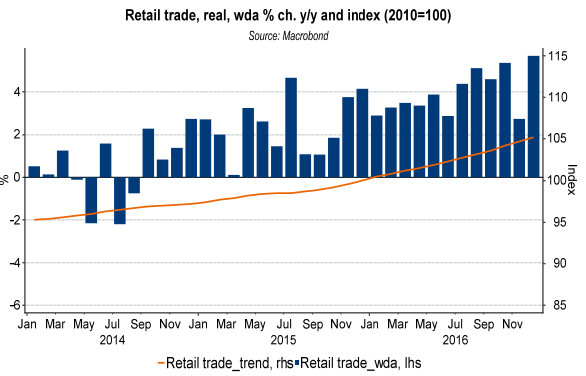
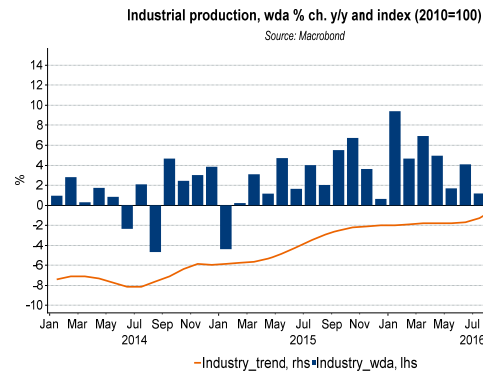


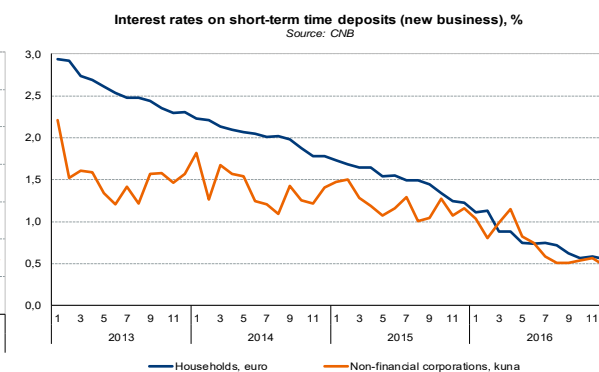
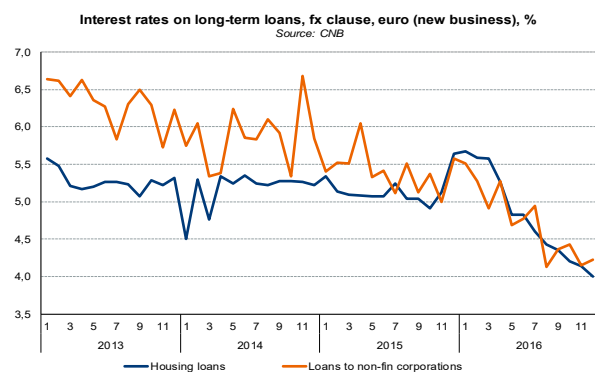
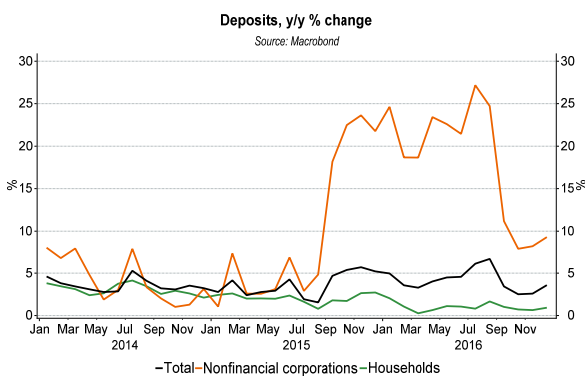
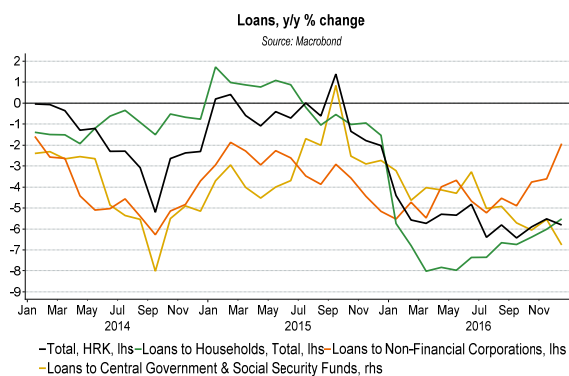
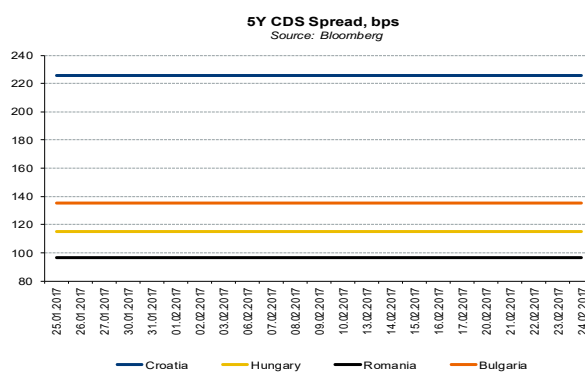
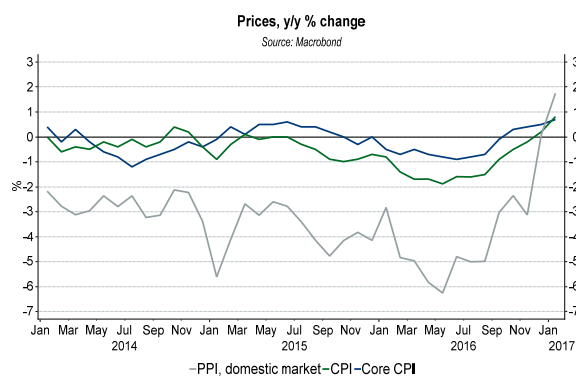
Crobex back in positive territory

Last week, the total ZSE turnover amounted to 569.9 million kuna, up by 45.8% wow, where the turnover in bonds amounted to 431.7 million kuna (+49.6% wow) and the turnover in shares was 138.2 million kuna (+35.1%). The Crobex index closed the week up by 2.3% wow (at 2,243.46 points), whereas Crobis closed the week at 110.59 points (+0.3% wow). As regards sector indices, CROBEXtourist closed the week at 3,746.41 points or up by 0.7% wow, CROBEXconstruct at 790.82 points (+0.5%), while CROBEXindustry closed the week at 1,313.90 points or down by 0.7% wow.



Statistics





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