

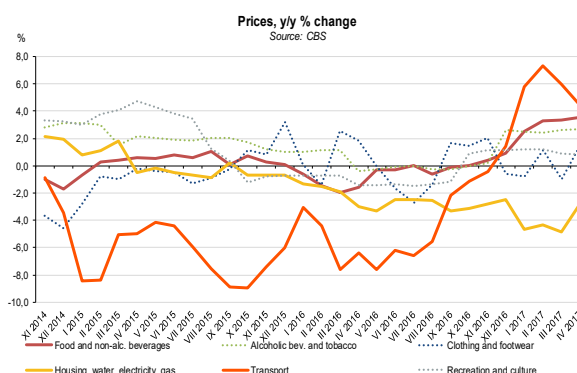
PBZ Weekly Analysis

Number 564, May 22, 2017

- Weekly overview (p. 1)
- Dollar weakens markedly (p. 1)
- Auction announced (p. 2)
- Crobex down wow (p. 2)
- Statistics (p. 3-4)

Weekly overview

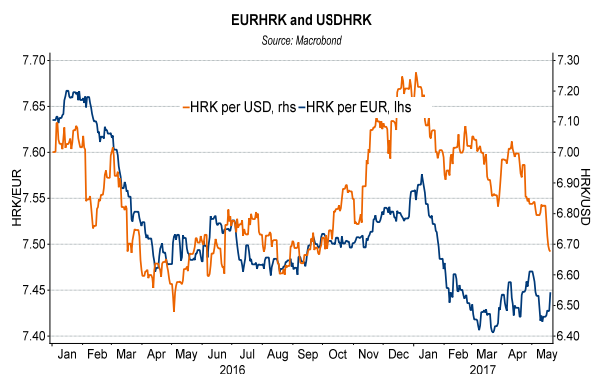
- The increase in consumer prices in April accelerated to +1.4% yoy (+1.1% in March), where the largest contribution to the increase came from higher prices in the categories Food (by 0.9 p.p. or +3.7%, of which milk, cheese and eggs +7.8%) and Transport (by 0.5 p.p. or +4.4%, of which fuels +9.7%), while the largest contribution to the decrease came from the category Housing, water, electricity, gas and other fuels (by 0.4 p.p. or -2.7%, of which electricity -9.7%). Compared with the previous month, consumer prices were higher by 0.5% in April, which was mostly affected by a rise in the prices of Clothing and footwear of 4.9% on average (arrival of new collections). The core inflation rate in April accelerated to +1.7% (+1.4% in March), indicating a further strengthening of domestic demand, whereas a twelve-month average advanced to -0.3% (-0.5% in March). Over the first four months of 2017, consumer prices rose by 1.2% versus the same period last year, mainly due to higher prices of food and fuels, while a higher increase in inflation was eased by a decline in the prices of electricity and gas.



Dollar weakens markedly

Political tensions in the USA resulted in a significant weakening in the dollar against the euro, so trading closed at 1.1206 dollar to the euro at the end of the week, up by 2.5% wow.

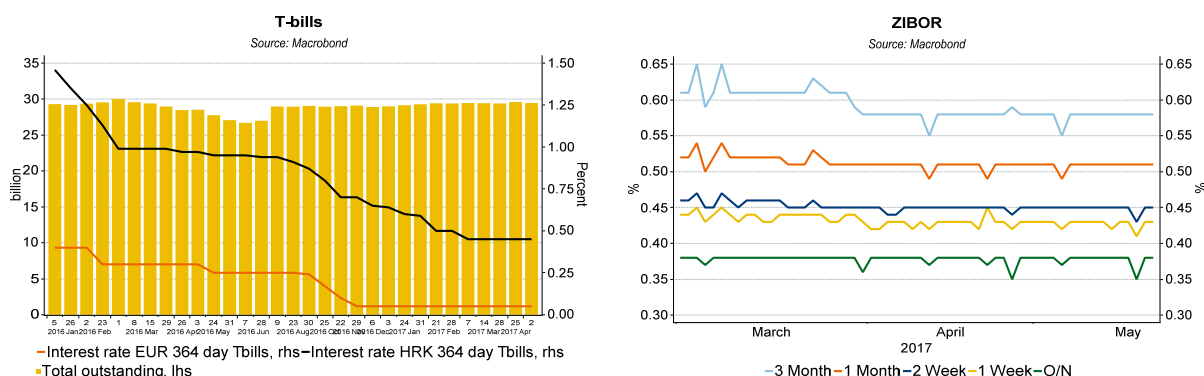
The beginning of seasonal pressures on the kuna strengthening as well as corporate FX demand have maintained the exchange rate balance, therefore trading was within the 7.40-7.45 range last week. The kuna slightly weakened against the euro wow, so the mid-exchange rate on Friday amounted to 7.4478 kuna to the euro, up by 0.4% wow, while the kuna against the dollar appreciated by 2.2% to 6.6760 kuna to the dollar. This week, we anticipate trading in the range 7.40-7.45 kuna to the euro again.



Auction announced

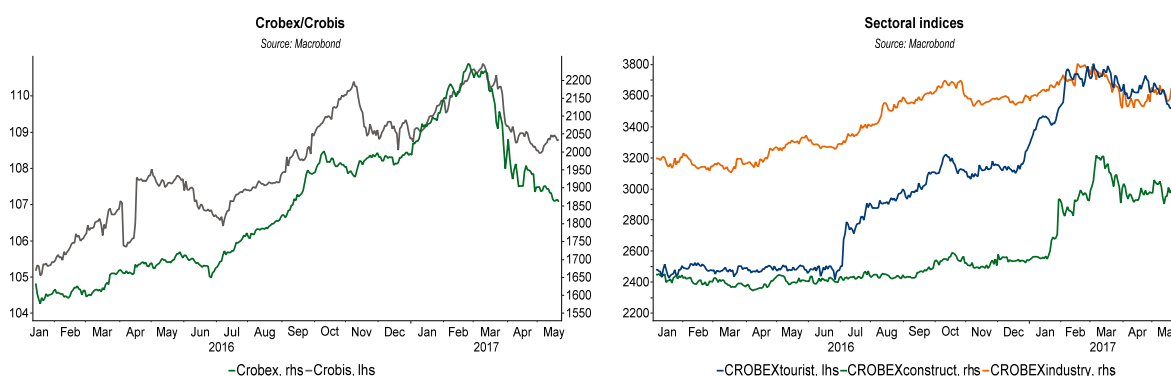
The average daily excess of liquidity stayed around 15 billion kuna, so interest rates remained calm (the overnight Zibor to 0.38%, 1M Zibor to 0.51%, 3M to 0.58%). At the regular reverse repo auction, CNB injected 47.5 million kuna in the system at the fixed repo rate of 0.3%, while the ZMM turnover barely amounted to 10 million kuna.

There was no maturity or auction last week, therefore the government debt under T-bills remained at 29.5 billion kuna. This week, 320 million kuna and 16 million euro will mature and the auction with the planned issue of 350 million kuna and 10 million euro has been announced.

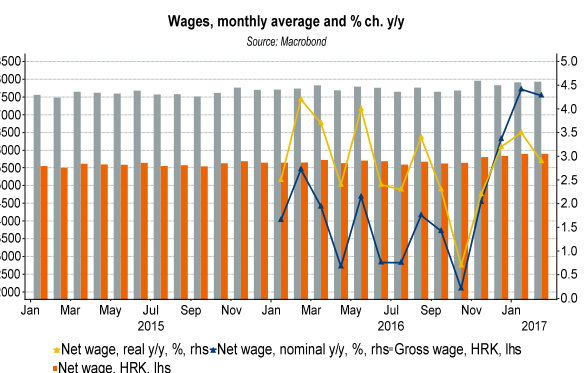
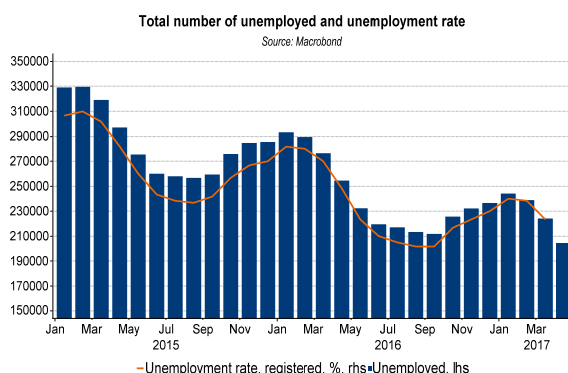
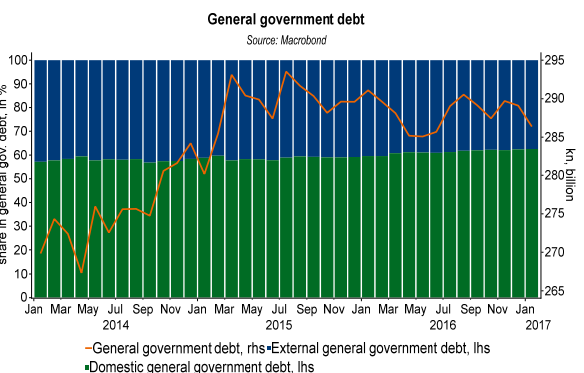
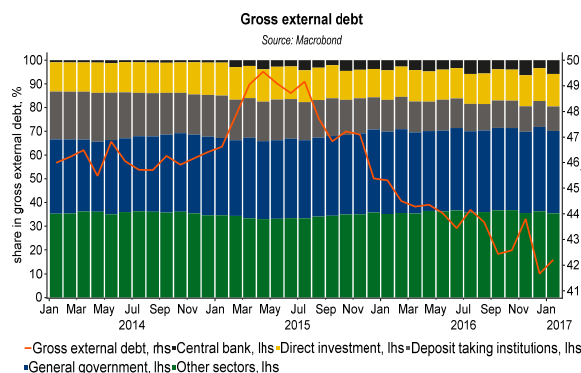
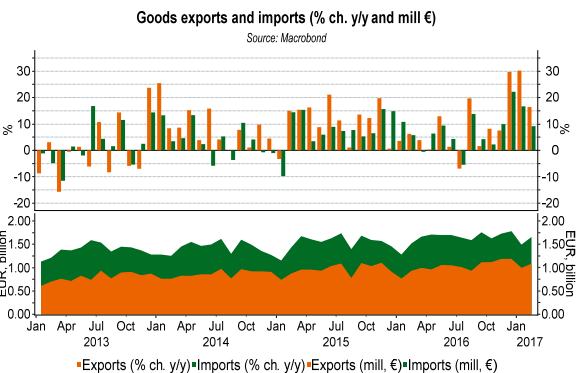
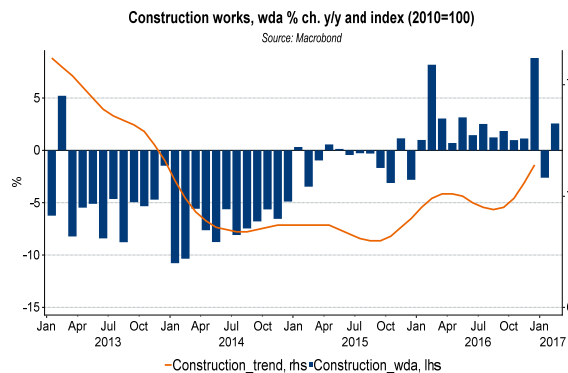
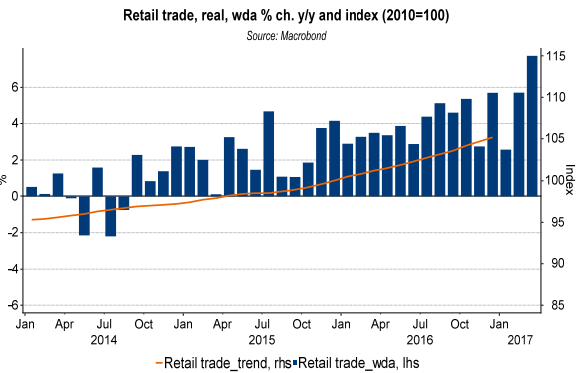
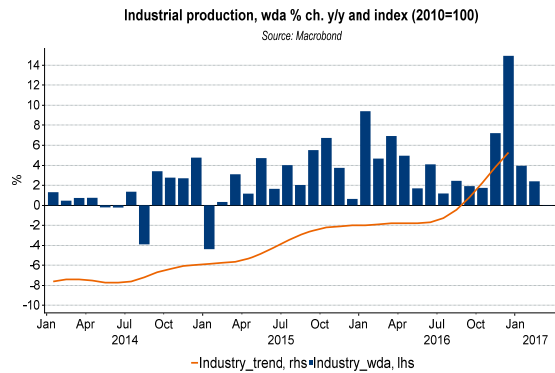


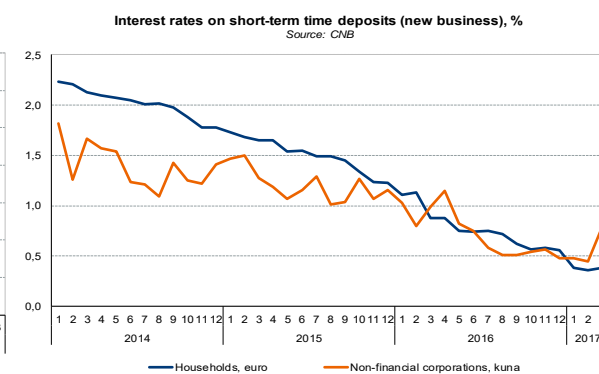
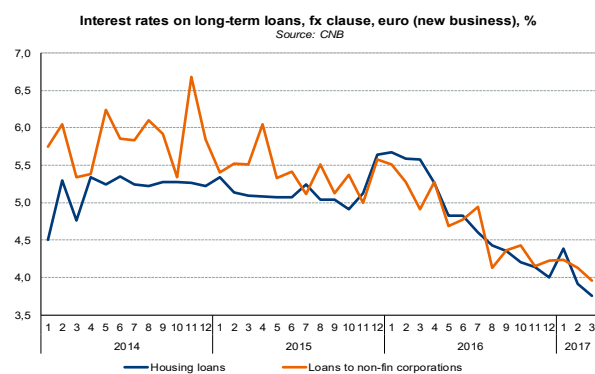
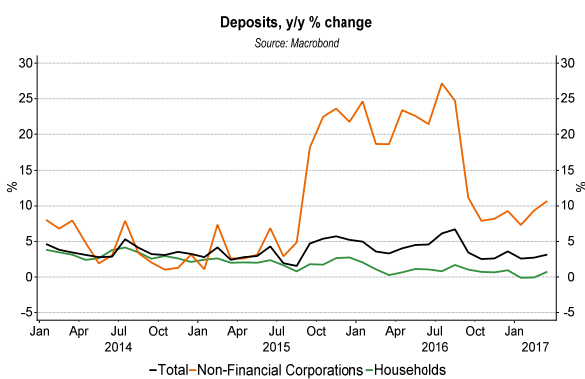
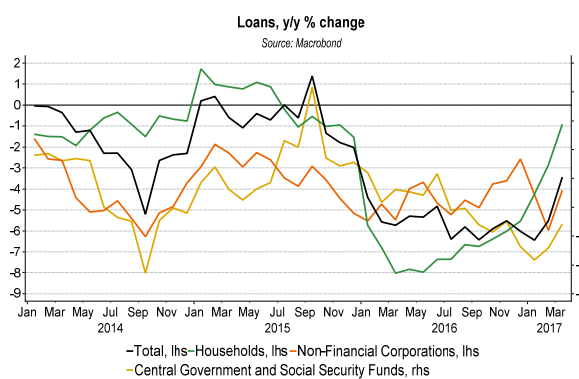
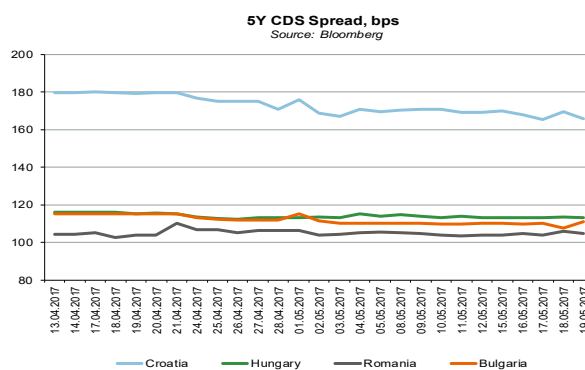
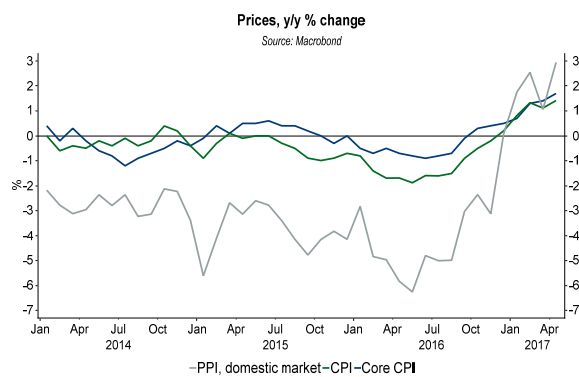
Crobex down wow

The total ZSE turnover amounted to 145.2 million kuna, which is up 2.1 times wow, due to a 3.9 times higher turnover in bonds (to 108.9 million kuna), while the turnover in shares fell by 7.5% (to 36.3 million kuna). The Crobex index closed at 1,861.19 points on Friday, down by 1.3% wow, whereas Crobis closed the week at 108.80 points, or down by 0.1%. As regards sector indices, CROBEXconstruct closed the week at 807.98 points (+3.5% wow), CROBEXindustry at 1,215.50 points (+1.1%), while CROBEXtourist closed at 3,495.65 points on Friday, i.e. down by 2.4% wow.



Statistics





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