

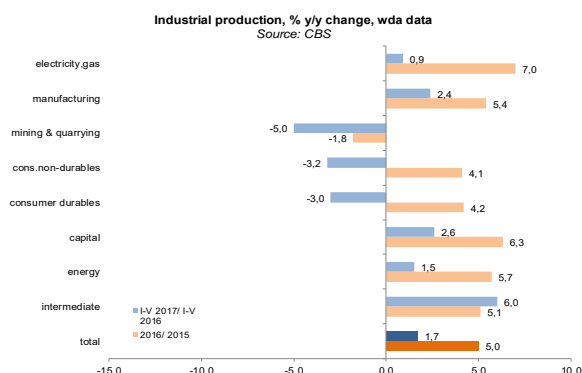
# PBZ Weekly Analysis

## Number 570, July 3, 2017

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## Weekly overview

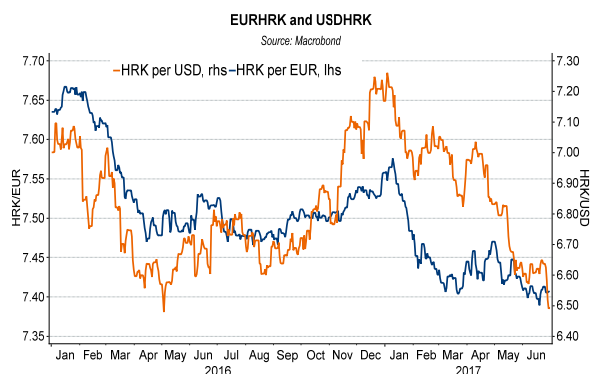
- The industrial production in May 2017 (according to wda data) rose by 3.3% yoy (+2.4% mom, seasonally and working-day adjusted data), which is a positive shift compared with the previous two months when the industrial production recorded a yoy decline of 0.3% on average. The yoy increase in the IP volume in May is a result of a strong growth (+4.9%) of Manufacturing (which accounts for 80.3% of total IP), i.e. its largest component (Manufacture of food products, with a 14.4% share in total IP), which soared by 7.7% yoy (+10.2% mom), where stocks increased by 16%, ahead of the tourism season. Electricity, gas, steam and air conditioning supply (a 13.8% share) declined by 5.9% yoy, while Mining and quarrying (a 5.9% share) marginally by 0.1% (of which extraction of crude petroleum and natural gas by -3.6%). Cumulatively, the industrial production in 2017 rose by 1.7%, which is a significantly lower increase versus the first five months of 2016, when its growth amounted to 5.4% yoy. Thus, Manufacturing advanced 2.4% (of which manufacture of food products modestly by +0.1%), Electricity, gas, steam and air conditioning supply increased by 0.9%, while in the category Mining and quarrying a pronounced negative contribution to IP yoy was recorded, amounting to -5.0%.



## Dollar weaker, kuna unchanged

A change in the ECB rhetoric and growing expectations of investors that ECB will begin interest rate hike in the middle of 2018, has made the U.S. currency less appealing. Therefore, EUR/USD trading closed last week at 1.1426 dollar to the euro, i.e. up by 2.1% wow.

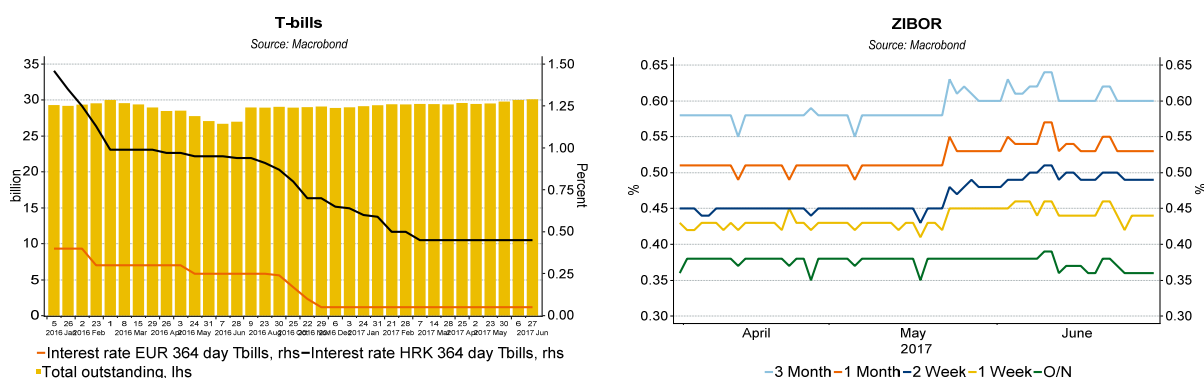
At the end of last week, the mid-exchange rate of the kuna against the euro amounted to 7.4075 kuna to the euro, down by 0.1% wow, while the kuna against the dollar strengthened by 2.2% and the exchange rate dropped to 6.4944 kuna to the dollar. This week, we expect trading to continue in the range 7.40-7.43 kuna to the euro.



## Money market at a standstill

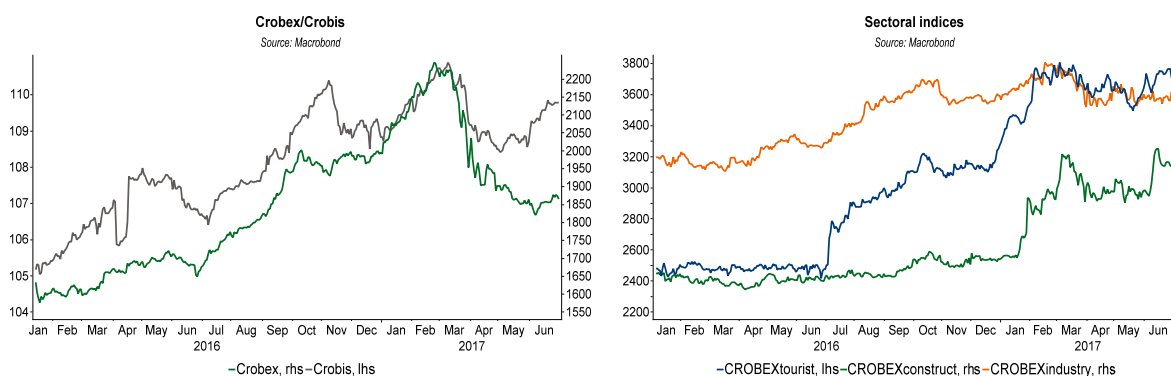
Liquidity is generous, therefore interest rates have remained unchanged. The overnight Zibor decreased by 1 b.p. to 0.36%, 1M stayed at 0.53% and 3M at 0.60%. There was no demand at the regular reverse repo auction, whereas the ZMM turnover barely amounted to 10 million kuna.

Last week, 562 million kuna matured and 646 million kuna were subscribed, owing to which the government debt under T-bills rose to 30.1 billion kuna. There was a subscription of one-year kuna T-bills at the interest rate of 0.45%, equivalent to the previous issue. This week, 50 million kuna will mature and, due to a low maturity volume, there will be no auction.

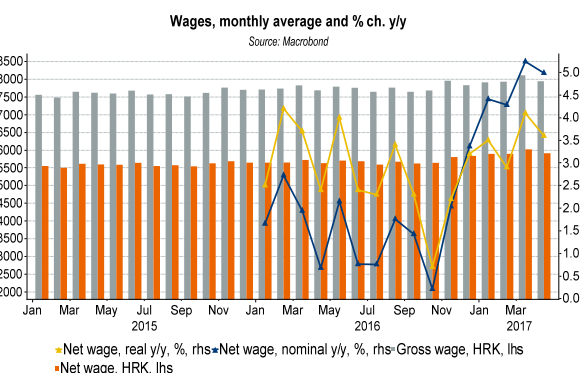
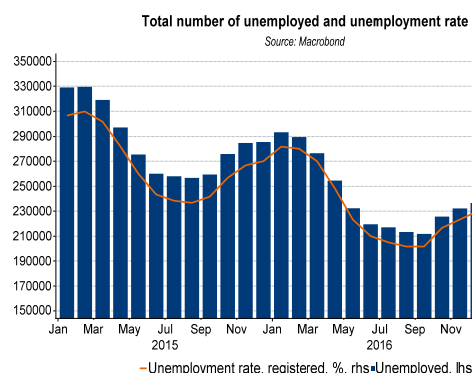
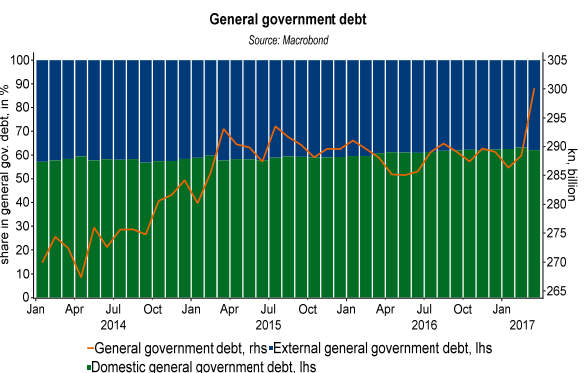
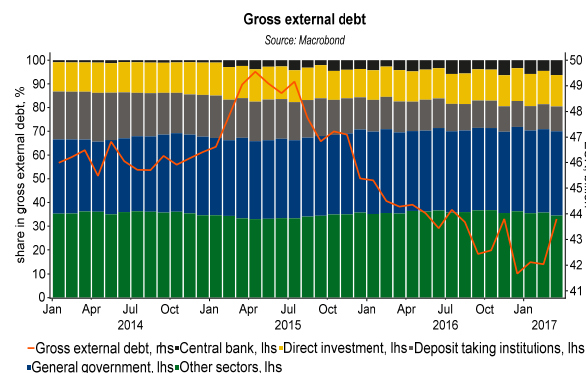
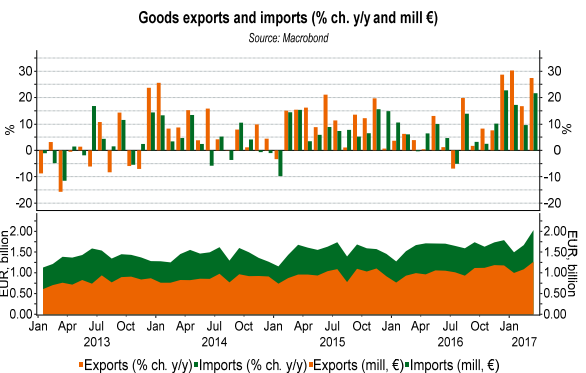
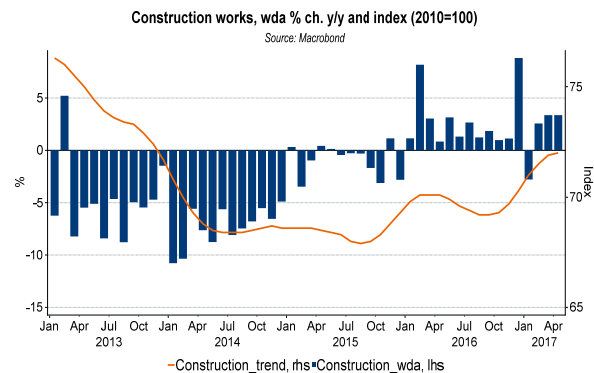
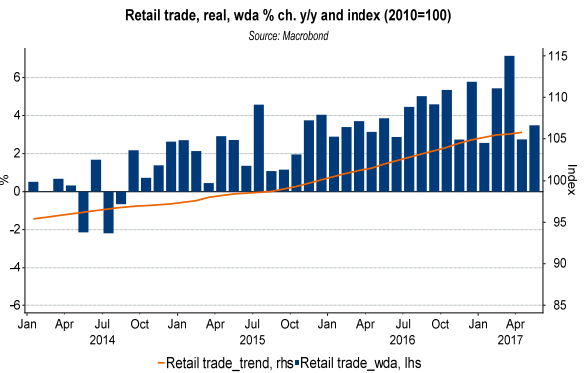
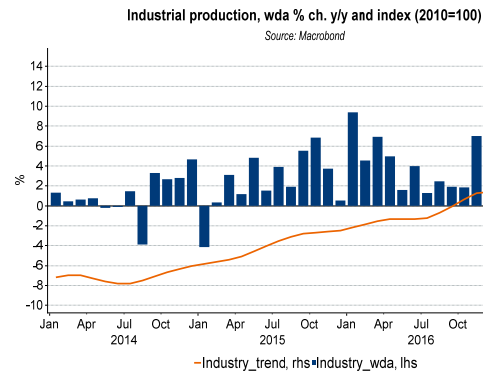


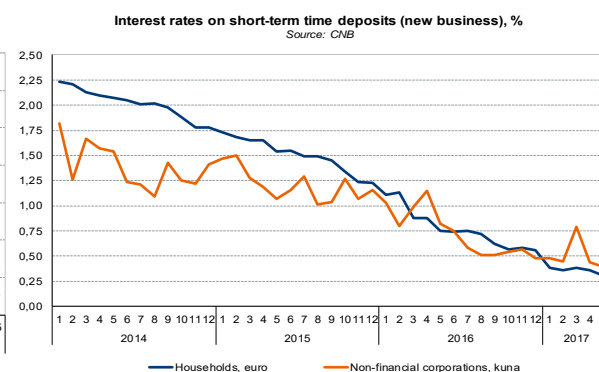
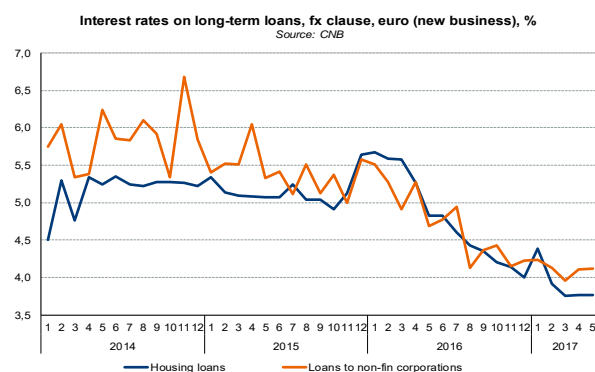
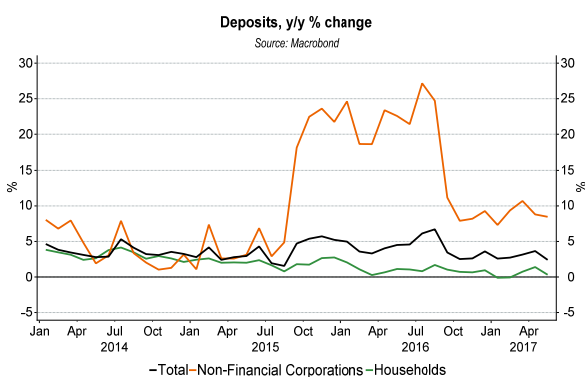
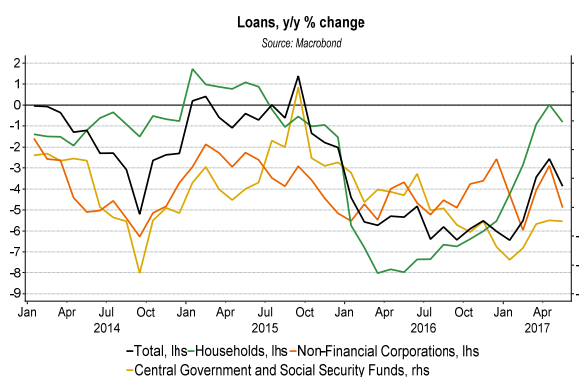
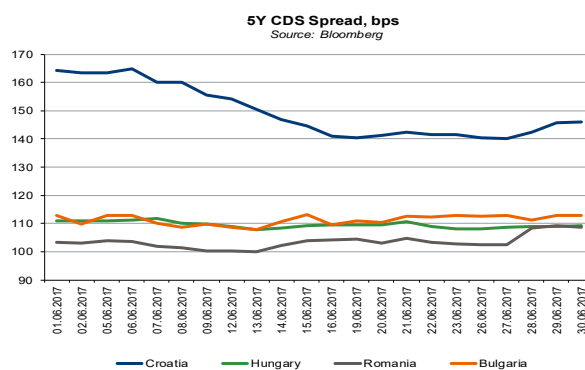
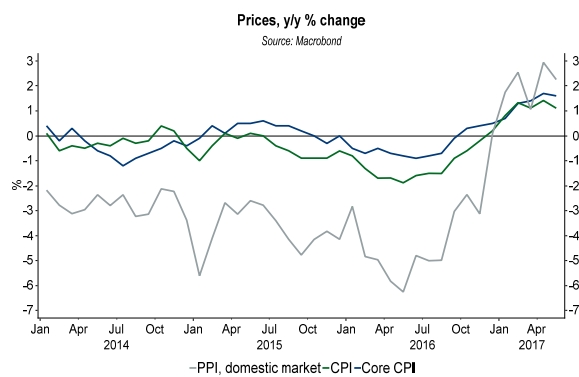
## Crobex slightly up

The total ZSE turnover amounted to 234.3 million kuna last week, which is down by 30.9% wow, where the turnover in bonds declined by 35.3% (to 195.4 million kuna), while the turnover in shares rose by 5.9% (to 38.9 million kuna). The Crobex index and the Crobis index closed on Friday at a marginally higher level (+0.1%) of 1,865.57 wow, i.e. 109.79 points, respectively. Thus, sector indices closed the week in negative territory, where CROBEXconstruct recorded the largest reduction of 2.3% wow (declining to 897.82 points), while CROBEXindustry and CROBEXtourist fell by 1.6%, i.e. 0.5% (to 1,172.73 and 3,725.21 points, respectively).



# Statistics





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