

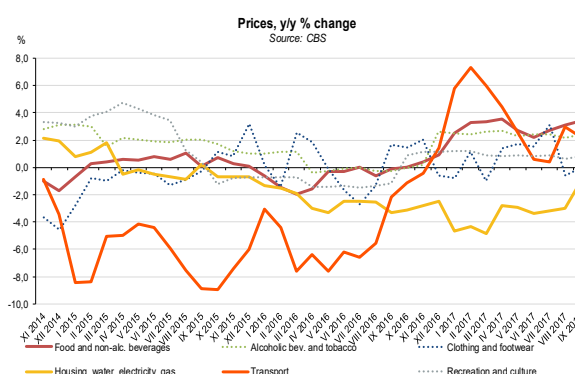
PBZ Weekly Analysis

Number 582, October 23, 2017

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Weekly overview

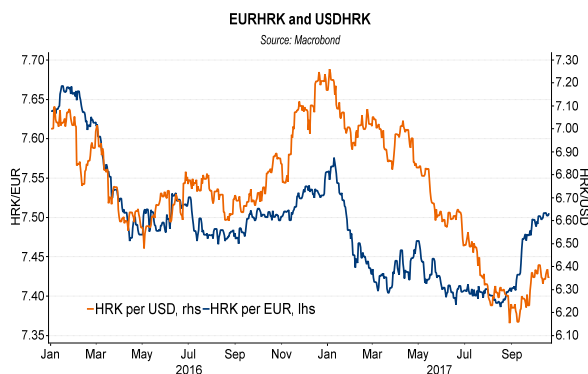
- The consumer price index in September rose by 1.4% yoy, which is an increase versus the previous month when the average inflation rate was +1.0%. The mentioned index increased by 1.5% mom, where the largest positive contribution came from higher prices of Clothing and footwear (+18.0%, new collections) and Housing (+2.5%, of which electricity prices by +6.3%, due to higher fees for renewable energy sources). The twelve-month average advanced to +0.8% in September (+0.6% in August), while the yoy core inflation rate (+1.4%) remained at the same level as in the previous month. The yoy growth in consumer prices in September were mostly affected by higher prices in the categories of Food (+3.5%), Transport (+2.2%) and Restaurants and hotels (+6.2%), whereas the contribution to the yoy change in the price level was moderate or zero in other categories. Over the period January-September 2017, consumer prices increased by 1.1% on average yoy, where the largest positive contribution came from higher prices of Food (+0.8 p.p. or +3.1%) and Transport (+0.4 p.p. or +3.5%, of which fuels and lubricants by +7.6%), while the largest negative contribution came from lower prices in the category Housing, water, electricity, gas and other fuels (-0.6 p.p. or -3.3%, of which electricity by -9.0% and gas by -2.7%). We do not expect major departures from the trend by the end of the year, while we anticipate the average inflation rate around 1.1% throughout the entire 2017.



Euro weaker, kuna stable

The dollar strengthened last week, driven by a progress in the US fiscal reform, while political turmoil in Spain weakened the euro. On Friday, the EUR/USD trading closed at 1.1784 dollar to the euro, down by 0.3% wow. This week, markets will focus on the ECB meeting, expecting an announcement of winding down of the bond-buying programme beginning next year.

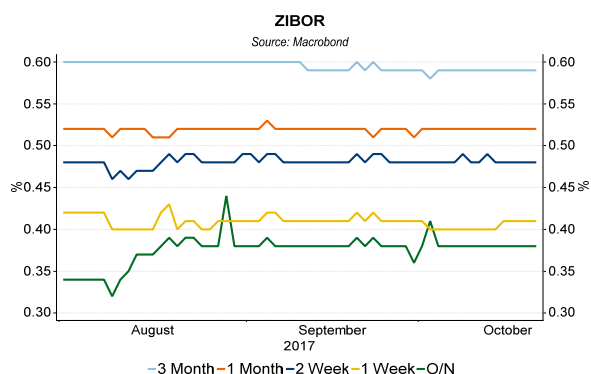
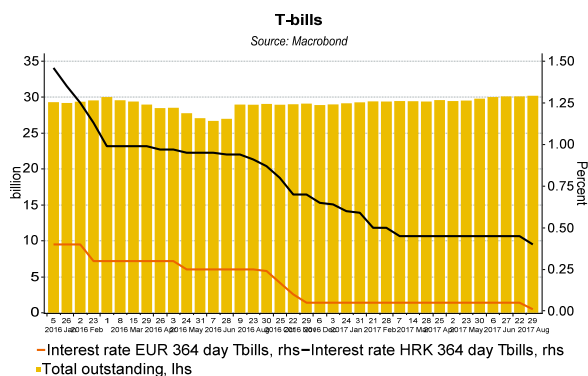
The exchange rate of the kuna against the euro recorded no major changes, being around 7.50. The mid-exchange rate was 7.5054 kuna to the euro at the end of the week, almost unchanged wow. The kuna against the dollar weakened by 0.2% to 6.3573 kuna to the dollar. This week, we expect trading in the range 7.49-7.53 kuna to the euro.



Stagnant interest rates

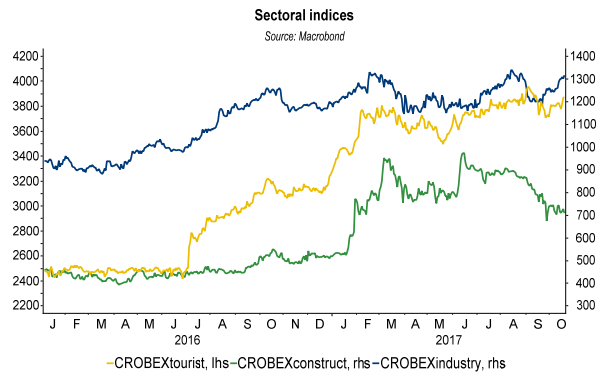
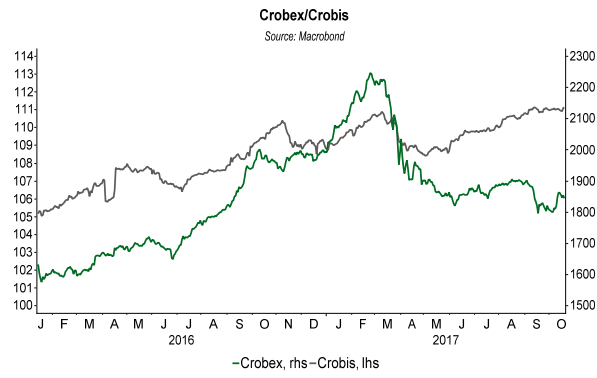
Excess liquidity was around 14 billion kuna, while the overnight Zibor stayed at 0.38%, 1M at 0.52% and 3M at 0.59%. There was no activity at the CNB's regular reverse repo auction and no turnover on the ZMM.

Last week, there was no T-bill maturity or auction. This week, 1.4 billion kuna in T-bills will mature and an auction has been announced.

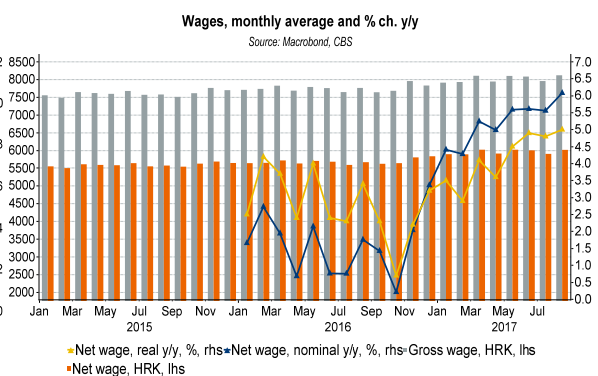
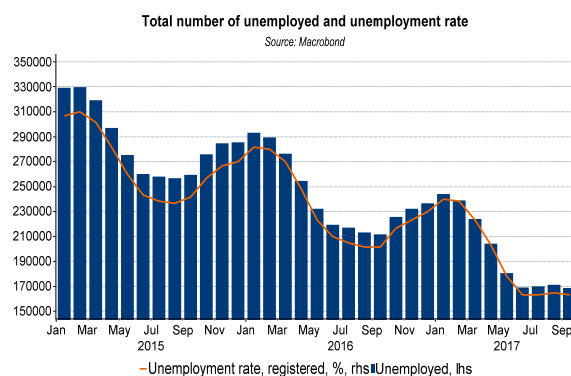
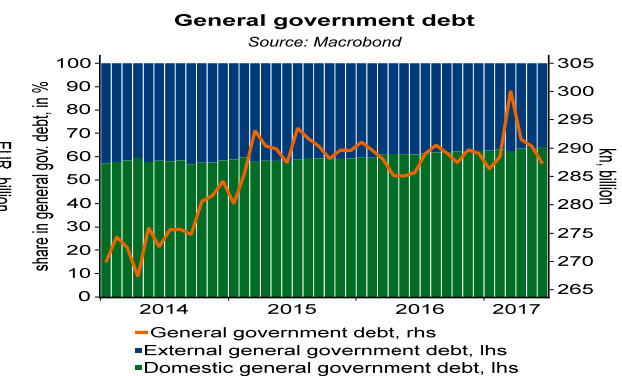
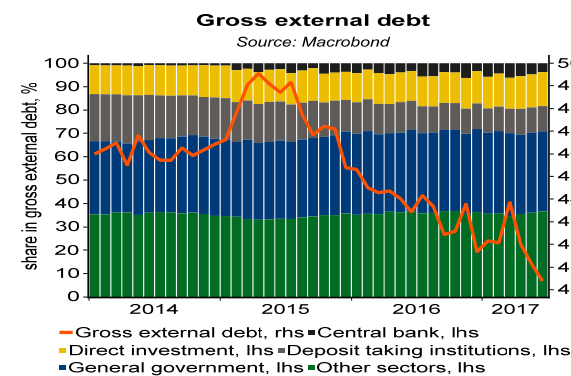
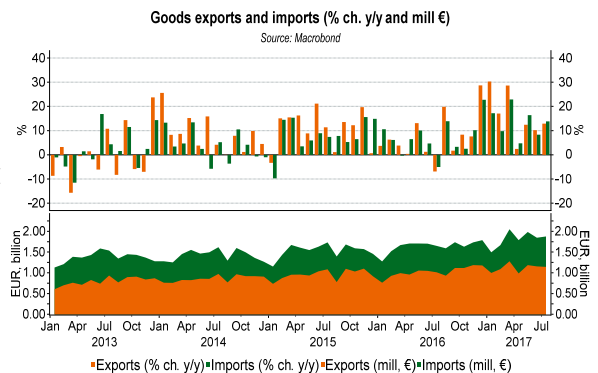
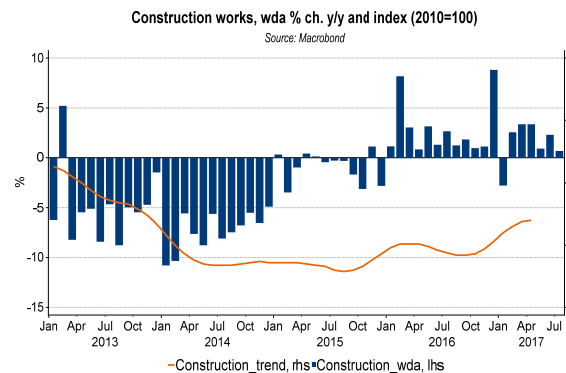
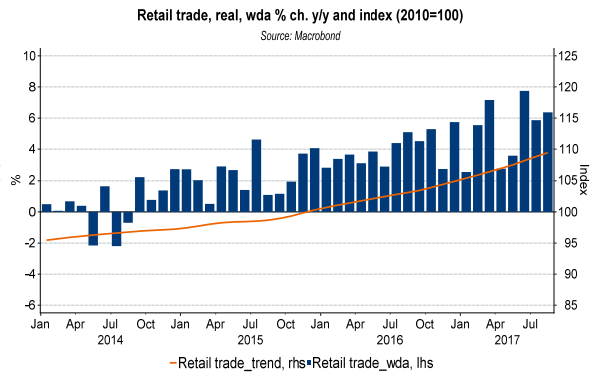
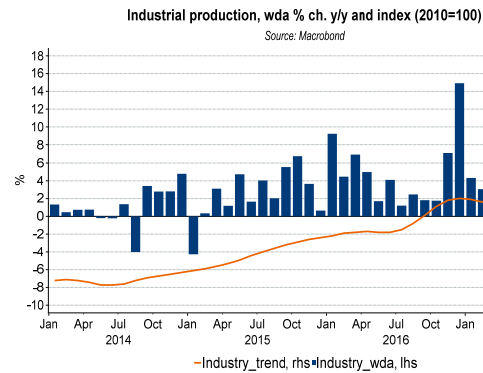


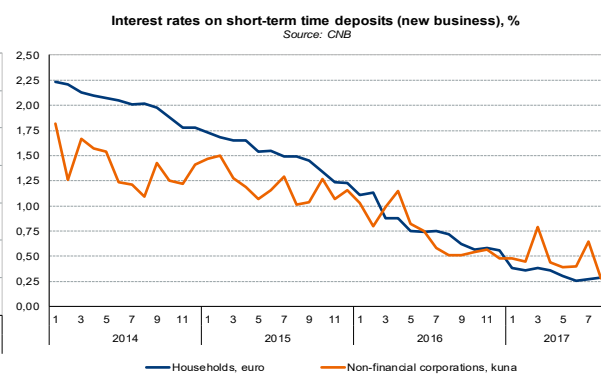
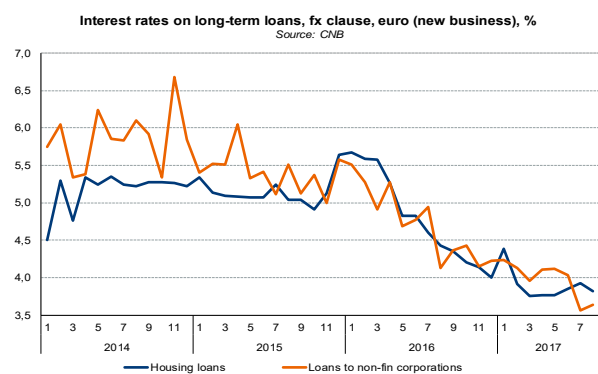
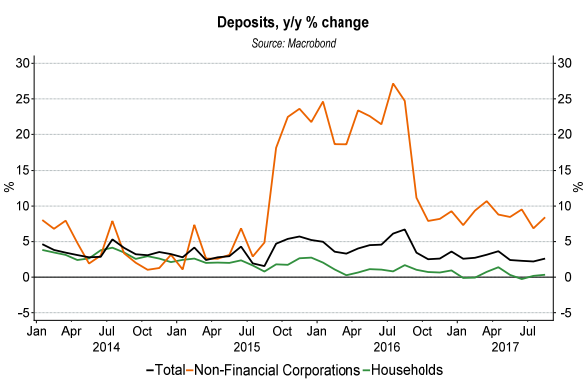
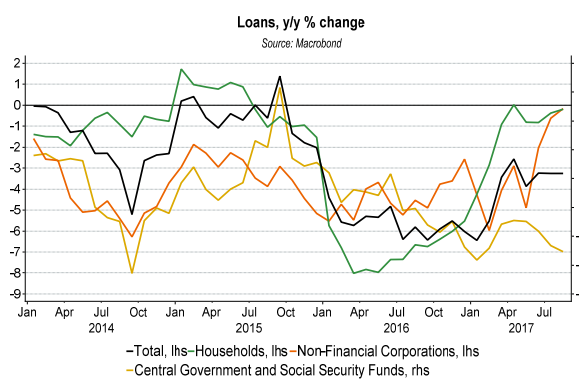
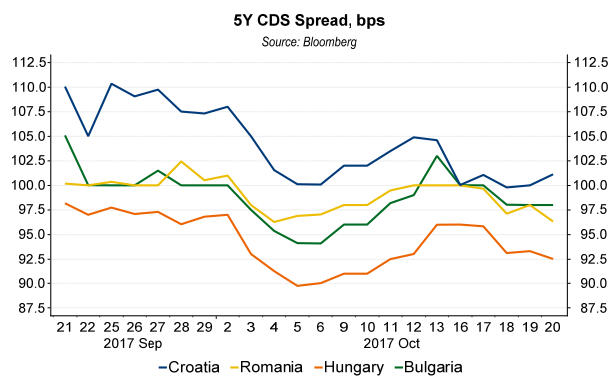
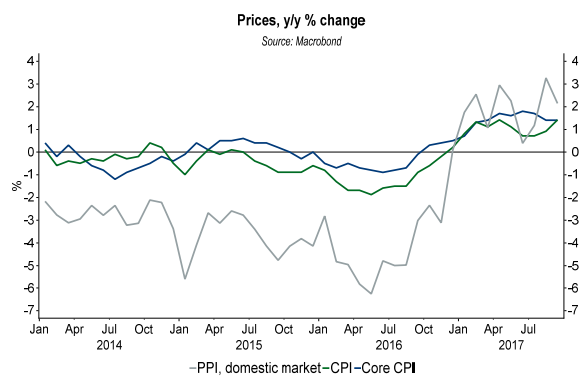
Crobex down wow

The total ZSE turnover last week amounted to 52.2 million kuna, i.e. down by 61.6% versus the week before, owing to a 77.2% drop in the turnover in bonds (to 26.4 million kuna), while the turnover in shares increased by 27.8% (to 25.8 million kuna). The Crobex index closed on Friday at 1,846.19 points, or down by 0.9% wow, whereas Crobis marginally rose by 0.1%, i.e. to 111.09 points. As regards sector indices, CROBEXtourist closed last week at 3,858.06 points (+1.5% wow), CROBEXindustry at 1,293.61 points (-0.4%) and CROBEXconstruct at 702.99 points (-1.6%).



Statistics





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