

PBZ Weekly Analysis

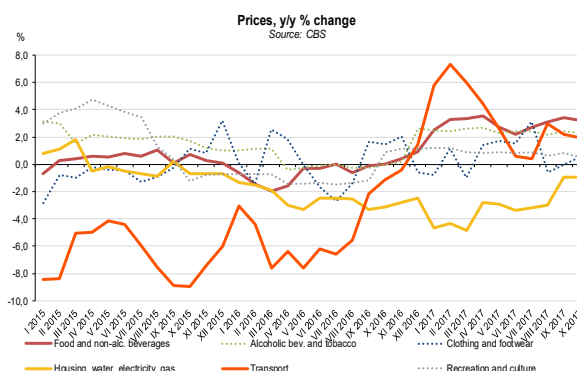
Number 585, November 20, 2017

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Weekly overview

The consumer price index for October rose by 0.4% mom, where the largest positive contribution came from 7.0% higher prices of Clothing and footwear (new collections), while the mentioned index increased by 1.4% yoy (the same as the previous month). The twelve-month average in October rose to +0.9% (from +0.8% in September), while the core inflation rate was +1.4% (+1.4% in September). Analysing by

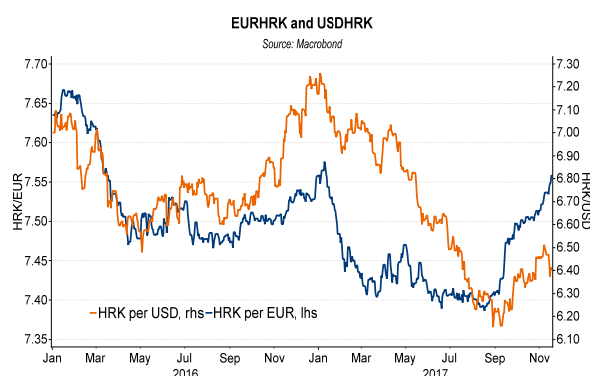
major groups, the largest impact on the yoy increase in the consumer price index in October was recorded by higher prices in the categories Food (by 0.8 p.p., or +3.3%), Transport (by 0.2 p.p., or +1.9%) and Restaurants and hotels (by 0.2 p.p., or +6.3%). On the other hand, the largest contribution to the decrease in the mentioned index came from lower prices in the categories Housing, water, electricity, gas and other fuels (by 0.1 p.p., or -0.9%) and Communication (by 0.1 p.p., or -1.3%). Over the period January - October 2017, the average annual inflation rate amounted to +1.1% (-1.3% in the same period last year), where the largest positive contribution came from higher prices of Food (+0.8 p.p., or +3.1%, of which vegetables by +6.6% and milk, eggs and cheese by +6.1%) and Transport (+0.4 p.p., or +3.4%, of which fuels and lubricants by +7.2%), while the largest negative contribution came from lower prices in the category Housing, water, electricity, gas and other fuels (-0.5 p.p., or -3.1%, of which electricity by -8.5% and gas by -2.0%). A positive contribution to the increase in the mentioned index over the indicated period also came from higher prices in the category Restaurants and hotels (+0.2 p.p., or +4.9%), partly as a result of higher VAT rates on hotels and restaurants, but also due to stronger tourism demand.



Dollar weaker for second consecutive week

The uncertainty around the US tax reform led to a fall in the exchange rate of the dollar against the euro for the second consecutive week, thus trading on Friday closed at 1.1790 dollar to the euro, up by 1.1% wow.

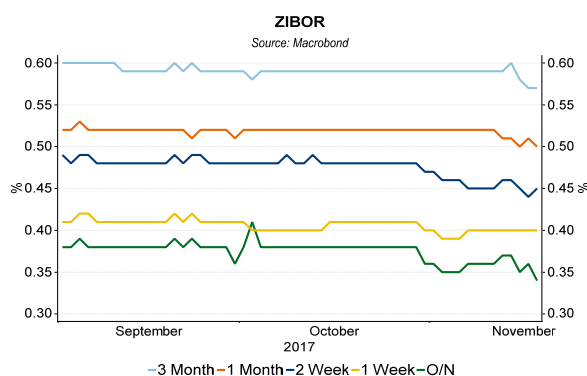
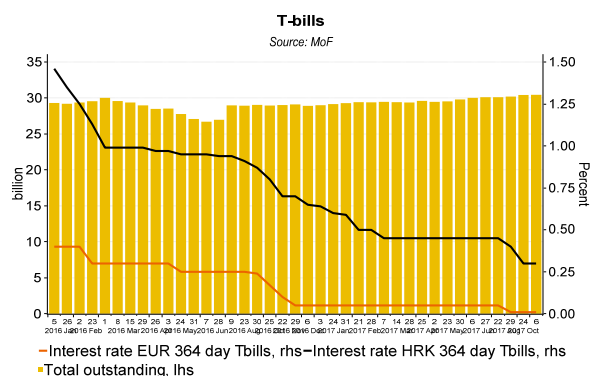
Depreciation pressures increased due to the issue of the MF euro bond (1.275 billion euro worth bonds maturing in 2030, with a yield of 2.953% and a coupon rate of 2.75%) and a slightly higher corporate FX demand, therefore the week ended with the exchange rate of 7.5590 kuna to the euro, up by 0.3% wow. The kuna against the dollar strengthened by 1.1% to 6.4011 kuna to the dollar. This week, we expect trading in the range 7.55-7.59 kuna to the euro.



Ample liquidity

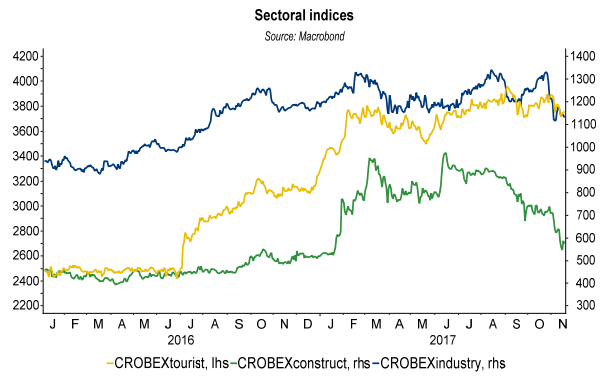
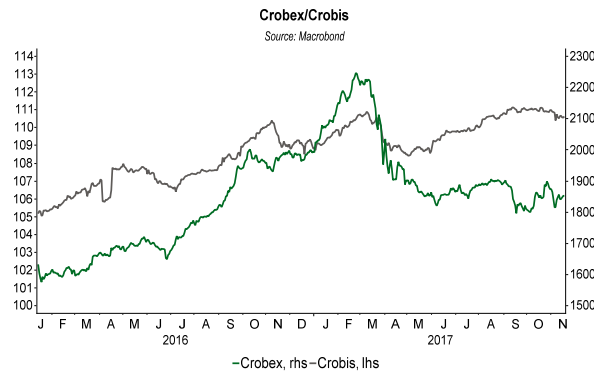
Last week liquidity was around 15 billion kuna. The overnight Zibor decreased by 2 b.p. to 0.34%, while 1M rose by 5 b.p. to 0.57% and 3M by 8 b.p. to 0.67%. At the CNB's regular reverse repo auction, 15 million kuna were injected in the system at the fixed interest rate of 0.3%. There was no turnover on the ZMM.

There was no maturity or auction last week, so the government debt under T-bills remained at 30.4 billion kuna. This week, 1.7 billion kuna will mature and the auction with the planned 1.3 billion kuna has been announced.

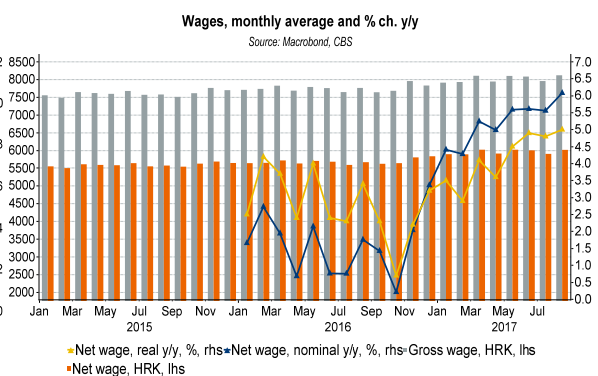
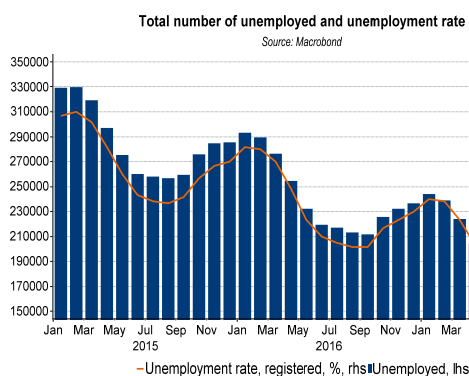
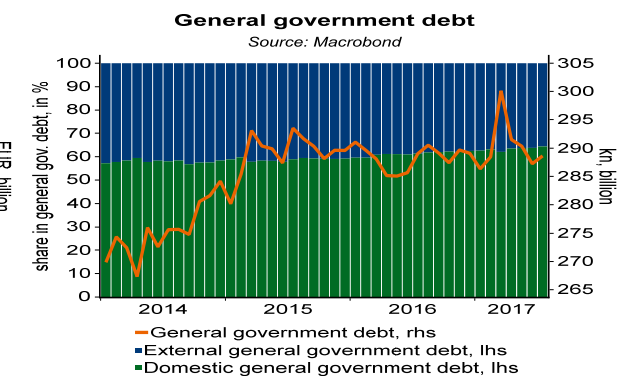
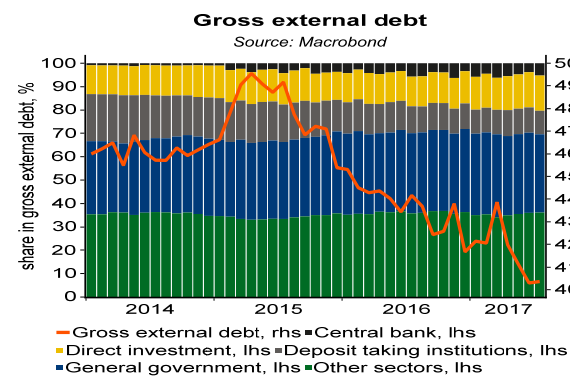
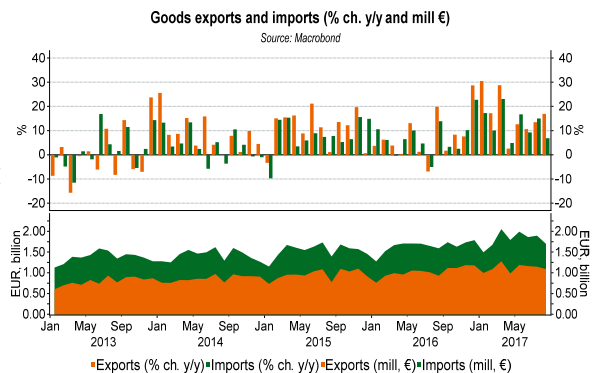
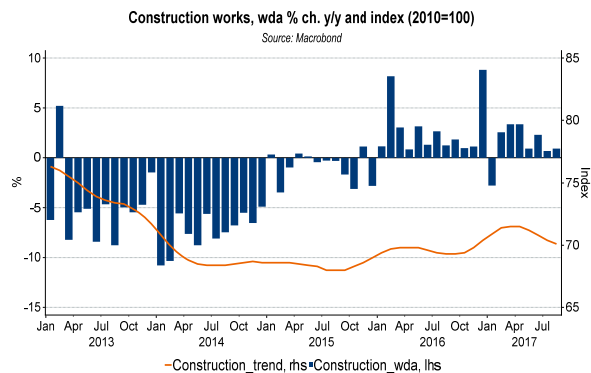
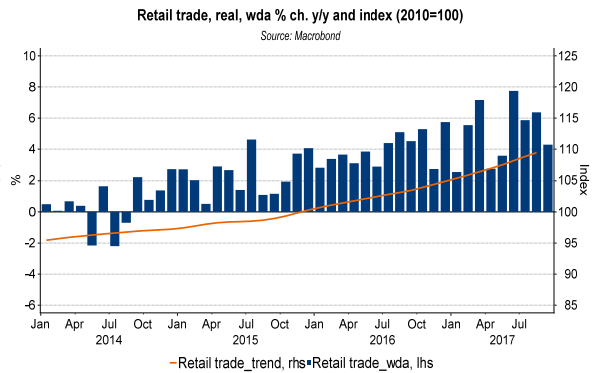
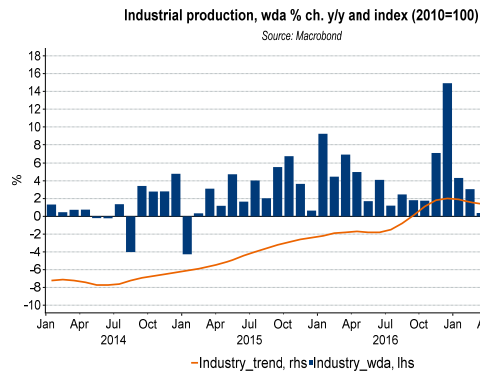


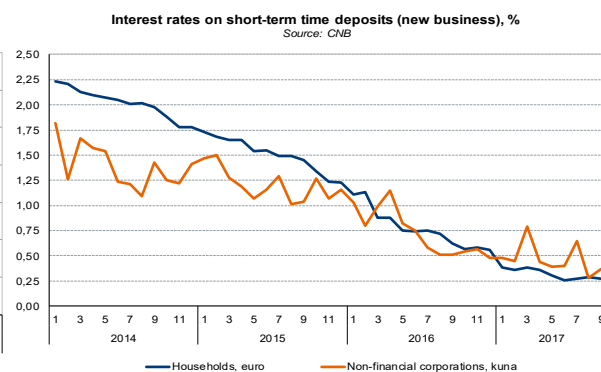
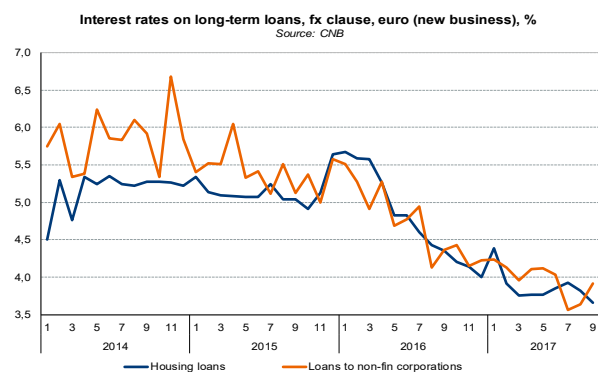
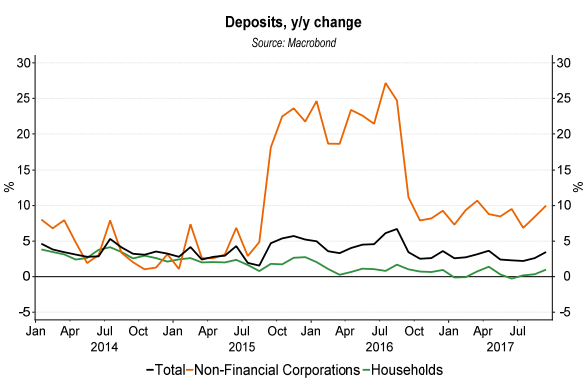
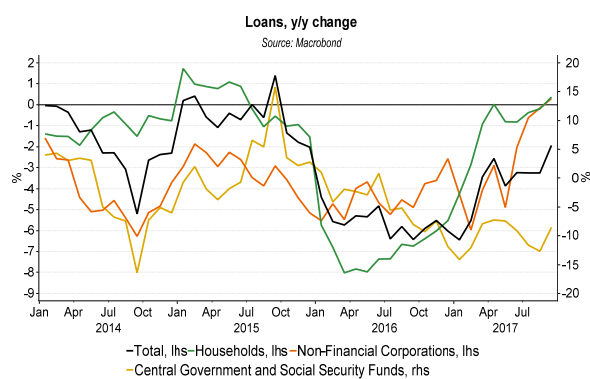
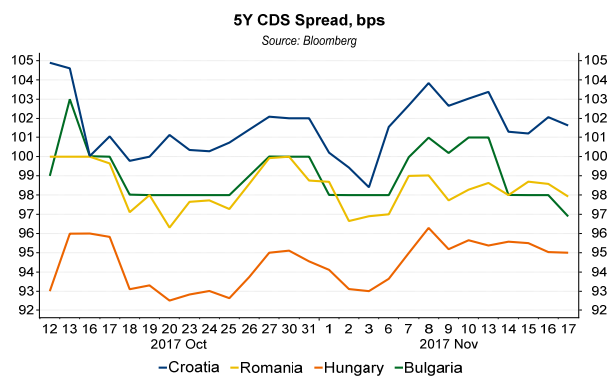
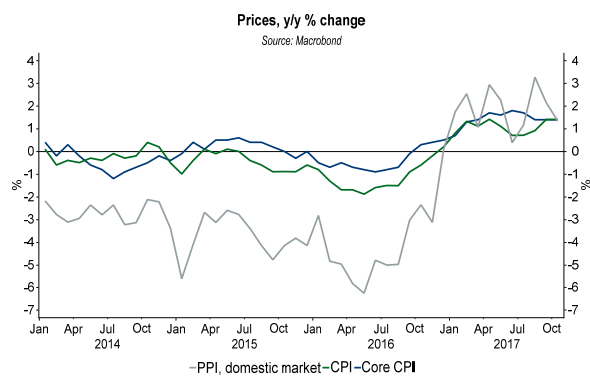
Crobex down wow

The Crobex index closed last week at 1,853.08 points, or down by 0.2% wow, whereas Crobis closed at 110.62 points on Friday, or up by 0.1% versus the week before. Sector indices ended in negative territory, where CROBEXconstruct decreased by 9.6% wow (to 574.27 points), CROBEXindustry decreased by 3.7% (to 1,129.56 points) and CROBEXtourist by 0.9% (to 3,758.57 points). The total ZSE turnover amounted to 860.8 million kuna last week, which is 2.7 times up versus the previous week, owing to a 4 times higher turnover in bonds which reached 813.5 million kuna, while the turnover in shares dropped by 56.3% (to 47.3 million kuna).



Statistics





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