



	Close	w/w (%)	3M (%)	YTD (%)	y/y (%)	52W Low	52W High
PX	981	-0.1	6.7	6.5	8.9	790	984
CZK/EUR	27.04	-0.1	-0.1	-0.1	0.1	27.02	27.15
CZK/USD	25.38	-1.4	1.5	1.2	-6.0	23.44	26.01
PRIBOR 6M	0.35%	0bp	0bp	0bp	-1bp	0.35%	0.36%
10Y GB 1.00/26	0.87%	-6bps	45bps	45bps	47bps	0.22%	0.95%

Prague Stock Exchange

Prague Stock Exchange	Close	w/w (%)
CME	77	2.7
CEZ	436	-0.6
Erste	828	0.3
Fortuna	108	1.1
Kofola	402	0.6
KB	940	-1.7
Moneta	85.8	1.2
O2 CR	283	0.4
Pegas	822	-0.2
PMCR	13,570	0.6
Stock	58	1.7
TMR	660	-2.2
Unipetrol	230	0.7
VIG	610	-0.4

	Equity	Bonds
CZK m	2,442	25,160
EUR m	90	930

Source: Bloomberg, PSE, ATLANTIK FT

Headlines

Fortuna Entertainment Group

- Penta announces repurchase offer, seeks delisting

PMCR

- CZK 1,000/share dividend proposed

CEZ

- Nikko Securities interested in Skoda Praha
- Sale of 7.5% stake in MOL
- Unplanned shutdown ends in Dukovany

KB, Moneta

- UniCredit allegedly wants to sell assets in CR and Slovakia

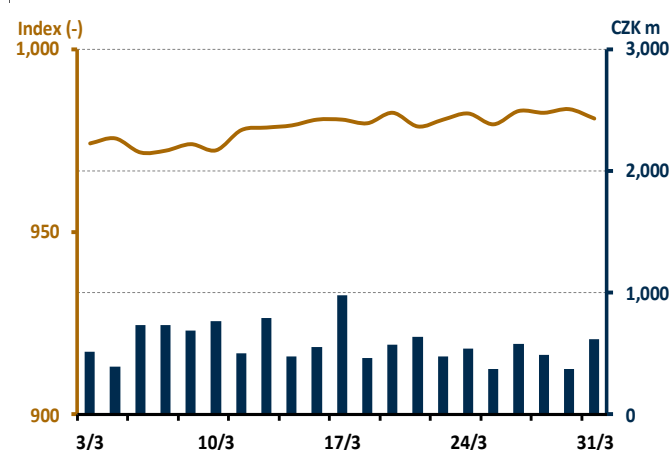
O2 CR

- Board of Directors approves dividend
- Competitor introduces new data tariffs

Macro

- End of currency interventions approaching

Index PX



One-Week Outlook

On Wednesday, investors are going to follow **minutes from the Fed's last meeting**, at which interest rates were raised. Nevertheless, since a press conference was held following the meeting, the minutes should not contain new information. **In our opinion, the market will not show a clear trend as investors are waiting for the earnings season for 1Q**, which starts in the second week of April.

Macroeconomic releases this week include **US manufacturing ISM** (exp. 57.0 after 57.7 points m/m) on Monday, **factory orders** (exp. 0.9 after 1.2% m/m) on Tuesday, **non-manufacturing ISM** (exp. 57.0 after 57.6 points m/m) on Wednesday and **employment data** (exp. 175 thousand after 235 thousand new jobs m/m) on Friday. **In Germany**, we are going to follow **factory orders** (+3.5 after -7.4% m/m) on Thursday and **industrial output** (exp. -0.2 after +2.8% m/m) on Friday.

Equity Market – Prague Stock Exchange

Market News

Markets were influenced by two factors in particular last week. The first was **President Trump's failed attempt of a healthcare reform in the USA the week before**. This failure gives rise to questions **whether Trump will be able to push through the Congress other reforms as promised**. Moreover, there is a question of how aggressive can for example the tax reform be without funds resulting from other reforms. **The OPEC meeting regarding the possibility to extend oil production cut was the other factor**. Subsequently, oil prices partly erased previous declines. **Overseas markets opened down but buyers eventually prevailed and the main stock indices finished slightly up**. The **PX Index finished at 981 points, down 0.1% w/w**.

The biggest loss was recorded by TMR (-2.2%, CZK 660) followed by Komerční banka (-1.7% to CZK 940). There were speculations that KB could be among those interested in domestic activities of UniCredit Bank and this news could have been behind the correction of earlier growth, which had not been based on any stock-moving information. **The biggest gain was posted by CME (+2.7% to CZK 77.0)** on no major stock-moving news. The stock copied its US line.

On the domestic market, **the meeting of the Czech National Bank** was followed on Thursday. **The end of currency interventions is getting near**. The CNB said that the currency commitment would be probably lifted before the middle of the year and that the decision could be made at any meeting.

Index	Close	w/w (%)	3M (%)	YTD (%)	y/y (%)	52W Low	52W High
PX	981	-0.1	6.7	6.5	8.9	790	984
Wien (ATX)	2,829	0.0	6.7	8.0	24.3	1,988	2,851
Warsaw (WIG 20)	2,176	-2.6	11.8	11.7	8.8	1,705	2,297
Budapest (BUX)	31,634	-1.4	-0.7	-1.2	20.2	25,390	34,325
Euro Stoxx50	3,501	1.6	7.0	6.4	15.0	2,697	3,501
Dow Jones	20,663	0.3	4.3	4.6	16.6	17,140	21,116
S&P500	2,363	0.8	5.0	5.5	14.5	2,001	2,396
Nasdaq	5,912	1.4	8.8	9.8	21.4	4,594	5,914

Special Focus

Fortuna

Forbet, the majority shareholder of Fortuna, announced its intention to buy back Fortuna's shares on Polish and Czech stock markets and delist the stock. At present, Forbet owns 68.25% of Fortuna's shares. The price offered is PLN 15.43/share in Poland and CZK 98.69/share in Prague, which is 9% below the closing price the day before. The tender offer is valid from 21 April to 20 June.

Further, Penta's spokesperson said that steps leading to the delisting would be taken immediately after a general meeting, which will be held at the end of May. In our opinion, the price offered is low and we do not recommend accepting the offer. We believe that by delisting the stock Penta is trying to pressure minority shareholders into selling shares under unfavourable conditions and avoid a situation when an independent evaluation would have to be a factor in determining the share price. We also regard as problematic the fact that Penta is pressuring shareholders in this way soon after announcing major acquisitions, with respect to which no detailed information has been provided.

Reported Earnings Results

Philip Morris CR

Philip Morris CR reported earnings results for 2016 last Tuesday. Our projection concerns unconsolidated results. Sales reached CZK 10.8bn in 2016, beating our projection of CZK 10.6bn. We were pleasantly surprised by sales generated in the domestic market, which totalled CZK 6bn vs. CZK 5.8bn expected. Other segments were as expected. The better-than-expected sales were reflected all the way to the bottom line (CZK 2.8 vs. exp. CZK 2.6bn or CZK 1,007 vs. CZK 936/share expected).

Philip Morris CR proposes a gross dividend of CZK 1,000/share from 2016 profit. The amount of dividend exceeds our projection of CZK 936 and the market consensus (CZK 930). The gross dividend proposed implies a 7.5% gross dividend yield. The higher-than-expected dividend stems from better-than-expected earnings results.

IFRS uncons. (CZK m)	2016	2015	y/y	eJ&T 2016
Sales	10,797	10,148	6.4%	10,601
EBITDA	3,977	3,617	10.0%	3,647
EBITDA margin	36.8%	35.6%	+1.2pps	34.4%
Net income	2,766	2,540	8.9%	2,571
EPS (p.a.)	1007	925	8.9%	936
Dividend (CZK/share)	1000	920	8.7%	936
Gross div. yield (%)	7.5%	6.8%	-	6.9%

Source: PMCR and J&T Banka

Equity Market – Prague Stock Exchange

Company News

CEZ Nikko Securities Indonesia, a Japanese-Indonesian company, is reportedly interested in Skoda Praha. Skoda Praha is an engineering company that builds power plants and it is owned by CEZ. The sale of Skoda or the entry of a strategic partner have been subject to speculations since the beginning of the year. CEZ has already upgraded its core coal-fired power plants and further contracts in the region are not expected with respect to the market situation. Skoda has reported annual revenues of tens of million korunas and a net loss for the past few years (CEZ reported revenues of CZK 204bn, EBITDA of CZK 58bn and net profit of almost CZK 20bn) last year. If the company or its part is sold, it will be positive. It could support a dividend payment.

CEZ said it was buying back convertible bonds while carrying out the block sale of shares of MOL. CEZ is collaborating with Barclays, Citigroup and Deutsche Bank on this transaction. The company estimates that the sale of the stake could boost its pre-tax profit in 2017 by CZK 3.4bn (CZK 6.3/share). This is in line with the previously announced net profit guidance of CZK 12-17bn, where the wide range took into account the possibility of the sale of the stake in MOL. Of course, a higher expected net profit gives a solid chance of the continuation of an interesting dividend. We consider the transaction positive with respect to the timing too because MOL's shares are currently at a six-year high.

As announced earlier, CEZ connected Unit 2 of the Dukovany power plant to the grid last Thursday. The unplanned shutdown had lasted a week.

Moneta
Komerční banka UniCredit could reportedly sell its assets in the Czech Republic and Slovakia. Moneta and Komerční banka or, more precisely, Societe Generale are allegedly among those interested. The value of UniCredit is estimated at CZK 80 – 90bn. At this stage, the reported information is only speculation from an unclear source and none of the parties has commented on it yet. The transaction would be about twice as big as the current market capitalisation of Moneta. In our opinion, the transaction is unlikely to materialise on the part of Moneta or KB. Without further details we cannot estimate any potential impact on the stock.

O2 CR T-Mobile, O2 CR's competitor, introduced new tariffs, which mostly concern mobile data last Tuesday. Above all, the change concerns the basic unlimited plan, whose price was raised from CZK 749 to CZK 799 and which now includes, besides unlimited calls and SMS, 4GB of data vs 1.5GB previously. Overall, we consider the new tariffs ground-breaking. Pressure to reduce mobile data rates, especially as part of election campaign, is evident and we expect that other operators will follow suit.

The Board of Directors approved the management's proposal of a total dividend for 2016 of CZK 21/share. Of that amount, CZK 17 is a dividend from 2016 profit and CZK 4 is part of the share premium. The dividend record day will be on 10 May and the payment day is on 9 June. The management's proposal had been announced with the release of 4Q 2016 earnings. The dividend is now subject to approval of the general meeting, which is held on 10 May.

Market in Figures

Market Volume	(CZK m)	Change (%)	(EUR m)	Change (%)	(USD m)	Change (%)
	2,442.1	-31.6	90.3	-31.4	97.1	-31.2

Note: Percentage change relative to the average weekly volume over the past six months.

	Close	w/w (%)	3m rel. (%)*	y/y rel. (%)*	Low	52W High	Weekly volume CZK m	Weekly volume rel. (%)		
CME	77	2.7	14.0	6.8	23.2	13.1	49	79	7,812	-41
CEZ	436	-0.6	2.0	-4.4	4.1	-4.5	387	477	468,092	-47
Erste	828	0.3	9.3	2.4	24.3	14.1	480	832	201,635	-48
Fortuna	108	1.1	25.8	17.9	27.3	16.9	74	110	109,604	-72
Kofola	402	0.6	11.6	4.6	-7.4	-15.0	353	445	2,150	-88
KB	940	-1.7	6.8	0.1	-10.8	-18.1	809	1,066	622,726	-21
Moneta	86	1.2	3.7	-2.8	n.a.	n.a.	68	91	669,500	-39
O2 CR	283	0.4	9.3	2.5	12.0	2.9	197	285	102,248	-66
Pegas	822	-0.2	6.1	-0.6	9.8	0.8	703	853	10,831	-71
PMCR	13,570	0.6	3.6	-2.9	3.6	-4.9	11,910	13,696	120,239	289
Stock	58	1.7	3.0	-3.4	10.3	1.3	45	60	3,333	-61
TMR	660	-2.2	-2.9	-9.0	4.8	-3.8	611	735	66	-100
Unipetrol	230	0.7	24.9	17.1	29.0	18.4	155	231	66,367	115
VIG	610	-0.4	5.9	-0.7	21.1	11.2	411	642	55,626	-11

*Note: *Percentage change relative to the index PX. ** Percentage change relative to the average weekly volume over the past six months.*

Equity Market – Prague Stock Exchange

Ratios	P/E		P/Sales		EV/EBITDA		EV/ Sales		Target Price	LT Recomm.	ST Outlook
	2015	2016e	2015	2016e	2015	2016e	2015	2016e			
CME	n.a.	n.a.	0.7	0.7	10.4	9	2.1	2	USD 2.6	Hold	Neutral
CEZ	11.4	13.5	1.1	1.1	5.6	6.4	1.7	1.8	CZK 534	Buy	Neutral
Fortuna	10.5	14.8	2	1.9	7.7	8.9	2	1.9	Pending	Hold	Neutral
Kofola	38.7	n.a.	1.2	n.a.	10.4	n.a.	1.4	n.a.	CZK 426	Hold	Neutral
O2 CR	17.6	16.4	2.4	2.4	9	8.7	2.4	2.4	CZK 260	Buy	Neutral
Pegas	11.2	15.5	1.2	1.3	6.3	6.1	1.2	1.3	CZK 860	Buy	Positive
PMCR	14.7	14.5	3.7	3.5	10.3	10.2	3.7	3.5	CZK 12,705	Hold	Neutral
Stock	23.9	17.9	1.6	1.6	8	8.3	1.6	1.6		Not rated	
TMR	n.a.	n.a.	2.3	n.a.	6.7	n.a.	2.3	n.a.		Not rated	
Unipetrol	5.9	n.a.	0.4	n.a.	3.9	n.a.	0.4	n.a.		Not rated	

Ratios	P/E		P/BV		Target Price	LT Recomm.	ST Outlook
	2015	2016e	2015	2016e			
KB	14	13.1	1.7	1.8	CZK 1,015	Hold	Neutral
Moneta	9.7	10.8	1.6	1.6	CZK 108	Buy	Neutral
Erste	13.6	10.4	1.2	1.1	EUR 31	Hold	Neutral
VIG	29.3	9.9	0.6	0.6	EUR 24.5	Buy	Neutral

Economy

CNB

The Bank Board of the Czech National Bank decided to maintain its monetary policy at its Thursday's meeting – interest rates stayed at a factual zero (0.05 %) and commitment to prevent the koruna from firming above 27 against the euro. Nevertheless, the central bank indicated that the end of the currency commitment is approaching. It left out a phrase that the middle of the year is probably when the intervention would be ended (the so-called soft commitment). Governor Rusnok stated that after the lapse of the so-called hard commitment (end of 1Q/17), the Bank Board could decide on the exit at any meeting. As regards timing, Rusnok said that the chances of an exit in the middle of the year had decreased in favour of an earlier termination. The end of the currency commitment seems to be in the matter of days or weeks rather than months.

The Bank Board could wait for inflation data for March (to be published on 10 April) but this is not a necessary condition. It still cannot be ruled out that the Bank Board will wait until May's meeting (4 May), when the new forecast will be available. The exact moment (day and hour) stays uncertain and it can be only subject to speculations. After a long period of calmness, the koruna is entering a period of volatility. This was shown by the koruna's weakening after the press conference. We expect that after the exit, the koruna will oscillate within a wide range of 27 to the euro in both directions before it gets settled given the excessive purchases of the koruna (high bets on its appreciation).

Indicators		Last Figure	Period	2014	2015	2016e
GDP (real)	%, y/y (real)	1.9	4Q/16	2.7	4.6	2.3
Industrial output	%, y/y (real)	9.6	01/17	4.9	4.6	2.8
CPI	%, y/y	2.5	02/17	0.4	0.3	0.7
Trade balance	bn CZK	19.4	01/17	146	131	167
Current account	% of GDP	1.6	2016	0.2	0.9	1.6
Unemployment	%	5.1	02/17	7.7	6.5	5.5

Forex**CZK/EUR**

Last week was volatile for the koruna. While the koruna stayed flat at 27.02 against the euro at the beginning of the week, on Thursday it slumped to 27.2 and on Friday it was trading at a 1.5-year low of 27.25 to the euro. The Czech central bank did not lift the currency cap but Governor Rusnok indicated that the end of interventions had drawn near significantly. Still, the CNB's statements were probably disappointing for some (bets on the exit on Thursday?) and the closing of positions briefly impacted the koruna. Nevertheless, during Friday's trading, the koruna started to firm quickly again and returned to 27.02 to the euro, with the market testing indirectly whether the CNB was still intervening.

The koruna should stay near 27 to the euro or briefly weaken if speculations of some investors about the firming of the koruna do not materialise (=end of CNB's interventions). Only the CNB's decision to stop devaluing the koruna will change things. When it happens, we will expect volatility in both directions rather than the koruna's clear appreciation. The CNB's decision could be made any day.

CZK/USD

The koruna was weakening against the dollar all week, moving from 24.9 back to 25.4 to the dollar after three weeks. As in the previous weeks, USD/CZK was primarily influenced by the dollar-euro trading because the koruna stayed largely flat against the euro.

In the short term, the koruna could stay weaker (USD/CZK 25.6) but the medium-term outlook stays the same and the koruna could continue trading within a broad range of 25.3 to the dollar.

USD/EUR

The euro firmed to a 4-month high of USD/EUR 1.09 at the beginning of the week but then it started to correct gains after 4 weeks, weakening to USD/EUR 1.065. Besides a technical correction, the ECB's comments played a role. The ECB said that it was not going to change its monetary policy any time soon contrary to market speculations that the ECB could raise interest before the end of the QE.

In the short term, the euro could weaken further and test the USD/EUR 1.06 level. The medium-term outlook stays the same for now. We do not expect the dollar to firm dramatically. It should continue trading within a wide range.

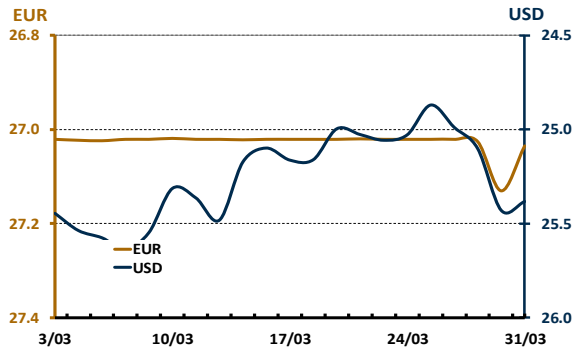
RUB/USD

The rouble continued to firm, shifting from 57 against the dollar to 56, which is the new high since July 2015. The rouble benefitted from oil price growth and positive sentiment supported by an increase of the rating outlook for Russia by S&P and a decrease in interest rates by the central bank.

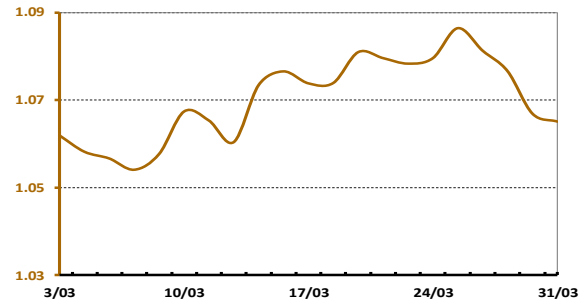
Sentiment could lead to further slight appreciation of the rouble; at the same time, the risk of correction is rising because the rouble has added over 6% in 3 weeks. In the long term, oil prices rather than Russian economy (including interest rates) will be crucial for the rouble.

Forex

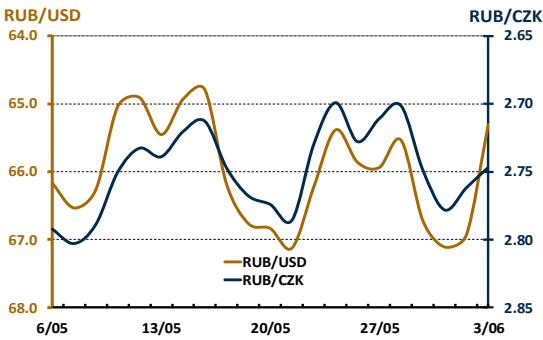
Koruna



EUR/USD



Ruble

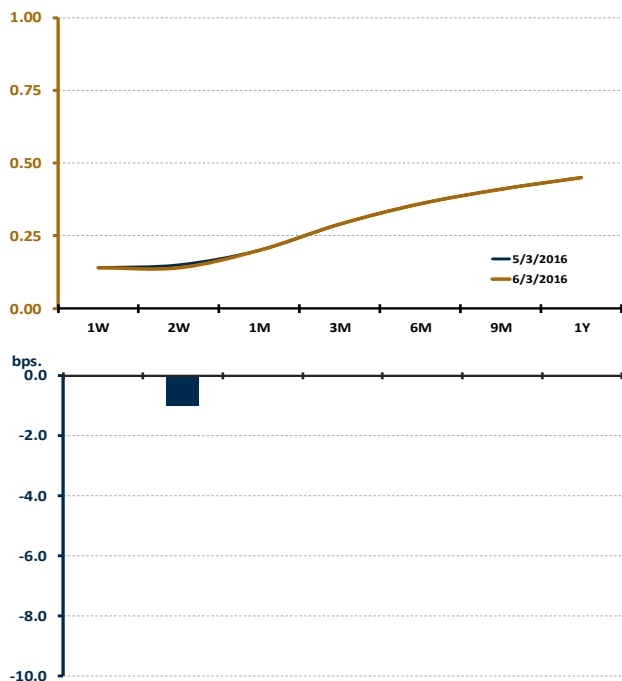


Exchange Rates	Close	w/w (%)	3M (%)	YTD (%)	y/y (%)	52W Low	52W High	Forward 1M	Forward 6M
EUR-CZK	27.04	-0.1	-0.1	-0.1	0.1	27.0	27.2	26.9	26.8
USD-CZK	25.38	-1.4	1.5	1.2	-6.0	23.4	26.0	25.2	24.9
GBP-CZK	31.85	-2.0	-0.8	-0.6	7.7	29.6	35.6	31.7	31.4
EUR-USD	1.065	1.4	-1.5	-1.3	6.4	1.04	1.15	1.07	1.08
USD-RUB	56.2	1.2	7.1	9.4	21.4	56.10	68.58	-	-
CZK-RUB	2.22	2.7	5.5	8.1	29.2	2.21	2.89	-	-

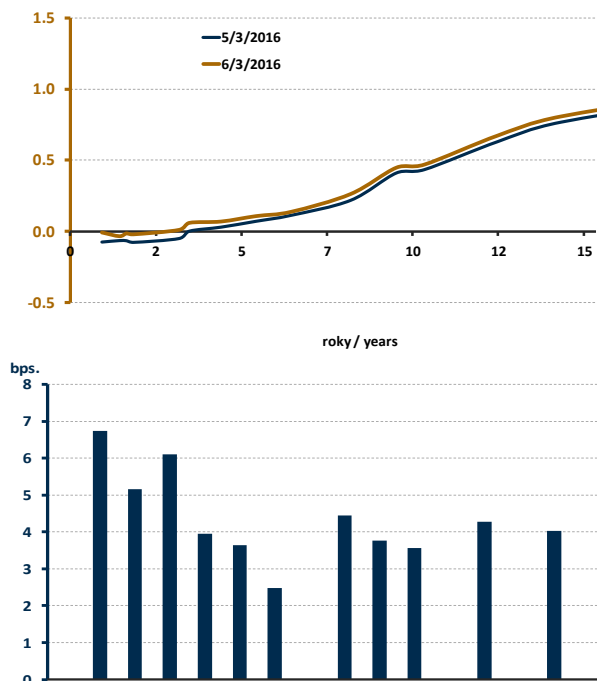
CZK – Money and Bond Market

	PRIBOR	Fixing (%)	w/w (bps)	3M (bps)	YTD (bps)	Y/Y (bps)	52W Low	52W High	FRA 3M
2W		0.14	0	-1	-1	-1	0.14	0.15	n.a.
3M		0.28	0	0	0	-1	0.27	0.29	0.27
6M		0.35	0	0	0	-1	0.35	0.36	0.30
1Y		0.44	0	0	0	-1	0.43	0.45	n.a.

CZK – Money Market



CZK – Yield Curve



Bond Market Volume	(CZK m)	change (%)	(EUR m)	change (%)	(USD m)	change (%)
	25,159.7	74.1	929.6	71.9	997.4	72.6

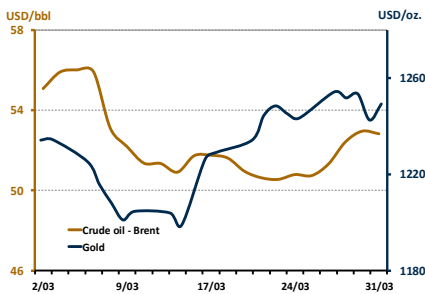
Note: Percentage change relative to the average weekly volume over the past six months.

Name	Maturity	Price	w/w (bps)	Volume (CZK m)	YTM (%)	w/w (bps)	Duration
GB 0.00/17	9-Nov-17	100.81	30	71	-1.34	-51.3	0.6
GB 0.85/18	17-Mar-18	101.79	28	6,360	-1.02	-31.9	1.0
GB 3.85/21	29-Sep-21	116.90	17	24	0.07	-4.6	4.2
GB 1.00/26	26-Jun-26	101.17	56	736	0.87	-6.3	8.8
GB 0.85/30	15-May-30	96.54	2	1,711	1.24	-0.1	12.3

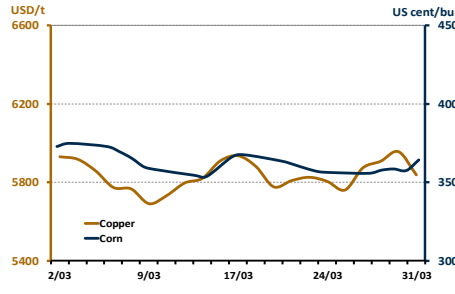
Commodities

Trading on commodity markets was relatively calm last week. Big gains were posted only by oil (5% w/w) and broad commodity indices added 1-3% w/w, depending on the weight of oil in the relevant index. After crude oil fell to 3-5-month lows – Brent (USD 50), WTI (USD 47) – sentiment reversed. The market responded in a positive way to a statement of OPEC members that the oil production cut agreement could be extended and that oil market was getting stabilised. This overshadowed the impact of high inventories and renewed production in the USA and oil prices climbed to 3-week highs – Brent (USD 53), WTI (USD 50). Prices of precious metals and base metals stayed flat. Agricultural commodities (-1% w/w) were weighted down by a falling price of sugar (-5% w/w).

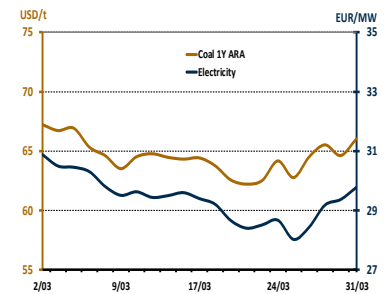
Crude Oil & Gold



Copper & Corn



Coal & Electricity



	Close	w/w (%)	3M (%)	YTD (%)	y/y (%)	52W Low	52W High
Crude Oil - Brent	52.8	4.0	-5.9	-7.0	34.6	37.7	57.1
Crude Oil - WTI	50.6	5.5	-5.9	-5.8	32.0	35.7	54.5
Gold	1,249	0.5	7.9	8.4	2.0	1,128	1,366
Electricity	29.8	3.9	-4.8	-5.1	34.0	22.2	35.5
Coal	66.0	2.9	-3.7	-6.0	57.3	40.5	77.8
Aluminium	1,963	1.2	16.9	15.9	31.2	1,496	1,949
Copper	5,838	0.6	6.4	5.5	19.8	4,510	6,106
Wheat	426.5	0.4	5.4	4.5	-8.1	361	520
Corn	364.25	2.2	4.1	3.5	-0.7	302	438
Soybean	946	-3.0	-5.7	-5.1	4.1	905	1,178

Date	Time	Country	Indicator/Company	Periods	J&T (e)	Market (e)	Previous
3/4/2017	3:45	China	Caixin Manufacturing PMI	03/17	-	51.3	51.7
3/4/2017	9:30	CR	Manufact. PMI	03/17	57.2	57.5	57.6
3/4/2017	10:00	Eurozone	Manufact. PMI	03/17f	-	56.2	56.2
3/4/2017	11:00	Eurozone	Unemployment rate	02/17	-	9.5%	9.6%
3/4/2017	16:00	USA	ISM - Manufacturing business confidence	03/17	-	57.2	57.7
4/4/2017	11:00	Eurozone	Retail Sales	02/17	-	1.0% y/y	1.2% y/y
4/4/2017	11:00	Eurozone	Retail Sales	02/17	-	-	1.2% y/y
4/4/2017	16:00	USA	Factory Orders	02/17	-	1.0% m/m	1.2% m/m
4/4/2017	16:00	USA	Durable Goods Orders	02/17f	-	1.7% m/m	1.7% m/m
5/4/2017	9:00	CR	Retail sales	02/17	2.0% y/y	3.4% y/y	7.7% y/y
5/4/2017	9:00	Hungary	Industrial production	02/17	-	3.0% y/y	1.6% y/y
5/4/2017	10:00	Eurozone	Services PMI	03/17f	-	56.5	56.5
5/4/2017	16:00	USA	ISM - Non-manufacturing business confidence	03/17	-	57	57.6
5/4/2017	-	Poland	Central bank - Interest rate	-	-	1.50%	1.50%
5/4/2017	-	USA	Monsanto	-	-	USD 2.78	USD 4.92
6/4/2017	8:00	Germany	Manufacturing Orders	02/17	-	4.0% m/m	-7.4% m/m
6/4/2017	9:00	CR	Construction output	02/17	-	-	-0.2% y/y
6/4/2017	9:00	CR	Industrial production	02/17	3.5% y/y	2.7% y/y	9.6% y/y
6/4/2017	9:00	CR	Trade balance - National Concept	02/17	CZK 17bn	CZK 17.2bn	CZK 19.4bn
6/4/2017	-	Austria	Immofinanz	-	-	-	EUR -0.70
7/4/2017	8:00	Germany	Industrial production	02/17	-	0.5% y/y	0.0% y/y
7/4/2017	8:00	Germany	Industrial production	02/17	-	-	0.0% y/y
7/4/2017	9:00	CR	CNB: Minutes of the board meeting (March 30)	-	-	-	-
7/4/2017	14:30	USA	Change in Nonfarm Payrolls	03/17	-	175k	235k
7/4/2017	14:30	USA	Unemployment rate	03/17	-	4.7%	4.7%

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