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Overview of the week

- On Friday, Moody's rating agency increased Croatia's credit rating by two levels, from Baa2 to A3. The outlook was changed from positive to stable. Per to the agency's press release, the rating was raised as a result of Croatia's fiscal strength, which will remain significantly stronger in the short to medium term due to a sharp decrease of the public debt burden.
- After September's reduction of 50 bps, the Fed slowed down the pace of monetary policy easing by cutting the target range of the fed funds rate by 25 bps to 4.50-4.75% at the last week's meeting. The Fed estimates that the US economy has maintained solid growth dynamics, that the labour market has cooled but remains strong, and that inflation has continued to decrease towards the target of 2% but is still slightly elevated (2.4% in September). The Fed notes that further decisions will be made based on data, meaning it does not want to commit itself to any predetermined path of interest rates, nor will it rush to move towards a neutral level. Therefore, we expect that they will gradually lower the fed funds rate and that the meeting in December will bring another reduction of 25 b. b.
- The euro severely weakened against the dollar after the announcement of the election results in the USA, recovering part of the losses by the end of the week, partially due to the Fed's decision. At the end of the week the exchange rate reached 1.0772 dollars to the euro, down by 1.0% w-o-w.
- Euribor was reduced so on Friday 3M and 6M were 3.0%, i.e., 2.8%, down by 0.1 p. p. w-o-w.
- Crobex maintained a strong trend increasing by 0.4% w-o-w to 3,076 points. Among sectoral indices, CROBEXindustry and CROBEXtourist recorded growth (+0.6% to 2,284, +2.7% to 4,256), while CROBEXnutris recorded a negative performance (-3.5% to 854). Crobis stagnated at 97.8 points.

Moody's has raised the RoC's rating by two levels

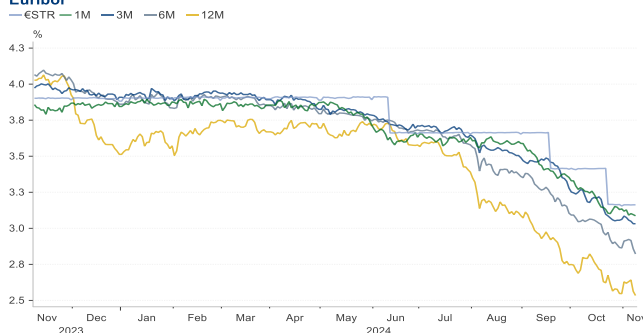
Fed funds rate lowered to 4.50-4.75%



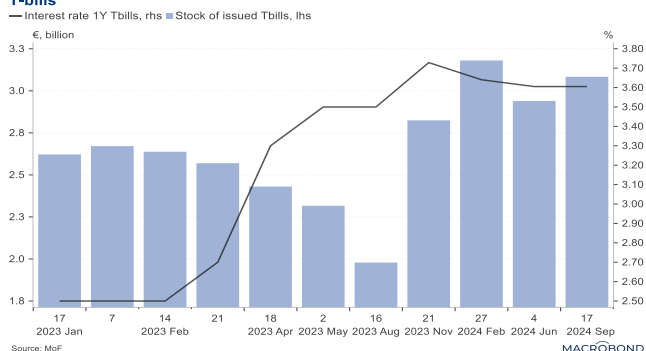
EUR/ USD



Euribor



T-bills



Crobex/Crobia



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