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Daily Report – Romania

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	5.278,04	↑ 0,21	↑ 1,21
BET-C	3.033,57	↑ 0,17	↑ 0,99
BET-FI	24.980,48	↓ -0,23	↑ 2,66
BET-XT	491,76	↑ 0,04	↑ 1,46
FP	0,5900	→ 0,00	↑ 1,72
SIF3	0,7125	↓ -0,42	↑ 6,18
SIF5	1,3870	↑ 1,02	↑ 3,43
AZO	1,9600	↑ 2,08	↑ 8,95
SNP	0,4102	↑ 1,16	↑ 6,38

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	5,04	↓ -49	↓ -11
12 month	5,17	↓ -17	↓ -7
3 year	6,04	↓ -11	↓ -10
5 year	6,24	↓ -12	↓ -20
10 year	6,58	↓ -1	↓ -24

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	6M	300 mn RON	300 mn RON

MONEY MARKET

	Rate (%)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	4,21	↑ 16	↑ 163
3M ROBOR	4,62	→ 0	↑ 13
6M ROBOR	5,25	↓ -2	↓ -12
1Y ROBOR	5,53	↓ -1	↓ -2
5Y CDS	275,40	↑ 1	↓ 0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4,3705	↓ -0,02	↑ 0,01
USD/RON	3,2808	↑ 0,39	↓ -0,89
CHF/RON	3,6270	↑ 0,04	↓ -0,01
100HUF/RON	1,49	↓ -0,38	↓ -0,36

Source: Reuters, OTP Research

Summary

- BVB indices finished in the green again, disconnected with international market stocks where all the indices finished in the red, as investors sentiment was down; at BVB we saw mixed evolution, with the composite index advancing 0.17%; the most affected were the financial companies (cyclical) with two exceptions: TLV (+0.28%) and SIF Oltenia (+1.02%)
- ROBOR ON increased yesterday by 16 bps in line with a marginal increase in risk perception as shown by the CDS; government securities yields dropped up to 49 bps (6M T-bills) as they price in the expected base rate cut of 25 bps today
- The residential building licences dropped by 12.4% YoY. Downward trend continues.

BVB finished in the green again, while international markets dipped in the red continuing last day's mood. Reforms in Europe are showing signs of fatigue, several governments pushing through changes in pension, employment and welfare systems. Investors' are waiting for the meeting of the Europe's finance ministers on Friday but the general sentiment was pessimistic yesterday. In Bucharest, the evolution was mixed but the composite index, BET-C, was up by 0.17%. The only indices to have dropped were BET-FI (-0.23%) which represents Fondul Proprietatea and the SIFs and the second index was ROTX (-0.14%) showing the evolution of the blue chips. These two are correlated because of their composition of financial companies stocks which dipped yesterday or stagnated (i.e Fondul Proprietatea). One financial blue chip, Banca Transilvania was the exception from the rule as it rose by 0.28%. The second exception was SIF Oltenia having gained 1.02%. The financial stocks are cyclical, gaining when the economy is booming and doing the reverse during crisis. Overall turnover at BVB was good, although transactions with stocks stood at lower levels than on Tuesday. 62% of the turnover was made up by government securities trading, as investors marked their profits as we approach the end of the quarter.

EUR/RON was almost unmoved yesterday. However, on the money market the ON rate advanced by 16 bps to 4.21% pointing that liquidity conditions were more tense yesterday when we also noticed an increase in the 5Y CDS (eur). Usually, these moves are immediately felt in the ON rate and points to more risk aversion. However, the government securities yields dropped significantly up to 49 bps (in the case of the 6M T-Bills) in anticipation of a cut of the base rate today. We expect a monetary policy decision today in the form of a 25 bps rate cut to 5.25%. Moreover, some bankers are looking at the mandatory reserves ratio as well and would like to see a decrease there too (it is more likely for the RON mandatory reserves). In the current interest rate environment in Romania, the high cost of deposits is transmitted to the clients as banks keep lending rates rather high. On one hand, given that external funds are scarce, banks are forced into offering high deposit rates to attract funds. On the other hand, as banks profitability dropped significantly during crisis, these costs are further transmitted to the clients especially since the non performing loans ratio is still high (14.05% at December 2011) and consequently the cost of risk is high as well. In February, the residential building licenses dropped by 12.4% YoY. The downward trend continues. The majority are issued for rural areas (65% of them). This is another sign that the real estate market has not seen the turn yet.

PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
Wednesday	Feb	Licenses for residential buildings (monthly)	1.999	1.732
Thursday		Base rate decision (%)		5,25 5,50

Source: Reuters, INS, NBR, OTP Research

OTP AM – Open-End Funds as of 27-3-2012

Open-end fund	ccy	last NAV/U	1d%	Ytd%	52W%
OTP AvantisRO	RON	6,54	0,62	16,37	-12,10
OTP Obligatiuni	RON	11,64	0,00	1,57	5,15
OTP ComodisRO	RON	14,1764	0,02	1,52	6,48
OTP Eurobond	EUR	10,6281	0,01	1,17	4,81

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