

Headquarter Treasury Sales

Head of Sales

Marius George Ionescu

+40755 000 437

marius.ionescu@otpbank.ro

Alina Elena Vrabioiu

+4021 307 58 17

alina.vrabioiu@otpbank.ro

Tania Fantana

+4021 307 58 17

tania.fantana@otpbank.ro

Alexandru Tibuleac

+4021 307 58 17

alexandru.tibuleac@otpbank.ro

Regional Treasury Sales

Cezar Trandafirescu - Iasi

+40755 000 246

cezar.trandafirescu@otpbank.ro

Szilamer Kozma – Cluj

+40755 000 400

szilamer.kozma@otpbank.ro

Valentin Cioraneanu – Brasov

+40755 000 464

valentin.cioraneanu@otpbank.ro

Radu Oprea – Bucharest

+40755 000 474

radu.oprea@otpbank.ro



Daily Report – Romania

Last data:03.02.2014

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	6.434,39	↑ 0,87	↓ -0,74
BET-C	3.317,87	↑ 0,62	↓ -0,88
BET-FI	30.264,93	↑ 0,45	↓ -2,64
BET-XT	591,30	↑ 0,66	↓ -1,45
FP	0,8335	↑ 2,21	↑ 1,96
SNG	33,0500	↓ -0,96	↓ -1,87
SIF3	0,6300	↓ -0,40	↓ -4,33
SNP	0,4698	↑ 0,79	↓ -1,12
SIF1	1,2420	↓ -1,35	↓ -6,33

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	3,60	↑ 52,5	↑ 165,5
12 month	3,59	↑ 47,5	↑ 145,5
3 year	3,86	↑ 18,5	↑ 63,0
5 year	4,71	↑ 7,5	↑ 43,5
10 year	5,59	↑ 3,0	↑ 34,0

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	12M	RON 1,2 Bn	
Thursday	10Y	RON 700 mn	

MONEY MARKET

	Rate (%)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	4,19	↓ -14,0	↑ 269,0
3M ROBOR	3,54	↑ 2,0	↑ 158,0
6M ROBOR	3,27	↑ 1,0	↑ 68,0
1Y ROBOR	3,27	↑ 1,0	↑ 53,0
5Y CDS	168,67	↑ 5,8	↑ 6,7

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4,4985	↓ -0,37	↓ -0,79
USD/RON	3,3192	↓ -0,49	↓ -0,08
CHF/RON	3,6841	↑ 0,15	↓ -0,62
100HUF/RON	1,4287	↓ -0,86	↓ -3,68

Source: Reuters, OTP Research

Summary

- After yesterday's comeback when BET added 0.9%, the domestic equities' indexes opened lower, with BET down 2% at the opening, mimicking the hit taken by US equities
- The Finance Ministry postponed for February 20 a RON 1.2 bn auction for 12M T-bills as yields surged 146 bps in a week, after RON liquidity started to dry
- The leu continues to strengthen as RON liquidity tightens and EUR/RON is trading around 4.47; The Central Bank will hold a monetary policy meeting today and it is expected to continue to lower the base rate by 25 bps to 3.5%
- The IMF mission has completed its review and reached a deal with the government; the target on state owned companies' arrears has been largely missed.

Domestic equity indexes inched up yesterday on a turnover of EUR 9.6 mn, higher than Friday. BET added 0.9%, supported by Banca Transilvania (+2.5%), Fondul Proprietatea (+2.2%) and OMV Petrom (+0.8%). The local market's evolution diverged from main European and US indexes. The macro data released yesterday was not to encouraging: the US manufacturing PMI came strongly below expectations in January, pushing the main US equity indexes lower by more than 2%. The sentiment is negative this morning and BET opened also lower by close to 2%.

Following the rising yields, the Finance Ministry postponed yesterday's auction to February 20. The planned sale was RON 1.2 bn in 12M T-bills but yields at the short end skyrocketed in the past week: +146 bps for the 12M T-bills. Yesterday too, the hike continued with an advance of around 50 bps at the short end, despite the fact that ROBOR ON eased slightly yesterday.

Considering the recent dynamics, all emerging market assets feel the pressure. The leu however is supported by the fast drying of liquidity and EUR/RON is trading even lower this morning. Today, the Central Bank will hold a monetary policy meeting when it is expected to further lower the base rate by 25 bps to 3.5%. The move is sensitive given the most recent context but taking a broader view, the current and expected level of inflation justifies such a step. However, we expect the reserves ratio to remain unchanged at this point. The IMF mission has completed its review. The estimated economic growth is 2.8% in 2013 and 2.2% in 2014. The target for arrears has been largely missed. However, Romania has reached an agreement with the IMF on the current stand by agreement.

In December, producer prices fell by 0.1% YoY compared to a sharper fall in November (-0.3% YoY). The adjustment is explained mainly by the external market prices which posted a less sharp fall in December, of 2.2% YoY as opposed to 2.7% YoY in November.

	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
Monday	Dec	Retail trade turnover index (y-o-y, %)	6,7		2,1
Tuesday	Dec	Producer Price Index (y-o-y, %)	-0,1		-0,3

Source: Reuters, NIS, NBR, OTP Research

OTP AM – Open-End Funds		31-Jan-14					
Open-end fund	ccy	last NAV/U	1d%		Ytd%		52W%
OTP AvantisRO	RON	7,6059	↓ -1,01	↓	-1,78	↑	8,86
OTP Obligatiuni	RON	13,1105	↓ -0,06	↑	0,30	↑	5,80
OTP ComodisRO	RON	15,8215	↓ -0,04	↑	0,27	↑	5,36
OTP Eurobond	EUR	11,6576	↑ 0,00	↑	0,24	↑	4,51
OTP Dollar Bond	USD	9,9957	↓ -0,03	↓	-0,03		N/A

Chief Economist
Gergely Tardos

+36 1 374 7273

tardosg@otpbank.hu

Analyst
Mihaela Neagu

+4021 307 58 64

mihaela.neagu@otpbank.ro

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