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Daily Report – Romania

Date: 30.06.2014

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	7,013.74	↑ 1.97	↑ 3.74
BETPlus	1,037.73	↑ 1.89	↑ 3.62
BET-FI	30,139.07	↑ 1.79	↑ 4.65
BET-XT	630.78	↑ 2.00	↑ 3.81
SNG	34.7000	↑ 1.91	↑ 1.34
FP	0.8530	↑ 0.83	↑ 4.79
TGN	206.0000	↑ 3.26	↑ 5.80
SNP	0.4820	↑ 3.10	↑ 6.05
TLV	1.7900	↑ 1.42	↑ 1.42

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	2.06	↑ 5.0	↓ -2.0
12 month	2.16	↑ 2.5	↓ -7.5
3 year	3.03	↑ 3.0	↓ -11.5
5 year	3.45	↑ 4.5	↓ -14.0
10 year	4.40	↑ 1.5	↓ -4.5

GOV'T BOND AUCTIONS

Maturity	Auctions	Sold

MONEY MARKET

	Rate (%)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	2.40	↑ 14.0	↑ 168.0
3M ROBOR	2.42	↑ 1.0	↑ 2.0
6M ROBOR	2.73	↓ -1.0	↓ -4.0
1Y ROBOR	2.82	⇒ 0.0	↓ -5.0
5Y CDS	135.00	↓ -1.6	⇒ 0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.3856	↑ 0.03	↓ -0.13
USD/RON	3.2056	↑ 0.08	↓ -0.67
CHF/RON	3.6113	↓ -0.01	↓ -0.04
100HUF/RON	1.42	↑ 0.04	↓ -1.34

Source: Reuters, OTP Research

Summary

- BET added 8% during the first 6M; the ECB policies are likely to push investors to favour risky assets, especially equities which are not overvalued yet, in countries with good growth prospects
- The Central Bank could announce a RON reserve ratio cut today
- The Treasury plans to sell RON 3.7 bn in July, mostly bonds, extending the average debt maturity given the favourable yield environment; the leu stands to gain still, given the renewed non-residents strategies for Q3

Domestic stocks had a very good day yesterday, with major indexes adding around 2% on the day. The half year evolution points to a growth rate of 8% for BET, 4% for blue chips (ROTX) and 4.6% for the energy stocks (BET-NG). BET-FI dropped 3.7% during the first 6M. The easy monetary policies expected to be led by the Fed and the ECB are supportive for risky assets, especially equities which are not yet overvalued, in countries with good economic growth prospects. According to World Bank forecast, Romania will grow faster than CEE average in 2014 -2016.

The Central Bank will hold a monetary policy meeting today, when at least the cut of the RON reserve ratio by 2%-3% could be decided, if not the FX reserve ratio as well, as it was suggested by Mediafax quoting Romanian officials. The RON reserve ratio is at 12% and it should be accommodated to significantly lower levels, should Romania embark on the path of euro-adoption as of 2019. Also, a lower ratio would help smaller banks achieve more competitive funding costs in local currency as well, which could translate in friendlier lending rates to clients, including corporate clients which have not restarted investing. However, we believe the Central Bank will be cautious in operating another base rate cut, considering that inflation will exceed the 3% level next year, heading more to the outer limit of the variation band of +/-1% around the stationary target of 2.5%. Also, we should keep an eye on the external risks and possible fluctuations in oil price above NBR's expectations. So far, NBR was reluctant in bringing down the base rate, if risks to hike it again in the near term were present.

The Treasury plans to sell RON 3.7 bn in July, of which only 1 bn in T-bills. This serves well to extend the debt maturity and the current rate environment is supportive too. Bond yields are at historical lows at the moment and the Treasury managed to raise debt at declining costs in the past few months. However, the yield curve is expected to shift upwards by the end of the year, considering the higher inflation rate. Also, compared to the region, the real rate in Romania will be lower by year end. At the moment, the domestic bond market has become attractive again and non-residents changed their strategies again for Q3, after US data and ECB decision. Consequently, appreciation pressures on the leu are being felt and the currency stands to mark more gains until the NBR will decide to intervene. In May, the ILO unemployment rate jumped to 7.3% from 7.1% in April.

PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
Monday	May	Residential buildings construction	6.6	-6.2
Tuesday	May	ILO unemployment rate (% , seasonally adjusted)	7.3	7.1

Source: Reuters, NIS, NBR, OTP Research

OTP AM – Open-End Funds		27.06.2014					
Open-end fund	ccy	last NAV/U	1d%	Ytd%	52W%		
OTP AvantisRO	RON	7.8850	↑ 0.31	↑ 0.75	↑ 15.45		
OTP Obligatiuni	RON	13.3911	↑ 0.05	↑ 2.38	↑ 5.35		
OTP ComodisRO	RON	16.1033	↑ 0.01	↑ 2.02	↑ 4.73		
OTP Eurobond	EUR	11.8157	↑ 0.01	↑ 1.60	↑ 3.24		
OTP Dollar Bond	USD	10.1149	↑ 0.01	↑ 1.15	n.a.		

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