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Daily Report – Romania

Date: 04.08.2014

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	6,955.91	↑ 0.23	↑ 0.88
BETPlus	1,030.19	↑ 0.17	↑ 0.83
BET-FI	30,424.02	↑ 0.16	↑ 1.10
BET-XT	627.62	↑ 0.21	↑ 0.69
FP	0.8500	↑ 0.06	↑ 2.97
SNG	34.2000	↑ 0.88	↑ 1.18
SNP	0.4800	↑ 0.02	↑ 0.63
TGN	207.7500	↓ -0.36	↓ -0.55
TLV	1.8100	↑ 0.44	→ 0.00

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	1.93	↑ 2.5	↑ 5.0
12 month	2.02	↑ 4.0	↑ 1.5
3 year	2.91	↑ 5.5	↑ 15.0
5 year	3.41	↑ 7.0	↑ 16.5
10 year	4.24	↑ 7.5	↑ 9.0

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	5Y	RON 600 mn	0 mn RON
Thursday	1Y	RON 600 mn	

MONEY MARKET

	Rate (%)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	2.03	↓ -8.0	↓ -15.0
3M ROBOR	2.15	↓ -1.0	↓ -2.0
6M ROBOR	2.52	→ 0.0	→ 0.0
1Y ROBOR	2.64	→ 0.0	↑ 2.0
5Y CDS	123.60	↑ 1.8	↑ 1.3

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.4321	↓ -0.01	↑ 1.04
USD/RON	3.3001	↓ 0.00	↑ 1.10
CHF/RON	3.6393	↓ -0.10	↑ 0.78
100HUF/RON	1.41	↓ -0.24	↓ -0.39

Source: Reuters, OTP Research

Summary

- BET rose 0.2% yesterday while in Europe major stock indexes finished mixed
- NBR cut the base rate to 3.25%; the average expected inflation is 1.4% in 2014 and 2.4% in 2015
- The Treasury rejected all bids at yesterday's auction motivating a good financial position
- Retail sales remained strong in June (+10.2% YoY n.s.a and +0.3% MoM s.a.)

Domestic indexes added 0.2%-0.3% yesterday, on a lower equities' turnover, of EUR 4.7mn. Meanwhile in Europe, major stock indexes finished mixed yesterday. Today's macro data will focus on the release of Markit PMI figures for July, in Europe and the US and the most important release appears to be the US ISM non-manufacturing PMI Composite (July).

The Central Bank cut the base rate to 3.25% yesterday while leaving the mandatory reserves ratio unchanged. The rate cut was expected considering the subdued inflation. The Governor stated that the possibility of further cuts remains open. However, for the moment the external risks prevail and a less bold move was made. The end of year inflation rate was cut from 3.3% to 2.2%. The average inflation rate is seen at 1.4% in 2014 and 2.4% in 2015. The rate cut had no effect on the exchange rate, as it did before, when foreigners were probably perceiving that there was an appreciation potential for bond prices. However, a lower inflation forecast was already accounted for after the release of June data. Additionally, the excess liquidity has likely caused some downward pressure on yields anyway. Looking at the ON deposits placed by banks at the CB's standing facility, we notice a gradual increase since April, when the net liquidity position of the banking system was slightly negative. The political and financial landscape will take a new shape in the last quarter, when we expect to see a moderate increase in perceived risk aversion and upward pressure on money market rates. Consequently, we expect another cut of mandatory reserve ratio to counterbalance any negative influences that may appear in Q4.

The Treasury rejected all bids at yesterday's auction and official sources explained that they were in a comfortable position at the moment.

In June, retail sales added 10.2% YoY and 0.3% MoM, confirming that consumption is strengthening.

PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
Monday	Base rate decision (%)	3.25	3.25	3.5
	Retail trade turnover index (y-o-y, %)	10.2		9.1
	Producer Price Index (y-o-y, %)	0.3		0.8
Tuesday	no data			

Source: NIS, NBR, Bloomberg, OTP Research

OTP AM – Open-End Funds		01.08.2014					
Open-end fund	ccy	last NAV/U	1d%	Ytd%	52W%		
OTP AvantisRO	RON	7.8529	↓ -0.04	↑ 0.34	↑ 13.24		
OTP Obligatiuni	RON	13.4612	↑ 0.01	↑ 2.92	↑ 5.28		
OTP ComodisRO	RON	16.1663	↑ 0.01	↑ 2.41	↑ 4.59		
OTP Eurobond	EUR	11.8472	↑ 0.01	↑ 1.87	↑ 3.19		
OTP Dollar Bond	USD	10.1365	↑ 0.00	↑ 1.37	n.a.		

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