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Daily Report – Romania

Date: 06.08.2014

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	6,964.16	↓ -0.23	↑ 0.41
BETPlus	1,031.84	↓ -0.19	↑ 0.46
BET-FI	30,246.86	↓ -0.59	↑ 0.13
BET-XT	627.68	↓ -0.29	↑ 0.18
FP	0.8505	↔ 0.00	↑ 2.72
SNG	34.5500	↑ 1.08	↑ 1.74
EL	11.0200	↓ -0.18	↑ 1.10
TGN	207.1500	↑ 0.27	↓ -1.10
TLV	1.8000	↓ -0.83	↓ -0.55

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	1.90	↑ 1.0	↑ 6.0
12 month	2.02	↑ 3.0	↑ 8.0
3 year	2.94	↑ 8.0	↑ 22.5
5 year	3.39	↑ 8.0	↑ 21.0
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	1.20	↓ -31.0	↓ -81.0
3M ROBOR	2.08	↓ -2.0	↓ -8.0
6M ROBOR	2.48	↓ -2.0	↓ -3.0
1Y ROBOR	2.63	↑ 1.0	↑ 1.0
5Y CDS	123.64	↑ 0.0	↑ 1.4

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.4412	↑ 0.09	↑ 0.89
USD/RON	3.3152	↓ -0.05	↑ 0.89
CHF/RON	3.6578	↑ 0.25	↑ 1.12
100HUF/RON	1.40	↑ 0.04	↓ -0.68

Source: Reuters, OTP Research

Summary

- European equities slid yesterday after the release of negative macroeconomic data in Germany and Italy
- The EUR/RON pair trades around 4.44 this morning and depreciation pressures are present after the batch of negative macro news
- The yield curve added up to 8 bps yesterday; 3Y and 5Y bond yields surged more than 20 bps in a week
- The average net wage grew 5% YoY in June and most importantly, the real wage climbed 4.3% YoY.

Domestic stocks finished down yesterday and total equities' turnover was moderate given the summer period, at EUR 5.2mn. BET-FI took the largest hit among local indexes, as the SIFs slid around 1%. Fondul Proprietatea stayed put and gained back 1.7% on a weekly basis. The fall characterized European stocks as well, which lost pace after the release of several macro data: the Italian GDP dropped 0.2% QoQ in Q2 against expectations for a slow pick-up. Most importantly, the German factory data showed a drop of 3.2% MoM (s.a) in June, while economists were looking for +0.9% MoM. This morning, the batch of bad news from the German economy continues to poor in and the annual pace of German production is -0.5% YoY in June.

The EUR/RON pair trades around 4.44 this morning and the sentiment is negative after the weak macro data and the geopolitical context. Leu's peers are as well under a spell of depreciation against the euro.

The yield curve moved up yesterday and bond yield added 7-8 bps d/d. The Treasury rejected all bids at Monday's auction for 5Y bonds but the 3 year and 5 year bond yields climbed more than 20 bps in a week. Today, the Finance Ministry holds an auction for 12M T-bills. At yesterday's press conference for the presentation of a new inflation report, the governor stated that the mandatory reserves ratio for RON liabilities will be cut when there is no more excess liquidity in the market, which is not the case at the moment. We reiterate our view that the probability of reserve ratio cut is larger in Q4, because several risks could pressure money market rates all at once: presidential elections, fiscal talks, intensification of talks around a base rate hike in the US. Additionally, the geopolitical context will remain a reason for caution.

In June, gross nominal average wage was RON 2334 and net average wage stood at RON 1687. These figures translate into an annual growth rate of 5% YoY and most significantly, a 4.3% YoY advance of the real wage.

PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
Tuesday				
Wednesday	June	Net wage growth rate (y-o-y, %)		4.4

Source: NIS, NBR, Bloomberg, OTP Research

OTP AM – Open-End Funds		05.08.2014					
Open-end fund	ccy	last NAV/U	1d%	Ytd%	52W%		
OTP AvantisRO	RON	7.8765	↑ 0.11	↑ 0.64	↑ 12.15		
OTP Obligatiuni	RON	13.4666	↑ 0.01	↑ 2.96	↑ 5.21		
OTP ComodisRO	RON	16.1730	↑ 0.01	↑ 2.46	↑ 4.55		
OTP Eurobond	EUR	11.8499	↑ 0.01	↑ 1.89	↑ 3.17		
OTP Dollar Bond	USD	10.1389	↑ 0.00	↑ 1.39	n.a.		

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