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Daily Report – Romania

Date: 06.05.2015

STOCK EXCHANGE

| | Close | Daily chg. (%) | Weekly chg. (%) |
|---------|-----------|----------------|-----------------|
| BET | 7,561.91 | ↓ -0.57 | ↑ 0.52 |
| BETPlus | 1,109.87 | ↓ -0.55 | ↑ 0.39 |
| BET-FI | 31,431.39 | ↓ -0.42 | ↓ -0.52 |
| BET-XT | 680.58 | ↓ -0.58 | ↑ 0.42 |
| SNG | 36.1000 | ↓ -0.47 | ↑ 0.73 |
| FP | 0.8970 | ↓ -0.33 | ↓ -2.29 |
| EL | 11.6800 | ↓ -0.34 | ↓ -2.42 |
| TLV | 2.4240 | ↓ -1.42 | ↑ 0.29 |
| TEL | 29.0900 | ↓ -0.10 | ↑ 2.86 |

GOV'T BOND MARKET

| Maturity | Yield (%) | Daily chg. (bp) | Weekly chg. (bp) |
|----------|-----------|-----------------|------------------|
| 6 month | 1.36 | ↑ 1.0 | ↑ 2.0 |
| 12 month | 1.47 | ↑ 0.5 | ↑ 2.0 |
| 3 year | 1.93 | ↑ 3.0 | ↑ 5.5 |
| 5 year | 2.35 | ↑ 2.5 | ↑ 7.5 |
| 10 year | 3.42 | ↑ 6.0 | ↑ 12.0 |

GOV'T BOND AUCTIONS

| Maturity | Auctions | Sold |
|----------|----------|------|
| | | |

MONEY MARKET

| | Rate (%) | Daily chg (bp) | Weekly chg (bp) |
|----------|----------|----------------|-----------------|
| ON ROBOR | 1.35 | ↓ -46.0 | ↓ -104.0 |
| 3M ROBOR | 1.44 | ↓ -2.0 | ↓ -5.0 |
| 6M ROBOR | 1.62 | ⇒ 0.0 | ↓ -3.0 |
| 1Y ROBOR | 1.65 | ↑ 1.0 | ↓ -2.0 |
| 5Y CDS | 99.46 | ⇒ 0.0 | ⇒ 0.0 |

FX MARKET

| | Rate | Daily chg. (%) | Weekly chg. (%) |
|------------|--------|----------------|-----------------|
| EUR/RON | 4.4438 | ↑ 0.28 | ↑ 0.75 |
| USD/RON | 3.9140 | ↓ -1.20 | ↓ -1.26 |
| CHF/RON | 4.2736 | ↓ -0.07 | ↑ 1.36 |
| 100HUF/RON | 1.4533 | ↓ -0.42 | ↓ -0.44 |

Source: Reuters, OTP Research

Summary

- The NBR surprised the market by reducing the policy rate to the record low of 1.75%; at the same time, the MRR was also cut from 10% to 8% for RON liabilities releasing around RON 3 bn fresh money. The decisions may support further the reviving lending activity in the local currency.
- The RON lost ground against the EUR yesterday, but its regional peers also depreciated.
- MM rates eased significantly at the short maturities, while government securities' yields climbed higher.
- In March, net wages' growth accelerated to 7.2% YoY, up from 6.5% a month earlier.
- Romanian stocks recorded losses amid low volumes on Wednesday; the BET index sank 0.9%.

Yesterday, the NBR unexpectedly cut the base rate by 25 bps to a record low of 1.75%. At the same time, it also narrowed the symmetrical corridor around the policy rate to 1.50%. As a result, the interest rate on the lending facility drops to 3.25% from its previous level of 3.75%, while the deposit facility rate remains at 0.25%. The decision may enhance further the monetary transmission mechanism, which should translate into lower volatility of interbank money market rates with beneficial effects to debtors and supporting the reviving RON based lending. Furthermore, the Central Bank also reduced by 2% the minimum reserve requirement ratio for RON liabilities to 8%. The latter action could release around RON 3 bn fresh money.

The NBR's board also approved the new quarterly Inflation Report, which according to the yesterday's press briefing, foresees an inflation rate close to 0% for the end of this year, broadly in line with our expectation, and prognosis the inflation to reach the lower band of the target (1.5%) in the last quarter of 2016. But it's worth noting that the forecast does not include the planned 4% value added tax cut for non-food products starting from January 2016. In case the VAT reduction will be implemented, the inflation rate could be significantly lower than it is incorporated in the prognosis. The new inflation report will be presented in a press conference tomorrow.

Similarly to its regional peers the RON weakened against the EUR. To some extent, the movement could be fuelled also by the unexpected policy decision.

Money market rates dropped significantly at the short maturities, while the yield curve shifted 1-6 bps higher.

Net wages continued to show nice gains, its annual growth rate advanced to 7.2% YoY in March, up from 6.5% a month earlier.

Romania's equity indices closed in the red on Wednesday, while global markets changed mixed. While European shares recorded modest gains, US equities mostly sank.

| Date | PERIOD | INDICATOR | FACT | CONSENSUS | PREVIOUS |
|-------|-----------|-----------|---|-----------|----------|
| 4-May | Monday | April | FX Reserves, EUR bn | 30.1 | 30.6 |
| 5-May | Tuesday | March | Producer Price Index (YoY%) | -1.1 | -1.7 |
| 5-May | | March | Retail trade (YoY%) | -0.2 | 3.3 |
| 6-May | Wednesday | May | Base rate decision (%) | 1.75 | 2.00 |
| 7-May | Thursday | March | Net wage growth rate (YoY%) | 7.2 | 6.5 |
| 8-May | Friday | March | Industrial trade turnover index (YoY%) | | -1.0 |
| 8-May | | March | Index value of new orders in manufacturing (YoY%) | | 7.1 |

Source: NIS, NBR, Reuters, OTP Research

| OTP AM – Open-End Funds | | 5-May-15 | | | | | |
|-------------------------|-----|------------|---|-------|---|------|---------|
| Open-end fund | ccy | last NAV/U | | 1d% | | Ytd% | 52W% |
| OTP AvantisRO | RON | 8.4077 | ↓ | 0.00 | ↑ | 5.08 | ↑ 12.35 |
| OTP Obligatiuni | RON | 13.9128 | ↓ | -0.04 | ↑ | 0.95 | ↑ 4.85 |
| OTP ComodisRO | RON | 16.6974 | ↑ | 0.00 | ↑ | 1.18 | ↑ 4.44 |
| OTP Euro Bond | EUR | 12.1076 | ↓ | -0.01 | ↑ | 0.71 | ↑ 3.14 |
| OTP Dollar Bond | USD | 10.3747 | ↑ | 0.06 | ↑ | 0.52 | ↑ 3.12 |

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