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Daily Report – Romania

Date: 24.02.2016

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	6,248.45	↓ -1.76	↑ 1.22
BET-TR	7,116.95	↓ -1.76	↑ 1.22
BET-FI	26,825.73	↓ -0.26	↓ -0.10
BET-XT	571.43	↓ -1.46	↑ 1.14
TLV	2.2800	↓ -2.56	↓ -1.51
TGN	261.0000	↓ -1.51	↑ 0.38
TEL	28.5000	↓ -1.04	↑ 1.79
SIF3	0.2630	↓ -0.19	→ 0.00
EL	11.8000	↓ -1.17	↑ 2.79

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.45	↓ -0.5	↑ 2.0
12 month	0.59	↑ 0.5	↓ -1.0
3 year	1.14	→ 0.0	↑ 1.5
5 year	2.14	→ 0.0	↑ 6.0
10 year	3.33	↑ 0.5	↑ 4.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	5.1Y	RON 800 mn	RON 800 mn
Wednesday	5Y	EUR 500 mn	EUR 500 mn

MONEY MARKET

	Rate (%)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.40	↑ 1.0	→ 0.0
3M ROBOR	0.76	→ 0.0	↓ -1.0
6M ROBOR	1.03	↑ 1.0	↑ 1.0
1Y ROBOR	1.18	→ 0.0	↓ -2.0
5Y CDS	117.79	↑ 1.3	↑ 0.4

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.4774	↑ 0.02	↑ 0.46
USD/RON	4.0611	↓ 0.00	↑ 1.32
CHF/RON	4.1118	↑ 0.35	↑ 1.84
100HUF/RON	1.4436	↓ -0.67	↑ 0.45

Sources: Reuters, OTP Research

Summary

- The interest rate corridor could be narrowed this year; later policy rate hikes may come.
- Compared to the EUR, Romania's RON changed little on Wednesday.
- In yesterday's auction, the Treasury sold EUR 500 mn in 5Y government securities.
- The BET dropped in line with the main Western European equity markets.

Yesterday NBR Governor Mugur Isarescu sent a hawkish message in a Bloomberg/Reuters interview, stating that monetary policy tightening may come sooner than envisaged earlier: "we are going to react more rapidly, but not with the policy rate,... after moving the corridor, perhaps the policy rate will follow". This came after January's inflation exceeded analysts' consensus by a large margin. Consumer prices fell 2.1% YoY last month, following December's 0.9% YoY drop, primarily due to the 4-percentage-point cut of the standard VAT rate. Nevertheless, the market consensus stood at -2.7% YoY. First of all, the gap between the fact data and analysts' expectation was the result of a lower transmission of the VAT reduction into consumer prices. Our in-house estimation indicates that the pass-through rate was under 40% in the case of non-durable goods and below 35% for durable goods. At the same time, it stood at only around 10% for market services. Our forecast shows 2.75% policy rate for the end of 2017, as inflationary pressures should rise on the back of the definitely strong domestic demand. In addition, the interest rate corridor (currently +/-1.5% around the benchmark rate) may be narrowed during this year, according to the NBR's chief. Regarding the minimum reserve requirement ratios, Mr Isarescu suggested that the planned reductions also could be delayed for next year; about the EUR/RON exchange rate he said that the pair is traded "more or less" at fair value.

The Treasury sold the planned amount of EUR 500 mn in 5Y bonds in yesterday's auction, after banks submitted offers in value of EUR 1,072 mn. The average yield stood at 1.00%.

The EUR/RON ended flat on Wednesday similarly to the EUR/PLN, while Hungary's HUF lost some ground against the common European currency.

Yesterday equity markets finished in the red zone in Europe, while Bucharest's BVB was not an exception, as the BET fell 1.8%, dragged down by the TLV (-2.6%) and the SNP (-2.5%). On the other hand, US stocks recovered their earlier loss showed in the beginning of the session and registered modest gains by the time the closing bell rang.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
22-Feb	Monday	no data			
23-Feb	Tuesday	January	M3 (broad money, YoY%)	9.5	9.3
		January	Non-government loans (YoY%)	2.8	3.0
		January	Non-government deposits (YoY%)	8.8	8.6
24-Feb	Wednesday	January	New commercial vehicle registrations (YoY%)	33.9	51.8
25-Feb	Thursday	no data			
26-Feb	Friday	February	Economic Sentiment Indicator		104.5
		February	Consumer Confidence Indicator		-17.9

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		22-Feb-16					
Investment funds	ccy	last NAV/U	1m%		Ytd%		52W%
OTP AvantisRO	RON	7.9592	↑ 0.62	↓	-6.39	↓	-4.32
OTP Obligatiuni	RON	14.3300	↑ 0.25	↑	0.51	↑	3.54
OTP ComodisRO	RON	16.9051	↑ 0.12	↑	0.22	↑	1.56
OTP Euro Bond	EUR	12.4285	↑ 0.09	↑	0.21	↑	2.98
OTP Dollar Bond	USD	10.6225	↑ 0.41	↑	0.51	↑	2.72
OTP Premium Return	RON	1062.9445	↑ 1.00	↓	-0.82	↓	-1.38
OTP Euro Premium Return	EUR	9.5526	↓ -2.38	↓	-2.85		n.a.
OTP Global Mix	RON	9.9981	↑ 0.53	↓	-0.01		n.a.

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