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Daily Report – Romania

Date: 23.01.2017 (FX data as of 24.01.2017)

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	7,271.00	↓ -0.26	↑ 1.80
BET-TR	8,981.65	↓ -0.26	↑ 1.80
BET-FI	30,782.95	↓ -0.31	↑ 0.74
BET-XT	660.12	↓ -0.25	↑ 1.48
SNP	0.2850	↓ -1.38	↑ 2.70
TLV	2.2800	↑ 0.44	↑ 0.88
FP	0.8600	↓ -0.46	↑ 3.24
EL	13.4000	↑ 0.45	↑ 0.45
SNG	26.3500	↓ -0.57	↑ 4.15

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.70	↓ -3.5	↓ -5.0
12 month	0.97	⇒ 0.0	↑ 0.5
3 year	1.57	↓ -0.5	↓ -1.5
5 year	2.50	↑ 1.0	↑ 0.5
10 year	3.41	↑ 1.0	↓ -7.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	6M	RON 500 mn	RON 500 mn
Thursday	10.7Y	RON 300 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.50	↑ 10.0	↑ 7.0
3M ROBOR	0.83	↑ 1.0	↑ 1.0
6M ROBOR	1.07	↑ 1.0	↓ -1.0
1Y ROBOR	1.23	⇒ 0.0	⇒ 0.0
5Y CDS	94.94	⇒ 0.0	↓ -1.3

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.5000	⇒ 0.00	↓ -0.09
USD/RON	4.1944	↑ 0.27	↓ -0.15
CHF/RON	4.1903	↓ -0.15	↓ -0.06
100HUF/RON	0.0145	↓ -0.06	↓ -1.04

Sources: Reuters, OTP Research

Summary

- The 2017 government budget was revealed; keeping the deficit at 3% seems to be quite challenging.
- On Monday the leu had little response to the week-end's street protests.
- The Treasury borrowed RON 500 mn in 6M bills, as planned.
- This morning the BET opened in green zone, after trading was paused in the observance of the Unification Day holiday.

The Ministry of Finance published on its website the budget plan for 2017. In line with earlier declarations, the plan foresees a 2.96% cash deficit (2.99% according to ESA methodology), as revenues may surge to RON 254.7 bn this year (31.2% of GDP), up from the estimated RON 223.7 bn in 2016 (29.5%), despite the significant tax reductions already approved. Simultaneously, expenses could reach RON 278.8 bn (34.2%), increasing from 2016's RON 242.0 bn (31.9%). On the revenue side, the largest increase is expected on the line of EU funds (RON 22.3 bn vs. RON 6.8 bn), but the other main items are also set to increase, with incomes from social contributions going up to 69.8 bn (vs. 61.3 bn) and with VAT revenues expanding to 54.1 bn (vs. 51.7 bn). On the expenditures side, there will be significant increases in the case of personal expenses, transfers and social assistance, but public investment should also rise.

We recall that the government's plan is constructed on several overly optimistic assumptions, like 5.2% real GDP growth (and even higher growth rates for the period of 2018-2020) and 4.3% gain in the number of employees. Therefore, keeping the deficit below the 3% threshold will be a quite challenging task in 2017. In addition, defense expenses should be increased as well, in order to meet the 2% of GDP objective stated by high officials. Under these conditions, there is a significant risk that public investments could be scaled back compared to the plan, while correction measures may become necessary as well in 2017 in order to prevent fiscal slippages.

The EUR/RON was traded again in a tight range, ending Monday's session close to 4.50. The leu seemed to have a muted response to the mass protests against the government's proposal to pardon thousands of prisoners. In the light of the recent events, President Klaus Iohannis initiated the procedures for a referendum on the subject of the anti-corruption fight.

The Treasury sold the planned amount of RON 500 mn in 6M bills amid healthy demand.

On Monday, the BVB's indices closed with small losses. The individual components of the BET moved in different directions.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
20-Jan	Friday		no data		
23-Jan	Monday		no data		
25-Jan	Wednesday	December			11.9
		December	M3 (broad money, YoY%)		1.0
		December	Non-government loans (YoY%)		10.9
		December	Non-government deposits (YoY%)		10.3
26-Jan	Thursday	December	New commercial vehicle registrations (YoY%)	11.2	
			no data		

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		20-Jan-17					
Investment funds	ccy	last NAV/U	1m%		Ytd%	52W%	
OTP AvantisRO	RON	9.3419	↑ 2.86	↑	2.15	↑	23.12
OTP Obligatiuni	RON	14.6917	↑ 0.20	↑	0.12	↑	2.85
OTP ComodisRO	RON	17.1149	↑ 0.09	↑	0.06	↑	1.38
OTP Euro Bond	EUR	12.6649	↑ 0.23	↑	0.14	↑	2.01
OTP Dollar Bond	USD	10.8555	↑ 0.19	↑	0.04	↑	2.70
OTP Premium Return	RON	11.2003	↑ 0.99	↑	0.38	↑	7.41
OTP Euro Premium Return	EUR	9.9235	↓ -0.88	↓	-0.39	↑	1.74
OTP Global Mix	RON	10.7496	↓ -0.62	↓	-0.42	↑	8.28

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