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Daily Report – Romania

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STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	7,495.74	↑ 1.27	↑ 3.77
BET-TR	9,259.26	↑ 1.27	↑ 3.77
BET-FI	31,477.64	↑ 1.34	↑ 2.09
BET-XT	679.60	↑ 1.18	↑ 3.62
FP	0.8840	↑ 2.31	↑ 1.84
TGN	320.0000	↑ 4.23	↑ 7.02
EL	13.8800	↑ 1.91	↑ 5.47
SNG	27.5000	↑ 1.66	↑ 7.00
TLV	2.3900	↑ 1.49	↑ 5.29

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.66	→ 0.0	↓ -7.5
12 month	0.96	↑ 1.0	→ 0.0
3 year	1.68	↑ 6.5	↑ 10.5
5 year	2.59	↑ 4.5	↑ 11.0
10 year	3.57	↑ 6.0	↑ 16.5

GOV'T BOND AUCTIONS

Maturity	Auctions	Sold

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.46	↓ -1.0	↑ 5.0
3M ROBOR	0.80	↓ -2.0	↓ -2.0
6M ROBOR	1.03	↓ -2.0	↓ -4.0
1Y ROBOR	1.21	↓ -1.0	↓ -2.0
5Y CDS	94.94	→ 0.0	↓ -1.3

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.5296	↑ 0.71	↑ 0.76
USD/RON	4.2120	↑ 0.05	↑ 0.20
CHF/RON	4.2231	↑ 0.30	↑ 0.69
100HUF/RON	0.0145	↑ 0.10	↓ -0.38

Sources: Reuters, OTP Research

Summary

- The government budget deficit rose to 2.41% in 2016, up from 2015's 1.35%.
- On Friday, the leu lost ground compared to euro; meanwhile GS's yield mostly increased.
- Banking sector NPL ratio eased below 10% in November.
- Despite the global headwinds, the BVB's indices performed quite well.

The government budget's deficit (on cash basis) was at 2.41% of GDP in 2016, up from 1.35% a year earlier, the Ministry of Finance revealed recently. Total revenues slipped by 4.3% YoY, to RON 223.7 bn (29.5% of GDP), after the volume of incoming EU funds dropped and VAT revenues also slumped on the back of tax rate changes. At the same time, expenses decreased by only 0.6% YoY, to RON 242.0 bn (31.9% of GDP), which was again the result of lower EU fund absorption. On the other hand, personal expenses surged 9.5%, to RON 54.0 bn, after large public wage hikes in 2016.

The RON weakened significantly on Friday, fuelled also by the uncertainties around the 2017 government budget. At the same time, the yields on the benchmark government bonds showed some increases as well. It may also be worth mentioning, that social unrest continued to linger reflected by protests against the government's proposal to pardon prisoners.

In November, the non-performing loans ratio of Romania's banking sector slipped below the 10% threshold for the first time since the beginning of 2010. According to the latest data of the central bank, the weight of NPLs in total credit registered 9.9% in the penultimate month of 2016, down from October's 10.0%. A year earlier the NPL ratio stood at 15.1%, while the peak (well above 20%) was reached in 2014. The pressure coming from bad loans started to ease, after commercial banks launched different operations, like NPL sales and write-downs in order to clean up their balance sheets, while the improving macroeconomic environment also helped lenders' efforts. Taking into account the pattern seen in the previous years, it can be suspected that the non-performing loans ratio eased further in December (this is the month when write-downs and sales happen frequently). In addition, overdue statistics also pointed to a continued decreasing trend in the last month of 2016. The latest NBR data revealed that the volume of principal overdues fell by more than RON 0.4 bn in December.

Despite the rather negative global trading sentiment, the BVB's indices registered nice gains on Friday.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
26-Jan	Thursday	no data			
27-Jan	Friday	no data			
30-Jan	Monday	December	Licenses for residential buildings (YoY%)	-12.3	-0.8
		January	Economic Sentiment Indicator		104.1
		January	Consumer Confidence Indicator		-17.4
31-Jan	Tuesday	December	ILO unemployment rate (% , seasonally adjusted)		5.7

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		26-Jan-17					
Investment funds	ccy	last NAV/U	1m%		Ytd%	52W%	
OTP AvantisRO	RON	9.4594	↑ 3.98	↑	3.44	↑	20.10
OTP Obligatiuni	RON	14.6912	↑ 0.16	↑	0.11	↑	2.74
OTP ComodisRO	RON	17.1181	↑ 0.10	↑	0.08	↑	1.36
OTP Euro Bond	EUR	12.6632	↑ 0.16	↑	0.12	↑	1.95
OTP Dollar Bond	USD	10.8594	↑ 0.15	↑	0.07	↑	2.64
OTP Premium Return	RON	11.2264	↑ 1.00	↑	0.61	↑	6.70
OTP Euro Premium Return	EUR	9.8929	↓ -1.06	↓	-0.70	↑	1.28
OTP Global Mix	RON	10.7931	↓ -0.07	↓	-0.02	↑	8.57

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