

## Headquarter Treasury Sales

**Alexandru Tibuleac**

0372 31 85 85  
alexandru.tibuleac@otpbank.ro

**Cristian Ilie**

0372 31 85 86  
ilie.cristian@otpbank.ro

**Corina Bejan**

0372 31 85 84  
corina.bejan@otpbank.ro

**Andreea Nica**

0755 000 106  
andreea.nica@otpbank.ro

## Regional Treasury Sales

**Szilamer Kozma - Cluj**

0755 000 400  
szilamer.kozma@otpbank.ro

**Tudor Zaman - Bucuresti**

0755 000 199  
tudor.zaman@otpbank.ro

**Alexandru Sabin - Arad**

0730 577 959  
alexandru.sabin@otpbank.ro



# Daily Report – Romania

Date: 09.02.2017

**STOCK EXCHANGE**

	Close	Daily chg. (%)	Weekly chg. (%)
BET	7,627.44	↑ 0.29	↑ 2.06
BET-TR	9,421.95	↑ 0.29	↑ 2.06
BET-FI	31,865.14	↑ 0.96	↑ 2.00
BET-XT	691.48	↑ 0.44	↑ 2.20
BRD	11.7400	↑ 0.34	↑ 3.89
FP	0.8900	↑ 0.45	→ 0.00
EL	13.9800	↓ -0.14	↑ 1.01
SNG	27.6500	↑ 0.73	↑ 1.47
TLV	2.5000	→ 0.00	↑ 5.49

**GOV'T BOND MARKET**

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.64	↓ -1.5	↓ -2.0
12 month	0.94	↓ -0.5	↓ -4.5
3 year	1.69	↑ 0.5	↓ -9.5
5 year	2.64	↓ -1.5	↓ -14.5
10 year	3.56	↓ -4.0	↓ -24.0

**GOV'T BOND AUCTIONS**

	Maturity	Auctions	Sold
Monday	5.9Y	RON 300 mn	RON 323.7 mn
Thursday	3.0Y	RON 600 mn	RON 600 mn

**MONEY MARKET**

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.45	↓ -1.0	↓ -3.0
3M ROBOR	0.81	→ 0.0	↓ -3.0
6M ROBOR	1.05	→ 0.0	→ 0.0
1Y ROBOR	1.22	→ 0.0	↓ -1.0
5Y CDS	92.70	↓ 0.0	↓ -2.2

**FX MARKET**

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.4965	↑ 0.18	↓ -0.51
USD/RON	4.2199	↑ 0.59	↑ 0.41
CHF/RON	4.2119	↓ -0.14	↓ -0.51
100HUF/RON	0.0146	↑ 0.38	↓ -0.26

Sources: Reuters, OTP Research

**Summary**

- ROBOR rates are set to climb gradually higher starting from the second half of the year; there is no room for the appreciation of the leu - NBR chief Isarescu said yesterday.
- The 2017 year-end inflation forecast was scaled back by 0.4 pps, to 1.7% YoY, but consumer prices may grow next year faster than expected earlier, reaching 3.4% YoY in Q4 2018.
- The leu slightly weakened on the comments of Mr Isarescu.
- The MoF sold successfully the planned amount of RON 600 mn in 3Y bonds.

NBR chief Mr Isarescu held a press conference yesterday, presenting the new Inflation Report of the central bank. The governor sent very important messages regarding both the perspective of monetary policy and the leu's exchange rate.

In regard to the evolution of interest rates, Mr Isarescu stated that the ROBOR 3M may hover near its current level in the first half of 2017, and later this year it should increase, starting to approach the central bank's benchmark rate, as headline inflation also rises. Moreover, asked at the end of the press conference whether he saw a change in the bank's rate policy on the forecast horizon, Isarescu said categorically: "I do". We recall that the ROBOR 3M stood near 0.8% in recent weeks, while the policy rate is currently at 1.75%.

The scenario revealed by NBR chief was fully in line with our earlier expectations (please see our latest [report](#) on monetary policy issues - "Rates on hold again; 2017 inflation forecast revised down, but longer-term outlook still signals that policy normalisation could come later this year").

NBR officials rarely comment on the leu's exchange rate but this time, Mr Isarescu made an exception, saying that even though the nominal exchange rate is stable, there is a loss of competitiveness due to higher production costs. Therefore, he sees no room for appreciation further from this point.

The new Inflation Report revealed that consumer prices may increase by 1.7% YoY at the end of this year, 0.4 percentage points slower than previously thought, mainly due to more sluggish administered prices and weaker core inflation (the latter is mostly the result of price cuts for mandatory car insurance premiums). Nevertheless, the growth rate of consumer prices may accelerate to 3.4% YoY at the end of the forecast horizon (Q4 2018), which is 0.2% higher than projected earlier.

Fuelled by the comments of Mr Isarescu regarding the EUR/RON, the leu weakened slightly yesterday, giving up around 0.2%.

Amid healthy demand, the Ministry of Finance sold the planned amount of RON 600 mn in 3Y bonds on 2.20% average yield. The bid-to-cover ratio stood at 2.6x.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS	
7-Feb	Tuesday	February	Base rate decision (%)	1.75	1.75	1.75
8-Feb	Wednesday		no data			
9-Feb	Thursday	December	Exports (FOB, YoY%)	9.4		11.8
		December	Imports (CIF, YoY%)	7.5		11.6
		December	Industrial trade turnover index (YoY%)	7.3		10.8
		December	Index value of new orders in manufacturing (YoY%)	2.6		8.3
		December	Net wage growth rate (YoY%)	11.4		13.2
10-Feb	Friday	December	Turnover of market serv. provided to the population (YoY%)	0.6		-1.5
		December	Industrial production (YoY%)	3.6		5.4

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		8-Feb-17					
Investment funds	ccy	last NAV/U	1m%	Ytd%	52W%		
OTP AvantisRO	RON	9.6352	↑ 3.13	↑ 5.36	↑ 21.57		
OTP Obligatiuni	RON	14.7031	↑ 0.12	↑ 0.19	↑ 2.56		
OTP ComodisRO	RON	17.1237	↑ 0.09	↑ 0.11	↑ 1.35		
OTP Euro Bond	EUR	12.6714	↑ 0.09	↑ 0.19	↑ 1.94		
OTP Dollar Bond	USD	10.8727	↑ 0.13	↑ 0.20	↑ 2.49		
OTP Premium Return	RON	11.2850	↑ 0.71	↑ 1.14	↑ 6.49		
OTP Euro Premium Return	EUR	10.0176	↑ 0.61	↑ 0.56	↑ 4.12		
OTP Global Mix	RON	10.8640	↑ 0.42	↑ 0.64	↑ 8.77		

**Chief Economist**
**Gergely Tardos**

+36 1 3747273

[tardosg@otpbank.hu](mailto:tardosg@otpbank.hu)
**Analyst**
**Csaba Bálint**

+4021 3075896

[csaba.balint@otpbank.ro](mailto:csaba.balint@otpbank.ro)

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