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Daily Report – Romania

Date: 14.07.2017

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	8,132.73	↓ -0.35	↑ 1.09
BET-TR	10,721.99	↓ -0.34	↑ 1.10
BET-FI	33,097.26	↓ -0.43	↓ -0.78
BET-XT	738.48	↓ -0.29	↑ 1.03
BRD	14.2000	→ 0.00	↑ 3.65
FP	0.8520	↓ -0.81	↓ -2.07
TLV	2.8800	↓ -0.69	↑ 1.41
SNG	27.1500	↓ -0.18	↑ 2.07
DIGI	39.8000	↑ 0.25	↑ 0.76

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.54	→ 0.0	→ 0.0
12 month	0.81	↑ 0.5	↓ -2.5
3 year	1.31	↓ -1.0	↓ -6.0
5 year	2.51	↓ -1.5	↓ -12.0
10 year	3.83	→ 0.0	↓ -14.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	7.6Y	RON 400 mn	
Thursday	6M	RON 700 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.50	↓ -1.0	↓ -6.0
3M ROBOR	0.87	→ 0.0	↓ -1.0
6M ROBOR	1.03	→ 0.0	↑ 1.0
1Y ROBOR	1.20	→ 0.0	→ 0.0
5Y CDS	94.48	→ 0.0	→ 0.0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.5631	↓ -0.09	↓ -0.30
USD/RON	3.9785	↓ -0.69	↓ -0.88
CHF/RON	4.1301	↓ -0.30	↓ -0.78
100HUF/RON	0.0149	↑ 0.14	↑ 0.38

Sources: Reuters, OTP Research

Summary

- Romania's current account deficit stood at EUR 1.97 bn in the period of January-May 2017, up from EUR 1.71 bn a year earlier.
- Fitch confirmed Romania's investment rating at "BBB-", but warned about increasing downside risks.
- The leu slightly firmed against the euro, while the BET index slipped 0.3% on Friday.

Romania's current account deficit stood at EUR 1.97 bn in the first five months of 2017; the gap widened from of EUR 1.71 bn in the same period of the previous year. At the same time, the twelve-month rolling deficit, a more smoothly moving indicator for the C/A, pointed to 2.4% deficit in May (as percentage of GDP). This actually was an improvement compared to April (2.6%), but the better figure was entirely due to the shrinking deficit in primary incomes and to the larger surplus in secondary incomes. Meanwhile, the balance of goods and services recorded a higher gap than a month earlier. Primary incomes were fuelled by a transitory boost coming from EU-related agricultural subsidies, while secondary incomes benefitted from larger transfers made by Romanians working abroad. External financing capacity (measured as the sum of the current account, capital account as well as net errors and omissions), our preferred imbalance indicator, registered a modest surplus of 0.6% of GDP in May, practically unchanged compared to April, as the lower deficit of the C/A was offset by the smaller surplus of the capital account. The positive balance of the capital account shrank due to disappointing EU fund absorption in the period of January-May 2017.

The modest surplus of the external financing capacity indicator coupled with healthy FDI inflows and low external debt figures suggest that Romania is still on a sustainable path, but indeed, there are also some negative signs, like the widening deficit in the goods and services account, which should be followed closely.

On Friday, Fitch affirmed Romania's long-term foreign-currency rating at "BBB-" with stable outlook. Nonetheless, the report also noted that the downside risks to the country's investment rating increased, given the aggressive fiscal easing measures as well as the swiftly rising wages, outpacing the gains in productivity. These factors were set to result in higher risks in relation to macroeconomic stability, Fitch's analysts also said. The rating agency foresees 3.7% government deficit in this year, up from 3% in 2016, while economic growth outlook was improved to 5.1%, versus 4.8% in their previous estimation, after GDP figures for Q1 2017 caused a significant positive surprise.

This week is relatively poor in terms of macroeconomic data releases. On Thursday, Eurostat will reveal government budget statistics for the first quarter of the year.

The leu marginally firmed against the euro on Friday, following the trends seen in the other countries of the CEE region, while the BET index slightly underperformed its global peers.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
17-Jul	Monday		no data		
18-Jul	Tuesday		no data		
19-Jul	Wednesday		no data		

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		13-Jul-17					
Investment funds	ccy	last NAV/U	1m%		Ytd%	52W%	
OTP AvantisRO	RON	10.6692	↓ -0.55	↑	16.67	↑	27.40
OTP Obligatiuni	RON	14.8234	↓ -0.07	↑	1.01	↑	2.11
OTP ComodisRO	RON	17.2247	↑ 0.08	↑	0.70	↑	1.30
OTP Euro Bond	EUR	12.7167	↓ -0.22	↑	0.55	↑	1.18
OTP Dollar Bond	USD	10.9471	↓ -0.02	↑	0.88	↑	1.44
OTP Premium Return	RON	11.5421	↓ -0.58	↑	3.44	↑	6.10
OTP Euro Premium Return	EUR	9.7912	↓ -0.63	↓	-1.72	↑	0.06
OTP Global Mix	RON	11.2705	↓ -0.55	↑	4.40	↑	9.79

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