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Daily Report – Romania

Date: 10.10.2017

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	8,022.51	↑ 0.20	↑ 1.71
BET-TR	10,637.05	↑ 0.20	↑ 1.71
BET-FI	36,560.90	↓ -0.87	↓ -1.65
BET-XT	743.31	↑ 0.01	↑ 1.03
TLV	2.36	↑ 0.43	↑ 6.55
BRD	0.85	↓ -0.12	↔ 0.00
SNG	28.80	↓ -0.69	↑ 0.35
TGN	12.86	↑ 0.47	↓ -0.31
TEL	1.97	↓ -4.60	↓ -3.43

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	1.45	↑ 5.0	↑ 30.5
12 month	1.54	↑ 4.0	↑ 28.5
3 year	2.40	↑ 0.5	↑ 21.5
5 year	3.03	↑ 1.5	↑ 20.0
10 year	4.20	↓ -1.5	↑ 16.0

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	6.6Y	RON 300 mn	RON 0 mn
Thursday	12M	RON 600 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	1.87	↓ -1.0	↓ -13.0
3M ROBOR	1.78	↓ -1.0	↓ -2.0
6M ROBOR	1.91	↔ 0.0	↑ 2.0
1Y ROBOR	1.94	↔ 0.0	↑ 5.0
5Y CDS	90.46	↓ -0.3	↔ 0.0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.5865	↑ 0.34	↑ 0.02
USD/RON	3.8843	↓ -0.23	↓ -0.56
CHF/RON	3.9821	↑ 0.12	↓ -0.82
100HUF/RON	0.0148	↑ 0.62	↑ 0.39

Sources: Reuters, OTP Research

Summary

- Romania's consumer price inflation sharply increased in September, to 1.8% YoY, up from 1.2% a month earlier; underlying inflation measures accelerated as well.
- Central bankers considered the evolution of the current account deficit worrisome, while the risks to the inflation outlook were tilted to the upside, the minutes of the latest policy meeting revealed.
- The EUR/RON ended higher yesterday.

In September, Romania's headline inflation got momentum, rising 1.8% YoY, after a transitory setback in August (1.2% YoY), a NIS report revealed this morning. The latest data exceeded the market's as well as our expectations (both at 1.6% YoY). In month-over-month comparison, consumer prices increased by 0.5%, the report also showed. The sharp acceleration was quite broad-based. Unprocessed food prices rebounded last month (3.8% YoY vs. 1.6% YoY), supported also by a positive statistical base effect, while fuel prices were propelled higher (0.6% YoY vs. 2.2% YoY) by surging crude oil quotations and an important excise duty hike.

Similarly to the headline data, underlying inflation measures also got impetus, with the NBR's preferred CORE3 inflation indicator inching up to 1.8% YoY, from 1.6% YoY a month earlier. Beside the general acceleration of the main components of the CORE3 indicator, the leu's weakness compared to the euro also contributed to the pick-up, via exchange-rate-sensitive items like telephone charges (3.4% YoY vs. 2.7% YoY).

Excluding the impact of main tax changes, the headline inflation would have easily reached the NBR's objective of 2.5% YoY in September, our in-house estimation showed. With significant energy and natural gas price hikes in the pipeline, we think that the annual inflation is set to accelerate further in the following months.

Yesterday the NBR published the minutes of its latest monetary policy [meeting](#). The document revealed that Board members had worried about the rapid widening of the current account deficit. Fiscal policies supporting consumption as well as the above-potential economic growth pace also contributed to the higher current account deficit. The lower coverage of the current account deficit by foreign direct investments and capital transfers may have had negative impacts also on the leu's exchange rate, the document noted as well. The Board also discussed a potential lowering of the minimum reserve requirement ratio on leu-denominated liabilities, in order to ease the market liquidity squeeze, but such an action was not implemented. Board members deemed that the risks to the inflation outlook are tilted rather to the upside, the document also showed. The Board unanimously voted to keep the policy rate unchanged at 1.75%, while members voted 8 to 1 to narrow the interest rate corridor by 50 bps.

Yesterday the leu weakened 0.3% against the common European currency, while the BET grew by 0.2%.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS	
10-Oct	Tuesday	Q2 2017	Detailed GDP growth rate (YoY%, provisional data 2)	6.1		5.9
		August	Industrial trade turnover index (YoY%)	13.5		10.0
		August	Index value of new orders in manufacturing (YoY%)	17.3		12.3
		August	Exports (FOB, YoY%)	10.7		8.6
		August	Imports (CIF, YoY%)	9.3		14.0
11-Oct	Wednesday	September	Consumer price index (YoY%)	1.8	1.6	1.2
		August	Turnover of market serv. provided to the population (YoY%)	22.8		19.9

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		9-Oct-17					
Investment funds	ccy	last NAV/U		1m%		Ytd%	52W%
OTP AvantisRO	RON	10.9226	↑	1.77	↑	19.44	↑ 21.50
OTP Obligatiuni	RON	14.8860	↓	-0.15	↑	1.44	↑ 1.32
OTP ComodisRO	RON	17.2658	↑	0.08	↑	0.94	↑ 1.19
OTP Euro Bond	EUR	12.8101	↓	-0.07	↑	1.29	↑ 0.82
OTP Dollar Bond	USD	11.0063	↑	0.07	↑	1.43	↑ 1.38
OTP Premium Return	RON	11.6782	↑	0.63	↑	4.66	↑ 5.70
OTP Euro Premium Return	EUR	9.9334	↑	0.70	↓	-0.29	↓ -0.28
OTP Global Mix	RON	11.4844	↑	1.93	↑	6.39	↑ 9.24

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