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Daily Report – Romania

Date: 05.01.2018

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	7,985.82	↑ 0.25	↑ 3.41
BET-TR	10,735.16	↑ 0.25	↑ 3.41
BET-FI	40,569.12	↑ 0.56	↑ 2.13
BET-XT	757.10	↑ 0.32	↑ 3.04
SNP	0.30	↑ 1.00	↑ 7.26
TLV	2.16	↓ -0.46	↑ 0.93
SNG	32.30	↓ -0.31	↑ 4.53
FP	0.89	↑ 0.11	↑ 4.08
SIF1	2.85	↑ 1.06	↑ 1.06

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	1.73	↓ -14.5	↓ -31.0
12 month	1.94	↓ -6.5	↓ -28.5
3 year	3.28	↓ -5.0	↓ -10.5
5 year	3.68	↓ -4.5	↓ -9.5
10 year	4.28	↓ -3.0	↓ -4.0

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	9.5Y	RON 500 mn	
Thursday	4.1Y	RON 400 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	1.02	↓ -6.0	↓ -55.0
3M ROBOR	2.01	↓ -2.0	↓ -9.0
6M ROBOR	2.26	→ 0.0	↓ -2.0
1Y ROBOR	2.31	→ 0.0	↓ -3.0
5Y CDS	86.06	↓ -0.5	↓ -0.6

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.6287	↓ -0.08	↓ -1.09
USD/RON	3.8500	↑ 0.30	↓ -0.96
CHF/RON	3.9485	↑ 0.25	↓ -1.06
100HUF/RON	0.0150	↓ -0.02	↑ 0.16

Sources: Reuters, OTP Research

Summary

- Today the NBR keeps the first monetary policy meeting of the year.
- Non-performing loans continued to shrink in November.
- November's retail sales data pointed to weakening momentum in households' consumption.
- The number of building permits rose further in November.
- On Friday, the EUR/RON changed little, while GS's yield curve shifted lower.

The NBR's monetary policy meeting is the key event of the day. We think that the central bank will keep the policy rate unchanged today, but it is important to add that chances of a rate hike have grown significantly, among others owing to the unexpectedly strong inflation dynamics in the latest period. According to a Reuters survey, market expectations also reflect a diverging view, with five analysts' foreseeing no change versus four expecting a one-quarter-percentage-point rise. In any case, given the perspective of further accelerating consumer price inflation and increasing concerns of overheating, the CB would need to launch the policy rate hike cycle sooner than later, in order to keep inflation expectations anchored. Therefore, it is worth checking if the NBR provides hints about the timing and the pace of hikes.

The non-performing loan ratio of Romania's banking system continued to ease, reaching 7.3% in November, after October's 7.6%, a report of the NBR revealed on Friday. The downward trajectory of NPLs, coupled with improved profitability and higher capital buffers, underscores that the banking sector has become more resilient against domestic or external shocks.

In November, retail sales lost steam, posting 11.4% annual growth (gross data), down from October's 13.6% advance. In MoM terms, the index rose by 0.7% (seasonally and working day adjusted data), mainly helped by the segment of fuels (+3.3%). Sales at the petrol pumps picked up in November, after they fell both in September and October, dragged down by two consecutive hikes of the special excise duty on fuels.

The number of new licenses for residential buildings grew sharply in November (26.6% YoY), the NIS said this morning. In the first 11 months of 2017, building permits rose by 7.6% YoY, the report also pointed out.

On Friday, the leu was traded in a narrow range against the euro, broadly in line with other currencies of the CEE region. Nonetheless, interbank lending rates and government securities' yields mostly decreased, owing to improving liquidity conditions on the money market. At the same time, Romanian stocks closed in the green, following the trends seen on global equity markets.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
8-Jan	Monday	November	Retail trade (YoY%)	11.4	13.6
		November	Licenses for residential buildings (YoY%)	26.6	13.1
		January	Base rate decision (%)		1.88
		December	Economic Sentiment Indicator		103.8
		December	Consumer Confidence Indicator		-22.2

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		4-Jan-18					
Investment funds	ccy	last NAV/U		1m%		Ytd%	52W%
OTP AvantisRO	RON	11.2581	↑	2.51	↑	1.61	↑ 21.02
OTP Obligatiuni	RON	14.9647	↑	0.36	↑	0.10	↑ 1.92
OTP ComodisRO	RON	17.3240	↑	0.16	↑	0.03	↑ 1.27
OTP Euro Bond	EUR	12.8441	↑	0.13	↑	0.07	↑ 1.49
OTP Dollar Bond	USD	11.0256	↑	0.04	↑	0.03	↑ 1.59
OTP Premium Return	RON	11.8996	↑	0.99	↑	0.44	↑ 6.15
OTP Euro Premium Return	EUR	10.0631	↑	1.02	↑	0.51	↑ 0.40
OTP Global Mix	RON	11.7614	↑	1.43	↑	0.76	↑ 8.36

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