

Treasury Sales Team

+40372 31 85 88

sales.treasury@otpbank.ro



Chief Economist

Gergely Tardos

+36 1 374 7273

tardosg@otpbank.hu

Analyst

Csaba Bálint

+4021 307 58 96

csaba.balint@otpbank.ro

Daily Report – Romania

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STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	8,751.93	↑ 1.00	↑ 2.69
BET-TR	12,757.14	↑ 1.00	↑ 2.71
BET-FI	36,797.20	↑ 0.45	↑ 1.48
BET-XT	796.59	↑ 0.90	↑ 2.54
TGN	354.5000	↓ -0.42	↑ 0.42
TLV	2.4400	↑ 2.52	↑ 4.50
TEL	23.9000	↑ 0.63	↑ 4.37
BRD	14.2600	↑ 1.42	↑ 5.47
SNG	36.2500	↑ 0.69	↑ 2.69

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	3.01	↓ -1.5	↓ -16.0
12 month	3.22	↓ -2.5	↓ -10.0
3 year	3.69	↓ -6.0	↓ -12.0
5 year	4.32	↓ -4.5	↓ -12.0
10 year	4.94	↓ -0.5	↑ 13.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	7.3Y	RON 400 mn	RON 494 mn

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	2.30	↓ -2	↓ -58
3M ROBOR	3.11	↑ 2	↓ -13
6M ROBOR	3.36	→ 0	↓ -10
1Y ROBOR	3.54	→ 0	↓ -5
5Y CDS	94.44	↓ 0	↑ 5

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.6481	↓ -0.08	↓ -0.27
USD/RON	4.0929	↓ -0.46	↓ -0.52
CHF/RON	4.1015	↓ -0.42	↓ -0.45
HUF/RON	0.0144	↑ 0.17	↓ -0.04

Sources: Reuters, OTP Research

Summary

- Romania's budget deficit reached 2.2% of GDP in the period of January-October 2018 (up from 0.8% in the same period of the previous year).
- In October, producer prices picked up.

In the first ten months of 2018, Romania's government budget deficit reached RON 20.9 bn (2.2% of GDP; cash-flow-based data), up from RON 6.6 bn (0.8%) in the same period of the previous year, the Ministry of Finance said in a report. At the end of September 2018, the gap stood at RON 16.8 bn (1.8%).

Similarly to the previous months, government revenues have increased steadily (+11.8% YoY, to RON 232.3 bn) owing to the healthy performance of the economy. Nevertheless, the government's expenses continued to outpace revenues (+18.1% YoY, to RON 253.2 bn), mainly due to higher personnel expenses (+25.4% YoY, to RON 70.7 bn) and social assistance (+12.1% YoY, to RON 85.1 bn). On the top of these, capital expenses (funded from the national budget) also rose significantly (from RON 9.1 bn to RON 15.7 bn).

Given the data for the period of January-October, this year's 3% target seems to be particularly challenging, but still attainable with very tight control on expenses and strong collection performance in the last two months of 2018. It is worth mentioning that, in the previous years, a very large share of government payments for investments was made in December. Nonetheless, the timing of these payments could change to some extent, resulting in lower-than-usual deficit in the last month of this year.

However, it is important to note that the structure of the government budget became very rigid in the past few years, due to higher personal expenses and rapidly rising pensions, while a meaningful consolidation is rather unlikely in the years ahead as presidential (2019) and general elections (2020) are on the agenda. This means that fiscal policy might need to be tightened if significant external shocks hit the economy.

In October, producer prices increased by 6.3% YoY, after September's 5.6% YoY growth rate, the NIS said this morning. The acceleration was mainly due to higher energy prices. We think that producer price growth may soften next month as energy commodities mostly fell in November.

In November, the central bank's foreign exchange reserve rose slightly, to EUR 32.5 bn. A month earlier, it stood at EUR 32.4 bn.

Yesterday Romania's leu firmed 0.1% against the euro, closing the trading session near 4.65. At the same time, Bucharest's stock indices fared well, tracking their global peers.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
3-Dec	Monday	November	FX Reserves (EUR bn)	32.5	32.4
4-Dec	Tuesday	October	Producer Price Index (YoY%)	6.3	5.6

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		29-Nov-18						
Investment funds	ccy	last NAV/U		1m%		Ytd%		52W%
OTP AvantisRO	RON	11.2227	↑	2.42	↑	1.29	↑	2.21
OTP Obligatiuni	RON	15.1934	↑	0.05	↑	1.63	↑	1.96
OTP ComodisRO	RON	17.7358	↑	0.28	↑	2.40	↑	2.56
OTP Euro Bond	EUR	12.6884	↓	-0.42	↓	-1.15	↓	-1.04
OTP Dollar Bond	USD	11.0688	↓	-0.13	↑	0.42	↑	0.44
OTP Premium Return	RON	11.4280	↑	0.36	↓	-3.54	↓	-3.21
OTP Euro Premium Return	EUR	8.6774	↓	-1.10	↓	-13.33	↓	-12.92
OTP Global Mix	RON	10.9982	↑	0.29	↓	-5.78	↓	-5.38

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