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Daily Report – Romania

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STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	8,558.55	↓ -1.45	↓ -2.21
BET-TR	12,478.37	↓ -1.45	↓ -2.19
BET-FI	36,265.41	↓ -0.63	↓ -1.45
BET-XT	778.73	↓ -1.35	↓ -2.24
TLV	2.35	↓ -3.29	↓ -3.69
BRD	13.72	↓ -3.24	↓ -3.79
SNG	35.80	↓ -0.28	↓ -1.24
SNP	0.36	↓ -1.37	↓ -3.48
SNN	9.69	↓ -0.82	↓ -1.12

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	2.98	↓ -1.5	↓ -3.5
12 month	3.20	↓ -0.5	↓ -2.0
3 year	3.55	↓ -5.5	↓ -14.0
5 year	4.27	↓ -1.0	↓ -5.0
10 year	4.86	↓ -1.5	↓ -8.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	1.8Y	RON 600 mn	RON 697.8 mn

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	1.89	↓ -16.0	↓ -41.0
3M ROBOR	3.04	↓ -4.0	↓ -7.0
6M ROBOR	3.36	↓ -2.0	→ 0.0
1Y ROBOR	3.54	→ 0.0	→ 0.0
5Y CDS	94.46	↑ 0.2	↓ 0.0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.6520	↑ 0.11	↑ 0.08
USD/RON	4.0959	↑ 0.40	↑ 0.07
CHF/RON	4.1360	↑ 0.42	↑ 0.84
HUF/RON	0.0144	↑ 0.09	↓ -0.18

Sources: Reuters, OTP Research

Summary

- **Headline inflation re-entered the central bank's tolerance band; falling oil prices played a key role in November's deceleration.**
- **Net wage growth hit 13.7% YoY in October.**

In November, Romania's headline inflation eased significantly, reaching 3.4% YoY, down from 4.3% YoY a month earlier, the NIS said this morning. November's outturn means that, consumer price growth re-entered the NBR's tolerance band (2.5% +/- 1%). We recall that headline inflation broke above the upper limit of the central bank's target in January and rose as high as 5.4% in the second quarter of this year. November's data undershoot the market expectation (3.7% YoY; Reuters poll) and even our low-end call of 3.5% YoY. In month-over-month comparison, the consumer price index fell by 0.1%. Core3 inflation, the NBR's preferred underlying indicator, decreased from 2.8% YoY to 2.6% YoY, the NIS report revealed too.

November's sharp deceleration was mainly due to slumping Brent futures, which led to lower prices at the petrol pumps. Accordingly, fuel inflation fell to 8.3% YoY, down from 12.7% YoY in October. Beside fuel prices, unprocessed food inflation also had an important contribution to the easing headline data. On top of these, base effects in the case of tobacco as well as exchange-rate-sensitive items (mostly telephone charges and cars) helped too.

The faster-than-expected softening of the headline inflation is good news for the central bank. We think that consumer price growth may decrease slightly next year too. However, it is important to note that underlying price pressures are set to be robust owing to double-digit wage growth and record low unemployment, while external conditions have started to worsen, which warrants prudence from the central bank in the following period.

Average net wages rose to RON 2,720 in October, a NIS report showed this morning. In annual comparison, net wage growth reached 13.7%, up from 13.1% in the previous month. The acceleration was due to private sector salaries (11.5% YoY vs. 10.7% YoY), while wages in the public sector marginally decelerated (21.2% YoY vs. 21.7% YoY). It is important to note that public sector wages remained well above the private sector average in October too (RON 3,428 vs. RON 2,535), our in-house estimation showed. Owing to the tight labour market as well as another planned minimum wage hike in January 2019, we expect wages to continue to post quite rapid increases in the coming months.

Negative sentiment characterised trading in Europe yesterday. Romania's leu slightly weakened compared to the euro, while Bucharest stocks finished the day in negative territory.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS	
10-Dec	Monday	October	Exports (FOB, YoY%)	10.0	5.1	
		October	Imports (CIF, YoY%)	16.1	3.4	
11-Dec	Tuesday	November	Consumer price index (YoY%)	3.4	3.7	4.3
		October	Net wage growth rate (YoY%)	13.7		13.1
12-Dec	Wednesday	October	Industrial production (YoY%)			0.5
		October	Industrial trade turnover index (YoY%)			7.8
		October	Index value of new orders in manufacturing (YoY%)			9.3

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		7-Dec-18					
Investment funds	ccy	last NAV/U	1m%		Ytd%		52W%
OTP AvantisRO	RON	11.1379	↓ -0.28	↑	0.53	↑	1.83
OTP Obligatiuni	RON	15.1931	↓ -0.09	↑	1.63	↑	1.79
OTP ComodisRO	RON	17.7476	↑ 0.27	↑	2.47	↑	2.59
OTP Euro Bond	EUR	12.6851	↓ -0.47	↓	-1.17	↓	-1.19
OTP Dollar Bond	USD	11.0529	↓ -0.30	↑	0.28	↑	0.27
OTP Premium Return	RON	11.3709	↓ -1.44	↓	-4.02	↓	-3.52
OTP Euro Premium Return	EUR	8.5802	↓ -4.94	↓	-14.31	↓	-13.74
OTP Global Mix	RON	10.8385	↓ -3.24	↓	-7.15	↓	-6.45

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