

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 | 7,803.75 | ↑ 1.83 | ↑ 0.41 |
| BET-TR | 11,511.23 | ↑ 1.81 | ↑ 0.43 |
| BET-FI | 35,262.48 | ↑ 0.88 | ↑ 0.06 |
| BET-XT | 715.94 | ↑ 1.69 | ↑ 0.30 |
| TLV | 2.0000 | ↑ 4.71 | ↑ 5.26 |
| BRD | 12.2600 | ↑ 3.20 | ↑ 1.49 |
| SNG | 30.6000 | ↑ 0.82 | ↓ -0.65 |
| FP | 0.8800 | ↑ 0.23 | ↓ -1.12 |
| SNP | 0.3475 | ↑ 2.21 | ↑ 0.14 |

GOV'T BOND MARKET

| Maturity | Yield (%) | Daily chg. (bp) | Weekly chg. (bp) |
|----------|-----------|-----------------|------------------|
| 6 month | 3.09 | ↓ -2.0 | ↓ -9.0 |
| 12 month | 3.23 | ↓ -1.5 | ↓ -12.0 |
| 3 year | 3.82 | ↓ -1.0 | ↓ -2.5 |
| 5 year | 4.18 | ↓ -3.0 | ↓ -4.5 |
| 10 year | 4.75 | ↓ -10.0 | ↓ -3.5 |

GOV'T BOND AUCTIONS

| | Maturity | Auctions | Sold |
|--------|----------|------------|--------------|
| Monday | 2.7Y | RON 400 mn | RON 543.8 mn |

MONEY MARKET

| | Rate (%/bp) | Daily chg (bp) | Weekly chg (bp) |
|----------|-------------|----------------|-----------------|
| ON ROBOR | 3.12 | ↓ -15 | ↓ -48 |
| 3M ROBOR | 3.26 | ↓ -2 | ↓ -2 |
| 6M ROBOR | 3.37 | ↓ -2 | ↓ -4 |
| 1Y ROBOR | 3.53 | → 0 | ↓ -1 |
| 5Y CDS | 96.55 | ↑ 0 | ↑ 0 |

FX MARKET

| | Rate | Daily chg. (%) | Weekly chg. (%) |
|---------|--------|----------------|-----------------|
| EUR/RON | 4.7398 | ↓ -0.14 | ↓ -0.54 |
| USD/RON | 4.1798 | ↑ 0.11 | ↓ -0.38 |
| CHF/RON | 4.1841 | ↑ 0.16 | ↓ -0.21 |
| HUF/RON | 0.0150 | ↑ 0.00 | ↑ 0.13 |

Sources: Reuters, OTP Research

Summary

- The government plans to change the much-criticised bank sector levy, a letter of the MoF to S&P rating agency showed; the news triggered optimism on Romanian financial markets.
- Despite the headwinds, retail sales have started the year on a strong note.

Romanian financial markets started the week well, with Bucharest's main stock indices soaring 0.9%-1.9% on Monday. Meanwhile, government securities' yields shifted 1-10 basis points lower and Romania's leu also firmed (0.1%) compared to the common European currency. Simultaneously, interbank lending rates mostly eased too.

The benign mood was primarily fuelled by news that Romania's government plans to change the much-criticised levy on banks' asset. According to a letter written by Finance Minister Eugen Teodorovici to rating agency S&P (and revealed by an opposition party lawmaker), the government wants to replace the progressive bank tax with a fixed annual levy, and it would also remove some financial assets from the tax base (likely, such as government bonds). The tax will be adjusted downward, depending on the interest rate margins applied by commercial banks, the letter also showed. It is worth mentioning that last week, when Standard & Poor's published a new report on Romania, the agency did not deliver a rating outlook for the country (a very unusual decision), providing more time for Romanian policy-makers to clarify several issues about the new bank sector tax.

Despite the concerns triggered by the government's latest tax measures and a relatively sharp depreciation of the leu, retail sales started the year on a strong note, a NIS report revealed this morning. In January, retail sales posted 6.6% YoY advance, up from December's 4.0% gain (gross data), while on month-over-month basis the index rose by 1.9% (seasonally and working day adjusted data). Moreover, January's uptick was supported by non-food items (9.4% YoY and 3.5% MoM) signalling that the advance has a rather strong base. The fresh statistics paint a favourable picture about the short-term outlook of consumption, and supports our expectation that household expenditures may remain the key driver of the economy this year too, owing to the tight conditions on the labour market (e.g. low unemployment, rapid wage growth).

Later this week, the NIS will publish sector-level GDP statistics for Q4 2018.

| Date | PERIOD | INDICATOR | FACT | CONSENSUS | PREVIOUS |
|-------|---------|-----------|-----------------------------|-----------|----------|
| 4-Mar | Monday | January | Producer Price Index (YoY%) | 3.9 | 4.5 |
| 5-Mar | Tuesday | January | Retail trade (YoY%) | 6.6 | 4.0 |

Sources: NIS, NBR, Reuters, OTP Research

| OTP AM – Investment Funds | | 1-Mar-19 | | | | | |
|---------------------------|-----|------------|---------|---------|----------|--|--|
| Investment funds | ccy | last NAV/U | 1m% | Ytd% | 52W% | | |
| OTP AvantisRO | RON | 10.6389 | ↑ 3.26 | ↑ 4.10 | ↓ -7.63 | | |
| OTP Obligatiuni | RON | 15.3601 | ↑ 0.46 | ↑ 0.93 | ↑ 2.30 | | |
| OTP ComodisRO | RON | 17.8645 | ↑ 0.23 | ↑ 0.47 | ↑ 2.69 | | |
| OTP Euro Bond | EUR | 12.7519 | ↑ 0.22 | ↑ 0.50 | ↓ -0.45 | | |
| OTP Dollar Bond | USD | 11.1455 | ↑ 0.33 | ↑ 0.78 | ↑ 1.01 | | |
| OTP Premium Return | RON | 11.4367 | ↑ 0.55 | ↑ 2.30 | ↓ -3.17 | | |
| OTP Euro Premium Return | EUR | 8.3334 | ↓ -0.70 | ↓ -1.98 | ↓ -14.54 | | |
| OTP Global Mix | RON | 11.0120 | ↑ 0.95 | ↑ 3.05 | ↓ -5.60 | | |

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