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Daily Report – Romania

Date: 15.03.2019

STOCK EXCHANGE

| | Close | Daily chg. (%) | Weekly chg. (%) |
|--------|-----------|----------------|-----------------|
| BET | 7,861.83 | ↑ 0.05 | ↑ 0.22 |
| BET-TR | 11,593.40 | ↑ 0.02 | ↑ 0.14 |
| BET-FI | 35,740.33 | ↑ 0.29 | ↑ 0.36 |
| BET-XT | 721.71 | ↑ 0.06 | ↑ 0.23 |
| BRD | 12.6800 | ↑ 0.96 | ↑ 0.63 |
| TLV | 2.0650 | ↑ 1.23 | ↑ 0.49 |
| FP | 0.8810 | ↓ -0.23 | ↓ -0.45 |
| SNP | 0.3560 | ↔ 0.00 | ↑ 3.64 |
| SNG | 30.1500 | ↓ -1.31 | ↓ -2.58 |

GOV'T BOND MARKET

| Maturity | Yield (%) | Daily chg. (bp) | Weekly chg. (bp) |
|----------|-----------|-----------------|------------------|
| 6 month | 2.90 | ↑ 0.5 | ↑ 4.0 |
| 12 month | 3.01 | ↔ 0.0 | ↑ 4.0 |
| 3 year | 3.77 | ↔ 0.0 | ↑ 9.5 |
| 5 year | 4.27 | ↑ 6.5 | ↑ 23.0 |
| 10 year | 4.93 | ↑ 5.5 | ↑ 28.0 |

GOV'T BOND AUCTIONS

| | Maturity | Auctions | Sold |
|--------|----------|------------|------|
| Monday | 9.9Y | RON 200 mn | |

MONEY MARKET

| | Rate (%/bp) | Daily chg (bp) | Weekly chg (bp) |
|----------|-------------|----------------|-----------------|
| ON ROBOR | 1.71 | ↑ 1 | ↓ -11 |
| 3M ROBOR | 3.09 | ↑ 3 | ↓ -2 |
| 6M ROBOR | 3.29 | ↑ 2 | ↑ 2 |
| 1Y ROBOR | 3.50 | ↑ 3 | ↑ 3 |
| 5Y CDS | 92.14 | ↓ 0 | ↓ -2 |

FX MARKET

| | Rate | Daily chg. (%) | Weekly chg. (%) |
|---------|--------|----------------|-----------------|
| EUR/RON | 4.7577 | ↓ -0.13 | ↑ 0.24 |
| USD/RON | 4.2007 | ↓ -0.28 | ↓ -0.46 |
| CHF/RON | 4.1920 | ↓ -0.13 | ↑ 0.00 |
| HUF/RON | 0.0151 | ↓ -0.07 | ↑ 0.70 |

Sources: Reuters, OTP Research

Summary

- On late Friday, S&P affirmed Romania's credit rating outlook at 'stable'; the government might change the bank tax by end-March.
- President Iohannis signed the 2019 budget bill into law.
- High-frequency indicators suggest that the services sector excelled in January, fuelled by strong domestic demand.

On late Friday, S&P Global Ratings affirmed Romania's outlook at 'stable'. It is worth mentioning that the agency had published a new report on Romania earlier in March but the 'BBB-' grade was not accompanied by an 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. We recall that the government had adopted a progressive ROBOR-linked levy on banking sector assets at the end of last year. The tax was expected to limit the elbow-room of monetary policy and it even raised financial stability questions. Last week, Finance Minister Teodorovici was quoted saying that the changes to the much-criticised levy could be approved by the end of March. 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, news sources revealed earlier this month.

On Friday, President Klaus Iohannis, a critic of ruling parties, signed the government budget bill into law. This came after several legal attempts to have changes made, referring to the plan's unrealistic assumptions. We note that the 2019 government budget was built on 5.5% real GDP growth, much higher than the market expectations of around 3% expansion.

In January, the turnover index of market services rendered mainly to enterprises increased at a very strong 14.7% YoY growth pace (gross data), up from December's 11.9% YoY gain, a NIS report revealed this morning. In month-over-month comparison, the turnover index added 3.1% (seasonally and working day adjusted data). The latest figures, together with other statistics about services released earlier this month, suggest that the sector fared particularly well in January, and remained the key driver of the economy. We recall that retail sales picked up in January, adding 6.6% YoY (vs. 4.0% YoY in December) and the turnover index of market services provided to the population posted double-digit growth rate (14.2% YoY vs. 5.6% YoY) too. The strong performance of the services sector was likely fuelled by soaring wages (in January, average net wages rose by 18.2% YoY, much faster than a month earlier: 12.5% YoY).

Today the NBR will reveal balance of payments statistics for January.

While investors waited for S&P's rating update, Romania's leu firmed 0.1% against the common European currency. Simultaneously, banking sector shares climbed 1.0%-1.2% higher, but this was not enough for the BET index to register a chunky gain.

| Date | PERIOD | INDICATOR | FACT | CONSENSUS | PREVIOUS |
|--------|--------|-----------|--|-----------|----------|
| 18-Mar | Monday | January | Turnover of market serv. rendered mainly to enterp. (YoY%) | 14.7 | 11.9 |
| | | January | Wholesale turnover index (YoY%) | 6.7 | 8.1 |
| | | January | CA balance (EUR mn, YTD) | | -9,416 |

Sources: NIS, NBR, Reuters, OTP Research

| OTP AM – Investment Funds | | 14-Mar-19 | | | | | |
|---------------------------|-----|------------|---------|---------|----------|--|--|
| Investment funds | ccy | last NAV/U | 1m% | Ytd% | 52W% | | |
| OTP AvantisRO | RON | 10.8079 | ↑ 1.95 | ↑ 5.75 | ↓ -7.30 | | |
| OTP Obligatiuni | RON | 15.3974 | ↑ 0.50 | ↑ 1.17 | ↑ 2.44 | | |
| OTP ComodisRO | RON | 17.8866 | ↑ 0.27 | ↑ 0.59 | ↑ 2.75 | | |
| OTP Euro Bond | EUR | 12.7710 | ↑ 0.26 | ↑ 0.65 | ↓ -0.28 | | |
| OTP Dollar Bond | USD | 11.1605 | ↑ 0.31 | ↑ 0.92 | ↑ 1.26 | | |
| OTP Premium Return | RON | 11.4683 | ↑ 0.48 | ↑ 2.58 | ↓ -3.45 | | |
| OTP Euro Premium Return | EUR | 8.3538 | ↓ -0.89 | ↓ -1.74 | ↓ -14.14 | | |
| OTP Global Mix | RON | 11.0366 | ↑ 0.92 | ↑ 3.28 | ↓ -6.49 | | |

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