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Daily Report – Romania

Date: 06.07.2018

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	7,835.34	↑ 0.27	↓ -3.11
BET-TR	11,408.69	↑ 0.27	↓ -1.43
BET-FI	37,647.11	↑ 0.47	↓ -0.10
BET-XT	732.69	↑ 0.29	↓ -2.86
FP	0.88	↑ 0.23	→ 0.00
TLV	2.34	↓ -0.21	↓ -2.50
SNP	0.33	↑ 0.93	↑ 2.03
SNG	31.80	↑ 0.63	↓ -14.86
TGN	312.00	↓ -0.16	↓ -4.88

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	3.36	↓ -2.5	↓ -2.5
12 month	3.44	↓ -3.0	↓ -4.5
3 year	4.32	↓ -4.0	↓ -4.5
5 year	4.74	↓ -5.5	↓ -8.5
10 year	5.15	↓ -4.0	↓ -5.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	11M	RON 300 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	3.34	↓ -6.0	↓ -12.0
3M ROBOR	3.39	→ 0.0	↑ 24.0
6M ROBOR	3.47	↑ 1.0	↑ 23.0
1Y ROBOR	3.53	↑ 1.0	↑ 22.0
5Y CDS	83.50	↑ 0.0	↑ 0.4

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.6601	↓ -0.06	↓ -0.08
USD/RON	3.9693	↓ -0.48	↓ -0.56
CHF/RON	4.0089	↓ -0.17	↓ -0.50
HUF/RON	0.0144	↑ 0.07	↑ 1.83

Sources: Reuters, OTP Research

Summary

- On Friday, Fitch confirmed Romania's investment grade; loose fiscal policy with positive output gap poses risk to macroeconomic stability, the rating agency also warned.
- In May, average net wages grew by 14.4% YoY, reaching RON 2,704.
- The EUR/RON ended last week at 4.66; the ROBOR 3M stood at 3.39%.
- The BET rose by 0.3%.

On Friday, Fitch confirmed Romania's long-term debt rating at "BBB-" with stable outlook. The rating agency noted that the country's public debt ratio is low, but it also warned that the pro-cyclical fiscal policy coupled with a positive output gap poses risk to macroeconomic stability. Romania's government deficit may rise to 3.4% of GDP in 2018 and 3.6% in 2019. Accordingly, there is increasing risk that the country would re-enter the EU Excessive Deficit Procedure as early as in 2019, the agency also said. Romania's public debt could increase to 35.9% of GDP this year, after 2017's 35%, Fitch report noted. The firm's analysts expect that the country's GDP growth may slow to 3.8% in 2018 and 3.3% in 2019. Regarding Romania's financial system, Fitch has said that banks are well-capitalised, liquidity is ample, while asset quality also improves.

In May, net wages increased by 14.4% YoY, reaching RON 2,704, a NIS report revealed this morning. A month earlier, average net wages rose by 14.7% YoY. In real terms (adjusted by the impact of consumer prices), net wages added 8.6% YoY. We note that the sharp deceleration of Romania's GDP growth pace in Q1 was caused mainly by a setback in households' consumption expenditures, after wages lost some momentum in the first few months of this year. However, since then, wage growth has re-accelerated. Today's fresh data also pointed to a healthy gain that is expected to help consumption to recover, starting from Q2 2018.

On Friday, Romania's leu firmed compared to the euro, broadly in line with other currencies in the CEE region. At the same time, the ROBOR 3M remained unchanged at 3.39%.

Today the Ministry of Finance plans to borrow RON 300 mn via government securities maturing in June 2019.

Modest optimism characterised Friday's trading session on global financial markets. The BET also increased by 0.3%.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
9-Jul	Monday	May	Net wage growth rate (YoY%)	14.4	14.7
10-Jul	Tuesday	May	Exports (FOB, YoY%)		9.7
		May	Imports (CIF, YoY%)		7.3
		June	Consumer price index (YoY%)	5.5	5.4
11-Jul	Wednesday	May	Industrial trade turnover index (YoY%)		14.8
		May	Index value of new orders in manufacturing (YoY%)		27.1
		May	Industrial production (YoY%)		3.6
12-Jul	Thursday	May	Industrial production (YoY%)		3.6
13-Jul	Friday	May	Turnover of market serv. provided to the population (YoY%)		7.1
		May	Construction works (YoY%)		-4.1

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		5-Jul-18					
Investment funds	ccy	last NAV/U	1m%	Ytd%	52W%		
OTP AvantisRO	RON	10.7631	↓ -0.21	↓ -2.85	↑ 1.13		
OTP Obligatiuni	RON	15.0435	↑ 0.01	↑ 0.63	↑ 1.52		
OTP ComodisRO	RON	17.4841	↑ 0.09	↑ 0.95	↑ 1.53		
OTP Euro Bond	EUR	12.7615	↓ -0.04	↓ -0.58	↑ 0.34		
OTP Dollar Bond	USD	11.0338	↑ 0.12	↑ 0.10	↑ 0.84		
OTP Premium Return	RON	11.6185	↓ -0.84	↓ -1.93	↑ 0.64		
OTP Euro Premium Return	EUR	9.4354	↓ -1.79	↓ -5.76	↓ -3.33		
OTP Global Mix	RON	11.5304	↓ -1.57	↓ -1.22	↑ 2.58		

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