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Daily Report – Romania

Last data: 09.01.2014

STOCK EXCHANGE

| | Close | Daily chg. (%) | Weekly chg. (%) |
|--------|-----------|----------------|-----------------|
| BET | 6.572,23 | ↑ 0,34 | ↑ 1,21 |
| BET-C | 3.404,20 | ↑ 0,34 | ↑ 1,79 |
| BET-FI | 31.572,78 | ↓ -0,06 | ↑ 0,90 |
| BET-XT | 606,81 | ↑ 0,21 | ↑ 1,09 |
| FP | 0,8450 | → 0,00 | ↑ 1,38 |
| SNP | 0,4750 | ↑ 1,28 | ↑ 1,11 |
| SNG | 34,7700 | ↑ 1,37 | ↑ 1,70 |
| TGN | 186,0000 | ↑ 0,05 | ↑ 0,40 |
| EBS | 126,5000 | ↑ 0,60 | ↑ 10,77 |

GOV'T BOND MARKET

| Maturity | Yield (%) | Daily chg. (bp) | Weekly chg. (bp) |
|----------|-----------|-----------------|------------------|
| 6 month | 2,23 | ↓ -40,0 | ↓ -52,5 |
| 12 month | 2,50 | ↓ -27,0 | ↓ -36,5 |
| 3 year | 3,43 | ↓ -38,5 | ↓ -48,0 |
| 5 year | 4,29 | ↓ -21,0 | ↓ -36,5 |
| 10 year | 5,12 | ↓ -11,5 | ↓ -15,0 |

GOV'T BOND AUCTIONS

| | Maturity | Auctions | Sold |
|----------|----------|------------|-------------|
| Monday | 3Y | RON 700 mn | RON 755 mn |
| Thursday | 6M | RON 500 mn | RON 1,02 bn |

MONEY MARKET

| | Rate (%) | Daily chg (bp) | Weekly chg (bp) |
|----------|----------|----------------|-----------------|
| ON ROBOR | 1,08 | ↓ -10,0 | ↓ -66,0 |
| 3M ROBOR | 2,10 | ↓ -6,0 | ↓ -34,0 |
| 6M ROBOR | 2,73 | ↓ -6,0 | ↓ -26,0 |
| 1Y ROBOR | 3,00 | ↓ -3,0 | ↓ -15,0 |
| 5Y CDS | 161,95 | → 0,0 | ↓ -4,9 |

FX MARKET

| | Rate | Daily chg. (%) | Weekly chg. (%) |
|------------|--------|----------------|-----------------|
| EUR/RON | 4,5375 | ↑ 0,80 | ↑ 1,04 |
| USD/RON | 3,3363 | ↑ 0,62 | ↑ 1,91 |
| CHF/RON | 3,6808 | ↑ 1,15 | ↑ 1,09 |
| 100HUF/RON | 1,5136 | ↑ 0,97 | ↑ 0,80 |

Source: Reuters, OTP Research

Summary

- BVB indexes finished mixed yesterday and BET gained 0.3% on lower equities' turnover; major European indexes closed in the red as investors reacted to the debt warning issued for France; ECB left rates unchanged while the market was also looking for more signs of easing
- Yields sank 11-40 bps on the day after NBR's decision to cut the reserves for both RON and FX and governor's remark that the CB had more ammunition, pointing again to reserves ratio; this hit the leu which lost 0.8% on the day and it confirms existing expectations of depreciation this year
- The Treasury sold double then planned amount in 6M T-bills at an average yield of 2% (-78 bps compared to early December); bid to cover was 3.4

BVB indexes finished mixed yesterday and BET gained 0.3% on the day, on lower equities' turnover than the previous day (EUR 5.3 mn). Although the blue chips index and the energy companies' index finished up, looking at their detailed composition there was no clear trend yesterday. The deals market continued to be active, although it covered less than 10% of liquidity. In Europe, most major indexes finished in the red, losing less than 1% on the day as investors' sentiment was hit by the debt warning issued in France. Additionally, the ECB kept rates unchanged but the market was also looking for signs of more monetary policy easing which did not come for the moment. Today, the much awaited US non farm payrolls (December) data will be released.

Government securities yields collapsed yesterday after Central Bank's surprise decision to cut the required reserves ratio for RON and FX as well. Also, the view on inflation which is expected to hit all time low in H1 2014 may have convinced investors that more easing is about to come. The yield curve lost between 11-40 bps yesterday, especially at the low end of the curve. The Treasury sold double the planned amount at yesterday's 6M T-bills auction at an average yield of 2%, lower by 78 bps than the one at a similar tender in December. Demand was high and bid to cover ratio mounted to 3.4.

The leu lost 0.8% to the euro, as the market assessed governor's comments on the monetary policy decision and also expectations about the future. The emphasis on the fact that NBR had more ammunition and the reference to the current level of required reserves ratio lower than peers' may have prompted the market to expect more cuts this year especially of RON reserves. This move confirms expectations for a depreciation of the leu this year in the context of a wider current account deficit in 2014, Fed starting tapering and tensions over the presidential elections. The governor said that a 1% depreciation is considered normal and more attention should be given to levels starting from 5%. While the NBR seems prone to allowing more volatility, so far the bank's policy changes have been gradual and this could be a first step to an already expected weaker leu.

| | PERIOD | INDICATOR | FACT | CONSENSUS | PREVIOUS |
|----------|--------|---|------|-----------|----------|
| Thursday | Nov | Exports (y-o-y, %) | 7,7 | | 12,0 |
| | Nov | Imports (y-o-y, %) | 6,1 | | 0,7 |
| | Nov | Industrial trade turnover index (y-o-y, %) | 2,5 | | 3,5 |
| | Nov | Index value of new orders in manufacturing (y-o-y, %) | 2,2 | | 10,4 |
| Friday | | no data | | | |

Source: Reuters, NIS, NBR, OTP Research

| OTP AM – Open-End Funds | | 08-Jan-14 | | | | | |
|-------------------------|-----|------------|--------|---|------|---|-------|
| Open-end fund | ccy | last NAV/U | 1d% | | Ytd% | | 52W% |
| OTP AvantisRO | RON | 7,8783 | ↑ 0,47 | ↑ | 0,23 | ↑ | 10,98 |
| OTP Obligatiuni | RON | 13,0949 | ↑ 0,02 | ↑ | 0,10 | ↑ | 6,02 |
| OTP ComodisRO | RON | 15,8024 | ↑ 0,01 | ↑ | 0,10 | ↑ | 5,61 |
| OTP Eurobond | EUR | 11,6393 | ↑ 0,01 | ↑ | 0,08 | ↑ | 4,57 |

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