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Daily Report – Romania

Date: 04.02.2016

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	6,393.99	↑ 1.66	↑ 2.38
BET-TR	7,282.73	↑ 1.66	↑ 2.38
BET-FI	28,321.86	↑ 0.39	↑ 2.82
BET-XT	586.88	↑ 1.39	↑ 2.26
FP	0.7650	↑ 1.32	↑ 6.25
TLV	2.3200	↑ 1.31	↑ 1.31
SNP	0.2420	↑ 2.54	↓ -1.83
SIF1	1.5760	↑ 1.03	↑ 4.37
EL	11.5600	↑ 1.05	↑ 1.40

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.45	↓ -1.5	↓ -5.5
12 month	0.65	↓ -5.5	↓ -9.5
3 year	1.10	↓ -7.0	↓ -17.0
5 year	1.99	↓ -3.5	↓ -16.5
10 year	3.19	↓ -14.0	↓ -33.0

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Thursday	12M	RON 1000 mn	RON 1000 mn
Monday	11.5Y	RON 400 mn	

MONEY MARKET

	Rate (%)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.40	→ 0.0	↓ -3.0
3M ROBOR	0.81	↓ -2.0	↓ -5.0
6M ROBOR	1.04	↓ -7.0	↓ -14.0
1Y ROBOR	1.26	↓ -5.0	↓ -10.0
5Y CDS	113.80	↑ 0.0	↓ -2.3

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.5070	↓ -0.17	↓ -0.78
USD/RON	4.0240	↓ -1.02	↓ -3.09
CHF/RON	4.0493	↑ 0.03	↓ -1.14
100HUF/RON	1.4522	↑ 0.22	↑ 0.24

Sources: Reuters, OTP Research

Summary

- Today the NBR may keep the key rate at 1.75%, according to market expectations.
- The EC warns that Romania's government deficit may reach 3.8% in 2017.
- On Thursday the RON firmed further compared to the EUR.
- Healthy demand characterized yesterday's T-bill auction.

According to market expectations, the NBR may keep its benchmark interest rate at 1.75% at its monetary policy meeting, set to be held today. The headline inflation climbed to -0.9% YoY in December, after November's -1.1% YoY, but it could slide significantly deeper into the negative territory in January, on the back of the 4-percentage-point cut of the standard VAT rate. Indeed, tax changes have a major impact on the evolution of consumer prices, deflecting the inflation rate far from the NBR's target of 2.5% (+/-1%), but their effects will fade out, while 2016's large fiscal stimulus may boost even further domestic demand, with the risk of causing some upward pressure on underlying inflationary processes.

Yesterday the European Commission published its winter forecast, estimating 3.6% GDP growth for 2015 in the case of Romania. The report also notes that the country's economic advance may accelerate to 4.2% in 2016, on the back of considerable fiscal easing, among others stemming from the 4-percentage-point cut of standard VAT. Meanwhile, the 19% minimum wage hike could also boost households' consumption. At the same time, GDP increase may slow somewhat, to 3.7% in 2017, but this rate will still exceed the country's potential growth level, according to the experts of the European Commission. Regarding the general government deficit (ESA2010), the report warns that it will rise to 3.0% this year, after estimated 1.1% in 2015. Moreover, the budget balance may deteriorate even further in 2017, reaching -3.8%. Simultaneously, Romania's public debt may rise to 42.6% next year, after 2015's 39.0%. The EC also highlighted the possible negative impacts of the new mortgage defaulter law.

In line with its regional peers, the RON continued to gain ground against the EUR, pushing the pair below 4.51 yesterday. Simultaneously, the EUR/USD climbed close to 1.12, after different comments from policy-makers and concerns about slowing US economic growth.

Amid healthy demand, the Ministry of Finance managed to borrow the planned amount of RON 1 bn on 0.61% average yield, which is 21 bps lower than at the similar auction in the middle of January. Banks subscribed for more than RON 2.6 bn.

The BVB indices closed the day with nice gains; the BET advanced 1.7%, led by the shares of the BRD (+2.6%) and the SNP (+2.5%). In Europe, the EUR's strength weighed on equity markets. As a result, the DAX dropped by 0.4%.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS	
2-Feb	Tuesday	December	ILO unemployment rate (% , seasonally adjusted)	6.7		6.7
		December	Producer Price Index (YoY%)	-1.7		-2.6
3-Feb	Wednesday	December	Retail trade (YoY%)	15.5		14.6
		December	Tourists' overnight stays (YoY%)	16.3		17.9
4-Feb	Thursday	no data				
5-Feb	Friday	February	Base rate decision (%)	1.75		1.75
8-Feb	Monday	December	Net wage growth rate (YoY%)			10.0

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		3-Feb-16					
Investment funds	ccy	last NAV/U	1m%	Ytd%	52W%		
OTP AvantisRO	RON	8.0206	↓ -5.67	↓ -5.67	↓ -0.46		
OTP Obligatiuni	RON	14.3290	↑ 0.50	↑ 0.50	↑ 3.67		
OTP ComodisRO	RON	16.8927	↑ 0.15	↑ 0.15	↑ 1.56		
OTP Euro Bond	EUR	12.4303	↑ 0.22	↑ 0.22	↑ 3.10		
OTP Dollar Bond	USD	10.5989	↑ 0.29	↑ 0.29	↑ 2.57		
OTP Premium Return	RON	1063.2009	↓ -0.80	↓ -0.80	↑ 2.23		
OTP Euro Premium Return	EUR	9.7057	↓ -1.29	↓ -1.29	n.a.		
OTP Global Mix	RON	9.9886	↓ -0.11	↓ -0.11	n.a.		

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