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Daily Report – Romania

Date: 22.07.2016

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	6,638.03	↑ 0.05	↑ 0.35
BET-TR	8,195.34	↑ 0.04	↑ 0.36
BET-FI	27,962.25	↑ 0.30	↑ 0.97
BET-XT	600.32	↑ 0.09	↑ 0.40
TLV	2.1550	↑ 0.23	↑ 1.17
SNG	22.5500	↓ -0.66	↑ 1.81
FP	0.7820	↓ -0.26	↑ 0.64
SNP	0.2600	↑ 0.39	↓ -0.38
TGN	277.0000	↓ -0.36	↓ -0.36

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.46	↑ 0.5	↓ -1.0
12 month	0.57	→ 0.0	↓ -2.0
3 year	1.60	↓ -0.5	↓ -3.0
5 year	2.39	→ 0.0	→ 0.0
10 year	3.17	↓ -0.5	↑ 1.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	3.6Y	RON 500 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.43	→ 0.0	↑ 1.0
3M ROBOR	0.80	→ 0.0	→ 0.0
6M ROBOR	1.05	→ 0.0	→ 0.0
1Y ROBOR	1.21	→ 0.0	→ 0.0
5Y CDS	108.28	→ 0.0	↓ 0.0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.4569	↑ 0.00	↓ -0.53
USD/RON	4.0598	↑ 0.17	↓ -0.04
CHF/RON	4.1122	↑ 0.30	↓ -0.42
100HUF/RON	0.0142	↓ -0.09	↑ 0.08

Sources: Reuters, OTP Research

Summary

- Fitch downgraded Romania's LT local currency rating by one notch to "BBB-".
- After a good start, the RON finished flat against the EUR on Friday.
- The MoF holds an auction to sell RON 500 mn debt today.
- The BET ended Friday's session almost unchanged.

On Friday, Fitch Ratings downgraded Romania's Long-Term Local Currency issuer default rating to "BBB-" category from "BBB". The other country-specific ratings have been reaffirmed with stable outlook. The Fitch's press release noted that Romania continues to benefit from favourable economic growth perspectives, but fiscal risks, coming from increased pro-cyclical policies and the upcoming general elections at the end of this year, are present as well. Moreover, the country's large net external debtor position and structural economic weaknesses still weigh on the rating. Fitch expects that Romania's budget deficit will stay at 3.0% in 2016 and 2.9% in 2017. Nevertheless, the rating agency also remarks that the significant tax cuts under the new Fiscal Code exert negative pressures on medium-term fiscal sustainability, while other populist measures were also approved in the first half of 2016. The widening budget deficit puts public debt on an increasing trend, but probably it will stay below 45% over ten years, according to Fitch's estimations. Regarding the country's banking sector, the press release notes that the system is well capitalized and profitable, while banking balance sheets are gradually improving, after non-performing loans ratios continued to ease. Nonetheless, the recently approved Debt Discharge Law created significant uncertainties around the sector's outlook.

The RON started Friday's session quite well against the EUR. The pair was traded even below 4.45, but finished the day flat, after Fitch's decision to downgrade Romania's local currency rating. In weekly comparison, the RON gained around 0.5% compared to the common European currency. The leu weakened somewhat versus the US dollar, as the EUR/USD dipped lower on relatively soft economic data in Europe, while traders also focused on the Fed's monetary policy meeting planned for this week.

Today the Ministry of Finance aims to sell RON 500 mn in 3.6Y bonds.

Similarly to their Western European peers, Romanian stocks finished rather flat on Friday, with the BET closing at 6,638 points, after the key index's ten components moved in different directions. Meanwhile, the BET-FI inched up 0.3%. On weekly basis, both the BET and the BET-FI registered gains.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
20-Jul	Wednesday		no data		
21-Jul	Thursday		no data		
22-Jul	Friday		no data		
25-Jul	Monday	June	M3 (broad money, YoY%)		12.7
		June	Non-government loans (YoY%)		2.4
		June	Non-government deposits (YoY%)		12.4
26-Jul	Tuesday		no data		

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		21-Jul-16					
Investment funds	ccy	last NAV/U	1m%	Ytd%	52W%		
OTP AvantisRO	RON	8.5026	↑ 4.20	↑ 0.00	↓ -2.02		
OTP Obligatiuni	RON	14.5285	↑ 0.56	↑ 1.90	↑ 3.72		
OTP ComodisRO	RON	17.0087	↑ 0.11	↑ 0.84	↑ 1.52		
OTP Euro Bond	EUR	12.5736	↑ 0.49	↑ 1.38	↑ 3.34		
OTP Dollar Bond	USD	10.7779	↑ 0.30	↑ 1.98	↑ 2.74		
OTP Premium Return	RON	10.9052	↑ 1.00	↑ 1.75	↑ 1.11		
OTP Euro Premium Return	EUR	9.8148	↑ 1.96	↓ -0.18	n.a.		
OTP Global Mix	RON	10.3343	↑ 1.68	↑ 3.35	n.a.		

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