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Daily Report – Romania

Date: 30.01.2017

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	7,517.85	↑ 0.45	↑ 3.39
BET-TR	9,286.57	↑ 0.45	↑ 3.39
BET-FI	31,343.70	↓ -0.20	↑ 1.82
BET-XT	680.94	↑ 0.37	↑ 3.15
TGN	323.0000	↑ 0.94	↑ 8.03
EL	14.1200	↑ 3.07	↑ 5.37
TLV	2.3600	↓ -0.42	↑ 3.51
SNG	27.4500	→ 0.00	↑ 4.17
FP	0.8870	↑ 0.23	↑ 3.14

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.64	↓ -0.5	↓ -6.0
12 month	0.98	↑ 1.0	↑ 1.0
3 year	1.72	↑ 0.5	↑ 15.0
5 year	2.70	↑ 7.0	↑ 19.5
10 year	3.69	↑ 7.0	↑ 28.0

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	2.1Y	RON 600 mn	
Thursday	5.9Y	RON 300 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.47	↑ 2.0	↓ -3.0
3M ROBOR	0.82	↑ 2.0	↓ -1.0
6M ROBOR	1.02	↓ -1.0	↓ -5.0
1Y ROBOR	1.20	↓ -1.0	↓ -3.0
5Y CDS	94.94	→ 0.0	→ 0.0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.5013	↑ 0.02	↑ 0.03
USD/RON	4.1698	↓ -0.90	↓ -0.59
CHF/RON	4.2149	↓ -0.30	↑ 0.59
100HUF/RON	0.0145	↑ 0.10	↑ 0.17

Sources: Reuters, OTP Research

Summary

- The 2017 budget was adopted by the Grindeanu cabinet on Tuesday evening.
- The government unexpectedly adopted numerous changes to the criminal law too; as a response, several demonstrations took place against these modifications in the main cities of the country.
- Yesterday the EUR/RON finished broadly flat, but the leu started the day weaker this morning.
- Unemployment rate came close to pre-crisis levels.
- The yield curve became steeper, with medium and long term yields rising further.

The 2017 budget was adopted by the government on Tuesday. We recall that the plan also includes some overly optimistic assumptions, like the 5.2% real GDP growth and unusually large gains in the number of employees. Therefore, in our view, the risk of a potential overshooting of the 3% deficit target is quite elevated in the absence of correction measures.

Yesterday evening the new Grindeanu cabinet also approved numerous changes to the criminal law through an emergency ordinance. The movement was unexpected, as such measures were not on Tuesday's agenda of the government. The modifications provide reliefs in the law, among others by redefining the term of abuse of power. On the news, protests erupted in several cities of the country.

The EUR/RON continued to be traded in a relatively tight range on Tuesday, finishing the session practically unchanged. Nevertheless, the leu lost ground compared to the euro this morning, presumably due to the increasing social unrest and the concerns about the structure of the government budget.

Romania's unemployment rate decreased to 5.5% in December, down from November's 5.7%. This year-end level was the lowest since 2008, suggesting that the tightening tendency of the labour market continued. It may be also worth mentioning that there are significant discrepancies among regions, with very low unemployment rates in the main economic centers of the country (like Bucharest-Ilfov, Timis and Cluj counties), as we highlighted in our latest [GDP report](#).

The yield curve got even steeper yesterday, with the reference rates on the medium and long term maturities climbing 1-7 basis points. In weekly comparison, the 10Y yield increased 28 bps, to 3.69%.

The BVB's indices mostly increased yesterday, after the BET inched 0.5% higher, helped primarily by Electrica (+3.1%) and Transelectrica (+2.9%).

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
27-Jan	Friday	no data			
30-Jan	Monday	December	Licenses for residential buildings (YoY%)	-12.3	-0.8
		January	Economic Sentiment Indicator	105.0	103.8
		January	Consumer Confidence Indicator	-13.0	-17.4
31-Jan	Tuesday	December	ILO unemployment rate (% , seasonally adjusted)	5.5	5.7
1-Feb	Wednesday	January	FX Reserves (EUR bn)		34.2
2-Feb	Thursday	December	Producer Price Index (YoY%)		-0.2
		December	Tourists' overnight stays (YoY%)		0.1

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		30-Jan-17					
Investment funds	ccy	last NAV/U	1m%	Ytd%	52W%		
OTP AvantisRO	RON	9.5398	↑ 4.32	↑ 4.32	↑ 19.20		
OTP Obligatiuni	RON	14.6912	↑ 0.11	↑ 0.11	↑ 2.63		
OTP ComodisRO	RON	17.1203	↑ 0.09	↑ 0.09	↑ 1.36		
OTP Euro Bond	EUR	12.6632	↑ 0.12	↑ 0.12	↑ 1.90		
OTP Dollar Bond	USD	10.8600	↑ 0.08	↑ 0.08	↑ 2.52		
OTP Premium Return	RON	11.2405	↑ 1.00	↑ 0.74	↑ 5.83		
OTP Euro Premium Return	EUR	9.9119	↓ -0.50	↓ -0.50	↑ 1.63		
OTP Global Mix	RON	10.7858	↓ -0.09	↓ -0.09	↑ 8.39		

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