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# Daily Report – Romania

Date: 17.03.2017

**STOCK EXCHANGE**

	Close	Daily chg. (%)	Weekly chg. (%)
BET	7,969.41	↑ 0.58	↑ 0.95
BET-TR	9,952.65	↑ 0.57	↑ 0.95
BET-FI	32,075.45	↓ -0.24	↑ 1.79
BET-XT	718.96	↑ 0.45	↑ 1.18
FP	0.8800	↑ 0.11	↑ 0.57
TLV	2.7400	↑ 0.92	↓ -0.90
SNP	0.3055	↑ 1.16	↑ 2.69
BRD	12.2000	↑ 1.16	↑ 3.39
SNG	28.7000	↑ 0.53	↑ 1.77

**GOV'T BOND MARKET**

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.62	↑ 0.5	↑ 2.0
12 month	0.96	→ 0.0	↓ -2.0
3 year	1.67	↑ 1.0	↓ -3.5
5 year	2.98	↑ 1.5	↓ -2.5
10 year	4.03	↑ 2.0	↓ -5.0

**GOV'T BOND AUCTIONS**

	Maturity	Auctions	Sold
Monday	10.4Y	RON 300 mn	
Thursday	12M	RON 600 mn	

**MONEY MARKET**

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.40	↓ -1.0	↓ -6.0
3M ROBOR	0.84	→ 0.0	↑ 1.0
6M ROBOR	1.08	→ 0.0	→ 0.0
1Y ROBOR	1.26	→ 0.0	→ 0.0
5Y CDS	85.63	↓ -6.6	↓ -6.6

**FX MARKET**

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.5517	↓ -0.11	↑ 0.13
USD/RON	4.2389	↑ 0.15	↓ -0.37
CHF/RON	4.2501	↑ 0.10	↑ 0.91
100HUF/RON	0.0148	↑ 0.29	↑ 1.73

Sources: Reuters, OTP Research

**Summary**

- The IMF called for a reorientation of Romania's fiscal policies, to help investments instead of stimulating further consumption; the budget deficit could reach 3.7% in 2017 and 3.9% in 2018, the IMF's specialists also said.
- The EUR/RON finished last week near multi-year highs.

After a visit to Bucharest during 8-17 March, the IMF's staff concluded their findings and recommendations in a [statement](#). The document recognized Romania's achievements made since the financial crisis, highlighting that the country "strengthened its economy considerably" and it is in a favourable situation compared to its peers (for more about Romania's external sustainability and economic perspectives please read our latest analyses on the [balance of payments](#) and [GDP](#) developments). Nevertheless, the IMF's specialists also called for "a reorientation of policies" in order to support investments in contrast with actions stimulating consumption. This recalibration would be needed to secure sustainable growth in the medium term. The report notes that structural reforms to improve the quality of public investments and measures to alleviate the pressures on the tightening labour market as well as sustaining the fight against corruption are key factors in achieving rapid income convergence with the EU. At the same time, the statement warned about the rising government deficit, noting that it could reach 3.7% of GDP this year and 3.9% in 2018 without correction measures. These projections are practically in line with the estimations of the European Commission (deficit at 3.6% in 2017 and 3.9% in 2018). We recall that high officials of the EC sent a letter to Romanian authorities at the end of February, underscoring the risk of breaching the 3% limit. In its response, the Ministry of Finance assured the EC that it would keep the gap below the given threshold. In our view, this would be a difficult task in the light of the latest easing measures. Accordingly, we also expect higher than 3% deficit this year in our base scenario.

Regarding monetary policy, the IMF recommended to the NBR to remain vigilant amid an expected rise of inflation and to consider tightening measures. We expect that normalising actions could come starting from the second half of this year, in the first step by narrowing the interest rate corridor (for further details please see our February's [MPC report](#)).

This week is relatively scarce in terms of macroeconomic data releases. The NBR will publish non-government loan and deposit statistics on Thursday.

After climbing above 4.56, the EUR/RON finished Friday's session slightly firmer, at around 4.55. This level is still close to multi-year highs. One important factor behind the weakness of the leu appears to be the concerns over the budget deficit, while there were signs that the central bank could have been a bit more lenient regarding the leu's movements.

The BET index closed in the green, adding 0.6% on daily basis. The key Western European and US equity indices changed little on Friday.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
20-Mar	Monday		no data		
21-Mar	Tuesday		no data		
22-Mar	Wednesday		no data		
23-Mar	Thursday	February	M3 (broad money, YoY%)		9.1
		February	Non-government loans (YoY%)		0.9
		February	Non-government deposits (YoY%)		8.0
		February	New commercial vehicle registrations (YoY%)		-14.9

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		16-Mar-17					
Investment funds	ccy	last NAV/U	1m%	Ytd%	52W%		
OTP AvantisRO	RON	9.9112	↑ 1.35	↑ 8.38	↑ 21.26		
OTP Obligatiuni	RON	14.7251	↑ 0.09	↑ 0.34	↑ 2.56		
OTP ComodisRO	RON	17.1449	↑ 0.10	↑ 0.23	↑ 1.32		
OTP Euro Bond	EUR	12.6724	↓ -0.03	↑ 0.20	↑ 1.69		
OTP Dollar Bond	USD	10.8972	↑ 0.16	↑ 0.42	↑ 2.38		
OTP Premium Return	RON	11.3949	↑ 0.17	↑ 2.12	↑ 6.29		
OTP Euro Premium Return	EUR	9.9236	↓ -1.35	↓ -0.39	↑ 3.19		
OTP Global Mix	RON	11.0753	↑ 0.38	↑ 2.60	↑ 10.17		

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