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Daily Report – Romania

Date: 06.06.2017

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	8,707.43	↓ -0.71	↑ 1.36
BET-TR	11,055.11	↓ -0.46	↑ 1.59
BET-FI	33,337.17	↑ 0.08	↑ 1.93
BET-XT	782.27	↓ -0.61	↑ 1.46
TLV	2.9100	↓ -3.00	↑ 2.83
SNP	0.3300	↑ 0.15	↓ -0.60
TGN	459.0000	↑ 2.23	↑ 10.07
BRD	13.0000	↑ 0.15	↑ 0.93
SNG	33.6000	↓ -0.88	↓ -0.59

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.57	→ 0.0	↓ -1.5
12 month	0.81	↓ -1.0	↓ -1.0
3 year	1.36	↓ -0.5	↓ -3.5
5 year	2.45	↓ -0.5	↓ -3.0
10 year	3.65	↑ 0.5	↑ 1.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	14.3Y	RON 200 mn	RON 200 mn
Thursday	12M	RON 1000 mn	
Thursday	5.5Y	RON 700 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.50	↓ -3.0	↓ -4.0
3M ROBOR	0.84	↓ -2.0	↓ -3.0
6M ROBOR	1.03	↓ -3.0	↓ -1.0
1Y ROBOR	1.24	→ 0.0	↑ 1.0
5Y CDS	94.48	→ 0.0	→ 0.0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.5664	↓ -0.01	↓ -0.14
USD/RON	4.0494	→ 0.00	↓ -0.94
CHF/RON	4.2089	↑ 0.08	↑ 0.35
100HUF/RON	0.0148	↓ -0.02	↓ -0.21

Sources: Reuters, OTP Research

Summary

- Primarily households' consumption fuelled Q1's GDP growth; on the production side, industry played an important role in the strong performance of the economy, propelled by rebounding external demand.
- Public sector wage hikes planned for this year could be delayed, Labour Minister Olguta Vasilescu said yesterday.
- On Tuesday, the leu finished practically flat against the euro; the BET closed in the red zone similarly to its main global peers.

The National Institute of Statistics published the detailed Q1 2017 GDP data this morning, leaving the annual advance of the country's economy at 5.7% YoY (gross data) and at 1.7% on QoQ basis (seasonally and working day adjusted data). Households' consumption expenditures accelerated significantly, posting 7.4% YoY gain in the first quarter of the year, while registering an impressive 5.7% advance in QoQ comparison, the latest statistics show. On the other hand, gross fixed capital formation remained in negative territory, shrinking 0.7% YoY, even though it pointed to a 3.1% QoQ pick-up in the period of January-March. Simultaneously, exports gained steam, helped by reviving external demand, but imports grew even faster in Q1.

On the production side, market services remained the main driver of the economy (+6.7% YoY), even though in QoQ terms, it performed weaker than we had expected. Market services were propelled by the IT&C segment, which grew by 15.3% YoY and 3.9% in quarter-on-quarter comparison. Nonetheless, industry rebounded on the back of the stronger external demand, and accordingly played an important role in the surprisingly good Q1 GDP data.

Labour Minister Olguta Vasilescu announced that wage increases in the public sector planned for this year will be postponed. However, significant salary increases remain on the agenda starting from January 2018. The decision to delay the large wage hikes in the public sector reduces the risk of a potential breach of the 3% deficit target this year, but the outlook regarding the government deficit remains cloudy for 2018.

IFC, member of the World Bank Group issued bonds in value of RON 70 mn as a private placement. This was the institution's first issuance in leu. The funds will be used for financing IFC's private sector clients.

Investors were cautious on global markets due to this week's heavy calendar, with elections in the UK and ECB policy meeting on Thursday. Moreover, former FBI director James Comey will also testify to the Senate about alleged Russian interference in US affairs. Yesterday the EUR/USD climbed somewhat higher, while the EUR/RON finished the day practically unchanged. The BET dipped 0.7%, in line with its major global peers.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
5-Jun	Monday	no data			
6-Jun	Tuesday	April	Tourists' overnight stays (YoY%)	7.9	8.6
		April	Retail trade (YoY%)	4.8	9.3
7-Jun	Wednesday	Q1 2017	Detailed GDP growth rate (YoY%, provisional data 1)	5.7	5.7
8-Jun	Thursday	no data			
9-Jun	Friday	April	Exports (FOB, YoY%)		15.9
		April	Imports (CIF, YoY%)		14.8

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		31-May-17					
Investment funds	ccy	last NAV/U		1m%		Ytd%	52W%
OTP AvantisRO	RON	10.8486	↑	5.94	↑	18.63	↑ 35.88
OTP Obligatiuni	RON	14.8128	↑	0.33	↑	0.94	↑ 2.71
OTP ComodisRO	RON	17.2043	↑	0.21	↑	0.58	↑ 1.34
OTP Euro Bond	EUR	12.7248	↑	0.24	↑	0.61	↑ 1.83
OTP Dollar Bond	USD	10.9376	↑	0.19	↑	0.79	↑ 2.07
OTP Premium Return	RON	11.6329	↑	1.03	↑	4.25	↑ 9.21
OTP Euro Premium Return	EUR	9.8020	↓	-0.44	↓	-1.61	↑ 1.85
OTP Global Mix	RON	11.3212	↑	1.39	↑	4.87	↑ 17.63

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