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Daily Report – Romania

Date: 29.06.2017

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	7,855.66	↓ -3.83	↓ -5.77
BET-TR	10,225.88	↓ -3.65	↓ -4.85
BET-FI	32,309.90	↓ -2.39	↓ -2.74
BET-XT	714.59	↓ -3.69	↓ -5.43
TLV	2.7100	↓ -1.09	↓ -2.69
SNG	30.6500	↓ -3.31	↓ -4.96
TGN	354.0000	↓ -5.60	↓ -20.45
FP	0.8230	↓ -3.97	↓ -5.40
BRD	13.5400	↓ -4.51	↓ -3.70

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.49	→ 0.0	→ 0.0
12 month	0.77	↑ 0.5	↑ 1.0
3 year	1.30	↑ 1.5	↓ -2.0
5 year	2.53	↑ 5.5	↑ 6.5
10 year	3.78	↑ 6.0	↑ 7.0

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	4.7Y	RON 700 mn	RON 700 mn
Tuesday	3.7Y	EUR 100 mn	EUR 100 mn

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.59	↑ 2.0	↑ 11.0
3M ROBOR	0.86	→ 0.0	↑ 3.0
6M ROBOR	1.03	→ 0.0	↑ 1.0
1Y ROBOR	1.20	↓ -1.0	↑ 1.0
5Y CDS	94.48	→ 0.0	→ 0.0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.5697	↑ 0.44	↓ -0.16
USD/RON	3.9937	↓ -0.14	↓ -2.69
CHF/RON	4.1814	↑ 0.34	↓ -0.99
100HUF/RON	0.0148	↑ 0.28	↓ -0.30

Sources: Reuters, OTP Research

Summary

- The new government led by Mr Tudose was voted by Romania's Parliament yesterday.
- Ruling parties announced a series of major tax changes on Thursday.
- The announcements made by the ruling coalition sparked negative spillover effects on domestic financial markets: the leu weakened and stocks finished in the red zone.

Yesterday the new government led by Mihai Tudose got the green light from Romania's Parliament, with 275 MPs voting in favour of his cabinet (versus the minimum threshold of 233 votes). This put an end to the political crisis, which was triggered by the tensions inside the ruling parties and resulted in the dismissal of the Grindeanu government.

Nevertheless, new uncertainty factors came in, after the PSD-ALDE coalition presented a modified version of their government programme, unveiling plans on major tax changes. Among others, the current 16% flat tax on corporate profits would be replaced by a new progressive tax (in the range of 1%-3%) on turnover. In addition, the plan aims to cut social security contributions, scrap dividend tax and introduce higher levies for oil and gas companies. In the case of households, the income tax would be reduced by six percentage points, to only 10%. At the same time, the minimum wage will be increased to RON 2,000 starting from January 2018, but a "solidarity contribution" is set to be enforced on salaries exceeding RON 14,500 per month.

The new proposed measures together with controversial information on a potential annulment of the mandatory private pension pillar caused waves on domestic financial markets. The leu retreated compared to the euro, giving up around 0.4%, while Romanian stocks fell sharply, with the BET sinking 3.8%.

Romania's economic sentiment indicator (ESI) slightly softened in June, registering 105.4 points, after it reached a post-crisis record high at 105.9 a month earlier. The small drop was due to the decreasing optimism in the retail trade sector, but sentiment among managers in construction and services also weakened marginally. It cannot be ruled out that the political turmoil, coupled with heightened uncertainties, weighed on the ESI as well. Nevertheless, it is important to highlight that on average, the economic sentiment indicator stood at 105.5 points in Q2, exceeding the level seen in Q1 (104.8). This suggests that the country's economy could have registered a healthy advance in the second quarter of the year too.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
26-Jun	Monday	May	M3 (broad money, YoY%)	10.5	11.8
		May	Non-government loans (YoY%)	3.2	3.2
		May	Non-government deposits (YoY%)	9.1	10.2
27-Jun	Tuesday		no data		
28-Jun	Wednesday		no data		
29-Jun	Thursday	June	Economic Sentiment Indicator	105.4	105.9
		June	Consumer Confidence Indicator	-14.2	-14.5
30-Jun	Friday	May	Licenses for residential buildings (YoY%)		-11.0

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		28-Jun-17					
Investment funds	ccy	last NAV/U	1m%	Ytd%	52W%		
OTP AvantisRO	RON	10.5547	↓ -1.78	↑	15.41	↑	29.64
OTP Obligatiuni	RON	14.8363	↑ 0.23	↑	1.10	↑	2.70
OTP ComodisRO	RON	17.2176	↑ 0.19	↑	0.66	↑	1.32
OTP Euro Bond	EUR	12.7413	↑ 0.21	↑	0.74	↑	1.85
OTP Dollar Bond	USD	10.9475	↑ 0.15	↑	0.89	↑	1.94
OTP Premium Return	RON	11.5653	↓ -0.33	↑	3.65	↑	7.00
OTP Euro Premium Return	EUR	9.8084	↓ -0.12	↓ -1.54		↑	1.24
OTP Global Mix	RON	11.2646	↓ -0.28	↑	4.35	↑	11.29

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