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Daily Report – Romania

Date: 31.07.2017

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	8,276.55	↓ -0.32	↓ -0.76
BET-TR	10,912.43	↓ -0.33	↓ -0.77
BET-FI	33,712.80	↑ 0.38	↑ 0.53
BET-XT	751.49	↓ -0.25	↓ -0.64
TLV	2.9000	→ 0.00	↓ -1.36
BRD	14.0800	↑ 0.14	↓ -0.71
FP	0.8720	↓ -0.11	↑ 0.23
SNG	28.2000	↓ -1.05	↓ -0.88
SNP	0.3155	↓ -1.41	↓ -0.94

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.51	↓ -0.5	↓ -1.0
12 month	0.79	→ 0.0	↓ -0.5
3 year	1.71	↑ 0.5	↑ 2.0
5 year	2.52	→ 0.0	↑ 3.5
10 year	3.83	↓ -0.5	↑ 3.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Thursday	3.2Y	RON 500 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.60	↓ -2.0	↑ 2.0
3M ROBOR	0.87	→ 0.0	→ 0.0
6M ROBOR	1.04	→ 0.0	→ 0.0
1Y ROBOR	1.21	↑ 1.0	↑ 1.0
5Y CDS	94.48	→ 0.0	→ 0.0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.5604	↑ 0.02	↓ -0.04
USD/RON	3.8500	↓ -0.80	↓ -1.73
CHF/RON	3.9817	↓ -0.62	↓ -3.81
100HUF/RON	0.0150	↑ 0.15	↑ 0.31

Sources: Reuters, OTP Research

Summary

- Interest rates applied by credit institutions mostly eased in June.
- The government plans to cap the child rearing allowance at EUR 1,800 per month.
- On Monday, the leu finished flat against the euro, but it firmed 0.8% compared to the US dollar.
- The BET declined 0.3% yesterday.

The interest rates applied by credit institutions for client deposits and loans eased in June, the statistics of the National Bank of Romania showed yesterday. In the case of outstanding leu credits, the average interest rate was at 5.44% last month, 5 bps lower than in May, as interest rates of both household and corporate loans decreased. Simultaneously, the average interest rate on outstanding time deposits also declined, but only by one basis point, to 0.85%. Euro-denominated deposits and loans showed similar downward movements last month. The low level of interest rates emphasizes that monetary conditions are unusually loose. This, together with the pick-up in lending activity in the first half of 2017, provides additional support for the country's economy.

Today the NBR will reveal FX reserve statistics for July, while tomorrow morning June's producer price data will see the light of day.

Romania's government will cap the maternity allowance at EUR 1,800 per month, Labour Minister Olga Vasilescu announced yesterday. It seems that in the light of the significant risk of breaching the 3% government deficit, the government seeks measures, which may lead to additional savings in the budget. It may be worth mentioning that the sharp reduction of investment expenditures as well as a tight control on goods-and-services-related costs played an important role in keeping the deficit at 0.8% of GDP in the first half of 2017. Nonetheless, the large wage and pension increases, together with several tax reductions, still make it difficult to keep this year's 3% deficit target.

Yesterday the EUR/RON finished a relatively quiet session amid low volumes, ending the day broadly unchanged, near 4.56. However, compared to the US dollar, Romania's leu firmed around 0.8%, as the common European currency extended its gains versus the greenback. In July, the euro showed strong performance in the context of signs pointing to a stronger than expected economic revival in the EU, while among other factors, political anxiety also weighed on the US dollar.

On the other hand, the strong euro put pressure on European stocks yesterday, dragging down the key indices. The BET also slipped 0.3%, driven by Conpet's 1.8% fall.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
31-Jul	Monday	June	Licenses for residential buildings (YoY%)	2.7	17.1
		June	ILO unemployment rate (% , seasonally adjusted)	5.3	5.4
1-Aug	Tuesday	July	FX Reserves (EUR bn)		35.2
2-Aug	Wednesday	June	Producer Price Index (YoY%)		3.3
3-Aug	Thursday	June	Retail trade (YoY%)		14.0
		June	Tourists' overnight stays (YoY%)		0.2
4-Aug	Friday	August	Base rate decision (%)		1.75

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		28-Jul-17					
Investment funds	ccy	last NAV/U		1m%		Ytd%	52W%
OTP AvantisRO	RON	10.7985	↑	2.31	↑	18.08	↑ 25.66
OTP Obligatiuni	RON	14.8479	↑	0.08	↑	1.18	↑ 2.10
OTP ComodisRO	RON	17.2319	↑	0.08	↑	0.74	↑ 1.28
OTP Euro Bond	EUR	12.7420	↑	0.01	↑	0.75	↑ 1.25
OTP Dollar Bond	USD	10.9668	↑	0.18	↑	1.06	↑ 1.67
OTP Premium Return	RON	11.5308	↓	-0.30	↑	3.34	↑ 5.52
OTP Euro Premium Return	EUR	9.8199	↑	0.12	↓	-1.43	↓ -0.33
OTP Global Mix	RON	11.2295	↓	-0.31	↑	4.03	↑ 7.96

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