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Daily Report – Romania

Date: 08.08.2017

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	8,454.63	↑ 0.97	↑ 2.05
BET-TR	11,196.86	↑ 0.98	↑ 2.50
BET-FI	34,812.52	↑ 2.84	↑ 3.36
BET-XT	770.61	↑ 1.32	↑ 2.45
TLV	2.5500	↑ 2.62	↑ 4.70
SNG	29.2000	↑ 2.46	↑ 3.55
BRD	14.2000	↑ 0.28	↑ 0.71
FP	0.8720	↓ -0.11	↑ 0.11
M	37.7000	↑ 1.07	↑ 0.80

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	0.52	↑ 1.5	↑ 1.0
12 month	0.80	↑ 1.5	↑ 1.5
3 year	1.87	↑ 0.5	↑ 16.5
5 year	2.52	↑ 1.0	↑ 0.5
10 year	3.87	↑ 0.5	↑ 3.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	10.0Y	RON 200 mn	RON 200 mn
Thursday	12M	RON 800 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	0.54	↓ -1.0	↓ -2.0
3M ROBOR	0.87	⇒ 0.0	⇒ 0.0
6M ROBOR	1.05	⇒ 0.0	↑ 1.0
1Y ROBOR	1.20	⇒ 0.0	⇒ 0.0
5Y CDS	91.01	↓ -0.1	↓ -7.9

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.5641	↑ 0.04	↑ 0.19
USD/RON	3.8833	↑ 0.41	↑ 0.61
CHF/RON	3.9868	↑ 0.32	↓ -0.25
100HUF/RON	0.0150	↓ -0.03	↓ -0.08

Sources: Reuters, OTP Research

Summary

- The NBR revised upward its 2017 year-end inflation forecast by 0.3 pps, to 1.9%. Regarding the policy normalisation process, NBR chief also said that Romania's central bank could have fallen behind the curve.
- In June, exports' growth was not able to keep up with the pace dictated by imports, leading to a wider trade deficit.

Yesterday NBR governor Mr Isarescu presented the central bank's new Inflation Report. As Mr Isarescu had signalled it earlier, the NBR's consumer prices projection had been revised upward. Headline inflation is expected to reach 1.9% YoY at the end of this year (versus 1.6% YoY forecasted earlier), and it may climb higher, to 3.2% YoY in Q4 2018 (vs. 3.1%), the new report showed. Moreover, the growth rate of the CPI is set to reach 3.5% at the end of the forecast horizon (Q2 2019). This 3.5% level corresponds to the upper limit of the NBR's target band (2.5% +/-1%), while the central bank's preferred underlying price measure, CORE3 inflation may exceed even 4% at the end of Q2 2019, boosted primarily by rising inflationary expectations and a widening positive output gap.

Regarding the policy normalisation process, governor Isarescu didn't exclude the possibility that the NBR could have fallen behind the curve, but he also said that policy makers had to take into account the realities of the external environment too, keeping an eye on the other central banks' actions. He also confirmed that the NBR aims to narrow the interest rate corridor, which will contribute to a stronger monetary transmission mechanism in the future. In relation to commercial banks' lending activity, the NBR chief noted that Romania's central bank would like to see higher growth rates in the case of corporate loans, while he also suggested that the NBR started to be a bit concerned about the acceleration in household loans.

This morning the National Institute of Statistics published external trade data for June. The annual growth rate of imports (CIF) remained at quite elevated levels, pointing to 14.2% YoY advance in the sixth month of the year, down from May's stellar 18.0% YoY gain. Nevertheless, exports' growth (FOB) was not able to keep up with the fast pace dictated by imports and registered only a depressed, 2.5% YoY increase, in sharp contrast to its 19.3% YoY rise in May. On the back of the divergence between exports and imports, Romania's external trade gap (FOB-CIF) widened significantly, reaching EUR 5.8 bn in H1 2017, up from EUR 4.5 bn in the same period of the previous year. In the light of the current strong momentum of the EU economy, resulting in healthy external demand, we think that June's export data was a negative outlier. However, we expect that the growth rate of imports will continue to outpace that of exports on the back of surging households' expenditures, fuelled by large gains in wages.

Yesterday the leu showed little variation, but Romania's key equity benchmark, the BET gained 1.0%.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
7-Aug	Monday	June	Net wage growth rate (YoY%)	14.5	14.5
8-Aug	Tuesday		no data		
9-Aug	Wednesday	June	Exports (FOB, YoY%)	2.5	19.3
		June	Imports (CIF, YoY%)	14.2	18.0
10-Aug	Thursday	June	Industrial trade turnover index (YoY%)		18.5
		June	Index value of new orders in manufacturing (YoY%)		24.6
11-Aug	Friday	July	Consumer price index (YoY%)	1.3	0.9
		June	Industrial production (YoY%)		17.3
		June	Turnover of market serv. provided to the population (YoY%)		15.5

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		7-Aug-17					
Investment funds	ccy	last NAV/U		1m%		Ytd%	52W%
OTP AvantisRO	RON	10.9663	↑	3.62	↑	19.92	↑ 26.63
OTP Obligatiuni	RON	14.8685	↑	0.42	↑	1.32	↑ 2.06
OTP ComodisRO	RON	17.2370	↑	0.09	↑	0.77	↑ 1.29
OTP Euro Bond	EUR	12.7645	↑	0.50	↑	0.93	↑ 1.23
OTP Dollar Bond	USD	10.9776	↑	0.38	↑	1.16	↑ 1.65
OTP Premium Return	RON	11.5695	↑	0.51	↑	3.69	↑ 5.64
OTP Euro Premium Return	EUR	9.8569	↑	1.50	↓	-1.06	↓ -0.19
OTP Global Mix	RON	11.2912	↑	0.85	↑	4.60	↑ 8.25

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