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Daily Report – Romania

Date: 08.11.2017

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	7,777.27	↑ 0.38	↓ -0.17
BET-TR	10,440.99	↑ 0.39	↑ 0.76
BET-FI	37,611.74	↓ -0.04	↑ 2.40
BET-XT	732.24	↑ 0.33	↑ 0.56
TLV	2.13	↑ 0.24	↓ -1.62
BRD	1.28	→ 0.00	↑ 5.44
SNG	30.60	↑ 0.66	↑ 3.63
TGN	0.29	↓ -0.34	↑ 3.35
TEL	12.64	↑ 1.44	↑ 3.27

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	1.75	↑ 4.0	↑ 3.0
12 month	1.94	↑ 6.0	↑ 2.5
3 year	2.68	↑ 7.5	↑ 8.0
5 year	3.20	↑ 7.0	↑ 9.0
10 year	4.30	↑ 1.5	↑ 0.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	6.5Y	RON 300 mn	RON 300 mn
Thursday	1.5Y	RON 300 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	1.28	↑ 2.0	↓ -43.0
3M ROBOR	1.86	→ 0.0	↓ -3.0
6M ROBOR	2.02	↑ 1.0	↓ -1.0
1Y ROBOR	2.12	→ 0.0	↓ -1.0
5Y CDS	90.40	↑ 0.5	↓ -0.4

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.6235	↓ -0.19	↑ 0.42
USD/RON	3.9872	↓ -0.27	↑ 0.64
CHF/RON	3.9873	↓ -0.27	↑ 0.96
100HUF/RON	0.0148	↓ -0.24	↑ 0.18

Sources: Reuters, OTP Research

Summary

- Yesterday the government approved a series of tax changes, despite criticism.
- In September, Romania's trade deficit continued to widen.
- The NBR reveals its new inflation report today.
- Yesterday the leu reversed some of its Tuesday's losses.

Yesterday, despite the criticism from trade unions and President Klaus Iohannis, the government approved a package of tax changes through an emergency decree. Starting from 1 January 2018, employees will carry the majority of burden coming from social security levies (35% vs. 16.5% earlier), while companies will have to pay a tax of only 2.25% on their overall wage costs. Currently, employers pay 22.75% in form of social security contribution. At the same time, the government also decided to reduce the personal income tax to 10%, down from 16%, as well as the contribution to the mandatory private pension system to 3.75%, from 5.1%. Due to the tax changes, companies will have to raise the gross wages of their employees by around 20% in order to keep net wages unchanged, but they are not obligated to pass their savings on. Nonetheless, in the light of the tight labour market, we suspect that the large majority of companies will lift wages, offsetting the negative effects of the tax overhaul on employees.

Meanwhile, a new 1% tax on turnover will be also introduced for small companies (with less than EUR 1 mn annual turnover), to replace the current 16% profit tax.

In September, the import of goods (CIF) rose by 9.2% YoY in euro terms, broadly unchanged compared to August (9.3% YoY), while exports (FOB) slowed down, pointing to 6.0% YoY advance, from 10.7% YoY a month earlier. Accordingly, the trade deficit continued to widen, reaching EUR 8.9 bn in the first nine months of this year.

Today NBR governor reveals the new inflation report of the central bank in a press conference. Tomorrow morning, the NIS will publish consumer price statistics. Most likely, the annual inflation continued to accelerate rapidly, propelled also by another fuel excise duty hike and administered price increases.

After breaking above 4.6 on the back of the comments of NBR chief Mugur Isarescu on Tuesday (for more details please see our latest monetary policy [comments](#)), the leu firmed 0.2% against the euro yesterday. The BET managed to finish in the green zone on Wednesday.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
6-Nov	Monday	September	Retail trade (YoY%)	13.7	15.6
7-Nov	Tuesday	November	Base rate decision (%)	1.75	1.75
		September	Net wage growth rate (YoY%)	13.5	13.9
8-Nov	Wednesday		no data		
9-Nov	Thursday	September	Exports (FOB, YoY%)	6.0	10.7
		September	Imports (CIF, YoY%)	9.2	9.3
10-Nov	Friday	October	Consumer price index (YoY%)		1.8
		September	Industrial trade turnover index (YoY%)		13.5
		September	Index value of new orders in manufacturing (YoY%)		17.3

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		3-Nov-17					
Investment funds	ccy	last NAV/U		1m%		Ytd%	52W%
OTP AvantisRO	RON	10.7489	↓	-1.09	↑	17.54	↑ 20.37
OTP Obligatiuni	RON	14.9030	↑	0.19	↑	1.56	↑ 1.50
OTP ComodisRO	RON	17.2799	↑	0.12	↑	1.02	↑ 1.18
OTP Euro Bond	EUR	12.8191	↑	0.20	↑	1.36	↑ 1.11
OTP Dollar Bond	USD	11.0165	↑	0.15	↑	1.52	↑ 1.50
OTP Premium Return	RON	11.7546	↑	0.76	↑	5.34	↑ 6.29
OTP Euro Premium Return	EUR	9.9896	↑	0.81	↑	0.28	↑ 0.66
OTP Global Mix	RON	11.6336	↑	1.72	↑	7.77	↑ 11.19

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