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Daily Report – Romania

Date: 08.12.2017

STOCK EXCHANGE

| | Close | Daily chg. (%) | Weekly chg. (%) |
|--------|-----------|----------------|-----------------|
| BET | 7,693.55 | ↑ 0.29 | ↓ -1.32 |
| BET-TR | 10,345.24 | ↑ 0.28 | ↓ -1.32 |
| BET-FI | 39,089.51 | ↓ -0.10 | ↑ 1.62 |
| BET-XT | 730.56 | ↑ 0.17 | ↓ -0.82 |
| TLV | 2.14 | ↑ 1.18 | ↓ -1.15 |
| BRD | 0.25 | ↓ -0.20 | ↑ 0.82 |
| SNG | 0.85 | ↑ 0.36 | ↑ 0.24 |
| TGN | 11.06 | ↓ -0.72 | ↓ -5.79 |
| TEL | 382.00 | ↓ -0.26 | ↓ -4.02 |

GOV'T BOND MARKET

| Maturity | Yield (%) | Daily chg. (bp) | Weekly chg. (bp) |
|----------|-----------|-----------------|------------------|
| 6 month | 2.10 | ↓ -3.0 | ↓ -24.0 |
| 12 month | 2.30 | ↓ -2.0 | ↓ -24.0 |
| 3 year | 3.39 | ↓ -1.0 | ↓ -7.0 |
| 5 year | 3.71 | ↑ 3.0 | ↓ -6.0 |
| 10 year | 4.39 | ↑ 3.5 | ↓ -12.5 |

GOV'T BOND AUCTIONS

| | Maturity | Auctions | Sold |
|----------|----------|------------|------|
| Monday | 5.4Y | RON 200 mn | |
| Thursday | 12M | RON 400 mn | |
| Thursday | 4.2Y | RON 400 mn | |

MONEY MARKET

| | Rate (%/bp) | Daily chg (bp) | Weekly chg (bp) |
|----------|-------------|----------------|-----------------|
| ON ROBOR | 1.25 | ↓ -14.0 | ↓ -94.0 |
| 3M ROBOR | 2.15 | ↓ -3.0 | ↓ -5.0 |
| 6M ROBOR | 2.31 | → 0.0 | ↓ -3.0 |
| 1Y ROBOR | 2.37 | → 0.0 | ↓ -1.0 |
| 5Y CDS | 89.17 | ↓ -0.1 | ↓ -1.2 |

FX MARKET

| | Rate | Daily chg. (%) | Weekly chg. (%) |
|------------|--------|----------------|-----------------|
| EUR/RON | 4.6320 | ↑ 0.10 | ↑ 0.03 |
| USD/RON | 3.9375 | ↑ 0.09 | ↑ 1.11 |
| CHF/RON | 3.9648 | ↑ 0.12 | ↓ -0.56 |
| 100HUF/RON | 0.0148 | ↑ 0.35 | ↑ 0.06 |

Sources: Reuters, OTP Research

Summary

- Romania's trade deficit continued to widen, reaching EUR 10.2 bn in the first ten months of 2017.
- In October, average net wages grew by 13.5% YoY to RON 2,392.
- The leu was little changed on Friday.

Both the export (FOB) and import (CIF) of goods got impetus in October, according to a NIS report released this morning. The value of exported goods grew by 13.3% YoY (gross data), up from September's 6.0% YoY advance, while imports increased even more rapidly (16.7% YoY vs. 9.2% YoY a month earlier). In month-over-month comparison, exports rose by 1.1% and imports went up 2.2%, our in-house seasonally adjusted data showed. As imports' growth outpaced again that of exports, the trade deficit (FOB-CIF) continued to widen, reaching EUR 10.2 bn in the first ten months of this year. In the same period of the previous year, the gap stood at EUR 7.9 bn. The latest statistics indicate that the current account deficit might have increased too in October, which would be in line with our expectations. We think that Romania's current account deficit could rise to 3% of GDP in 2017, after 2016's 2.1%. Nonetheless, it should be noted that the deficit is still broadly covered by foreign direct investments and EU fund inflows.

In October, average net wages stood at RON 2,392, 13.5% higher than a year earlier, today's statistics of the NIS showed. Our in-house seasonally adjusted data show that net wages may have grown by 1.1% compared to September. This corresponds to a quite healthy monthly gain. The burden coming from the transfer of social contributions from companies to employees starting from January 2018 is set to cause uncertainties in the period ahead. However, we expect that given the tight labour market as well as due to further minimum wage hikes, overall, net salaries may keep up their upwards trajectory in 2018 too, but indeed a somewhat slower growth pace appears to be quite likely.

Tomorrow morning the NIS will publish consumer price statistics for November. In line with expectations, we think that headline inflation may have accelerated further last month, probably to around 3% (vs. 2.6% in October).

On Friday, global trading sentiment was buoyant, supported among others by favourable news about Brexit negotiations and a stronger-than-expected US job report. The EUR/RON showed little variation on Friday, ending the day again near 4.63. This week, central banks will come in the spotlight, as both the Fed and the ECB will keep rate-setting meetings. According to market expectations, the Fed will raise again its benchmark interest rate this week.

| Date | PERIOD | INDICATOR | FACT | CONSENSUS | PREVIOUS | |
|--------|-----------|-----------|--|-----------|----------|------|
| 11-Dec | Monday | October | Exports (FOB, YoY%) | 13.3 | 6.0 | |
| | | October | Imports (CIF, YoY%) | 16.7 | 9.2 | |
| | | October | Net wage growth rate (YoY%) | 13.5 | 13.5 | |
| 12-Dec | Tuesday | November | Consumer price index (YoY%) | | 2.95 | 2.6 |
| | | October | Industrial trade turnover index (YoY%) | | | 11.8 |
| | | October | Index value of new orders in manufacturing (YoY%) | | | 5.1 |
| 13-Dec | Wednesday | October | Turnover of market serv. provided to the population (YoY%) | | | 15.2 |
| | | October | Industrial production (YoY%) | | | 4.2 |

Sources: NIS, NBR, Reuters, OTP Research

| OTP AM – Investment Funds | | 7-Dec-17 | | | | | |
|---------------------------|-----|------------|---|-------|---|-------|---------|
| Investment funds | ccy | last NAV/U | | 1m% | | Ytd% | 52W% |
| OTP AvantisRO | RON | 10.9381 | ↑ | 0.67 | ↑ | 19.61 | ↑ 22.07 |
| OTP Obligatiuni | RON | 14.9261 | ↑ | 0.12 | ↑ | 1.71 | ↑ 1.86 |
| OTP ComodisRO | RON | 17.2991 | ↑ | 0.10 | ↑ | 1.14 | ↑ 1.20 |
| OTP Euro Bond | EUR | 12.8374 | ↑ | 0.11 | ↑ | 1.50 | ↑ 1.68 |
| OTP Dollar Bond | USD | 11.0233 | ↑ | 0.04 | ↑ | 1.58 | ↑ 1.84 |
| OTP Premium Return | RON | 11.7852 | ↑ | 0.24 | ↑ | 5.62 | ↑ 6.50 |
| OTP Euro Premium Return | EUR | 9.9466 | ↓ | -0.53 | ↓ | -0.16 | ↑ 0.60 |
| OTP Global Mix | RON | 11.5854 | ↓ | -0.37 | ↑ | 7.32 | ↑ 9.20 |

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