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Daily Report – Romania

Date: 16.03.2018

STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	8,816.96	↑ 1.49	↑ 4.01
BET-TR	11,856.63	↑ 1.48	↑ 4.00
BET-FI	41,674.21	↑ 0.01	↓ -0.22
BET-XT	823.24	↑ 1.22	↑ 3.18
TLV	2.70	↑ 3.65	↑ 9.31
SNG	37.50	↑ 0.54	↑ 3.02
BRD	15.56	↑ 3.60	↑ 10.04
FP	0.94	→ 0.00	↑ 0.75
TGN	419.00	↑ 0.96	↑ 3.20

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	1.94	↓ -2.0	↓ -8.5
12 month	2.22	↓ -1.0	↓ -9.0
3 year	3.18	↓ -3.0	↓ -15.5
5 year	4.02	↓ -8.0	↓ -14.5
10 year	4.46	↓ -7.5	↓ -13.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	6.0Y	RON 400 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	1.30	↓ -1.0	↓ -5.0
3M ROBOR	2.03	→ 0.0	↓ -3.0
6M ROBOR	2.36	→ 0.0	↓ -3.0
1Y ROBOR	2.50	→ 0.0	↓ -3.0
5Y CDS	76.36	↓ 0.0	↓ -0.5

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.6701	↑ 0.06	↑ 0.25
USD/RON	3.8000	↑ 0.20	↑ 0.39
CHF/RON	3.9898	↑ 0.20	↑ 0.27
100HUF/RON	0.0150	↑ 0.22	↑ 0.52

Sources: Reuters, OTP Research

Summary

- The IMF encouraged Romania's decision makers to implement fiscal consolidation and to continue the monetary tightening cycle in order to avert the overheating of the economy.
- The EUR/RON finished Friday's session near 4.67.
- The BET reached a new post-crisis maximum.

On Friday, the IMF's experts recommended Romanian authorities to follow a prudent mix of fiscal consolidation and further monetary tightening in order to mitigate the risks coming from overheating. According to the IMF's statement, a more conservative fiscal stance would reduce the burden on monetary policy and help improve the balance between consumption and investment. If the task is left to monetary policy alone, interest rates would have to be raised to such a level that will increasingly weigh on investment and competitiveness, the report also notes. In this context, the budget deficit should be reduced gradually to 1.5% of GDP until 2020. According to the IMF's estimation, the government has to implement correction measures, worth 0.6% of GDP, in order to meet the 2018 3% deficit target. These correction measures should avoid a further deterioration of the budget structure and protect capital spending. In 2018, Romania's GDP growth is expected to slow down to 5%, after 2016's 7%, and it is set to decelerate to 3% over the medium term, while the risks are tilted to the downside, the IMF added.

In January, Romania's current account (C/A) balance registered EUR 216 mn surplus, down from EUR 258 mn in the same period of the previous year, the NBR said on Friday. Nevertheless, on twelve-month rolling basis, the C/A registered a deficit of 3.5% of GDP, unchanged compared to December, our estimation showed.

The Romanian leu finished Friday's session close to 4.67 versus the euro. Meanwhile, the US Dollar advanced compared the European common currency, helped by favourable US industrial production and consumer sentiment index data.

Romanian government securities' yield curve shifted 2-8 basis points lower, the NBR's data showed, while ROBOR rates up to the 1M maturity eased. We recall that the money market is characterized by excess liquidity, therefore ROBOR rates tend to align very slowly with the key rate (2.25%).

Optimism prevailed on international stock exchanges, helped by upbeat US consumer sentiment and industrial output data. The BET continued its winning streak, gaining 1.5% and reaching a new post-crisis maximum. The growth was sustained primarily by banking sector shares.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
19-Mar	Monday		no data		
20-Mar	Tuesday		no data		
21-Mar	Wednesday		no data		
22-Mar	Thursday	February	New commercial vehicle registrations (YoY%)		77.6
23-Mar	Friday	February	Non-government loans (YoY%)		6.8
		February	Non-government deposits (YoY%)		12.4

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		15-Mar-18						
Investment funds	ccy	last NAV/U		1m%		Ytd%		52W%
OTP AvantisRO	RON	11.7237	↑	1.77	↑	5.82	↑	18.72
OTP Obligatiuni	RON	15.0305	↑	0.23	↑	0.54	↑	2.08
OTP ComodisRO	RON	17.4100	↑	0.21	↑	0.52	↑	1.55
OTP Euro Bond	EUR	12.8062	↓	-0.04	↓	-0.23	↑	1.05
OTP Dollar Bond	USD	11.0201	↑	0.02	↓	-0.02	↑	1.15
OTP Premium Return	RON	11.8810	↑	0.25	↑	0.29	↑	4.22
OTP Euro Premium Return	EUR	9.7278	↓	-0.68	↓	-2.84	↓	-1.46
OTP Global Mix	RON	11.8138	↑	0.67	↑	1.21	↑	6.60

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