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Daily Report – Romania

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STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	8,571.53	↓ -1.16	↑ 0.13
BET-TR	12,481.48	↓ -1.16	↑ 0.15
BET-FI	36,359.51	↓ -1.58	↑ 0.33
BET-XT	783.07	↓ -0.91	↑ 0.75
BRD	13.5600	↓ -0.15	↑ 3.04
SNN	8.0300	↓ -0.99	↑ 1.01
DIGI	31.0000	↑ 2.31	↑ 5.80
EL	10.8000	→ 0.00	↑ 0.93
TLV	2.3700	→ 0.00	↑ 1.28

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	3.17	↓ -1.5	↓ -7.5
12 month	3.33	↓ -1.5	↓ -6.0
3 year	3.95	↓ -2.0	↓ -20.0
5 year	4.43	→ 0.0	↓ -17.0
10 year	4.69	↓ -2.5	↓ -19.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	5.5Y	RON 300 mn	RON 365 mn
Tuesday	5.0Y	EUR 150 mn	EUR 0 mn
Thursday	2.0Y	RON 600 mn	RON 600 mn

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	2.64	→ 0	↓ -11
3M ROBOR	3.21	↑ 1	↓ -10
6M ROBOR	3.47	→ 0	↓ -2
1Y ROBOR	3.59	↓ -1	↓ -5
5Y CDS	88.81	↑ 0	↓ 0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.6566	↓ -0.10	↓ -0.14
USD/RON	4.0978	↑ 0.45	↑ 0.27
CHF/RON	4.0738	↑ 0.10	↓ -0.13
HUF/RON	0.0145	↑ 0.02	↑ 0.40

Sources: Reuters, OTP Research

Summary

- Headline inflation may end this year at 3.5%, the upper bound of the inflation target, NBR said.
- In September, the import of goods slowed, while exports picked up.
- Romania's leu firmed yesterday.

Yesterday the NBR published its November 2018 Inflation Report. According to the updated projection, Romania's headline inflation may end this year at 3.5%, down from 5.0% in September, while at the end of next year, consumer price growth may slow to 2.9% (+0.2 pps compared to the previous forecast). Regarding year-end inflation outlook for 2018, we are a bit less optimistic (we expect 3.9%), but we do not exclude that the central bank already incorporated early data for October (which is not available for the public). In any case, annual inflation is set to fall sharply in October, due to fading base effects. Our inflation projection for 2019 is broadly in line with that of the central bank, but we see important upside risks owing to the tight labour market, loose fiscal policy and as global reflation could gain greater traction too.

In September, the growth rate of exports (FOB) picked up a bit, registering 5.1% annual advance, up from August's 4.3%, the NIS said this morning. Nevertheless, the import of goods (CIF) lost some steam, recording 3.4% YoY growth (vs. 9.0% YoY a month earlier). Product level data is not available yet, but we assume that passenger cars might have played an important role in the deceleration of imports. In August, new passenger car registrations skyrocketed, exceeding 25,500 units, as dealers provided attractive discounts, but sales fell to around 2,800 in September. This roller-coaster was mainly due to the introduction of the new WLTP test. The WLTP (Worldwide Harmonised Light Vehicle Test Procedure) aims to measure fuel consumption and CO2 emissions in a more reliable manner than the previous procedure. September's deceleration of imports and the pick-up of exports indicate that Romania's current account deficit may have eased a bit, after it rose near 3.9% of GDP (on twelve-month rolling basis) in August. Next week, the NBR will release current account statistics for September.

Despite the sharp slowdown of imports, we think that in Q3 net export may have had a larger negative contribution to GDP growth than a quarter earlier (in Q2, net export shaved off 1.3 pps from the annual economic growth) as, on average, the import of goods (+9.2% YoY) increased faster than exports (+7.4%).

Romania's leu fared well yesterday, firming 0.1% compared to the euro. This appreciation was in line with the dynamics of other currencies in the CEE region. On the other hand, Romanian stocks mostly fell on low volumes. The majority of key global stock indices also closed in the red, with investors focusing on the Fed's rate-setting meeting. Yesterday the Fed kept its benchmark rates unchanged.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
5-Nov	Monday	September	Retail trade (YoY%)	2.3	1.5
6-Nov	Tuesday	November	Base rate decision (%)	2.50	2.50
7-Nov	Wednesday	September	Net wage growth rate (YoY%)	13.1	12.9
8-Nov	Thursday		no data		
9-Nov	Friday	September	Exports (FOB, YoY%)	5.1	4.3
		September	Imports (CIF, YoY%)	3.4	9.0

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		7-Nov-18					
Investment funds	ccy	last NAV/U		1m%		Ytd%	52W%
OTP AvantisRO	RON	11.1694	↑	0.38	↑	0.81	↑ 2.80
OTP Obligatiuni	RON	15.2061	↑	0.29	↑	1.72	↑ 1.99
OTP ComodisRO	RON	17.7004	↑	0.45	↑	2.20	↑ 2.42
OTP Euro Bond	EUR	12.7445	↓	-0.09	↓	-0.71	↓ -0.62
OTP Dollar Bond	USD	11.0858	↓	0.00	↑	0.58	↑ 0.61
OTP Premium Return	RON	11.5370	↓	-1.83	↓	-2.62	↓ -1.87
OTP Euro Premium Return	EUR	9.0258	↓	-3.63	↓	-9.85	↓ -9.73
OTP Global Mix	RON	11.2014	↓	-2.17	↓	-4.04	↓ -3.67

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