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Daily Report – Romania

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STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	8,574.88	↑ 0.01	↓ -0.95
BET-TR	12,489.83	↑ 0.01	↓ -0.94
BET-FI	36,581.38	↓ -0.55	↓ -0.71
BET-XT	781.44	↓ -0.04	↓ -1.03
TLV	2.3500	↓ -0.63	↓ -0.63
SNG	34.8500	↑ 0.14	↓ -0.71
FP	0.9440	↓ -0.11	↑ 0.21
TRP	0.3590	↓ -0.28	↑ 2.87
ATB	0.4800	↑ 0.21	→ 0.00

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	3.16	→ 0.0	↑ 0.5
12 month	3.30	↑ 1.0	↓ -0.5
3 year	3.87	↓ -8.0	↓ -4.5
5 year	4.45	↓ -8.0	↑ 3.0
10 year	4.79	↓ -1.0	↑ 9.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	2.9Y	RON 600 mn	
Thursday	6.3Y	RON 300 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	2.54	→ 0	↓ -6
3M ROBOR	3.22	↑ 1	↑ 2
6M ROBOR	3.44	→ 0	↓ -1
1Y ROBOR	3.59	→ 0	→ 0
5Y CDS	89.50	↓ 0	↑ 1

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.6628	↓ 0.00	↑ 0.10
USD/RON	4.0864	↓ -0.72	↓ -0.55
CHF/RON	4.0865	↓ -0.02	↑ 0.02
HUF/RON	0.0145	↑ 0.19	↑ 0.15

Sources: Reuters, OTP Research

Summary

- Fitch confirms Romania's investment grade rating, but warns about the risk of a more abrupt economic slowdown in the event of external shock.
- Today the Ministry of Finance organises 3Y bond auction.

Fitch affirmed Romania's long-term credit rating at 'BBB-' with stable outlook, the agency said in a note on Friday. The country's investment-grade rating was supported by relatively low level of government debt, as well as GDP per capita and human development indices that exceeded 'BBB' category peers. Nevertheless, the positive picture reflected by these indicators was balanced by higher-than-average budget and current account deficits, as well as relatively high net external indebtedness. In addition, pro-cyclical fiscal policy posed risks to macroeconomic stability, Fitch Ratings said.

The rating agency expects that the country's budget deficit will meet this year's 3% target through deferring public investment and one-off measures. However, the budget gap could reach 3.5% of GDP in 2019 and 2020. Moreover, Fitch also warned that the structure of the government budget had become more rigid, owing to the high share of wages and social transfers in total government expenditures, while revenues fell significantly as a share of GDP owing to tax cuts. Given this context, Romania's government debt ratio may increase starting from 2019. Fitch projects GDP growth to slow gradually in the years ahead (3.2% in 2019 and 3.0% in 2020) due to weaker economic prospects in the EU, tighter monetary conditions, fading fiscal stimulus as well as the lack of spare capacity. Nevertheless, Fitch also warned about the risk of a more abrupt slowdown in the event of external shock, weaker competitiveness or tightening in fiscal or monetary policy.

We also expect Romania's GDP growth rate to soften gradually in the period ahead. We think that at this moment, Romania is more resilient than in 2008, but the relatively high twin-deficit puts the country into an unfavourable position compared to its peers in the EU. This may spook some investors when global financial conditions become adverse.

Regarding Romanian banks, Fitch said that the financial sector remained stable, with well-capitalised lending institutions, low loan-to-deposit ratio and falling non-performing loans.

On Friday, the EUR/RON ended the day flat, but Romania's leu firmed against the US dollar, after the EUR/USD cross climbed higher on the dovish comments of Fed vice chairmen. Today the Ministry of finance plans to borrow RON 600 mn in a government security auction.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
19-Nov	Monday		no data		
20-Nov	Tuesday		no data		
21-Nov	Wednesday		no data		
22-Nov	Thursday	October	New commercial vehicle registrations (YoY%)		-17.0
23-Nov	Friday		no data		

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		15-Nov-18					
Investment funds	ccy	last NAV/U	1m%	Ytd%	52W%		
OTP AvantisRO	RON	11.1386	↑ 0.96	↑ 0.53	↑ 1.62		
OTP Obligatiuni	RON	15.2095	↑ 0.28	↑ 1.74	↑ 2.16		
OTP ComodisRO	RON	17.7136	↑ 0.46	↑ 2.28	↑ 2.48		
OTP Euro Bond	EUR	12.7415	↓ -0.10	↓ -0.73	↓ -0.54		
OTP Dollar Bond	USD	11.0840	↑ 0.00	↑ 0.56	↑ 0.66		
OTP Premium Return	RON	11.4893	↓ -0.62	↓ -3.02	↓ -1.89		
OTP Euro Premium Return	EUR	8.8279	↓ -2.80	↓ -11.83	↓ -10.71		
OTP Global Mix	RON	11.0565	↓ -1.42	↓ -5.28	↓ -4.16		

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