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Daily Report – Romania

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STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	8,574.48	↓ -0.16	↓ -1.27
BET-TR	12,502.18	↓ -0.16	↓ -1.26
BET-FI	36,736.50	↑ 0.32	↑ 0.66
BET-XT	780.90	↓ -0.04	↓ -1.08
BRD	13.7000	↓ -0.29	↓ -3.39
SNG	35.9000	↑ 0.14	→ 0.00
TLV	2.3600	↑ 0.43	↓ -2.88
SNN	9.8900	↑ 0.51	↑ 1.23
EL	11.1200	↑ 0.18	↓ -0.18

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	2.94	↓ -1.0	↓ -5.5
12 month	3.15	↓ -2.5	↓ -6.0
3 year	3.45	↓ -0.5	↓ -16.0
5 year	4.11	↓ -2.5	↓ -17.0
10 year	4.70	↓ -3.0	↓ -17.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	2.9Y	RON 600 mn	
Thursday	4.5Y	RON 600 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	1.68	↓ -4	↓ -37
3M ROBOR	3.04	→ 0	↓ -4
6M ROBOR	3.34	→ 0	↓ -4
1Y ROBOR	3.52	→ 0	↓ -2
5Y CDS	94.05	↑ 0	↓ 0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.6553	↑ 0.07	↑ 0.18
USD/RON	4.1180	↑ 0.55	↑ 0.94
CHF/RON	4.1258	↑ 0.14	↑ 0.17
HUF/RON	0.0144	↑ 0.06	↑ 0.14

Sources: Reuters, OTP Research

Summary

- Romania's current account deficit rose sharply in October.
- The leu lost some ground.

In the first ten months of this year, Romania's current account (C/A) deficit rose to EUR 7.99 bn, hitting almost 4% of 2018's estimated GDP. At the end of September, the gap stood at EUR 6.97 bn (around 3.4%). Given the unexpectedly sharp deterioration in October, our full-year current account deficit forecast (4.1%) seems to be optimistic, but it is important to add that balance of payments statistics are revised frequently as new information becomes available. Therefore, uncertainties about the outlook remain high.

The twelve-month rolling C/A deficit, an indicator which is less influenced by seasonal effects, reached 4.3% of GDP in October, up from 4.1% a month earlier, our in-house estimation showed. The significantly wider gap was due to a higher deficit in the balance of goods (7.1% vs. 6.9% at the end of September). This came after exports struggled in October, probably owing to weaker external demand. We recall that the eurozone economy lost steam in Q3, pointing to 0.2% QoQ and 1.6% YoY growth paces, down from 0.4% QoQ and 2.2% YoY a quarter earlier. On the other hand, Romania's import of goods registered an unexpectedly rapid advance. Other components of the current account (the balance of services, as well as primary and secondary incomes) showed marginal changes.

It is important to note that the gap of the C/A account (4.3% of GDP on twelve-month rolling basis) was hardly covered by non-debt generating items, as the capital account (mostly EU funds) posted 1.2% surplus, while foreign direct investments reached 2.6% of GDP. If the C/A gap is not covered adequately, the downward trend of Romania's external debt ratio could come to an end in the years ahead. It is worth mentioning that the 4% threshold is also considered as an early warning sign in the EU's alert mechanism of macroeconomic imbalances. Given this context, and also keeping in mind that the risks on the external front are on the rise, the wider C/A deficit is definitely an unfavourable development.

On Friday, negative trading sentiment ruled global financial markets, mainly owing to growth fears, as weak economic data came out about the economies of China and the eurozone. At the same time, Romania's leu lost ground (0.1%) compared to the euro and the soaring US dollar (0.6%). The majority of Bucharest's stock indices finished slightly lower.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
17-Dec	Monday		no data		
18-Dec	Tuesday		no data		
19-Dec	Wednesday		no data		
20-Dec	Thursday		no data		
21-Dec	Friday	November	New commercial vehicle registrations (YoY%)		10.9

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		13-Dec-18					
Investment funds	ccy	last NAV/U		1m%		Ytd%	52W%
OTP AvantisRO	RON	11.0440	↓	-1.27	↓	-0.32	↑ 2.52
OTP Obligatiuni	RON	15.2029	↓	-0.06	↑	1.70	↑ 1.85
OTP ComodisRO	RON	17.7566	↑	0.27	↑	2.52	↑ 2.62
OTP Euro Bond	EUR	12.6923	↓	-0.41	↓	-1.11	↓ -1.10
OTP Dollar Bond	USD	11.0489	↓	-0.36	↑	0.24	↑ 0.27
OTP Premium Return	RON	11.3696	↓	-1.02	↓	-4.03	↓ -3.70
OTP Euro Premium Return	EUR	8.6217	↓	-2.66	↓	-13.89	↓ -13.50
OTP Global Mix	RON	10.8502	↓	-1.93	↓	-7.05	↓ -6.74

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