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Daily Report – Romania

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STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	7,371.61	↓ -2.45	↑ 1.06
BET-TR	10,878.87	↓ -2.40	↑ 1.18
BET-FI	34,133.23	↓ -1.39	↑ 0.90
BET-XT	681.80	↓ -2.29	↑ 1.02
TLV	1.8100	↓ -5.73	↑ 0.56
FP	0.8250	↓ -0.60	↑ 1.23
BRD	11.3200	↓ -4.23	↑ 1.07
SNG	30.4000	↓ -0.16	↑ 6.11
DIGI	27.5000	↓ -2.14	↑ 1.85

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	3.09	↓ -1.5	↓ -3.5
12 month	3.30	↓ -2.0	↓ -3.5
3 year	3.87	↓ -8.5	↓ -15.5
5 year	4.22	↓ -5.5	↓ -14.5
10 year	4.79	↑ 4.5	↓ -1.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	7.2Y	RON 300 mn	RON 334.1 mn
Thursday	11M	RON 400 mn	
Thursday	5.3Y	RON 200 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	3.54	↓ -1	↑ 2
3M ROBOR	3.10	→ 0	↑ 3
6M ROBOR	3.29	↓ -1	↓ -1
1Y ROBOR	3.50	↓ -1	↑ 1
5Y CDS	95.12	↑ 0	↑ 0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.7444	↓ -0.12	↓ -0.14
USD/RON	4.2075	↑ 0.33	↑ 1.28
CHF/RON	4.1908	↓ -0.03	↑ 0.67
HUF/RON	0.0148	↓ -0.39	↓ -0.91

Sources: Reuters, OTP Research

Summary

- Inflation in Romania may end this year and next at 3.0% and 3.1% respectively, the NBR's new Inflation Report said.
- The NBR's governor Mugur Isarescu responds to accusations coming from the political scene.
- On Monday, the leu slightly firmed, while Romanian stocks ended the day in red.

Yesterday the NBR's governor Mugur Isarescu presented the February 2019 Inflation Report via a press conference. Headline inflation may end this year at 3.0% YoY, marginally higher than previously thought (2.9% YoY), the report showed. Nevertheless, in the first three quarters of 2018, headline inflation could be about 0.2-0.3 pts lower than the central bank's previous projection made in November. For the end of the forecast horizon (2020), the NBR expects headline inflation to reach 3.1% YoY, unchanged compared to the earlier expectations.

It is also important to note that Core3 inflation (inflation that excludes vegetables, fruit, eggs, fuels and products whose prices are regulated, as well as beverages and tobacco), the NBR's preferred underlying price measure, is expected to pick up to 3.3% YoY in Q4 2019 and to 3.4% YoY in Q4 2020. At the end of last year, Core3 inflation stood at 2.5% YoY. The NBR's projections are broadly in line with our expectations (for further details please see our latest [Inflation Report](#)), painting a rather benign picture about the outlook. However, it is worth mentioning that uncertainties are particularly high – among others, due to the complex side effects, and still pending questions about the government's latest measures and the fiscal frame (the 2019 draft budget has not been approved yet). As we noted in our latest [Monetary Policy Commentary](#) too, we think the current level of the benchmark interest rates, together with prudent liquidity management, could be enough to keep inflation under control in 2019, but risks are likely to keep NBR vigilant throughout the year.

On the press conference, Mr Isarescu also added that the 'attack against the central bank', launched by the Prime Minister's economic adviser created credibility problems for policymakers. The NBR's governor also urged the government to uncouple the new bank tax from ROBOR rates. Mr Isarescu also defended the central bank against accusations that it was not patriotic enough to reduce interest rates.

Today the Board of the NBR meets with the members of the budget-finance committee, in order to discuss interbank money market rates.

Romania's leu firmed 0.1% against the euro yesterday. Meanwhile, stocks on the BVB mostly fell, headed by banking sector shares. The shares of TLV (-5.7%) and BRD (-4.2%) sank, after the Prime Minister's economic adviser Mr Valcov noted that the new tax on bank assets would be implemented.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
12-Feb	Tuesday	December	Industrial trade turnover index (YoY%)	2.9	9.5
		December	Index value of new orders in manufacturing (YoY%)	4.7	14.6
13-Feb	Wednesday	January	Consumer price index (YoY%)	3.2	3.3
		December	Industrial production (YoY%)		2.6
		December	CA balance (EUR mn, YTD)		-8,730
14-Feb	Thursday	Q4 2018	Flash GDP growth rate (YoY%)	3.9	4.4
		December	Turnover of market serv. provided to the population (YoY%)		9.1

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		8-Feb-19					
Investment funds	ccy	last NAV/U	1m%	Ytd%	52W%		
OTP AvantisRO	RON	10.5462	↑ 1.48	↑ 3.19	↓ -7.30		
OTP Obligatiuni	RON	15.3116	↑ 0.57	↑ 0.61	↑ 2.09		
OTP ComodisRO	RON	17.8315	↑ 0.21	↑ 0.28	↑ 2.71		
OTP Euro Bond	EUR	12.7375	↑ 0.40	↑ 0.39	↓ -0.65		
OTP Dollar Bond	USD	11.1198	↑ 0.54	↑ 0.55	↑ 0.72		
OTP Premium Return	RON	11.3805	↑ 1.52	↑ 1.79	↓ -3.56		
OTP Euro Premium Return	EUR	8.4595	↑ 0.03	↓ -0.50	↓ -13.48		
OTP Global Mix	RON	10.9051	↑ 1.72	↑ 2.05	↓ -5.93		

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