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Daily Report – Romania

Date: 07.08.2018

STOCK EXCHANGE

| | Close | Daily chg. (%) | Weekly chg. (%) |
|--------|-----------|----------------|-----------------|
| BET | 8,189.94 | ↑ 0.04 | ↑ 2.66 |
| BET-TR | 11,931.12 | ↑ 0.05 | ↑ 2.74 |
| BET-FI | 37,956.66 | ↑ 0.04 | ↑ 0.53 |
| BET-XT | 760.47 | ↑ 0.03 | ↑ 2.41 |
| TLV | 2.31 | → 0.00 | ↑ 2.00 |
| BRD | 14.08 | ↑ 1.00 | ↑ 2.62 |
| SNG | 32.40 | → 0.00 | ↑ 6.06 |
| FP | 0.89 | → 0.00 | ↑ 0.56 |
| SNP | 0.33 | ↓ -0.30 | ↑ 3.14 |

GOV'T BOND MARKET

| Maturity | Yield (%) | Daily chg. (bp) | Weekly chg. (bp) |
|----------|-----------|-----------------|------------------|
| 6 month | 3.25 | ↓ -10.0 | ↓ -15.0 |
| 12 month | 3.39 | ↓ -7.5 | ↓ -10.5 |
| 3 year | 4.10 | ↓ -12.0 | ↓ -13.0 |
| 5 year | 4.60 | ↓ -16.5 | ↓ -11.0 |
| 10 year | 4.83 | ↓ -10.0 | ↓ -6.0 |

GOV'T BOND AUCTIONS

| | Maturity | Auctions | Sold |
|--------|----------|------------|------------|
| Monday | 4.5Y | RON 400 mn | RON 800 mn |

MONEY MARKET

| | Rate (%/bp) | Daily chg (bp) | Weekly chg (bp) |
|----------|-------------|----------------|-----------------|
| ON ROBOR | 2.69 | ↓ -11.0 | ↓ -91.0 |
| 3M ROBOR | 3.36 | ↓ -4.0 | ↓ -11.0 |
| 6M ROBOR | 3.46 | ↓ -3.0 | ↓ -6.0 |
| 1Y ROBOR | 3.57 | ↓ -3.0 | ↓ -5.0 |
| 5Y CDS | 82.38 | ↓ 0.0 | ↑ 0.2 |

FX MARKET

| | Rate | Daily chg. (%) | Weekly chg. (%) |
|---------|--------|----------------|-----------------|
| EUR/RON | 4.6453 | ↑ 0.09 | ↑ 0.50 |
| USD/RON | 4.0051 | ↓ -0.31 | ↑ 1.30 |
| CHF/RON | 4.0224 | ↓ -0.26 | ↑ 0.76 |
| HUF/RON | 0.0145 | ↑ 0.05 | ↑ 0.73 |

Sources: Reuters, OTP Research

Summary

- In June average net wages grew by 14.3% YoY, reaching RON 2,721; public sector salaries slowed somewhat, recording 23.4% annual gain; but private sector wage growth picked up, to 11.9% YoY.
- Today NBR governor Mugur Isarescu will present the new inflation report at a press conference.
- Money market rates continued to ease after the NBR's surprise decision to leave rates on hold.

In June, average net wages posted 14.3% YoY gain, slightly below May's 14.4% advance as wage dynamics slightly slowed in the public sector (23.4% YoY vs. 24.4% a month earlier). Nevertheless, private sector salaries accelerated, recording 11.9% annual increase, 0.3 percentage points higher than in the previous month. The pick-up in the case of the private sector was broad-based, with all of the main branches of the economy (market services, industry, construction and agriculture) observing higher growth rates. In MoM comparison, net wages grew by 1.1%, our in-house seasonally adjusted data showed. We recall that at the beginning of this year, the annual growth rate of net wages slowed temporarily as important tax changes and unfavourable base effects weighed on dynamics. However, owing to the tight labour market, salaries bounced back swiftly. Given this context, we think that households' consumption was a key driver of economic growth in Q2 2018, after the sluggish performance in the period of January-March 2018. Romania's statistical office will reveal its first estimate on Q2 GDP data next week. We also underscore that the strong wage dynamics translates into important pressure on consumer prices. Admittedly, [headline inflation](#) is set to decelerate meaningfully in the second half of this year, but underlying pressures could remain robust over the medium term. On Monday, NBR governor Mr Isarescu stated on his post-[policy-meeting](#) that a battle was won, as inflation is starting to come down. Nonetheless, we think that it is also worth noting that this war is not over yet.

Today central bank governor Mugur Isarescu will present the August 2018 Inflation report, prepared by the NBR staff. On Monday, the NBR revealed that the new forecast reaffirmed that the annual inflation rate would decrease towards the upper bound of the tolerance band (3.5%-1.5%) in the final months of 2018. On a longer time horizon, the projection was slightly revised downwards, the central bank also said. May's Inflation Report expected headline inflation to finish 2018 at 3.6% and to slow to 3% by the end of 2019.

Yesterday the leu continued to lose ground against the euro, while money market rates and government securities yields eased further. This came after Monday's decision of the NBR to leave the policy rate unchanged, and to inject RON 10.5 bn extra liquidity into the market (for further details please see our latest [Monetary Policy Commentary](#)).

| Date | PERIOD | INDICATOR | FACT | CONSENSUS | PREVIOUS | |
|--------|-----------|-----------|---|-----------|----------|------|
| 6-Aug | Monday | August | Base rate decision (%) | 2.50 | 2.75 | 2.50 |
| 7-Aug | Tuesday | June | Net wage growth rate (YoY%) | 14.3 | | 14.4 |
| 8-Aug | Wednesday | | no data | | | |
| 9-Aug | Thursday | June | Exports (FOB, YoY%) | | | 5.2 |
| | | June | Imports (CIF, YoY%) | | | 6.8 |
| 10-Aug | Friday | July | Consumer price index (YoY%) | | | 5.4 |
| | | June | Industrial production (YoY%) | | | 1.2 |
| | | June | Industrial trade turnover index (YoY%) | | | 11.4 |
| | | June | Index value of new orders in manufacturing (YoY%) | | | 16.3 |

Sources: NIS, NBR, Reuters, OTP Research

| OTP AM – Investment Funds | | 6-Aug-18 | | | | | |
|---------------------------|-----|------------|---|------|---|-------|---------|
| Investment funds | ccy | last NAV/U | | 1m% | | Ytd% | 52W% |
| OTP AvantisRO | RON | 11.0463 | ↑ | 2.67 | ↓ | -0.30 | ↑ 1.27 |
| OTP Obligatiuni | RON | 15.0927 | ↑ | 0.31 | ↑ | 0.96 | ↑ 1.53 |
| OTP ComodisRO | RON | 17.5259 | ↑ | 0.23 | ↑ | 1.19 | ↑ 1.68 |
| OTP Euro Bond | EUR | 12.7720 | ↑ | 0.06 | ↓ | -0.49 | ↑ 0.09 |
| OTP Dollar Bond | USD | 11.0627 | ↑ | 0.23 | ↑ | 0.37 | ↑ 0.80 |
| OTP Premium Return | RON | 11.7671 | ↑ | 1.19 | ↓ | -0.68 | ↑ 1.87 |
| OTP Euro Premium Return | EUR | 9.5737 | ↑ | 1.22 | ↓ | -4.38 | ↓ -2.80 |
| OTP Global Mix | RON | 11.6217 | ↑ | 0.60 | ↓ | -0.44 | ↑ 3.22 |

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