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Daily Report – Romania

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STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	8,670.30	↑ 1.28	↑ 2.15
BET-TR	12,621.85	↑ 1.31	↑ 2.12
BET-FI	37,190.27	↑ 0.55	↑ 1.27
BET-XT	788.32	↑ 0.94	↑ 1.66
FP	0.97	↑ 3.41	↑ 5.55
SNP	0.39	↑ 0.38	↑ 3.15
BRD	13.38	↓ -0.15	↑ 0.60
TLV	2.37	↑ 0.85	↑ 0.85
DIGI	29.60	↑ 0.34	↑ 3.86

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	3.22	↓ -1.5	↓ -1.0
12 month	3.35	↑ 0.5	↑ 1.5
3 year	4.18	↑ 2.0	↑ 3.0
5 year	4.75	↑ 0.5	→ 0.0
10 year	5.00	↓ -0.5	↓ -1.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	10.3Y	RON 500 mn	RON 648.5 mn
Thursday	3.0Y	RON 500 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	2.31	↓ -28	↓ -45
3M ROBOR	3.17	→ 0	→ 0
6M ROBOR	3.42	↑ 1	↓ -1
1Y ROBOR	3.55	→ 0	→ 0
5Y CDS	88.38	↑ 0	↑ 0

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.6660	↓ -0.03	↓ -0.02
USD/RON	4.0573	↑ 0.64	↑ 0.15
CHF/RON	4.0762	↑ 0.16	↓ -0.37
HUF/RON	0.0145	↓ -0.11	↑ 1.08

Sources: Reuters, OTP Research

Summary

- The Board of the NBR decided to tighten lending conditions for households. The new regulation will be enforced starting from 1 January 2019. The stricter rules are expected to have a more significant effect on low-earners' access to credit.
- The EUR/RON changed little.

Yesterday the Board of the NBR decided to tighten lending conditions, introducing a new indebtedness ceiling for households, starting from 1 January 2019, the central bank said in a press release. The stricter regulation is expected to have a more significant effect on households with close-to-average and below-average wages.

According to the NBR's [press release](#), borrowers' monthly loan instalment shall not exceed 40% of their income for RON denominated loans, and 20% for foreign currency denominated ones. In the case of first-time homebuyers, the DSTI (debt-services-to-income) ceiling will be set slightly higher, to 45%. The new rule also includes certain exemptions from the DSTI cap (up to 15% of new loans at each creditor) in order to provide some flexibility to commercial banks. At the same time, loans granted exclusively for refinancing will be also exempted from the requirements on the level of indebtedness.

The precise effect of the new rule is difficult to assess at this point, but overall, the regulation is expected to result in slower loan expansion than in the no-change scenario, but household lending could also have a lower risk profile than previously thought. The press release of the NBR notes that the banking system's average indebtedness cap stood at 47% in the case of housing loans and at 45% in the case of consumer loans (both above the new standard of 40%).

Earlier this year, a [research paper](#) of the IMF, which was prepared together with NBR's specialists, said that a 40% ceiling on DSTI (with the 15% exemption) would imply 12% reduction in the flow of new household loans. Nevertheless, it is important to note that the IMF's estimation took into account a somewhat different variant of the regulation (e.g. interest rate and FX shocks would also have been applied before analysing indebtedness), and several assumptions were also made by the authors.

The NBR said that the new rules made lending activity more sustainable over the long term. We think that the tighter lending conditions could result in a kind of puffer, helping to absorb shocks. This may be useful when external conditions become adverse, particularly, as there is very limited [fiscal room](#) for addressing the effects of a potential global downturn.

In yesterday's gloomy global trading mood, the US dollar firmed compared to the euro, while the CEE region's currencies weakened slightly. At the same time, the EUR/RON was little changed.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
15-Oct	Monday	August	Construction works (YoY%)	-10.3	-15.7
		August	CA balance (EUR mn, YTD)	-5,830	-4,811
16-Oct	Tuesday		no data		
17-Oct	Wednesday		New passenger car registrations (YoY%)	-73.4	112.9
18-Oct	Thursday		no data		
19-Oct	Friday		no data		

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		16-Oct-18					
Investment funds	ccy	last NAV/U		1m%		Ytd%	52W%
OTP AvantisRO	RON	11.1399	↑	2.24	↑	0.55	↑ 1.42
OTP Obligatiuni	RON	15.1707	↑	0.21	↑	1.48	↑ 1.89
OTP ComodisRO	RON	17.6341	↑	0.24	↑	1.82	↑ 2.11
OTP Euro Bond	EUR	12.7547	↑	0.02	↓	-0.63	↓ -0.48
OTP Dollar Bond	USD	11.0821	↑	0.07	↑	0.54	↑ 0.65
OTP Premium Return	RON	11.6329	↓	-1.02	↓	-1.81	↓ -0.60
OTP Euro Premium Return	EUR	9.1765	↓	-2.60	↓	-8.35	↓ -7.79
OTP Global Mix	RON	11.2957	↓	-1.43	↓	-3.23	↓ -2.09

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