



Between August and December 2023, contagion between the stock markets analyzed decreased and the spillover index showed a downward trend and returned to the long-term average as heightened concerns about further interest rate hikes globally affected the risk appetite.

MONTHLY MARKET REPORT

Summary

- The Amihud indicator shows that in the first 3 quarters of 2023, the dynamics of the BET index reflected ample liquidity as a result of the interest of retail and investment investors in the companies from the BET index structure.
- Contrary to the previous month, the volatilities of the BET, BET-NG, BET-BK, BET-TR, and BET-FI indices exhibited a predominant downward trend throughout the month of November. For all indices, the average volatilities decreased compared to the previous month. The volatilities of these indices were estimated using a GARCH (1,1) model.
- In H1 2023, the volume of gross premiums written by insurance companies supervised by ASF amounted to EUR 1.83 billion (+4% compared to H1 2022), with premiums recorded by non-life insurers accounting for 83%.
- Gross claims paid increased by 2.3% to EUR 781 million.
- The value of the total assets of the privately managed pension funds reached EUR 24.45 billion at the end of November 2023, with an annual increase of 26%, compared to November 2022.
- At the end of November 2023, the voluntary pension funds' total assets value was EUR 914 million, with an annual increase of 25%, compared to November 2022.

World Macroeconomic Outlook

According to the Autumn 2023 Economic Forecast, the European Commission projects economic growth of 0.6% in both the euro area and the EU in 2023, a downward revision (-0.2 pp) from the previous forecast (Summer 2023 Economic Forecast). According to the European Commission, Romania's gross domestic product will grow by 2.2% in 2023, a downward revision (from 3.2%: Spring 2023 Economic Forecast).

According to the flash estimates published by Eurostat, in the third quarter of 2023, **the seasonally adjusted GDP** decreased by 0.1% in the euro area and it remained stable in the EU, compared to the previous quarter. Compared with the same quarter of the previous year, seasonally adjusted GDP remained stable in both the euro area and the EU in the third quarter of 2023, after +0.6% in the euro area and +0.5% in the EU in the previous quarter.

Based on the data from the National Institute of Statistics (NIS), the domestic economy grew by 0.9% (in real terms) in Q3 2023 compared to Q2 2023. Compared to the third quarter of 2022, in the third quarter of 2023, Romania's gross domestic product increased by 1.1% on the gross series and by 2.9% on the seasonally adjusted series.

The National Commission for Strategy and Prognosis (NCSP) revised downwards its economic forecast for gross domestic product growth for 2023, to 2% according to the NCSP Autumn 2023 Forecast (from 2.8% according to the NCSP Summer 2023 Forecast).

Evolution of GDP (%) and GDP forecast (%)

Country	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Q1 2023	Q2 2023	Q3 2023	European Commission		IMF	
										2023f	2024f	2023f	2024f
Euro area	5.9	5.4	4.1	2.4	1.8	3.4	1.3	0.6	0.0	0.6	1.2	0.7	1.2
Germany	3.2	4.0	1.6	1.2	0.8	1.8	-0.2	0.1	-0.4	-0.3	0.8	-0.5	0.9
Bulgaria	7.7	5.6	5.0	3.7	2.7	3.9	2.4	2.0	1.8	2.0	1.8	1.7	3.2
Hungary	7.1	7.7	6.4	3.9	0.5	4.6	-1.1	-2.2	-0.3	-0.7	2.4	-0.3	3.1
Poland	6.9	10.1	6.5	5.0	0.8	5.3	-1.4	-0.3	0.6	0.4	2.7	0.6	2.3
Romania	5.7	4.6	4.5	4.1	5.0	4.6	1.2	2.6	2.9	2.2	3.1	2.2	3.8

Source: Eurostat, percentage change compared with the same quarter of the previous year - seasonally adjusted data, European Commission, Autumn 2023 Economic Forecast, World Economic Outlook – October 2023, IMF

World Macroeconomic Outlook

Monetary policy interest rates

Romania	Euro area	USA	United Kingdom
7%	4,50%	5,25% - 5,5%	5,25%

Following the monetary policy meeting of 8th November 2023, the **National Bank of Romania** decided: to maintain the **monetary policy interest rate at 7% per annum**; to maintain the interest rate on the lending facility (Lombard) at 8% per annum and the interest rate on the deposit facility at 6% per annum; and to maintain the current levels of the required minimum reserve rates for credit institutions' liabilities in RON and foreign currency.

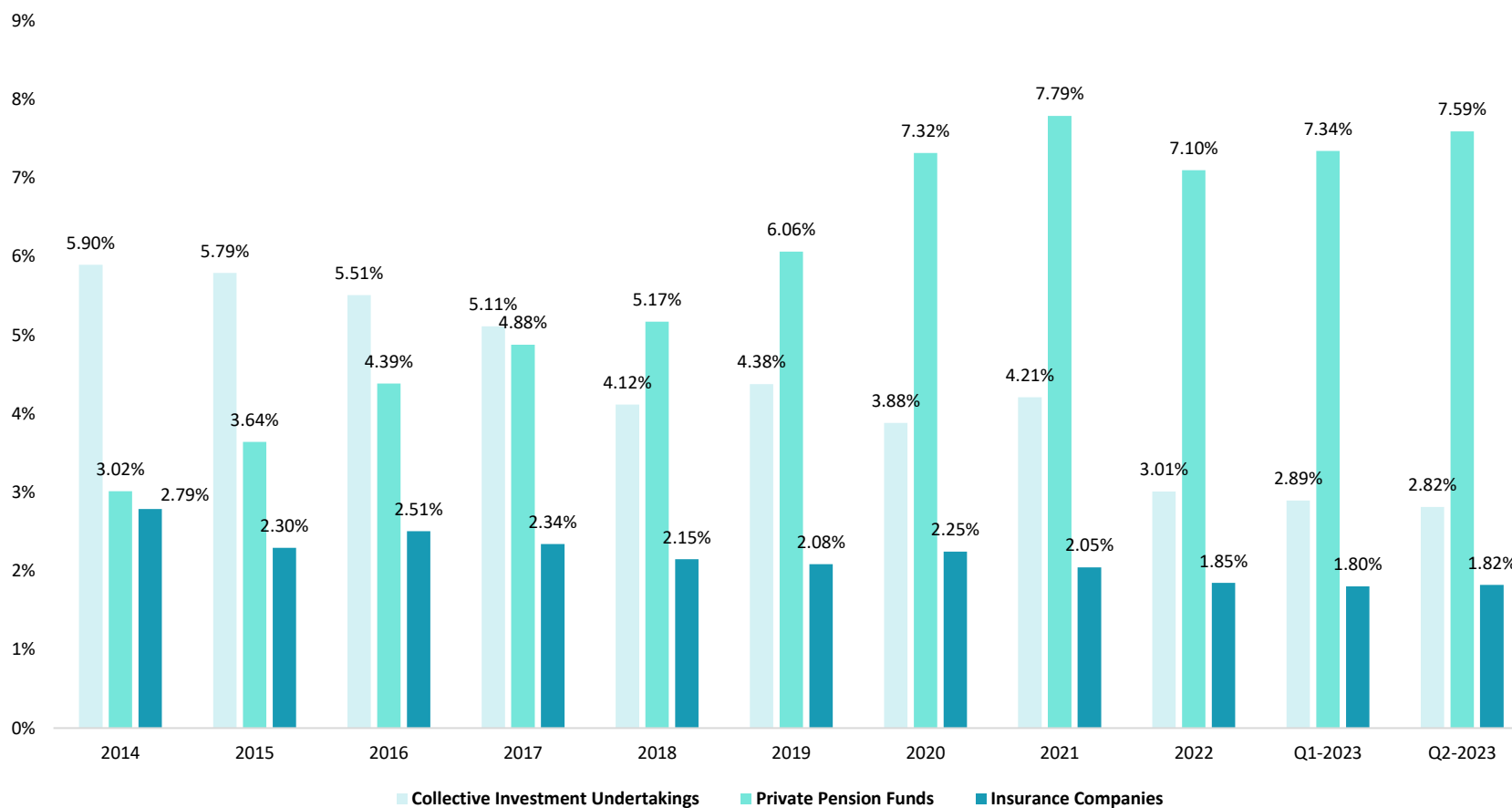
The Economic Sentiment Indicator (ESI) registered a value of 93.7 points in the European Union in November 2023. In November 2023, confidence in the industrial sector decreased by 0.2 points from the previous month's value and confidence in the building sector increased by 0.9 points from the level recorded in October 2023. In Romania, the economic sentiment indicator is higher than the EU average, standing at 101.9 points in November 2023, up from 101.4 points in October. In Romania, confidence in the retail sector decreased by 1.5 points compared with the previous month.

The annual inflation rate in the euro area was 2.4% in November 2023, down from 2.9% in the previous month, according to the data published by Eurostat. In November, the highest contribution to the annual euro area inflation rate came from services (+1.69 percentage points, pp), followed by food, alcohol & tobacco (+1.37 pp), non-energy industrial goods (+0.75 pp) and energy (-1.41 pp).

Locally, the annual CPI inflation rate stood at 6.72% in November 2023 compared to November 2022. Significant contributions to the annual inflation rate were made by increases in food prices (+6.84%), non-food prices (+5.08%) and services (+11.18%), according to data published by the National Institute of Statistics.

Dimension of the non-bank financial sector

Evolution of non-banking system's assets (% of GDP)



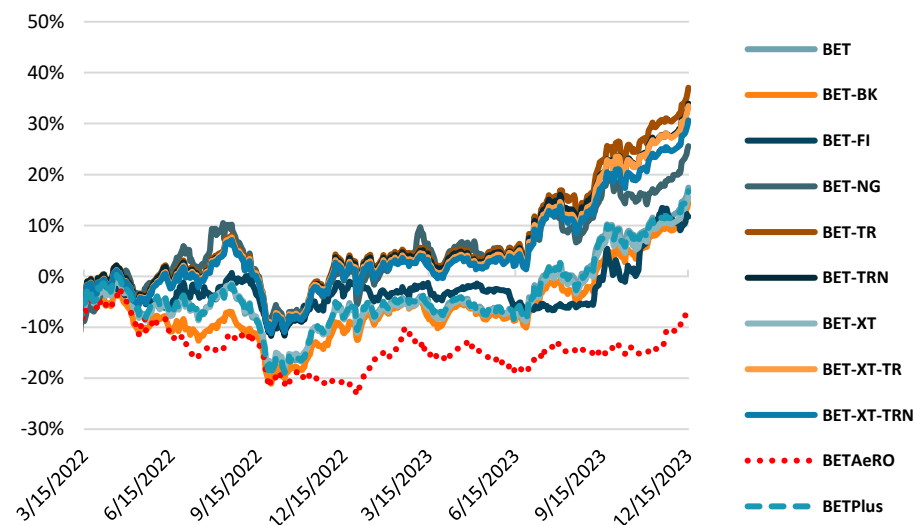
Source: NBR, NIS, ASF

Current trends in Romanian capital markets

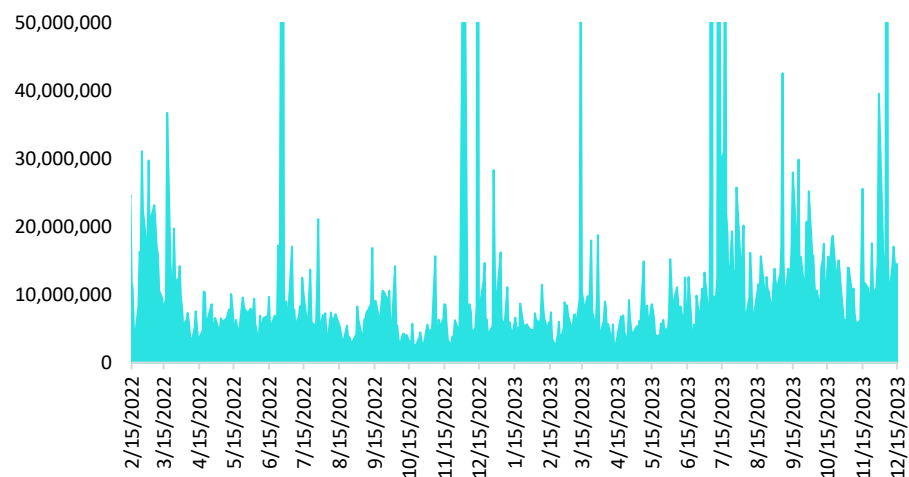
**Romanian stock indices evolution in 2023
(30.12.2022 = 100; EUR)**

Date	BET	BET-BK	BET-FI	BET-NG
	31.49%	30.71%	15.87%	32.13%
	BET-TR	BET-TRN	BET-XT	BET-XT-TR
12/15/2023	39.62%	37.14%	29.68%	36.97%
	BET-XT-TRN	BETAeRO	BETPlus	
	34.72%	18.35%	30.03%	

Evolution of local stock indices (EUR)



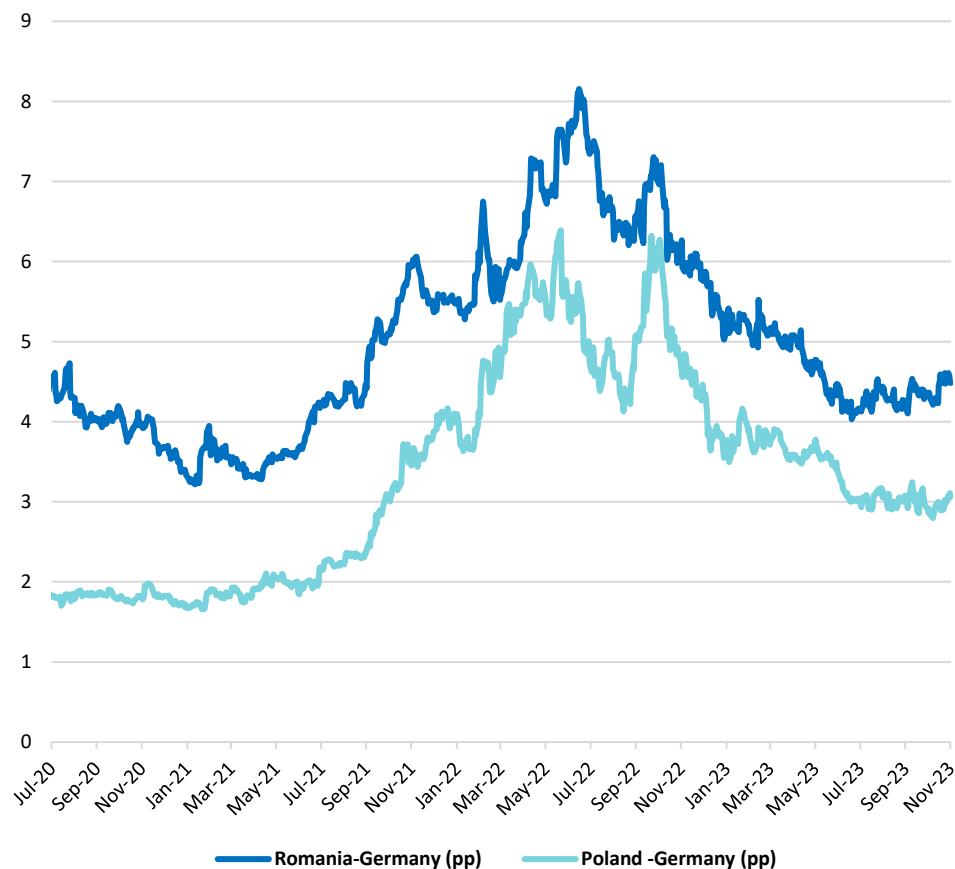
Equities traded value on BSE (EUR)



Source: BSE; ASF calculations

Macroeconomic risk in Romania: external position and market perception of sovereign risk

Government bond yields spread of Romania (10Y, LC)



Source: Refinitiv

The spread between Romania's 10-year euro-denominated sovereign bonds and similar German bonds increased in November 2023, remaining below the values recorded during 2022. The decrease in the spread can be interpreted as a recovery of investors' confidence in Romania's country rating.

Market risk: evolution of local and international stock indices at the end of November 2023

International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	7.90%	0.92%	3.23%
FR (CAC 40)	6.17%	-0.08%	2.99%
DE (DAX)	9.49%	1.68%	3.52%
IT (FTSE MIB)	7.19%	3.14%	14.15%
GR (ASE)	6.88%	-2.85%	4.63%
IE (ISEQ)	6.65%	-6.60%	-1.26%
ES (IBEX)	11.54%	5.81%	11.14%
UK (FTSE 100)	1.80%	0.20%	0.10%
US (DJIA)	8.77%	3.54%	9.25%
IN (NIFTY 50)	5.52%	4.57%	8.63%
SHG (SSEA)	0.36%	-2.89%	-5.44%
JPN (N225)	8.52%	2.66%	8.41%

BSE indices	1 M	3 M	6 M
BET	3.47%	10.98%	20.30%
BET-BK	3.20%	12.22%	18.33%
BET-FI	3.84%	17.90%	13.63%
BET-NG	4.69%	8.87%	14.53%
BET-TR	3.44%	13.66%	24.98%
BET-TRN	3.44%	11.98%	22.98%
BET-XT	3.32%	10.93%	18.67%
BET-XT-TR	3.29%	13.04%	22.99%
BET-XT-TRN	3.29%	11.52%	21.16%
BETAeRO	4.93%	5.61%	7.81%
BETPlus	3.34%	10.74%	19.86%
ROTX	3.31%	11.16%	20.46%

Source: Refinitiv, BSE, ASF calculations

Note: 1M=11/29/2023 vs. 10/31/2023; 3M=11/29/2023 vs. 08/31/2023; 6M=11/29/2023 vs. 05/31/2023

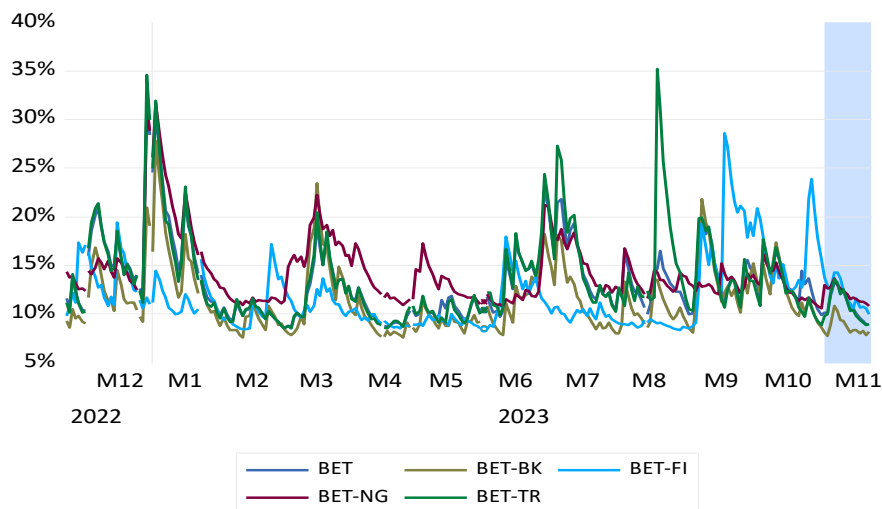
The European indices analysed recorded positive developments (1 month). The most significant increase was recorded by the IBEX index (ES: +11.54%), followed by the DAX index (DE: +9.49%).

The main US and Asian indices showed positive developments (1 month). The DJIA index (US: +8.77%) had the most significant increase, followed by the N225 index (JPN: +8.52%).

The BSE indices showed positive developments (1 month). The BET-NG index, which reflects the evolution of companies listed on the regulated market of the BSE whose main activity is energy and related utilities, showed an increase of +4.69%. Also, the BETAeRO index, which reflects the price performance of the representative companies listed on the AeRO market that meet the liquidity and free-float market capitalization criteria, registered an advance of +4.93%.

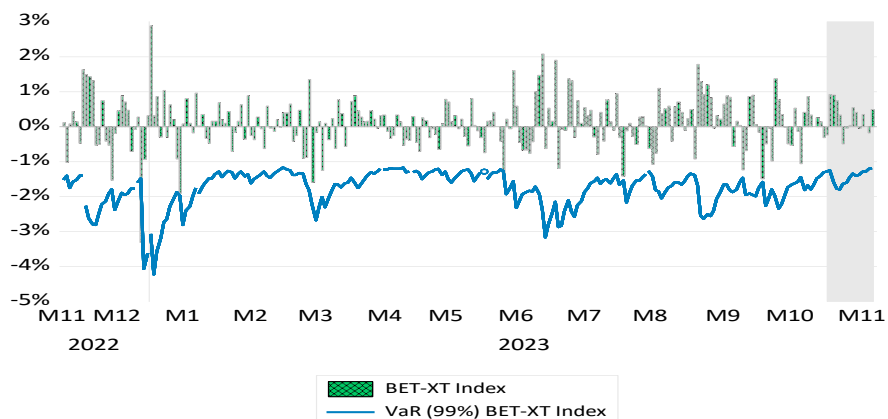
Market risk: evolution of stock indices

The volatility of local stock market indices - GARCH (1,1)



Contrary to the previous month, the volatilities of the BET, BET-NG, BET-BK, BET-TR, and BET-FI indices exhibited a predominant downward trend throughout the month of November. For all indices, the average volatilities decreased compared to the previous month. The volatilities of these indices were estimated using a GARCH (1,1) model.

BET-XT Index vs VaR (99%) BET-XT Index

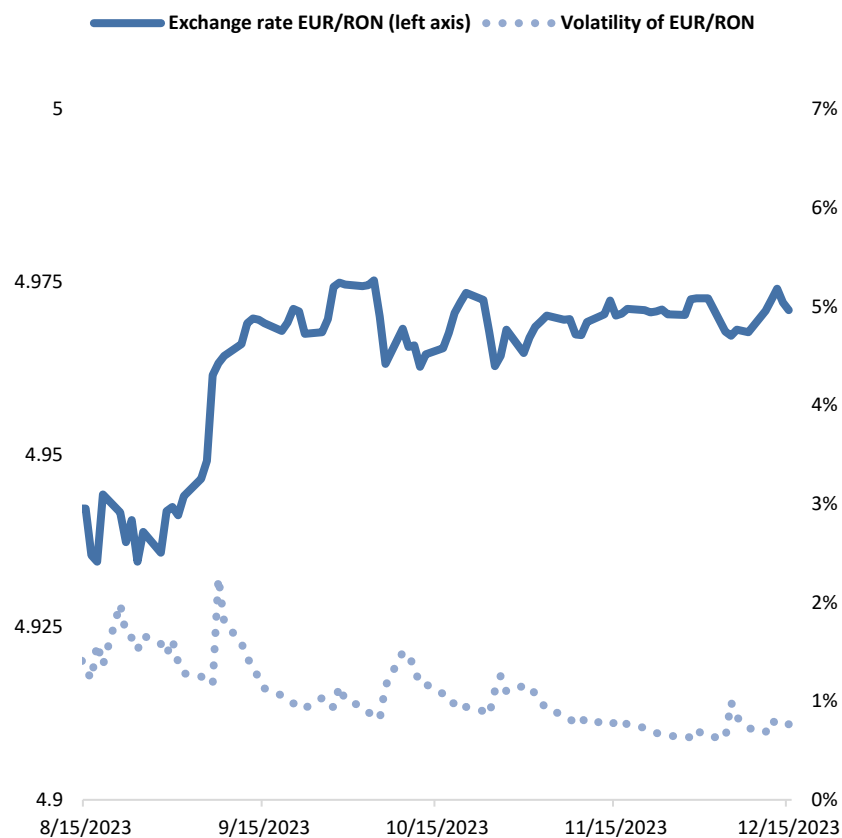


Source: BSE, ASF calculations

The accompanying figure illustrates the temporal patterns of the BET-XT index, juxtaposed with the progression of the daily Value at Risk (VaR) at a 1% significance level (VaR at 99%), calculated under the assumption of a normal distribution. The estimations conducted for the month of November reveal that the VaR statistic resides within the interval of 1.2% to 1.8%.

Market Risk: exchange rate volatility

EUR/RON Exchange Rate vs Volatility

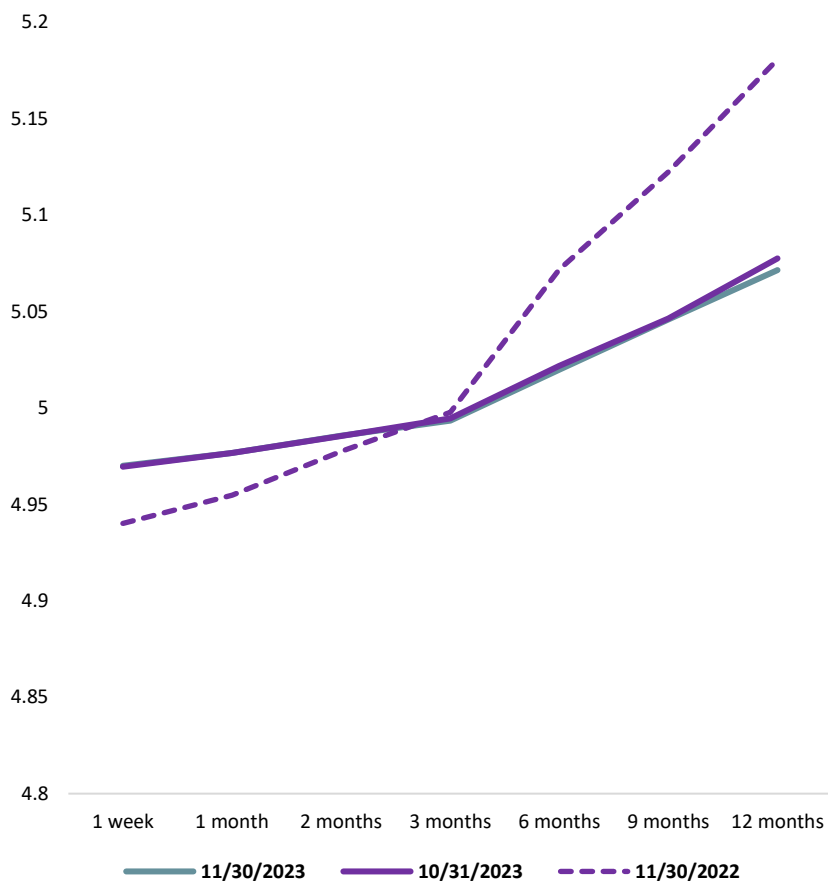


Between August and December, the volatility of the EUR/RON exchange rate fluctuated between 1-2.5% and the exchange rate level oscillated between 4.93-4.97 EUR/RON. The exchange rate has depreciated amid the inflation differential between Romania and the euro area.

Source: Refinitiv, ASF calculations

Market Risk: term structure of EUR-RON forward rate

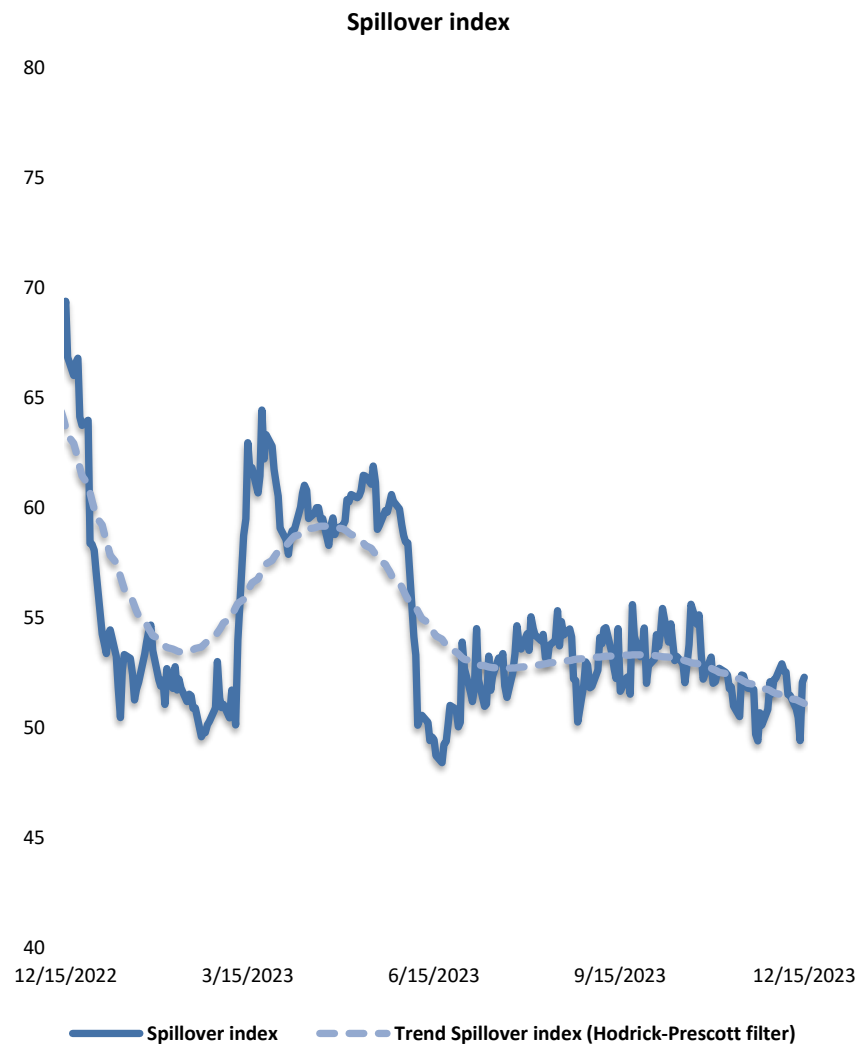
The term structure of the EUR-RON forward rate



The term structure of the forward rate for the EURRON exchange rate with maturities between one week and twelve months shows the market expectations. There are expectations of EURRON depreciation for maturities between 3 and 12 months with respect to the previous month.

Source: Refinitiv, ASF calculations

Market Risk: Spillover Index



Source: Refinitiv, ASF calculations

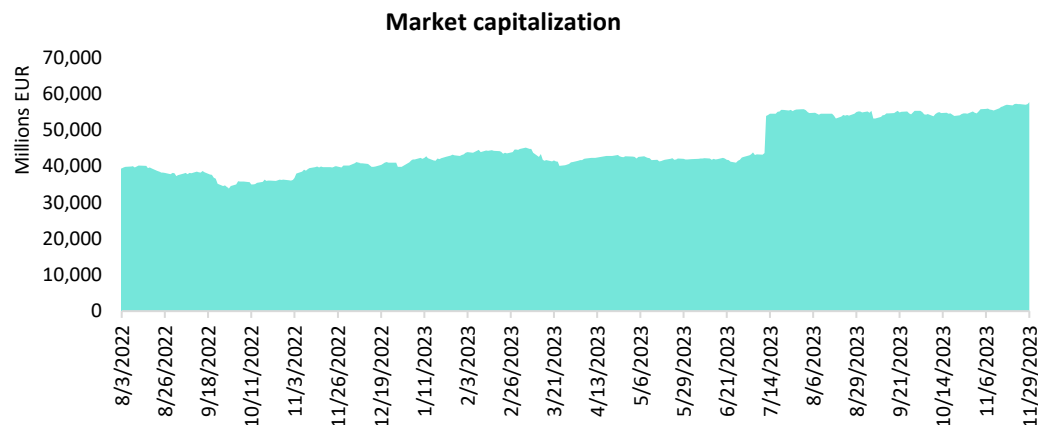
The Spillover index measures the marginal contribution of the external capital markets on the Romanian stock exchange. The Romanian capital market is sensitive to the same regional risk factors that influence the Austrian, Polish, Hungarian, and Bulgarian stock market returns. There is a strong link between the spillover effect and the companies' returns, since the increase in the spillover tends to diminish the returns of the companies listed on the Bucharest Stock Exchange. The Bucharest Stock Exchange as well as the main European stock markets have recorded increases in August and September.

Between August and December 2023, contagion between the stock markets analyzed decreased and the spillover index showed a downward trend and returned to the long-term average as heightened concerns about further interest rate hikes globally affected the risk appetite.

Liquidity indicators on Romanian Stock Exchanges

The market capitalization recorded a 45% increase at the end of November 2023 compared to the end of 2022.

During November 2023, the 3 most traded companies on BSE were S.P.E.E.H. Hidroelectrica SA with a share of 32.18%, Banca Transilvania (TLV: 10.19%) and Fondul Proprietatea (FP: 9.60%)



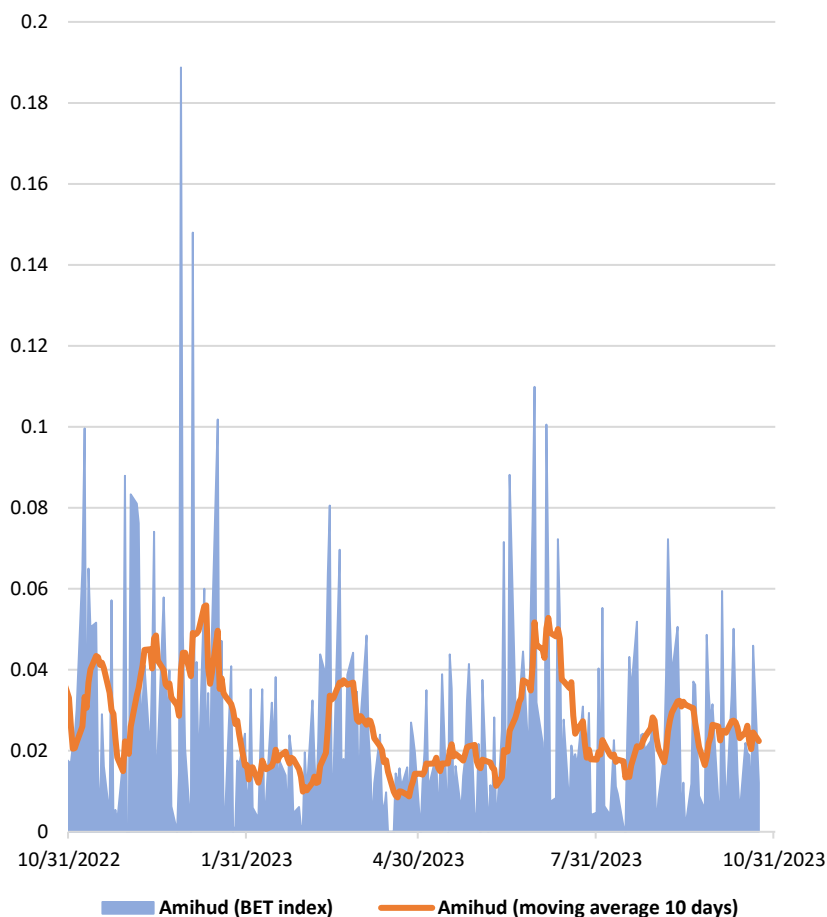
The BSE's Most Traded Companies during November 2023 (Only the Main Segment)

Symbol	Main Market		Deal		Offers		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
H2O	76,528,104	33.75%	4,499,048	24.93%	0	0.00%	81,027,152	32.18%
TLV	25,661,261	11.32%	0	0.00%	0	0.00%	25,661,261	10.19%
FP	24,179,258	10.66%	0	0.00%	0	0.00%	24,179,258	9.60%
SNP	17,128,297	7.55%	774,617	4.29%	0	0.00%	17,902,914	7.11%
BRD	15,756,604	6.95%	0	0.00%	0	0.00%	15,756,604	6.26%
SNG	14,221,343	6.27%	0	0.00%	0	0.00%	14,221,343	5.65%
SNO	83,028	0.04%	9,144,506	50.67%	0	0.00%	9,227,533	3.67%
EL	7,900,860	3.48%	0	0.00%	0	0.00%	7,900,860	3.14%
ELMA	457,466	0.20%	0	0.00%	6,982,430	100.00%	7,439,896	2.96%
TTS	6,388,647	2.82%	0	0.00%	0	0.00%	6,388,647	2.54%
SNN	5,064,141	2.23%	0	0.00%	0	0.00%	5,064,141	2.01%
DIGI	4,001,562	1.76%	562,352	3.12%	0	0.00%	4,563,914	1.81%
ONE	1,668,196	0.74%	1,478,814	8.19%	0	0.00%	3,147,010	1.25%
SIF5	1,293,250	0.57%	1,384,250	7.67%	0	0.00%	2,677,500	1.06%
BVB	2,319,611	1.02%	0	0.00%	0	0.00%	2,319,611	0.92%
Top 15 Total							90.35%	

Source: BSE data, ASF calculations

Liquidity indicators on Romanian Stock Exchanges

Amihud liquidity indicator for the BET index



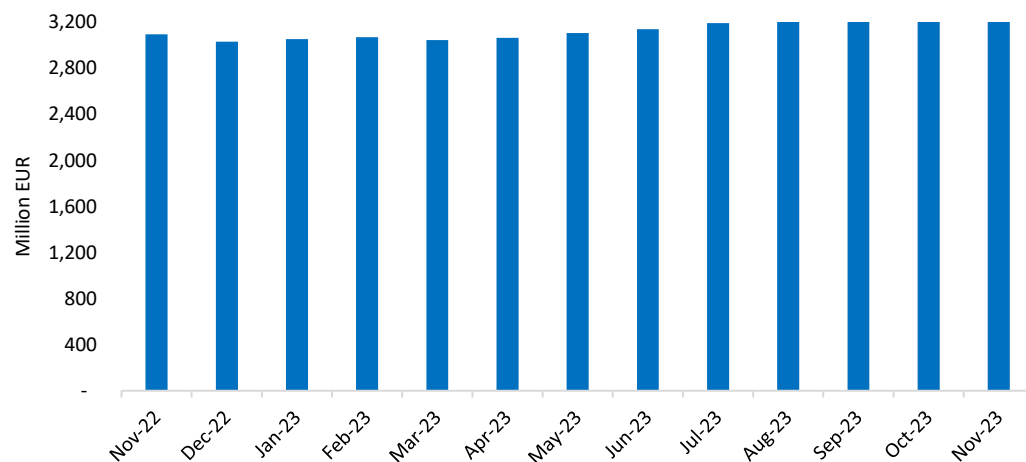
The Amihud indicator is calculated as the ratio of absolute returns and trading volume. The Amihud indicator is used as a measure of liquidity in both the empirical financial literature and financial market microstructure studies. A high indicator value indicates a reduction in market liquidity and/or significant fluctuations in asset prices for a decreasing volume. A low indicator value indicates a liquid market with high trading volumes.

The indicator shows that in the first 3 quarters of 2023, the dynamics of the BET index reflected ample liquidity as a result of the interest of retail and investment investors in the companies from the BET index structure.

Source: ASF calculations, BSE data

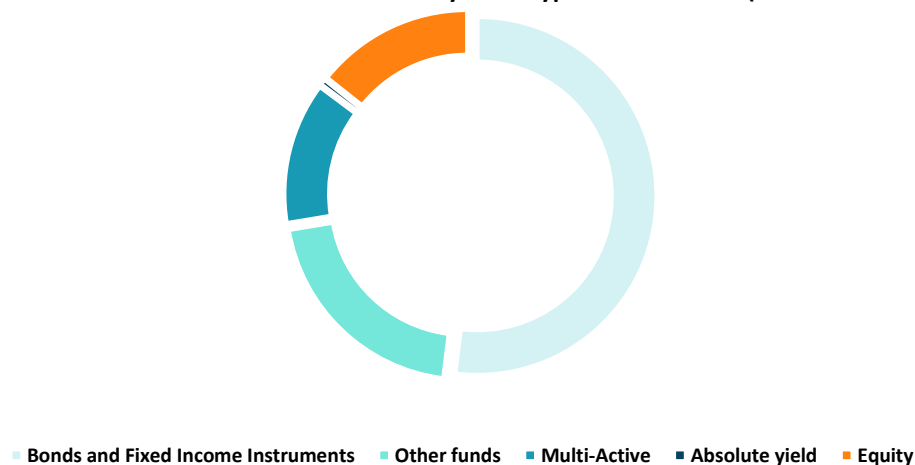
Specific developments in the investment funds sector

**Evolution of net assets of open-end investment funds
(November 2022 – November 2023)**



According to data published by AAF, net assets of open-end investment funds (OeIF) stood at a value of aprox. EUR 3.4 billion in November 2023, up compared to the previous month (EUR 3.3 billion).

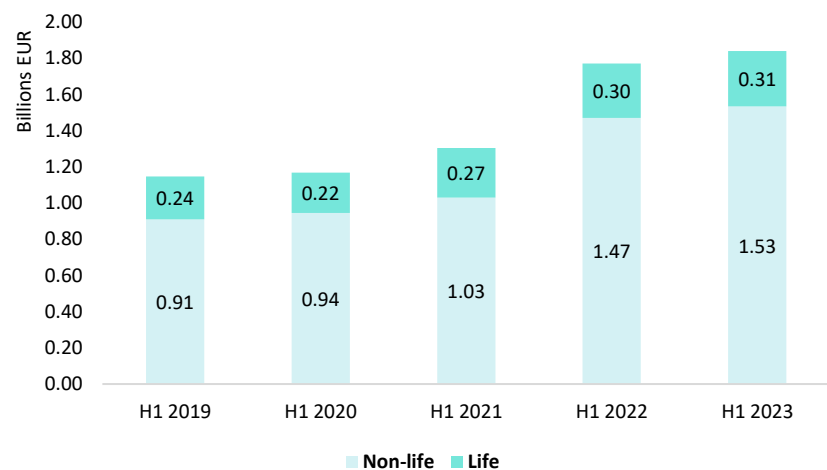
Open-end investment funds' market share by Fund Type and Net Asset (November 2023)



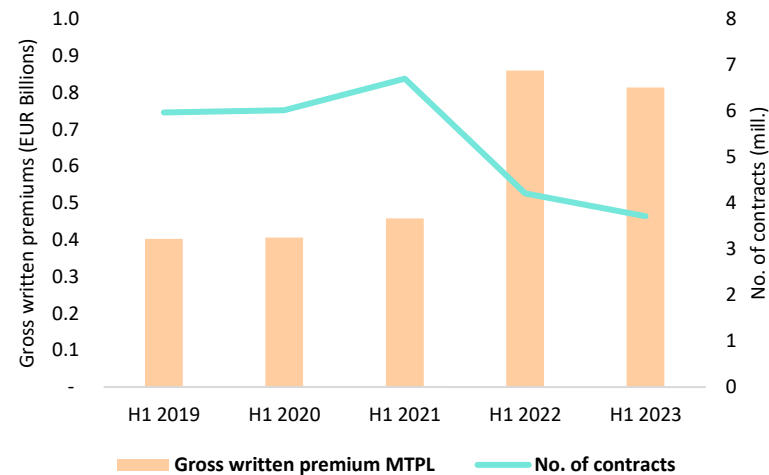
In November 2023, open-end bond and fixed income instruments funds hold the largest share in total net assets of OeIF (around 52%), while the "other funds" category has a market share of approximately 20%.

Specific developments in the insurance market in Romania

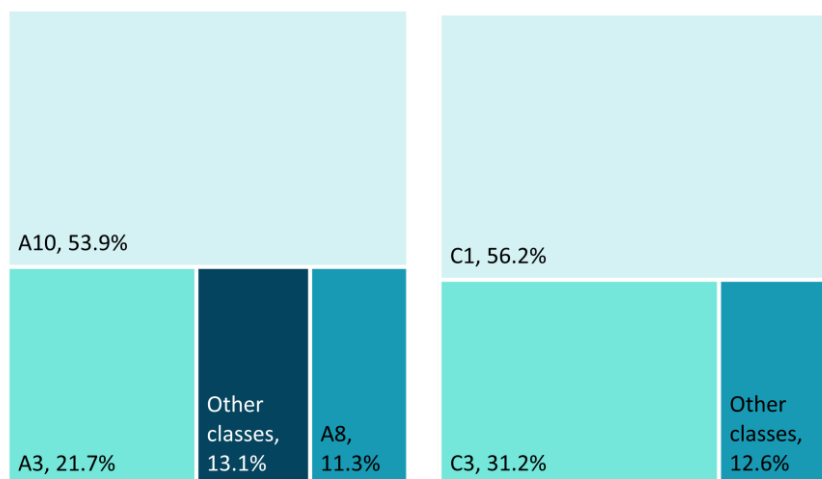
Gross written premiums (total)



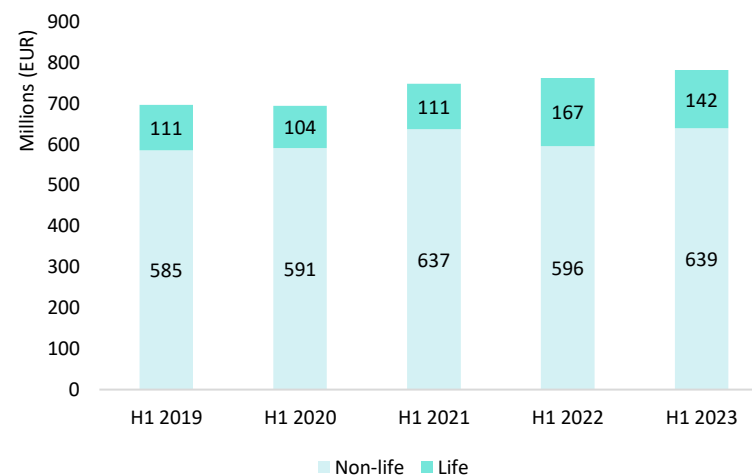
MTPL gross written premiums



Share of main insurance classes by GWP



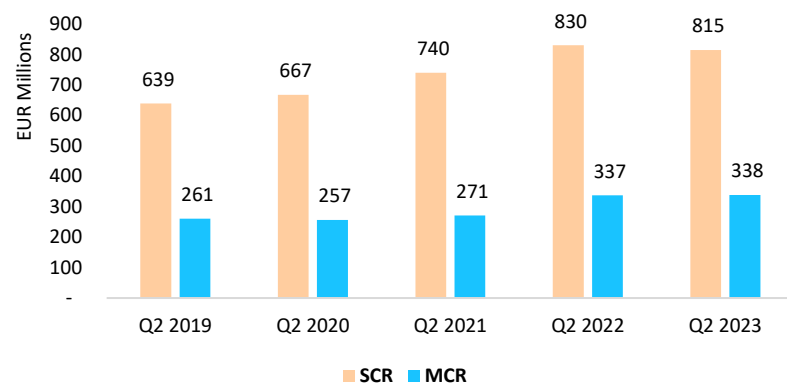
Gross claims paid



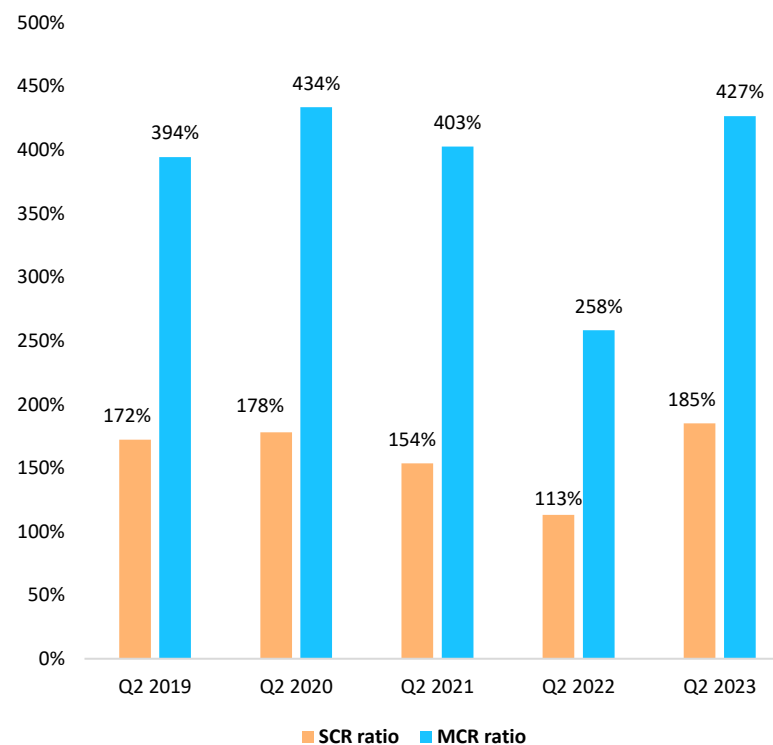
Source: ASF. Incl. Euroins Romania data (Q1 2023)

Specific developments in the insurance market in Romania

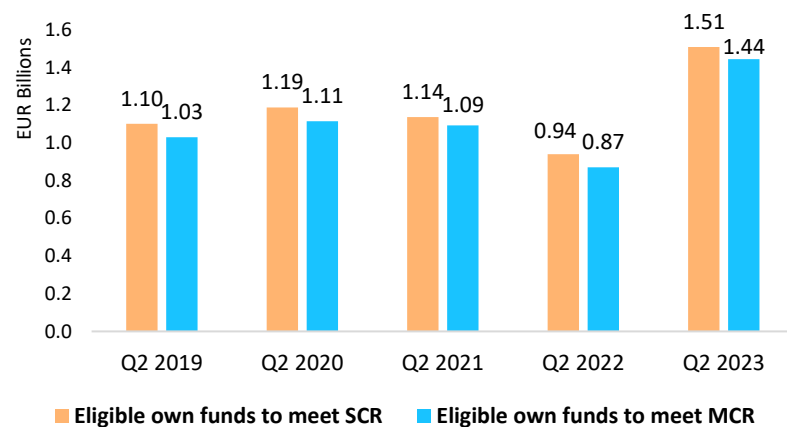
Evolution of capital requirements (SCR and MCR)



SCR and MCR ratio



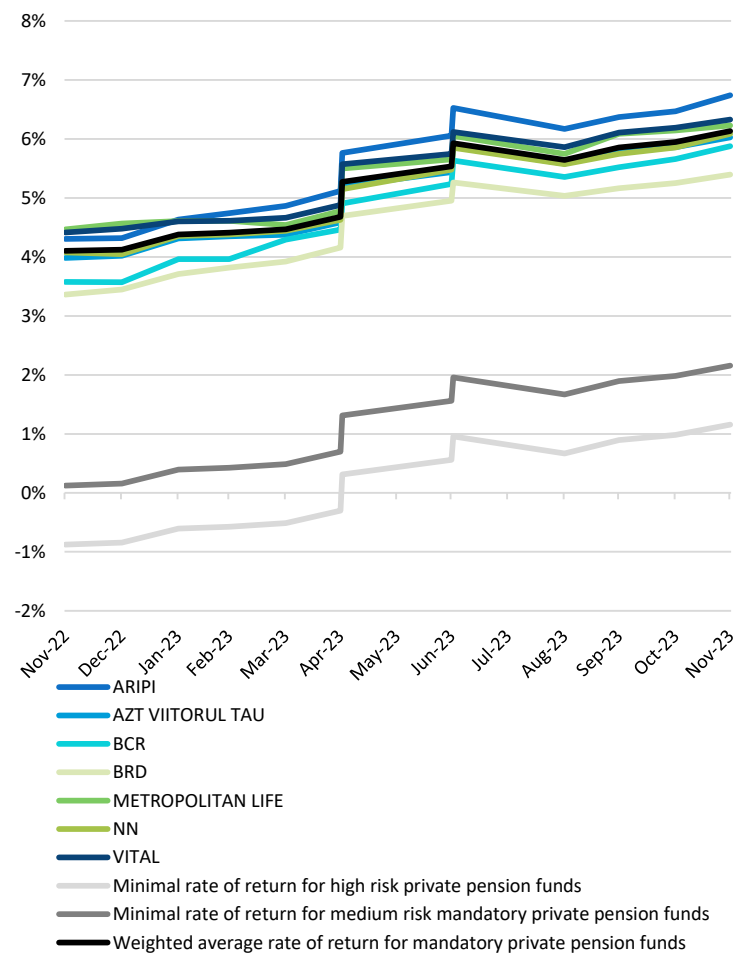
Total eligible own funds to meet the SCR and total eligible own funds to meet the MCR



Source: ASF; Q2 2022: incl. Euroins Romania data, according to ASF's adjustments; Q2 2023: excl. Euroins Romania data

Specific developments in the mandatory private pension funds sector (2nd Pillar):

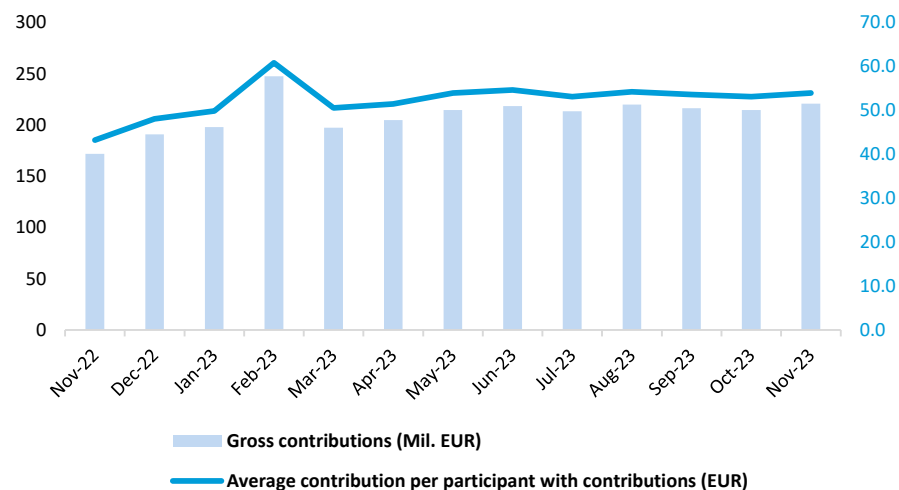
Rate of return for mandatory pension funds



Total assets (EUR), number of participants and return rates 30-Nov-23

Mandatory pension fund	Total Assets (EUR)	Participants (persons)	Annualized 60 months return rate
ARIP	2,230,810,286	864,779	6.7399%
AZT VIITORUL TAU	5,147,160,444	1,674,760	6.0261%
BCR	1,735,143,062	769,163	5.8765%
BRD	1,052,719,187	556,946	5.3954%
METROPOLITAN LIFE	3,474,592,951	1,120,010	6.2280%
NN	8,304,068,841	2,102,416	6.0854%
VITAL	2,501,172,143	1,028,513	6.3281%
Total	24,445,666,914	8,116,587	

Evolution of gross contributions (EUR)



Source: ASF

Specific developments in the mandatory private pension funds sector (2nd Pillar):

Mandatory pensions funds' aggregate portfolio

30 November 2023

Assets categories	Assets value (EUR)	% of Total assets
Government bonds	16,060,441,100	65.7%
Equity	5,768,975,153	23.6%
Corporate bonds	1,325,640,765	5.4%
Deposits	641,949,539	2.6%
Investment funds	454,897,618	1.9%
Supranational bonds	109,541,040	0.4%
Municipal bonds	73,147,369	0.3%
Exchange traded commodities	15,434,190	0.1%
Private equity	15,331,849	0.1%
Derivatives	441,309	0.0%
Other assets	(20,133,017)	-0.1%
Total	24,445,666,914	100.0%

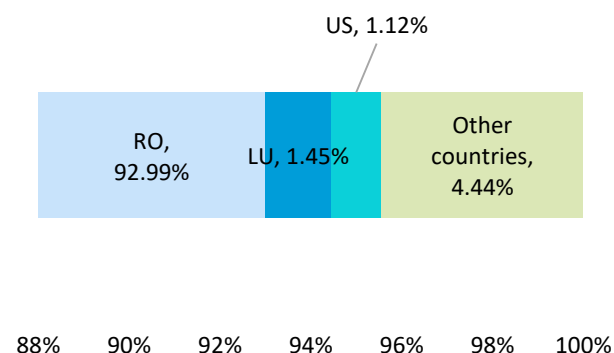
The value of the total assets of the privately managed pension funds reached EUR 24.45 billion at the end of November 2023, with an annual increase of 26%, compared to November 2022.

Approximately 93% of the assets were invested locally, the majority being denominated in RON. Most Romanian instruments are represented by government bonds and equities listed on the Bucharest Stock Exchange.

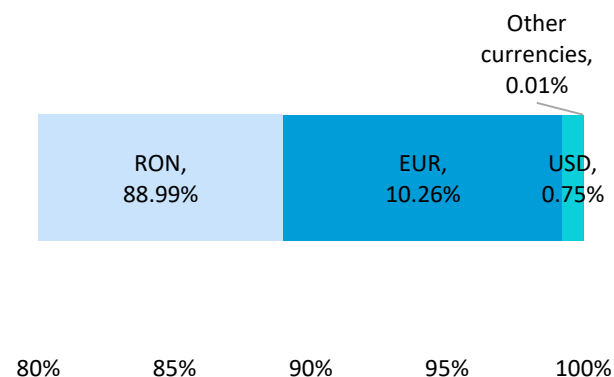
The value of gross contributions was EUR 221 millions, at the end of November 2023, while the average contribution was EUR 54.

Source: ASF

Country exposure

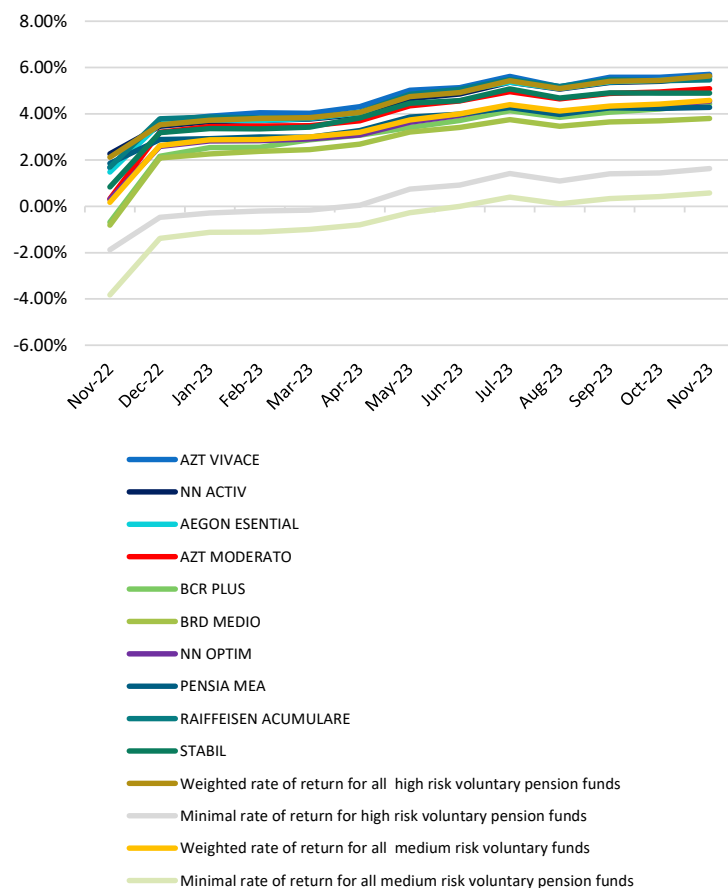


Currency exposure



Specific developments in the voluntary private pension funds sector (3rd Pillar):

Rate of return for voluntary pension funds

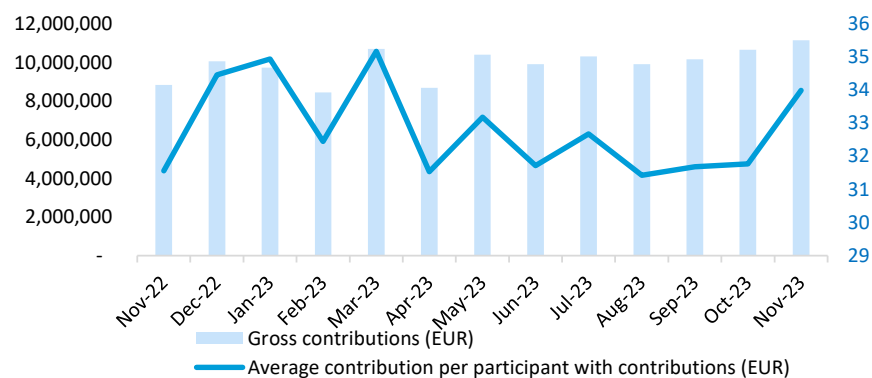


Total assets (EUR), number of participants and return rates

30-Nov-23

Voluntary pension fund	Total assets (EUR)	Participants (persons)	Annualized 60 months return rate
AEGON ESENTIAL	2,937,606	4,043	5.5412%
AZT MODERATO	89,520,052	49,092	5.0842%
AZT VIVACE	31,026,215	21,844	5.7040%
BCR PLUS	145,235,997	148,995	4.4273%
BRD MEDIO	44,838,196	37,573	3.7987%
GENERALI STABIL	8,622,629	5,678	4.8923%
NN ACTIV	112,644,324	71,423	5.6094%
NN OPTIM	400,135,589	252,458	4.5430%
PENSIA MEA	41,633,166	49,737	4.2775%
RAIFFEISEN ACUMULARE	37,064,526	62,708	5.4597%
Total	913,658,299	703,551	

Evolution of gross contributions (EUR)



Source: ASF

Specific developments in the voluntary private pension funds sector (3rd Pillar):

Voluntary pensions funds' aggregate portfolio

30 November 2023

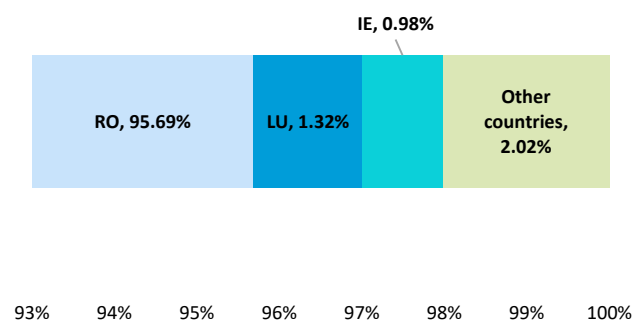
Assets categories	Assets value (EUR)	% of Total assets
Government bonds	608,331,887	66.6%
Equity	230,252,656	25.2%
Corporate bonds	35,223,673	3.9%
Deposits	18,318,802	2.0%
Investment funds	11,923,648	1.3%
Municipal bonds	6,346,804	0.7%
Exchange traded commodities	1,404,990	0.2%
Private equity	1,274,253	0.1%
Supranational bonds	812,901	0.1%
Derivatives	(74,547)	0.0%
Other assets	(156,767)	0.0%
Total	913,658,299	100.0%

At the end of November 2023, the voluntary pension funds' total assets value was EUR 914 million, with an annual increase of 25%, compared to November 2022.

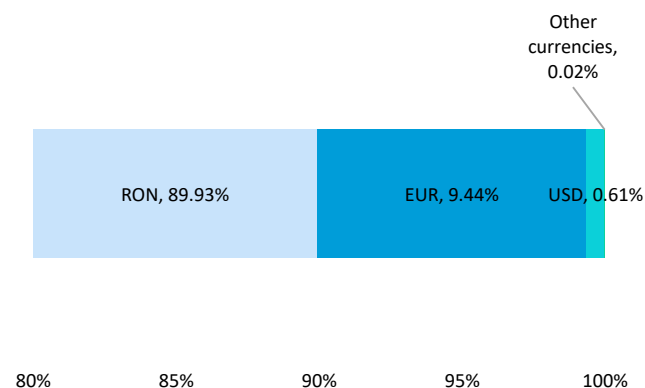
The funds' portfolios were generally invested in local assets, in a percentage of 96%, the majority being denominated in RON (90%).

The value of gross contributions was EUR 11.1 millions at the end of November, while the average contribution was EUR 34.

Country exposure



Currency exposure



Source: ASF

Press releases and publications of European financial institutions in November 2023

<p>ESMA</p>	<ul style="list-style-type: none"> • <u>ESMA published its latest edition of the Spotlight on Markets Newsletter.</u> • <u>ESMA is changing its Union Strategic Supervisory Priorities (USSPs) to focus on cyber risk and digital resilience alongside ESG disclosures.</u> • <u>The Joint Committee of the three European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) published two amended Implementing Technical Standards (ITS) on the mapping of credit assessments of External Credit Assessment Institutions (ECAIs), in accordance with the Capital Requirements Regulation (CRR) and the Solvency II Directive (Solvency II).</u> • <u>The three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) published an interactive factsheet that answers consumers’ most frequently asked questions about sustainable finance.</u>
<p>EIOPA</p>	<ul style="list-style-type: none"> • <u>EIOPA published its November 2023 Insurance Risk Dashboard, which shows that insurers’ exposures to macro, market and digitalisation risks are currently at a high level and the main concern for the sector.</u> • <u>EIOPA published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of October 2023.</u> • <u>EIOPA published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of October 2023.</u> • <u>EIOPA collects and publishes comprehensive statistics on institutions for occupational retirement provision (IORPs) in the European Economic Area.</u> • <u>EIOPA released its 2023 report on recent developments in cross-border business among Institutions for Occupational Retirement Provision (IORPs) within the European Economic Area (EEA).</u>

<p>ECB</p>	<ul style="list-style-type: none"> • <u>According to the November 2023 Financial Stability Review, which was published by the European Central Bank (ECB), the outlook for euro area financial stability remains fragile, as tighter financial conditions are increasingly propagating to the real economy in an environment of weak growth, high inflation and heightened geopolitical tensions.</u>
<p>IMF</p>	<ul style="list-style-type: none"> • <u>G20 Economies Should Turn to Reforms to Improve Growth Amid Policy Tightening.</u> • <u>Europe's Wage Rises Are Aiding Recovery but Economies Face Risks.</u> • <u>Central Bank Digital Currency Development Enters the Next Phase.</u> • <u>World Needs More Policy Ambition, Private Funds, and Innovation to Meet Climate Goals.</u> • <u>The AI Awakening.</u>
<p>ESRB</p>	<ul style="list-style-type: none"> • <u>At its meeting on 30 November 2023, the General Board of the European Systemic Risk Board (ESRB) concluded that financial stability risks in the EU remain elevated.</u>

The report reflects the latest available statistical data, some of which are provisional and will be revised in future editions.

The frequency with which information in tables and graphs is updated is highest for stock market indicators, macroeconomic indicators and investment and pension fund indicators, with most updates occurring monthly, while insurance market indicators are usually updated quarterly.