
CHARACTERISTICS OF THE ROMANIAN CAPITAL MARKET

Prof. Gabriela ANGHELACHE PhD

Bucharest University of Economic Studies

Assoc. Prof. Mirela PANAIT PhD

Petroleum-Gas University of Ploiești

Abstract

The authors study the evolution of the Romanian capital market in the recent period. The analysis covers all the major components of the market, that is the Bucharest Stock Exchange, RASDAQ and SIBEX and approaches indicators such as the market capitalization, the structure of transactions, the structured products listed on the market, the indices, the evolution of transactions, as value and as number, the transactions with futures, the collective investment undertakings, the management companies and assets managed.

Key words: capital, market, analysis, stock exchange, listing

Introduction

The capital market has seen an upward trend in the past 20 years since its founding, registering a qualitative leap after Romania joined the European Union. This was a milestone in the evolution of the capital market, both in terms of openness to foreign investors, and especially by the application of European standards by all entities of the specific market.

The capital market circuit ensures cash flows in the saving-investment, making short-term financial assets to become long-term capital assets. Issuers attract the available capital through open market operations, in compliance with EU standards and practices. In turn, investors, representatives of capital supply, benefit from a transparent and protection of their investments.

Capital market is an intermediary market, but the link between issuers and investors is not direct, being achieved by means of financial investment companies (S.S.I.F.) and credit institutions that operate direct capital market intermediation. Intermediaries, in turn, provides investment services only if the capital is required in accordance with EU directives.

They have the obligation to respect the rules of conduct and prudential and capital adequacy requirements in accordance with Community law.

Financial instruments are traded on regulated markets, multilateral trading platforms or within alternative trading systems.

Literature review

Anghelache and Anghel (2015) develop a model for analyzing the Romanian capital market. Anghelache, Manole and Anghel (2015) outline the usefulness of a data warehouse in capital market related decisions, while Anghel (2014) focuses on econometric models, a similar approach can be considered Anghelache, Manole, Anghel (2014). Anghel (2013) describes the structure of the Romanian capital market. Anghelache (2009) is a reference work in the capital market studies. Anghelache and Radu (2009) focus on the market risk. Coibion and Gorodnichenko (2012) develop on

target interest rate changes, Gorodnichenko and Weber (2016) treat the cost of sticky prices. Manole and Anghel (2013) analyze the capital market through SWOT. Mitruț, Șerban and Vasilache (2015) evaluate the correlation between the media exposure and the share prices. Savor and Wilson (2013) develop on investor's behavior towards macroeconomic risk, Tetlock (2011) analyses the attitude of investors versus stale information.

Methodology and data

Capital market development is driven by legislative changes that could be considered as an ongoing process to adapt to the European single market and the diversification of financial products, types of operations, the number of investors and issuers, the value of transactions and market access arrangements.

Securities market was extended to cover not only financial instruments that are traditionally traded, but the money market specific instruments.

Developing international market, the specific crisis financial market, the risk diversification are all reasons that led to the introduction of capital market of Romania as some new financial instruments, such as derivatives with the underlying indices, contracts for difference, binary options, structured products and others.

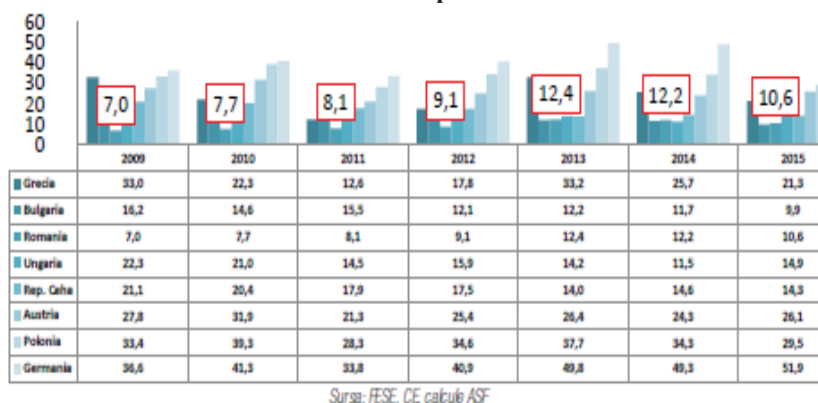
Also, within the stock market are traded units in collective investment undertakings. Collective investment undertakings are represented by closed funds issuing shares (the 5 SIFs and the Property Fund) and trusts issue funds with continuous redemption, whose net assets is divided into units of the Fund, each investor holding fund units according to its subscription.

Bucharest Stock Exchange

In the past 21 years since the reestablishment, the Bucharest Stock Exchange recorded positive developments by diversifying the financial instruments traded, types of operations by attracting issuers with potential development in the medium and long term by creating a flexible organizational structure included in market segments, by improving trading system so that it becomes compatible with that of developed stock markets and provide foreign investors trading conditions similar to those in other markets. BSE company is authorized as a market system. BSE market works as a spot market and it is authorized as system operator, with alternative trading systems administered as: ATS – AeRO and ATS - International.

The evolution of the stock market is characterized by market capitalization indicator. In an international context rather volatile, the total capitalization of the Bucharest Stock Exchange (main market and alternative trading systems) had an increasing trend, reaching 10,6% of GDP at the end of 2015 ,compared to 7% in 2009.

The market capitalization



The market capitalization of Romanian companies whose shares are traded on the main market represents 59% of total market capitalization of BSE. It should be noted that the background and GDP growth in 2015 compared to 2014, the market capitalization of the Romanian companies as a share of GDP has declined. The same trend, ie the cut-GDP ratio of local companies was registered in other countries, such as Poland, Czech Republic, Bulgaria and Greece.

An analysis of the market capitalization on a long segment highlights the upward trend of this indicator from 1.37% in 2000 to over 20% in 2007, for the period under review in this paper, the economic crisis put an imprint on the evolution of capital share in GDP downward to 4.63% in 2008 and gradually increasing to 12.4% in 2013.

We appreciate that the trend in the evolution of market capitalization was manifested in other countries in the region.

Except for Poland, where the share capitalization to GDP is around 30%, other countries such as Hungary, Czech Republic and Bulgaria show a similar trend as the Romanian market, the share capitalization to GDP in 2015 was below 15%.

The structure of transactions on BVB in 2016 compared to 2015 is shown in next figure.

The structure of transactions at BSE (Main Market and ATS) in the first half of 2016 after corresponding value for each type of instrument

Tip de Instrument	30.06.2015			30.06.2016			Variatii % 2016 față de 2015	
	Nr. Tranzacții	Valoare (lei)	%	Nr. Tranzacții	Valoare (lei)	%	Nr. Tranzacții	Valoare
Acțiuni	382.487	4.094.399.939	60,63%	358.580	4.362.250.029	89,34%	-6,25%	6,54%
Alte obligațiuni	249	2.251.878.012	33,34%	247	188.080.798	3,85%	-0,80%	-91,65%
Produse structurate	155.999	209.238.589	3,10%	139.030	232.715.650	4,77%	-10,88%	11,22%
Titluri de stat	1.474	192.815.069	2,86%	56	97.718.126	2,00%	-96,20%	-49,32%
Unități de fond	1.146	4.939.146	0,07%	1.231	2.004.641	0,04%	7,42%	-59,41%
Total	541.355	6.753.270.756	100,00%	499.144	4.882.769.244	100%	-7,80%	-27,70%

Sursa: BVB

In the first half of 2016 compared to the corresponding period of 2015, the total value of transactions fell by over 27%, based on municipal bonds and government securities transactions.

The value of transactions with shares increased by 6.54%, indicating increased market prices of traded shares, although the number of transactions was small.

The structure of transactions by value of each type of financial instrument indicates the overwhelming share of 89.34% of the value of transactions in shares.

Transactions in debt securities have a low share in the total value of transactions on the BSE.

The value of credit securities transactions has declined on the BSE in the first half of 2016 compared to 2015, especially based on the small number of transactions: 196 to 2042 in 2015.

It is worth mentioning that in the first semester of 2015 occurred issuance of bonds worth 22.2 billion lei made by Bucharest City Hall.

In 2015 the first issue of bonds aimed at individual investors exclusively, performed on the Bucharest Stock Exchange successfully, meaning rapid exhaustion of the whole issue by sale to the investing public.

BSE regulated market in the first half of 2016 held three public issues of primary shares of companies DUCATEX SA Jilava, IFMA SA Mogosoia and CARMECO SA Constanta. Other corporate events conducted in 2016 refers to three takeover bids and two takeovers of shares, 18 capital amendments, two new issues of bonds, an issue of bonds and introduction to trading of a number of 93 structured products.

Structured products, since their market launch in 2010 until now, have developed positively both by issuing new certificates as well as by increasing transaction volumes.

Structured products as synthetic investment instruments based on a basket of assets, have as issuers the financial institutions. In the first half of 2016, the total value of transactions in structured products was 232 million lei, in which the largest share was that of the instruments with stock and indexes base, as can be seen from next figure.

The structure of transactions conducted on structured products Section BSE in the first semester 2016 depending on the underlying asset

Tip instrument	Produse structurate (sem. I 2016)
Activ suport:	Valoare
Indice	151.261.035
DAX	93.100.844
DJIA	52.605.882
Euro Stoxx 50	86.846
ROTX	17.323
S&P 500	5.450.140
Acțiuni	25.027.833
Românești	11.296.584
Străine	13.731.249
Petrol	39.965.880
Metal	10.193.923
argint	1.066.660
aur	9.127.262
Curs valutar	5.902.413
EUR/USD	5.902.413
Obligațiuni	18.666
Total	232.369.749

Sursa: ASF

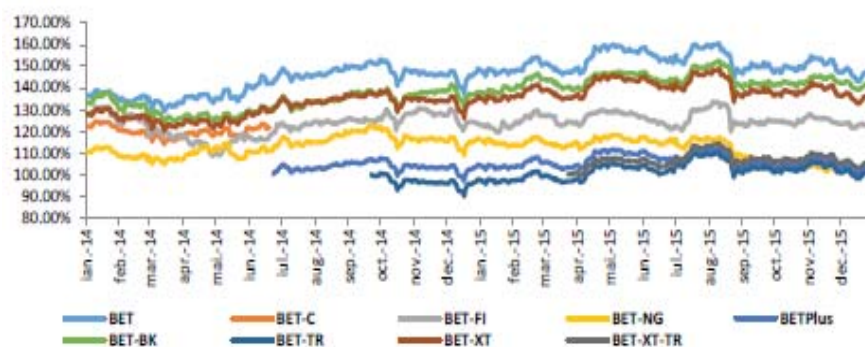
Stock exchanges work is appreciated through indices, considered to be barometers of the market.

Bucharest Stock Exchange has created successively since 1997, the BET family of indices, completed with ROTX for better visibility in the international market. 2014 brought a novelty for the introduction of two new indexes: BET - TR, which reflects the total return of the BSE and the BET-Plus structure that includes issuers that meet the minimum eligibility requirements. In the mid-2014 disclaimed calculating the BET-C which included companies on RASDAQ.

BET family added other indices such as BET-BK launched in 2012 as a „benchmark index”, which includes the structure of Romanian and foreign shares. In 2015 was built BET-XT index-TR (extended trading, total return) used as underlying for derivatives and structured products. Among the indices calculated by the BSE, two of them are sectorial and the others are general market indices. BET-FI sectoral indices are for investment funds and BET-NG structure which includes shares of energy.

BSE indices is shown in next figure.

BSE indices



In the first half of 2016, the downward trend registered by the international financial markets has affected the BSE indices.

The indices BSE in the first semester of 2016

Indice	Valoare la data de 31.12.2015	Valoare la data de 30.06.2016	Modificare (%) 30.06.2016 față de 31.12.2015
BET	7.004,32	6.473,41	-7,58%
BET-BK	1.341,69	1.195,06	-10,93%
BET-FI	30.276,49	26.639,03	-12,01%
BET-NG	606,14	561,03	-7,44%
BET-TR	7.977,94	7.851,78	-1,58%
BET-XT	640,42	586,39	-8,44%
BET-XT-TR	751,05	724,38	-3,55%
BETPlus	1.034,65	958,41	-7,37%
ROTX	14.012,71	12.313,47	-12,13%

Sursa: BVV, calcule ASF

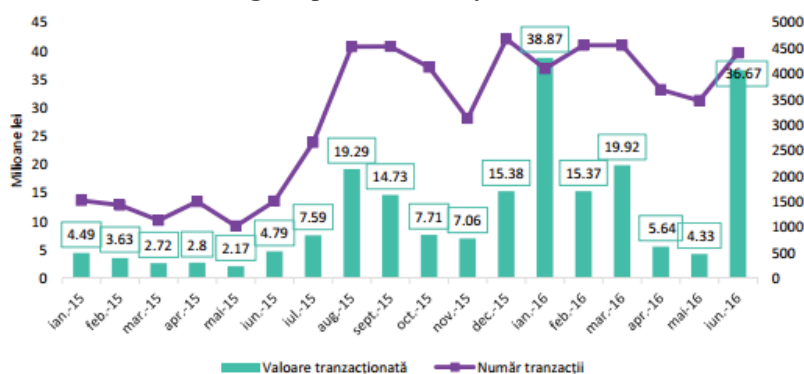
The greatest reduction in the number of index points was from 12313.7 to 14012.71 at the end of 2015, recorded a ROTX index developed by BVB with the Vienna Stock Exchange.

RASDAQ Market, established in 1996, no longer corresponded, in terms of the requirements of regulated markets, European standards in force. Law no. 151/2014 on the legal status of the shares traded on RASDAQ market or unlisted securities on RASDAQ market solve the problems imposed by the end of 2015. The majority of companies whose shares are traded on the BVB RASDAQ section did not meet market requirements regulated.

Provisions of Law no. 151/2014 by the end of 2015 resulted in the identification of companies that meet the requirements of regulated market, and the possibility of trading them on the main BVB market, the actions of other companies can be traded on an MTF. Issuers of shares have followed the procedure required by law, so that was completed restructuring of RASDAQ market, as follows: five companies have migrated to the regulated market administered by BSE, 271 on the alternative trading system of the BSE and 35 on the alternative trading system administered by SIBEX. RASDAQ market activity and market unlisted securities ceased as at October 27, 2015.

Bucharest Stock Exchange, as the system operator manages alternative trading system ATS Intl that are traded shares of foreign companies and system Aero that are traded Romanian companies, both those with increased visibility seeking financing through the capital market, and companies that have migrated from the RASDAQ. Monthly evolution of the value and number of transactions on BVB ATS section 2015 is shown in the chart below. In February 2016, it was carried out aero market segmentation into two categories: standard and premium. The premium category 23 companies are traded, the others being entered in the standard category. Changes in the value and number of transactions on the ATS during January 2015-June 2016 is shown in next figure.

Monthly evolution of the value and number of transactions on ATS during the period January 2015 - June 2016



Sursa: ASF

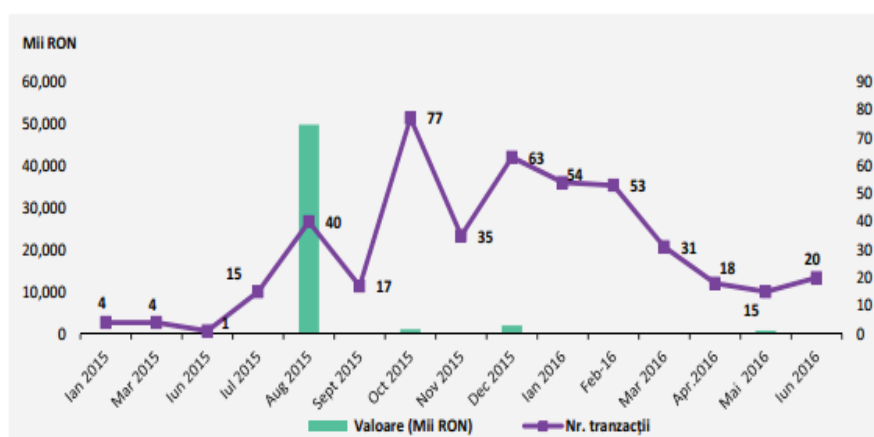
Sibiu Stock Exchange (Sibex)

Sibiu Exchange was founded in 1997 as a futures market that trades derivatives. Currently, it is authorized and regulated market both in spot and futures as well as alternative trading system operator.

The regulated market was authorized in 2010, the only company listed on the Sibiu Stock Exchange SA own shares, symbolized SBX. The number of transactions is small and insignificant value. The alternative trading system, called Start, started increasing in 2010, the only issuer in 2010-2013 being traded Prodplast Real Estate SA. The number of issuers increased in 2015 by transferring the RASDAQ.

Changes in the value and number of transactions on Sibex ATS in the period January 2015-June 2016 is shown in next figure.

Monthly evolution of the value and number of transactions on ATS SIBEX during January 2015-June 2016



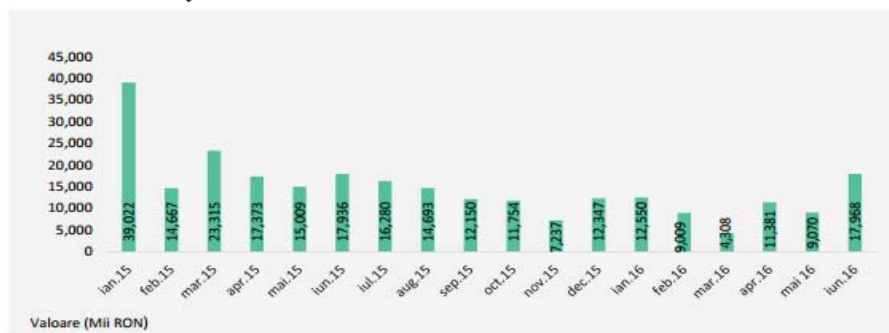
Source: ASF, ASF Report supervised markets in the first half. I in 2016.

It appears fluctuation in the value of transactions from one month to another. Sibiu Exchange is recognized as a forward market. From the foundation up in 2012-2013 they were traded diversified instruments such as: options, contracts for difference, futures etc.

The instruments are now traded futures contracts having as underlying asset: Romanian shares, other European shares, US shares, currencies, gold and Dow Jones. Transactions with futures on the Dow Jones represents almost 80% of the total value traded in January 2016 semester.

Monthly evolution of the value of transactions with futures is shown in the graph in next figure.

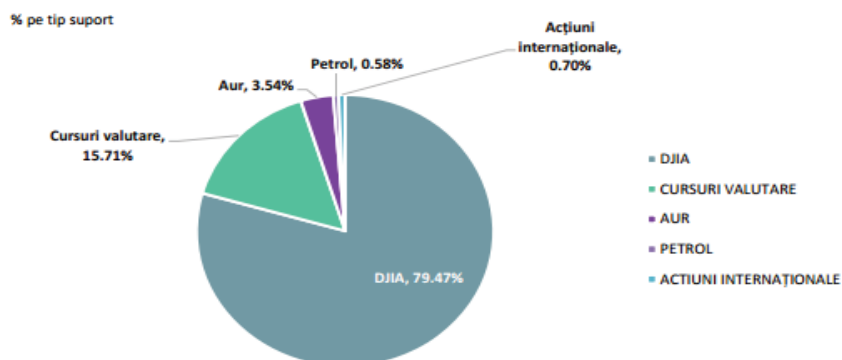
Monthly evolution of the notional value of futures transactions



Sursa: Sibex

From the point of view of the support structure of the futures transaction is shown in next figure.

The structure of transactions with futures on Sibex conducted in the first quarter 2016 after the value of each type of underlying asset



Sursa: Sibex, calcule ASF

Transactions in options or other derivative instruments are currently suspended from trading on SIBEX.

Undertakings for collective investment or unincorporated entities, collective investment undertakings (CIU) are designed to attract individual economies (by a public or private) and the purpose of their collective investment.

In 2016, entities operating in the collective investment undertakings are presented in this table.

Categorie entitate	30.12.2015 Nr. entități	29.06.2016 Nr. entități
Societăți de administrare a investițiilor	21	21
Fonduri deschise de investiții	74	76
Fonduri închise de investiții	29	27
Societăți de investiții financiare	5	5
Fondul Proprietatea	1	1
Depozitari	6	6

Sursa: ASF

Depozitar	Total active 29.06.2016 (lei)
BRD – Groupe Société Générale SA	23.699.093.020
Banca Comercială Română SA	8.535.252.931
RAIFFEISEN BANK SA	8.295.222.983
UNICREDIT ȚIRIAC BANK SA	96.662.917
BANCPOST SA	96.162.239
LIBRA INTERNET BANK SA	9.941.790
TOTAL ACTIVE	40.732.335.880

Sursa: ASF

Source: ASF, ASF Report supervised markets in the first half. I in 2016.

As depositories of the assets of the undertakings, collective investment contains only credit institutions authorized for that purpose.

The administration of collective investment undertakings returns entities expressly authorized as investment management companies (SAI). The most important SAI and size of assets under management are shown in Figure.

The main investment management companies and assets managed

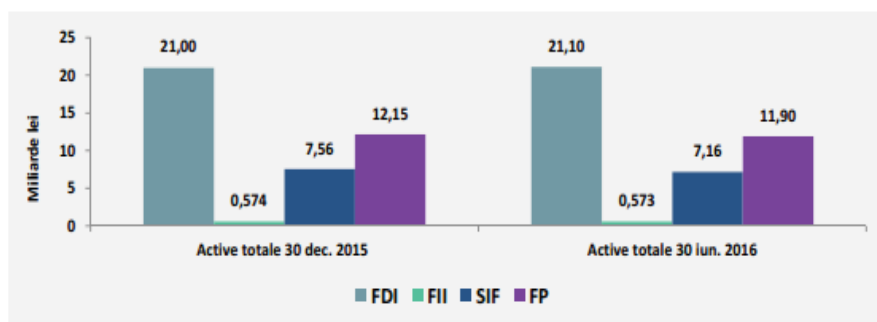
SAI	ACTIV TOTAL (lei) 30.12.2015	% din total active	ACTIV TOTAL (lei) 29.06.2016	% din total active
SAI ERSTE ASSET MANAGEMENT SA	8.013.689.825	36,96%	7.835.585.284	35,94%
SAI RAIFFEISEN ASSET MANAGEMENT SA	6.709.324.003	30,95%	6.685.115.132	30,66%
SAI BRD ASSET MANAGEMENT SA	2.918.479.501	13,46%	2.800.253.225	12,84%
SAI BT ASSET MANAGEMENT SA	2.350.835.855	10,84%	2.689.502.887	12,34%
SAI OTP ASSET MANAGEMENT SA	481.494.382	2,22%	538.581.708	2,47%
TOTAL ACTIVE GESTIONATE DE CELE 5 SAI	20.473.823.567	94,43%	20.549.038.236	94,25%
TOTAL ACTIVE celelalte SAI-uri	1.206.851.040	5,57%	1.254.162.639	5,75%
TOTAL ACTIVE ADMINISTRATE de SAI-urile locale	21.680.674.607	100,00%	21.803.200.874	100,00%

Sursa: ASF

It may be noted that SAIs which manages the largest volume of assets are related parties of the banking system. SAIs can manage both closed investment funds (SIFs plus 5 Property Fund) and common funds, which are more numerous and cumulative high-value assets.

Evolution of the assets of collective investment undertakings in the first half of the year is shown in next figure.

The evolution of total assets by type of OPC



Sursa: ASF

Towards the end of 2015, when unit trusts, it has seen an increase in assets, the largest decline in assets recorded at SIF. Total assets of the Fund decreased by over 5% as a result of running programs redemption and cancellation of own shares.

Investment portfolio structure is shown in next Figure.

Investment portfolio structure by categories of OPC and asset classes (mil. €)

ACTIVE TOTALE - 30.06.2016	Fd. deschise	Fd. închise	SIF-uri	FP	TOTAL
Acțiuni	475	366	5.671	10.520	17.032
Obligațiuni	14.303	60	113	21	14.497
Titluri de stat	444	-	102	60	605
Depozite și disponibil	5.123	122	405	608	6.258
Titluri OPCVM/AOPC	975	12	488	-	1.475
Altele	-215	12	381	687	865

Sursa: ASF

Open-end funds invest mainly in fixed income instruments, while the SIFs, FP and closed-end funds investing in shares, and these higher yields, but also a high degree of risk.

Conclusion

The number of issuers whose shares are traded on the BSE increased from 59 issuing companies in 2007 to 85 companies in 2015, of which 83 shares are issued by companies in Romania and two foreign shares issued by Erste Group Bank and NEPI. The value of transactions has fared similar to the real economy, but also with international market trends.

Currently, the most traded shares on BSE are issued by: Fondul Proprietatea, Romgaz, Petrom, BRD - Groupe Societe Generale, Transgaz, Electrica, Erste Group Bank, SIF Moldova and Electroargeș.

BSE remains a market stock exchange, which holds over 90% of the total trading value.

Structured products as synthetic investment instruments, their value was up by 11.22% compared to the first half of 2015. This indicates an increased interest of investors in securities transactions.

The decrease in oil market and the turbulence in international capital markets influenced the evolution of the indicators of BSE stock their downward.

The concentration of assets of open-end funds is high, which is explained by the fact that the first three SAI (Erste, Raiffeisen and BRD) have a market share of 81.32%.

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