

THE BUCHAREST STOC EXCHANGE IN THE CONTEXT OF ECONOMIC CRISIS

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The economy is a complex, which acts on many external factors, but internal and complex factors, depending on who can create economic balances or imbalances. An important element is capital to be managed carefully and seriously because it caused imbalances are among the worst in the economy and may even lead to economic collapse in one country. The existence of capital market is driven by demand for capital for current cash needs and investment and also be subject to a real process of saving as the foundation of capital supply. Fundamental institution of secondary capital market is the stock of securities.

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The economic crisis that has shaken up the world currently has the focus or epicenter of the United States and then crossed the U.S. border is being felt around the world from Europe to Asia. Causes the onset of the crisis originated in the U.S. and experts know how the crisis began. It's actually part of the fall of the American financial system, could continue to affect the entire financial system in the world. It took the four oldest investment banks to be bought ridiculous amounts or declaring bankruptcy, as a giant insurance industry to be taken by the State, as two old mortgage credit institutions to enter bankrupt and the federal government to announce a rescue plan 700 billion dollars', to understand the mechanisms of the crisis.

There are specialists in the Romanian press, forming an analogy between the economic downturn we are going through and what happened in 1929 - 1930, both in terms of causes and its possible effects. From regulatory perspective, the current economic downturn has occurred and is evolving quite differently from the crisis that occurred 79 years ago. Causes of the 2008-2009 recessions are not the same as those from 1929 to 1930. Institutional mechanisms for intervention have evolved in recent decades, the global economic structure has changed profoundly, and the states cooperate with each other, which in 1929-1930 has not happened. However, the crisis appears to be controlled, but with a fairly high cost. In 1929 nobody has questioned an internationally coordination or market interventions, because dominant economic culture was different.

Global economic crisis is amplified each day and Romania felt that economic recession, which economists from major global and fail to find an antidote. And the man will feel the crisis in the companies in Romania. On the one hand those who have loans for development work or cover other needs, will awaken to the inability to repay these loans, while the possibility of undue payment of suppliers, especially for those who have made payments currency. Moreover, as global stock markets collapse and the Bucharest Stock Exchange lost a few days over two billion, the companies can not count on them as sources of funding, another option to cover financial needs is totally blocked. The first signal was registered by the capital market, which has experienced since the middle of last year, with the withdrawal of major foreign investors from all emerging markets.

The existence of capital market is driven by demand for capital for current cash needs and investment and also be subject to a real process of saving as the foundation of capital supply. Link capital market issuers of securities and other financial instruments for individual and institutional investors through financial investment companies. Capital market thus operates as a liaison mechanism between those who manifest the extra capital (investors) and those who need capital (broadcasters).

Capital markets are all mechanisms through which relationships and capital available and dispersed in the economy are managed by public and private entities The applicant any funds. In terms of its scope of coverage in the literature two approaches have been structured on the capital market: design of Anglo-Saxon and Continental European conception (of French origin). In Anglo-Saxon conception of capital market issue with money market and insurance market is known as a comprehensive term, financial market. The design classic continental European capital market has a complex structure, which includes money market, mortgage and financial markets. In this view represents the money market and short-term capital market environment, as represented by the interbank market and negotiable securities market and financial market is long-term capital market, which are issued and traded securities that serve as the underlying exchange capital. Mortgage market is a specific market financing of housing. Practice in Romania highlights option for Anglo-Saxon conception, that the capital market is part of the financial market.

Capital market is presented as a liaison mechanism between investors and issuers, whose decision to invest are given by two complementary objectives, namely: profitability, namely high fructification of capital and liquidity, ie recovery of capital stock as invested. Seen in the light production and marketing of equity securities market comprises two segments namely: the primary market, the market where newly issued financial instruments are traded for the first time, and the secondary market, the market traded financial instruments which are already in circulation.

Premises occurrence capital market in Romania have been created along with the promulgation of Law no. 31/1990 on trading companies, which provided the necessary legal birth and development of joint stock companies and also established a clear framework for the main products used on the capital market: shares and bonds. Under that law firms could share the savings calls for public funding or to increase capital. Thus we can define 1990 as the time of the primary capital market.

Then an important milestone was the adoption of Law no. 58/1991 on the privatization of companies, which need further revealed the existence of a secondary market, because financial markets brought a massive amount, bearer securities, which securities were not considered although they acted as to familiarize the public with securities. Fundamental institution of secondary market capital stock of securities. Against the backdrop of a tradition for over 70 years of commodity exchanges, which worked on the model of Western scholarship, the history of Romania recorded in 1881, the emergence of the first stock exchange.

This was due to the adoption of Law on scholarships, exchange mediator and mediator of goods. Made after the French model, the law governing the creation, by royal decree, the stock exchanges and commodities. Opening the Bucharest Stock Exchange, following the adoption of this law was held on 1 December 1882, the Chamber of Commerce building. Evolution of regulatory framework on capital markets was marked by the following steps: year 1904 - a new law that stock exchange operations are clearly defined and, as an immediate consequence, the public is increasingly convinced of the efficiency of investments in securities value; 1929 brings the law on stock, known as "Law Madgearu, who represented the unification of legislative grants regime in Romania and also a modern approach to the instrument.

After the conclusion of the economic crisis 1929 - 1933, with economic recovery, "Exchange effects, stock and exchange in Bucharest," and she knows an upward trend, representing the 1939 peak in the interwar period. Mentioned that at the time of 1939, traded, only 56 titles in banking

and transport insurance. End of the World War II, to turn around policy for Romania, meant the end of the capital market and stock market. Coup de grace for this highly dynamic sector of the economy was the economy of the nationalization process in 1948, which meant that by establishing state ownership disappears specific products: stocks, corporate bonds, domestic and foreign government securities (the equivalent in Lei - Gold). Revolution of 1989, which meant an important event in the history of Romania, stressed the reform program that followed it and needed to rebuild capital market and its institutions, including the Bucharest Stock Exchange. In Romania, the stock market was the reason why the emergence of creation to a market that match the needs of Romanian and foreign investors regarding investments and the role they played in the restructuring and privatization.

The fact that Romania has benefited from a stock market for half a century has made the development process to start from scratch without the benefit of their experience in the field. To create the stock market started to experience Romania and practice in developed countries, but also benefited from the help of international organizations in the U.S., Canada, UK, EU. Stock Exchange, as a basic component of the capital market in Romania, was reconstituted in 1995 and was financed at first by the state budget, provided that within three years of the establishment of fees applied to reimburse the transaction, the amount required to set up. B.V.B. is organized and operates in accordance with Ordinance 28/2002 and issued under its provisions.

Thus B.V.B. performs the following functions: The regulated market, providing investors systems, mechanisms and procedures for transactions in securities and other financial instruments as provided by law, performs and related trading activities, such as compensation, settlement, registration of rights and constitution transfer rights to the securities and financial instruments and all their related operations, conducts, and markets systems administrates specific stock exchange, is the training body for the purposes of the CNVM Regulation no. 1 / 2003, the professional certification of operators and specialists for regulated markets, organizing training courses for participants in the regulated market.

Bucharest Stock Exchange has become the top sectors affected by the crisis. From the beginning, the main market capitalization lost over ten billion, approximately 42% of the total. Limit exposure to the foreign investment funds collapsed, practically the most liquid stock quotes. Prices of securities issuers that make up the basket BET lost, on average, over 70%. But the most volatile segment during this period was the financial investment companies (SIF). Once, in 2006 and 2007 BET-FI mark assessments and 32.4% respectively 24.8% from the same stock early reports indicate a decline of over 85%. The global capital market history, links with the Bucharest Stock Exchange (BSE). He was born in 1881, following the adoption of the Law on scholarships, exchange mediator and mediator of goods, which provides for the establishment, by royal decree, the stock exchanges and commodities.

BSE crossed, in turn, the history of tough financial times. In 1929, Law Madgearu was adopted legislative regime governing the unification of Romania scholarships. After the crisis of the '30s, stock exchange effects and action in Bucharest, as was known, the highest increase in the history of wars. In 1939, 56 securities traded in banking, transport and insurance. With the establishment of the communist regime, specific securities transactions ceased capitalism. Nationalization of the Romanian stock exchange stopped work. Revolution of 1989 led to rebuilding and restoration of capitalism in Bucharest Stock Exchange by a group of specialists. BSE was re-established in 1995, the first trading day is November 20, 1995. Since reopening, has seen a continuous development. Currently, the BSE listed about 60 companies, including SNP Petrom, the Romanian Bank for Development, the 5 financial companies, BT, BRD, etc. October 8, 2008, "Black Wednesday". Loss of 2.5 billion dollars per minute. The financial crisis has affected U.S. and Romanian capital market. On October 8, for the first time in history, trading session on the Bucharest Stock Exchange was closed. Transactions were suspended due to a fall over the critical threshold of 15%. Since its opening meeting, the BET index lost more than 14.43 percent. Transactions at the Sibiu Commodities Exchange were also suspended. Two days later, the BSE

announced that it has extended status. Transactions were postponed until the end of the day. Closely linked to developments in the stock market, stock funds have fallen fast. Under these conditions, the net assets managed at end-September of the 17 equity funds was only 183.18 million lei, decreasing by about 54% to nearly 400 million lei as operated 14 funds in late 2007. Further pension fund returns, but the insurance with investment component declined as a result of stock market exposure.

Bucharest Stock Exchange is also vulnerable as external financial disaster. Share value fell more than 7% and the stock market recorded the biggest loss in the last 3 years. BRD titles have seen the greatest decline - 14%, close to the minimum allowed by the Bucharest Stock Exchange. Value of firms listed on the Bucharest Stock Exchange increased by 10.15 billion lei in April, the second month in a row of solid growth but the market expects first-quarter financial results to assess the soundness of firms and their future developments. In late April, the regulated market capitalization stood at 48.6 billion lei (11.2 billion euro's), up 26% compared with the end of March, from 38.45 million lei. In the last week of April, the BSE listed shares jumped 3.7%.

The increase in April comes after that - even spectacular - in March, when the BSE's capitalization had risen to 39.5% (10.9 billion). "In April was the second month of explosive growth on the BSE, following which the market prices recovered earlier this year, and segment SIF (Financial Investment Companies) whether prices reached in mid-October 2008 Following a strong upward path, "said the weekly report of House of Prime Brokerage Transaction. Liquidity of the Stock Exchange regulated market has soared in April, up from 534.4 million lei, exceeding 13% turnovers made in February and March combined. In February, the stock exchanges amounted to 164.27 million lei, in March, they totaled 306.7 million lei. But after two months of strong growth, which followed the trend of foreign markets, the Romanian market of shares is made before the test in the first quarter financial results, which indicate the extent to which Romanian companies face a difficult economic period.

If's (Investment funds) increased by 71.8%, BET, which shows the evolution of the most liquid ten titles (blue chips) listed on the BSE, rose by 28.78% in April, up 3048.92 points, while market composite index, BET-C, reflecting the evolution of shares listed on the first two sections of the Exchange except If's, won 25.7%, to 1949.17 points. In April, SIF increased much more than the rest of the market sector reflects the BET-FI index, which reached 18,524.97 points at the end, marking an advance of 71.78% - 7740 points. At the end of March, investors could buy shares of SIF Banat-Cri (SIF1) the quotation of 0.481 lei, which would have brought a return of 112.06%, if they would be closed the last trading session April, when the price of securities reached 1.02 Euro / unit.

Turnover achieved in April with IF Banat-Cri actions amounted to 32.2 million lei. Although in April, SIF 1 titles have made the greatest efficiency of the market, most wanted their sector were SIF Oltenia (SIF5), which resulted in a liquidity of RON 97.18 million and it rose by 86 48% after their price jumped to 0.91 lei at the end of April, from 0.488 lei in March 31. Also, SIF Moldova (IF2) have leapt 79.81% in the last month and reached 0.775 RON quote, background of the third market liquidity, by 60.67 million lei. IF Transylvania (IF3) rose by 57.44% to 0.455 lei, while the value of these securities transactions was 32 million. SIF Muntenia (SIF4) recorded moderate growth of the SIF titles last month by 40.63% after their quotation rose to 0.6750 lei following exchanges of 26.15 million lei. In total, the actions of the five financial investment companies (SIF) in April drew total 248.3 million lei exchange, representing half the total market liquidity in this period.

BRD titles in the banking sector were the most stable. The banking sector has attracted between April 1 to 30 exchanges of 167.07 million RON, representing one third of stock market turnover. BRD - GSG (BRD) generated last month of stock market liquidity first, almost 100 million lei, and their quotation grew 16.8% to 7.30 lei. Instead, actions Of Transylvania Bank (TLV) have leapt 39.24% to the price of 1.10 lei onto a turnover of 51.4 million. Titles Erste Bank (EBS) rose

by 27.12% in April, to quote from 66.10 euro / unit and value traded amounted to 14.1 million. Bank shares trade Carpatica (BCC) totaled only 1.57 million lei, but their price rose the most in the banking sector, with 50.5%, to 0.124 lei. Observing changes in the last week of the year, BRD shares were noted, with an appreciation of 6.57%, while Erste Bank titles won only 0.30%. Instead BT and Bank Carpathian titles registered decreases of 5.98% and 8.15%. In April, were also noted several actions which, although not among the most liquid, could bring substantial gains to investors. Actions Altur Slatina (ALT) had one of the best developments in the market last month, with an appreciation of 110.94% to RON 0.0405, after exchanging only 809,370 lei.

Also, titles Biofarm Bucharest (BIO) have leapt 98.5% to 0.159 lei, support for 11.02 million lei transactions and actions Impact Bucharest (IMP) 2.4 drew liquidity million, and their price has climbed 84.5% to 0.369 lei. However, titles Oltchim (OLT) gained 81.18% to RON 0.308, after 663,700 lei exchange, while securities Broker (BRK) reached quotation of 0.196 lei, increasing by 67.5% the price set in late March 2009.

In conclusion the general trend of the Bucharest Stock Exchange in 2009 was a bad transaction to produce significant gains and spectacular stock with a downward trend. However in March April and May of 2009, financial investments companies (SIF), and showed positive developments, and shares of banking companies that have stable trends as investors who invested in these segments could earnings that may be considered important in terms of a global economic crisis. In early 2010, the major stock exchanges across Europe and the U.S. show signs of recovery, the New York Stock Exchange in early April 2010 showed even an increase that brought significant gains on certain segments of this market.

With all these signs Bucharest Stock Exchange has oscillating trend on average maintain neither increase nor decrease, for e.g. a week of indices increases, the decrease corresponds to a week or increases are quite small. However BSE can be seen as positive developments and investment in IF, the actions of the banks or in shares of pharmaceutical companies can bring in the first two quarters of significant gains in 2010.

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