

PhD ABSTRACT

„PERSPECTIVES AND RESTRAINTS IN THE DEVELOPMENT OF THE ROMANIAN CAPITAL MARKET”

The PhD thesis with the title „**Perspectives and restraints in the development of the Romanian capital market**” of the PhD trainee Pătru-Mic (Mănescu) Dorina Nicoleta, having as scientific coordinator Professor PhD Pîrvu Gheorghe is structured into six chapters which includes towards the final, conclusions and future developments as well as the studied general bibliography, as follows:

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The informational content of the PhD thesis can be synthesized through the following **KEY – WORDS**: capital market, the capital markets globalization, financial crisis, stock exchange activity, transacting and quotation stock exchange mechanisms, Bucharest Stock Exchange, stock exchange's functions, technical analysis, fundamental analysis, stock exchange indices, public offers of securities, shares market, bonds market, derivated financial instruments' market, financing through the banking system vs. Financing through the capital market, capital demand, capital offer, primary market, secondary market, financial investments, disfunctions in the evolution of the capital market, volatility, mature capital markets, emergent capital markets, stock exchange liquidity, stock exchange capitalization.

SYNTHESIS

Of the main parts of the PhD thesis

The thesis is focused on the problematic of the capital market from Romania. Our measure has followed a logical line of conduct and it has started by treating the subject at the European level, continuing with the presentation of the evolution of the Romania's capital market, its central institution – Bucharest Stock Exchange and with the making of a technical and fundamental analysis of the main categories of financial instruments, of the operations unfolded with these ones with the purpose of identifying the achievements and formulating the development perspectives of the markets of financial instruments from our country.

Our option to inquire the Romanian capital market from the point of view of perspectives and restraints is starting from the growing role and importance on which this one plays in a free competition economy.

First chapter begins with presenting the capital market concept in the Anglo-American version and in the Continental-European one, of premises, origins and its evolution.

Based on the studied specialty literature, we can conclusion that between the two approaches, the differences are not of substance, but of naming, of significance given to the term of financial market, of the capital market term respectively.

Starting from the two visions over the capital market concept and holding into account the regulations from the financial field, as well as the current operators, we can tell that the Romanian practice puts into light an option closed by the Anglo-American conception, according to which the capital market is a financial market component, besides the monetary market, currency and insurance's market.

With all this, there are still authors who choose for the Continental-European approach or who don't make any difference between these two terms, financial market and capital market.

The emergence and development of the capital markets is a normal consequence and in the same time a proof of the progresses on which the society in its evolution has recorded in the field of exchanges and market organizing. The capital markets from the European economic area are the result of a long progressive process, in the present days having the possibility of marking several types of their organizing, starting from the characteristics which they present.

The organizing of the capital markets is influenced by the globalization phenomenon too, which represents the main characteristic of the current state of world's economy, the thesis containing in this respect, a study regarding the number evolution of foreign companies listed on the first 10 capital markets in the world during 1995-2007. The study results show the high degree of this phenomenon's spreading.

Under the globalization's empire the European stock exchanges, started to unify among themselves, the thesis presenting the main alliances which succeeded along time. The most important alliance is the creation in 2000 of the EURONEXT stock-exchange. Its merging in 2006 with NYSE gave birth to the largest stock-exchange group, NYSE EURONEXT, thus proving the progressive globalization tendency which is manifested in the current days not only at the European level, but even on the planetary scale.

Along the advantages which brings along, the globalization implies a series of risks. The most well known risk is the one of financial crisis, in the end of the first chapter being analyzed the implications which the current financial international crisis has on the capital market from Europe and implicitly from Romania (the critical degree of undercapitalization, the migration of foreign investors, the reduced level of liquidity, the dropping of the number of new issuers as well as the possibility of bankruptcy registration, merging or acquisitions among the broker companies).

Based on the researches made on globalization and on the current financial international crisis we've come to the following conclusions:

- the globalization of the emergent capital markets constitutes a necessity, but it imposes that this process to be unfolded step by step, through taking into consideration the internal conditions and the precise possibilities of every capital market, because only this way can be assured an allocation and rightful circulation of the world's capital;

- the globalization is a hard to control phenomenon at the planetary scale in its complexity, because the dysfunctions appeared at the level of the subassembly can create great crisis at the level of an entire system;

- the present financial crisis it is not of globalization as a phenomenon but of the way in which this was done, being the one of the incapacity of managing globalization too;

- the high degree level of correlation of the Romanian capital market with the capital markets from United States and Europe;

- the powerful decline of the Bucharest Stock Exchange at the end of the 2008, in comparison with the mature stocks, it is similar with the one recorded by the Central and South-East European stocks and are explained by high degree of volatility, common to this emergent stocks.

The second chapter is focused on the constituting and developing process of the capital market from our country, putting the accent on the impact on which the capital market has it on the functioning and growth of the Romanian economy.

The evolution of the Romania's capital market has followed closely the evolution of the economy as a whole, knowing periods of sustained development before the economic crisis from 1929-1933 and in the period between the economic crisis and World War II. The coming of communism meant the disappearance for fifty years of the Bucharest Stock Exchange, which was later reestablished in 1995. In these conditions the capital market in Romania beside the fulfillment of the two major objectives, general valid in any economy – the assurance of capital mobility and the financing of the economic activity on the economic efficiency criteria has fulfilled a supplementary role common to the emergent market economies and namely that of support and catalyst of the process of the economy privatization.

For illustrating the purpose of the capital market in the economy's good functioning we've made a parallel between the financing of the economy on the basis of the banking credits given by the no financial companies and financing the economy on the capital market base, by calculating the ratio possessed by the credits given to no financial societies as well as stock-exchange capitalization within GDP during 2000-2008.

From the study resulted the fact that during 2000-2003, the covering of the economy' financial necessities it was being done more on the base of the banking credits and in a smaller way through the capital market. Later, during 2004-2007, on the background of continuous reduction of the interest's levels in the banking system and the apparition of new companies quoted on the capital market, the situation has become reversed. In the year 2008 as a consequence of starting the international financial crisis, we are witnessing a come back at the situation recorded during 2000-2003.

Still in this chapter we have analyzed the institutional structure of the capital market from Romania, and we've come to the conclusion that this is a modern one capable to sustain its growth, being the result of an evolution of a normative frame scattered with numerous moments of searching identity and direction towards North American or European models. Finally, the European model prevailed and the inclusion of the European Union directives in the Romanian capital market legislation was achieved through the Law 297/June 26 2004.

Within this chapter also we have presented the two segments of the capital market, temporally dependent: the primary and secondary market together with the way of manifesting the demand and the capital offer on this market.

Another treated aspect in this chapter was the naming of the main dysfunctions which intervened along time in the evolution of the Romanian capital market, together with the way in which these were born, and the ways through which were or can be overtaken.

The slow development of the Romanian capital market and its reduced performances recorded during the period 1995-2002, period in which the Romanian economic context was unfavorable, is due to the following dysfunctions which have intervened in its functioning:

- the gap between the restructuring of the banking system and the capital market organizing;

- the gap between the launching of the privatization process and the creation of the capital market institutions;
- the gap between the appearance of the primary market and the creation of the organized secondary market.

Later on, the capital market grew substantially, the period during 2003-2007 being a boom one, the stock-market breaking a record after another. This capital market growth was supported by the increase of the GDP, by the carrying on of the deflation process, by the consolidation of the appraisal tendency of the national coin, by the diminishing of the interest rates from the banking system, by the range enlargement of the financial products transacted on the stock-market, as well as by the passing from a transacting system to the other more competitive (nowadays a large part of the stocks enlisted at the BSE quotation are transacted through the ARENA electronic system).

If in the developed countries, the capital market is the one which contributes at the economic growth, in the countries with forming capital markets (as Romania's case), from the contrary, the economic growth is the one which makes viable the capital market and it gives dynamism to the stock-exchange.

Through its amplitude and its implications, the Bucharest Stock Exchange identified itself with the Romanian economy and it went through together with this one, all ups and downs of the transition, it felt all the financial and political; crisis and scored positively every growth moment.

The year 2008, represented for the Bucharest Stock Exchange and for all participants on the autochthonous stock-exchange market one of the most complicated periods from the modern history of the Romanian capital market. After almost a decade in which the main indicators and indices of the BSE have described an ascendant tendency stressed and supported in the late years by the associated effects of the Romania's adhering process at the European Union in 2008, was marked by the abrupt reversing ascendant trend of the quotations and by the sensible diminishing of the general liquidities of the stock-exchange market.

The third chapter is focused upon the role of the Bucharest Stock Exchange in developing the Romanian capital market, starting from a short history of the stock exchange activity in Romania.

Establishing the role of the Bucharest Stock Exchange was made in close connection with the functions on which this fulfills in the Romanian economy. These functions are manifested not only at the individual level but at the microeconomic and macroeconomic levels too.

Romania is a country with an emergent economy which sets its imprint on the way Bucharest Stock Exchange fulfills its functions too, in the thesis being analyzed the total or partial degree of accomplishment of these ones.

In order to catch the evolution of the Bucharest Stock Exchange we've calculated, represented and graphically compared the trends recorded by a series of indicators of the regulated stock exchange market during 1995-2008 such as: the number of transactions, the number/volume of transacted stocks, the dealings' value, the capitalizing of the regulated stock market, the size of an average transaction, the value of an average transaction. This way we've come to the conclusion that those have raised during the period of expansion of the economy and have fallen during the recession period, thus proving the fact that the stock exchange is a true barometer of the Romanian economy,

which succeeded in catching all positive and negative aspects connected with its functioning.

Another aspect treated in this chapter has consisted in presenting the way of organizing and establishing the Bucharest Stock Exchange, the thesis exposing into details the organization chart of this institution and underlining the necessity of changing the organizing form of B.S.E. through finalizing the listing process of its shares on its own transacting regulated market.

In the last part of this chapter we have identified the advantages and disadvantages of the transacting and quotation mechanisms which succeeded at the Bucharest Stock Exchange from the start until present days. The conclusion that we've reached following the study of these transacting and quotation mechanisms is that these ones have adapted permanently so that the Bucharest Stock Exchange to be capable to face world's competition, to assure the interconnection with other stock exchange systems in the world as well as to ensure the dissemination of stock exchange information in real time.

The stock-exchange market is the best barometer of changes that take place in the world its evolution is regarding the macro or micro economical, geopolitical, social, fiscal, military and even diplomatic events which are manifested both nationally and internationally alike.

In this context the ones who desire to enter the capital market must know the capital market's characteristics of the respective country, its economic situation as well as a series of data about the companies which are listed on the capital market thus to be able to choose the best capital titles from their point of view, as well as the right moment for entering or exiting from the capital market. Starting from these aspects in the forth chapter of the thesis we have made the technical and fundamental analysis of the Romania's capital market, following in the same time the movements of the main indicators and stock-exchange indicators along time.

The values recorded both by the indicators of fundamental analysis and the ones of technical analysis, calculated at the level of the Romanian capital market, allow the distinguishing four stages in the evolution of this market:

- the initial stage of constituting the capital market (years 1995-1996);
- the immaturity stage of the market characterized through regression and generalized dropping of the prices (1997-2000);
- the market stage in course of maturing characterized through the general raise of the prices (2001-2004);
- the stage of relative maturity of the market characterized through a powerful correlation with other markets (2005-2008).

In chapter 5 we have defined the notions of financial instruments, stocks, bonds, derivate financial instruments, their characteristics, the way of classification as well as the functions that these fulfill on the capital market.

Another aspect which we have approached in this chapter is referring to the operations unfolded on the capital market in Romania, at the characteristics of these ones, the intermediating methods used, the unfolding stages, as well as the main types met in our country.

The number and the type of the public offers unfolded on a capital market are an indicator of the degree of development of the respective market. Starting from this, we have followed the evolution number of the public offers on their main categories during

2002-2008, and we've reached the conclusion that the Romanian capital market was not dependent by the public offers which represents a normal way of consolidating a stock exchange, but by the mass privatization process which lead to the listing of a huge number of companies, thus jumping over the important stage of initial public offers of stocks.

The listing through the public offers leads to a much healthier economic environment as well as at a stock exchange with a better capitalization. In this respect we have elaborated a case research regarding the initial primary public offer of stocks selling having attached allocation rights at S.N.T.G.N. Transgaz S.A., offer that marked a reference moment on the Romanian capital market through the three recorded premieres: the greatest stocks values put at sale, the greatest subscription degree and the first public offer which allocation rights have been attached to it. The recorded success by this initial public offer proves the fact that the capital market in Romania is insufficient exploited at the public offers chapter and that there is a great absorption potential by the market of such public offers.

A major problem which stood in the way of evolution of the capital market from Romania represented and continues to represent the insufficient culture of the population in the investment's field, as it results from the empirical questionnaire-based research made in the last chapter of the thesis. Starting from the results of this research, we consider that stock exchange education early in the school years and the population's periodical stock exchange information, represents the two essential conditions for developing the Bucharest Stock Exchange.

Following this chapter, have been analyzed the evolutions of the main financial instruments' markets in Romania showing both the factors which have obstructed its developing and those factors which have favored it. The analysis of the accomplishments of the financial instruments' market allows drawing the evolution perspectives of these ones in time:

- the shares' market has recorded a stressed dynamic in the sense of raising until the 2007, but in the same time with the starting of the international financial crisis its short term evolution perspectives are less encouraging;

- the bonds' market hasn't proved its maturity in the years before the starting of the international financial crisis but starting with the end of 2008, we are expecting at a raise of its dimensions if we have in mind the fact that financial instruments with a fixed income represents an ideal refuge for investors in the delicate moments of stocks, like the present one;

- in the context of international financial crisis, the evolution perspectives of the market of derivate financial instruments are opportune, because through this one the investors can protect themselves against the risks associated to different financial assets transacted on the spot market.

In the part of conclusions and later developments, we have achieved a SWOT analysis of the Romanian capital market, and we have reached the general conclusion that this one is in a period of relatively maturity and that it has well contoured the structure, capacity, organizing frame and the market's mechanisms which to assure its growth in the moment in which the international economic environment will become favorable.

With all this, the development of the Bucharest Stock Exchange hasn't completed itself, the capital market in Romania still being far from reaching its development

potential at the level of all its components: the stock market, the bonds market and the market of derivate financial instruments. Thus in the final of the thesis we have proposed towards application a set of stimulating growth measures of the capital market in Romania.

Given being the less encouraging perspectives which floats now over the economy at the international level as well as on the internal level reflected through a loss of trust in the deposits on the capital market the future period announces to be a difficult one. In this context is necessary that the financial international markets to become stabilized following that in time to witness better sentiments from the investors regarding the stock-exchange. Having trust in the economically solid foundations of the listed companies we consider that these will finally replace mistrust and negative feelings which dominate the market in this period and the stock exchange will retake its ascendant trend on the long run.

The research conducted within the frame of this thesis has comprise different thematic areas connected with the problematic of Romania's capital market and surely does have its limitations as any human action. What we desire is that the stages covered so far to open a road for the future research for those interested by this subject. Through the present work was desired the identification of the main restrictions which appeared in the development of the Romanian capital market, presentation of the measures through which these can be eliminated in such a way that the evolution perspectives on the long run to be favorable and to encourage the population to invest in the financial instruments present on this market.