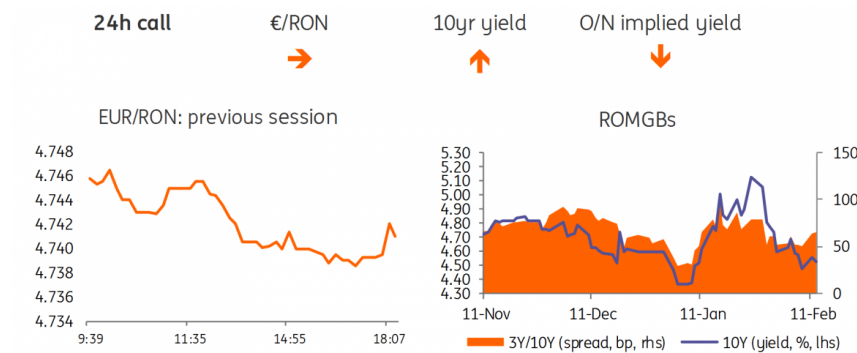


# Briefing Romania

NBR revises its inflation forecast marginally higher



Source: Reuters

## ➔ EUR/RON

With no repo auction yesterday and cash rates still above the Lombard rate, the EUR/RON traded within a 4.7400- 4.7450 range on low turnover and closed just above 4.7400. In yesterday's presentation of the February 2019 inflation report, NBR Governor Mugur Isaescu mentioned the widening external deficits as a source of increased risk and concern. Absent any structural reforms, the correction can only come via a combination of FX depreciation and interest rate moves, which the central bank hopes to avoid.



## Government bonds

Romanian government bonds didn't seem to react to the marginal upward revision of the NBR's inflation forecast. The central bank is now forecasting end-2019 inflation at 3.0% and 3.1% for end-2020. With core inflation seen at 3.3% by end-2019 and 3.4% by end-2020, it seems that the NBR is forecasting stable regulated prices in election years and continued excess demand.

The April-2026 auction came out positively overall at with a 1.69x bid-to-cover ratio. The Ministry of Finance upsized from the RON300 million target and allocated RON334 million at a 4.50% average and 4.54% maximum, slightly above our call.

## Money Market

The downward trend in cash rates took a break yesterday, possibly as the market was expecting a repo from the central bank. Hence, we are still around 4.00% in the short dates. We expect the downward trend to resume today.

### EUR/RON forecasts

	1Q19	2Q19	3Q19	4Q19	1Q20
ING forecast	4.75	4.75	4.80	4.80	4.82
FX Forward	4.79	4.84	4.89	4.93	4.98

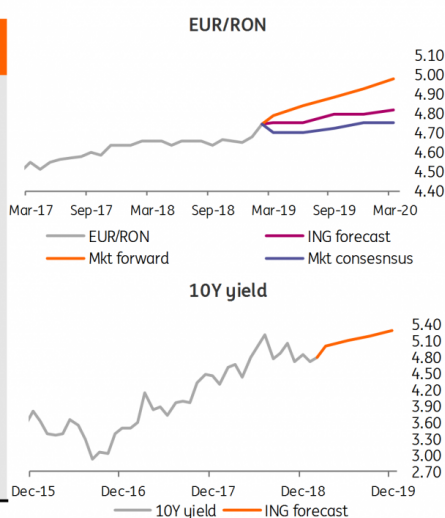
Source: Reuters, ING estimates

### Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7401	0.0	-0.7	17
EUR/PLN	4.3216	-0.1	0.7	0.7
EUR/HUF	319.62	-0.1	0.7	-0.4
EUR/CZK	25.865	-0.1	0.4	12
RO 5Y CDS*	105.1	0.1	2.1	0.1
ROBOR O/N*	3.54	-10	2.0	179.0
ROBOR 3M*	3.10	0.0	3.0	22.0
DAX	11776.6	10	0.0	4.1
S&P 500	2724.87	0.1	3.6	8.2
DE 10Y*	0.13	14	-7.8	-7.9
US 10Y*	2.67	3.3	-7.1	14
Gold (US\$)**	13119	-0.5	0.6	2.1
Brent (US\$)**	618	-0.4	3.4	8.1

\*change in basis points; \*\*US\$ (data as at 06:24 GMT)

Source: Reuters, Bloomberg, ING



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