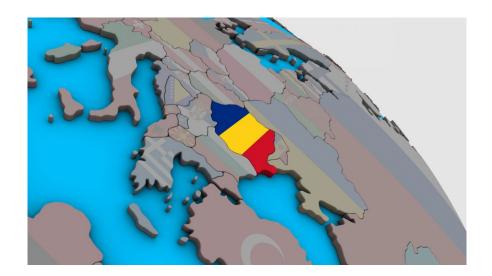
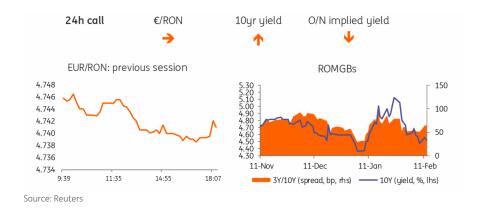
Snap | 12 February 2019 Romania

Briefing Romania

NBR revises its inflation forecast marginally higher





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 Isarescu 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.



Snap | 12 February 2019

Government bonds

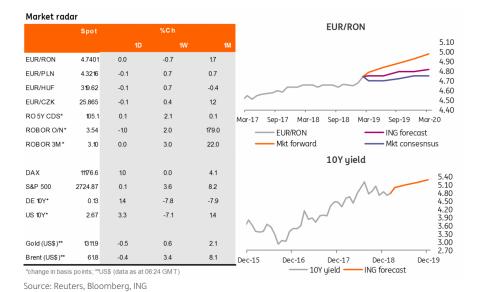
Romanian government bonds didn't seem to react to the marginal upward revision of the NBR's inflation forecast. The central bank is now forecasting end-2019 inflation at 3.0% and 3.1% for end-2020. With core inflation seen at 3.3% by end-2019 and 3.4% by end-2020, it seems that the NBR is forecasting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

	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



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Snap | 12 February 2019 2

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Snap | 12 February 2019 3