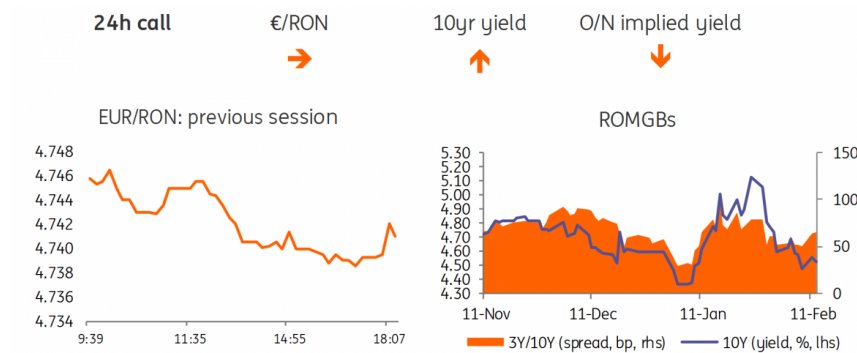


Briefing Romania

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 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

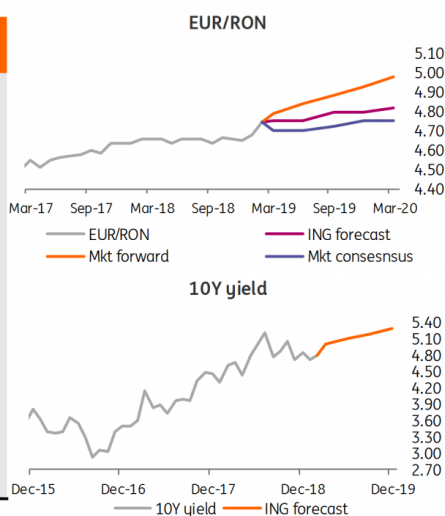
Source: Reuters, ING estimates

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\$)**	1319	-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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