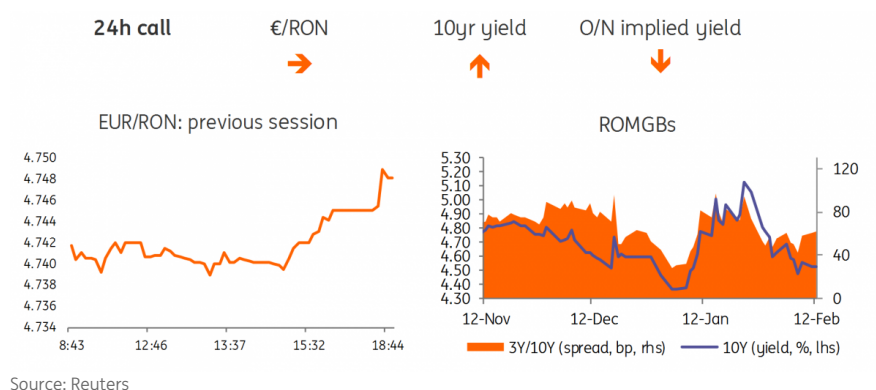


Briefing Romania

Liquidity squeeze



➔ EUR/RON

The Romanian leu remained stable around 4.7400 for most of yesterday's trading session, only to spike towards 4.7500 in late trading hours. We see the pair trading within 4.7450-4.7550 today.

⬆️ Government bonds

It was a quiet trading session again for Romanian government bonds which closed the day broadly flat. After pricing in some positive changes to the bank levy, markets are now likely waiting for some clearer signs that these changes will actually happen. The first clarification could come on 18 February when the National Committee for Macroprudential Oversight will convene again.

Meanwhile, a working group of the National Bank of Romania and Ministry of Finance is preparing a report, likely including alternative solutions.

At yesterday's hearing in front of the parliamentary economic commission, NBR Governor Mugur Isarescu reiterated that the NBR's independence is affected by the link between the bank tax level and interbank ROBOR index. This time, Governor Isarescu struck a more direct note by saying that the "bank tax is an attack against central bank independence". Referring to politicians' desire for lower interest rates, the governor was again pretty direct by connecting the interest rate path with positive developments in inflation, the budget deficit and the country's external position. During the hearing, a compromise on possible changes to the ROBOR calculation were mentioned. The junior coalition leader was open to eliminate the ROBOR link to the bank levy and exempt government bonds from the tax base.

The European Central Bank sent a letter to the Minister of Finance saying that it was not consulted on the bank levy decree. The ECB concludes that this is "a case of non-compliance by the Romanian authorities with the duty to consult the ECB on draft national legislation, contrary to Articles 127(4) and 282(5) TFEU and Article 2(1) of Council Decision 98/415/EC."

↓ Money Market

Cash rates remain stubbornly high, trading slightly above 4.00% with no sign of resuming the downward trend. The longer dated tenors readjusted higher by 15-20 basis points in the 1M-3M segment as hopes for a sustainable improvement in the system's liquidity seem to be fading. The lack of a budget bill for 2019 could be a reason behind choppier MinFin spending.

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

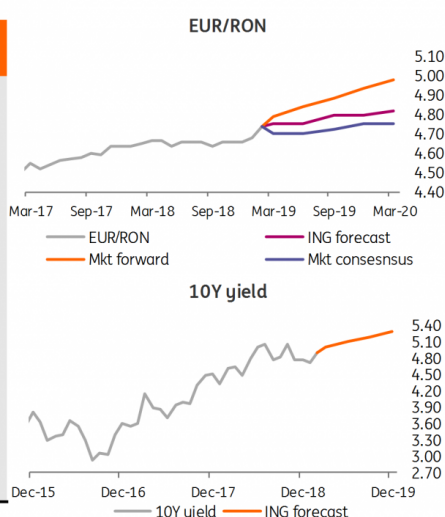
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7467	0.1	0.1	14
EUR/PLN	4.3256	0.1	0.9	0.8
EUR/HUF	318.05	-0.6	0.1	-11
EUR/CZK	25.85	-0.1	0.5	12
RO 5Y CDS*	105.1	0.0	0.2	0.7
ROBOR O/N*	3.55	10	2.0	95.0
ROBOR 3M*	3.09	-10	0.0	17.0
DAX	1126.1	10	-18	2.8
S&P 500	2744.73	13	0.8	6.9
DE 10Y*	0.13	15	-3.4	-10.0
US 10Y*	2.69	2.3	-11	-17
Gold (US\$)**	1313.4	0.2	-0.1	17
Brent (US\$)**	63.1	15	17	6.5

*change in basis points; **US\$ (data as at 05:27 GMT)

Source: Reuters, Bloomberg, ING



Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.