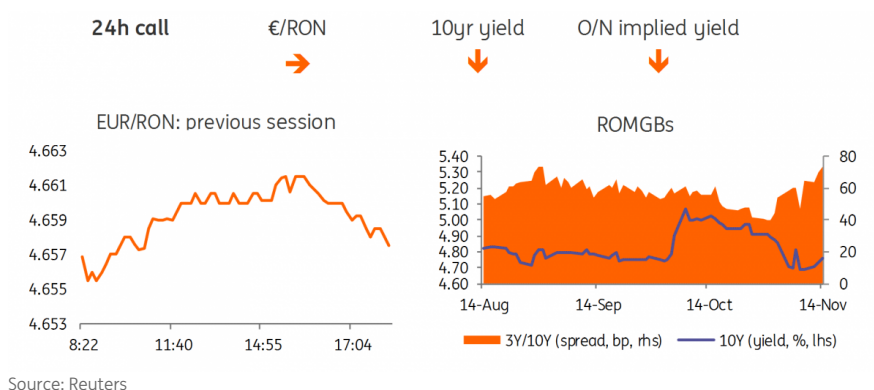


BriefING Romania

National Bank of Romania minutes less dovish than expected



➔ EUR/RON

Despite closing flat on the day around 4.6570, the EUR/RON traded with an upside bias for most of the trading session. Yesterday's NBR minutes mentioned that in the last Board meeting "a particular reference was made to the relative stability further displayed by the leu exchange rate against the euro" noting the "attractiveness of investments in domestic currency...due to the considerable interest rate differential versus the prevailing levels in the EU and across the region".

↓ Government bonds

The ROMGBs yield curve steepened a bit yesterday as buyers focused mainly on the front end

while the longer tenors were better offered. The NBR “board members repeatedly touched upon the ECB’s monetary policy stance and its relevance to the decisions taken by central banks in the region, and upon the fact that the NBR’s decisions could not overlook that context” at the previous meeting. We read this as mildly dovish, as the NBR likely considers a further increase in the interest rate differential as undesirable and would prefer to move in sync with the ECB and other regional central banks, but we doubt that the central bank will be able to avoid raising rates given the high FX pass-through in the context of RON’s twin deficit vulnerability.

Money Market

Cash rates continue to trade marginally above the 2.50% key rate. While the system’s liquidity should be comfortable for the current reserve period after the three consecutive repo auctions, the timing of the cash flows could be somewhat tricky and might lead to a defensive stance from local banks. Some of the monthly budget payments usually done on the 25th of each month could be paid in advance on Friday 23 November (since the 25th falls on a Sunday) which is also the last day of the minimum reserve maintenance period, while a repo auction might be needed to fill the gap between Monday 26 November and Wednesday 28 November when the RON8 billion redemption will occur.

EUR/RON forecasts and forwards

	4Q18	1Q19	2Q19	3Q19	4Q19
ING forecast	4.70	4.67	4.65	4.70	4.75
Forward rate	4.68	4.73	4.78	4.83	4.89

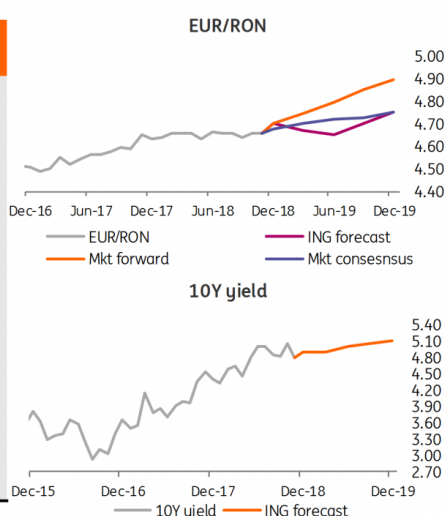
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.6570	-0.1	-0.1	-0.3
EUR/PLN	4.2955	-0.2	-0.7	-0.6
EUR/HUF	323.13	-0.1	0.2	-0.8
EUR/CZK	25.95	0.0	0.5	0.2
RO 5Y CDS*	97.9	0.0	-0.5	0.3
ROBOR O/N*	2.59	-10	-7.0	-11.0
ROBOR 3M*	3.19	0.0	-6.0	10
DAX	1527.3	13	0.8	-13
S&P 500	2806.83	-0.2	3.0	13
DE 10Y*	0.39	0.9	-0.9	-16.3
US 10Y*	3.14	19	-0.1	-8.2
Gold (US\$)**	1202.3	-0.2	-2.5	0.7
Brent (US\$)**	65.3	-2.0	-10.4	-210

*change in basis points; **US\$ (data as at 06:20 GMT)

Source: Reuters, Bloomberg, ING



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