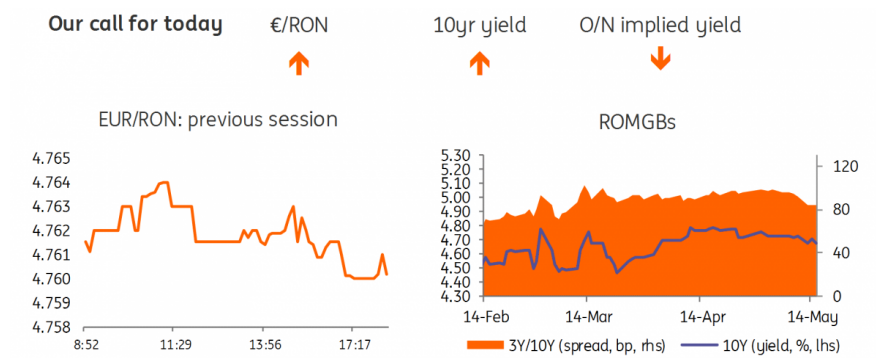


Briefing Romania

Acceleration in GDP increases the odds for National Bank of Romania tightening



Source: Reuters

↑ EUR/RON

The EUR/RON had another quiet day in the 4.7600-4.7650 range. Today the market will likely be in wait-and-see mode before the central bank's key rate decision and subsequent press briefing.

↑ Government bonds

Some buying interest at the front end of the curve emerged yesterday on the back of very low funding rates. Nevertheless, activity remained subdued and this should be the case today as well, at least up until the central bank meeting. While the chances for a rate hike have increased after

the **higher-than-expected inflation** print and today's strong GDP advance (+5.0% year-on-year in the first quarter), we still hold the consensus view of no rate hikes this year. We expect hawkish rhetoric at today's press briefing and the strict liquidity control pledge to be reiterated. Without some augmentation of the policy toolkit, however, the pledge is likely to lose credibility.

Money market

Funding rates dipped below the central bank's deposit facility rate of 1.50%, dragging lower the longer tenors as well, with implied yields up to 1Y again close or below 4.00%. While the central bank will likely hold a deposit auction again next Monday, the timing will be a bit tricky as it will overlap the bulk of the monthly budget payments. Hence, banks will likely hold some liquidity reserves aside to accommodate these payments, which should again lead to lower interest in the central bank's auction.

EUR/RON forecasts (eop)

| | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 |
|--------------|------|------|------|------|------|
| ING forecast | 4.77 | 4.78 | 4.85 | 4.87 | 4.88 |
| FX Forward | 4.79 | 4.84 | 4.89 | 4.95 | 4.98 |

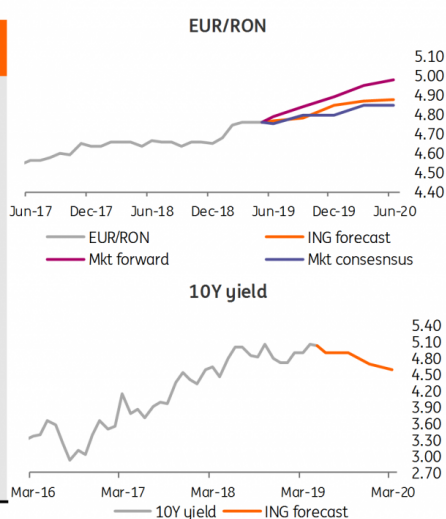
Source: Reuters, ING estimates

Market radar

| | Spot | %Ch | | |
|----------------|--------|--------|-------|--------|
| | | 1D | 1W | 1M |
| EUR/RON | 4.7588 | 0.0 | 0.0 | 0.0 |
| EUR/PLN | 4.3073 | 0.1 | 0.4 | 0.8 |
| EUR/HUF | 324.21 | 0.2 | 0.0 | 12 |
| EUR/CZK | 25.732 | -0.1 | 0.0 | 0.4 |
| RO 5Y CDS* | 87.3 | -100.0 | 14 | -20.1 |
| ROBOR O/N* | 2.09 | -47.0 | -54.0 | -117.0 |
| ROBOR 3M* | 3.29 | -10 | -2.0 | -9.0 |
| DAX | 10916 | 10 | -0.5 | 0.1 |
| S&P 500 | 2834.4 | 0.8 | -12 | -19 |
| DE 10Y* | -0.07 | 0.3 | -3.6 | -12.7 |
| US 10Y* | 2.41 | 14 | -3.6 | -11.1 |
| Gold (US\$)** | 1295.1 | -0.2 | 0.8 | 0.6 |
| Brent (US\$)** | 710 | 14 | 16 | 0.3 |

*change in basis points; **US\$ (data as at 05:26 GMT)

Source: Reuters, Bloomberg, ING



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