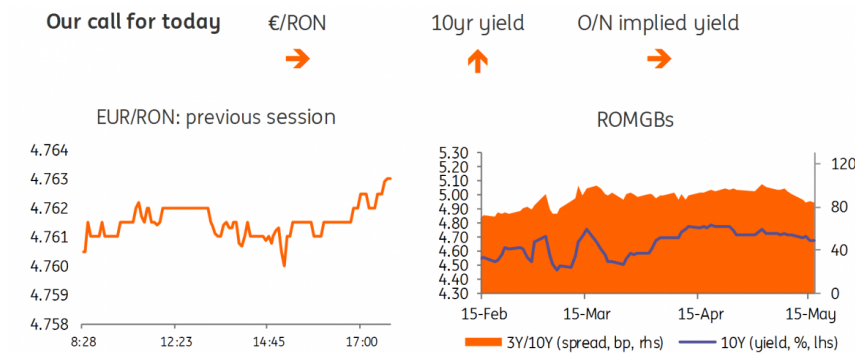


Briefing Romania

Hawkish central bank rhetoric



Source: Reuters

➔ EUR/RON

No shock waves hit the Romanian leu following the National Bank of Romania's (NBR) rate setting meeting. The EUR/RON traded in the same tight range of 4.7600-4.7650 on slightly higher turnover than in the previous days. We don't foresee any changes today.

⬆ Government bonds

NBR Governor Mugur Isarescu delivered the anticipated hawkish speech yesterday but that didn't seem to impress the market too much. As [we already mentioned](#), this rhetoric must be backed by action in order to be credible. Hence, the yield curve traded broadly flat despite the [impressive GDP](#)

print. Today, the Ministry of finance plans to sell RON500 million in an Oct-2021 auction. The demand could shift slightly higher following the latest inflation data and NBR meeting. Some relief coming from low funding rates could be supportive only to the extent that low funding is not perceived as transitory. We expect a relatively successful auction at the higher end of secondary market trading range, which is around 3.84%.

➔ Money market

The implied yields for funding have reached levels not seen for quite some time, trading around 0.90%. It is all temporary but still quite impressive given the general tight monetary conditions discussed by the central bank. The forward curve shifted lower again, with the front end benefiting the most from the low carry.

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

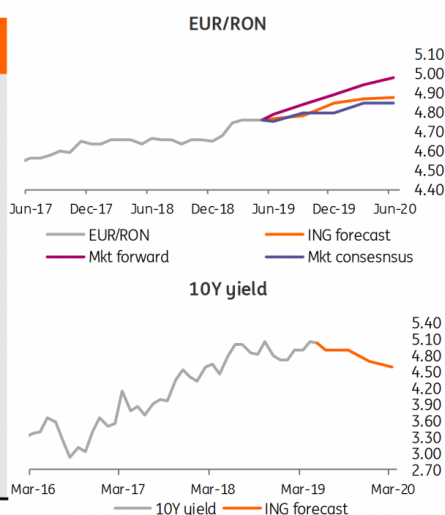
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7610	0.0	0.1	0.0
EUR/PLN	4.2996	-0.2	0.2	0.6
EUR/HUF	324.68	0.0	0.1	15
EUR/CZK	25.709	-0.1	-0.1	0.2
RO 5Y CDS*	98.5	12.8	12.6	-8.1
ROBOR O/N*	174	-35.0	-82.0	-177.0
ROBOR 3M*	3.28	-1.0	-2.0	-10.0
DAX	12099.6	0.9	-0.3	0.3
S&P 500	28510	0.6	-0.5	-14
DE 10Y*	-0.11	-2.5	-7.1	-17.7
US 10Y*	2.36	-4.0	-12.1	-23.3
Gold (US\$)**	1296.3	0.0	12	16
Brent (US\$)**	72.2	0.7	2.6	13

*change in basis points; **US\$ (data as at 06:29 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>.