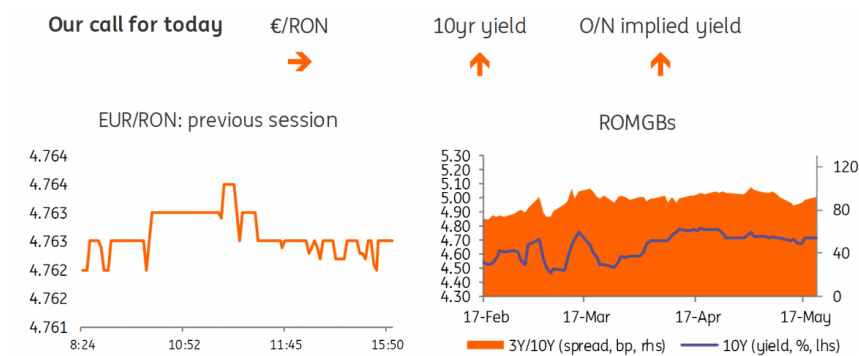


Briefing Romania

Central bank sees year-end inflation at 4.2%



Source: Reuters

→ EUR/RON

The Romanian leu traded in a narrow range again, ignoring the depreciation of regional peers. The higher funding rates, which we expect to start today, should help to further contain the upside potential of the EUR/RON.

↑ Government bonds

There was little reaction to central bank Governor Mugur Isarescu's presentation of the May 2019 Inflation Report, despite the fact that he announced quite a striking upward revision of the central bank's inflation forecast: from 3.0% to 4.2% for December 2019. The yield curve shifted some 1-2

basis points higher without much trading going on. For today's RON500 million April 2026 auction, we expect good demand and marginally higher bids compared to the 4.71% average yield where it was issued a month ago.

📈 Money market

In anticipation of new instruments suggested by Governor Isarescu for strictly controlling the system's liquidity, we will likely see a plain one week deposit taking auction today. The curve has already adjusted to higher levels with the 1M implied yield now around 3.50% and the 1Y just above 4.00%. We expect the carry to remain below the central bank's key rate of 2.50% as most of the banks will likely set aside some liquidity reserves for the monthly budget payments due on 25 May.

The week ahead

The trade story will remain the key driver of market moves this week, with the ratcheting up of tensions intensifying market concerns about the outlook for the global economy. We see little reason for optimism in the near term, as the market is likely to be looking towards the G20 summit in June when President Trump is expected to sit down with President Xi to discuss the trade impasse.

In the US, the only data release of note will be durable goods orders, which will be heavily depressed by the swing in Boeing aircraft orders; 44 planes were ordered in March compared to just 4 in April.

Even though markets will focus a lot on the German IFO survey this week, the recent rollercoaster ride regarding trade means that it should be taken with a large pinch of salt. Both consumer confidence and PMIs in the eurozone will also be in focus - a close look at new export orders from the PMI seems especially interesting as they plummeted last month.

With no important macroeconomic data on the local front, we expect the EUR/RON to trade within 4.7550-4.7750 range.

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	4.90	4.95	4.98

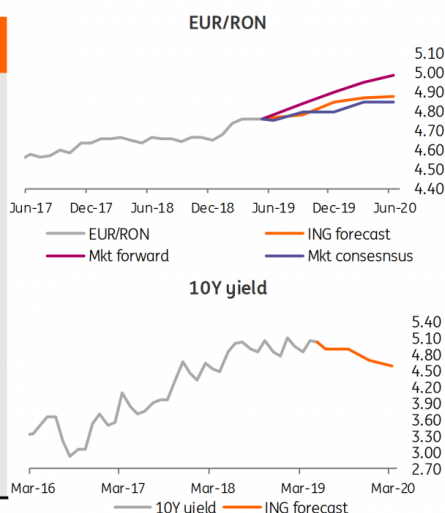
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7610	-0.1	0.1	0.0
EUR/PLN	4.3033	0.0	0.1	0.6
EUR/HUF	326.25	0.5	1.0	2.0
EUR/CZK	25.766	0.2	0.2	0.2
RO 5Y CDS*	1011	1.0	13.8	-5.1
ROBOR O/N*	1.72	-23.0	-82.0	-103.0
ROBOR 3M*	3.28	0.0	-2.0	-11.0
DAX	12238.9	-0.6	1.8	0.4
S&P 500	2859.5	-0.6	-0.2	-1.0
DE 10Y*	-0.10	-1.4	-5.0	-12.2
US 10Y*	2.40	-1.2	-5.4	-16.7
Gold (US\$)**	1276.0	-0.7	-0.7	0.1
Brent (US\$)**	73.1	-0.6	3.5	2.3

*change in basis points; **US\$ (data as at 06:19 GMT)

Source: Reuters, Bloomberg, ING



Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@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 www.ing.com.