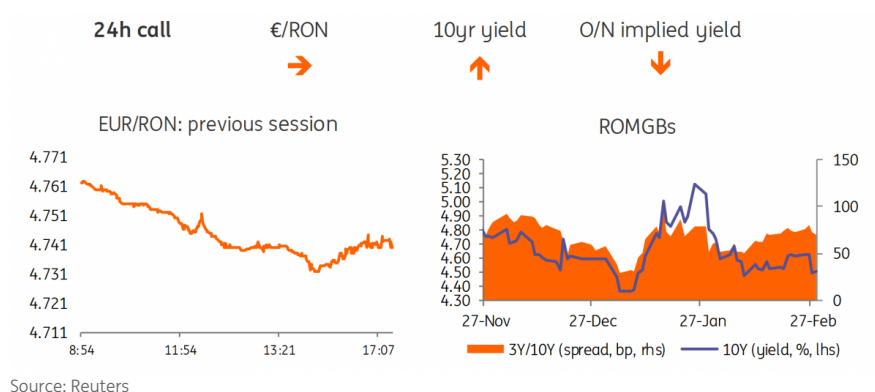


Briefing Romania

Finance Minister's comments fuel optimism



➔ EUR/RON

What seemed to be a normal start to the trading day for the Romanian leu rapidly turned into a selling spree. The main trigger appeared to be the Finance Minister's statements regarding possible changes to the bank tax. Excluding some assets from the tax base seems to be on the table "as soon as possible, before 1 April". Market reaction was quite energetic, with the pair falling as low as 4.7320 before correcting to 4.7400 near the close. The 4.7350 area looks to be a good support zone again. For now, we expect consolidation at these slightly lower levels, before the pair resumes its longer-term upward trend.

↑ Government bonds

Though not explicitly mentioned in yesterday's statement, the exemption of government bonds from the bank tax base seems to be under discussion as well. As [mentioned before](#), such changes are likely already priced in to a large extent, hence the bond market reaction hasn't been as lively as the FX one. Nevertheless, we still had some better buying interest across the curve, with the mid-segment yields dropping the most, by c.10 basis points. If the exclusion of government bonds from the tax base materialises, we believe there is still room for some decent gains in ROMGBs.

↓ Money Market

The money market curve continued to flatten yesterday and it's currently trading within a remarkably narrow 20 basis points from overnight to 1Y. We expect the curve to become upward sloping again as cash rates dip slightly below the 3.50% Lombard level.

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	4.88	4.93	4.98

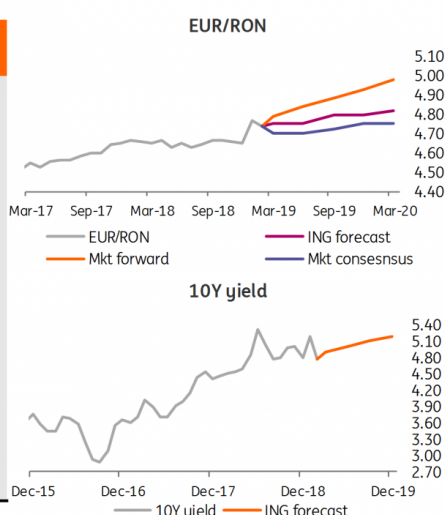
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7355	-0.5	-0.4	-0.6
EUR/PLN	4.3446	-0.1	-0.4	0.4
EUR/HUF	316.31	-0.1	-0.3	-0.3
EUR/CZK	25.62	0.0	-0.1	-0.6
RO 5Y CDS*	106.0	-0.6	-0.8	3.0
ROBOR O/N*	3.5	-6.0	-23.0	12.0
ROBOR 3M*	3.28	-10	3.0	18.0
DAX	14487.3	-0.5	11	2.7
S&P 500	2792.38	-0.1	0.8	6.4
DE 10Y*	0.15	4.0	4.4	-5.2
US 10Y*	2.66	5.7	12	-4.8
Gold (US\$)**	1319.6	-0.7	-14	0.6
Brent (US\$)**	66.0	18	-16	7.9

*change in basis points; **US\$ (data as at 05:50 GMT)

Source: Reuters, Bloomberg, ING



Author

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

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