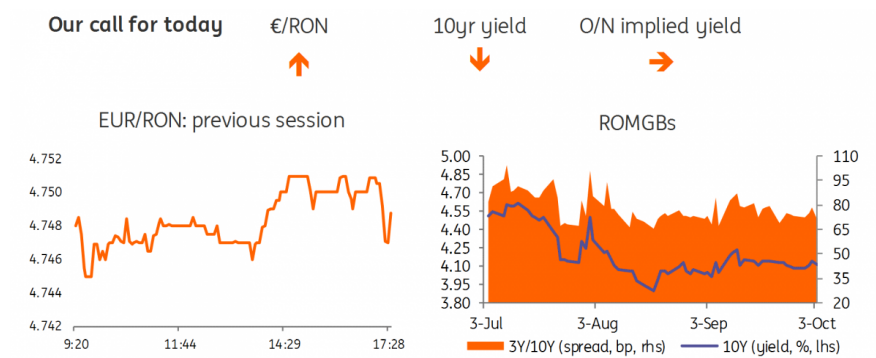


Briefing Romania

Key rate on hold at 2.50%



Source: Reuters

EUR/RON

The EUR/RON traded in the same 4.7450-4.7500 range yesterday on average turnover. The press briefing following the NBR Board meeting didn't bring much news. While disavowing the leu's depreciation as a solution for correcting the external imbalances, Governor Mugur Isarescu reiterated that any appreciation will be discouraged as well. Hence, stability should be the name of the game for some time. More on this topic [here](#).

Government bonds

Romanian government bonds enjoyed a better day and embarked on a slight bull flattening move, with long term yields down by 2-3 basis points. One of the reasons was the poor US data (details [here](#)) which has increased market expectations for rate cuts. Back to the local front, the RON500 million Apr-2026 auction came in pretty well with a bid-to-cover of 2.5x, upsized allocation to RON702 million and an average yield of 4.02%. As the external data continues to come in on the weak side, it's likely that the relatively high ROMGBs yields will continue to prevail over internal vulnerabilities and trigger more buying interest.

Money market

Carry remains stable slightly below 2.50%. The reference to "strict liquidity control" has been maintained in the NBR's press release.

The budget execution data released yesterday shows that the fiscal deficit for the January-August 2019 stands at -2.13% of GDP from -1.76% at end-July, way above last year's -1.54% of GDP after the same period. To make things worse, the August data does not yet include the 15% increase in pensions, which will show up in September. Incomes are 11.9% higher than in 2018 but expenses accelerated by 14.8%.

We believe that staying within -3.0% of GDP is still possible mainly by not fulfilling the investment plans. Linking the upcoming budget execution with the local money market, we could see a material slowdown in public spending in the last few months of this year. This will overlap an already decreasing liquidity surplus and we believe that towards the end of the year we could even see a liquidity deficit in the system. While in the last few months the NBR's open market operations have become more predictable and managed to increase the relevance of the key rate, we are slightly wary on how things will shape up once the central bank becomes a net creditor of the system.

EUR/RON forecasts (eop)

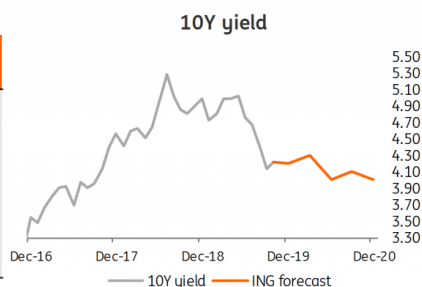
	4Q19	1Q20	2Q20	3Q20	4Q20
ING forecast	4.80	4.82	4.82	4.84	4.85
FX Forward	4.78	4.82	4.87	4.91	4.96

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7490	0.1	0.0	0.5
EUR/PLN	4.3294	-0.7	-1.3	-0.2
EUR/HUF	332.10	-0.5	-1.0	0.8
EUR/CZK	25.702	-0.3	-0.5	-0.6
RO 5Y CDS*	91.0	0.2	0.6	3.4
ROBOR O/N*	2.49	-4	-36	-14
ROBOR 3M*	3.07	-1	-1	3

*change in basis points; **US\$ (data as at 06:25 GMT)

Source: Reuters, ING estimates



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>.