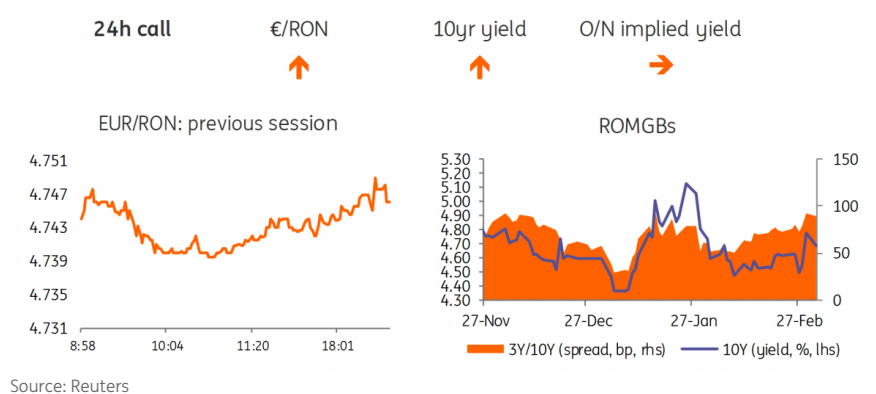


Briefing Romania

The rating agency S&P affirmed Romania at BBB-, outlook under appeal



↑ EUR/RON

Range trading again for the EUR/RON on Friday, as the market turned cautious ahead of rating agency Standard & Poor's review. The pair closed with an upward bias, around 4.7450. We should see the same 4.7400-4.7500 range to hold today.

S&P affirmed its BBB- ratings on Romania, but the outlook was placed under appeal at the request of Romanian government with a two weeks deadline for resolving the appeal. Bloomberg reported, citing government officials, that in the next two weeks, the government plans to amend the bank levy by eliminating the connection to the money-market rates, exempting from the tax base

government bonds, government-backed loan programs, loans to local administrations and loans financing EU grants, while making the tax semi-annual instead of quarterly.

It's likely that this new information provided to the rating agency led to a delay in the announcement. The S&P short review mentions that 'notably widening fiscal and external deficits could over time eat' into solid fiscal and external stock positions and make the Romanian economy increasingly vulnerable to slowing growth momentum'.

📈 Government bonds

After the initial sell-off as news emerged on possible outlook revision to negative from stable by S&P on Friday, Romanian government bonds recovered some losses as government officials told Bloomberg that the government is exchanging information with the rating agency on bank tax and budget policy which should lead to a reassessment.

Overall, the yield curve shifted somewhere between 5-10 basis points higher — the ministry of finance plans to sell RON 400m in October-2021 bonds. We expect good demand from domestic investors and possible upsize of the issuance with allocation within the 3.80-3.85% range.

➡ Money Market

Funding rates closed little changed on Friday, just below the central bank credit facility level of 3.50%.

The week ahead

This week's data should be decent in the US, with the strong jobs market helping to underpin consumer confidence and spending. Payrolls growth is likely to slow down from the unexpected 304k surge in January, but there is upside potential for wage growth as the tightness in the jobs market fuels inflation-busting pay.

In the Eurozone [we expect the ECB to keep its cards close to its chest](#), and this means no new TLTRO announcements or changes to forward guidance. Instead, we expect the ECB to strike a dovish tone and mention that the Governing Council has asked the relevant committees to look into possible options to tackle liquidity and bank lending problems. This is likely to open the door to some new policy announcements at the April meeting.

EUR/RON forecasts

	1Q19	2Q19	3Q19	4Q19	1Q20
ING forecast	4.75	4.75	4.80	4.80	4.82
FX Forward	4.76	4.84	4.89	4.94	4.98

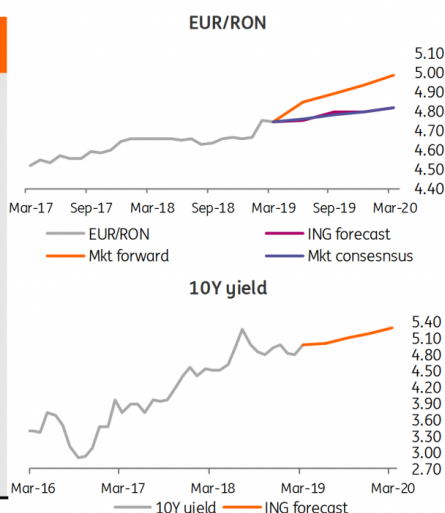
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7405	0.0	-0.4	0.0
EUR/PLN	4.3026	0.0	-0.8	0.9
EUR/HUF	36.95	0.1	-0.6	0.1
EUR/CZK	25.626	0.0	-0.2	-0.5
RO 5Y CDS*	106.5	0.7	-1.1	2.2
ROBOR O/N*	3.27	-110	-35.0	14.0
ROBOR 3M*	3.28	2.0	0.0	22.0
DAX	16017	0.8	16	4.2
S&P 500	2803.69	0.7	0.9	4.2
DE 10Y*	0.19	0.1	9.4	3.6
US 10Y*	2.76	4.4	10.5	12.5
Gold (US\$)**	1293.6	-15	-2.6	-2.0
Brent (US\$)**	65.3	-19	-2.9	7.1

*change in basis points; **US\$ (data as at 07:14 GMT)

Source: Reuters, Bloomberg, ING



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