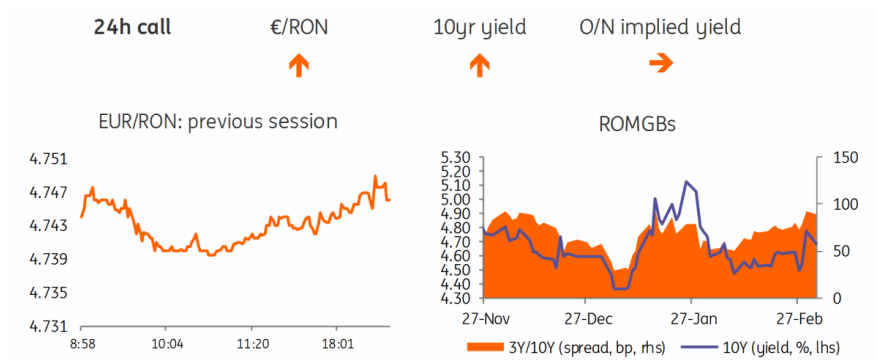


Briefing Romania

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



Source: Reuters

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

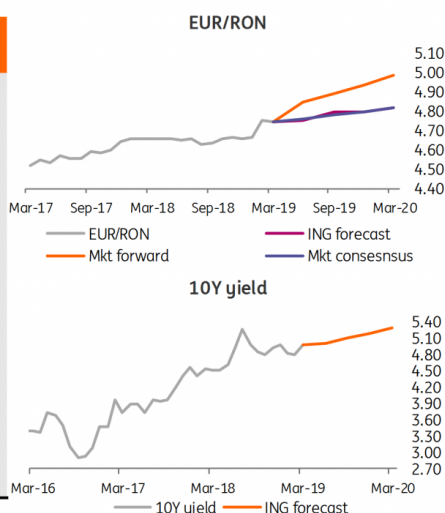
Source: Reuters, ING estimates

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



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>.