

# BriefING Romania

NBR rate decision, no change expected



24h call

€/RON



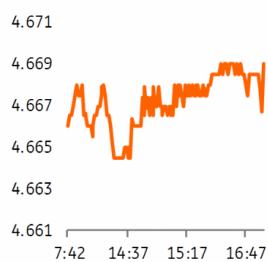
10yr yield



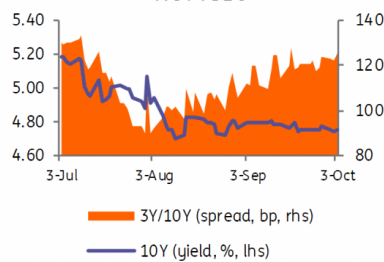
O/N implied yield



EUR/RON: previous session



ROMGBs



Source: Reuters

## Romanian leu

As expected, the EUR/RON traded close to 4.6700 yesterday but did not break above it despite the above average turnover in the second part of the day. For today, we expect the market to be watchful for any comments by the governor of the central bank in the press briefing following the Board meeting, given previous verbal guidance on the FX outlook.

## 📉 Government bonds

It's been a calm market for Romanian government bonds (ROMGBs) with yields little changed as the NBR's rate decision is awaited. There is broad consensus for no change in the key rate and policy stance overall today. Hence, more than the decision itself, the governor's press briefing will likely capture attention as it might offer clues on the future path of interest rates. We expect no change in the key rate this year and three 25 basis point rate hikes next year, starting 1Q19.

## ➔ Money Market

In the money market, we had quite a sharp fall in implied yields covering the current reserve period, which are all below 3.00% right now. Overnight rates dropped the most, by some 50 basis points to around 2.65%. While we anticipated the lower rates, the move has certainly been swifter than expected. Eventual comments by Governor Mugur Isarescu regarding the regularity of open market operations will undoubtedly be watched by the market, though we doubt any commitment as the central bank will likely prefer to keep more flexibility on liquidity management to fend off currency depreciation pressures.

EUR/RON forecasts and forwards

|              | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 |
|--------------|------|------|------|------|------|
| ING forecast | 4.70 | 4.67 | 4.65 | 4.70 | 4.75 |
| Forward rate | 4.71 | 4.75 | 4.80 | 4.85 | 4.89 |

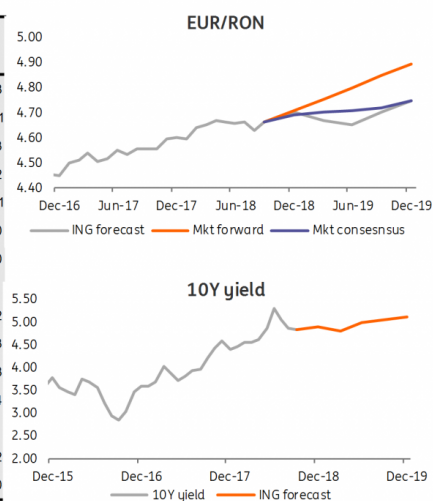
Source: Reuters, ING estimates

### Market radar

|                | Spot    | %Ch  |      |       |
|----------------|---------|------|------|-------|
|                |         | 1D   | 1W   | 1M    |
| EUR/RON        | 4.666   | 0.1  | 0.2  | 0.8   |
| EUR/PLN        | 4.2895  | 0.2  | 0.0  | -0.1  |
| EUR/HUF        | 322.82  | 0.0  | -0.4 | -13   |
| EUR/CZK        | 25.785  | -0.1 | 0.7  | 0.2   |
| RO 5Y CDS*     | 96.5    | 0.0  | 1.7  | 5.1   |
| ROBOR O/N*     | 2.67    | -2.0 | 10   | -5.0  |
| ROBOR 3M*      | 3.15    | -2.0 | 10   | -7.0  |
| DAX            | 12287.6 | -0.4 | -0.4 | -0.2  |
| S&P 500        | 2923.43 | 0.0  | 0.8  | 13    |
| DE 10Y*        | 0.453   | -4.5 | -9.3 | 118   |
| US 10Y*        | 3.0744  | -2.4 | -2.8 | 307.4 |
| Gold (US\$)**  | 1203.26 | 13   | 0.2  | 0.2   |
| Brent (US\$)** | 84.91   | -0.2 | 4.5  | 9.0   |

\*change in basis points; \*\*US\$ (data as at 07.02 GMT)

Source: Reuters, Bloomberg, ING



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