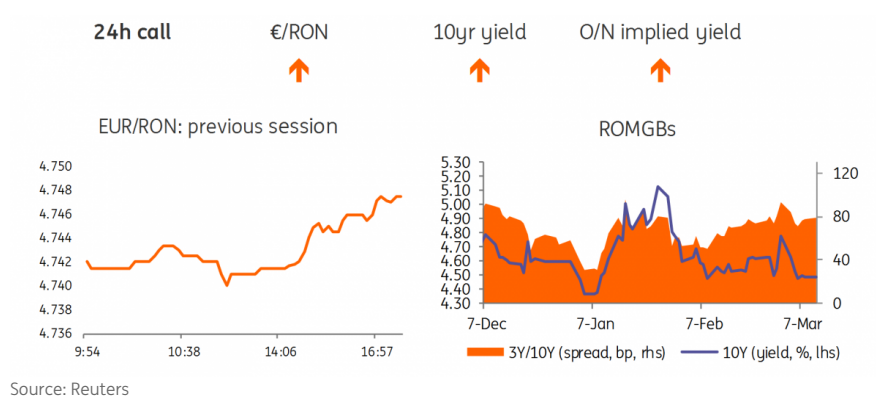


Romania Briefing

Waiting for National Bank of Romania's announcement on open market operations



↑ EUR/RON

EUR/RON inched up on Friday, closing around 4.7470 on below average turnover. We see more of the same today, with a possible range of 4.7400-4.7550.

↑ Government bonds

The Romanian government bond yield curve bull steepened on Friday as front-end yields dropped due to surplus liquidity while the back-end was little changed. The Ministry of Finance auctions RON300 million in Apr-26 bonds today. We expect a cut-off yield around 4.50%.

Money market

Funding rates dropped below the NBR deposit facility rate of 1.50%. The rest of the money market curve inched marginally lower and remains pretty flat with mid implied yields for 3M at 3.40% and 1Y at 3.50%. We expect the NBR to announce a deposit taking sterilisation auction to mop up surplus liquidity today.

Week ahead

For the week ahead, in the US, consumer price inflation should hold steady but we continue to believe that core inflation will grind higher through the year due to supply constraints, strong demand and rising wages. As such, we continue to forecast a Federal Reserve interest rate rise late in the summer versus futures markets that are pricing the next move to be a cut in 2021.

In Romania, parliament could gather to revoke the budget bill and send it back for approval to the president. We expect February CPI to come in above consensus and core inflation to inch 0.2 percentage points higher to 2.7% year-on-year. This should be negative for ROMGBs. On Friday, a two week deadline expires for the Romanian government to appeal S&P's decision to revise its outlook to negative from stable. It looks like a week packed with quite a few idiosyncratic risks and we see EUR/RON trending up, with a possible range of 4.7400-4.7700.

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	4.88	4.93	4.97

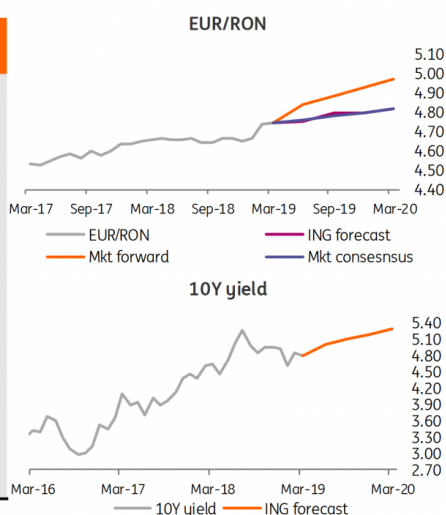
Source: Reuters, Bloomberg, ING

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7455	0.0	0.0	0.0
EUR/PLN	4.2969	-0.3	-0.1	-0.3
EUR/HUF	315.2	-0.3	-0.2	-1.1
EUR/CZK	25.624	0.1	0.0	-0.7
RO 5Y CDS*	103.9	0.0	-2.6	-12
ROBOR O/N*	182	-310	-145.0	-174.0
ROBOR 3M*	3.11	-2.0	-17.0	10
DAX	11457.8	-0.5	-0.9	4.3
S&P 500	2743.07	-0.2	-1.6	19
DE 10Y**	0.07	0.7	-12.2	-4.8
US 10Y**	2.64	-1.1	-11.2	-1.1
Gold (US\$)**	1296.9	10	0.3	-10
Brent (US\$)**	66.1	-0.8	15	7.2

*change in basis points; **US\$ (data as at 06:43 GMT)

Source: Reuters, ING estimates



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