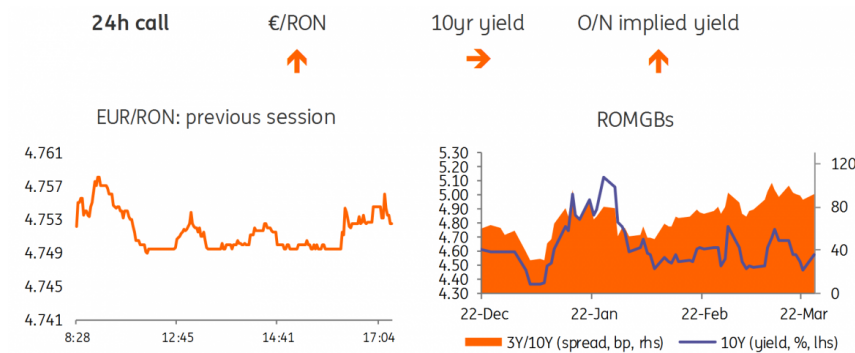


# Romania Briefing

Sharp spike in funding rates



Source: Reuters

## ↑ EUR/RON

Friday's trading session saw increased turnover for the EUR/RON, which remained in the same 4.7500-4.7600 range. Risk sentiment has worsened over the weekend, driving regional currencies weaker against the euro. The Romanian leu is usually stickier on the upside when it comes to following the trend, but we believe a test above 4.7600 could happen today.

## → Government bonds

The last primary auction of the month finds Romanian government bonds better positioned to face the current market turmoil. The Finance Minister announced that the bank tax levy would be

changed by the end of the current week and that “regarding the banking area there is a consensus”. Today, the Ministry of Finance plans to sell RON200 million in Sep-2031 bonds. The risk sentiment is not supportive but a 5.25-5.30% yield could be appealing enough to fill the target size. Otherwise, on Friday the ROMGB yield curve shifted a couple of basis points higher.

## Money market

In the money market, the new reserve period is again seeing implied yields above 5.00% at the front end and generally, all tenors above the 3.50% Lombard rate. We could say it's business as usual as we suspect that the central bank is likely to remain inconsistent in its operations and won't provide liquidity via repo operations to ease the liquidity squeeze. But then again, the likelihood of our call on this is slightly higher than calling the outcome of the toss of a coin.

## Week ahead

For the eurozone - and especially countries like Ireland, Netherlands and Belgium, all eyes will be on Brexit developments. In a no-deal scenario, [these countries are expected to experience a material impact](#). If Prime Minister Theresa May's Brexit deal passes this week, the EU will grant an extension that lasts until 22 May - the day before European parliament elections. This would give the UK time to pass the relevant legislation. If the deal doesn't pass next week, then the UK will have until 12 April to decide a way forward. But will May's deal go through? In short, probably not. Assuming May's deal is rejected for the third time, the focus will switch back to this idea of 'indicative votes' - a process where parliament will get its say on alternative Brexit options. In Romania, the government is expected to approve amendments to the bank levy on Thursday. We think that most of the positive news is already priced in. Hence, we look for EUR/RON to stay within 4.7500-4.7700 range for the week.

EUR/RON forecasts (eop)

	2Q19	3Q19	4Q19	1Q20	2Q20
ING forecast	4.77	4.78	4.85	4.87	4.88
FX Forward	4.81	4.86	4.91	4.96	4.99

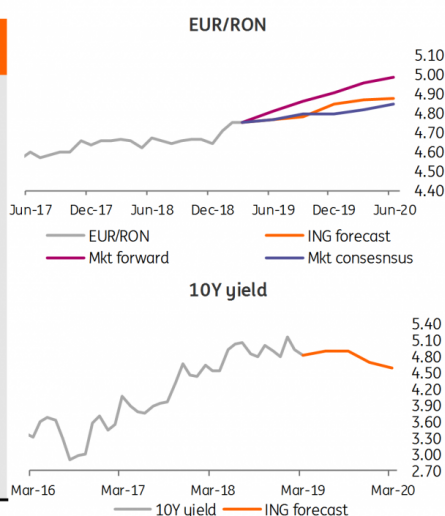
Source: Reuters, Bloomberg, ING

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7535	-0.1	-0.1	-0.2
EUR/PLN	4.2943	0.4	-0.1	-0.9
EUR/HUF	316.37	0.7	0.7	-0.4
EUR/CZK	25.741	0.3	0.4	0.4
RO 5Y CDS*	106.2	0.0	4.4	-15
ROBOR O/N*	1.81	5.0	10.0	-110
ROBOR 3M*	3.16	2.0	7.0	-20
DAX	11664.2	-16	-2.4	-0.2
S&P 500	2800.71	-19	-0.2	15
DE 10Y*	-0.01	-6.4	-10.1	-14.0
US 10Y*	2.45	-8.4	-14.7	-24.2
Gold (US\$)**	1316.8	0.3	12	-0.5
Brent (US\$)**	66.7	-12	-0.6	-0.7

\*change in basis points; \*\*US\$ (data as at 09:24 GMT)

Source: Reuters, ING estimates



## Author

### Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

### Valentin Tataru

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

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