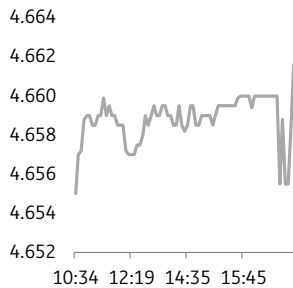


14 February 2018

BriefING Romania

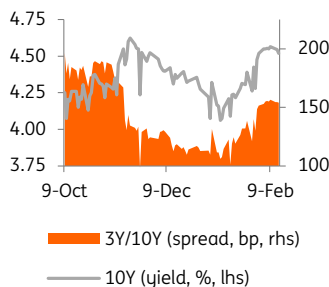
Goldilocks is over: weaker GDP, higher inflation

EUR/RON: previous session



Source: Reuters

ROMGBs



Source: Reuters

Market radar

	Spot	1D	%Ch 1W	1M
EUR/RON	4.6590	0.1	0.2	0.4
EUR/PLN	4.1668	-0.1	0.3	-0.1
EUR/HUF	312.05	0.0	0.7	1.0
EUR/CZK	25.362	-0.1	0.6	-0.7
RO 5Y CDS*	85.58	0.0	0.4	-0.3
ROBOR O/N*	1.34	-1.0	19.0	22.0
ROBOR 3M*	2.06	0.0	9.0	8.0
DAX	12197	-0.7	-1.3	-7.3
S&P 500	2663	0.3	-0.6	2.0
DE 10Y*	0.73	-0.7	4.3	14.6
US 10Y*	2.83	-1.5	6.3	282.9
Gold (US\$)**	1332.9	0.5	0.6	-0.5
Brent (US\$)**	62.7	0.2	-6.2	-10.2

*change in basis points; **US\$
Source: Reuters (data as at 06.40 GMT)

Market view

The EUR/RON traded again in a narrow range yesterday, closing just above 4.6600 on some late trades and below average turnover. Given the rather disappointing GDP data which came out this morning, we expect EUR/RON to trade with an upside bias in a 4.6500-4.6700 range.

Jan-2018 CPI came out at 4.3% YoY versus our call of 4.2% and NBR forecast of 4.4%, while Bloomberg consensus was 3.9% and Reuters median 4.1%. The forecast error on our side comes mainly from food prices. 4Q17 GDP growth was much weaker than our expectations at 0.6% QoQ vs ING call of 1.2% which was similar to Bloomberg median. Still, significant data revision led to a FY growth of 7.0% versus our expectations of 7.1% and Bloomberg consensus of 6.5%. 4Q17 GDP growth stood at 6.9% YoY vs 8.1% our call and 7.3% Bloomberg consensus. This means downside risks to 2018 growth outlook. For 2018 we forecast 4.7% YoY growth vs 4.1% Bloomberg median, while the assumption in the state budget is for 5.5% growth and official forecast of the National Prognosis Commission is 6.1%.

The ROMGBs yield curve steepened a bit with front and belly segments sliding 2-3bps downwards. Today, the MinFin auctions EUR200m in Feb-2021 domestic bonds. We should see decent demand around secondary market mid-levels of 0.23% and it is quite possible that MinFin will sell more than planned around this level.

The O/N and T/N implied continued to trade just below the new NBR deposit facility rate, around 1.15% mid. The curve up to 3M compressed further, with 1M inching about 5bp higher most likely following the higher carry while the 3M shifted about 5bp lower, reflecting expectations of surplus liquidity not going to be sterilized anytime soon.

EUR/RON forecasts and forwards

	1Q18	2Q18	3Q18	4Q18
ING forecasts	4.68	4.70	4.70	4.67
Forward rate implied quotes	4.67	4.70	4.75	4.79

Source: Reuters, ING estimates

24h call

EUR/RON



10yr yield



Ciprian Dascalu

Chief Economist, Romania
Bucharest +40 31 406 8990
ciprian.dascalu@ing.ro

Valentin Tataru

Economist, Romania
Bucharest +40 31 406 8991
valentin.tataru@ing.ro

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank NV ("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 NV 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. The producing legal entity ING Bank NV 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 NV is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank NV, London Branch. ING Bank NV, London Branch is subject to limited regulation by the Financial Conduct Authority (FCA). ING Bank NV, 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.