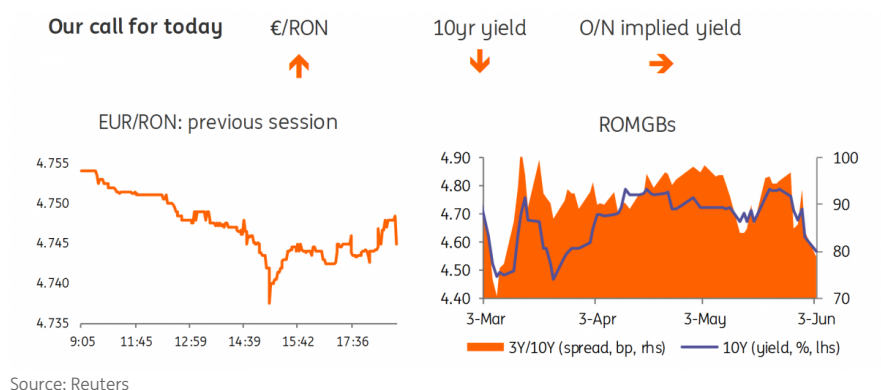


Briefing Romania

10-year bond auction likely to bring robust demand



↑ EUR/RON

The EUR/RON marched lower on heavy turnover on Friday, testing the 4.7400 level but failing to close below it. For today, we see a 4.7450-4.7550 range with upside potential due to the global risk-off mood.

↓ Government bonds

The ROMGB yield curve bull-flattened on Friday as long-end yields dropped c.2-4 basis points, joining the regional rally in local currency government bonds. The Ministry of Finance issuance calendar for June likely tempered the demand to some extent with supply slightly higher than in

the previous month, but issuance is likely to increase provided there is clustered demand. The issuance kicks off today with RON500 million in 10Y T-bonds and RON400 million 6M T-bills. For the February-2029 bond, we expect strong demand and a cut-off yield near Friday's closing bid of 4.81%. For 6M T-bills, the MinFin is unlikely to accept bids higher than the 6M ROBOR rate, though ALM desks might bid more aggressively given the upcoming redemption towards the end of the month.

➔ Money market

Cash rates hovered around the NBR key rate of 2.50% despite the general feeling of surplus liquidity, as the market broadly expected the central bank to drain the liquidity today via a 1-week deposit auction. The money market curve steepened, as the front-end rates dropped while the long-end was unchanged with 1Y implied yields just below 4.00%.

EUR/RON forecasts (eop)

| | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 |
|--------------|------|------|------|------|------|
| ING forecast | 4.77 | 4.78 | 4.85 | 4.87 | 4.88 |
| FX Forward | 4.76 | 4.81 | 4.87 | 4.92 | 4.96 |

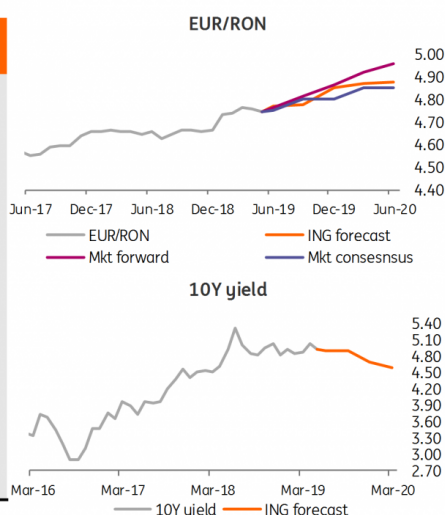
Source: Reuters, Bloomberg, ING

Market radar

| | Spot | %Ch | | |
|----------------|---------|------|-------|-------|
| | | 1D | 1W | 1M |
| EUR/RON | 4.7475 | -0.1 | -0.3 | -0.2 |
| EUR/PLN | 4.2814 | -0.2 | -0.3 | -0.1 |
| EUR/HUF | 324.89 | 0.1 | -0.2 | 0.2 |
| EUR/CZK | 25.842 | 0.0 | 0.1 | 0.5 |
| RO 5Y CDS* | 98.5 | 9.5 | 8.6 | 11.7 |
| ROBOR O/N* | 2.79 | -2.0 | -2.0 | -7.0 |
| ROBOR 3M* | 3.25 | 0.0 | -3.0 | -7.0 |
| DAX | 11726.8 | -15 | -2.1 | -4.7 |
| S&P 500 | 2752.1 | -13 | -2.1 | -5.1 |
| DE 10Y* | -0.20 | -3.2 | -8.4 | -22.5 |
| US 10Y* | 2.13 | -8.3 | -19.6 | -41.9 |
| Gold (US\$)** | 1310.1 | 13 | 2.0 | 3.1 |
| Brent (US\$)** | 613 | -5.1 | -9.2 | -12.5 |

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

Source: Reuters, ING estimates



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