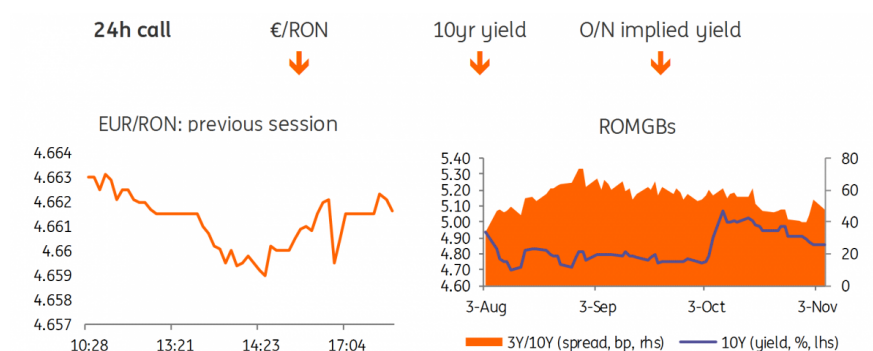


BriefING Romania

Looking for another repo auction



↓ EUR/RON

The EUR/RON failed to break below 4.6600 on Friday on below-average turnover. For today, we expect a 4.6600-4.6700 range to hold, though a test below 4.6600 could occur depending on the central bank's repo decision and the eventual amount allocated.

↓ Government bonds

ROMGBs rallied on Friday as the end-of-month buying interest seemed to have built momentum for the beginning of November. The yield curve declined by some 10 basis points on average across the tenors. Today, the Ministry of Finance auctions RON300 million in Apr-2024 bonds which

should see good demand and we look for a cut-off yield to print near yesterday's closing bid of 4.75% as liquidity is expected to return to the money market. As usual lately, if bids are reasonably clustered, an allocation upside is likely.

📌 Money Market

Funding rates continued to hover around 3.00% with not a lot happening along the curve. A rollover of the repo auction today will most likely calm the market for the remaining of the current reserve period, though cash should start to come back into the market from government spending as well.

The week ahead

It is a key week for the US, with the midterm elections on Tuesday and the Federal Reserve's FOMC meeting two days later. A positive domestic story and rising inflation pressures mean the Federal Reserve will continue to signal "gradual" rate hikes ahead, setting us up for a December move. After 3Q GDP data for the eurozone and some member states this week, it seems likely that German GDP growth will have gone through another soft patch. An entire batch of monthly industrial data coupled with September retail sales should hopefully shed some light on the eurozone's surprisingly disappointing third quarter, and if there's potential for growth to be revised upwards. In Romania, we expect the National Bank of Romania (NBR) to stay on hold at 2.50% on 6 November. But a likely upward revision to the inflation outlook and fears of "de-anchoring inflation expectations" require a hawkish twist in tone. We look for 4.6500-4.6700 range this week with the risk balance tilted to the upside.

EUR/RON forecasts and forwards

	4Q18	1Q19	2Q19	3Q19	4Q19
ING forecast	4.70	4.67	4.65	4.70	4.75
Forward rate	4.69	4.73	4.78	4.84	4.91

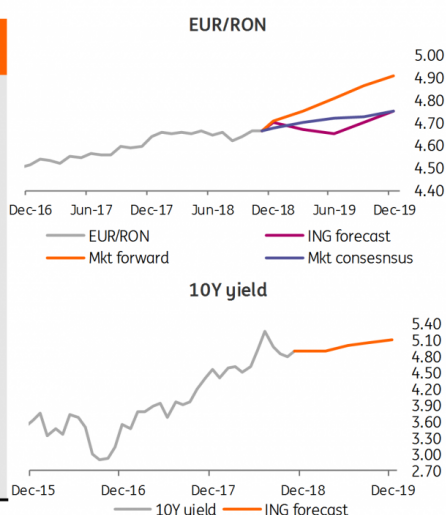
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.66	0.0	-0.1	-0.2
EUR/PLN	4.3079	-0.4	-0.1	-0.2
EUR/HUF	3217	-0.2	-0.8	-0.8
EUR/CZK	25.792	-0.1	-0.1	-0.1
RO 5Y CDS*	98.03	-0.4	0.3	16
ROBOR O/N*	2.75	0.0	-910	14.0
ROBOR 3M*	3.29	-2.0	-9.0	16.0
DAX	1519	0.4	3.2	-5.6
S&P 500	2723.06	-0.6	3.0	-5.6
DE 10Y*	0.433	3.9	8.3	-10.4
US 10Y*	3.2065	7.0	13.1	12
Gold (US\$)**	1231.71	0.0	-0.1	2.7
Brent (US\$)**	72.61	-0.1	-6.5	-13.7

*change in basis points; **US\$ (data as at 06:15 GMT)

Source: Reuters, Bloomberg, ING



Author

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Disclaimer

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

Additional information is available on request. For more information about ING Group, please visit www.ing.com.