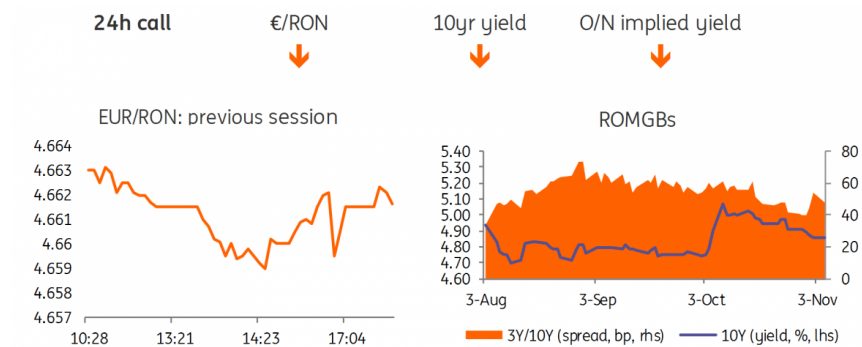


BriefING Romania

Looking for another repo auction



Source: Reuters

↓ 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

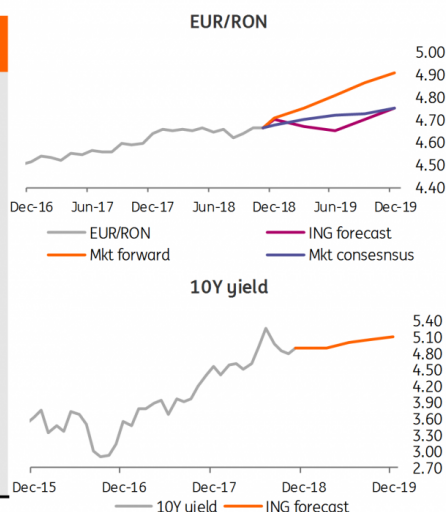
Source: Reuters, ING estimates

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



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