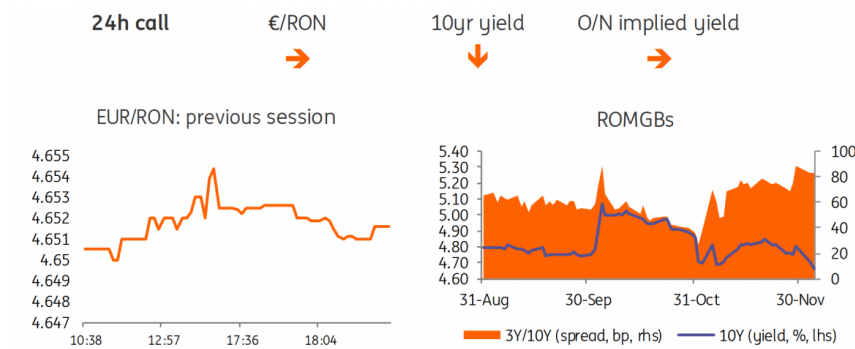


Briefing Romania

EUR/RON targeting 4.6500



Source: Reuters

➔ EUR/RON

The EUR/RON continues to trade at the lower end of its new 4.6500-4.6600 range. Moreover, the 4.6550 level seems to have acted as a new resistance yesterday. The recent Romanian government bond rally likely driven by new inflows from offshore investors could partly explain the selling interest in EUR/RON. We see the 4.6500 area as a support level and still look for the pair to gradually shift higher towards the 4.6700 area.

⬇️ Government bonds

Buying interest for government bonds persisted yesterday, triggering a bull flattening move with

the belly and the back-end part of the curve shifting up to 10 basis points lower. We expect the positive sentiment to continue to dominate the market in line with the global markets, which are pricing in reduced tightening expectations for the Federal Reserve and European Central Bank. Lower oil prices and a stable Romanian leu are also reasons to believe that the November CPI reading due next week is likely to surprise to the downside – another ROMGBs positive.

➔ Money Market

It is mainly cash balances that are trading these days, aimed at covering the next session of budget payments and the turn of the year. With the budget execution much more even throughout this year, the usual December spending should add a lot less liquidity into the system compared to previous years. Hence, the key rate will likely act as a better anchor for the cash rates than the deposit facility.

EUR/RON forecasts and forwards

	4Q18	1Q19	2Q19	3Q19	4Q19
ING forecast	4.70	4.67	4.65	4.70	4.75
Forward rate	4.68	4.73	4.78	4.83	4.88

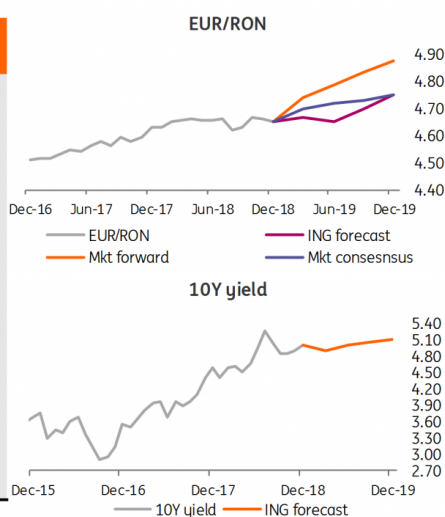
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.6515	0.0	-0.1	-0.2
EUR/PLN	4.2837	0.2	-0.2	-0.5
EUR/HUF	323.59	0.4	-0.1	0.5
EUR/CZK	25.921	0.0	-0.1	0.5
RO 5Y CDS*	104.0	-0.3	0.0	6.1
ROBOR O/N*	2.27	-3.0	-38.0	-45.0
ROBOR 3M*	3.09	-2.0	-7.0	-17.0
DAX	1135.3	-11	0.6	-11
S&P 500	2700.06	-3.3	12	-0.8
DE 10Y*	0.26	-4.3	-8.7	-16.2
US 10Y*	2.92	-6.8	-14.2	-28.4
Gold (US\$)**	1234.6	0.6	17	0.3
Brent (US\$)**	612	0.6	13	-16.3

*change in basis points; **US\$ (data as at 06:13 GMT)

Source: Reuters, Bloomberg, ING



Author

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 <http://www.ing.com>.