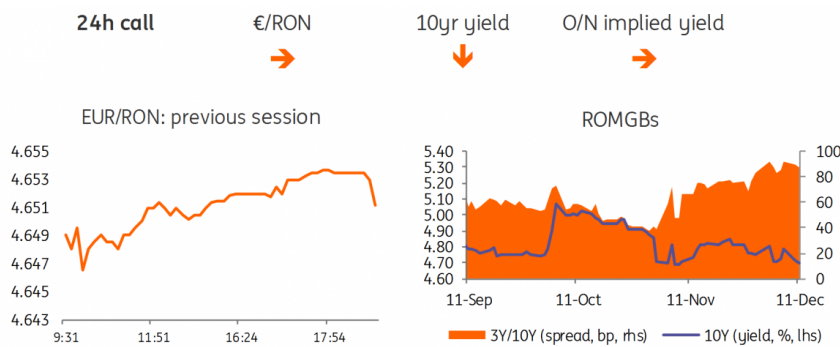


Briefing Romania

November CPI inflation falls within the central bank's target band



Source: Reuters

➔ EUR/RON

Low volatility and quite a thin market in yesterday's EUR/RON trading session. The pair remained anchored around 4.6500 and we expect it to remain in a narrow range today as well.

⬇️ Government bonds

Another relatively good day for Romanian government bonds with yields shifting c.2-3 basis points lower across the curve. The October-2020 auction was in line with expectations at a 3.48% average and 3.50% maximum yield and a decent 1.58x bid-to-cover ratio. RON698 million were allocated versus the 600 million initial target. Today we will have a EUR200 million in 5Y domestic bond

auction. The last attempt with a similar issue was made on 6 November this year and met good demand with a 1.93x bid-to-cover but the average yield of 0.96% was probably considered too high and the Ministry of Finance rejected all bids. We don't see major changes in the market compared to last month, hence we look for broadly similar conditions. Otherwise, the below expectations inflation data for November could re-ignite the buying spree for Romanian government bonds.

➔ Money Market

Surplus liquidity seems to be quite abundant these days as the cash rates are trading closer to the deposit facility rather than the key rate. The entire curve up to 1Y is now below the Lombard level of 3.50% dragged by the lower carry and possibly fewer key rate hikes expected for 2019. Today' CPI data can only support this view.

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 | 4.87 |

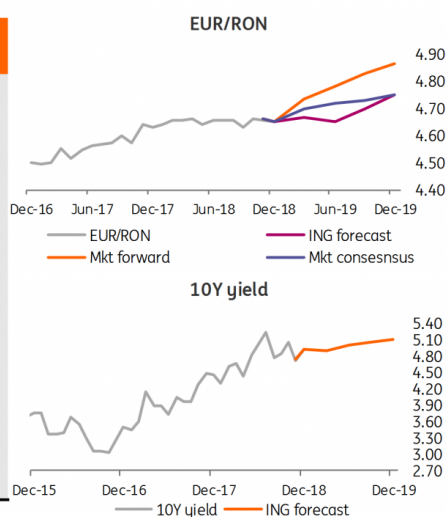
Source: Reuters, ING estimates

Market radar

| | Spot | %Ch | | |
|----------------|---------|-------|-------|-------|
| | | 1D | 1W | 1M |
| EUR/RON | 4.6491 | 0.0 | 0.0 | -0.2 |
| EUR/PLN | 4.2931 | 0.0 | 0.4 | 0.2 |
| EUR/HUF | 323.21 | 0.0 | 0.2 | 0.5 |
| EUR/CZK | 25.858 | 0.1 | -0.3 | -0.4 |
| RO 5Y CDS* | 104.4 | 0.2 | 0.0 | 6.4 |
| ROBOR O/N* | 1.89 | -16.0 | -41.0 | -71.0 |
| ROBOR 3M* | 3.04 | -4.0 | -7.0 | -16.0 |
| DAX | 10622.1 | -15 | -7.0 | -7.5 |
| S&P 500 | 2637.72 | 0.2 | -4.9 | -4.6 |
| DE 10Y* | 0.27 | -13 | -4.2 | -14.5 |
| US 10Y* | 2.86 | 0.6 | -12.8 | -32.6 |
| Gold (US\$)** | 1247.2 | -0.3 | 13 | 3.1 |
| Brent (US\$)** | 60.1 | -2.8 | -2.7 | -14.7 |

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

Source: Reuters, Bloomberg, ING



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