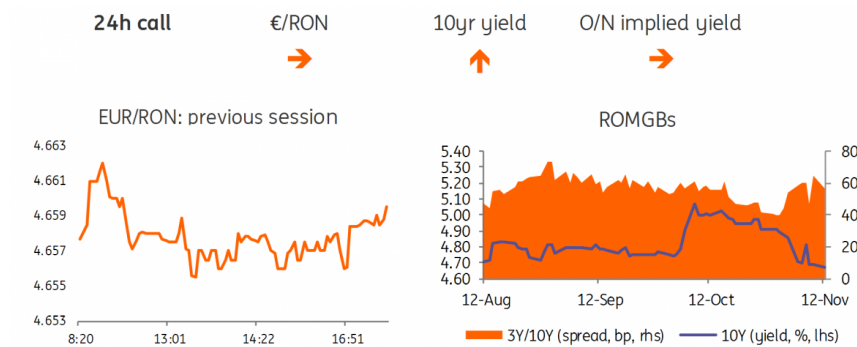


# BriefING Romania

New 7-year benchmark auctioned today



Source: Reuters

## ➔ EUR/RON

The EUR/RON swung around 4.6570 on Friday on somewhat better volumes and closed the day marginally higher but still below the 4.6600 level. We see the pair remaining below 4.6600 today on slightly improved global risk sentiment.

## ⬆ Government bonds

The buying interest for ROMGBs extended into Friday's session and pushed the yield curve some 3-4 basis points lower. Today, the Ministry of Finance auctions a new ISIN, targeting RON400 million with a maturity of April 2026. We should see decent demand given the latest pattern in

primary market auctions, though today's inflation data could deter some players or at least push the required yield a touch higher, in the 4.68-4.70% area.

## ➔ Money Market

The money market curve closed virtually flat on Friday with most players focused on filling their day-to-day balances. While a repo auction today would probably calm rates for the next two weeks, it might not be really necessary as monthly government spending is finding its way into banks' liquidity positions.

## The week ahead

For the week ahead, US core inflation should remain above the Federal Reserve's 2% target, and we expect it to stay like that as firms look to pass on higher wage costs. These positive fundamentals, combined to some extent with the additional tailwind of earlier tax cuts, should make for another decent set of retail sales figures next week.

The second estimate of eurozone GDP, including most of the country estimates, will be released on Wednesday. With September industrial production data out as well, we should have a rather complete picture of how poor the performance has actually been.

In Romania, the 3Q18 GDP print should be less positive for the government, as it's likely to confirm that even the updated official growth forecast is over-optimistic. We expect GDP growth to slow down to 3.0% year-on-year - mainly on base effects. On the monetary policy front, it will be interesting to see if there are any signs of cracks in the unanimity of the central bank given that Governor Mugur Isarescu's dovish tone was in stark contrast to Deputy Governor Liviu Voinea's hawkish message less than a month ago. The EUR/RON is unlikely to break away this week from the 4.6500-4.6700 seen since early October.

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	4.89

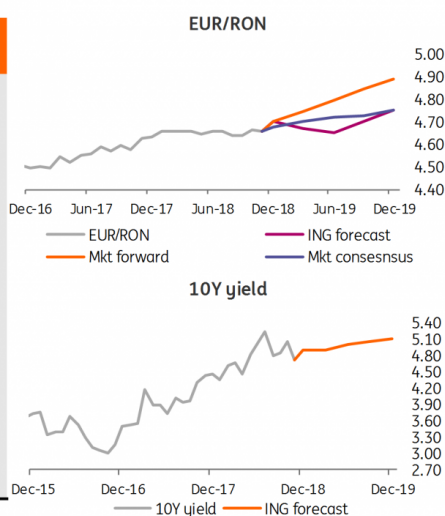
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.6570	0.0	-0.1	-0.1
EUR/PLN	4.2921	0.1	-0.4	-0.4
EUR/HUF	32166	0.2	-0.1	-1.0
EUR/CZK	25.938	0.2	0.5	0.4
RO 5Y CDS*	98.0	-0.2	-0.1	0.2
ROBOR O/N*	2.6	-4.0	-5.0	-5.0
ROBOR 3M*	3.20	-1.0	-9.0	3.0
DAX	1529.2	0.0	0.4	0.2
S&P 500	2781.01	-0.9	2.7	2.5
DE 10Y**	0.41	-4.5	-2.4	-10.6
US 10Y**	3.19	-4.3	-2.8	5.5
Gold (US\$)**	1206.5	-1.2	-2.1	-1.4
Brent (US\$)**	71.4	-0.7	-1.9	-10.6

\*change in basis points; \*\*US\$ (data as at 06:21GMT)

Source: Reuters, Bloomberg, ING



## Author

### Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

### Valentin Tataru

Chief Economist, Romania

[valentin.tataru@ing.com](mailto: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](http://www.ing.com).