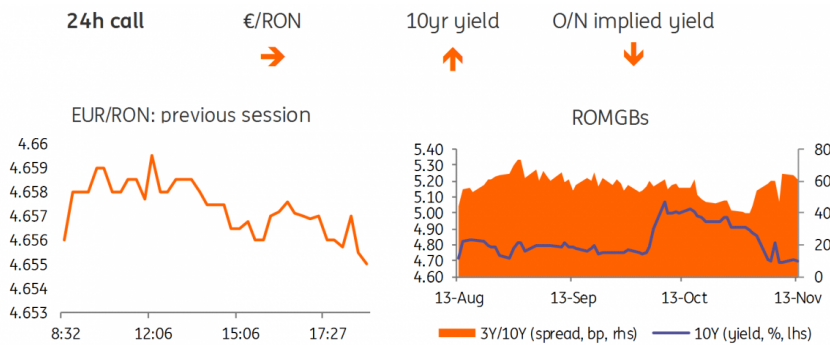


BriefING Romania

A good start for the new 7-year benchmark



Source: Reuters

➔ EUR/RON

Slowly but steadily, the EUR/RON seems to have comfortably settled below 4.6600. We see the pair hovering around current levels for a while and eventually returning towards the 4.6700 as the fundamentals still point towards a weaker leu.

⬆ Government bonds

The inflation surprise to the upside didn't seem to impress the ROMGBs market that much. That is unless a 2-3 basis points shift higher across the curve can be called impressive. The April 2026 bond auction was decent at 1.4x bid-to-cover though the yields have been rather skewed to the

bid side – though in line with our expectations – at a 4.69/4.71% average and maximum. We see the market trading a touch defensively as yesterday's higher inflation surprise could still shape expectations today.

Money Market

The National Bank of Romania rolled over its one-week repo auction and injected RON5.3 billion to seven participants. The amount looks respectable given that we are already well into the second part of the minimum reserve maintenance period. This points to a much larger liquidity deficit compared to the same period of the last month and confirms the NBR governor's assessment of the liquidity deficit becoming quasi-structural. The RON8 billion redemption on 28 November should rebalance the system, though is unlikely to lead to comfortable surpluses.

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

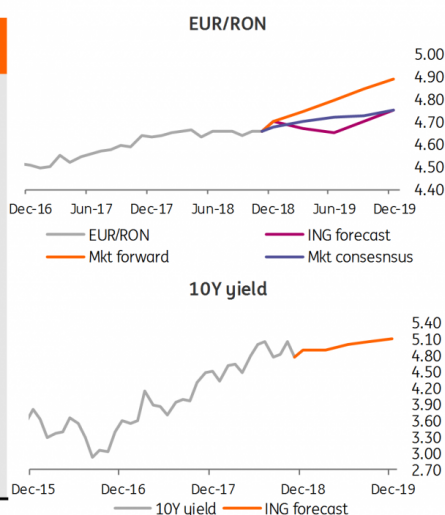
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.6550	-0.1	-0.1	-0.1
EUR/PLN	4.2974	0.5	-0.2	0.0
EUR/HUF	322.24	0.3	0.0	-0.7
EUR/CZK	25.915	-0.1	0.4	0.6
RO 5Y CDS*	98.0	0.0	0.0	0.6
ROBOR O/N*	2.6	0.0	-12.0	-16.0
ROBOR 3M*	3.19	-1.0	-7.0	2.0
DAX	1625.4	-18	-11	-14
S&P 500	2726.22	-2.0	0.1	-0.9
DE 10Y*	0.40	-2.3	-2.7	-10.2
US 10Y*	3.16	-318.9	-3.7	2.1
Gold (US\$)**	1202.6	-0.7	-2.3	-12
Brent (US\$)**	69.5	-0.1	-5.0	-13.2

*change in basis points; **US\$ (data as at 06:26 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>.