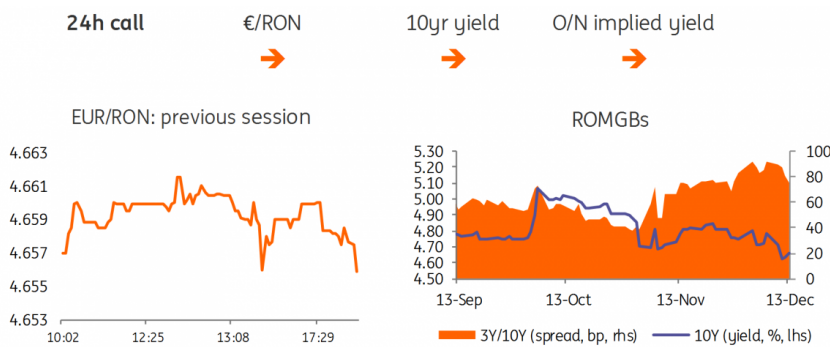


Briefing Romania

RON 400 million up for sale in 10-year auction



Source: Reuters

➔ EUR/RON

A bit more lively EUR/RON these days as the pair moved within a larger than the usual 30 pips on somewhat higher turnover. We look for the mild upward trend to persist into this year-end.

➔ Government bonds

Some consolidation in Romanian government bonds yesterday after the buying interest seen in the previous days. Today we have two primary market auctions. The Ministry of Finance plans to sell RON 400 million in February 2029 bonds. This will be a test to assess how sustainable the current yields are, after the recent rally. We expect moderate demand around the secondary

market closing bids of 4.80%. The second auction is for RON600 million in 1-year T-bills which could be well supported by the improved liquidity conditions seen these days.

➔ Money Market

Things look quite rosy these days in the money market, with carry at deposit facility and downside pressure in longer tenors. It could be too good to be true after the frequent spikes towards or above Lombard rates we've had throughout this year. Nevertheless, we take things as they are and notice that the liquidity conditions are supportive at least in the short term.

The market seems to be pricing in accommodative conditions for an extended period as well, considering the drop in longer tenors implied yields with the 3-month to 1-year curve now trading between 3.00% and 3.40%. We believe that eventually, the depreciation pressures on the leu will persuade the central bank to re-enforce an adequate interest rate differential.

EUR/RON forecasts and forwards

	4Q18	1Q19	2Q19	3Q19	4Q19
ING forecast	4.67	4.67	4.65	4.70	4.75
Forward rate	4.68	4.70	4.74	4.79	4.83

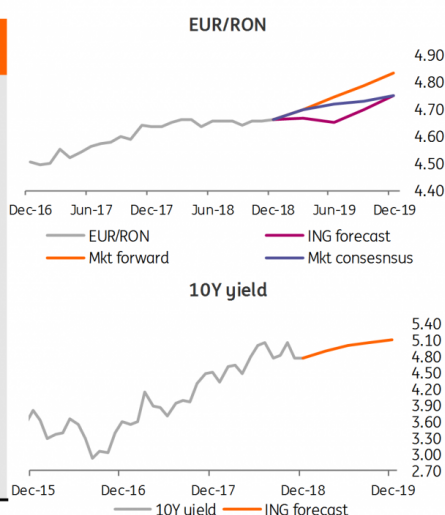
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.6540	0.1	0.5	-0.2
EUR/PLN	4.2887	0.0	0.1	-0.3
EUR/HUF	322.65	-0.1	-0.3	0.2
EUR/CZK	25.825	-0.1	-0.4	-0.1
RO 5Y CDS*	104.2	0.1	-0.3	6.0
ROBOR O/N*	2.25	-2.0	-30.0	-41.0
ROBOR 3M*	3.09	0.0	-4.0	-16.0
DAX	1200.2	14	-0.5	-2.1
S&P 500	0	0.5	-99.4	-99.4
DE 10Y*	0.28	10	-6.7	-16.0
US 10Y*	2.91	-292.3	-13.3	-30.3
Gold (US\$)**	1245.9	-0.1	2.0	16
Brent (US\$)**	60.4	-0.8	2.1	-16.4

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

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>.