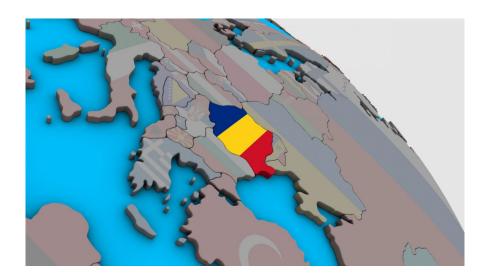
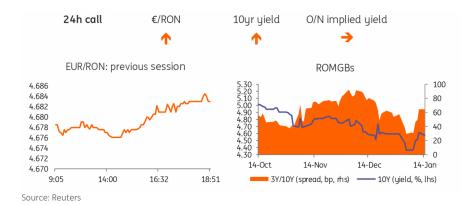


Snap | 14 January 2019 Romania

# **Briefing Romania**

#### Another test for the primary market





### EUR/RON

Another day, another historical high for the EUR/RON, which again traded to the upside for most of the trading session, ending last week above 4.6800. The 4.70 level now looks within reach and will probably be tested soon.

### Government bonds

The tide seems to be turning for ROMGBs after the impressive rally we had at the beginning of this year. At the front end, buying interest continued to prevail on Friday, with maturities below 1Y posting a 5-10 basis point drop in yields, likely supported by better liquidity in the money market.

Snap | 14 January 2019 1

In longer tenors, however, yields jumped 10-12 basis points. The market is likely still assessing the impact of recent fiscal measures while more clarity on the budget draft for 2019 is still expected, with parliament likely to vote on the budget bill in early February.

Today, the Ministry of Finance plans to sell RON400 million in a June-2023 auction. This has usually been a tenor in demand from a broad range of investors. With January auctions not going very well so far, this will be a more relevant test to assess the market stance towards ROMGBs. We expect demand to be filled around secondary market bids of 4.37%.

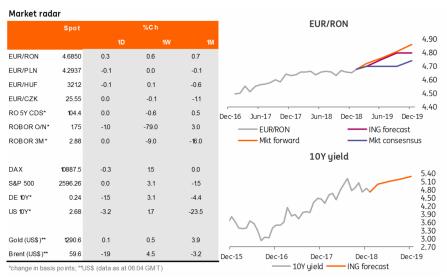
## Money Market

Good liquidity conditions continue to prevail in the money market. Longer tenors corrected losses somewhat from the previous day, inching some 10 basis points lower.

#### The week ahead

For the week ahead, US retail sales and industrial production should remain strong and consistent with the economy having expanded at around a 2.5% annualised pace in the final quarter of the year. Industrial data from France and Germany has been dismal for November and we expect the same for the eurozone as a whole. That would confirm a picture of a weak industrial sector that does not show many signs of a bounce back in economic growth. The most interesting release this week will be the first estimate for Germany's annual GDP growth in 2018, which will also include a first 'guestimate' for growth in the fourth quarter. Latest data releases have dented hopes for a quick rebound in the German economy after a disappointing third quarter. On Tuesday, Theresa May's Brexit deal will finally be put to members of Parliament (MPs) to vote upon, and as things stand, it looks set to be defeated by a fairly heavy margin. If that happens, the Prime Minister will have three days to bring forward a new plan, and at this point, MPs will get a say on what direction to take. The Labour Party has also suggested it will put forward a vote of no confidence in the government, in the hope of triggering an election.

EUR/RON forecasts					
	1Q19	2Q19	3Q19	4Q19	1Q20
ING forecast	4.70	4.75	4.80	4.80	4.80
FX Forward	4.72	4.76	4.81	4.86	4.90



Source: Reuters, Bloomberg, ING

Snap | 14 January 2019 2

#### **Author**

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

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 www.ing.com.

Snap | 14 January 2019 3