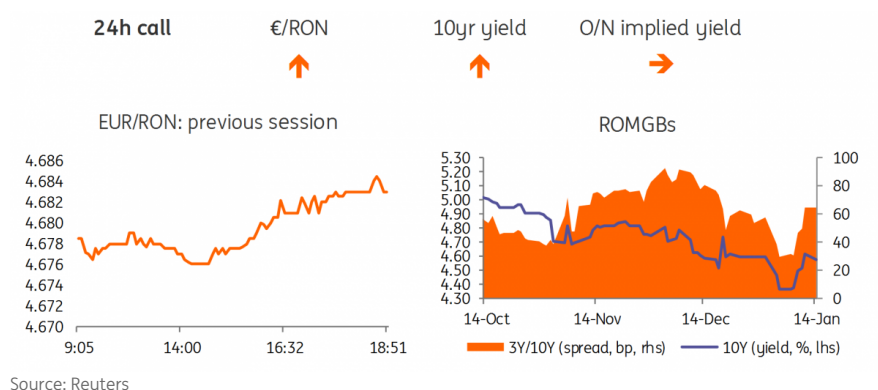


Briefing Romania

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.

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

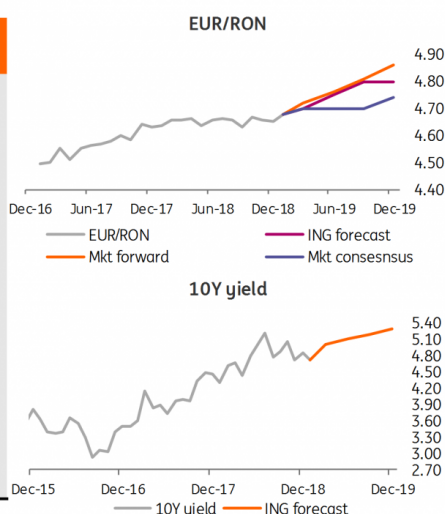
Source: Reuters, ING estimates

Market radar

	Spot	%Ch	1D	1W	1M
EUR/RON	4.6850	0.3	0.6	0.7	
EUR/PLN	4.2937	-0.1	0.0	-0.1	
EUR/HUF	3212	-0.1	0.1	-0.6	
EUR/CZK	25.55	0.0	-0.1	-1.1	
RO 5Y CDS*	104.4	0.0	-0.6	0.5	
ROBOR O/N*	175	-10	-79.0	3.0	
ROBOR 3M*	2.88	0.0	-9.0	-16.0	
DAX	10887.5	-0.3	15	0.0	
S&P 500	2596.26	0.0	3.1	-15	
DE 10Y*	0.24	-15	3.1	-4.4	
US 10Y*	2.68	-3.2	17	-23.5	
Gold (US\$)**	1290.6	0.1	0.5	3.9	
Brent (US\$)**	59.6	-19	4.5	-3.2	

*change in basis points; **US\$ (data as at 06:04 GMT)

Source: Reuters, Bloomberg, ING



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