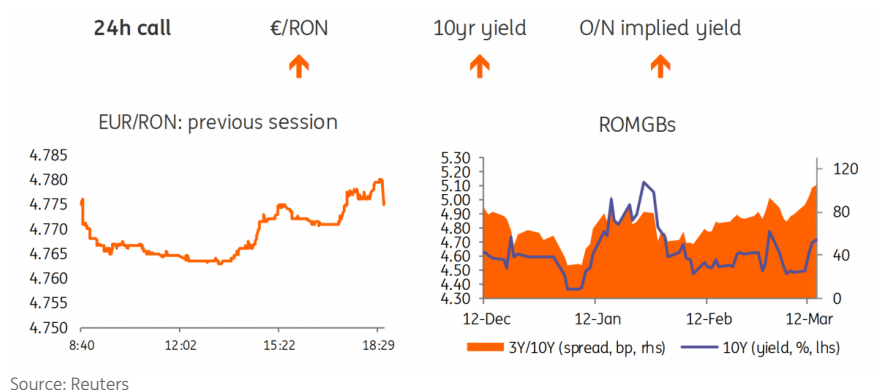


Briefing Romania

EUR/RON turnover at historic highs



↑ EUR/RON

The EUR/RON had another test above 4.7700 yesterday, touching 4.7800 in the after-hours trading session. The historically high turnover is supporting the idea of official offers coming in to protect the Romanian leu. Unless these official offers curb the trend again, we see a 4.7650-4.7800 trading range for today, with an upside bias.

↑ Government bonds

Selling interest dominated again yesterday in the Romanian government bond market. Somewhat negative data has been released (higher CPI, widening trade balance, etc) and the upside pressure

on the EUR/RON raises questions about whether the liquidity backdrop will remain supportive.

S&P's decision on its outlook for Romania (expected this Friday) could also play a role. In this context, today's RON300 million June-2024 auction seems to have come at the wrong time. Nevertheless, the target amount is not that impressive and we believe that some marginal yield concessions from the Ministry of Finance will do the job. Hence, we expect an average yield around the secondary market mid-levels of 4.40%.

Money Market

The upside move in the EUR/RON triggered paying interest along the FX swap curve, with implied yields shifting up to 40 basis points higher in the 1M-3M segment. Cash rates, on the other hand, remain below the deposit facility and we don't see much potential for these to inch proportionally higher with the longer end. That is, unless yesterday's EUR/RON turnover repeats for a couple of days.

EUR/RON forecasts

	1Q19	2Q19	3Q19	4Q19	1Q20
ING forecast	4.75	4.75	4.80	4.80	4.82
FX Forward	4.76	4.82	4.91	4.96	5.01

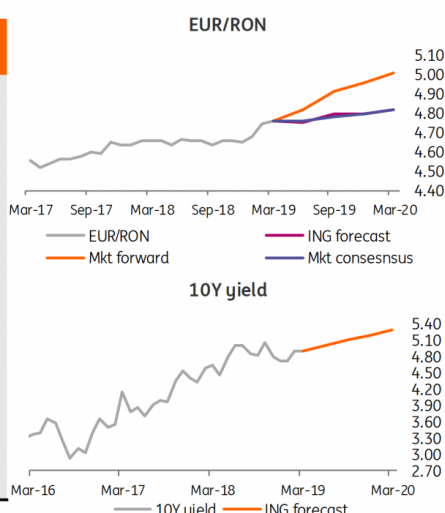
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7700	0.0	0.5	0.4
EUR/PLN	4.3001	0.0	0.0	-0.7
EUR/HUF	314.6	-0.2	-0.3	-1.1
EUR/CZK	25.652	0.0	0.2	-0.8
RO 5Y CDS*	103.9	0.0	-12	-13
ROBOR O/N*	17	3.0	-84.0	-15.0
ROBOR 3M*	3.06	10	-12.0	-3.0
DAX	1572.4	0.4	0.2	4.4
S&P 500	2810.92	0.7	2.0	3.0
DE 10Y*	0.08	0.6	-5.5	-5.6
US 10Y*	2.63	0.5	-6.3	-5.5
Gold (US\$)**	1302.0	0.6	12	-0.6
Brent (US\$)**	67.8	13	2.8	8.7

*change in basis points; **US\$ (data as at 06:07 GMT)

Source: Reuters, Bloomberg, ING



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.