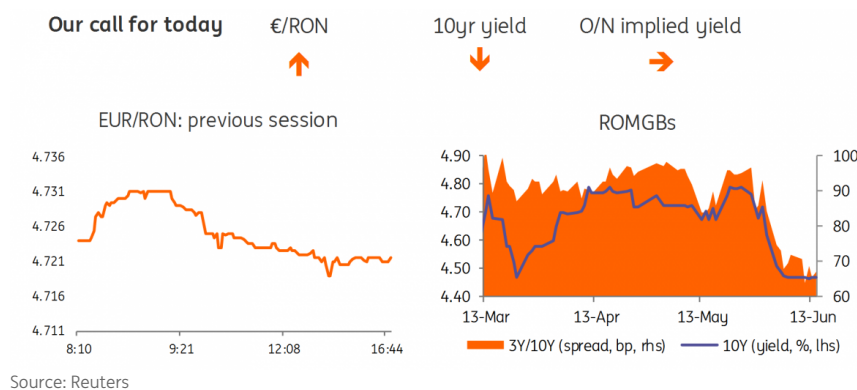


Briefing Romania

Solid bond inflows continue



↑ EUR/RON

The Romanian leu enjoyed a more lively trading session yesterday after it broke above 4.7300 against the euro right after the market open. A slow downward correction followed and the pair closed around 4.7220 on good turnover. For today, we expect the same 4.7200-4.7300 range with potential upside tests.

↓ Government bonds

It was another memorable day for Romanian government bonds in the primary market, as the Sep-2031 auction met strong demand totalling RON1.14 billion versus the RON300 million planned.

The allocation was upsized to RON713 million while yields came just slightly higher than we expected, at 5.06% average and 5.10% maximum. Worth mentioning that the average yield of all bids was 5.08% and that post-auction, it traded as low as 4.95%.

The second auction of the day – RON300 million June 2021 was a bit more modest in terms of demand, at RON354 million, out of which RON300 million was allocated at 3.64% average and 3.68% maximum yields. It could be that the Sep-2031 took all the shine off the day, but maybe high inflation is also deterring demand for shorter end papers as the market might expect a tighter policy stance from the central bank.

➔ Money market

In the money market we saw a bit of tightening of the front end towards 2.75% implied yields while the gradual descent in the longer tenors continued by another five to six basis points. The entire curve up to 1Y is now within 100 basis points and we feel there is still a bit of room for compression.

EUR/RON forecasts (eop)

	2Q19	3Q19	4Q19	1Q20	2Q20
ING forecast	4.74	4.77	4.85	4.87	4.88
FX Forward	4.73	4.78	4.83	4.88	4.91

Source: Reuters, ING estimates

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.