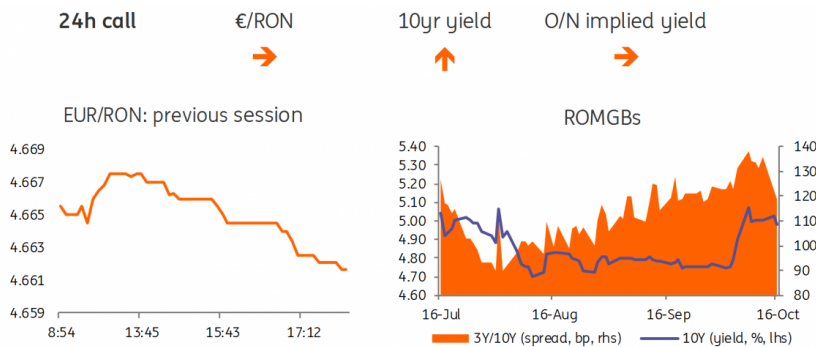


BriefING Romania

Strong February 2029 auction



Source: Reuters

➔ EUR/RON

The Romanian leu traded with a mild appreciation bias yesterday though it still failed to break below 4.6600 and closed the day around 4.6610. We look for a similar scenario today, trading just above 4.6600 with an eventual test below it if risk sentiment improves.

⬆️ Government bonds

Despite a very successful primary market auction, ROMGBs had a weak session yesterday, with yields closing some 6-7 basis points higher at the front end while the back end were a bit more resilient though yields still inched up some 3 basis points. However, the February 2029 auction

saved the day as the MinFin managed to upsize the allocation to RON648 million from the 500 million initial target while printing an average/maximum yield of 5.15/5.18%. This was quite a bit below our expectations which were in the 5.20-5.25% area. Bid-to-cover was also strong at 1.86x acting as a self-fulfilling prophecy. The quick increase in liquidity for the new 10Y benchmark could lead to index inclusion earlier than expected. This is likely behind the current buying interest on hopes that new buyers would join after the inclusion in the benchmark index.

➔ Money Market

The cash rates continued to trade around 2.85%, unaffected by the central bank's (NBR) decision not to organise a repo auction. Uncertainty over the NBR's stance is nevertheless reflected in the longer tenors as the 1M is again trading close to the credit facility rate of 3.50% while the 1Y inched some 10 basis points higher to 3.90%.

EUR/RON forecasts and forwards

	4Q18	1Q19	2Q19	3Q19	4Q19
ING forecast	4.70	4.67	4.65	4.70	4.75
Forward rate	4.70	4.75	4.80	4.85	4.91

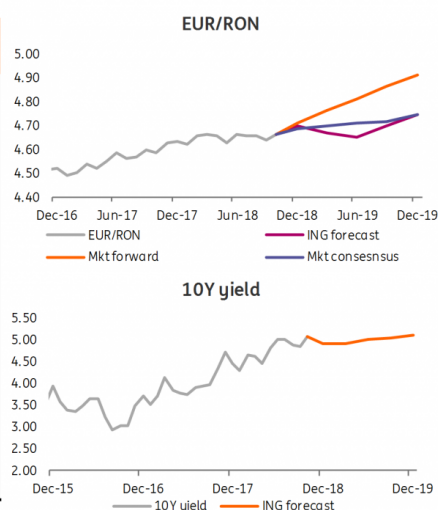
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.6621	0.0	-0.1	0.5
EUR/PLN	4.2886	-0.1	-0.7	-0.3
EUR/HUF	322.51	-0.5	-0.9	-0.7
EUR/CZK	25.89	0.2	0.2	14
RO 5Y CDS*	98.1	-100.0	0.8	5.7
ROBOR O/N*	2.73	-2.0	16.0	44.0
ROBOR 3M*	3.38	10	5.0	9.0
DAX	164.2	0.8	-2.5	-3.9
S&P 500	2750.79	-0.6	-4.1	-4.8
DE 10Y*	0.498	0.7	-4.4	4.8
US 10Y*	3.1728	2.2	37.3	17.9
Gold (US\$)**	1225.24	0.7	3.2	2.7
Brent (US\$)**	81.2	0.4	-3.3	4.5

*change in basis points; **US\$ (data as at 05:32 GMT)

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>.