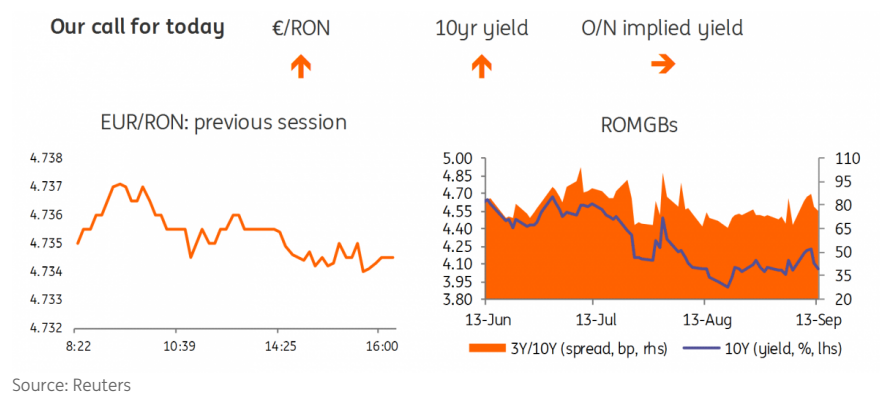


Briefing Romania

Current account deficit continues to widen



EUR/RON

The Romanian leu remained relatively stable against the euro as markets continue to digest the latest decision from the European Central Bank. This week could be another wait-and-see one as all eyes are on the Federal Reserve now and its “mid-cycle easing”.

US Fed policy

The current account data released by the central bank on Friday showed a 24% widening of the C/A deficit after the first seven months of 2019 compared to the same period of 2018. At EUR1.46 billion, the July deficit was the highest since September 2008. Foreign direct investments still cover slightly less than 50% of the year-to-date deficit. We were expecting somewhat better figures for the capital account, but at least for July 2019, capital inflows have broadly fit the annual average. We maintain our forecast of a C/A deficit equal to 5.4% of GDP for 2019.

Government bonds

The more cautious stance on ROMGB's continued on Friday as the curve shifted 5-6 basis points higher, though the same pattern could be seen across the region as well. We believe that the current stance could continue until after the Fed decision.

Today, the Ministry of Finance plans to sell RON500 million in Sep-2023 bonds. We expect moderate demand towards the bid side of the secondary market levels of 3.75%.

Money market

Cash rates traded as low as 2.00% on Friday, but today's rollover of the NBR's deposit auction should bring them back to the 2.50% area. The longer end implied yields seems to have been stuck in the 2.80-2.90% area and we don't expect any change yet.

EUR/RON forecasts (eop)

	3Q19	4Q19	1Q20	2Q20	3Q20
ING forecast	4.75	4.80	4.82	4.82	4.84
FX Forward	4.77	4.81	4.85	4.89	4.93

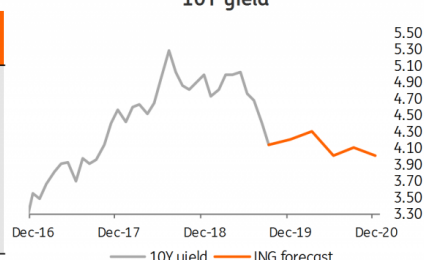
Market radar

	Spot	1D	%Ch 1W	1M
EUR/RON	4.7356	0.0	0.1	0.3
EUR/PLN	4.3260	-0.3	-0.3	-1.1
EUR/HUF	331.52	-0.2	0.4	1.8
EUR/CZK	25.851	0.1	0.0	-0.1
RO 5Y CDS*	87.1	0.4	-1.0	-2.0
ROBOR O/N*	2.16	-16	-38	-33
ROBOR 3M*	3.05	0	1	-5

*change in basis points; **US\$ (data as at 06:26 GMT)

Source: Reuters, ING estimates

10Y yield



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