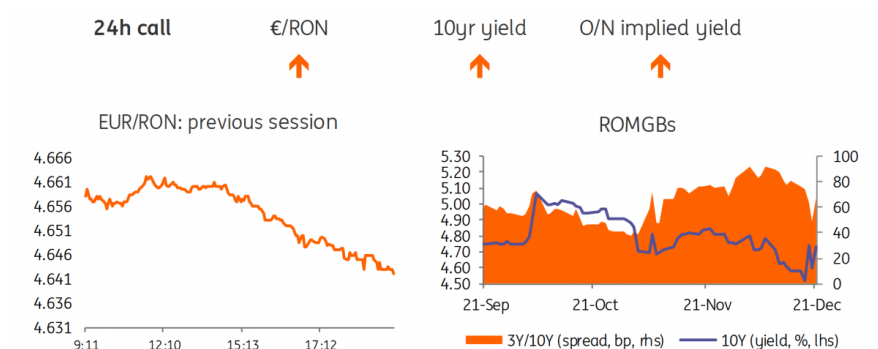


Briefing Romania

A capricious year-end



↑ EUR/RON

With the recent solid - and to some extent unexpected - buying interest in ROMGBs, the EUR/RON resumed its downside trend closing the day around 4.6400 and trading even below this level in the after-hours. Some selling interest could still occur today as well for the monthly budget payments, though the bulk of it is probably behind us and 4.6400 looks like a strong support.

↑ Government bonds

After it sold-off post the fiscal package announcement two days ago, with yields spiking c.30bp at some point, the ROMGBs yesterday recovered part of the previous day's heavy losses. The market

appears to have concentrated on positives: lower risks for the budget deficit to overshoot the 3% of GDP limit in 2019, fewer, if any, reasons for the central bank to hike rates and talks of altering the pillar II overhaul. Buying interest was concentrated mostly in the mid and long segments of the curve, pushing yields c.8-10 basis points lower. The June 2023 auction came out quite solid, at 4.34%/4.38% average and maximum yields. The Ministry of Finance sold the planned RON600m at a total bid-to-cover ratio of 1.5x. The already announced fiscal package which should come into force on 1 January 2019 will probably be adopted later today.

Money Market

As expected, volatility has returned to the money market and could persist for a few good trading sessions. The monthly budget payments, longer dated carry and turn of the year all add up to create uncertainty and we don't exclude possible spikes above the Lombard rate again.

Last but not least, given the approaching holiday season we inform our readers that the next Briefing Romania will be published on 3 January 2019. We take this opportunity to wish everyone a Merry Christmas and Happy New Year!

EUR/RON forecasts and forwards

	4Q18	1Q19	2Q19	3Q19	4Q19
ING forecast	4.67	4.67	4.65	4.70	4.75
Forward rate	4.68	4.71	4.75	4.80	4.84

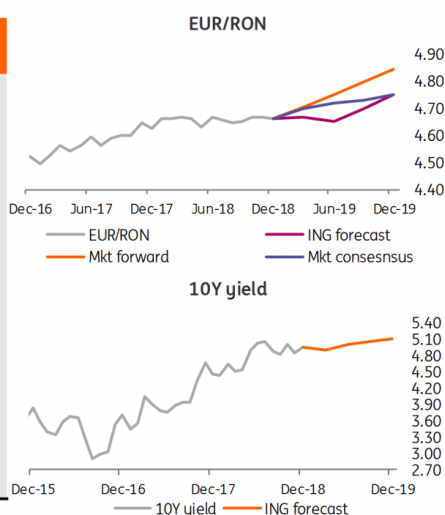
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.6440	-0.4	-0.2	-0.4
EUR/PLN	4.2859	0.0	-0.2	-0.4
EUR/HUF	3215	-0.4	-0.6	-0.1
EUR/CZK	25.78	0.2	-0.2	-0.9
RO 5Y CDS*	104.6	0.0	0.7	5.2
ROBOR O/N*	175	4.0	3.0	-102.0
ROBOR 3M*	3.03	-10	-10	-22.0
DAX	10611.1	-14	-2.5	-5.3
S&P 500	2467.42	-16	-6.3	-6.3
DE 10Y*	0.25	-0.9	-3.0	-12.0
US 10Y*	2.80	13	-10.7	-25.7
Gold (US\$)**	1260.4	13	15	2.8
Brent (US\$)**	54.9	-5.0	-10.7	-11.1

*change in basis points; **US\$ (data as at 06:11 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.