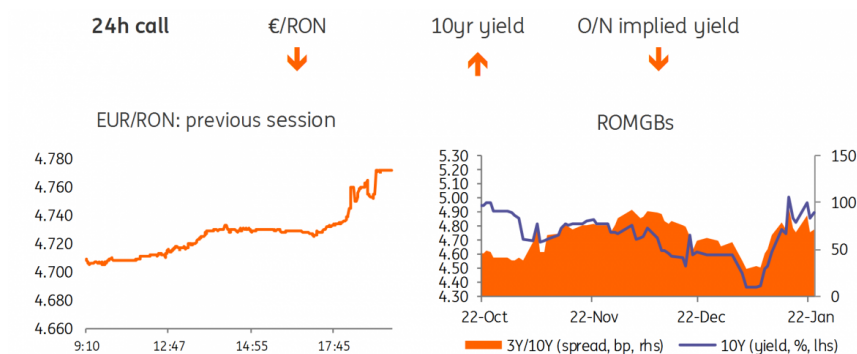


Briefing Romania

No lines in the sand for the Romanian leu



↓ EUR/RON

It's been quite some time since we had such large volumes on the EUR/RON market. The pair followed broadly a similar pattern to previous days for most of yesterday's trading session, confirming its overall upside bias. In the after-hours though, buying interest intensified considerably and – on lower but not negligible liquidity – the pair traded above 4.7700. While some correction, at least for the fixing period could occur, it's becoming rather obvious that the central banks' tolerance to short-term FX volatility has increased considerably. Otherwise, we expect the carry rates to shoot up starting at the next reserve period, with implied yields covering the coming weekend trading around 4.00% at the moment.

↑ Government bonds

Mixed interest with payers prevailing though across most of the curve. The sharp move in FX could start to raise eyebrows among international investors. For now, the market remains choppy and interested participants usually need to pay the spreads in order to get in and out of the position.

↓ Money Market

Today is the last day of the current minimum reserve period, with overnight trading around 2.00% as it covers two days given that tomorrow is a bank holiday in Romania. Longer tenors corrected a bit lower after the sustained upward move from previous days. With FX testing new highs by the day, the market could see it more as a “buy the dip” rather than a fundamentally driven correction.

EUR/RON forecasts

| | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 |
|--------------|------|------|------|------|------|
| ING forecast | 4.70 | 4.75 | 4.80 | 4.80 | 4.82 |
| FX Forward | 4.76 | 4.81 | 4.86 | 4.91 | 4.95 |

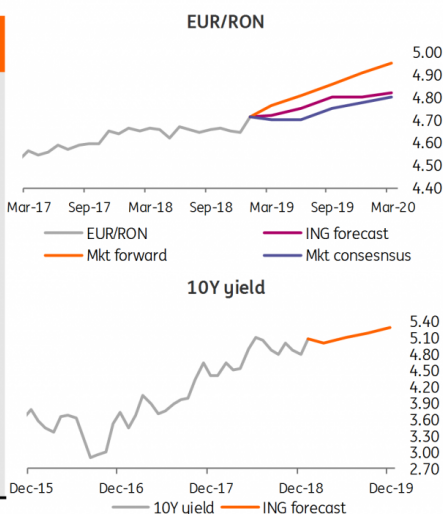
Source: Reuters, ING estimates

Market radar

| | Spot | %Ch | | |
|----------------|--------|-------|-------|-------|
| | | 1D | 1W | 1M |
| EUR/RON | 4.7510 | 14 | 14 | 2.3 |
| EUR/PLN | 4.2845 | 0.1 | -0.2 | 0.1 |
| EUR/HUF | 38.06 | 0.2 | -15 | -13 |
| EUR/CZK | 25.634 | 0.2 | 0.3 | -0.9 |
| RO 5Y CDS* | 102.9 | 0.0 | -15 | -2.1 |
| ROBOR O/N* | 1.75 | -2.0 | -40.0 | -16.0 |
| ROBOR 3M* | 2.97 | 0.0 | 8.0 | -6.0 |
| DAX | 1090.1 | -0.4 | 2.2 | 11.1 |
| S&P 500 | 2632.9 | -1.4 | 15 | 12.6 |
| DE 10Y* | 0.24 | -1.9 | 2.9 | -1.4 |
| US 10Y* | 2.75 | 273.2 | 4.0 | -0.5 |
| Gold (US\$)** | 1283.9 | 0.4 | -0.4 | 12 |
| Brent (US\$)** | 61.9 | -2.0 | 2.1 | 21.9 |

*change in basis points; **US\$ (data as at 06:08 GMT)

Source: Reuters, Bloomberg, ING



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