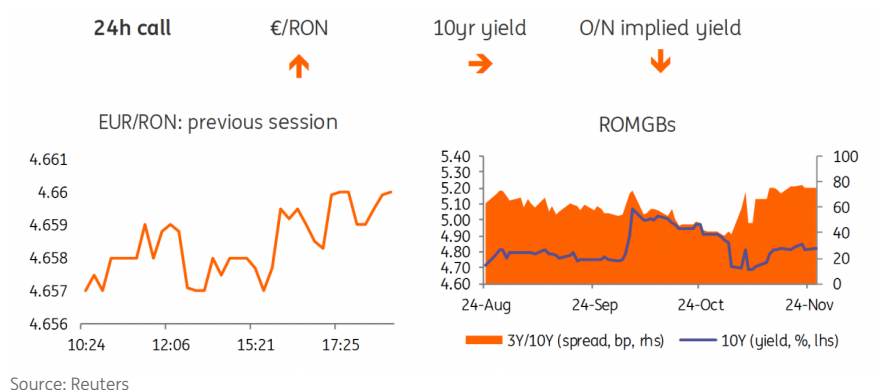


Briefing Romania

Busier day for Romanian government bonds



↑ EUR/RON

We've seen range trading again for the EUR/RON as the pair moved in a narrow 4.6570-4.6600 band. We expect a repo from the National Bank of Romania today, hence some mild depreciation pressure on the leu.

➔ Government bonds

ROMGBs traded broadly flat on Friday on seemingly low volumes. Today we have two auctions from the Ministry of Finance. The new 10Y benchmark – February 2029 will likely be the highlight of the day. We believe that the Ministry of Finance will see decent demand to cover the RON600

million target. We look for an average yield just above 5.00% with a possible upside if bids are well clustered. The second auction is a 1Y T-bill for RON600 million which should also perform well, though the volatile carry rates could weigh down on demand. We see yields topping 3.35% for this one.

↓ Money Market

Funding rates continued to trade quite decoupled even from the Lombard rate on Friday. Not much trading besides funding. Today it's all about the NBR's decision for a repo or not. We think that the leu's slight appreciation could give some comfort to the central bank and allow it to inject liquidity, though the likely temporary nature of the liquidity deficit provides arguments for no repo as well.

The week ahead

Inflation data will be a key highlight in the eurozone. Now above the central bank target at 2.2%, the drop in oil prices will no doubt have an effect, although this has not worked through to prices at the pump one-for-one. The prominent Ifo index of business sentiment should shed some light on whether the German economy is likely to regain momentum in the final quarter of the year or whether a disappointing third-quarter performance will be more than just a soft patch. At the same time, headline inflation should drop somewhat but not as much as the latest drop in crude oil prices might suggest. The dry summer weather and low water levels in many rivers have led to transportation bottlenecks, pushing up gasoline prices.

On the local front, we will be expecting the budget execution for October and look for a EUR/RON between 4.6500 and 4.6700.

EUR/RON forecasts and forwards

	4Q18	1Q19	2Q19	3Q19	4Q19
ING forecast	4.70	4.67	4.65	4.70	4.75
Forward rate	4.68	4.73	4.78	4.83	4.89

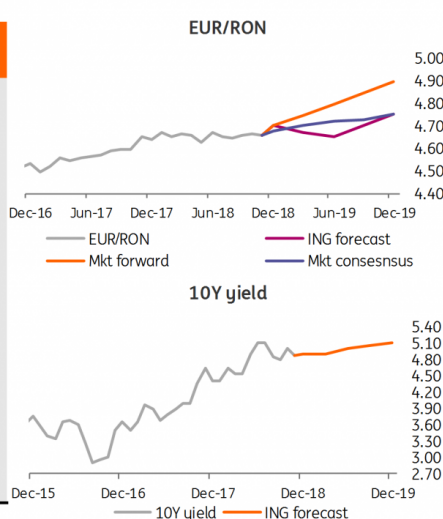
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.6565	0.0	-0.2	-0.1
EUR/PLN	4.2886	-0.1	-0.7	-0.5
EUR/HUF	322.24	0.4	0.2	-0.6
EUR/CZK	25.9	-0.2	-0.3	0.1
RO 5Y CDS*	99.4	0.0	0.5	17
ROBOR O/N*	2.88	98.0	34.0	-73.0
ROBOR 3M*	3.24	0.0	2.0	-15.0
DAX	1192.7	0.5	-1.0	-0.7
S&P 500	2632.56	-0.7	-3.2	-2.1
DE 10Y*	0.35	-3.0	-2.7	-5.0
US 10Y*	3.05	305.4	-2.0	-8.3
Gold (US\$)**	1226.2	-0.3	0.4	-0.4
Brent (US\$)**	60.0	-6.1	-10.1	-21.9

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