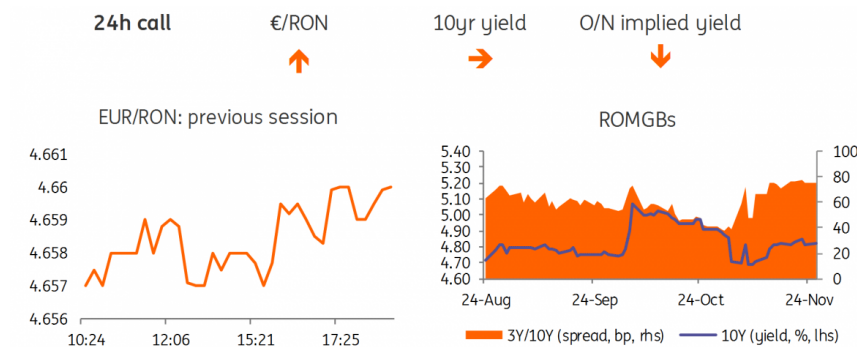


Briefing Romania

Busier day for Romanian government bonds



Source: Reuters

↑ 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 |

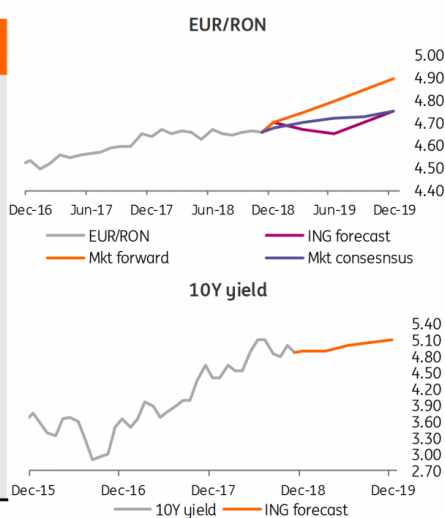
Source: Reuters, ING estimates

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 | -6.0 |
| 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



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