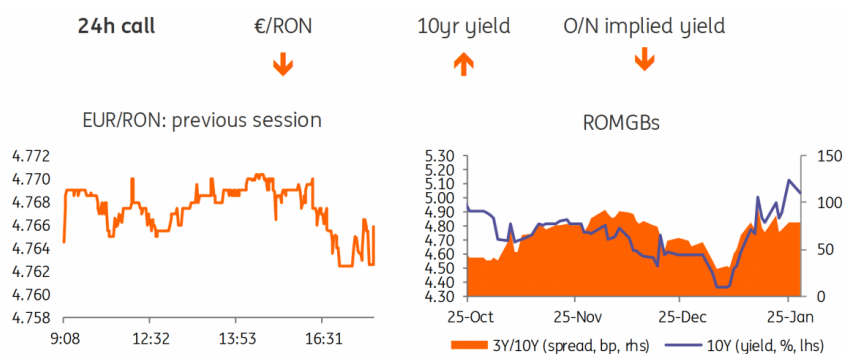


Briefing Romania

Another test for Romanian government bonds



Source: Reuters

↓ EUR/RON

The upward move in the EUR/RON seemed to lose some steam on Friday. The turnover has again been heavy, but after it failed to break above 4.7700, the pair edged lower and closed in the 4.7650 area. With the cash rates still abnormally high, we could see a bit of respite for the EUR/RON.

↑ Government bonds

No respite though for Romanian government bonds, as yields continued to shift upwards on Friday, closing c.12-14 basis points higher. Today the Ministry of Finance plans to sell RON400

million in Sep-2031 bonds. This amount was not easy to sell even in better times. We expect some partial allocation towards the higher end of the secondary market.

Money Market

Cash rates traded as high as 8.00% on Friday on the back of uncertain liquidity conditions generated by the quarterly budget payments. Towards the end of the day as things became clearer for the banks there was some selling interest which pushed implied yields towards the 6.00% area. The downward move should continue today, though the curve seems to be pricing an extended period of tight liquidity conditions, with 1M implied yield at 4.75%.

The week ahead

For the week ahead, **the Federal Reserve** is widely expected to sit on its hands with no change in policy on 30 January. The fact that the government shutdown has limited the data flow also argues for a pause, until there is more clarity. We continue to expect just two rate rises in 2019 versus the four we saw in 2018. Financial markets are pricing the risk of rate cuts, but we think the strength of the jobs market makes this unlikely.

An important week for **the eurozone** as a lot of eagerly awaited data will be coming out. Data on the eurozone economy in the fourth quarter has been dismal, and this week the final report card will be presented as we obtain the flash estimate for GDP. Inflation is another key figure that has been moving south recently as petrol prices have come down significantly. Inflation is now moving away from the ECB's target as uncertainty about economic growth mounts. This week's data will, therefore, provide much for the central bank to chew on.

In Poland we expect 2018 GDP growth at 5.1% year-on-year, confirming only a modest deceleration in the fourth quarter. Last year's growth structure relied on robust private consumption and strong investment.

No major macro data on the local front; we see the EUR/RON in the 4.7400-4.7800 range for this week.

EUR/RON forecasts

	1Q19	2Q19	3Q19	4Q19	1Q20
ING forecast	4.75	4.75	4.80	4.80	4.82
FX Forward	4.82	4.87	4.91	4.96	5.01

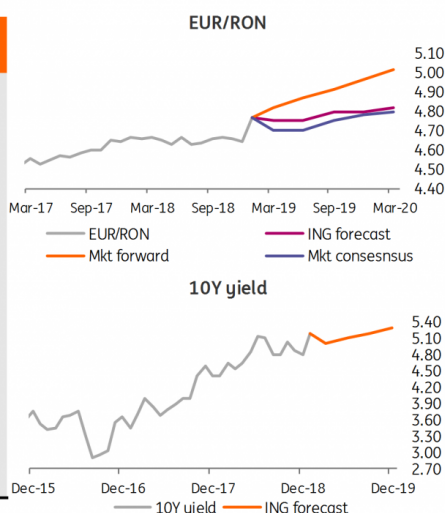
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7489	-0.1	0.9	1.9
EUR/PLN	4.2864	0.0	0.0	-0.1
EUR/HUF	317.45	-0.4	-0.3	-1.1
EUR/CZK	25.651	-0.3	0.3	-0.7
RO 5Y CDS*	103.2	-0.4	0.2	-1.8
ROBOR O/N*	3.55	3.6	1.0	72.0
ROBOR 3M*	3.11	3.6	1.0	9.0
DAX	12818	1.4	1.0	9.0
S&P 500	2664.76	0.9	0.4	7.7
DE 10Y*	0.19	1.9	-6.9	-3.5
US 10Y*	2.74	3.9	-4.2	-0.3
Gold (US\$)**	1301.5	1.8	1.6	2.1
Brent (US\$)**	60.9	0.9	-2.9	15.5

*change in basis points; **US\$ (data as at 05:40 GMT)

Source: Reuters, Bloomberg, ING



Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

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