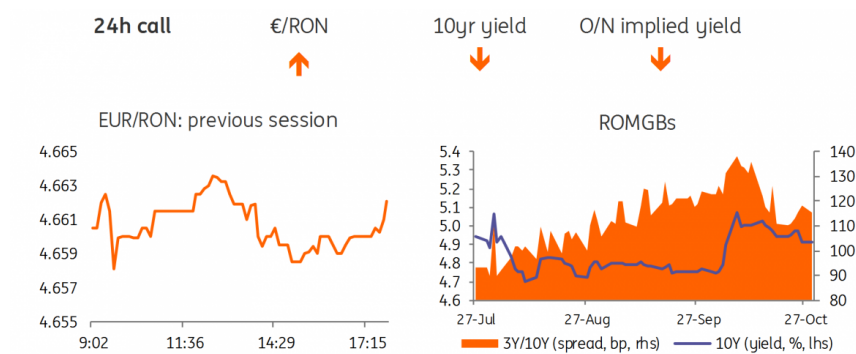


BriefING Romania

Looking for a repo auction today



Source: Reuters

↑ EUR/RON

Same range trading for the EUR/RON, which opened around 4.6600 and closed only marginally higher, around 4.6610. A repo today could trigger the pair to test the upside of our long indicated 4.6600-4.6700 range.

↓ Government bonds

Some better buying interest in ROMGBs triggered a mild bull flattening move across the curve as the longer end dropped by 3-4 basis points. The inflows into private pension funds could generate more interest for the longer term ROMGBs in the secondary market. Today the Ministry of Finance

auctions RON600 million in 1Y T-bills. We see the result highly dependent on the National Bank of Romania's decision to inject liquidity or not. Since our base case is for a repo, we look for moderate demand around 3.60%.

Money Market

The cash squeeze continued on Friday as the funding rates implied yields traded anywhere from 5.00% to as high as 8.00%. We believe that the NBR will inject liquidity via its repo operation today to accommodate the deficit.

The week ahead

For the week ahead, the case for further rate hikes in the US is likely to increase this week, with the October jobs report set to rebound after a weather-depressed September reading caused by Hurricane Florence. After the ECB meeting, German inflation data should garner attention. This should provide further evidence of whether or not core inflation in the eurozone could eventually pick up. But taking centre stage will be eurozone data, as both GDP for the third quarter and inflation data for October will be released. For GDP, the risks have also moved to the downside over the past few months, so the question is whether eurozone growth has maintained its cruising speed of 0.4% quarter-on-quarter. Also look out for unemployment data, which is usually overshadowed by inflation data but does provide key information about domestic demand potential in the months ahead.

On the local front, we are waiting for the Ministry of Finance's September budget execution. We see the EUR/RON trading within 4.6500-4.6700 this week.

EUR/RON forecasts and forwards

| | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 |
|--------------|------|------|------|------|------|
| ING forecast | 4.70 | 4.67 | 4.65 | 4.70 | 4.75 |
| Forward rate | 4.70 | 4.75 | 4.80 | 4.85 | 4.92 |

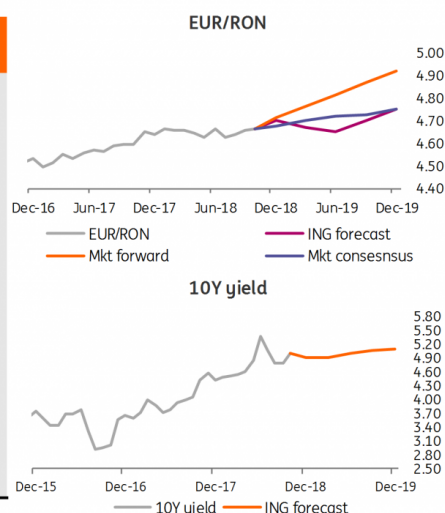
Source: Reuters, ING estimates

Market radar

| | Spot | %Ch | | |
|----------------|---------|------|-------|-------|
| | | 1D | 1W | 1M |
| EUR/RON | 4.6625 | 0.1 | -0.1 | 0.0 |
| EUR/PLN | 4.3061 | 0.1 | 0.2 | 0.8 |
| EUR/HUF | 324.08 | 0.0 | 0.4 | 0.1 |
| EUR/CZK | 25.805 | -0.2 | -0.2 | 0.5 |
| RO 5Y CDS* | 97.77 | 0.1 | 0.0 | 13 |
| ROBOR O/N* | 3.66 | 5.0 | 110 | 93.0 |
| ROBOR 3M* | 3.38 | -10 | 22.0 | 24.0 |
| DAX | 1200.6 | -0.9 | -2.7 | -9.6 |
| S&P 500 | 2658.69 | -1.7 | -3.4 | -8.2 |
| DE 10Y* | 0.36 | -4.7 | -7.4 | -16.9 |
| US 10Y* | 3.0756 | -6.0 | -12.6 | 2.1 |
| Gold (US\$)** | 1230.8 | 0.1 | 0.4 | 4.1 |
| Brent (US\$)** | 77.26 | 0.9 | -3.2 | -5.1 |

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

Source: Reuters, Bloomberg, ING



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