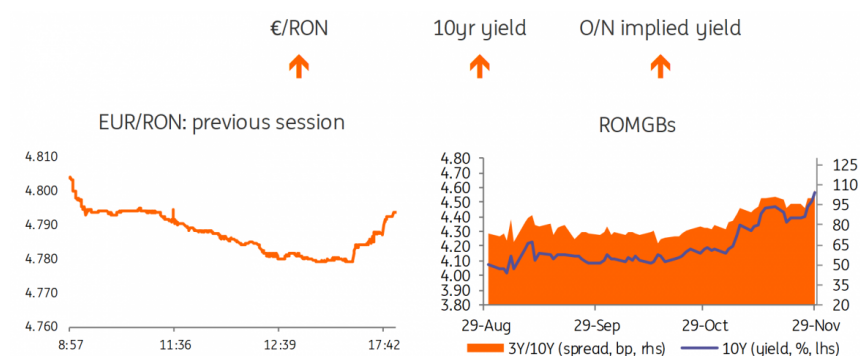


Briefing Romania

Heavy trading in EUR/RON



EUR/RON

Yesterday was one of the most active trading sessions in the EUR/RON, with the largest daily turnover in the last six years (since data became available in Reuter's system). After trading in reasonable volumes above 4.8000 in late hours of the previous day, the EUR/RON was managed lower towards 4.7800 yesterday. After the fixing time, the upward move resumed and the pair closed just above 4.7900. For today, we still expect the pair to be managed around current levels.

NBR Governor Mugur Isarescu reiterated yesterday that a correction of the external imbalance won't happen only via FX depreciation.

Government bonds

In a pretty bearish market, ROMGB yields continued to shift upwards and closed 7-8 basis points higher at the long-end of the curve. The market has been anticipating the December auction calendar which shows RON5.3 billion up for sale. The range of maturities looks relatively balanced. Now, remember that the target for November was around RON5 billion and we ended up with a total issuance of over RON8.2 billion. Hence, we believe that the Ministry of Finance would be more than willing to allocate at least a similar amount, or higher if possible. Another short-notice euro issuance should not be excluded either.

On another note, the budget revision bill has been adopted yesterday targeting a -4.4% of GDP budget deficit, -0.1% more than initially announced. We think that this makes it almost impossible for Romania to elude the European Commission's (EC) Excessive Deficit Procedure (EDP) next year even if the government triggers the structural reform clause related to pillar II pension contributions and some spending on military equipment is not accounted in ESA methodology. The EC is likely to be reluctant to accept one-offs for EDP, as the 2020 the budget deficit seems that will remain well above -3.0% of GDP and exceptions for pillar II contribution have been enacted early this year for workers in the construction sector.

Money market

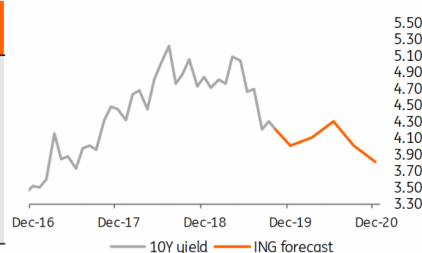
Cash rates remained anchored around 2.50%, which is lower than we had expected. The paying interest in longer tenors started to emerge, pushing the 1Y implied yields close to 3.30%. Given the high turnover on the FX market, we believe that there is more upside potential for both funding and longer term rates. The NBR governor suggested that the MinFin should tap the surplus liquidity in the money market to finance the budget shortfall instead of financing it from the Treasury's FX buffer.

ING forecast	4.80	4.82	4.82	4.84	4.85
FX Forward	4.80	4.85	4.89	4.93	4.98

EUR/RON	4.7880	0.5	0.1	0.7
EUR/PLN	4.3215	0.1	0.6	1.2
EUR/HUF	335.71	0.1	0.6	1.8
EUR/CZK	25.565	0.2	0.2	0.1
RO 5Y CDS*	89.6	0.0	-0.6	-0.6
ROBOR O/N*	2.66	-4	61	-15
ROBOR 3M*	2.99	0	0	-2

*change in basis points; **US\$ (data as at 06:29 GMT)

Source: Refinitiv Datastream, ING estimates



Author

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 <http://www.ing.com>.