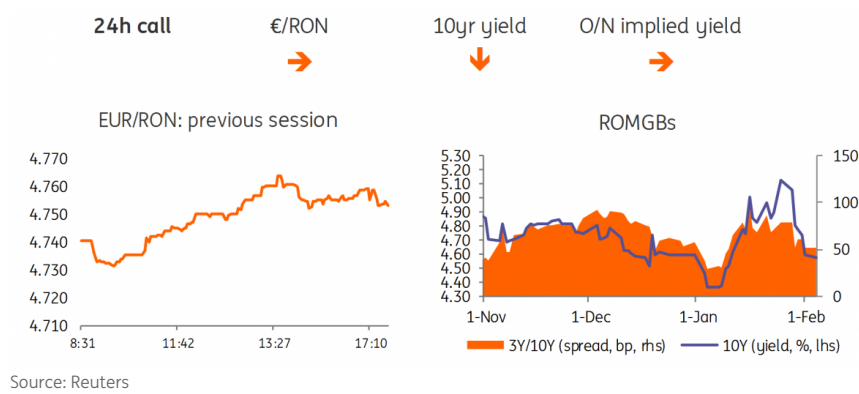


Briefing Romania

Romanian government bonds rally on lack of supply



➔ EUR/RON

Things seem to be slowly and steadily calming down on the EUR/RON market, as turnover and volatility are gradually decreasing. For now, we have indicated 4.7200-4.7700 as a new possible comfort zone for the pair.

⬇️ Government bonds

With no issuance calendar for this month, the bull flattening of the curve continued into Friday's trading session. The usual thin liquidity has helped the longer dated tenors to inch another c.15 basis points lower. The move could continue albeit in smaller increments as yields are already back

to where they were before the last sell-off.

➔ Money Market

No respite for the cash market which remains tense. Carry rates are trading again around 5.00%, way above the Lombard rate, with longer tenors following in a proportionate upward shift. We still expect the Ministry of Finance to step up its monthly spending which should lead to lower cash rates but apparently the primary market issues are affecting the timing of spending as well.

The week ahead

For the week ahead, we are going to receive a backlog of delayed US data over the next couple of weeks. This will include GDP, retail sales, trade and durable goods orders amongst others and it will give us a better flavour of the state of the US economy. In the Brexit world, Theresa May heads to Europe to seek concessions that could convince members of parliament to vote for a deal, allowing a smooth exit from the EU on 29 March. In Germany, any rebound in industrial data is likely to be too weak to push industrial activity back into expansion territory, but private consumption and government expenditures should have been enough to prevent the entire economy from falling into a technical recession.

On the local front, we look for no change at the 7 February National Bank of Romania meeting. As was the case in January, media attention will likely be channeled towards the NBR's stance on fiscal measures and its communication with the government.

EUR/RON forecasts

	1Q19	2Q19	3Q19	4Q19	1Q20
ING forecast	4.75	4.75	4.80	4.80	4.82
FX Forward	4.80	4.85	4.89	4.94	4.99

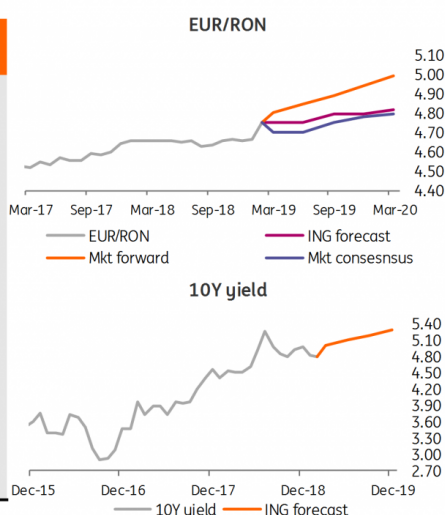
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7533	0.2	-0.3	2.0
EUR/PLN	4.2900	0.6	0.1	0.0
EUR/HUF	317.5	0.6	0.0	-12
EUR/CZK	25.69	-0.2	0.1	0.2
RO 5Y CDS*	104.8	0.4	16	-0.5
ROBOR O/N*	3.48	35.0	-7.0	78.0
ROBOR 3M*	3.06	0.0	-5.0	7.0
DAX	1180.7	0.1	-0.6	7.7
S&P 500	2706.53	0.1	2.1	112
DE 10Y*	0.17	10	-3.3	14
US 10Y*	2.70	5.6	-5.4	14.4
Gold (US\$)**	1312.3	-0.2	0.7	14
Brent (US\$)**	62.8	3.1	19	118

*change in basis points; **US\$ (data as at 05:15 GMT)

Source: Reuters, Bloomberg, ING



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