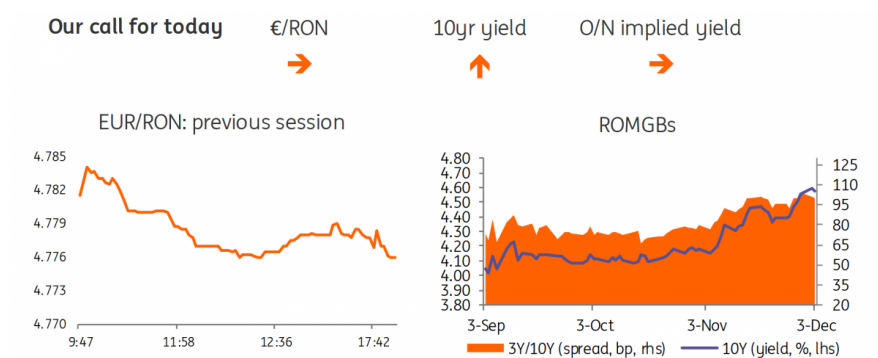


Briefing Romania

Liquidity squeeze



EUR/RON

The abnormally high carry rates have quickly cooled interest in selling the Romanian leu. The pair continued the previous day's move and inched gradually lower, closing around 4.7760. We should see the pair stable around current levels as short-term rates remain elevated.

Government bonds

Romanian government bonds had another weak day. Whether this was more related to core market yields shifting higher or the depressed local context is not clear cut, but in any event the entire curve moved five to six basis points higher. Against this backdrop, the primary auctions outcome was less than positive to say the least. The RON500million Aug-2022 auction witnessed a 1.2x bid-to-cover and a RON460 million allocation at an average yield of 3.78%. In the same vein, the RON200 million Oct-2034 garnered a 1.1x bid-to-cover and a RON188 million allocation at a 5.07% average yield. It's difficult to say which one was weaker and it certainly makes for a difficult start to this month's auction calendar.

Money market

The money market has come into the spotlight recently, with funding rates crossing 4.00% and the entire curve up to 1Y either above or getting close to the 3.50% Lombard rate. The deposit market on the other hand has behaved better, with Robor rates witnessing much smaller increases.

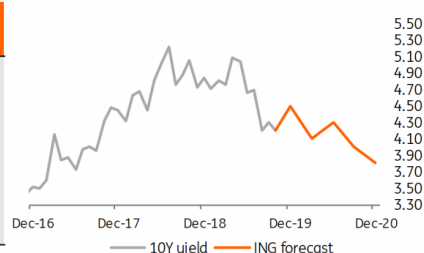
EUR/RON forecasts (eop)

	4Q19	1Q20	2Q20	3Q20	4Q20
ING forecast	4.80	4.82	4.82	4.84	4.85
FX Forward	4.79	4.84	4.88	4.92	4.97

	Spot	1D	%Ch 1W	1M
EUR/RON	4.7750	-0.1	0.1	0.5
EUR/PLN	4.2823	-0.6	-0.4	0.7
EUR/HUF	331.85	-0.8	-1.2	1.2
EUR/CZK	25.544	0.0	0.2	0.1
RO 5Y CDS*	89.1	-0.2	-0.4	-1.1
ROBOR O/N*	2.98	29	17	45
ROBOR 3M*	3.03	4	3	5

*change in basis points; **US\$ (data as at 06:30 GMT)

Source: Refinitiv Datastream, ING estimates



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