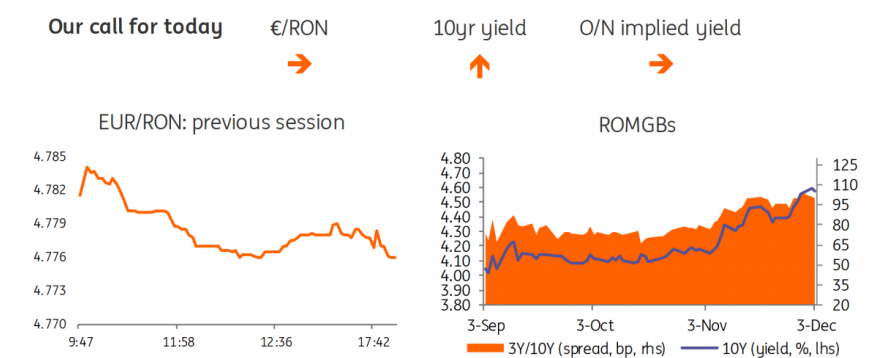


Briefing Romania

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.

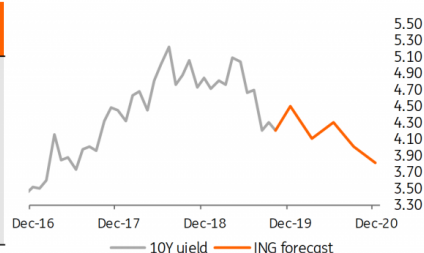
EUR/RON forecasts (eop)

	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



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>.