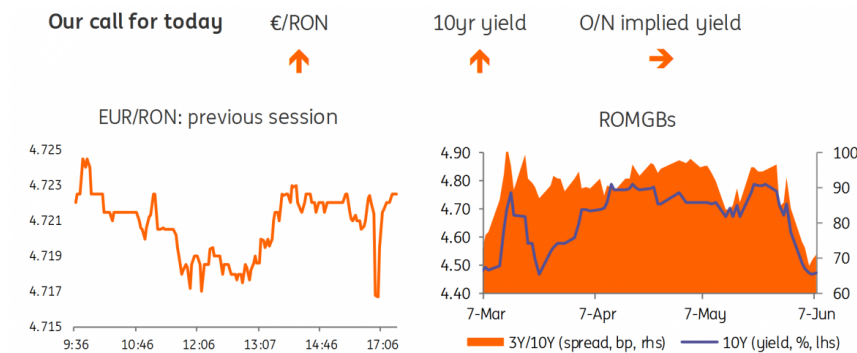


Briefing Romania

Liquidity backdrop swings to surplus in May



Source: Reuters

↑ EUR/RON

The EUR/RON seems to have found support around the 4.7200 area, while the turnover has continued to be above average. FX turnover for the current week was too large to be explained only by inflows into local currency sovereign debt. As usual, when things don't add up, one suspects central bank actions aimed at draining surplus RON liquidity, especially if the MinFin tapped the FX buffer for RON payments. We will revisit the idea when liquidity and FX reserves data for June are released. We see a 4.7200-4.7300 range for today.



Government bonds

The ROMGB curve saw a mild flattening yesterday with long-dated yields dropping a couple of basis points. MinFin increased the allocation to RON780 million versus the RON500 million target for the 3Y bond auction with total demand standing at RON1185 million and average/maximum yields of 3.95%/3.97%, within expectations.

➔ Money market

The implied cash rate dropped around 20 basis points and stabilised around the NBR's key rate of 2.50%. The NBR Monthly Bulletin data showed RON4.6 billion of surplus liquidity in the banking system for May coming from a deficit of RON1.2 billion in April. The surplus is somewhat below expectations given a large bond redemption at the end of April and the RON5.9 billion budget deficit for the month. The rest of the FX swap curve was unchanged.

EUR/RON forecasts (eop)

	2Q19	3Q19	4Q19	1Q20	2Q20
ING forecast	4.77	4.78	4.85	4.87	4.88
FX Forward	4.74	4.78	4.84	4.89	4.92

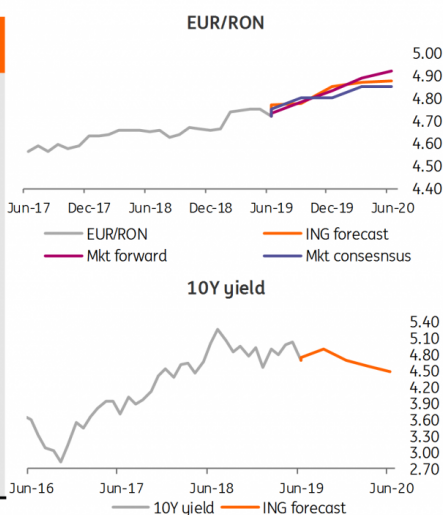
Source: Reuters, Bloomberg, ING

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7225	0.1	-0.6	-0.7
EUR/PLN	4.2731	-0.1	-0.4	-0.5
EUR/HUF	320.75	-0.1	-12	-11
EUR/CZK	25.624	-0.1	-0.8	-0.4
RO 5Y CDS*	87.8	0.0	-2.0	19
ROBOR O/N*	2.66	-10	-6.0	10.0
ROBOR 3M*	3.24	0.0	-10	-6.0
DAX	1953.1	-0.2	0.7	-16
S&P 500	2843.5	0.6	2.5	-0.7
DE 10Y*	-0.23	-12	-6.5	-9.1
US 10Y*	2.12	0.0	-10.1	-35.8
Gold (US\$)**	1310	0.4	3.3	3.9
Brent (US\$)**	62.5	17	-4.4	-10.3

*change in basis points; **US\$ (data as at 06:39 GMT)

Source: Reuters, ING estimates



Author

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

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 www.ing.com.