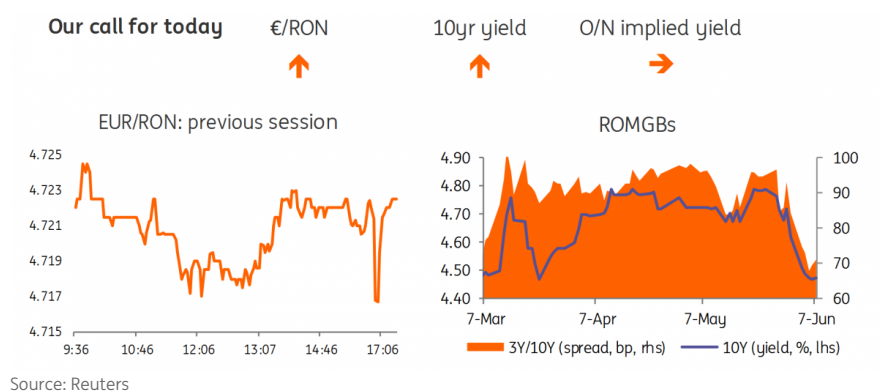


Briefing Romania

Liquidity backdrop swings to surplus in May



↑ 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

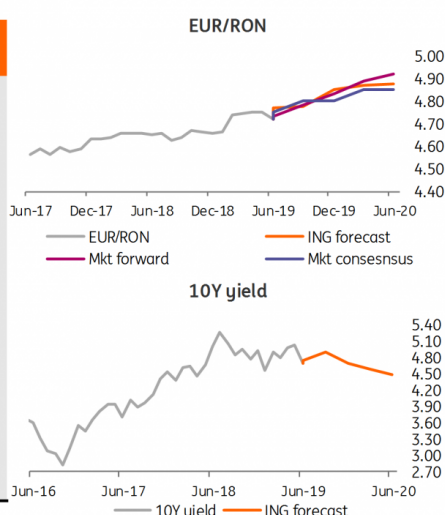
Source: Reuters, Bloomberg, ING

Market radar

	Spot	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	-15.0	10.0
ROBOR 3M*	3.24	0.0	-10	-6.0
DAX	11953.1	-0.2	0.7	-16
S&P 500	2843.5	0.6	2.5	-0.7
DE 10Y*	-0.23	-12	-6.5	-19.1
US 10Y*	2.12	0.0	-10.1	-35.8
Gold (US\$)**	13310	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



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