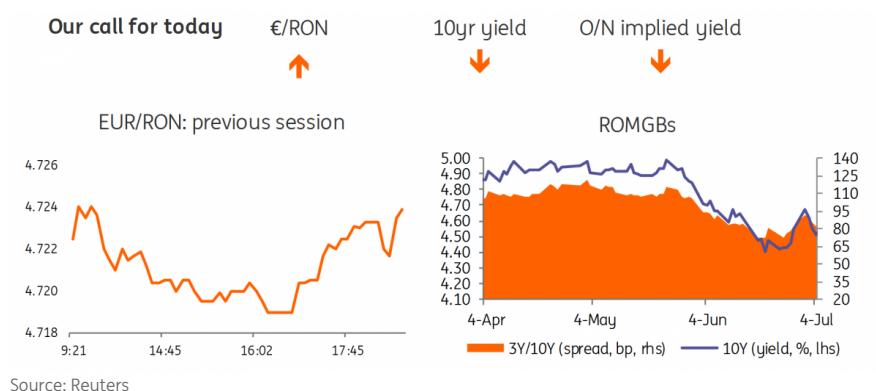


Briefing Romania

Strong support at 4.7200 in EUR/RON



↑ EUR/RON

The EUR/RON traded in a tight range yesterday but on lower turnover compared to the previous session. Still, the strong bid just below 4.7200 persisted, which could be central bank related. This idea is backed by the latest NBR governor speech in which he emphasised a few times that the bank is not comfortable with strengthening in the Romanian leu. For today, we see a 4.7200-4.7300 range.

↓ Government bonds

The ROMGB yield curve saw a bit of bear steepening yesterday as the front-end was supported by low funding rates, while the back-end yields inched up c.3bps, somewhat diverging from the positive regional mood. The 10Y yield spread over POLGBs is near the one-year high seen in January after the GEO114. The Ministry of Finance sold RON999 million in 3-year bonds at an average/maximum yield of 3.85%/3.86% versus RON500 million planned with total demand at RON1.65 billion. Hence, a very strong auction, likely supported by the NBR's dovish twist.

↓ Money market

Funding rates stood at around 2.00%, below the NBR key rate level of 2.50% despite the central bank's full allotment one-week deposit taking auction, which drained RON13 billion at 2.50%. The NBR monthly bulletin showed RON2.1 billion of surplus liquidity in the banking system for June, despite a large bond redemption. This was significantly below our expectation.

EUR/RON forecasts (eop)

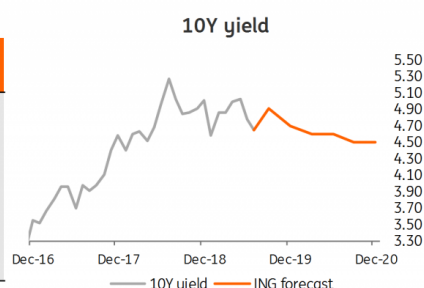
	3Q19	4Q19	1Q20	2Q20	3Q20
ING forecast	4.77	4.85	4.85	4.85	4.87
FX Forward	4.77	4.81	4.86	4.89	4.94

Market radar

	Spot	1D	%Ch 1W	1M
EUR/RON	4.7250	0.0	-0.1	0.2
EUR/PLN	4.2570	0.1	0.3	0.0
EUR/HUF	324.77	0.2	0.4	1.4
EUR/CZK	25.506	0.0	0.2	-0.5
RO 5Y CDS*	88.3	-0.1	-1.2	0.5
ROBOR O/N*	2.32	40	-25	-32
ROBOR 3M*	3.18	0	-5	-7

*change in basis points; **US\$ (data as at 06:14 GMT)

Source: Reuters, ING estimates



Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

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