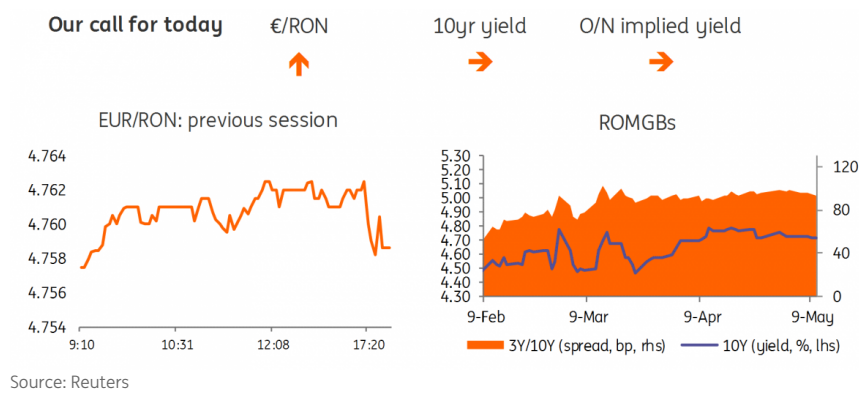


Briefing Romania

The magic of 5.00%



↑ EUR/RON

Somewhat higher turnover and deteriorating risk sentiment supported extended trading above 4.7600 for the EUR/RON. With markets still on the defensive today, we look for the 4.7600 to become more of a support level.

→ Government bonds

Take [what we wrote yesterday](#) and read it the other way around. This should yield a more accurate picture of yesterday's primary auction results. The RON400 million 1Y T-bills auction was met with scepticism (to say the least) by the market, as total demand barely covered the target

size while yields have been quite a bit above our call. The Ministry of Finance allocated RON274 million at 3.26% average and 3.32% maximum in what can be called, at best, a pretty weak auction.

The RON 400 million 10Y auction on the other hand came out very solid, meeting RON1.22 billion total demand. Yields remained below the 5.00% mark which seems to act as a trigger, gathering stronger bids when yields get close to it. The Ministry of Finance allocated RON535 million at 4.96/4.97% average and maximum, with post-auction trading pushing the yield into the lower end of the 4.90-5.00% interval.

➔ Money market

Not much happening in the funding market as the local players are likely waiting to park their surplus liquidity at the central bank's 2.50% key rate on Monday instead of 2.00-2.10% where funding rates currently trade. That, of course, if the National Bank sticks to its strict liquidity control and organises a deposit auction on Monday, which we expect to happen.

EUR/RON forecasts (eop)

	2Q19	3Q19	4Q19	1Q20	2Q20
ING forecast	4.77	4.78	4.85	4.87	4.88
FX Forward	4.79	4.84	4.89	4.95	4.98

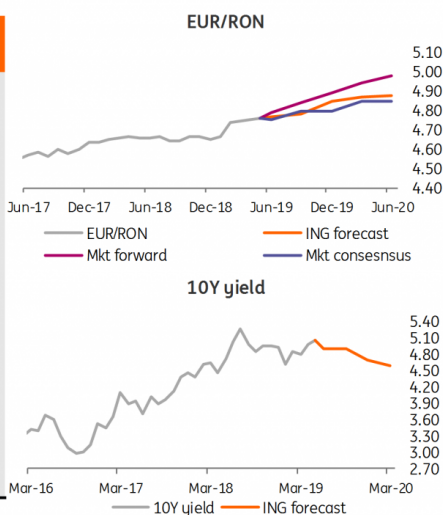
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7600	0.0	0.0	0.2
EUR/PLN	4.2986	0.2	0.7	0.1
EUR/HUF	324.25	0.4	1.6	1.7
EUR/CZK	25.729	0.0	0.3	-0.1
RO 5Y CDS*	85.9	-5.6	-20.4	-20.3
ROBOR O/N*	3.55	13.0	2.0	3.0
ROBOR 3M*	3.39	-2.0	1.0	1.0
DAX	12313.2	-1.7	1.6	8.2
S&P 500	2927.3	-0.3	1.5	4.4
DE 10Y*	-0.05	-5.5	-13.0	-3.3
US 10Y*	2.45	-4.8	-14.6	3.4
Gold (US\$)**	1285.3	0.2	0.9	-2.3
Brent (US\$)**	70.8	0.1	-1.1	5.0

*change in basis points; **US\$ (data as at 06:12 GMT)

Source: Reuters, Bloomberg, ING



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