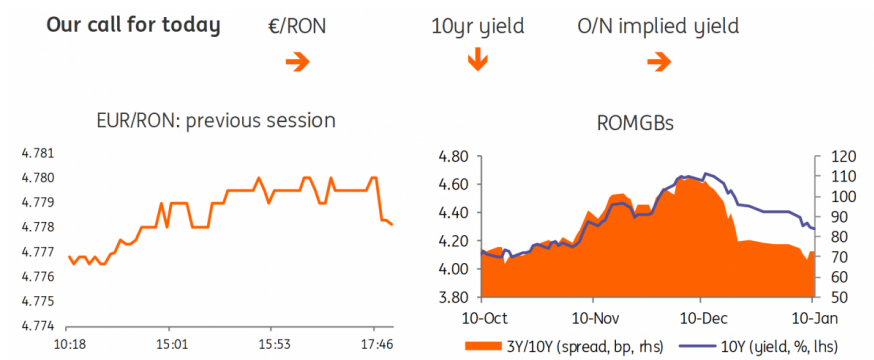


# Briefing Romania

Very good primary auctions



Source: Refinitiv Datastream

## EUR/RON

Stability prevailed again on the FX market yesterday. The EUR/RON tested the 4.7800 resistance level but the low turnover was not enough to move the pair out of its narrow 4.7750-4.7800 range where it's been trading lately. With no major events on the local calendar today, we expect a similar pattern for the EUR/RON, with tests above 4.7800 likely to become more frequent.

On the macro front, yesterday we had the trade balance data for November 2019 which confirmed a slowdown in the pace of widening. The deficit expanded by 15.7% in the Jan-Nov period compared to the same period of 2018. Judging by the import/export dynamics (which are both slowing down), we believe that this gradual rebalancing of the trade balance has more to do with the economy slowing down rather than structural improvements in competitiveness.

## Government bonds

As expected, yesterday's primary auctions offered some excitement and it was worth waiting for the results until very late in the day. The RON300 million 1Y T-bills auction was allocated at 3.26% average and 3.27% maximum yields, with a bid-to-cover ratio of 2.1x. The short tail and yields sensibly below the secondary market levels for similar bonds (which were around 3.40-3.45%) point to some anxious buyer(s).

The RON600 million Sep-2031 auction was even more interesting as the allocation was upsized to RON658 million from a very good bid-to-cover rate of 2.2x. Yield-wise it closely matched our expectations, at 4.72% average and 4.73% maximum. Post auction market reaction was positive, with this particular ISIN closing below 4.70%.

## Money market

Money market implied yields continued their gradual descent, dropping three to four basis points across the curve. [As mentioned yesterday](#), we still feel that there is potential for longer term rates to come gradually lower.

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