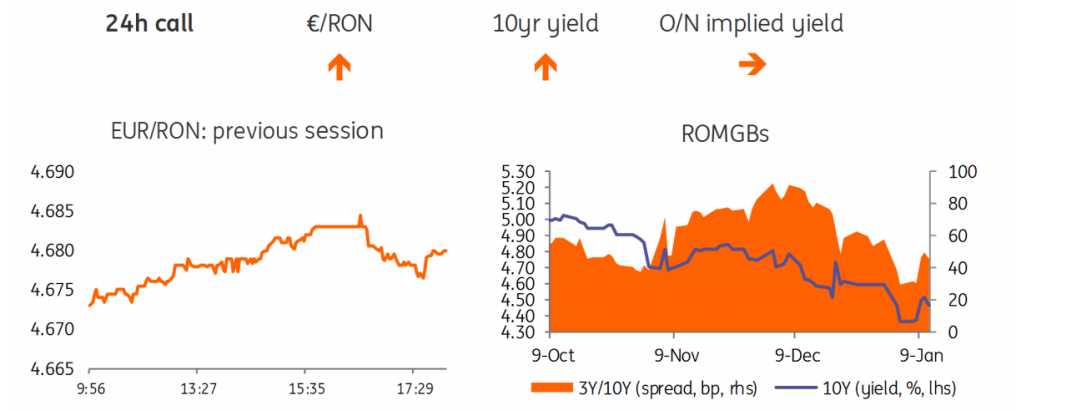


11 January 2019
Snap

Briefing Romania

First unsuccessful MinFin auction in a while



Source: Reuters



EUR/RON

The EUR/RON continued to test new levels yesterday. The official fixing printed another historical high. Though the actual depreciation of the leu was only a mere 42pips compared to the previous day, it still made it into the breaking news of the main domestic news channels. The turnover remains above average, but it doesn't necessarily look one-sided. Regional currencies have been on an appreciation path lately, which likely helped the Romanian leu to avoid a more significant depreciation. Hence, the EUR/RON failed to consolidate above the 4.6800 handle. Nevertheless, the market will probably try to test the limit of the central bank's tolerance and thus establish some broad guidance of a new comfort zone for the pair.



Government bonds

The first serious test of the year for the primary market didn't go as planned for the Ministry of Finance. Its RON400 million April 2026 auction received a total demand of only RON333 million, suggesting that the recent ROMGBs rally has most likely come to an end for now. The MinFin issued RON246 million at a 4.51% average and 4.53% maximum yield, slightly above our expectations. Otherwise, the curve steepened again, as the front-end posted a 5-6 basis point drop supported by surplus money market liquidity, while the longer-end inched 3-4 basis points higher.



Money Market

The upside move in the EUR/RON triggered some paying interest along the FX swap curve yesterday. Implied yields above 1M inched c.20 basis points higher, suggesting a relatively thin market on the offer side. Cash rates continued to move towards the 1.50% deposit facility and are now trading only marginally above it, which should be the case for the rest of the current reserve period.

EUR/RON forecasts

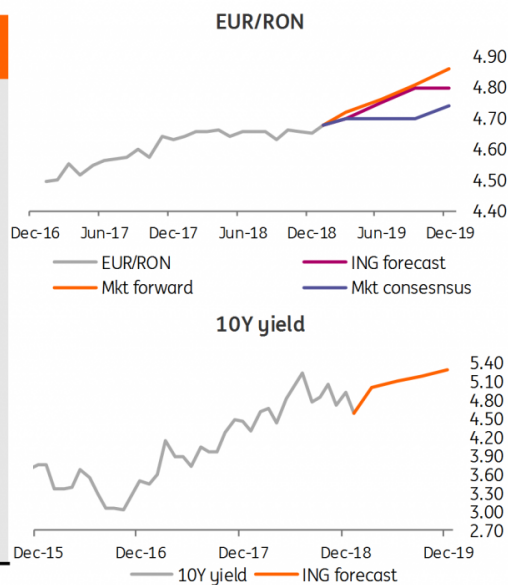
	1Q19	2Q19	3Q19	4Q19	1Q20
ING forecast	4.70	4.75	4.80	4.80	4.80
FX Forward	4.72	4.76	4.81	4.86	4.90

Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.6772	0.1	0.4	0.7
EUR/PLN	4.2932	-0.2	0.0	0.1
EUR/HUF	321.7	0.0	0.0	-0.5
EUR/CZK	25.565	-0.2	-0.3	-1.1
RO 5Y CDS*	104.4	0.0	-0.8	0.3
ROBOR O/N*	176	-10.0	-94.0	4.0
ROBOR 3M*	2.88	-2.0	-11.0	-16.0
DAX	10921.6	0.3	5.2	0.3
S&P 500	2596.64	0.5	6.7	-1.5
DE 10Y*	0.19	-1.8	4.3	-7.5
US 10Y*	2.73	0.3	17.5	-17.9
Gold (US\$)**	1294.3	-0.5	0.1	3.9
Brent (US\$)**	61.7	0.4	10.2	2.3

*change in basis points; **US\$ (data as at 06:28 GMT)



Source: Reuters, Bloomberg, ING

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