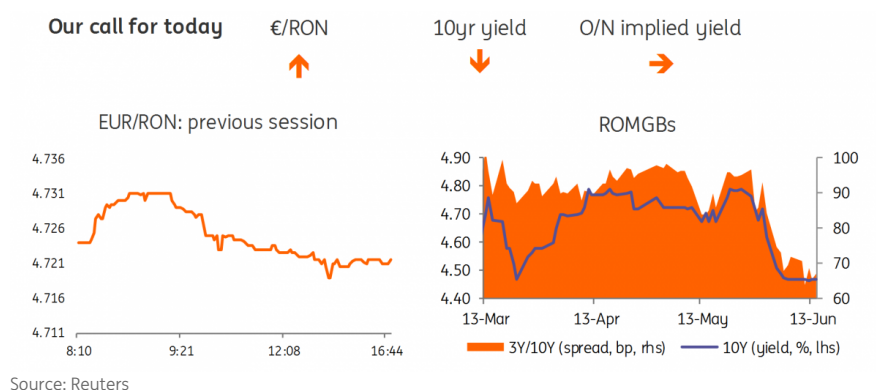


Briefing Romania

Solid bond inflows continue



↑ EUR/RON

The Romanian leu enjoyed a more lively trading session yesterday after it broke above 4.7300 against the euro right after the market open. A slow downward correction followed and the pair closed around 4.7220 on good turnover. For today, we expect the same 4.7200-4.7300 range with potential upside tests.

↓ Government bonds

It was another memorable day for Romanian government bonds in the primary market, as the Sep-2031 auction met strong demand totalling RON1.14 billion versus the RON300 million planned.

The allocation was upsized to RON713 million while yields came just slightly higher than we expected, at 5.06% average and 5.10% maximum. Worth mentioning that the average yield of all bids was 5.08% and that post-auction, it traded as low as 4.95%.

The second auction of the day – RON300 million June 2021 was a bit more modest in terms of demand, at RON354 million, out of which RON300 million was allocated at 3.64% average and 3.68% maximum yields. It could be that the Sep-2031 took all the shine off the day, but maybe high inflation is also deterring demand for shorter end papers as the market might expect a tighter policy stance from the central bank.

➔ Money market

In the money market we saw a bit of tightening of the front end towards 2.75% implied yields while the gradual descent in the longer tenors continued by another five to six basis points. The entire curve up to 1Y is now within 100 basis points and we feel there is still a bit of room for compression.

EUR/RON forecasts (eop)

	2Q19	3Q19	4Q19	1Q20	2Q20
ING forecast	4.74	4.77	4.85	4.87	4.88
FX Forward	4.73	4.78	4.83	4.88	4.91

Source: Reuters, ING estimates

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