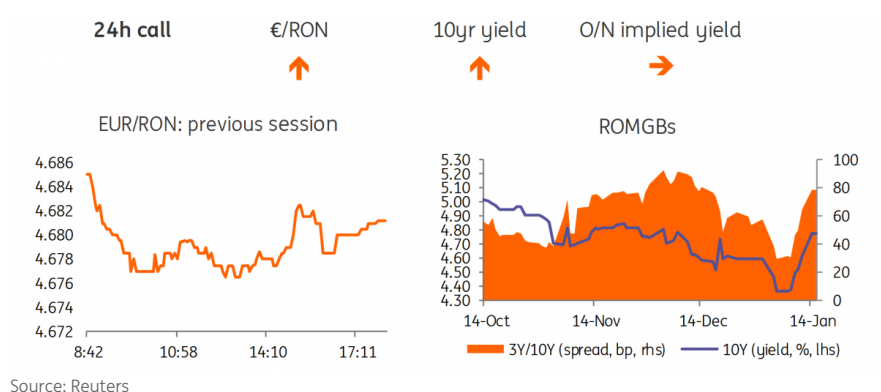


Briefing Romania

National Bank of Romania sterilising the surplus liquidity



↑ EUR/RON

The somewhat surprising NBR deposit auction eased some of the upside pressures on the EUR/RON. The pair returned below 4.68 after the announcement and traded in a narrow range for most of the day. Towards the end of the trading session, some stronger bids reemerged pushing the closing level above 4.68. With no serious pressures to test the upside potential, we will be paying attention to other indirect hints (liquidity management, official fixing) to assess the range of NBR's comfort zone for the pair.



Government bonds

Another day to forget for ROMGBs, which saw yields shifting anywhere from 10 to 20 basis points higher across the curve. One of the catalysts could have been the clarification about the actual level of the ROBOR-linked tax on banking assets, which seemed to confirm the more pessimist interpretations.

The RON400 million June-2023 auction went quite poorly, with total demand of RON328 million spread in a rather wide range. The Ministry of Finance allocated RON249 million at a 4.41% average and 4.43% maximum, while the average of rejected bids was 4.45%. Hence, a weak auction both demand-wise and yield-wise.

➔ Money Market

Finally some action in the money market, just when we thought there is nothing in sight but deposit facility for the cash rates. Somewhat surprisingly, the NBR organised a one-week full allotment deposit-taking auction. A lot more surprising though was the result: RON12.8 billion sterilised from 24 participating banks. This could suggest that some of the usual year-end public spending has actually occurred in early January and the amounts were quite substantial.

EUR/RON forecasts

	1Q19	2Q19	3Q19	4Q19	1Q20
ING forecast	4.70	4.75	4.80	4.80	4.82
FX Forward	4.72	4.76	4.81	4.86	4.91

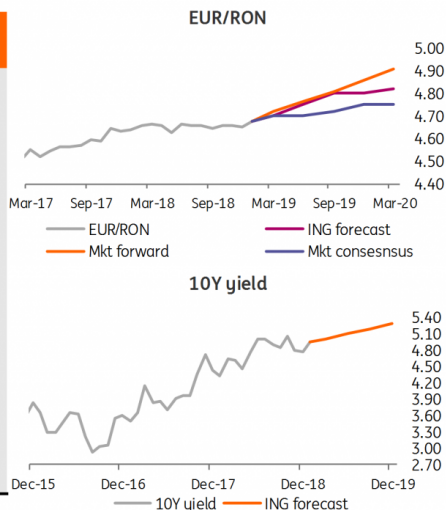
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.6800	-0.2	0.4	0.6
EUR/PLN	4.2905	0.0	-0.1	0.0
EUR/HUF	32164	0.2	0.2	-0.7
EUR/CZK	25.545	-0.1	-0.1	-0.9
RO 5Y CDS*	104.4	0.0	-0.4	0.5
ROBOR O/N*	2.6	85.0	310	92.0
ROBOR 3M*	2.92	4.0	-2.0	-12.0
DAX	10855.9	-0.3	14	0.3
S&P 500	2582.61	-0.5	19	-0.1
DE 10Y*	0.24	5.0	19	-2.0
US 10Y*	2.72	11	3.5	-17.2
Gold (US\$)**	1290.7	0.3	0.2	4.2
Brent (US\$)**	59.8	-2.5	4.2	-11

*change in basis points; **US\$ (data as at 06:15 GMT)

Source: Reuters, Bloomberg, ING



Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.