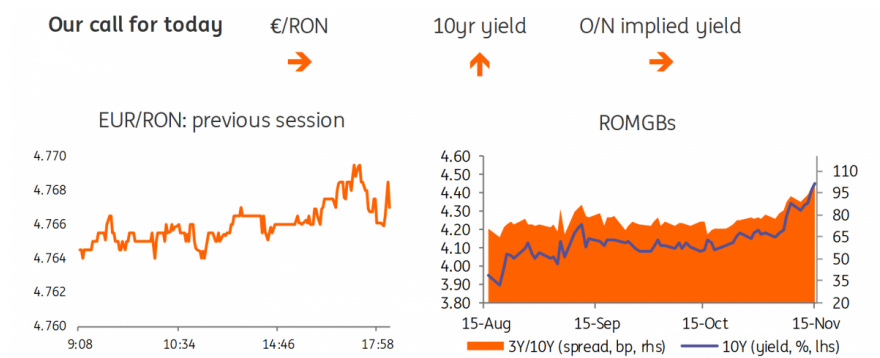


Briefing Romania

Worries about budget deficits pushing yields and EUR/RON higher



Source: Refinitiv Datastream

EUR/RON

The EUR/RON inched above 4.7650 yesterday, testing close to 4.7700 on above average turnover. We see the 4.7700 level as a very strong resistance which is probably going to hold for a little longer. A correction higher is getting closer in our view.

Government bonds

Romanian government bonds took a hit yesterday, likely influenced by the Ministry of Finance's announcement that the budget deficit could go above 4.0% in a no-policy change scenario. Yields drifted 10-15 basis points higher, with the longer end taking most of the hit. In this context, it comes as no surprise that the 10-year auction didn't garner good demand and all bids were rejected. While nothing has changed to alleviate worries about the budget deficit, the yields themselves might seem attractive again to some players. Hence, we'd expect some mixed interest along the curve, though the selling interest could still prevail.

Money market

The upside move in rates was felt in the money market as well, on fears about MinFin's increasing financing needs. Hence, the curve flattened, with the front end jumping up to 30 basis points to around 2.70%.

EUR/RON forecasts (eop)

| | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 |
|--------------|------|------|------|------|------|
| ING forecast | 4.80 | 4.82 | 4.82 | 4.84 | 4.85 |
| FX Forward | 4.78 | 4.82 | 4.86 | 4.90 | 4.94 |

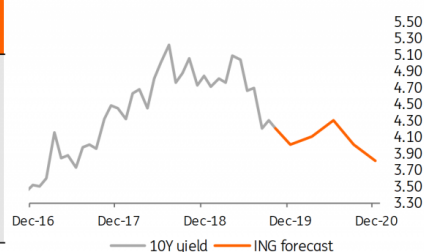
Market radar

| | Spot | 1D | %Ch | |
|------------|--------|------|------|------|
| | | | 1W | 1M |
| EUR/RON | 4.7670 | 0.0 | 0.2 | 0.3 |
| EUR/PLN | 4.2847 | -0.2 | 0.6 | 0.0 |
| EUR/HUF | 334.41 | 0.1 | 0.5 | 0.6 |
| EUR/CZK | 25.588 | 0.1 | 0.2 | -0.7 |
| RO 5Y CDS* | 90.1 | -0.3 | -0.1 | -0.6 |
| ROBOR O/N* | 2.52 | 1 | 4 | 18 |
| ROBOR 3M* | 2.97 | 0 | 1 | -7 |

*change in basis points; **US\$ (data as at 06:24 GMT)

Source: Refinitiv Datastream, ING estimates

10Y yield



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