

## Briefing Romania

A capricious end to the year



### EUR/RON

After it tested the 4.7800 level for most of this month but failed to break above it, the EUR/RON traded to the downside yesterday, testing as low as 4.7600 after-hours from which it rebounded towards 4.7700. Hence, our 4.7700-4.7800 indicated range for this year-end might be a touch wider. Nevertheless, absent major events on the political scene or further negative news from the fiscal zone, we don't expect the pair to meaningfully deviate from this range in the few days left from 2019.

### Government bonds

Following the adoption in Parliament of the legislation for doubling child allocations (worth approximately 0.6 percentage points of GDP) the market entered a correction mood and yields closed some 4-5 basis points higher. The results of the two euro domestic auctions came in quite differently. For the Feb-2021 the MinFin upsized the allocation to EUR416 million (from EUR200million targeted) at an average and maximum yields of 0.13%/0.19%. This is the widest tail we've had in a domestic euro issuance. For the Apr-2025 auction, on the other hand, the MinFin rejected all bids. The average of all bids was 0.69% which wasn't off market, but apparently not good enough to please the MinFin.

Today we will have a RON800 million June-2024 auction for which we expect a good demand around 4.15% and a RON500 million 1Y T-bills which can really go either way, probably depending on the Jun-2024 results as well.

All in all, despite having yields at an attractive level, the magnitude of this year's budget deficit and the uncertainties associated with the fiscal outlook for 2020 will probably make a difficult year-end for the MinFin and the market.

## Money market

The cash rates dipped slightly below the 2.50% key rate as the whole market is likely waiting to see the impact of tomorrow's budget payments. We expect some episodes of volatility into the final days of this year, though much diminished compared to what we've seen at the beginning of this month.

Last but not least, given the approaching holiday season we inform our readers that the next Briefing Romania will be published on 6 January 2019. For those celebrating it, have a very Merry Christmas, and for the rest of you, the very best wishes for the New Year.

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