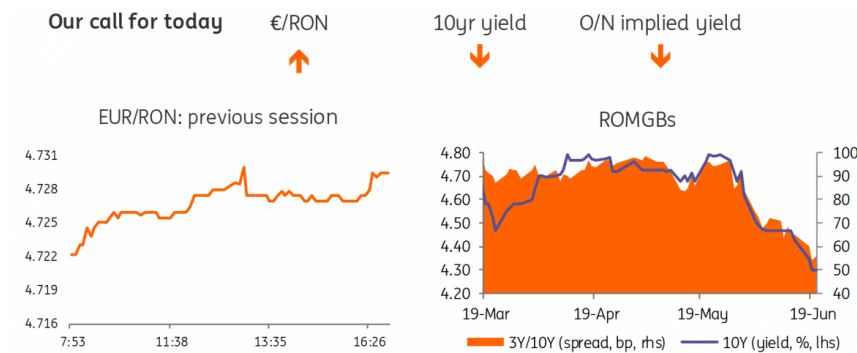


Briefing Romania

Doves still in the air?



Source: Reuters

↑ EUR/RON

The EUR/RON traded more to the upside yesterday, consolidating above 4.7250 and testing the 4.7300 level. We had expected a somewhat quieter day on the FX market ahead of the Fed meeting but nevertheless the current trend is in line with our view for the pair to return towards the 4.7500 area in the short term.

↓ Government bonds

Fixed income markets across central and eastern Europe came almost to a standstill yesterday ahead of the FOMC meeting and Romania was no exception. Today we will have two primary

market auctions to assess whether the dovish trend will be resumed. The most interesting one is the RON500 million Apr-2026, where we expect large demand and a good chance for upside. Allocation should come around the secondary market mid-levels of 4.34%.

The second auction is a RON300 million Oct-2020 where local ALM's are likely to prop up demand and push yields towards the lower end of the 3.47-3.40 secondary market range.

Money market

As expected, there is still enough surplus liquidity left in the system after yesterday's central bank deposit taking auction. Hence the funding rates are heading towards the 1.50% deposit facility. The downward pressure on longer tenors continued as the entire 1M to 1Y curve dropped some 10 basis points. We've been calling for a curve compression for a while and recent developments went our way. While not yet exhausted in our view, we believe that the pace of this shift will slow down and eventually start to correct as the upside pressures on the EUR/RON accumulate.

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

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>.