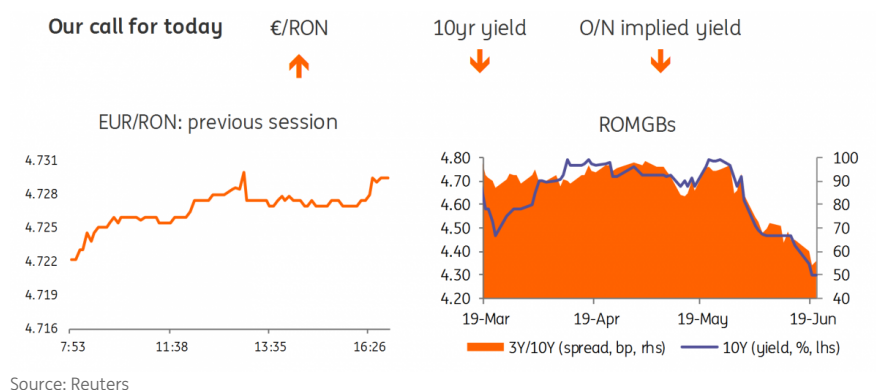


Briefing Romania

Doves still in the air?



↑ 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

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