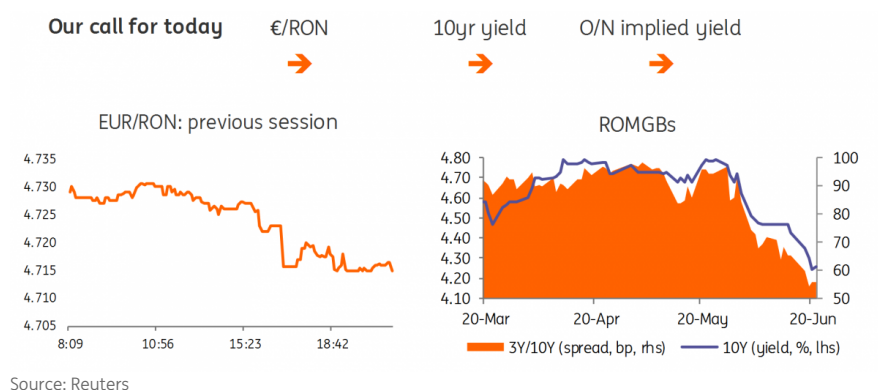


Briefing Romania

Government bonds in strong demand



➔ EUR/RON

The upward trend in the EUR/RON has abated amid impressive demand for Romanian government bonds (ROMGBs). Due to the late release of the auction results, after-hours trading has been quite intense and – on decreased liquidity due to local market closing – the pair dipped below 4.7200. Due to this limited liquidity, we assume that the selling interest wasn't satiated yesterday and we could see a second round coming today.

➔ Government bonds

Yesterday was one of those days in the Romanian bond market when demand for ROMGB's was

particularly intense. ROMGB's rallied close to 20 basis points during the day, with the longer end in greater demand. Some correction of about 6-7 basis points occurred after the auctions, which brings us to the main topic: the RON500 million Apr-2026 auction gathered spectacular total demand of RON2.39 billion. The Ministry of Finance generously upsized the initial target to RON1.56 billion allocated at 4.24%/4.27% maximum and average.

In this context, it's easy to overlook the fairly reasonable RON657 million demand for the Oct-2020 auction, upsized as well, from RON300 million to RON493 million, at a 3.42% average yield.

➔ Money market

The last day of the minimum reserve period finds carry below the 1.50% deposit facility. There is still downward pressure on longer tenors implied yields, though the magnitude of the shift seems to be declining. With 1Y trading just above the 3.50% Lombard rate, we feel that the downside potential for the FX swap implied yields will be quite limited from here on.

EUR/RON forecasts (eop)

	2Q19	3Q19	4Q19	1Q20	2Q20
ING forecast	4.74	4.77	4.85	4.87	4.88
FX Forward	4.72	4.77	4.82	4.87	4.90

Source: Reuters, ING estimates

Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@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 www.ing.com.