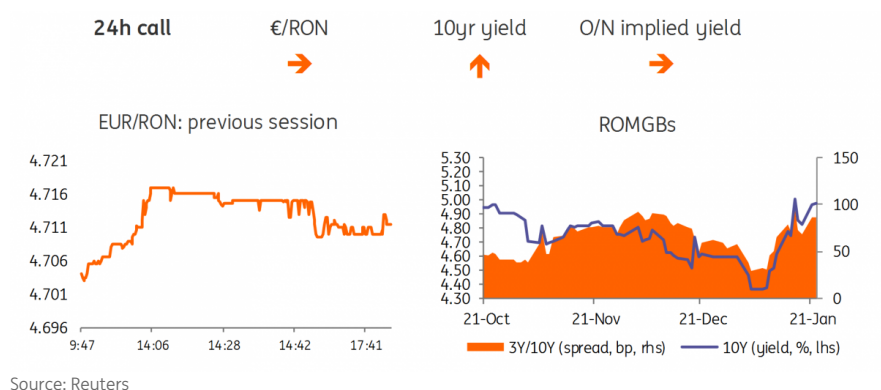


Briefing Romania

National Bank of Romania sterilising surplus liquidity again



➔ EUR/RON

The EUR/RON hit another all-time high yesterday, trading around 4.7150 in large volumes concentrated mainly in the second part of the trading session. The pair closed slightly lower, around 4.7100 as the upward trend seemed to be losing steam a bit. The National Bank of Romania signalled that it won't let carry rates idle at the deposit facility and organised a deposit-taking auction.

↑ Government bonds

The new 5Y benchmark auction was much in line with expectations, in other words, quite weak. For

the RON400 million targeted, the Ministry of Finance received total bids of RON241 million. This wasn't so bad given the market context. More surprising was the MinFin's willingness to pay an average of 4.73% and a maximum of 4.78% for only RON110 million. Post auction the curve shifted 7-8 basis points higher.

➔ Money Market

On the money market, the NBR rolled over its one-week deposit-taking auction, draining RON4.29 billion from 20 banks, quite a bit more than we would have thought. This pushed carry rates above the deposit facility. Everything longer than the current reserve period is trading at or above the Lombard rate of 3.50%. This could look slightly odd given the amount of liquidity we've seen deposited at the central bank in the last two auctions. It likely reflects mainly the heightened uncertainties regarding the amount of the budget payments due on 25 January, but FX and fixed income market developments as well.

EUR/RON forecasts

	1Q19	2Q19	3Q19	4Q19	1Q20
ING forecast	4.70	4.75	4.80	4.80	4.82
FX Forward	4.76	4.80	4.85	4.90	4.95

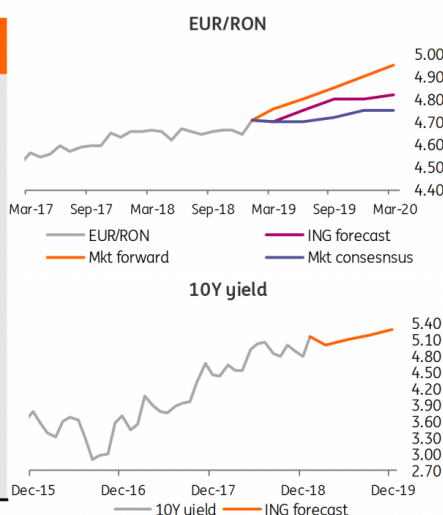
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.721	0.1	18	10
EUR/PLN	4.2884	0.0	0.1	-0.3
EUR/HUF	317.46	-0.1	-19	-14
EUR/CZK	25.578	-0.1	-14	-11
RO 5Y CDS*	103.0	0.1	-15	4.8
ROBOR O/N*	1.77	3.0	-83.0	-129.0
ROBOR 3M*	2.97	4.0	5.0	-7.0
DAX	1200.2	13	-0.5	-2.1
S&P 500	0	-0.7	-99.4	-99.4
DE 10Y*	0.25	10	-10.3	-18.6
US 10Y*	2.75	-292.3	-29.1	-46.1
Gold (US\$)**	1278.5	-0.1	4.7	4.2
Brent (US\$)**	62.1	-0.8	5.1	-13.9

*change in basis points; **US\$ (data as at 05:50 GMT)

Source: Reuters, Bloomberg, ING



Author

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

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 www.ing.com.