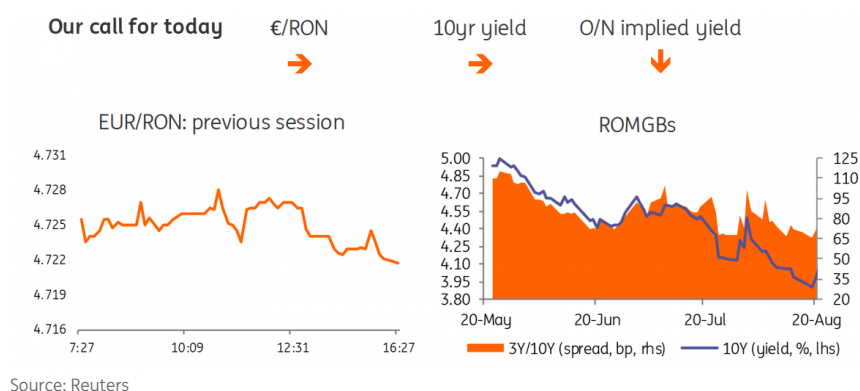


Short lived liquidity squeeze



With bond inflows muted these days and no major data on the calendar, the Romanian leu traded fairly stable against the euro, closing just above 4.7200. The leu's regional peers seem to be losing some ground, hence we'd expect a return towards 4.7300.

Government bonds

The profit taking sweeping through the region continued to hit Romanian government bonds as well, though to a lesser extent than in the previous session. The yield curve shifted another 1-2 basis points higher on light trading. The RON500 million Feb-2029 auction came in strong demand-wise but with bids a touch more defensive than we had expected. The target size was allocated at 4.06/4.08% average and maximum yields. Breaking below the 4.00% level is still within reach but a lot will depend on [today's Jackson Hole](#) meeting.

Money market

Cash rates continue to be squeezed due to the uncertainty regarding the timing of budget payments and the likely overbidding of the last NBR deposit auction. A return of the RON11 billion on Monday will likely ease the front end though the current 1W-2W implied yields above 3.00% suggest that the liquidity situation will improve more markedly only towards the end of first half of the next reserve maintenance period.

EUR/RON forecasts (eop)

	3Q19	4Q19	1Q20	2Q20	3Q20
ING forecast	4.77	4.80	4.82	4.85	4.87
FX Forward	4.76	4.80	4.84	4.88	4.93

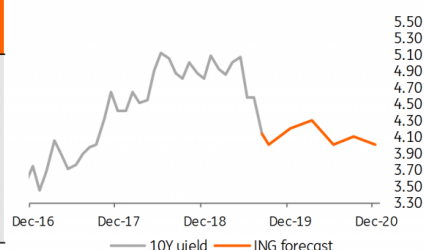
Market radar

	Spot	1D	%Ch 1W	1M
EUR/RON	4.7200	-0.1	-0.1	0.0
EUR/PLN	4.3573	0.2	-0.3	2.5
EUR/HUF	327.93	0.2	0.7	0.8
EUR/CZK	25.772	0.0	-0.2	1.1
RO 5Y CDS*	87.6	0.0	-1.1	-2.3
ROBOR O/N*	3.58	99	#N/A	94
ROBOR 3M*	3.07	0	#N/A	-4

*change in basis points; **US\$ (data as at 06:10 GMT)

Source: Reuters, ING estimates

10Y yield



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