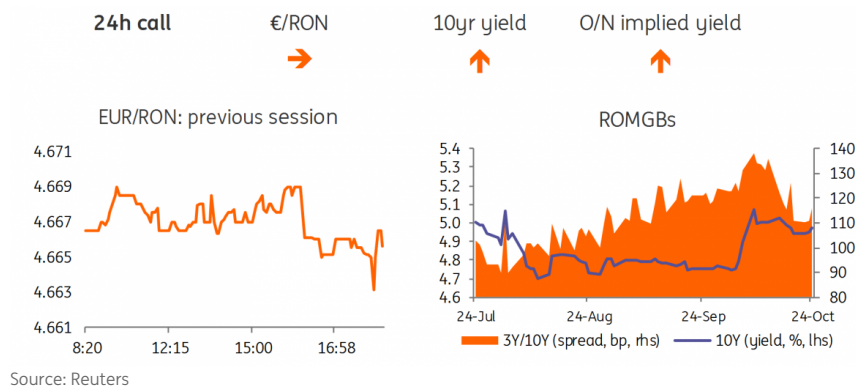


BriefING Romania

There's upside pressure on the money market rates



➔ EUR/RON

Slight downside bias for the EUR/RON yesterday in the second part of the trading session, but the pair failed to break below 4.6620 and returned to the opening level, around 4.6650. For today we could again see some selling interest and a test lower towards the 4.6600 area as the high carry could incentivise some players in this respect, but we doubt that a meaningful break below will occur. Hence, we expect the same 4.6600-4.6700 range to hold today.

⬆ Government bonds

A rather quiet day in ROMGBs, with the curve little changed compared to the previous day.

Somewhat surprisingly, the supplementary auction for the Apr-2024 bonds was bid for only RON65 millions out of the RON75 millions target, possibly on worries related to the Italian budget puzzle and its spill-over effect. Some of these worries partly materialised today as the European Commission requested a revision of Italy's budget, which could cause markets to stay on the defensive for a few days.

Money Market

The money market implied yields have inched higher again on worries regarding the system's liquidity for the new reserve period which started today. The overnight trades above 4.00% and the longer tenors inched another 8-10bps higher, with 1Y now at 4.10%. That's quite a bit of decoupling from the central bank's policy rate. Hence we expect a liquidity injection next Monday to bring at least the front end rates below the Lombard, while the longer end will likely remain elevated for longer.

EUR/RON forecasts and forwards

	4Q18	1Q19	2Q19	3Q19	4Q19
ING forecast	4.70	4.67	4.65	4.70	4.75
Forward rate	4.70	4.75	4.80	4.86	4.93

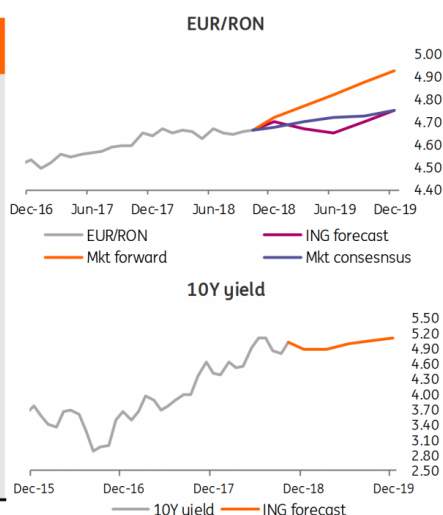
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.663	-0.1	-0.1	0.1
EUR/PLN	4.2942	0.1	0.2	0.0
EUR/HUF	322.65	0.0	0.2	-0.2
EUR/CZK	25.771	-0.2	-0.2	0.7
RO 5Y CDS*	97.89	0.0	0.3	18
ROBOR O/N*	166	-5.0	-93.0	-93.0
ROBOR 3M*	3.32	2.0	15.0	18.0
DAX	12743	-2.2	-3.9	-8.4
S&P 500	2740.69	-0.6	-1.9	-5.6
DE 10Y*	0.414	-3.7	-7.4	-9.7
US 10Y*	3.1487	-2.8	-1.5	6.0
Gold (US\$)**	123156	0.7	0.6	2.8
Brent (US\$)**	76.78	-4.2	-5.7	-4.7

*change in basis points; **US\$ (data as at 05:44 GMT)

Source: Reuters, Bloomberg, ING



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