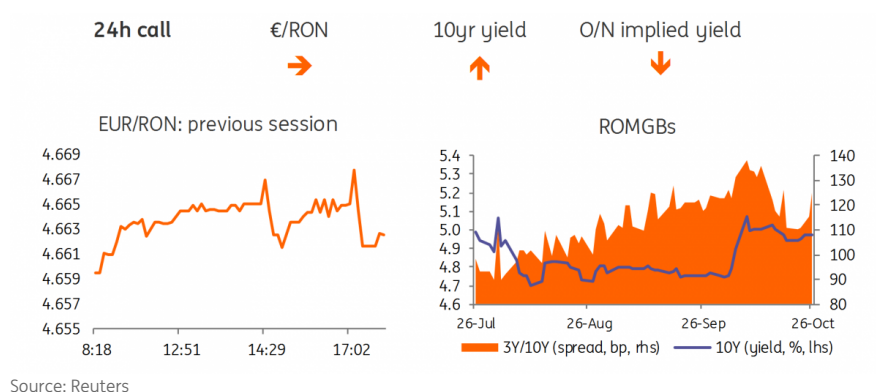


BriefING Romania

Short lived liquidity squeeze?



➔ EUR/RON

Range trading with some upside tests for the EUR/RON yesterday which pushed the pair towards 4.6670 at times. In the end the market closed flat compared to the previous day, around 4.6610, as corporates sold hard currency for quarterly payments to the state budget. The abnormally high carry in the money market could discourage selling the local currency but the downside for the pair looks fairly limited as well due to negative risk sentiment and weak fundamentals. We look for a 4.6580-4.6680 range today.



Government bonds

Strong auctions in the primary market seem to become the norm this month for the Ministry of Finance. This time it was for Mar-2022 bonds which gathered an impressive 2.1x bid-to-cover ratio and led to an allocation of RON693 million versus RON500 million initial target. Yield-wise it came out broadly in line with expectations, at 4.62% average and 4.64% maximum. It was quite successful, with large bond redemption at the end of November likely supporting the issuance calendar ahead of it. Otherwise, the ROMGBs yield curve closed the day virtually unchanged.

↓ Money Market

Yesterday's payments to the state budget have triggered a significant spike in the short term money market implied yields which traded in quite a wide range, from 4.50% to 6.00%. The funding rates are likely to remain elevated today as well but the peak is probably behind us. The outlook for short-term rates is entirely depending on NBR decision to inject liquidity on Monday. We believe that the central bank will announce a one week repo auction on Monday. Otherwise, the longer end of the money market curve was slightly better offered, possibly on expectations for a repo auction next week.

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	4.85	4.92

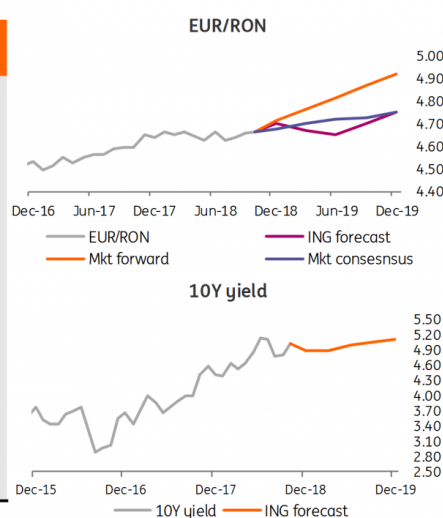
Source: Reuters, ING estimates

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.6603	-0.2	-0.1	0.7
EUR/PLN	4.3117	0.2	0.6	0.0
EUR/HUF	324	0.2	0.3	-0.3
EUR/CZK	25.854	0.0	0.1	0.7
RO 5Y CDS*	97.7	0.7	12	5.6
ROBOR O/N*	3.61	9.0	110	93.0
ROBOR 3M*	3.39	4.0	22.0	24.0
DAX	1947.2	10	-2.9	0.2
S&P 500	2884.43	19	-0.8	10
DE 10Y*	0.378	-2.2	-9.1	-13
US 10Y*	3.108	-322.7	2.2	16.0
Gold (US\$)**	1232.51	-12	3.8	3.1
Brent (US\$)**	76.32	-0.3	-10.2	-0.2

*change in basis points; **US\$ (data as at 06:11 GMT)

Source: Reuters, Bloomberg, ING



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