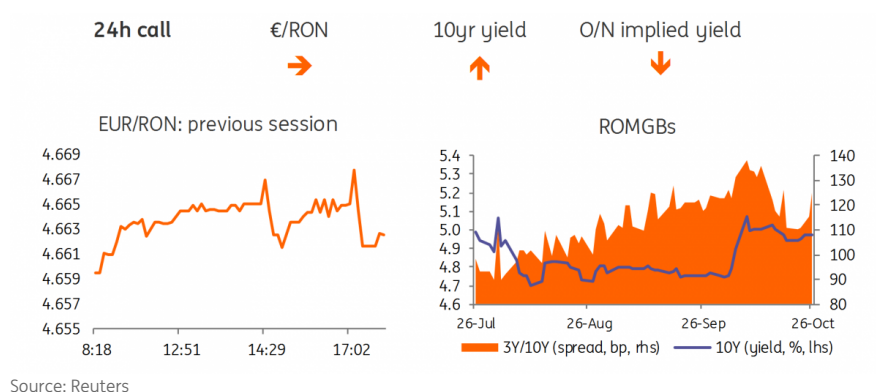


BriefING Romania

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

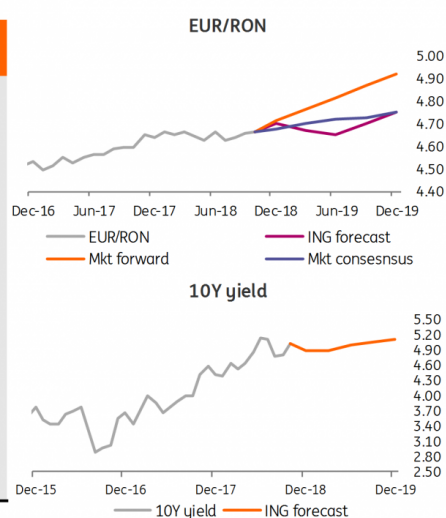
Source: Reuters, ING estimates

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	10	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	10.0
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



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.