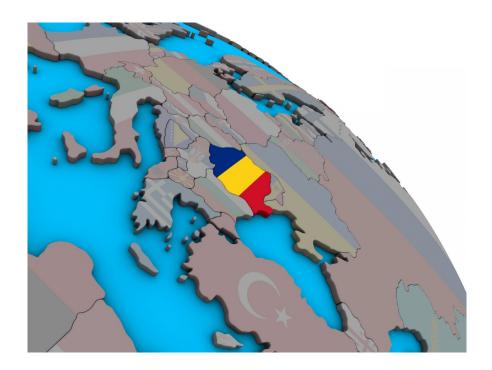
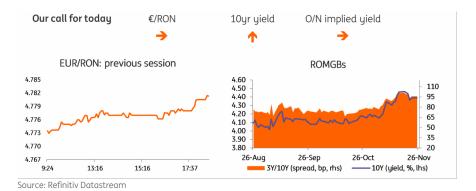
Snap | 27 November 2019

# **Briefing Romania**

The Ministry of Finance is tapping the local market in euro





# EUR/RON

The market was slow to react to <u>news about the revised budget deficit</u> but in the end it did seem to trigger some reaction on both the FX and fixed income markets. Consequently, the EUR/RON inched gradually higher throughout yesterday's trading session, closing the day around 4.7800. For today, we see the pair consolidating around – or just below – this level. The trend in EUR/RON remains to the upside.

Snap | 27 November 2019

### Government bonds

On the fixed income side, yields adjusted by three to four basis points higher across the curve. In our view, the market remains fairly complacent on the increased budget gap news, as yields are probably at attractive enough levels to keep buying interest alive. Speaking of which, we expect today's EUR200 million Dec 2023 auction to enjoy a good-to-very good demand, despite the very short notice period (the auction was just announced yesterday). This particular ISIN has been issued earlier this month at a 0.24% average yield after quite a significant undercut of total demand. Hence, we should see significant upsizing but the yields are likely to print towards the current 0.30% levels of the secondary market.

## Money market

Against our call for a more prudent stance from the local banks, the cash rates dipped some 40 basis points yesterday, closing around 2.60%. Even more puzzling, longer tenors reacted in a similar fashion, with the 1M-3M curve dropping 10-20 basis points. We see limited scope for further downside on the money market.

| EUR/RON forecasts (eop) |      |      |      |      |      |  |  |
|-------------------------|------|------|------|------|------|--|--|
|                         | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 |  |  |
| ING forecast            | 4.80 | 4.82 | 4.82 | 4.84 | 4.85 |  |  |
| FX Forward              | 4.79 | 4.83 | 4.88 | 4.91 | 4.96 |  |  |

| Market radar |  |   |   | 10Y yield  |  |  |
|--------------|--|---|---|--|--|--|
| Spot         | 1D   | %Ch<br>1W   | 1M  | 5.5(<br>5.30   |  |  |
| 4.7720       | -0.1   | 0.0   | 0.5   | 5.10   |  |  |
| 4.2969       | 0.0  | 0.0   | 0.5   | 4.70   |  |  |
| 335.85       | 0.4  | 0.1   | 2.1   | 4.30   |  |  |
| 25.493       | 0.1  | -0.4  | -0.2  | 4.10   |  |  |
| 89.5         | -0.9   | -0.4  | -1.0  | 3.70<br>3.50   |  |  |
| 2.81         | 105  | 20  | -28   | 3.30   |  |  |
| 3.00         | 0  | 3   | -4  | Dec-16 Dec-17 Dec-18 Dec-19 Dec-20 ————————————————————————————————————  |  |  |
|              | Spot<br>4.7720<br>4.2969<br>335.85<br>25.493<br>89.5<br>2.81 | Spot         1D           4.7720         -0.1           4.2969         0.0           335.85         0.4           25.493         0.1           89.5         -0.9           2.81         105 | Spot         1D         1W           4.7720         -0.1         0.0           4.2969         0.0         0.0           335.85         0.4         0.1           25.493         0.1         -0.4           89.5         -0.9         -0.4           2.81         105         20 | Spot         1D         1W         1M           4.7720         -0.1         0.0         0.5           4.2969         0.0         0.0         0.5           335.85         0.4         0.1         2.1           25.493         0.1         -0.4         -0.2           89.5         -0.9         -0.4         -1.0           2.81         105         20         -28 |  |  |

Source: Refinitiv Datastream, ING estimates

#### **Author**

#### Valentin Tataru

Chief Economist, Romania valentin.tataru@ing.com

### Ciprian Dascalu

Chief Economist, Romania +40 31 406 8990 <u>ciprian.dascalu@ing.com</u>

#### 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.

Snap | 27 November 2019