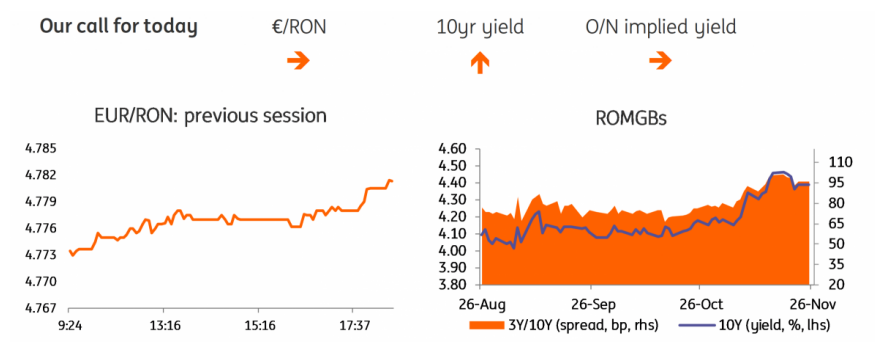


Briefing Romania

The Ministry of Finance is tapping the local market in euro



EUR/RON

The market was slow to react to [news about the revised budget deficit](#) 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.

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

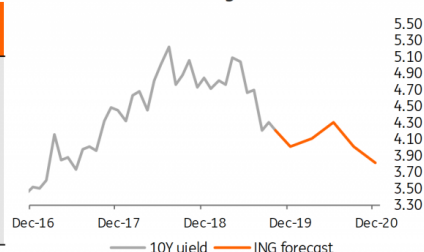
Market radar

	Spot	1D	%Ch 1W	1M
EUR/RON	4.7720	-0.1	0.0	0.5
EUR/PLN	4.2969	0.0	0.0	0.5
EUR/HUF	335.85	0.4	0.1	2.1
EUR/CZK	25.493	0.1	-0.4	-0.2
RO 5Y CDS*	89.5	-0.9	-0.4	-1.0
ROBOR O/N*	2.81	105	20	-28
ROBOR 3M*	3.00	0	3	-4

*change in basis points; **US\$ (data as at 06:16 GMT)

Source: Refinitiv Datastream, ING estimates

10Y yield



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