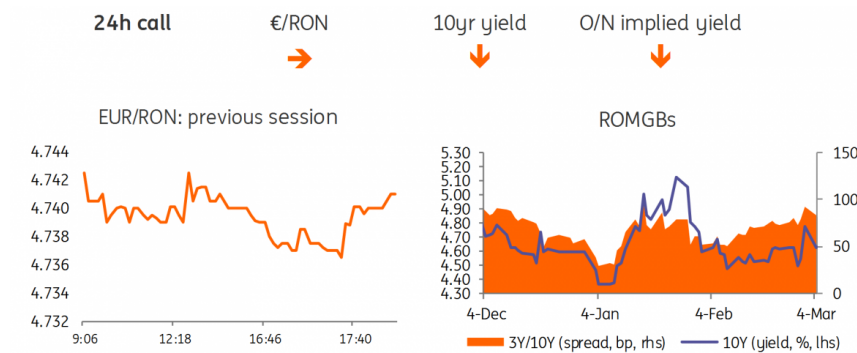


Briefing Romania

Cash is coming back in the market



Source: Reuters

➔ EUR/RON

Another quiet day for EUR/RON, with the pair moving within a tight range around 4.7400 on relatively low turnover. For today, we look for the same 4.7400-4.7500 range to hold.

⬇️ Government bonds

Romanian government bonds yesterday re-gained some of the lost ground from the previous day as the curve shifted lower by three to four basis points. The RON400 million October-2021 bond auction met a very good 2.07x bid-to-cover ratio. The Ministry of Finance upsized to RON543.7 million at a 3.80% average and 3.83% maximum, in line with our call. The market mood seems to

be improving by the day as it seems only a matter of time before ROMGBs are excluded from the taxable base of the bank levy.

Money Market

Cash rates continued to ease and closed the day just below 3.00%. The market seems to be pricing cash rates to remain lower for longer as tenors covering the current reserve period are all trading below 3.00%, but also the 1M-3M curve has moved c.40 basis points lower and is now in the 3.50-3.70% area. We tend to believe that the central bank would not be comfortable with an overly liquid money market and could step in to drain some liquidity at some point.

EUR/RON forecasts

| | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 |
|--------------|------|------|------|------|------|
| ING forecast | 4.75 | 4.75 | 4.80 | 4.80 | 4.82 |
| FX Forward | 4.76 | 4.84 | 4.88 | 4.93 | 4.97 |

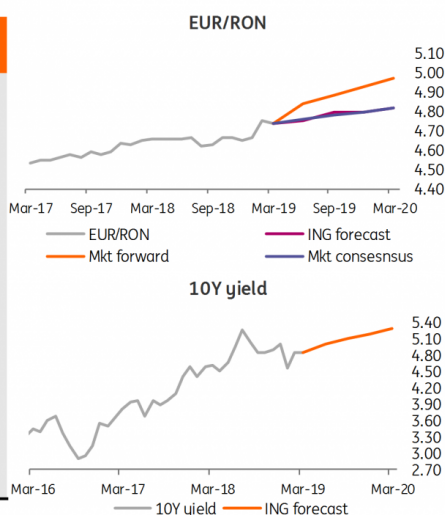
Source: Reuters, ING estimates

Market radar

| | Spot | %Ch | | |
|----------------|---------|-------|-------|-------|
| | | 1D | 1W | 1M |
| EUR/RON | 4.7410 | 0.1 | -0.5 | -0.2 |
| EUR/PLN | 4.2996 | -0.1 | -0.9 | 0.2 |
| EUR/HUF | 315.7 | -0.1 | -0.7 | -0.6 |
| EUR/CZK | 25.623 | 0.1 | -0.1 | -0.3 |
| RO 5Y CDS* | 106.7 | 0.2 | 0.3 | 19 |
| ROBOR O/N* | 3.2 | -15.0 | -48.0 | -36.0 |
| ROBOR 3M* | 3.26 | -2.0 | -2.0 | 20.0 |
| DAX | 1692.7 | -0.1 | 11 | 4.0 |
| S&P 500 | 2792.81 | -0.4 | 0.4 | 3.8 |
| DE 10Y** | 0.17 | -2.8 | 6.0 | 0.1 |
| US 10Y** | 2.73 | -3.3 | 5.5 | 3.7 |
| Gold (US\$)** | 1285.9 | -0.5 | -3.1 | -2.4 |
| Brent (US\$)** | 65.4 | 0.9 | 0.8 | 4.2 |

*change in basis points; **US\$ (data as at 06:10 GMT)

Source: Reuters, Bloomberg, ING



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