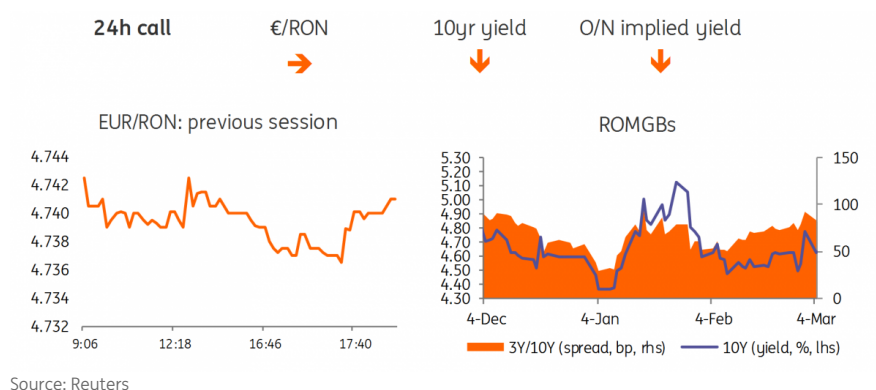


Briefing Romania

Cash is coming back in the market



➔ 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

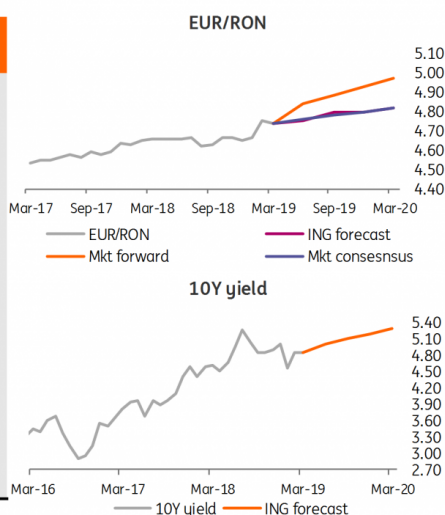
Source: Reuters, ING estimates

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*	3.12	-15.0	-48.0	-36.0
ROBOR 3M*	3.26	-2.0	-2.0	20.0
DAX	1592.7	-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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