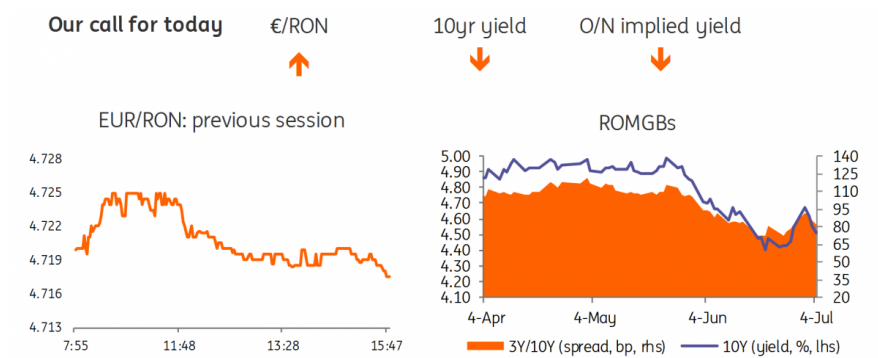


Briefing Romania

Key rate maintained at 2.50%, rhetoric changed



Source: Reuters

EUR/RON

Central bank governor Mugur Isarescu cited “significant” capital inflows in yesterday’s press briefing which followed the key rate decision, leading him to state “we don’t want the exchange rate to appreciate”. For now, the market doesn’t appear to be listening, as selling interest in EUR/RON still prevails. The pair has been trading in quite large volume around and below 4.7200, with a new range of 4.7150-4.7350.

[NBR review](#)

Government bonds

Where could these “significant” capital inflows be visible if not in the Romanian government bond market? Yesterday’s RON600 million June-2024 auction met a whopping RON1.58 billion demand out of which the Ministry of Finance allocated RON919 million at 4.13% average and 4.16% maximum yields. With the central bank seemingly turning dovish, there is likely still enough room for ROMGBs to rally further.

Money market

Cash rates dipped below 2.00% yesterday on seemingly abundant liquidity conditions. Yesterday’s shift in the NBR’s wording from “tightening control over money market liquidity” to “maintaining strict control over money market liquidity” is likely to put more downward pressure on rates, particularly in longer tenors, though the space for further curve compression is not that significant in our view.

EUR/RON forecasts (eop)

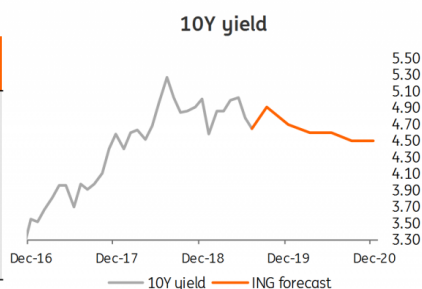
	3Q19	4Q19	1Q20	2Q20	3Q20
ING forecast	4.77	4.85	4.85	4.85	4.87
FX Forward	4.76	4.81	4.85	4.89	4.94

Market radar

	Spot	1D	%Ch	
			1W	1M
EUR/RON	4.7165	0.0	-0.3	-0.7
EUR/PLN	4.2424	-0.2	-0.2	-1.1
EUR/HUF	322.92	-0.2	-0.4	-0.6
EUR/CZK	25.463	0.0	-0.5	-1.4
RO 5Y CDS*	88.6	0.1	1.2	-1.3
ROBOR O/N*	2.04	-35	-57	-63
ROBOR 3M*	3.21	-2	-2	-3

*change in basis points; **US\$ (data as at 06:14 GMT)

Source: Reuters, ING estimates



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