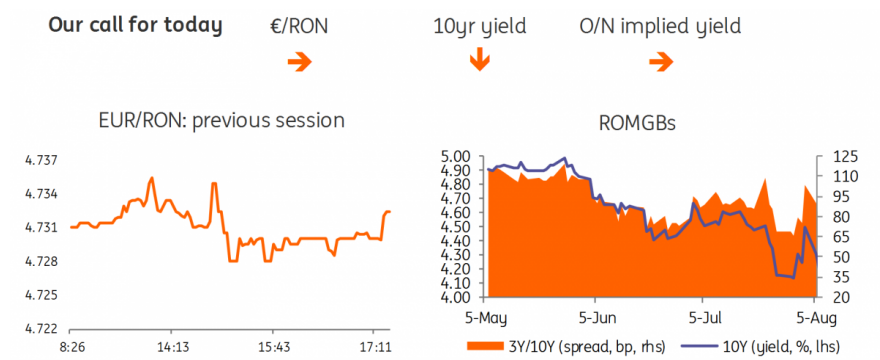


Briefing Romania

National Bank of Romania on hold as expected



Source: Reuters

EUR/RON

Despite the apparent stability of the EUR/RON, some large trading volumes were exchanged on the FX market yesterday. Judging by the primary auction demand, bond inflows were the main reason. In the [press conference](#) following the key rate decision, NBR Governor Mugur Isarescu hinted at heavy FX interventions last month by stating that “FX reserves grew by EUR3 billion (in July)...2 billion from external borrowings but 1 billion from other sources”. This reinforces our view

that 4.7200 will act as a strong support level if needed, though we believe that a range between 4.7200 to 4.7300 still falls outside of the NBR's comfort zone.

Government bonds

The fixed income market remained buoyant yesterday as well, particularly in the light of a strong June-2024 primary market auction. The RON600 million target amount was allocated at 3.89% average and 3.90% maximum yields out of total demand of RON2.54 billion. As [already mentioned](#), bad news regarding the global trade war seems to be good news for the fixed income markets and Romania is one of the beneficiaries.

Money market

RON 3.2 billion were parked at the NBR's deposit auction yesterday by 15 banks. This was characterised by Governor Isarescu as a "positive surprise". Implied yields are now well anchored close to 2.50% and look destined to stay like that in the short term. Still, if our expectations for the September ECB meeting materialise, we see the NBR gradually loosening liquidity controls towards the year-end while keeping the key rate unchanged.

EUR/RON forecasts (eop)

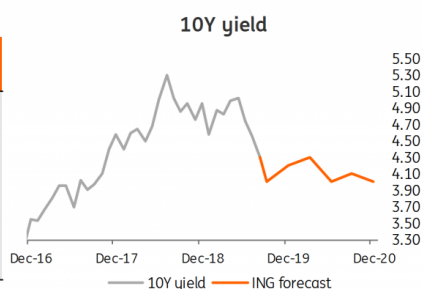
	3Q19	4Q19	1Q20	2Q20	3Q20
ING forecast	4.77	4.80	4.82	4.85	4.87
FX Forward	4.78	4.82	4.86	4.90	4.95

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7302	0.2	0.0	0.2
EUR/PLN	4.3158	0.3	0.6	1.4
EUR/HUF	326.69	-0.2	-0.4	0.8
EUR/CZK	25.784	0.2	0.5	1.1
RO 5Y CDS*	89.4	-0.7	0.2	1.0
ROBOR O/N*	2.64	0	-16	72
ROBOR 3M*	3.08	0	0	-10

*change in basis points; **US\$ (data as at 05:44 GMT)

Source: Reuters, ING estimates



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