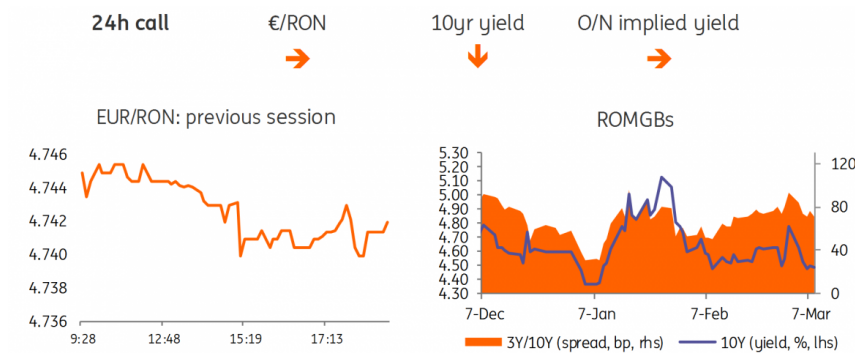


Romania Briefing

Liquidity shortage in money market during February



Source: Reuters

➔ Money market

EUR/RON closed flat yesterday around 4.7430, with no particular sense of direction during the day. The turnover and volatility remained low. Should the depressed carry rates persist, we would expect a test higher for the EUR/RON in the coming days.

⬇️ Government bonds

The RON400 million June 2023 bond auction was a success. The Ministry of Finance upsized to RON635 million at a 4.08% average and 4.09% maximum, very close to our expectations. Demand was strong, with a bid-to-cover at 1.92x and bid-to-target at 3.05x. The market continued to be

upbeat on Romanian government bonds and pushed yields 5-7 basis points lower at the front end while the back-end followed the move to a lesser degree.

➔ Money market

The market apparently doesn't have any appetite to wait until Monday when the National Bank of Romania might organise a deposit sterilisation auction at the key rate. Funding rates inched towards the deposit facility yesterday, closing the day around 1.65%. Everything covering this reserve period is actually trading below the key rate, suggesting that the market isn't pricing in any NBR deposit auction in the coming weeks. The NBR Monthly Bulletin showed a daily average liquidity deficit during February of RON2.5 billion from a surplus of RON5.9 billion in January.

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	4.89	4.93	4.98

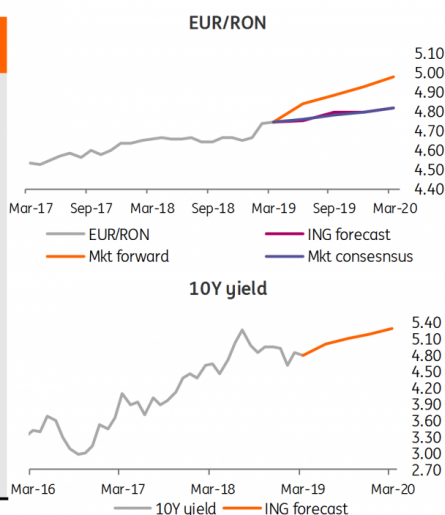
Source: Reuters, Bloomberg, ING

Market radar

	Spot	%Ch		
		1D	1W	1M
EUR/RON	4.7410	-0.1	-0.1	0.0
EUR/PLN	4.3132	0.4	0.2	0.4
EUR/HUF	316.3	0.3	0.2	-0.7
EUR/CZK	25.62	0.1	-0.1	-0.7
RO 5Y CDS*	103.9	-12	-19	-11
ROBOR O/N*	3.38	-12.0	-34.0	28.0
ROBOR 3M*	3.26	-2.0	-2.0	20.0
DAX	1617.8	-0.6	0.3	2.0
S&P 500	2748.93	-0.8	-0.7	12
DE 10Y*	0.06	-6.3	-12.9	-10.7
US 10Y*	2.63	-5.6	-8.2	-7.1
Gold (US\$)**	1292.5	-0.1	-15	-10
Brent (US\$)**	65.6	0.5	-10	4.6

*change in basis points; **US\$ (data as at 06:33 GMT)

Source: Reuters, ING estimates



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