

Briefing Romania

ROMGBs correcting higher



EUR/RON

After a stable trading session just above 4.7300, the EUR/RON started to be more strongly bid in after-hours, reaching as high as 4.7400. The opening of the local market will likely bring the pair around 4.7350 again, but the general upward trend is likely here to stay.

Government bonds

What seemed like a mild correction due to profit taking before the Federal Reserve rate decision has apparently turned into a trend reversal, judging by the 25-30 basis points of upward moving yields this week. We believe that part of this is due to positioning for the August primary auctions, which is not particularly heavy cash-wise but is skewed to longer maturities, making it more difficult to digest.

Money market

Kind of surprising that cash rates inched up a bit yesterday, closing around 2.80%. It's still not far from the 2.50% key rate but slightly higher than what we were expecting. More important though, the longer dated tenors saw renewed paying interest, shifting up from 5 to 15 basis points. The

entire curve is now remarkably flat, all tenors trading between 2.75% and 2.90%. That's not here to stay we believe.

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