

## Briefing Romania

Rating outlook cut to negative by S&P



### EUR/RON

The activity on the FX market intensified somewhat yesterday and the EUR/RON traded more closely around 4.7800. This level looks more and more fragile and we believe that a consolidation above it will occur sooner or later.

The S&P unexpectedly cut Romania's outlook to negative yesterday while maintaining the 'BBB-' rating, citing this year's fiscal slippage but also expressing doubts about the firmness of the forthcoming fiscal consolidation given the electoral constraints in 2020. Reading between the lines, it doesn't look that a rating downgrade is imminent and the agency will likely watch the new government's fiscal plans after the general election before taking any action.

### Government bonds

On the fixed income side there was a bit of bull flattening, with long term yields dropping 2-3 basis points. However, the S&P announcement will probably eat into the timid gains seen yesterday.



## Money market

The gradual downside move on the money market continued yesterday, with cash rates getting closer to the 2.50% key rate. We expect a stand-off for a few days, as the liquidity surplus is unlikely to be that hefty to push rates below the key rate.

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