

➔ EUR/RON

The EUR/RON traded on Friday in a somewhat wider range than usual ahead of S&P's decision, closing just below 4.7600. The pair could test the 4.7500 area today on the back of higher funding rates.

➔ Government bonds

Romanian government bonds were in high demand on Friday, particularly after the Minister of Finance said he expected some good news from the S&P review. The longer tenors inched lower by up to 15 basis points in a bull flattening move. Today, the Ministry of Finance plans to sell RON200 million in a February 2029 auction. The prospects are definitely looking better today after the S&P decision, but the tenor is still pretty illiquid while the financing needs remain high. The MinFin will likely avoid aggressive yield concessions though and we look for an average allocation in the 4.80% area.

⬆️ Money Market

Somewhat surprisingly, the National Bank of Romania announced a deposit taking auction today to drain the excess liquidity. The timing looks a bit odd as it comes in the last week of the minimum reserve period, after a couple of weeks of low funding rates which didn't seem to bother the central bank. Nevertheless, the auction comes in the same vein of operational inconsistency that the markets are likely already used to.

Otherwise, the forward curve corrected a bit on Friday after the previous day's losses and the downward move could continue today as market sentiment improved on the rating decision. The depo auction however should limit meaningful yield drops.

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