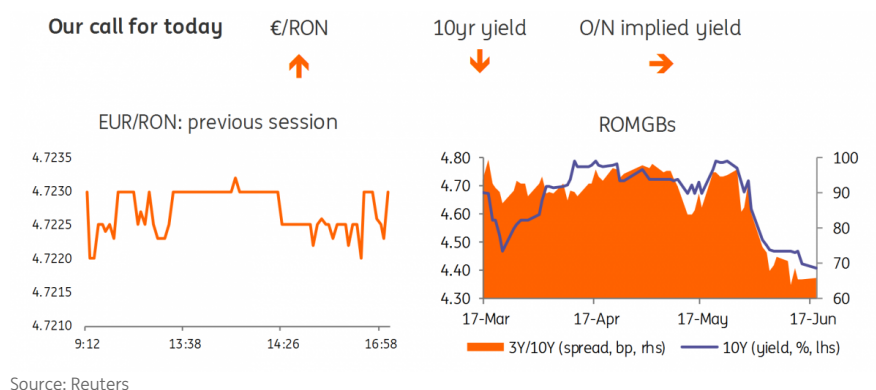


Briefing Romania

Bond rally continues



EUR/RON

We had a quiet session last Friday on the FX market, with EUR/RON trading within a very tight 4.7220-4.7230 range. Markets seem to have already entered wait-and-see mode ahead of tomorrow's Fed meeting. We expect the Romanian leu to remain within the same 4.7200-4.7300 range today, with possible upside tests.

Government bonds

The buying spree in Romanian government bonds continued into Friday's session as local paper seems to greatly benefit from the apparently indiscriminate wave of dovishness in global

markets at present. Hence, another 3-4 basis points drop in yields with the longer end in greater demand. We might see a bit of pullback ahead of the Fed meeting, though we wouldn't expect a trend reversal any time soon.

➔ Money market

Cash rates dropped a bit below the key rate as we approach the end of the minimum reserve period. This could continue in coming days as banks will likely be cautious about placing too much liquidity with the central bank should a deposit taking auction be organized.

The week ahead

We believe that Fed will use the Wednesday FOMC meeting to signal an easing bias. Financial markets are currently pricing in 100bp of rate cuts, but we think President Trump wants to get a trade deal done ahead of next year's Presidential election - this could limit policy easing to precautionary cuts amounting to 50bp. We favour September and December rate cuts. In the eurozone we'll keep an eye out for the PMIs and consumer confidence as concerns about the eurozone economy persist. With regards to the German economy, it's another light week, with only the ZEW index to look out for.

With no important data on the local front, we expect the EUR/RON to trade within 4.7200-4.7400 range this week.

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