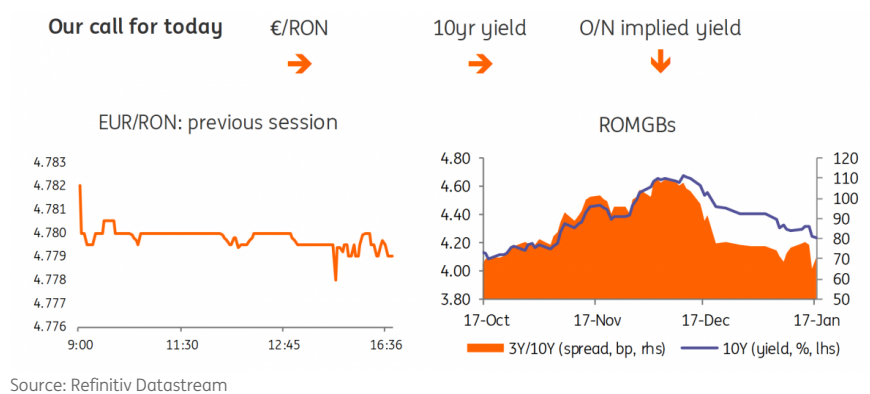


Temporary drop in cash rates



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EUR/RON

The EUR/RON clearly seems to be struggling to break above 4.7800. The higher turnover and

clustered trading around the 4.7800 level is indicative of official offers protecting this level. As time passes, the upside pressure will probably intensify. In our view, there are only two ways out of it: either a spike in carry (which is shaping out as the main scenario judging by the money market implied yields covering the next reserve period) or a breakout above 4.7800. At the moment, the former seems more likely.

Government bonds

It's been a while since we reported on a weak primary auction. Yesterday's RON800 million Aug-2022 auction wasn't especially disappointing but it did garner only a 1.08x bid-to-cover ratio at a 3.66% average yield. However, this fits with our view for a stabilisation in yields after the rally seen in the last few weeks.

Money market

Cash rates dipped towards the deposit facility yesterday, but this will likely be short-lived as we expect the NBR to mop up the excess liquidity on Monday. Otherwise, the longer tenors still seem to be pricing in a spike in cash rates for the next reserve period, though to a lesser extent than just a few days ago.

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