

MMCG SEP 2023

P CHAUVET

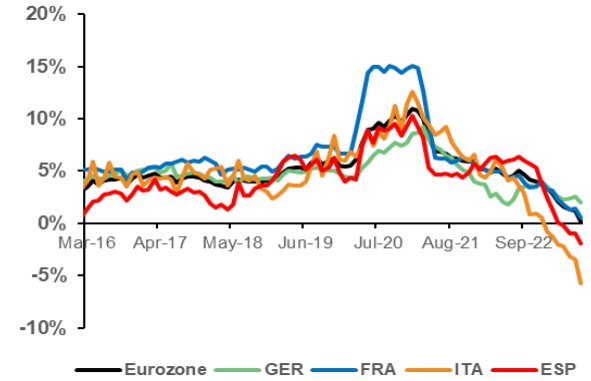


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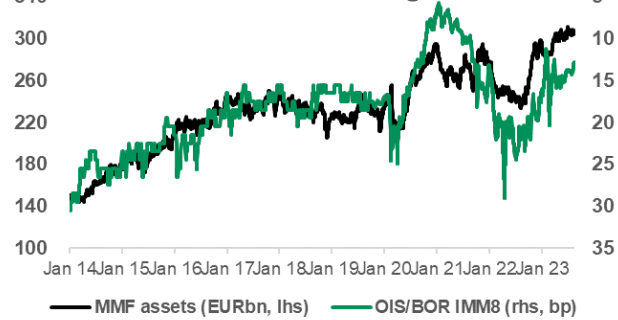
The bank for a changing world

- **Banks Issuance stepped up as TLTRO reduced and rates rose (MMF, bills, and bonds competition) in 2023**
 - Bank deposits reduced in all countries led by Italy
 - STEP outstanding is up EUR78bn from trough driven by the 6-12m bucket (+EUR54bn), but remained historically low
 - Issuance increased strongly, led by Senior preferred
 - Still OIS-BOR curve didn't realise the end of year forward expectations

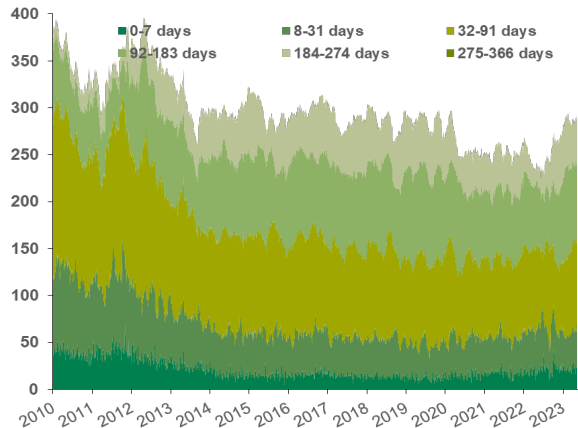
Households and NFC corp. deposits



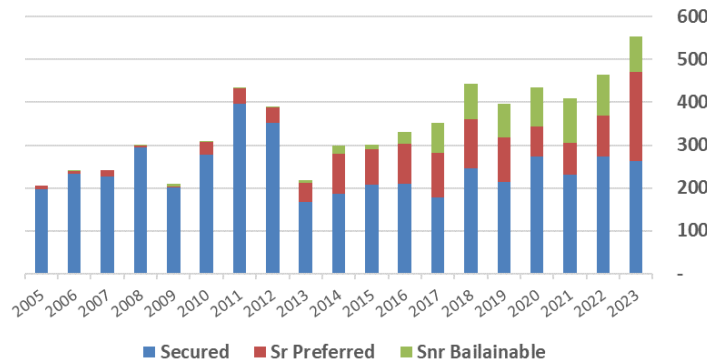
MMF outstanding



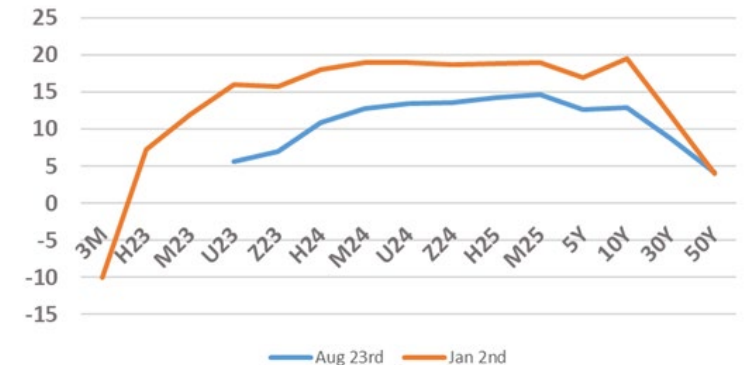
STEP outstanding



Banks issuance (bnEUR)

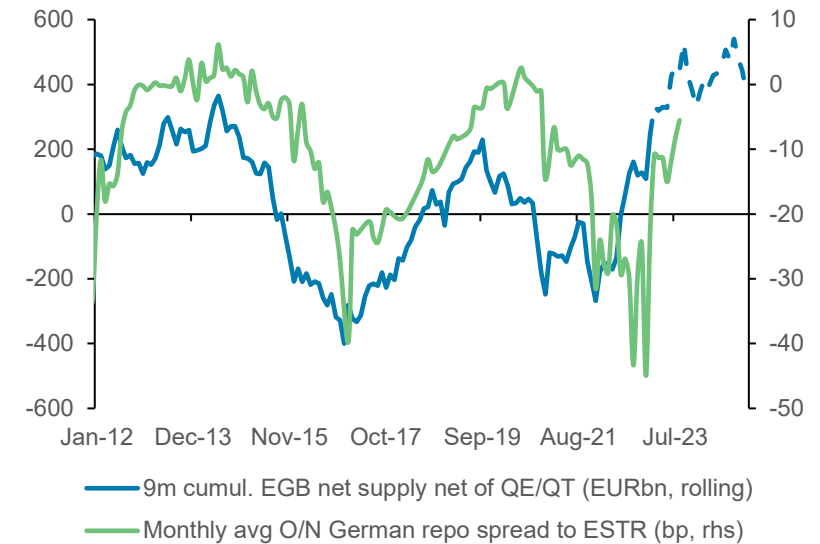


ESTR-BOR 3mth basis evolution YTD (bps)

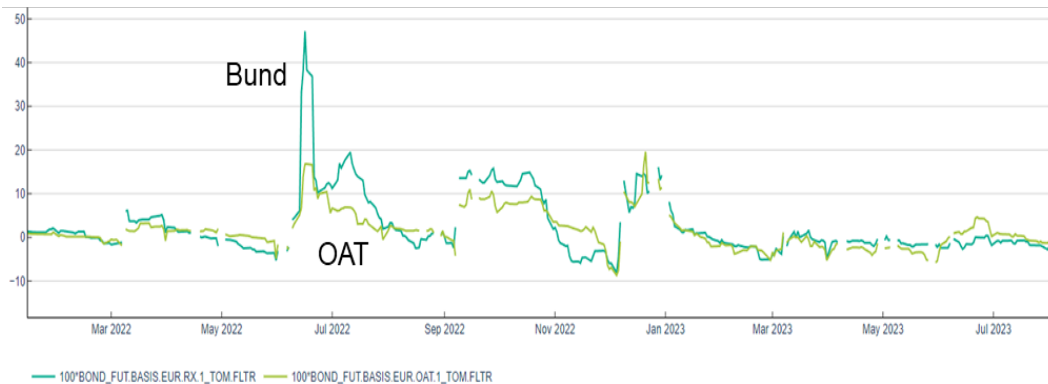


- **Cheaper repo curves**
 - As net EGB supply (net of QE/QT) evolved
 - Bond curves and Bond future basis normalised
 - Repo followed
- **Reduced activity overall in Europe**
 - As specialness disappeared and therefore leverage was reduced
- **Eurex change of rules for basket reduced optionality (Nov 2022)**

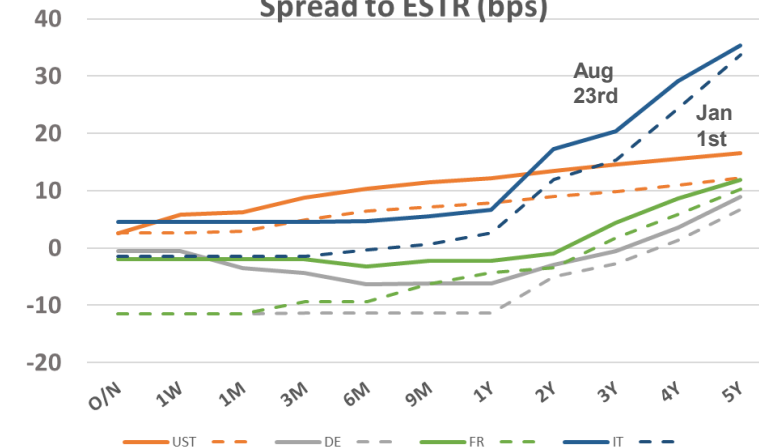
EGB net supply vs German repo spread



Bond Futures Basis (cts)



Repo curves evolution YTD Spread to ESTR (bps)

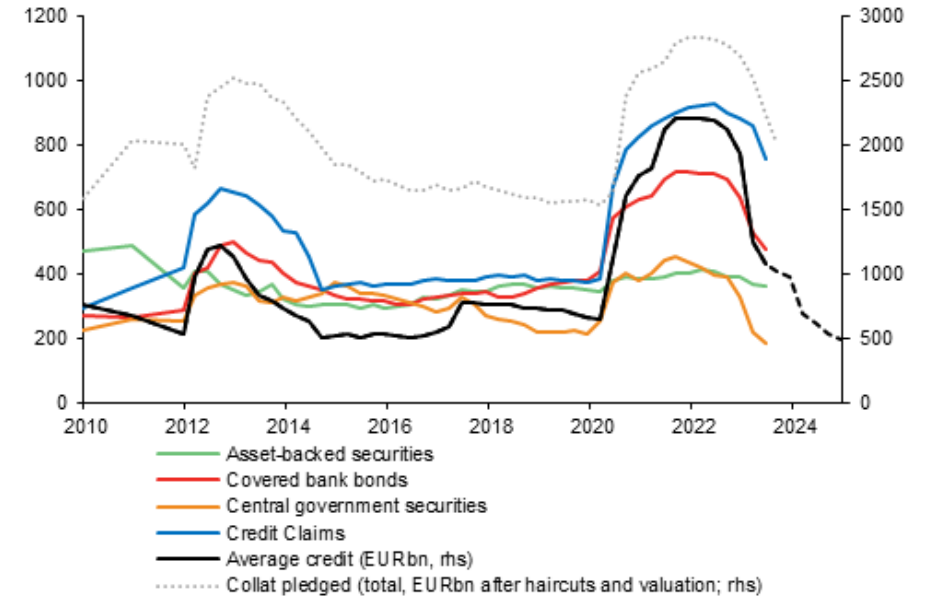


Source: Bloomberg

Refinancing operations

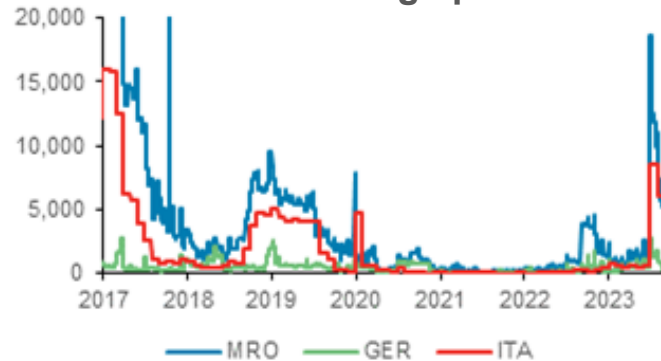
- Low take up from small banks
 - Notably Italians
- How will banks fund what they had at TLTRO?
 - Issuance
 - Senior unsecured
 - Covered
 - Repo (retained covered bonds, Govies)
 - MRO? (Non IG? Asset back securities and Credit claims)
- Repo market below 3mth for retained covered well below ESTR+60bp (MRO-ESTR)
 - All IG is funded below ESTR+60 bp
 - Retained covered are costing more if >1y
 - Estimated potential for a 150bn repo market
 - While Govies repo is much more quiet, credit repo is more active, as well as repo baskets like GC pooling
- When/will Credit claims/Asset-backed financing trigger MRO usage?
 - NSFR cost still there with MRO
 - Big European banks not expected to go to MRO anytime soon though

TLTRO inventory by asset class



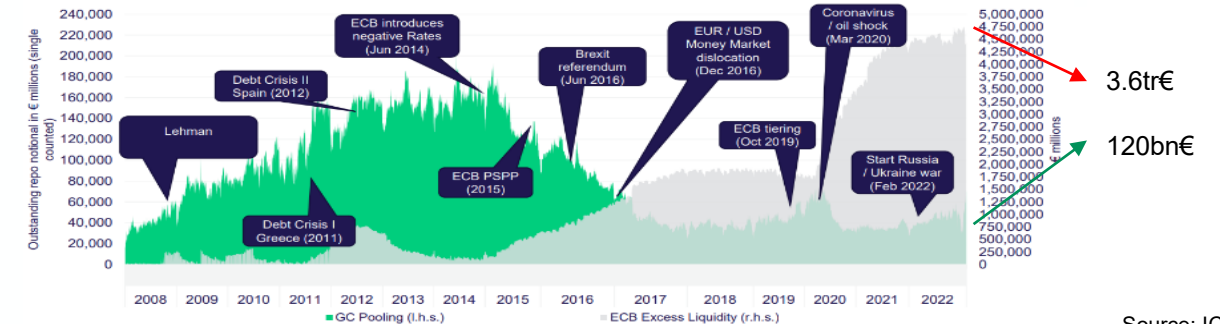
Sources: ECB (in EURbn, after valuation and haircuts, averages of end of month data over each time period), BNP Paribas

ECB refinancing operations



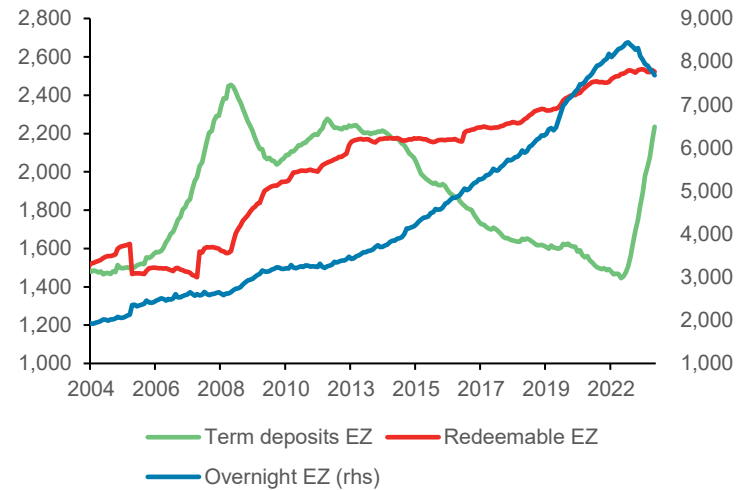
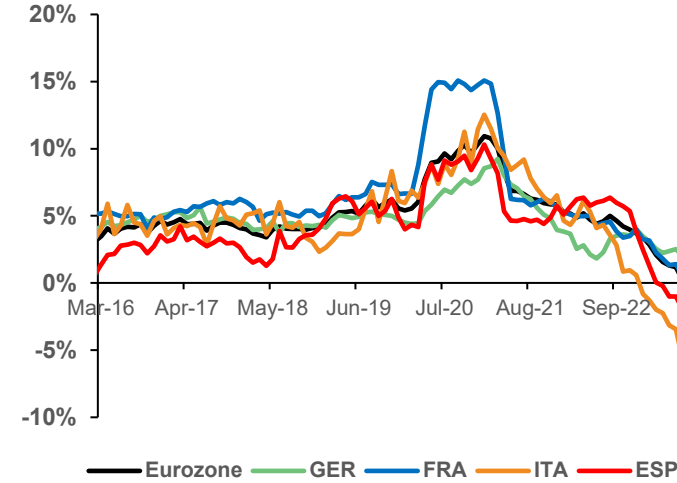
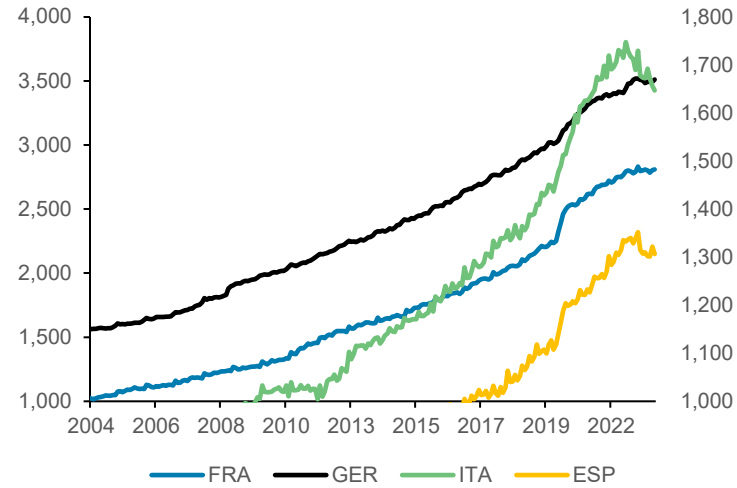
Source: Bloomberg

GC Pooling liquidity during major crises: Volumes are inversely correlated with ECB excess liquidity

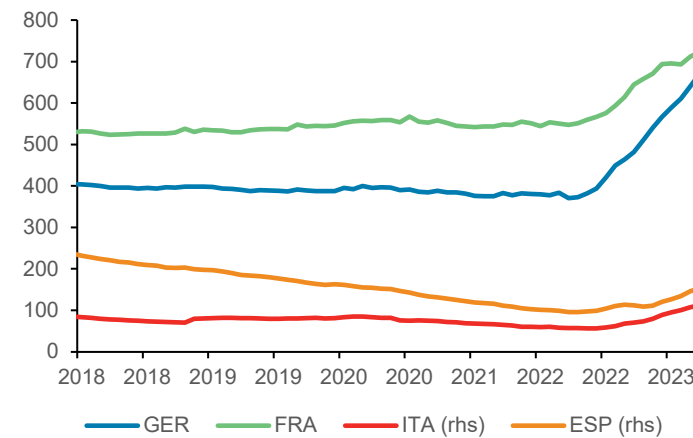


Source: ICMA

Annex: Deposits placed at banks by households & NFC corporations



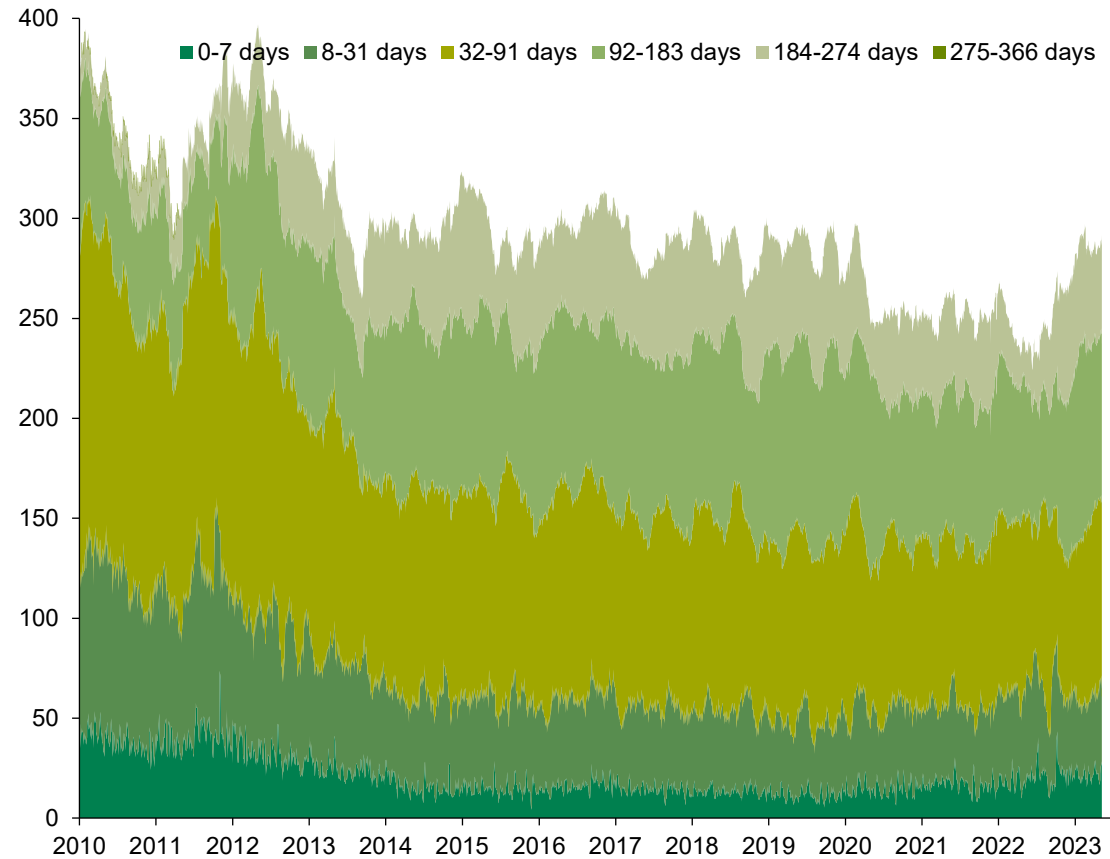
Term deposits placed by households & NCF corporations



Sources: Bloomberg, ECB, BNP Paribas

ANNEX: EUR CP issuance by MFIs: Historically low

STEP outstanding up EUR78bn from trough, driven by the 6-12m bucket (+EUR54bn)

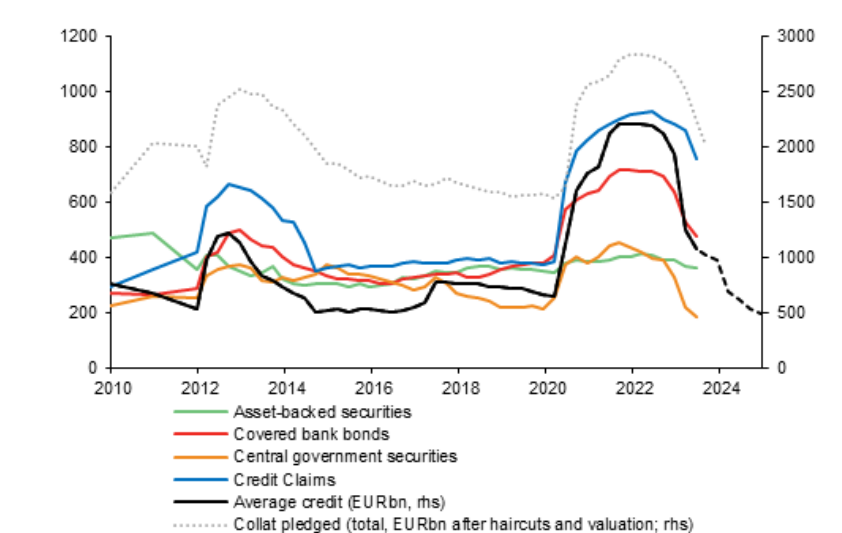
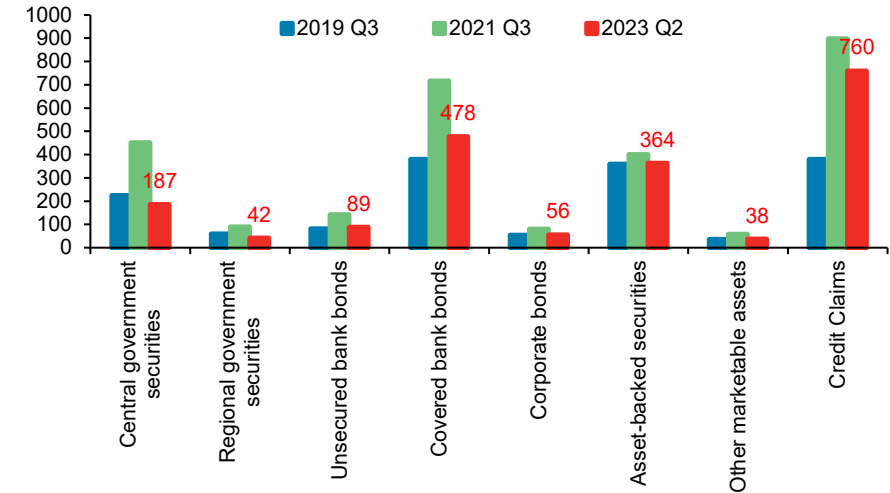
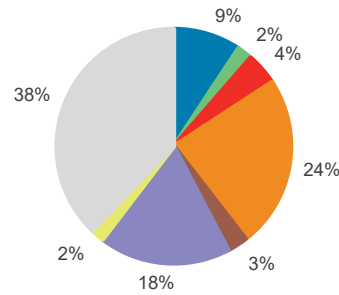


Sources: ECB, BNP Paribas

ANNEX: ECB collateral usage, Credit claims fall by EUR100bn in June 2023

	Governments	Regions	Unsecured banks	Covered bonds	Corporates	ABS	Other	Credit claims	Total
2023 Q2	187	42	89	478	56	364	38	760	2,013
2021 Q3	452	90	142	718	81	402	59	896	2,841
2019 Q3	225	60	81	381	54	359	37	380	1,577
Last vs peak	-265	-48	-53	-240	-25	-38	-21	-136	-828
Last vs pre-Covid	-39	-17	8	97	2	5	1	380	436

- Governments
- Regions
- Unsecured banks
- Covered bonds
- Corporates
- ABS
- Other
- Credit claims



Sources: ECB (in EURbn, after valuation and haircuts, averages of end of month data over each time period), BNP Paribas

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