

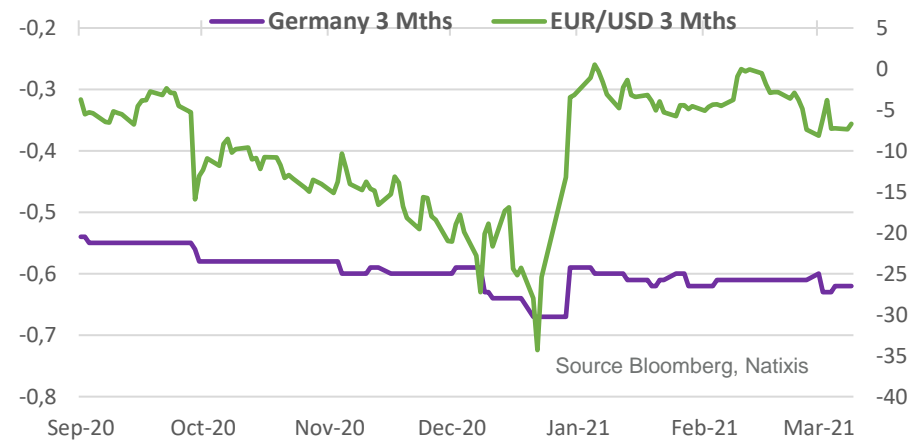
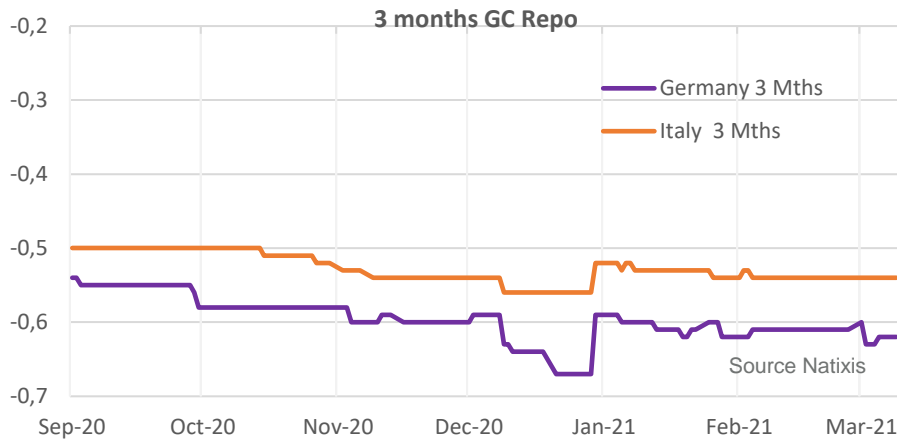
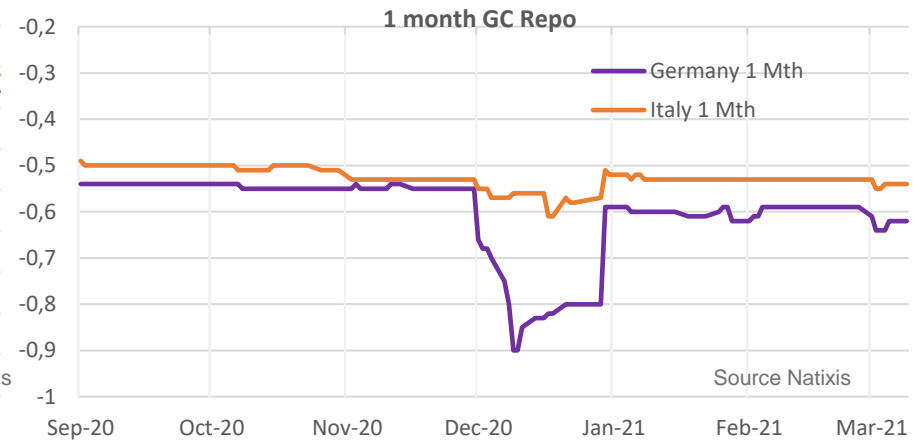
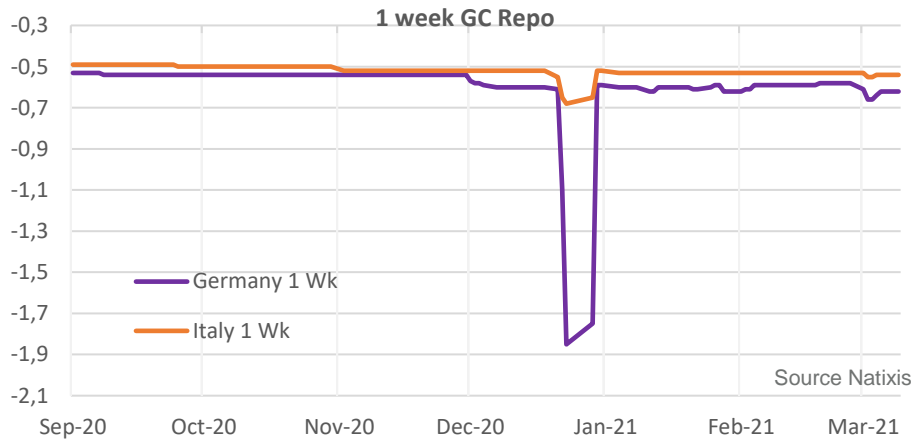


# Market Developments Euro Secured Funding

Money Market Contact Group  
March 16th, 2021

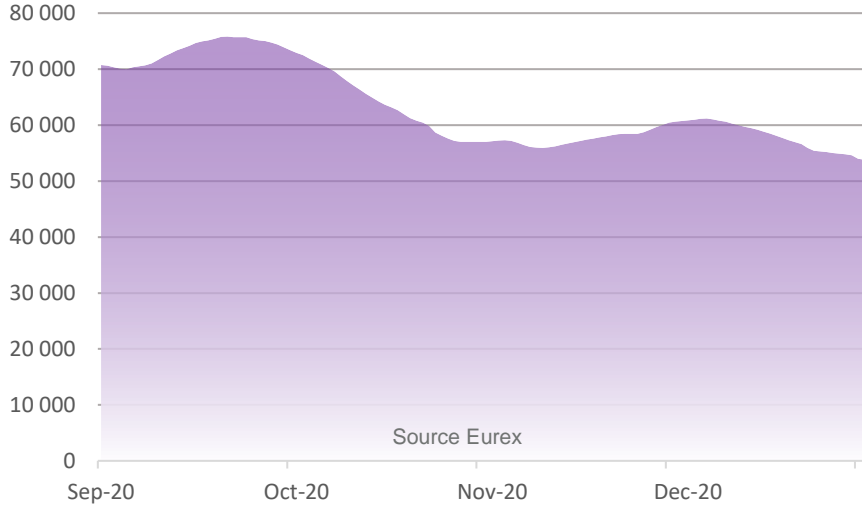
# 1 | Limited Volatility

- Early covering as participants concerned by excess reserves and collateral scarcity.
- Forex basis widening caused stress in December as providing opportunities to USD holders.
- Pressure vanished on the turn in a declining volume thanks to balance sheet regulatory relief, the flattening of the Forex basis and ECB' Securities Lending Program.

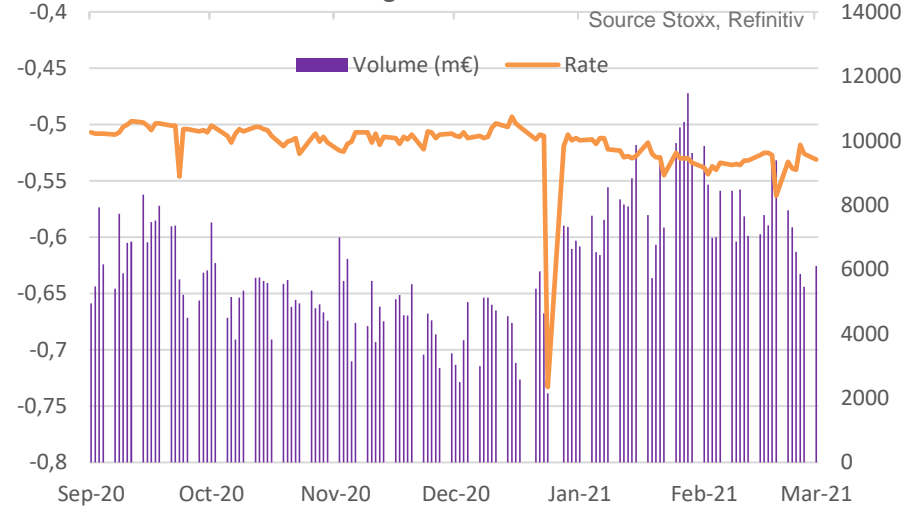


# 2 Global Richening

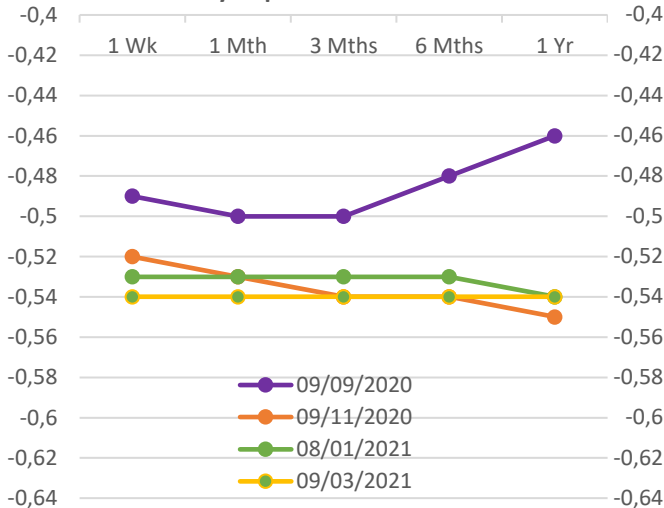
Eurex EUR Repo Outstanding Volumes (m€)



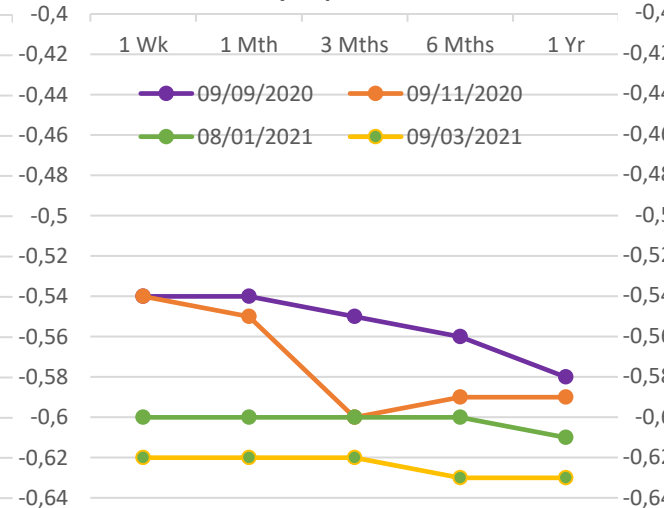
Stoxx GC Pooling Deferred Fund Rate Index



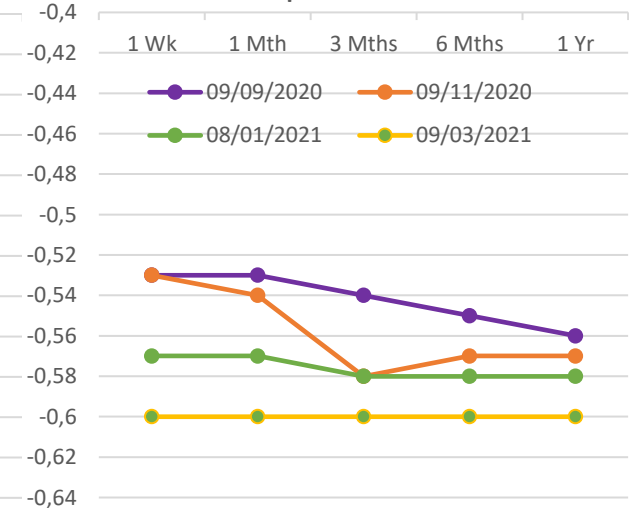
Italy Repo Curve Evolution



Germany Repo Curve Evolution



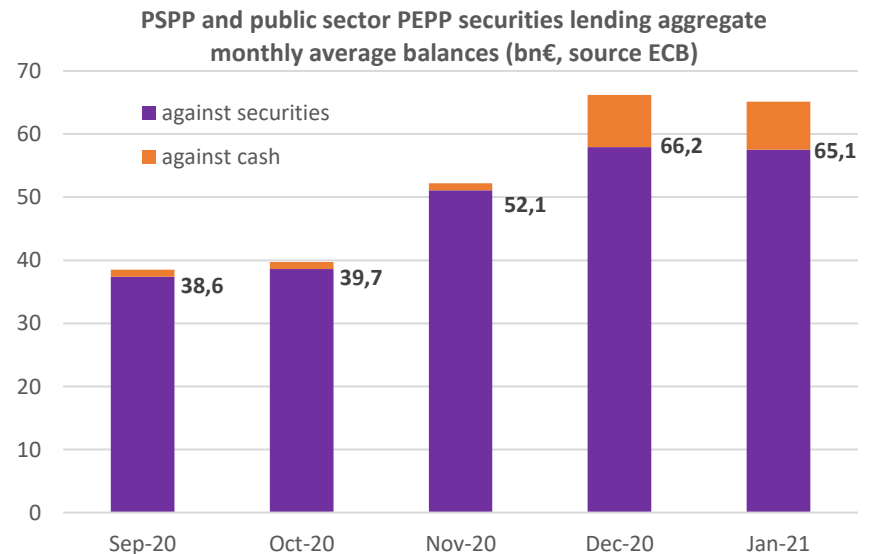
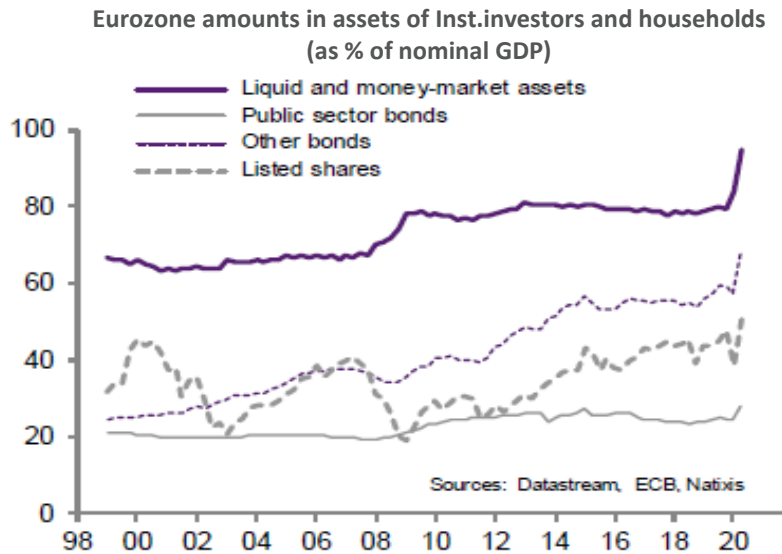
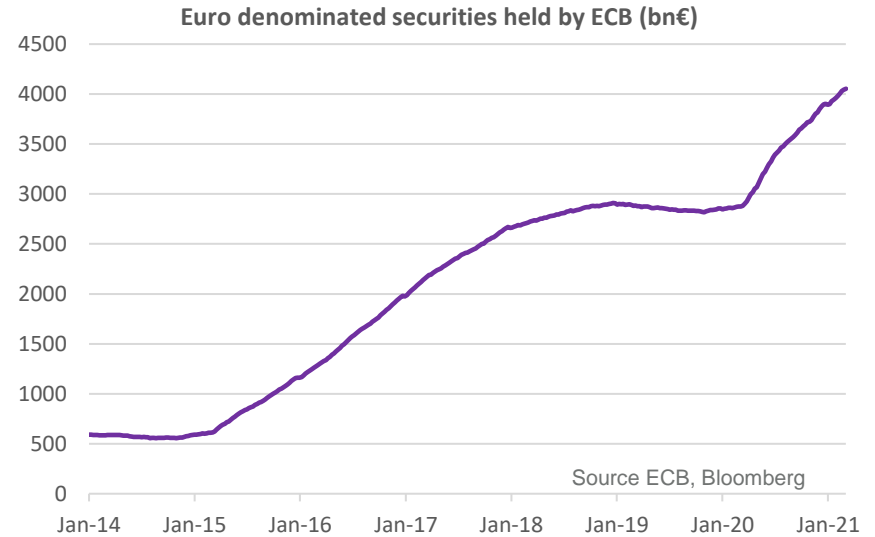
France Repo Curve Evolution



Source Natixis

### 3 Collateral Scarcity

- Despite end of year turbulences, we see a clear richening trend in both core and peripheral repo.
- The euro zone has excess savings over investment. Savers are looking to buy risk-free bonds, but these bonds are extremely scarce due to the ECB' purchases, leading to very low long-term interest rates.
- The poor supply of European Government Bonds, after ECB' purchases, combined with higher savings should maintain this trend.
- Easing in ECB' SLP access, more active involvement of national debt managements offices and higher usage of CCPs should smooth these effects on the market.



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