

ECB Bond Market Contact Group 2024 WORK PROGRAMME

This document presents the work programme for the scheduled meetings of the ECB's Bond Market Contact Group (BMCG) in 2024. The work programme may be adapted throughout the year to address relevant unforeseen events and new topics of interest and is based on members' suggestions.

A. Recurrent item

A member of the group will present a review and outlook of euro area bond market developments in each meeting. The presentation will be followed by a general discussion, including some topics of policy relevance or related to the BMCG mandate.

B. Specific items for 2024

1. Bond markets amid evolving central bank frameworks and monetary policy

- **Impact of monetary policy:** What are the lessons from the implementation of QT? What are the implications for bond markets of the ECB's operational framework review? How will potential central bank easing cycles impact bond markets?
- **Market functioning/absorption:** What is the impact and potential cross-border spillovers of global central bank balance sheet reduction and the continuation of strong global net bond supply? How will the market's absorption capacity develop? How are issuers and investors adapting to the changing environment? What information can be gained from the primary market? Where might market vulnerabilities emerge?

2. Structural developments and their impact on market functioning

- **Evolving investor and issuer landscape:** What are the implications of the increasing size and participation of hedge funds in government bond markets? What's the impact of specific trading strategies (e.g. CTA, momentum trading) on market liquidity and volatility? How will the supranational, sub-sovereign and agency (SSA) market segment evolve in terms of issuance and in relation to the sovereign and swap market?
- **Market intermediation:** How will regulatory developments impact dealer capacity? How can

market transparency be optimised? What is the impact of more central clearing on government bond and repo markets? How would a shorter settlement cycle impact bond market functioning?

- **Corporate credit:** Review of the strong growth of private credit, its drivers and its interaction with the corporate bond market
- **Recent technological developments:** How are developments in automation and algorithmic trading impacting market liquidity and volatility? How will Artificial Intelligence be further incorporated into bond markets and how will it be used by different market participants? How resilient is the bond market to cyber-risk? What specific channels are most exposed?
- **Trends in sustainable finance:** Is the green transition at risk from a diminishing Greenium? What motivates issuers and investors to support the financing of climate change? Which sustainable instruments are gaining/losing popularity and which standards are gaining ground?
- **The growth of exchange-traded funds and portfolio trading in fixed income markets:** update on trends and developments. What are the consequences of a more 'passive' approach to investment management for market liquidity and volatility?

Cooperation with other ECB Contact Groups in the domain of market operations: The Operations Managers Group, the Foreign Exchange Contact Group and the Money Market Contact Group will continue to exchange information with the BMCG and liaise with each other on relevant topics of mutual interest.