BOND MARKET CONTACT GROUP

Market Update

2nd December 2021
WHAT HAPPENED SINCE SEPTEMBER?

- **September/October**: Evergrande worries, Commodity price shock, some CB hikes, ECB Oct meeting
- **November**: BoE decision disappointed, Fed moves ahead, 4th wave in full swing, ECB securities lending limit increase, GE finalises coalition agreement, new variant fear

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**EUR/USD spot**

![EUR/USD spot chart](image)

**EUR/USD 3M basis**

![EUR/USD 3M basis chart](image)

Source: Bloomberg, ESM
OUTRIGHT AND CURVE MOVES

EUR SWAP 5Y-10Y-30Y

EUR SWAP CURVE 5s30s

Yield pct

Source: Bloomberg, ESM

Spread in bp

Source: Bloomberg, ESM
THE ISSUER PERSPECTIVE: FUNDING PROGRESS

- Funding mostly done
- Frontloading
- No summer break
- Supply adjustments

Funding Progress YtD – Supply selected Issuers

Source: ESM & Issuer Websites
THE ISSUER PERSPECTIVE: SHORT END

ESM 3M Bills

Source: Bloomberg, ESM
DISCUSSION POINTS:

1. Announcement of the ECB securities lending limit (cash vs collateral)
   Eurosysten increased the limit of the securities lending facility by €75 billion to €150 billion
   Past limits not utilised. Why?

2. Powell statement caused a flattening of UST, what are the spillover effects to the Euro market?

3. What is excess liquidity doing to secondary bond markets?
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