Recent developments in the euro money market

Money Market Contact Group
Frankfurt, 19 May 2009
Overall financial market background

![Graph showing stock market indices (EuroStoxx and S&P500) from June 2007 to May 2009. The x-axis represents the months from June 2007 to May 2009, while the y-axis ranges from 35 to 105 with markers at 35, 45, 55, 65, 75, 85, 95, and 105. The graph indicates a decline in both indices throughout the period, with a notable drop in early 2008 and a recovery towards the end of 2008. The reference point is 1 June 2007 = 100.]
Overall financial market background
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EURIBOR - OIS spreads for different maturities
Forward 3-month EURIBOR - OIS spreads
ECB announcements

• **5 Mar:** Fixed rate/full allotment tender procedure “beyond the end of 2009”

• **7 May:** - Re-narrowing of the corridor to +/-75 bps
  - 1-year LTROs announced
  - prolongation of the temporary expansion of collateral
  - EIB becomes counterparty
  - covered bond purchase program pre-announced
Euribor fixings vs MRO rate

1-month Euribor - MRO rate spread (bps)

3-month Euribor - MRO rate spread (bps)
ECB rates and Eonia developments
Eonia volumes [since Jan 2007]
Maturity breakdown of the ECB’s liquidity providing operations
Use of the ECB’s deposit facility

Note: Length of MP normalised to 20 days.
Accumulated daily reserve surplus [EUR bn]

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Number of participating banks in MROs
Eligible collateral by asset type
Collateral put forward in Eurosystem credit operations versus outstanding credit

![Chart showing the total collateral put forward and peak outstanding credit from 2004 to 2008.](chart_image.png)
Breakdown of assets put forward as collateral by asset type
ECB announcements

• 19 Mar: Continuation of USD liquidity providing operations
  Calendar published until the end of June

• 6 Apr: Reverse swap line with the Fed – up to EUR 80 bn
  until 30 October

• 27 Apr: Continuation of 1w CHF liquidity providing operations
  at least until the end of July
Results of the Eurosystem’s USD providing operations

7-day operations
- Total bid amount (USD mln)
- Allotment amount (USD mln)
- Bid-to-cover ratio (rhs)

28-day operations
- Total bid amount (USD mln)
- Allotment amount (USD mln)
- Bid-to-cover ratio (rhs)

84-day operations
- Total bid amount (USD mln)
- Allotment amount (USD mln)
- Bid-to-cover ratio (rhs)
Results of the Eurosystem’s 1-week CHF providing operations
Potential issues for discussion

• Are money market conditions expected to improve further – in particular are deposit-OIS spreads expected to continue to narrow?

• What is the expected impact of the narrower corridor on the money market activity?

• More generally, what is the impact of very low short-term rates on functioning and market structures?