Recent developments in the euro money market

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ECB developments and announcements

- **17 Dec**: ECB publishes Euro Money Market Study
- **19 Dec**: ECB announces change in eligibility of debt instruments issued or guaranteed by the Greek government
- **8 Feb**: Press release: ECB welcomes the European Commission’s intention to regulate systemically important reference rates
- **11 Feb**: Eurosystem’s response to IOSCO’s consultation report on financial benchmarks
- **11 Feb**: Eurosystem’s response to the EBA and ESMA’s public consultation on the principles for benchmark-setting processes in the EU
- **21 Feb**: Press release: ECB discloses details on securities holdings acquired under the Securities Markets Programme
Financial market sentiment – equity markets

Global positive momentum keeps pace but risk sentiment in the euro area dented by a number of country-specific events
Bank funding

Euro area financial issuance rebounded in January reflecting improved market access, also for the non-core countries.

Note: all issuances with issuance volumes > EUR 100 million, Source: Dealogic

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Money market conditions - repo

Repo market volumes rose since January and so far were little affected by a recent increase in market uncertainty.
3-year LTRO repayments and excess liquidity

- Repayments amounted totally to EUR 236 bn (EUR 157 bn + EUR 79 bn)
- 23.8% of the total borrowings and 40.3% of the excess liquidity
ECB liquidity breakdown

in EUR billion

-1600 -1400 -1200 -1000 -800 -600 -400 -200 0 200 400 600 800 1000 1200 1400 1600

Jan-07 Mar-07 Jul-07 Sep-07 Nov-07 Jan-08 Mar-08 May-08 Jul-08 Sep-08 Nov-08 Jan-09 Mar-09 May-09 Jul-09 Sep-09 Nov-09 Jan-10 Mar-10 May-10 Jul-10 Sep-10 Nov-10 Jan-11 Mar-11 May-11 Jul-11 Sep-11 Nov-11 Jan-12 Mar-12 May-12 Jul-12 Sep-12 Nov-12 Jan-13

in EUR billion

-1600 -1400 -1200 -1000 -800 -600 -400 -200 0 200 400 600 800 1000 1200 1400 1600

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Legend:
- MRO
- LTRO 1M
- LTRO 3M
- LTRO 6M
- LTRO 12M
- LTRO 36M
- FTO Providing
- FTO Absorbing
- CBPPs + SMP
- Marginal Lending Facility
- Fx-swap
- Deposit Facility
- Current Accounts
- Autonomous Factors
- Liquidity Needs

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Re-pricing of market expectations with regard to monetary policy and excess liquidity resulted in high volatility of the EONIA swap rates
Eonia Forward rates

1) 7-Dec: GovC
2) 10-Jan: GovC
3) 25-Jan: Post-repayment 1st LTRO
4) 7-Feb: GovC
5) 22-Feb: Post-repayment 2nd LTRO
6) Post-italian elections

GovC meeting’s dates

EONIA – MRO spread and excess liquidity

Current EONIA levels are broadly in line with the empirical relationship of the EONIA rate and the level of excess liquidity.
EONIA rates and volumes

EONIA volumes started to recover amid higher volatility of EONIA rates
Re-pricing of central bank liquidity absorbing operations

Marginal and weighted average rates in the 1-week liquidity absorbing operations rose reflecting a lower amount of excess liquidity.
Issues for discussion

• Market view on the 3-year LTRO repayments:
  – main drivers of the repayment?
  – market expectations of future repayments, their impact on the level of excess liquidity and money market rates?

• Improvement in the money market sentiment:
  – A self-sustained momentum?
  – Segmentation and cross-border flows?

• MMCG expectations with regard to the ECB monetary policy:
  – Standard and non-standard policy measures?