Market Update
ECB Money Market Contact Group
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Market Focus

Inflation

Improving prospects?

Currencies

Range bound EuroDollar and EuroGBP

Rates

Euribor Swap

EuroZone GDP Growth

Comments

- HICP Inflation improving
- Recent sharp increase of Euro Long Term rates
- EUR FX Rates stabilize vs USD and GBP

Source: Bloomberg

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Market Focus
Equities

Comments

- Stable US equities whilst Euro indices are slightly retrenching
- Stock index volatility is remaining low

Source: Bloomberg
Market Focus
Commodities

WTI Crude Oil

Iron Ore

Wheat

Comments

- Commodities off recent lows

Source: Bloomberg

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Sovereign Credit

Comments

- Sharp movements on Long Term Rates
- Also impacted periphery and core spreads vs Germany

Source: Bloomberg
Sovereign Credit

France bonds

German bonds

2-10 Spreads

Comments

- 2-10 Swap curve steeper
- 2-10 Spreads are trending to 2012 levels

Source: Bloomberg
Money Market Developments

ECB Balance Sheet

ECB Liquidity Excess and Euribor3M

ECB Liquidity Excess and Eonia

Comments

• Lower Short Term rates with increasing EuroSystem excess liquidity (through ECB purchases and TLTRO)

Source: Bloomberg
Money Market Developments

BOR/OIS

Historic and estimate TLTRO

Comments

• Recent EONIA/BOR widening
Money Market Developments

Cross Currency EURUSD and EURGBP

Eonia 1Y swap and FED Funds 1Y swap: Forward curve

Source: Bloomberg
Food for thoughts

- Recent market developments paving the way for decoupling Short Term and Long Term rates in EuroZone?

- Despite outright movement in rates, Sovereign Euro Markets have been resilient. Can Greek bailout negotiations change this?