Drivers of divergences in repo market rates and the spread to the ECB deposit facility

Frankfurt 9th September 2015

Money Market Contact Group (MMCG)
Drivers of divergences in market repo rates

Money Market Rates

Money Market Rates vs. Deposit Facility

Source: Bloomberg/ECB * Data 07. Sept. 2015
Drivers of divergences in market repo rates

**GC Pooling O/N vs. Repo Funds IT/FR/GER**

- **GC-Pooling Classic O/N (A-) vs. Repo Funds Italy (BBB)**
  - Spread IT
  - GC Pooling Classic O/N
  - Italy Repo Funds
  - -0.187%*
  - -0.181 %*

- **GC-Pooling Classic O/N (A-) vs. Repo Funds France (AA)**
  - Spread FR
  - GC Pooling Classic O/N
  - France Repo Funds
  - -0.187% *
  - -0.233 %*

- **GC-Pooling Classic O/N (A-) vs. Repo Funds Germany (AAA)**
  - Spread GER
  - GC Pooling Classic O/N
  - Germany Repo Funds
  - -0.187%*
  - -0.259 %*

- No squeeze of Bonds in market Reporates visible
- SPREADS correspond in relation to the different Rating (AAA/AA/A/BBB)

*Data 07. Sept. 2015*

Source: Bloomberg/ECB
Drivers of divergences in market repo rates

Deposit Facility vs. Repo Funds Germany

- Currently only a small negative impact of PSPP on Repo Specials
- Excess liquidity has more influence on market repo rates

Source: Bloomberg/ECB
Drivers of divergences in market repo rates

**Why RepoFundsRate trades below ECB Deposit Rate?**

- **BrokerTEC + MTS**
- **Sovereign bonds (IT, FR, GER)**
- **90% SPECIALS 10% GC**
  (remove 25% of outlying trades)
- **Reuse possible**
  (Central banks/Clearinghouse)
- **Trading Strategies**
- **SPECIALS = no economic floor**

**STOXX® GC Pooling**

- **Eurex**
- **Sovereign bonds/ Supranational/ Jumbo Pfandbrief/ Agencies**
- **100% General Collateral (basket A-)**
- **No external – reuse possible**
- **Interbank Liquidity management**
- **Deposit facility = economic floor**