Recent developments in EONIA forward rates

MMCG, 4 December 2017
Frankfurt
EONIA forward rates seem to be well-anchored
ECB deposit rate hike priced for mid-2019

EONIA forward curve (in %)

OIS one-year forward rates in one year’s time (in %)

Source: Bloomberg, ECB.

Note: The dashed line refers to the October Governing Council.
Reduced volatility in forward rates lately but more active position-taking on days of large moves

Days of large moves in 1y1y EONIA forward and excess liquidity (0/1 index and in EUR bn)

Average daily OIS volumes from MMSR (Index)

Source: ECB.
Note: The variable “large moves” denotes the largest 5th percentile.

Source: MMSR, ECB calculation.
Note: “Large moves” refers to the 5th percentile largest moves in 1y1y EONIA since March 2016. Due to MMSR data availability, only dates as of July 2016 considered. Index=100 for total average for days of large moves.
Main findings

- Money market forward rates less volatile recently but more driven by ECB communication
- Large changes in forward rates coincide with more active position-taking
- Most position-taking takes place for the near future contracts while relatively limited volumes for contracts beyond-2019 maturities

MMCG members are invited to provide their views on the most important drivers of the EONIA forward market in the recent months