Functioning of the Euro Area Repo Markets

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## Observations of Developments in 2018/2019

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| - Convergence of repo rates across European underlying's                     | - End of QE provided remedy for collateral availability as well as it reduced short positions  
- Fairly short dated trading tenors except for Italian government debt       | - Price-actions at specific dates became evident in forward trading whereas levels at critical dates were trading at significantly cheaper prices  
- Relatively uneventful trading at recent critical reporting dates            | - Extension of collateral schedules                                                |
| - Relatively uneventful trading at recent critical reporting dates           | - Because of a potential TLTRO succession rates the execution of trading strategies are set on hold  
- Lack of stimulus stemming from a recalibrated rate expectation is confining activities mainly to short tenors  
- Market participants have become more aware of behavioral risks and managed potential risks in advance | - Market participants with no access to ECB's deposit facility managed their needs ahead of time and/or mitigated the potential risks in price and availability of collateral with covered RCFs  
- CtD bonds traded at significantly cheaper levels                           | - Over-borrowing                                                                 |
|                                                                              |                                                                                  |                                               | - Lending programs of European NCBs           |
|                                                                              |                                                                                  |                                               | - Spread compression                          |
|                                                                              |                                                                                  |                                               | - Collateralized RCFs                         |
2018 Rate Development of German & French GC

Source: Nex Data Services Ltd (BrokerTec Repo)
2018 Rate Development of Italian & Spanish GC

Italy & Spain GC

Source: Repo Funds Rate
Volumes within the European Repo Market

Volume in short term transactions reduced slightly during the last 2 years (57.5% to 49.2%) in favor of forward trades, but nevertheless almost half of market volumes are traded in tenors < 1 month.

Throughout 2018 the volume in forward repos has more than doubled from 10.5% in June 2017 to over 21% in December 2018.

Source: ICMA - 36th European Repo Market Survey December 2018
6 Month-Intervals starting June 2017