ECB Money Market
Contact Group

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24th March 2020
Outlook for Money Markets

Excess Liquidity

Current 1,780bn
APP 180bn
Envelope 120bn
PEPP 750bn
LTRO/TLTRO c. 250bn

End 2020 Projection 3,080bn

⇒ Increase Tiering Multiplier
⇒ Scope for Further Rate Cuts

Source: Bloomberg
Outlook for Money Markets

Market Pricing

• 1y1y Eonia -0.502%

• Funding stresses putting short-term upward pressure on fixings

• Neutral Eonia c. -0.455%

• Increased Excess Liquidity allows for Tiering Multiplier increase

• Room for further rate cuts in H2?

Source: Bloomberg
Outlook for Money Markets

EUR/USD OIS X-CCY

Future Options:-

• More frequent 3mth auctions and/or tenors increased

• Collateral broadened to include more encumbered assets

Source: Bloomberg
Outlook for Money Markets

**Fed Toolkit**

**Future Options:**

- Yield Curve Control
- TAF
- Corporate Bond Purchases
- Funding For Lending Scheme
- Revise Dodd Frank or Basel III – Balance Sheet Support