• Banks Issuance stepped up as TLTRO reduced and rates rose (MMF, bills, and bonds competition) in 2023
  • Bank deposits reduced in all countries led by Italy
  • STEP outstanding is up EUR78bn from trough driven by the 6-12m bucket (+EUR54bn), but remained historically low
  • Issuance increased strongly, led by Senior preferred
  • Still OIS-BOR curve didn’t realise the end of year forward expectations
- **Cheaper repo curves**
  - As net EGB supply (net of QE/QT) evolved
  - Bond curves and Bond future basis normalised
  - Repo followed

- **Reduced activity overall in Europe**
  - As specialness disappeared and therefore leverage was reduced

- **Eurex change of rules for basket reduced optionality (Nov 2022)**
Refinancing operations

- Low take up from small banks
  - Notably Italians

- How will banks fund what they had at TLTRO?
  - Issuance
    - Senior unsecured
    - Covered
  - Repo (retained covered bonds, Govies)
  - MRO? (Non IG? Asset back securities and Credit claims)

- Repo market below 3mth for retained covered well below ESTR+60bp (MRO-ESTR)
  - All IG is funded below ESTR+60 bp
  - Retained covered are costing more if >1y
    - Estimated potential for a 150bn repo market
  - While Govies repo is much more quiet, credit repo is more active, as well as repo baskets like GC pooling

- When/when Credit claims/Asset-backed financing trigger MRO usage?
  - NSFR cost still there with MRO
  - Big European banks not expected to go to MRO anytime soon though

Sources: ICMA

Classification: Internal
Annex: Deposits placed at banks by households & NFC corporations

Sources: Bloomberg, ECB, BNP Paribas
ANNEX: EUR CP issuance by MFIs: Historically low

STEP outstanding up EUR78bn from trough, driven by the 6-12m bucket (+EUR54bn)

Sources: ECB, BNP Paribas
ANNEX: ECB collateral usage, Credit claims fall by EUR100bn in June 2023

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<tr>
<th></th>
<th>Governments</th>
<th>Regions</th>
<th>Unsecured banks</th>
<th>Covered bonds</th>
<th>Corporates</th>
<th>ABS</th>
<th>Other</th>
<th>Credit claims</th>
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<td>2023 Q2</td>
<td>187</td>
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<td>2</td>
<td>5</td>
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</tbody>
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Sources: ECB (in EURbn, after valuation and haircuts, averages of end of month data over each time period), BNP Paribas