Recent Money Market Developments and YearEnd Expectations

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Unsecured Money Markets

- currently rather in a wait and see mode
- cash levels with low volatility, peak in rates seems to have been reached
- larger moves only on forward terms as more and more rate cuts are getting priced
- €STR vs EURIBOR spread within small range
- Underlying volumes for EURIBOR fixing also quite constant over last quarter, no indication of any tenor-shift
CP Issuance

- Volumes relatively constant
- ~60% of volumes in 1M-6M tenors
- Distribution of issuing volumes to tenors is also quite stable => no indication of any shifts from shorter to longer duration or the other way around from available data

Source: ECB

Source: Banque De France
**USDEUR Basis**

- USD Overnight implied FX rates impacted by minimum reserve calculation dates in EURO area
- USD O/N funding to be covered via off-balance products instead of money market deposits on those dates
- Experienced very low liquidity in EURUSD overnight swaps on MR calculation dates
- price move capped at cost of MRR;
- EOY much more relaxed this year as resolution fund costs are significantly lower, collateral situation is much better than last years and it´s not a MR calculation date;
- USDEUR basis moved strongly up over last six months which hints toward higher EURO demand
Secured Money Markets

- the change of remuneration of minimum reserves does clearly also impact repo markets

- GC pooling o/n rates significantly dropped at each MR calculation date while €STR rate level is also affected but so far not that much

- Indicates that collateral needs much higher over those dates

- a further increase of MR coefficient would most likely lead to higher volatility on those dates

- Regarding year-end expectations also here the situation is much more relaxed

Source: Bloomberg, ERSTE

DE: ESTR -100 (ESTR-200 in 2022)
FR: ESTR -65 (ESTR-200 in 2022)
IT: ESTR -30 (ESTR-170 in 2022)
ES: ESTR -40 (ESTR-200 in 2022)

Source: EUREX, ERSTE
Disclaimer

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This document is only intended to serve as a basis for discussions within MMCG in order to exchange potentially differing views on current market developments.