

Main Developments in Money Markets

ECB MMCG – December 03, 2025

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EUR Funding Markets

How are the unsecured markets affected by declining excess liquidity?



Eurosystem Balance Sheet Composition

(2025: Week 1, 38, 47)

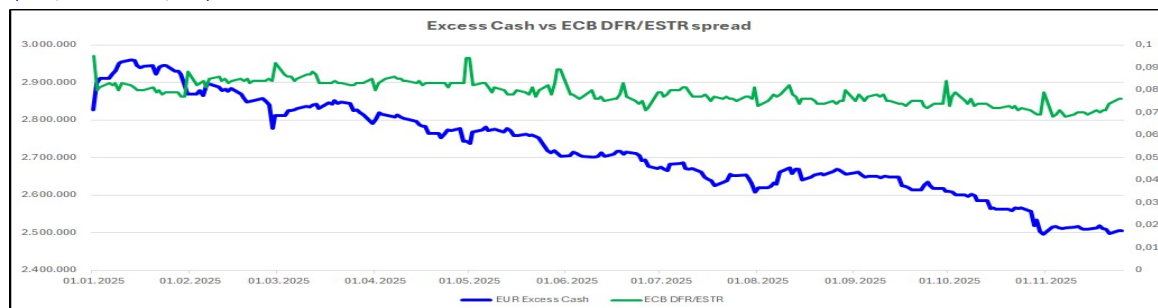
| Assets | 2025-W47 | 2025-W38 | 2025-W01 | Liabilities | 2025-W47 | 2025-W38 | 2025-W01 |
|---|-----------|-----------|-----------|--|-----------|-----------|-----------|
| Total Assets | 6,152,427 | 6,070,545 | 6,412,636 | Total Liabilities | 6,152,427 | 6,070,545 | 6,412,636 |
| Gold and gold receivables | 1,128,571 | 972,470 | 872,158 | Banknotes in circulation | 1,591,449 | 1,589,073 | 1,585,418 |
| Claims on non-Euro area residents in foreign currency | 497,365 | 492,965 | 522,598 | Liabilities to euro area credit institutions related to monetary policy operations denominated in euro | 2,666,478 | 2,782,269 | 3,073,914 |
| Claims on Euro area residents in foreign currency | 21,039 | 20,140 | 15,103 | Other liabilities to Euro area credit institutions in euro | 10,581 | 8,452 | 20,659 |
| Claims on non-Euro area residents in euro | 29,870 | 29,496 | 20,303 | Debt certificates issued | 0 | 0 | 0 |
| Lending to euro area credit institutions denominated in euro | 22,052 | 20,389 | 34,173 | Liabilities to other Euro area residents in euro | 213,889 | 182,015 | 179,866 |
| Other claims on euro area credit institutions denominated in euro | 20,071 | 27,545 | 29,216 | Liabilities to non-Euro area residents in euro | 143,258 | 141,465 | 187,824 |
| Securities of euro area residents denominated in euro | 4,100,716 | 4,180,949 | 4,533,034 | Liabilities to Euro area residents in foreign currency | 17,498 | 14,844 | 11,201 |
| General government debt denominated in euro | 20,171 | 20,199 | 20,394 | Liabilities to non-Euro area residents in foreign currency | 2,656 | 2,451 | 601 |
| Other Assets | 312,573 | 306,391 | 365,658 | Counterpart of special drawing rights allocated to IMF | 170,145 | 170,816 | 182,810 |
| | | | | Other liabilities | 199,567 | 194,657 | 206,037 |
| | | | | Revaluation accounts | 1,099,971 | 947,542 | 872,327 |
| | | | | Capital and reserves | 36,934 | 36,961 | 91,979 |

Source: ECB

Source: ECB

EUR Excess Cash vs ECB DFR/€STR spread

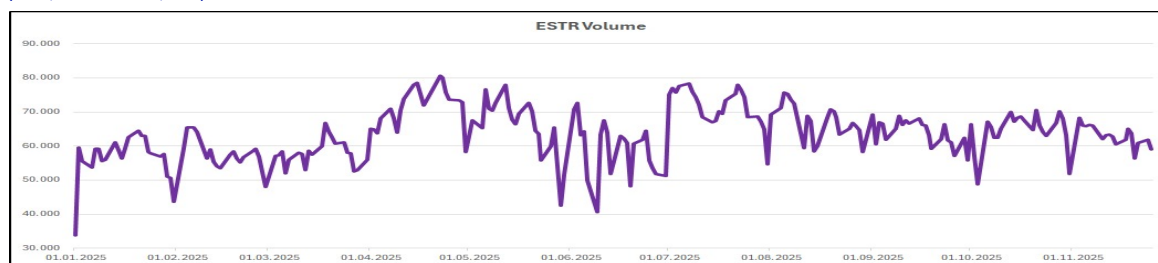
(Jan 1, 2025 to Nov 25, 2025)



Source: Bloomberg LLP

€STR Volume

(Jan 1, 2025 to Nov 25, 2025)



Source: Bloomberg LLP

➤ Eurosystem balance sheet reduction continues and has progressed fairly smoothly, e.g. by

- repaying TLTROs coupled with prudent liquidity and balance sheet management by banks
- phasing out reinvestments of bonds maturing (QT) (€~40bn per month)

➤ Gradual reduction since beginning of 2025: from €6.41trn (week 1 2025) to €6.15trn (week 47 2025) whereby there are increases and decreases across the different assets and liabilities

➤ Excess liquidity further reduced to €~2.5bn on Nov 25, 2025 from €~2.6bn on Sep 17, 2025

➤ Short-term unsecured EUR funding markets continue to be trading in a relatively tight spread range between DFR and €STR

- Sep 17, 2025 to Nov 25, 2025
 - Spreads: avg 7.3bps, min 6.8bps, max 8.4bps (QE Sep 2025)
 - €STR Volumes: avg €63.5bn, min €48.7bn, max €70.5bn

➤ Still broadly well anchored at 'close to DFR' reflecting excess liquidity conditions

➤ Term funding spreads have started to rise but funding / liquidity does not seem to be tight and not to be stressed

➤ Improved economical market financing conditions and continued limited usage of ECB facilities (e.g. MRO @spread of +15bps) indicate a fairly stable funding environment at the moment

➤ Transmission in the Euro area for which the banking system is key seems to be working

EUR Funding Markets

How are the unsecured markets affected by declining excess liquidity?



STEP CP Outstandings

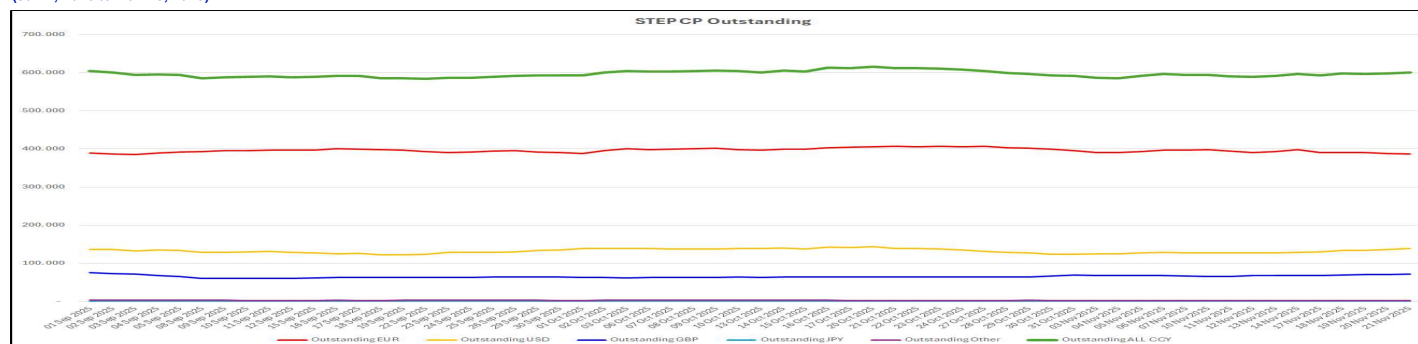
(Sep 1, 2025 to Nov 21, 2025)

| Date | Outstanding EUR | Outstanding USD | Outstanding GBP | Outstanding JPY | Outstanding Other | Outstanding ALL CCY |
|-------------|-----------------|-----------------|-----------------|-----------------|-------------------|---------------------|
| 01 Sep 2025 | 388.690 | 135.770 | 76.226 | 19,4319 | 3.063 | 603.768 |
| 15 Sep 2025 | 397.217 | 126.922 | 62.025 | 36,0053 | 2.937 | 589.137 |
| 30 Sep 2025 | 390.194 | 134.444 | 64.538 | 36,0053 | 2.908 | 592.121 |
| 01 Oct 2025 | 388.015 | 138.401 | 63.390 | 35,5462 | 2.932 | 592.774 |
| 15 Oct 2025 | 399.055 | 137.170 | 63.927 | 35,5478 | 3.028 | 603.216 |
| 31 Oct 2025 | 396.084 | 123.863 | 68.927 | 27,0836 | 2.931 | 591.831 |
| 03 Nov 2025 | 390.968 | 124.736 | 67.539 | 27,0699 | 2.885 | 586.155 |
| 17 Nov 2025 | 391.069 | 130.403 | 68.011 | 32,2366 | 2.741 | 592.257 |
| 21 Nov 2025 | 387.013 | 138.340 | 71.920 | 23,3546 | 2.828 | 600.125 |

Source: ECB STEP CP

STEP CP Outstandings

(Jan 1, 2025 to Nov 25, 2025)



Source: ECB STEP CP

- STEP CP total outstandings have remained within a relatively tight range over the last 3 months as well as throughout 2025
 - EUR CP fairly unchanged
 - USD and JPY CP slightly increased
 - GBP CP decreased
- Weekly CP funding levels up to 6 months issued by MFIs have traded within a range whereby there are some outliers that can be observed
- Overall, financing conditions in the STEP CP market have remained stable since Sep 2025

STEP CP --- Yields issued by MFIs, weekly

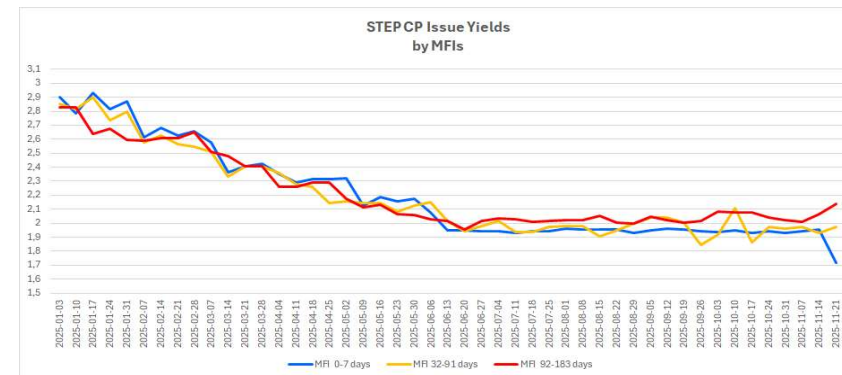
(Sep 12, 2025 to Nov 21, 2025)

| DATE | MFI 0-7 days | MFI 32-91 days | MFI 92-183 days |
|------------|--------------|----------------|-----------------|
| 2025-09-12 | 1,9586 | 2,0430 | 2,0204 |
| 2025-09-19 | 1,9561 | 2,0043 | 2,0028 |
| 2025-09-26 | 1,9436 | 1,8475 | 2,0151 |
| 2025-10-03 | 1,9364 | 1,9167 | 2,0832 |
| 2025-10-10 | 1,9519 | 2,1092 | 2,0750 |
| 2025-10-17 | 1,9289 | 1,8615 | 2,0743 |
| 2025-10-24 | 1,9425 | 1,9733 | 2,0379 |
| 2025-10-31 | 1,9325 | 1,9594 | 2,0239 |
| 2025-11-07 | 1,9439 | 1,9740 | 2,0119 |
| 2025-11-14 | 1,9524 | 1,9312 | 2,0680 |
| 2025-11-21 | 1,7165 | 1,9738 | 2,1355 |

Source: ECB STEP CP

STEP CP --- Yields issued by MFIs, weekly

(Jan 3, 2025 to Nov 21, 2025)



Source: ECB STEP CP

EUR Funding Markets

How are the unsecured markets affected by declining excess liquidity?



Euribor Volumes

(October 2024 to September 2025)

Euribor Volumes (Level 1 and 2.2)

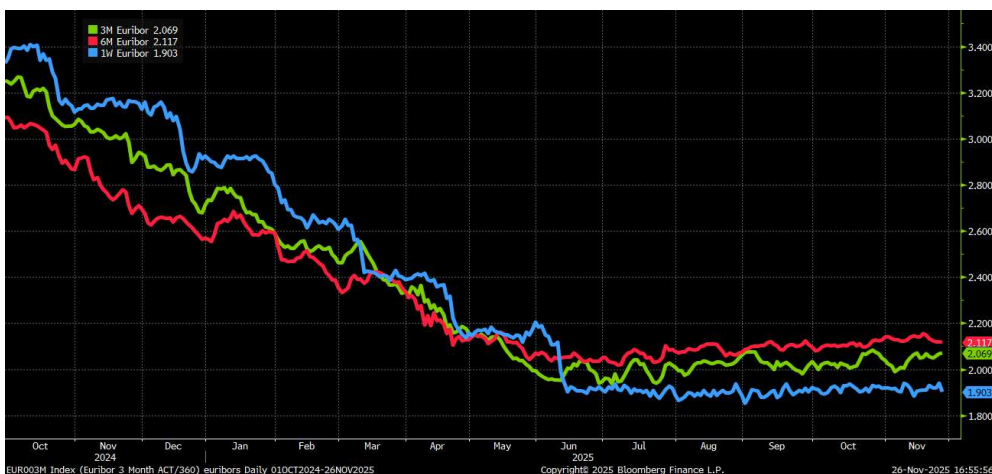
in €bn

| Month | Tenor | | | | | Sum |
|--------|-------|----|----|----|----|-----|
| | 1W | 1M | 3M | 6M | 1Y | |
| Oct-24 | 115 | 10 | 7 | 5 | 5 | 142 |
| Nov-24 | 128 | 8 | 7 | 4 | 5 | 151 |
| Dec-24 | 146 | 11 | 8 | 4 | 6 | 174 |
| Jan-25 | 119 | 12 | 13 | 15 | 7 | 166 |
| Feb-25 | 100 | 13 | 11 | 9 | 7 | 140 |
| Mar-25 | 99 | 11 | 10 | 6 | 8 | 134 |
| Apr-25 | 118 | 10 | 8 | 10 | 8 | 153 |
| May-25 | 151 | 8 | 7 | 15 | 10 | 191 |
| Jun-25 | 133 | 8 | 9 | 9 | 12 | 171 |
| Jul-25 | 147 | 10 | 6 | 8 | 9 | 181 |
| Aug-25 | 137 | 8 | 5 | 8 | 7 | 166 |
| Sep-25 | 156 | 11 | 6 | 6 | 7 | 185 |

Euribor Rates (1W, 3M, 6M)

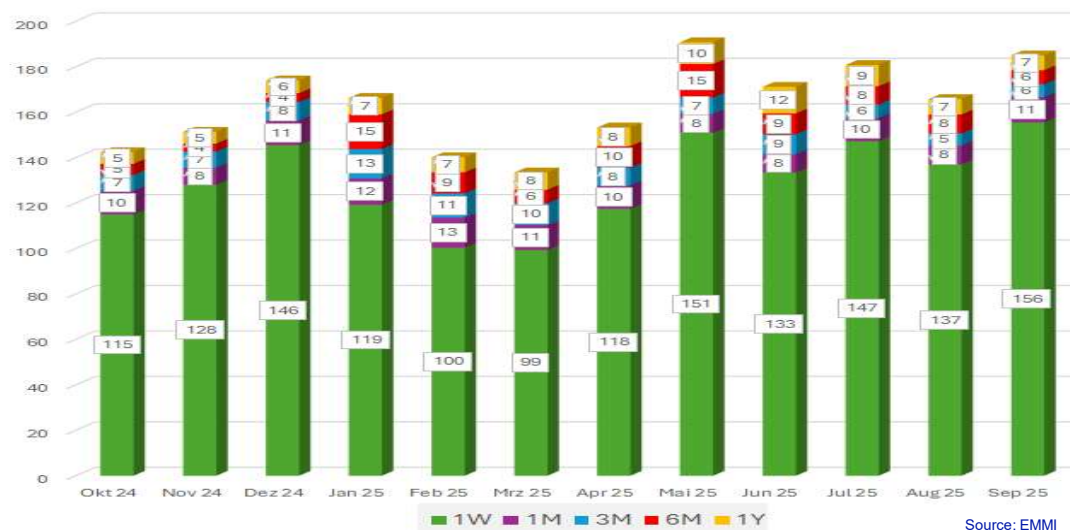
(October 2024 to September 2025)

Source: EMMI



Source: Bloomberg LLP

Aggregate notional volumes of transactions used in the determination of Euribor® (Level 1 and Level 2.2)



- **Euribor-related total aggregated notional volumes** (between Oct-24 and Sep-25) reported have increased over time whereby
 - 1W is the key contributor
 - Term volumes have somewhat decreased from higher levels seen earlier in 2025 (e.g. 6M: to €6bn in Sep-25 from €15bn in May-25)
- Latest trend indicates that € liquidity is kept in the shorter tenors to review and assess the developments and outlook around the € interest rates going forward

EUR Funding Markets

How are the unsecured markets affected by declining excess liquidity?



€ Spot 3ME / €STR 3M basis
(Jan 1, 2025 to Nov 26, 2025)



Source: Bloomberg LLP

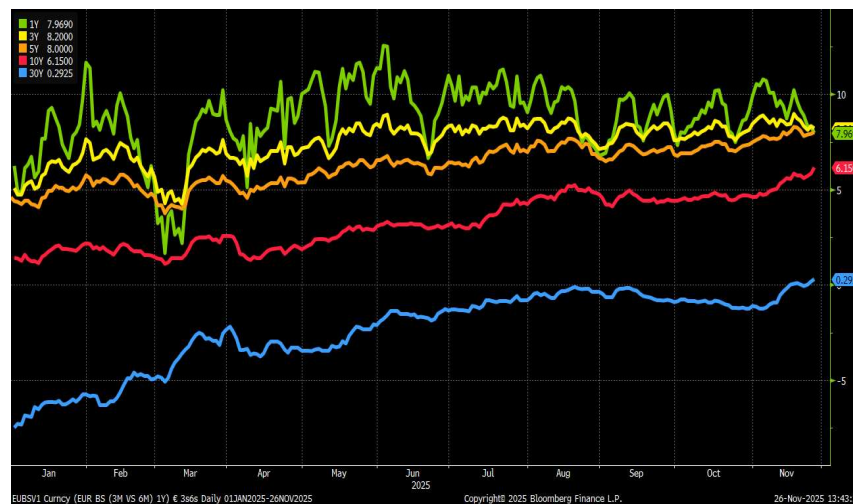
- **€ 3ME / €STR 3M basis spreads** have been fairly volatile and trading in a range between
 - +4bps and +20bps since Jan 1, 2025
 - +5bps and 16bps since Sep 17, 2025
 whereby the 3M €STR swap levels have been fairly stable indicating investors are looking for comparatively higher yields and spreads when lending unsecured funding
- **Spot term € 3ME / €STR basis spreads** have also been volatile and trended wider since Sep 17, 2025 resulting in further flattening of the basis spread curve up to 10Y and indicating to not only higher but also more sustainable term funding costs (forward term €3ME/€STR basis spreads have also widened over the same period)
- **€ 6s3s basis spreads** especially up to 10Y have also flattened

€ Spot 3ME / €STR basis --- 1Y to 10Y
(Jan 1, 2025 to Nov 26, 2025)



Source: Bloomberg LLP

€ Spot 6s3s basis --- 1Y to 30Y
(Jan 1, 2025 to Nov 26, 2025)

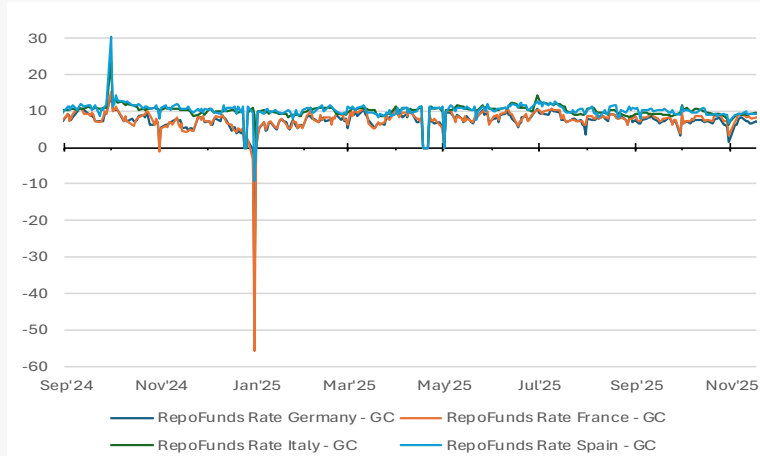


Source: Bloomberg LLP

Repo market trends

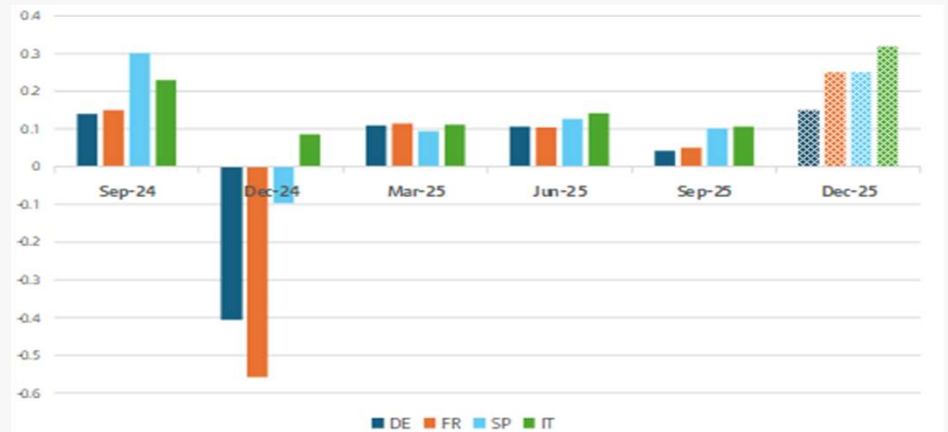
Repo spreads continue anchored to DFR across the main eurozone countries

ON Repo Spreads vs ESTR



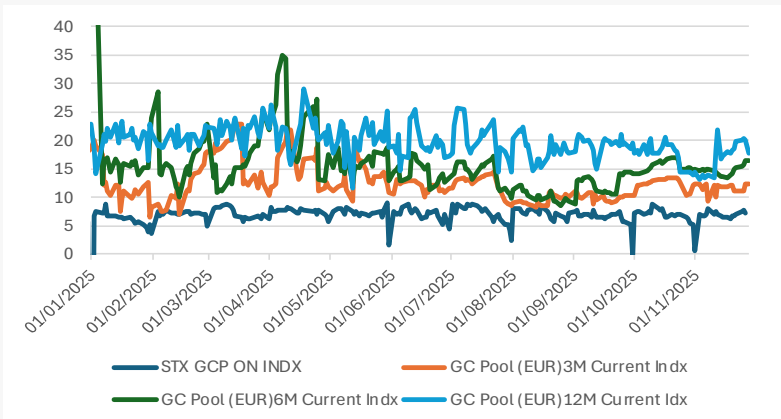
YE turn showed some signs of balance sheet scarcity though market recently eased

Quarter end Repo spreads vs ESTR



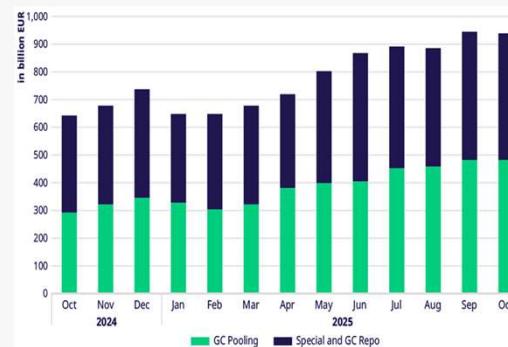
Term repo Markets stable in the last months, showing little signs of reserve scarcity expectations

Term GC Pooling spreads vs Term ESTR

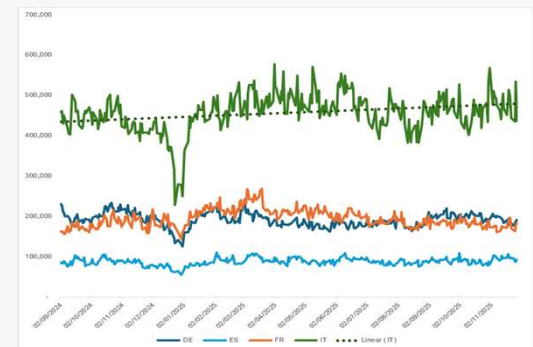


Repo volumes stable this quarter, on the highs of the year. Volumes in Italian collateral seem to be picking up in Q4, offsetting the decline in Q3.

Eurex Average Outstanding Volume



LCH – Nominal Cleared (€bn)

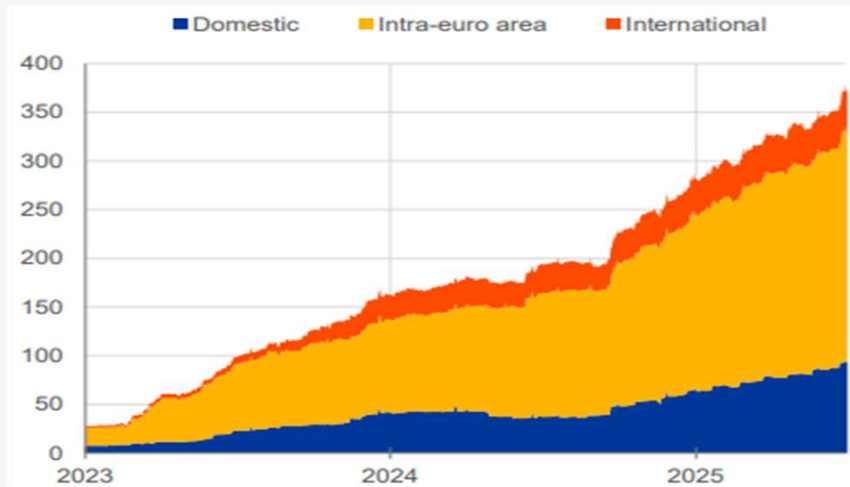


Notes: Outstanding methodology of the ICMA semi-annual survey of the European Repo market (both sides)
Source: <https://www.eurex.com/ex-en/data/statistics/repo-statistics>

Non-HQLA Repo Market

HQLA redistribution in euro area repo markets using non-HQLA collateral

(EUR bn)

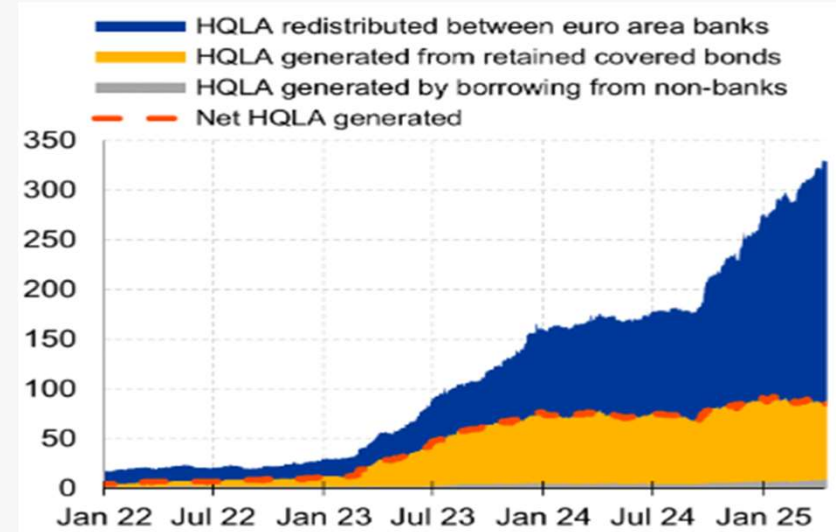


Sources: SFTD, ECB (MOPDB) and ECB calculations
ECB Money Market Conference – 6th Nov 2025
[Towards a new Eurosystem balance sheet](#)

Notes: Outstanding volumes of HQLA redistribution to banks borrowing in repo against non-HQLA collateral, residual maturities above 30days and accounting for the LCR haircuts of the underlying collateral and counterparty. Domestic cover within EA country repos, intra-euro area borrowing repos of a bank from a counterparty that are both located in the euro area and international is repo borrowing between EA banks and counterparties located outside the euro area. Open-term repo or evergreen transactions are excluded.

Redistribution and generation of HQLA via the term repo market

(EUR bn)



Sources: SFTD, ECB (MOPDB) and ECB calculations
The ECB Blog – 25th Apr 2025
[The first year of the Eurosystem's new operational framework](#)

Notes: Outstanding volumes of HQLA generated for the borrower, accounting for HQLA-status of the underlying collateral. Open-term repo or evergreen transactions are excluded.

- Non HQLA repo market has massively grown in the last 2-3years, emerging as a relevant factor in reserves / HQLA redistribution.
- Volume growth in 2023 skewed towards Retained Covered financing in long term to replace TLTRO maturities, specially H1.
- Increased demand for leverage contributing to pick up in volumes in the last year.
- Activity more balanced between long and short term in the last months, as opposed to 2023.

EUR Funding Markets

Reserve Demand: EUR



Excess reserves and bank reserve demand scenarios (EUR bn)



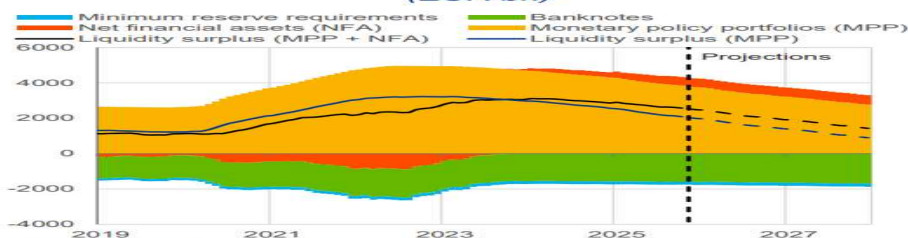
Sources: ECB (Supervisory statistics and MOPDB), ECB calculations.
Notes: The simulations take the current levels of the LCR and the share of EUR reserves in HQLA for significant banks and show the hypothetical reserve demand that would correspond to specified aggregate reserve shares and LCR target levels. It is assumed that less significant institutions target the same level as significant banks and that the other banks holding EUR reserves with the Eurosystem experience a proportional decline in reserves as the banks covered by LCR reporting. Scenario lines should not be interpreted as point estimates. The projections are based on quarterly Eurosystem internal balance sheet projections and assume take-up in standard refinancing operations is in line with the median SMA respondent.

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Source: ECB
Conference on
Money Markets
FFM, 6 Nov
2025 — Isabel
Schnabel

www.ecb.europa.eu

Liquidity surplus from monetary policy portfolios and net financial assets (EUR bn)



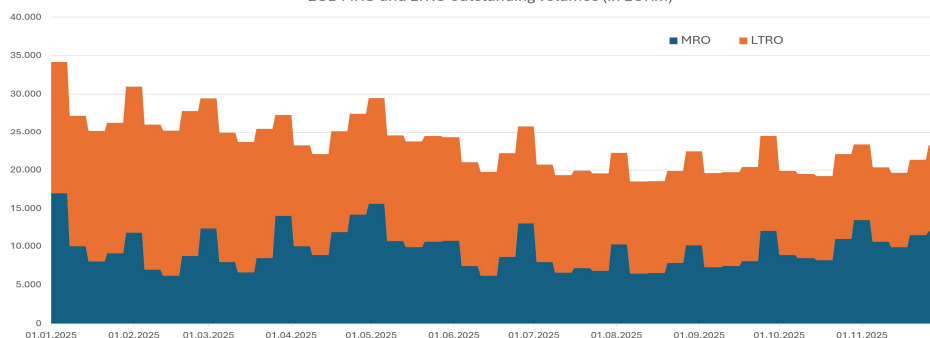
Sources: ECB and ECB calculations.
Notes: Liquidity surplus from monetary policy portfolios is calculated as the difference between monetary policy holdings and the sum of minimum reserve requirements and banknotes. Liquidity surplus from monetary policy portfolios and net financial assets incorporates also net financial assets as a liquidity providing component. Projections are based on quarterly Eurosystem internal balance sheet projections.

www.ecb.europa.eu

Source: ECB
Conference on
Money Markets
FFM, 6 Nov 2025
— Isabel
Schnabel

ECB MRO and LTRO outstandings 2025

ECB MRO and LTRO outstanding volumes (in EURm)



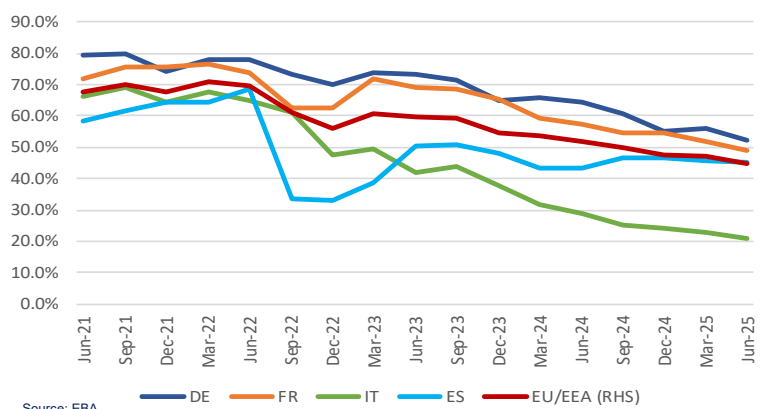
Source: ECB

- Path to lower excess liquidity in the Eurozone is largely anticipated
- The 'minimum' level is likely to be dynamic and state dependent
- Historical data and approaches are unlikely to provide reliable guidance on appropriate level of excess cash
- Market signals are key to closely monitor in order to properly and timely assess any stress in the EUR funding markets (e.g. unsecured vs secured markets, volatility in short-term interest rates)
- Excess liquidity distribution across countries could contribute to deviations in domestic funding conditions between countries and endanger redistribution of liquidity (increased fragmentation)
- MRO and 3M LTRO usage (including backstop usage) has been largely stable and relatively low in recent months, e.g. low percentage of excess liquidity in the Eurozone suggesting liquidity has remained sufficient or ample and market pricing seems competitive
- Change in the operational framework from a supply driven to a demand driven floor could be viewed as beneficial during the ongoing transition to lower excess liquidity levels
- What is driving the demands for liquidity reserves?
Potential drivers:
 - Regulators & internal requirements
 - LCR, NSFR
 - other prudential regulations
 - intra-day requirements
 - liquidity preferences
 - Increased fragmentation within Eurozone
 - Increased scarcity in collateral
 - Investors
 - Rating agencies
 - Reputation & Stigma

Reserve Demand in Europe

- Excess liquidity continues to decline in absolute terms and as multiple of MRR, albeit at a lower pace in certain countries
- Cash as % of HQLA keeps reducing as reserves fall across all countries
- LCR remained stable though could potentially fall as funding cost raise on a lower reserve environment
- UK market ahead of Europe as decline in reserves already triggering wider repo spreads and growing STR usage.

Reserves as a percentage of HQLA

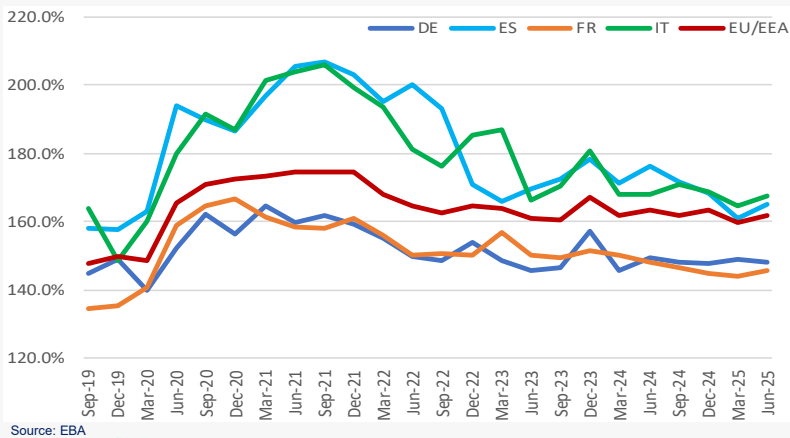


Reserve demand scenarios

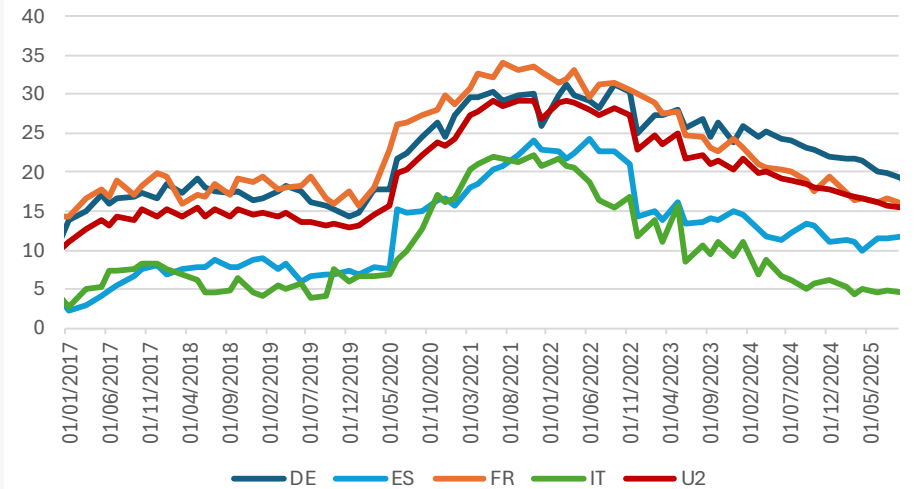
| Scenarios | LCR Target | Reserves/ HQLA |
|-----------|------------|----------------|
| Upper | 150% | 30% |
| Mid | 130% | 25% |
| Lower | 130% | 10% |

Source: Towards a new Eurosystem balance sheet
ECB Money Market Conference – 6th Nov 2025

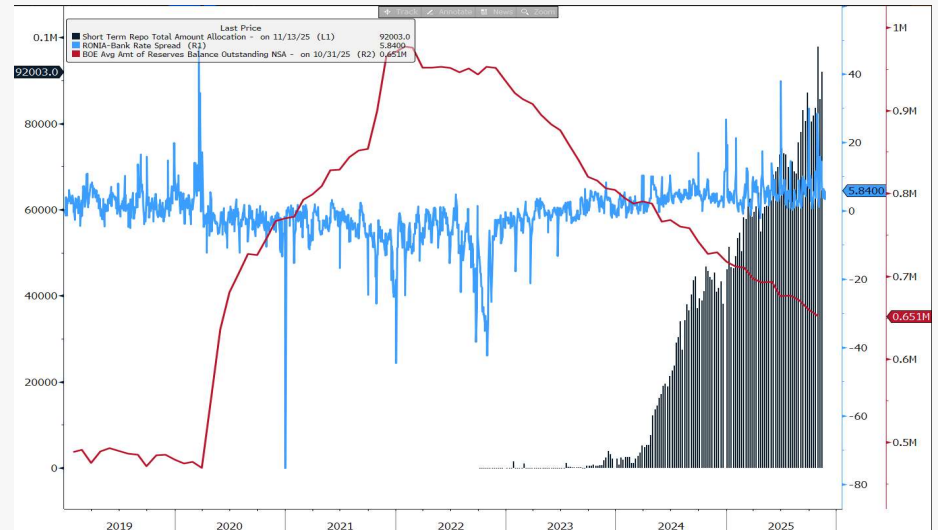
Euro Zone Banks LCR Evolution



Excess liquidity as a multiple of MRR



GBP Repo spreads vs BoE Rate against BoE Reserves and STR usage

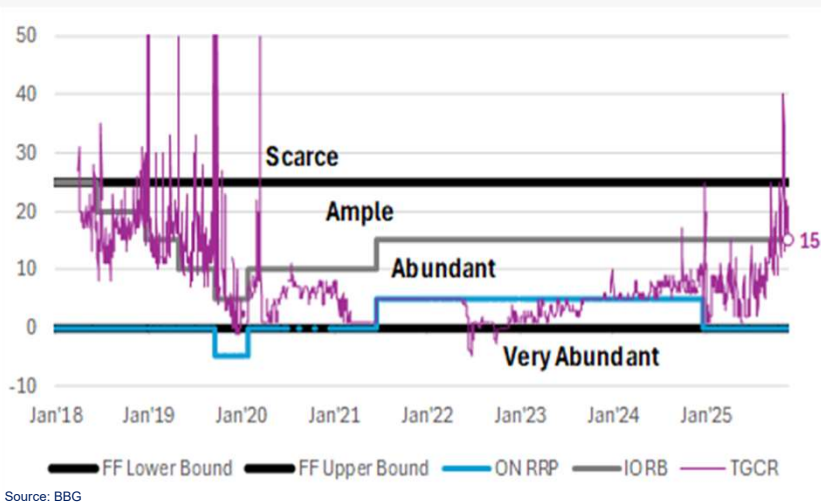


Reserves and repo trends in US

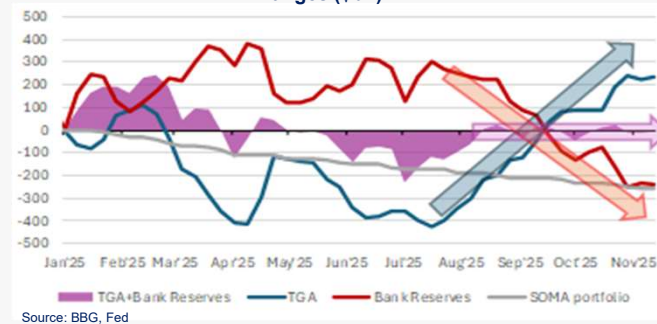
Fed Reserves evolution against TGC Repo volumes and SRF usage



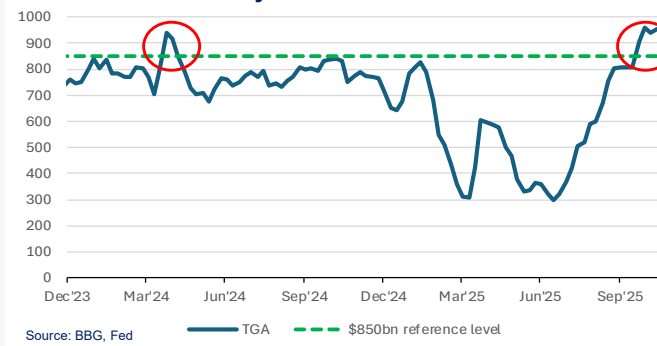
US Repo Spread monitor



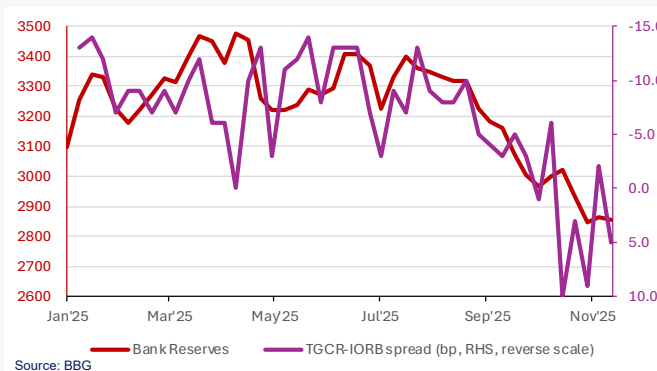
TGA, Fed Reserves & SOMA Portfolio YTD Cumulative Changes (\$bn)



TGA currently above Reference level



Repo spreads amid falling reserves



- Repo market recently started to become elastic to changes in supply and demand of reserves at a level of \$2.9trn, significantly above levels seen in 2019 (even adjusted by GDP growth).
- SRF usage currently limited compared to usage seen in 2019, as repo traded above Upper Bound just a few days.
- Significant pick up in GC Repo volumes (>50% YTD).
- Repo spreads have widened as reserves have declined though trading between IORB and Upper Bound, suggesting reserves still not scarce in US.
- Reduction in reserves in the last quarter triggered by sharp increase in TGA, partially driven by US shutdown.
- YTD reduction in SOMA portfolio largely offset by decrease in usage of ON RRP facility

EUR Funding Markets

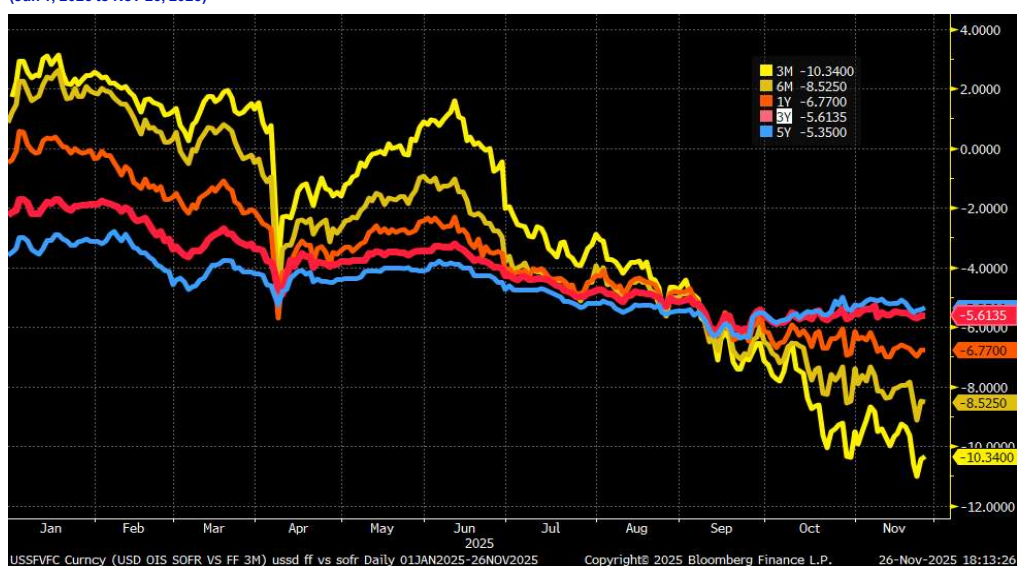
Reserve Demand: USD



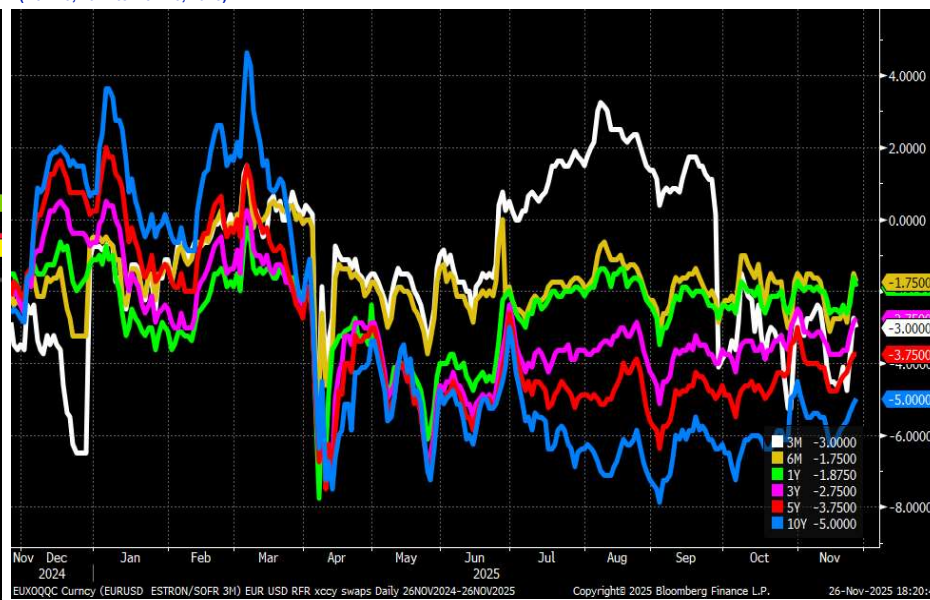
\$ SOFR, Fed Funds (FF), IORB
(Jan 1, 2025 to Nov 26, 2025)



\$ Term FF/SOFR basis
(Jan 1, 2025 to Nov 26, 2025)



€/ \$ XCCY spot basis spreads
(Nov 26, 2024 to Nov 26, 2025)



Source: Bloomberg LLP

- USD funding markets have signaled that bank reserves are no longer “abundant”, with repo rates (GC) traded above the rate paid by the Fed on Bank reserves
- This has had the additive effect of pulling up the Fed Effective Rate, drawing it towards IORB
- In direct response, the Fed has signaled an end to QT effective Dec 1, 2025 and have messaged that they will be active in US Treasury bill purchases by re-investing maturing MBS proceeds
- €/ \$ XCCY spot basis swap spreads do trade in a relatively tight range, affected by Issuance flow activities, no material outbreaks and outliers so far going into year end 2025 (spot spreads currently lead and affect forward spreads)
- \$ term FF/SOFR basis spreads especially in the short end have widened quite a bit since Sep 2025
- EUR funding markets do not yet seem to be affected by any spillover from the USD markets → close monitoring is recommended

2025 Year-End Funding

Any tensions?



- Liquidity conditions in the EUR funding markets despite ongoing QT by the ECB do currently indicate limited to no stress going into year-end 2025
- EUR Repo markets over year-end do show signs of potentially lower availability of balance sheet
- Volatility in €STR fixings at QE has reduced over the last few QEs
- USD ME and YE effects in \$ repo markets possible
- €/ \$ FX and XCCY markets going into year-end are relatively stable but market participants should continue to be vigilant and monitor any signs of spikes
- Meeting regulatory and internal requirements around financial resources could result in increased volatility and spikes in FX and IR markets on short notice



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