ALM Treasury

MAIN DEVELOPMENTS IN MONEY MARKETS

ECB MMCG - JUNE 2026

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The bank for a changing world

IRAN WAR, 3 MONTHS AFTER

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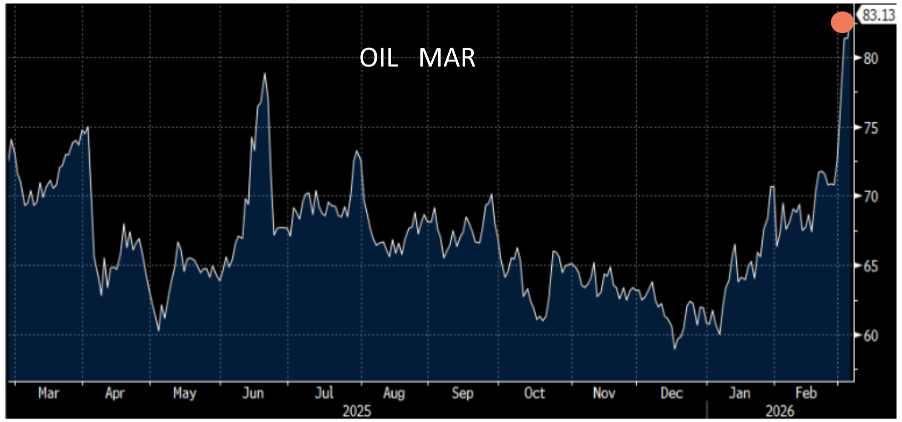
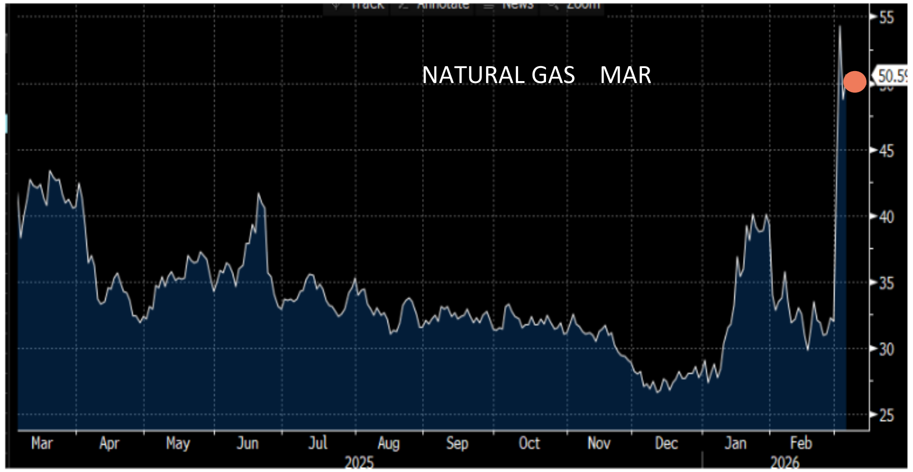
05 March

Oil spike significant

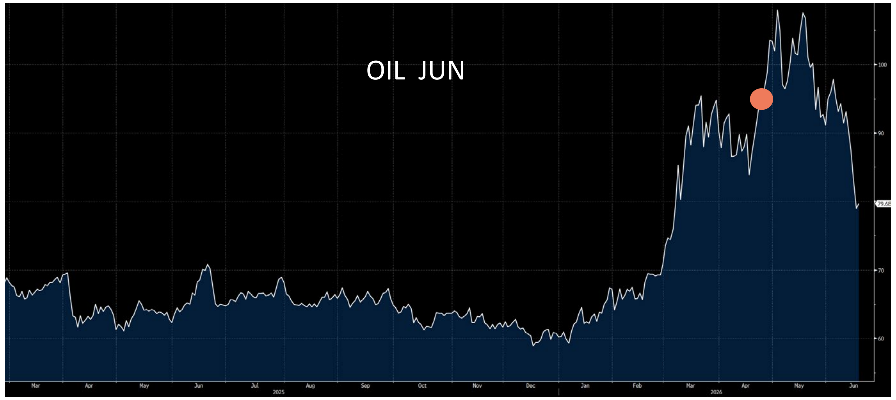


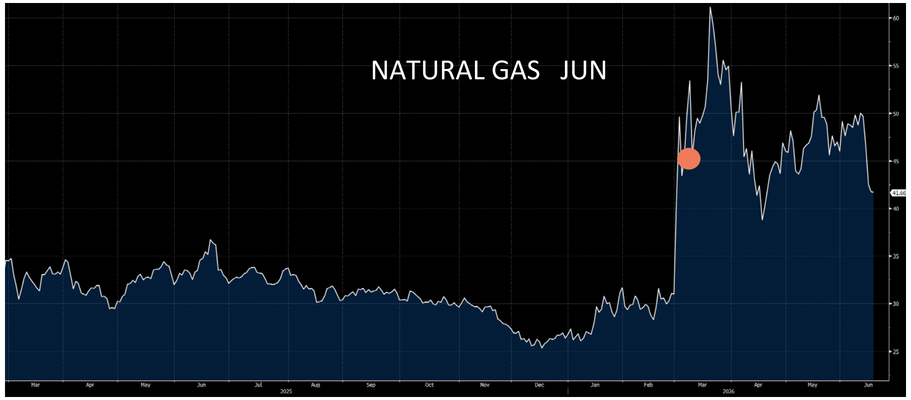
Source: Bloomberg LLP

Huge spike in natural gas



17 June





- One way uptrend from early March to...
- ...worrying topside on oil and gas prices in May.
- June brings hope for a diplomatic issue.
- Agreement is signed, details must be discussed now.
- 50% retracement from the pre-war to highest level upside move.

Source: Bloomberg

IRAN WAR, 3 MONTHS AFTER

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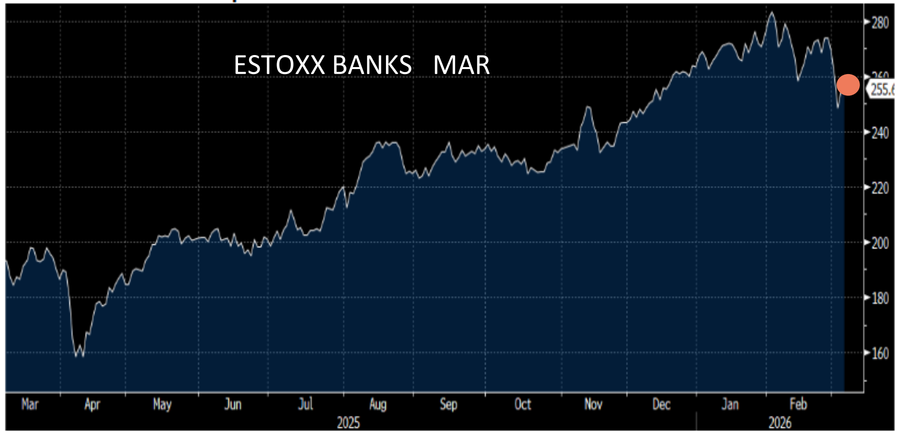
05 March

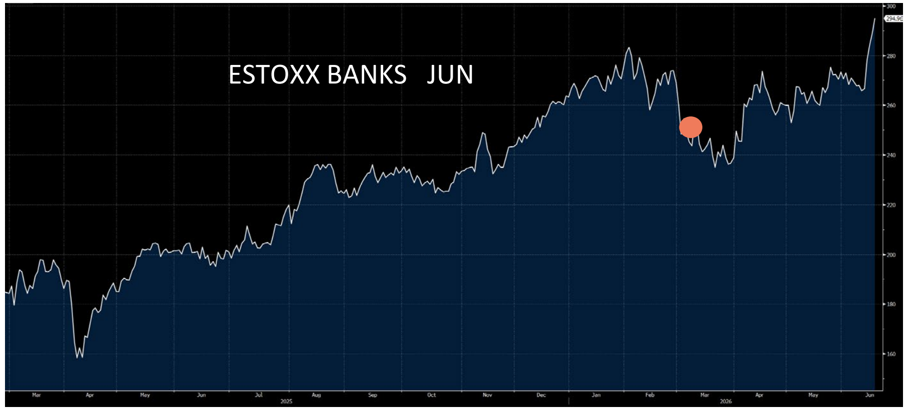
Euro Stoxx Banks. Share prices negatively impacted, but modest moves reflect limited Middle East exposures



Source: Bloomberg LLP

Move in VIX elevated but less so than Trumps Tariff announcement (April 25)

17 June



- Weeks after weeks, President Trump's announcements have less and less impact on risky assets volatility and valuation.
- 4th of July's celebrations and US mid-terms are new milestones that require softening of the geopolitical environment, seen from the White House.
- Markets move back to fundamentals.

Source: Bloomberg

ECB PRICING: FROM COMMODITY TRADER TO INFLATION FORECASTER

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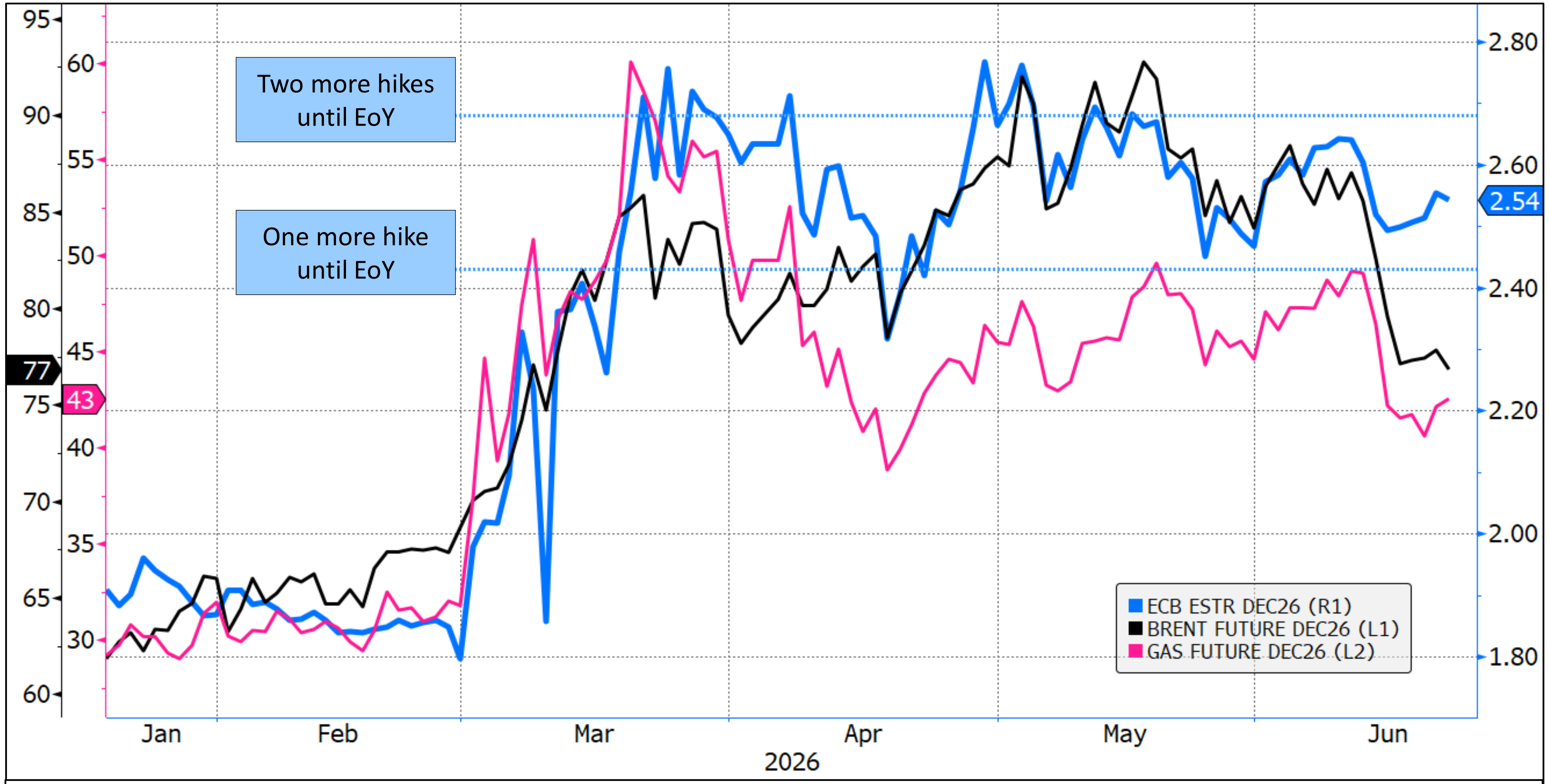

As of 22nd of June, 1 pm *Source: Bloomberg*

- The reopening of the Strait of Hormuz is a positive news.
- Focus on oil and gas prices will decrease, somehow.
- Intensity and length of the inflationiary episode is now the key factor.
- Transmission to core inflation takes time, intensity and persistance are to be discovered.

NOT SO EASY FOR THE CENTRAL BANK...AGAIN

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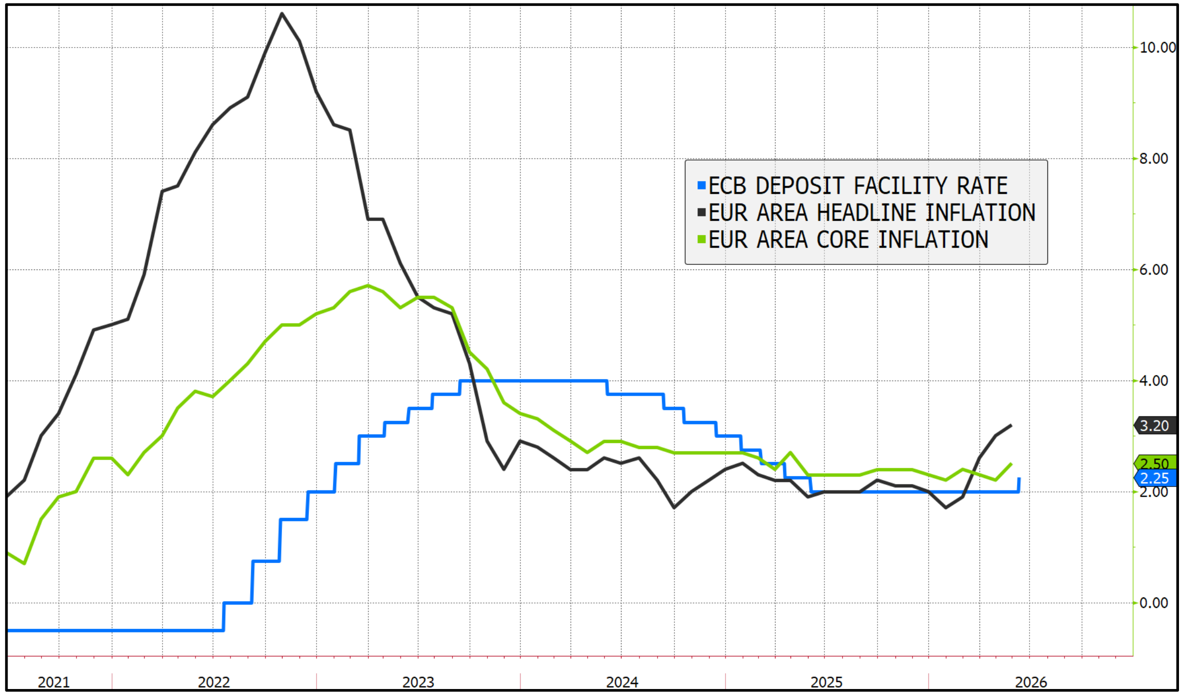

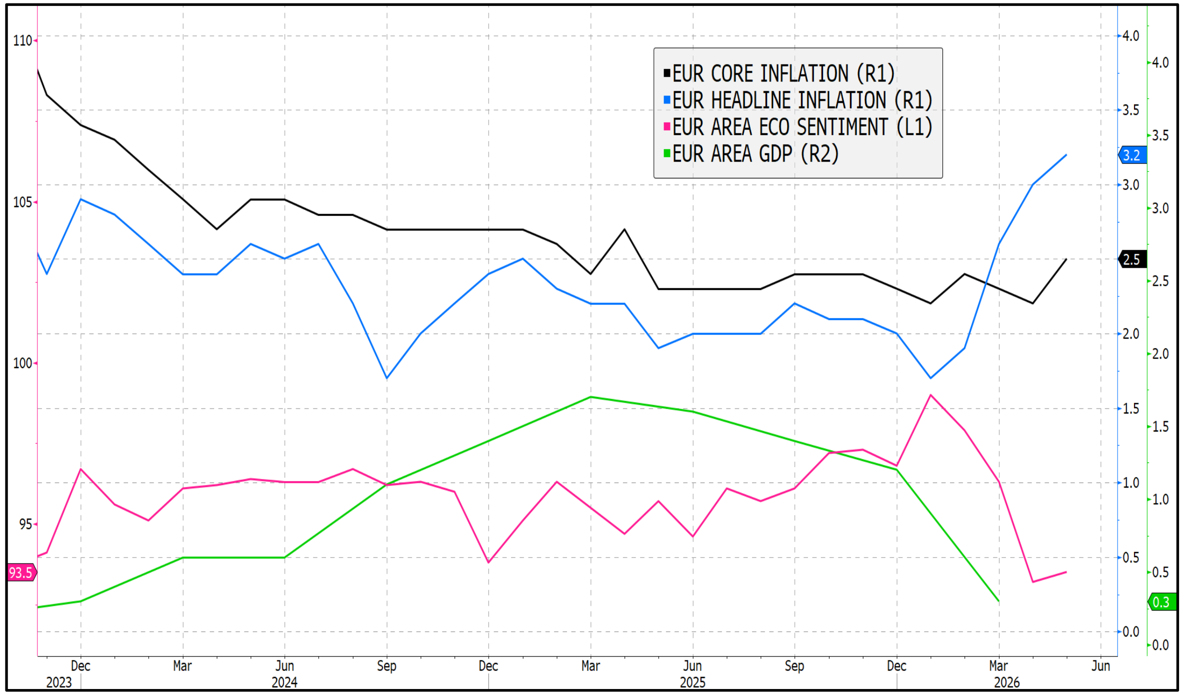

- The current episode is widely compared to that of 2022, but the circumstances are very different, specifically the starting point.

- ECB has evidences to support the rate hikes, arguments to contemplate rate cuts.
- ECB's single mandate is not facilitating the direct communication if stagflation materializes. It requires further pedagogy and explanation.

ACCESS TO LIQUIDITY IS FINE, REPRICING ON ITS WAY

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- No sign of stress from the EUR-USD cross-currency market.
- Comparison with the recent episodes of stress is striking, on the positive side

- EUR short term funding markets are slowly repricing, in a very soft way.
- Medium-Long Term issuance's spreads remain on the low end of the range.

REPO MARKETS ARE ALSO REPRICING, ALBEIT VERY SLOWLY

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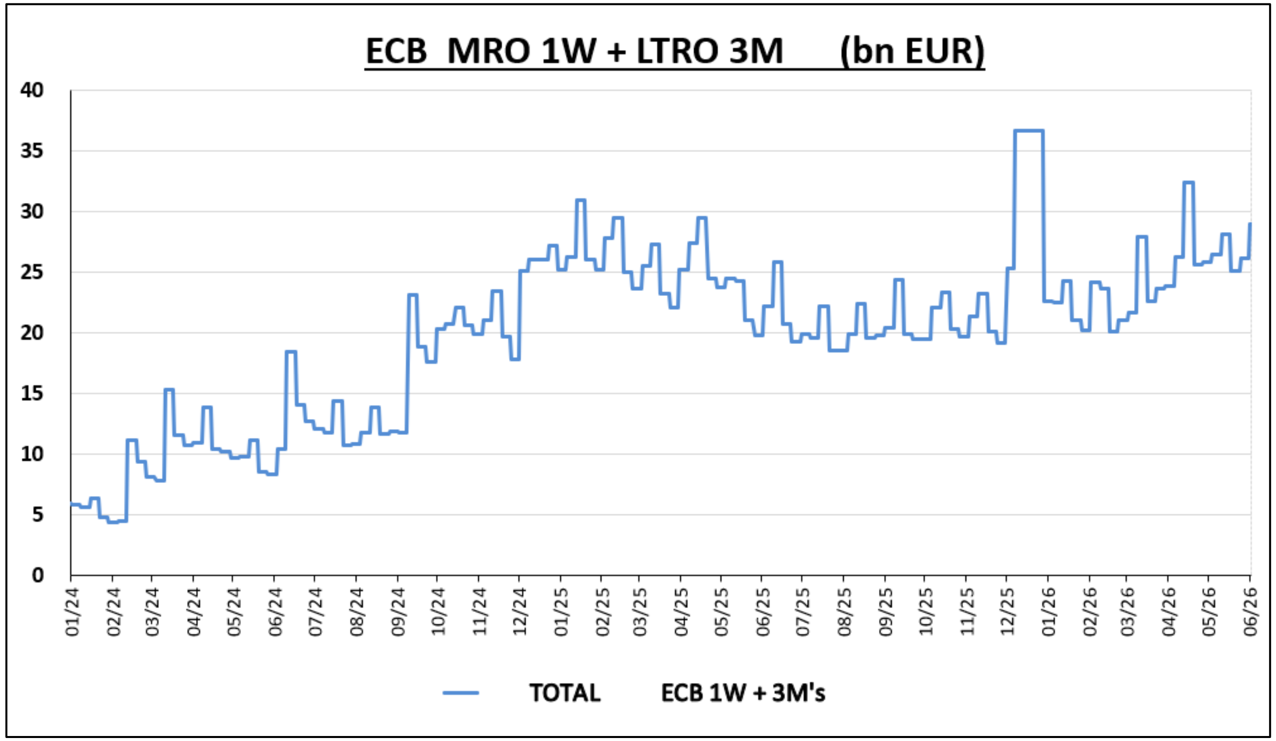

- Repo markets shifting on the upside, GC trading around/above DFR.
- EUR GC Basket/Non HQLA reaching ESTR +20/+22 on term tenors.
- Combined utilization of the 1W MRO and 3M LTRO is looking to the upside, from >20 bn to >25bn.
- The end of the « economic stigma brake » may be reached by the end of 2026.
- Wait for 2027 to observe a visible take-off in the recourse to the ECB facilities.

ECB EXCESS LIQUIDITY: NORMALIZATION

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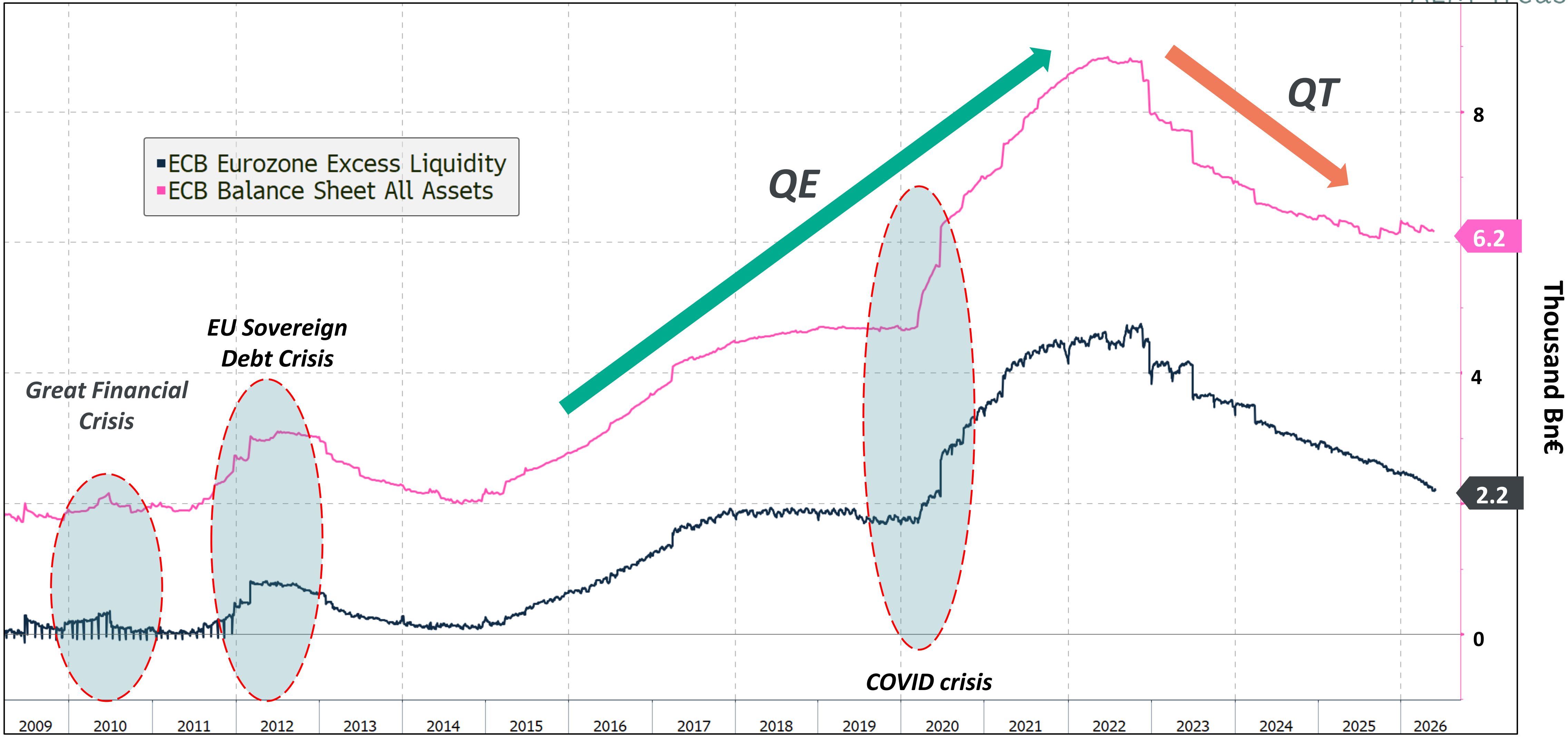

Figures as of 9th June 2026.

EUROSYSTEM EXCESS RESERVES: THE LANDING PATH IS KEY I

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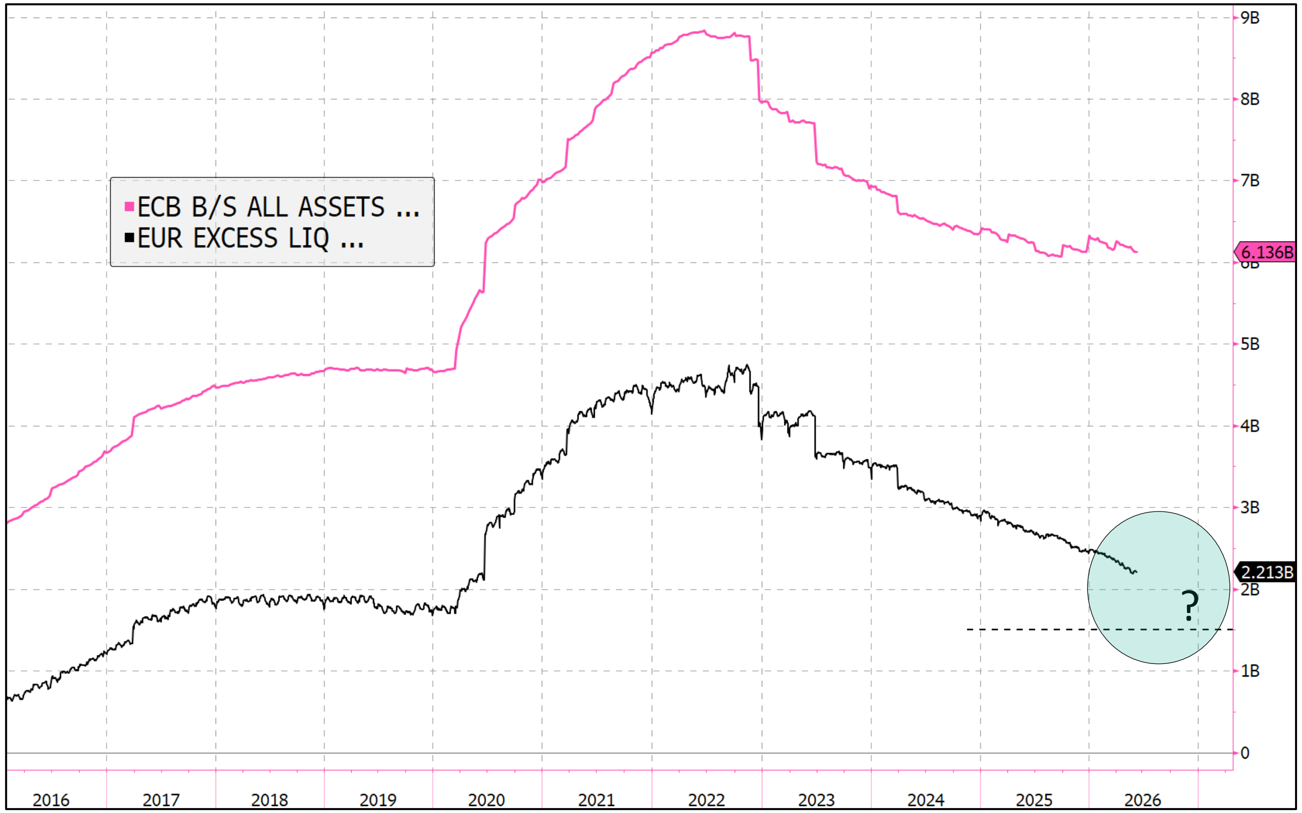

- QT means the amount of Central Bank excess reserves is shrinking.
- The necessary minimum amount of Central Bank reserves is unknown, even if assumptions point towards the 1.4 – 1.8 € tr range.
- Eurozone banks will undoubtedly play a major role in the transition between the supply-driven framework and the demand-driven system.
- The smoother the transition will happen, the more efficient it will be.

EUROSYSTEM EXCESS RESERVES: THE LANDING PATH IS KEY II

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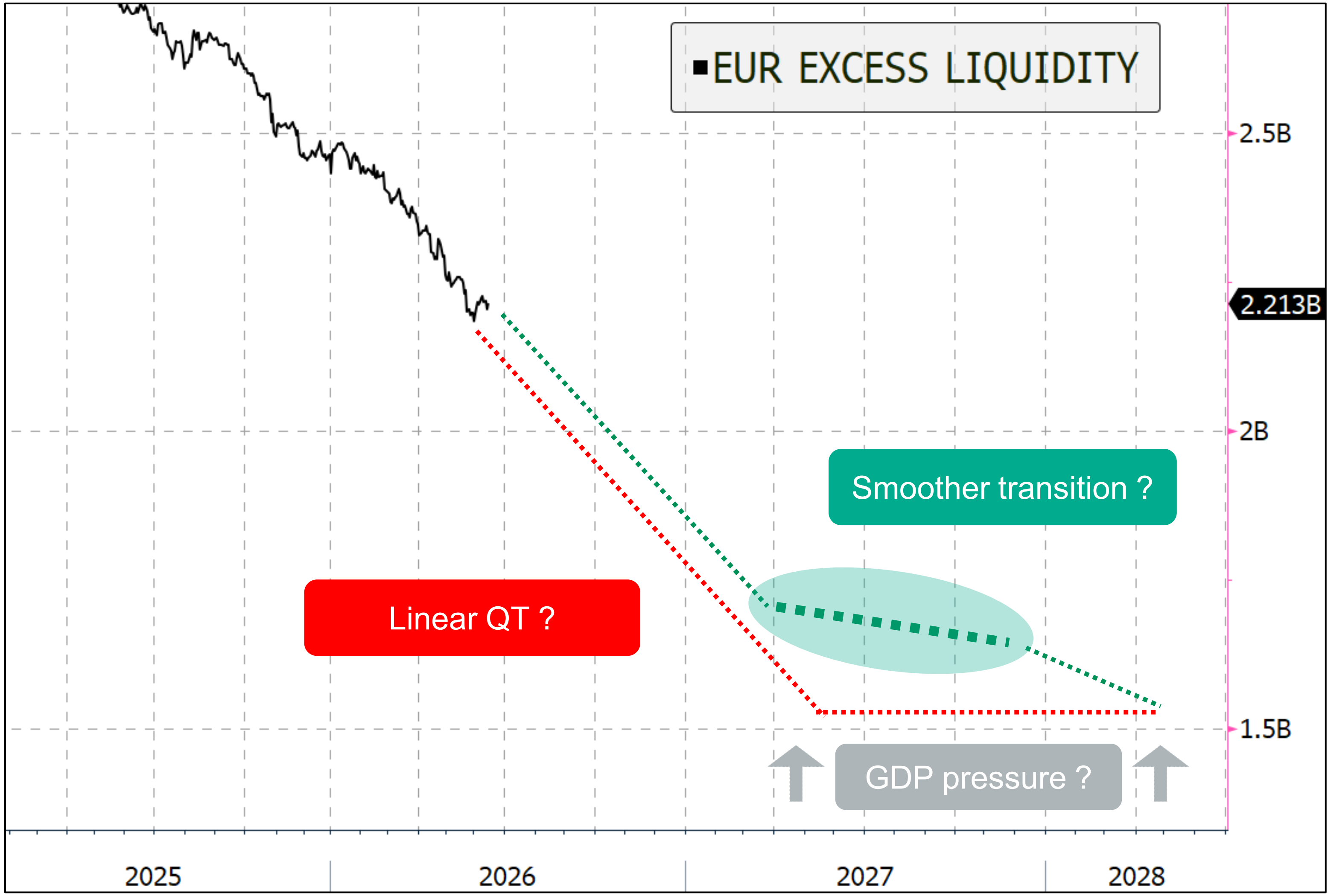

- The transition to the demand-driven system may prove to be non-linear as banks have different liquidity management frameworks.
- The differences include the LCR level, the % of cash in the HQLA buffers, the appetite or reluctance to use the facilities, etc...
- At the time the system reaches the bottom in terms of excess reserves, banks will replace QT with recourse to the standing facilities.
- The intensity of the QT could be the right parameter for ECB to ensure a smooth transition. Open question?

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