Recent developments in the euro money market

Money Market Contact Group
Frankfurt, 18 May 2010
1) Stock market prices and implied volatilities

Overall financial market background
Overall financial market background

II) Credit market development
EURIBOR - OIS spreads for different maturities

![Graph showing EURIBOR-OIS spreads for different maturities from June 2007 to March 2010. The x-axis represents time, with markers for June 2007, September 2007, December 2007, March 2008, June 2008, September 2008, December 2008, March 2009, June 2009, September 2009, December 2009, and March 2010. The y-axis represents the spread in basis points (bps). The graph shows the spread for 1m, 3m, 6m, and 12m maturities, with different colors for each maturity. The spread is notable around December 2008.]
Forward 3-month EURIBOR - OIS spreads
Development of the Euribor futures curve
Development of selected Euribor calendar spreads

![Graph showing the development of selected Euribor calendar spreads, with dates from 17/08/09 to 03/05/10 and spreads ranging from 0.00 to 1.50. Graph lines represent Jun 11-Jun 10 and Sep 11-Sep 10.]
Number of participating banks in MROs and LTROs
Maturity breakdown of the ECB’s liquidity providing operations
Use of the ECB’s deposit facility
ECB rates and Eonia developments
Covered Bond Purchase Programme

- Evolution of Eurosystem purchases

Covered Bond Purchase Programme

- Covered bond spreads in selected countries (in bps)
Covered Bond Purchase Programme

- New issuance volume of jumbo covered bonds [EUR bn]

Source: own calculations based on Dealogic
Note: “Other” includes public-, mortgage- and other asset-backed jumbo covered bonds
Eligible collateral by asset type

- non-marketable assets
- other marketable assets
- asset-backed securities
- corporate bonds
- covered bank bonds
- uncovered bank bonds
- regional government securities
- central government securities
Collateral put forward to ECB vs. outstanding credit

- Total collateral put forward
- of which: Outstanding credit
- Peak outstanding credit

Graph showing the comparison between total collateral put forward and outstanding credit from 2004 to 2009.
Collateral put forward by asset type

[Diagram showing the percentage distribution of collateral by asset type for each year from 2004 to 2009. The asset types include non-marketable assets, other marketable assets, asset-backed securities, corporate bonds, covered bank bonds, uncovered bank bonds, regional government securities, and central government securities.]
ECB Announcements

4 March 2010
• Fixed rate / full allotment for all MROs / MPOs until 12 October
• Return to variable rate procedure in 3m LTROs
• The rate of the last 6-month operation will be fixed at the average minimum bid rate of the MROs over its lifetime.
• 6-day FTO at the maturity of the first 1-year LTRO

25 March 2010
• ECB will keep minimum credit rating threshold in the collateral framework at BBB- beyond the end of 2010
ECB Announcements

3 May 2010

• Suspension of minimum credit rating for Greek government bonds

10 May 2010

• Return to fixed rate / full allotment in next two 3m LTROs
• Additional 6m LTRO with full allotment at average MRO rate
• Re-introduction of USD providing operations
• Announcement of Securities Markets Programme

  o interventions in the euro area public and private debt securities markets
  o ensure depth and liquidity in those market segments which are dysfunctional
  o restore an appropriate monetary policy transmission mechanism
  o scope of the interventions will be determined by the Governing Council
  o specific operations will be conducted to re-absorb the liquidity injected through the SMP to ensure that monetary policy stance will not be affected
Potential issues for discussion

• What is the assessment of the market reactions to the ECB’s latest announcements?

• How do you interpret the results of the latest 6m LTRO and of the USD auctions?

• What are the expectations for the demand in the 3-month LTRO in late June?

• How is the overall assessment of the liquidity in the euro money market?