Recent developments in the euro money market

Money Market Contact Group
Frankfurt, 1 September 2009
Overall financial market background

1) Stock market development

![Stock market development chart]

1 June 2007 = 100

EuroStoxx
S&P500

Jun-07 Sep-07 Dec-07 Mar-08 Jun-08 Sep-08 Dec-08 Mar-09 Jun-09

35 45 55 65 75 85 95 105
Overall financial market background

II) Development of implied stock market volatility

[Graph showing the development of VSTOXX and VIX from June 2007 to June 2009]
Overall financial market background

III) Credit market development

[Graph showing the development of iTraxx Europe and iTraxx senior financials from April 2007 to July 2009 with peaks and troughs indicating market volatility.]
Number of participating banks in MROs and LTROs
Maturity breakdown of the ECB’s liquidity providing operations
Use of the ECB’s deposit facility
Banks’ current account holdings with the ECB

Note: Length of MP normalised to 20 days.
ECB rates and Eonia developments
Relationship between EONIA and use of the deposit facility

Source: ECB, Dresdner Kleinwort Research
Eonia volumes [since Jan 2007]
Euribor fixings vs MRO rate

1-month Euribor - MRO rate spread (bps)

3-month Euribor - MRO rate spread (bps)
EURIBOR - OIS spreads for different maturities
Forward 3-month EURIBOR - OIS spreads
ECB announcements of 25 June 2009

• Continuation of USD liquidity providing operations with 7-day and 84-day maturities until 30 September / discontinuation of 28-day operations

• Continuation of 1-week CHF liquidity providing operations at least until the end of October
Results of the Eurosystem’s USD providing operations

**7-day operations**

**28-day operations**

**84-day operations**
Results of the Eurosystem’s 1-week CHF providing operations
Potential issues for discussion

• How do members assess the overall functioning of the EUR money market after the large allotment in the first 1-year LTRO?

• What are the expectations for the next 1-year LTRO?

• How do members assess the discontinuation of the 28-day USD operations? Do they see scope for a further reduction of the liquidity provision in foreign currencies?