Recent key financial market developments

Operations Managers Group
Frankfurt, 15 November 2011
Equity market developments: sharp correction over summer followed by a mild recovery

Major Stock Indices – recovery called into question?

Implied volatilities remain elevated

Source: Bloomberg
FX market developments

EUR/USD and IMM positioning

USD/JPY exchange rate

Source: CFTC; Bloomberg

Source: Bloomberg
Selected 10-year govt bond yields and spreads

Government bond yields – divergence

Source: Bloomberg
Deterioration in the broader sentiment towards bank risk

EuroStoxx Banks sub-index vs. overall index

Indexed: 1 Jan 2010 = 100

iTraxx Senior Financials vs. iTraxx Sovereign

Source: Bloomberg
USD funding situation

USD Libor fixings creep higher

EUR/USD FX swap premia surge
EURIBOR - OIS spreads

Spiking higher on the back of significantly lower OIS rates
Development of the Euribor futures curve
Excess liquidity developments

Source: ECB
ECB developments and announcements

29 June 2011
Extension of the swap line with the Fed until 1 Aug 2012 – continuation of the 1-week USD providing operations.

7 July 2011
Rate hike by 25 bps for all three policy rate bringing the MRO rate to 1.50%. Suspension of the minimum credit rating threshold for marketable debt instruments issued or guaranteed by the Portuguese government.

4 August 2011
Announcement of another 6-month operation and commitment of fixed rate full allotment procedures beyond year-end.

7 August 2011
Statement on the active implementation of the SMP.

15 September 2011
Announcement of three –month operations in USD (in addition to one-week operations).

6 October 2011
Fixed-rate full allotment for EUR liquidity providing operations at least until July 2012
Announcement of two liquidity providing operations of approx. 12 months
Announcement of EUR 40 bn new covered bond purchase programme.

3 November 2011
Rate cut by 25 bps to 1.25% for the MRO and announcement of the details of the new covered bond purchase programme.
Summary

• Tensions increased in relation to the euro area sovereign debt crisis

• Areas of focus/concern: government debt, economic growth, bank recapitalisation

• G20