



EUROPEAN CENTRAL BANK

EUROSYSTEM

**Benoît Cœuré**

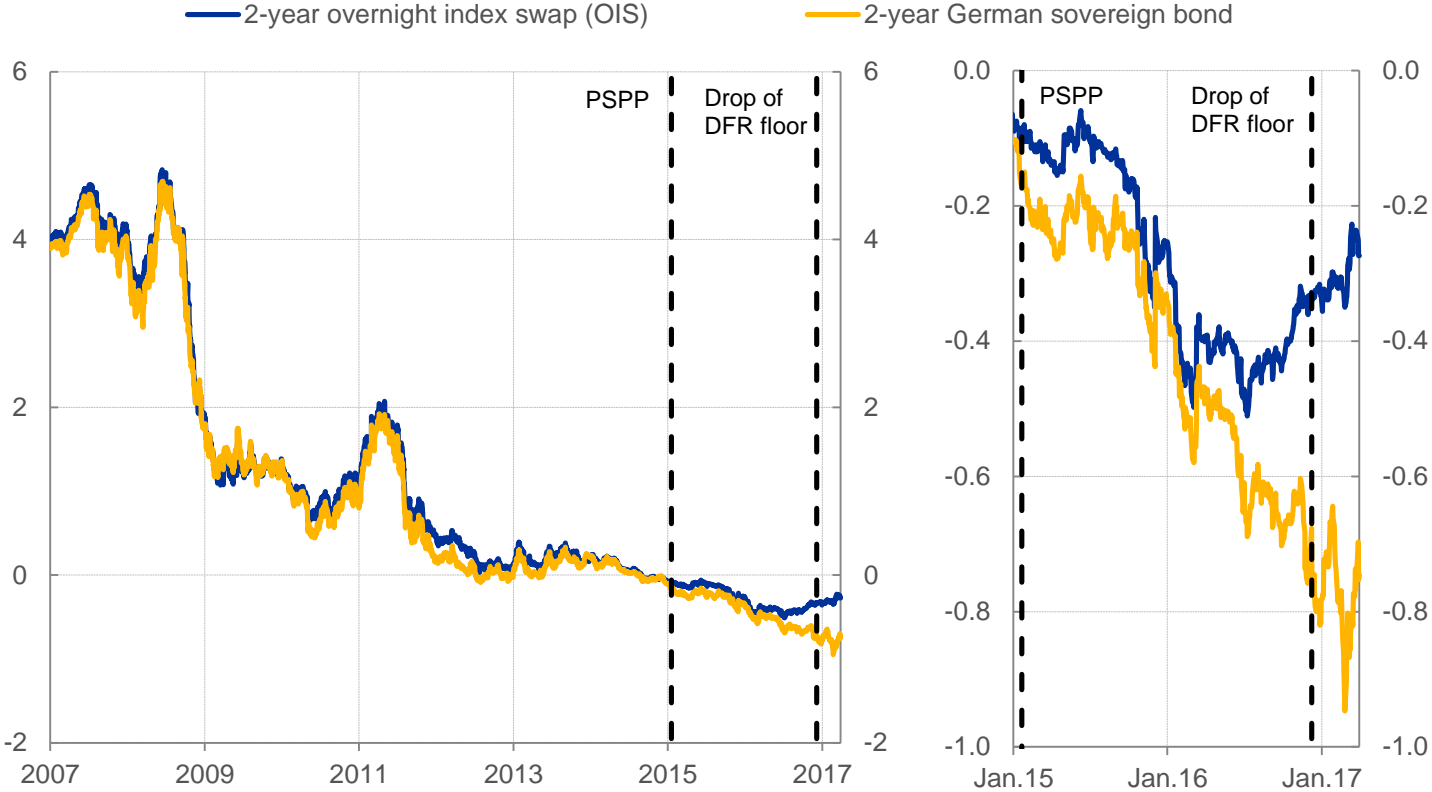
Member of the Executive Board  
European Central Bank

# **Bond scarcity and the ECB's asset purchase programme**

Paris, 3 April 2017

# German short-term bond yields have reached lows and diverged from OIS

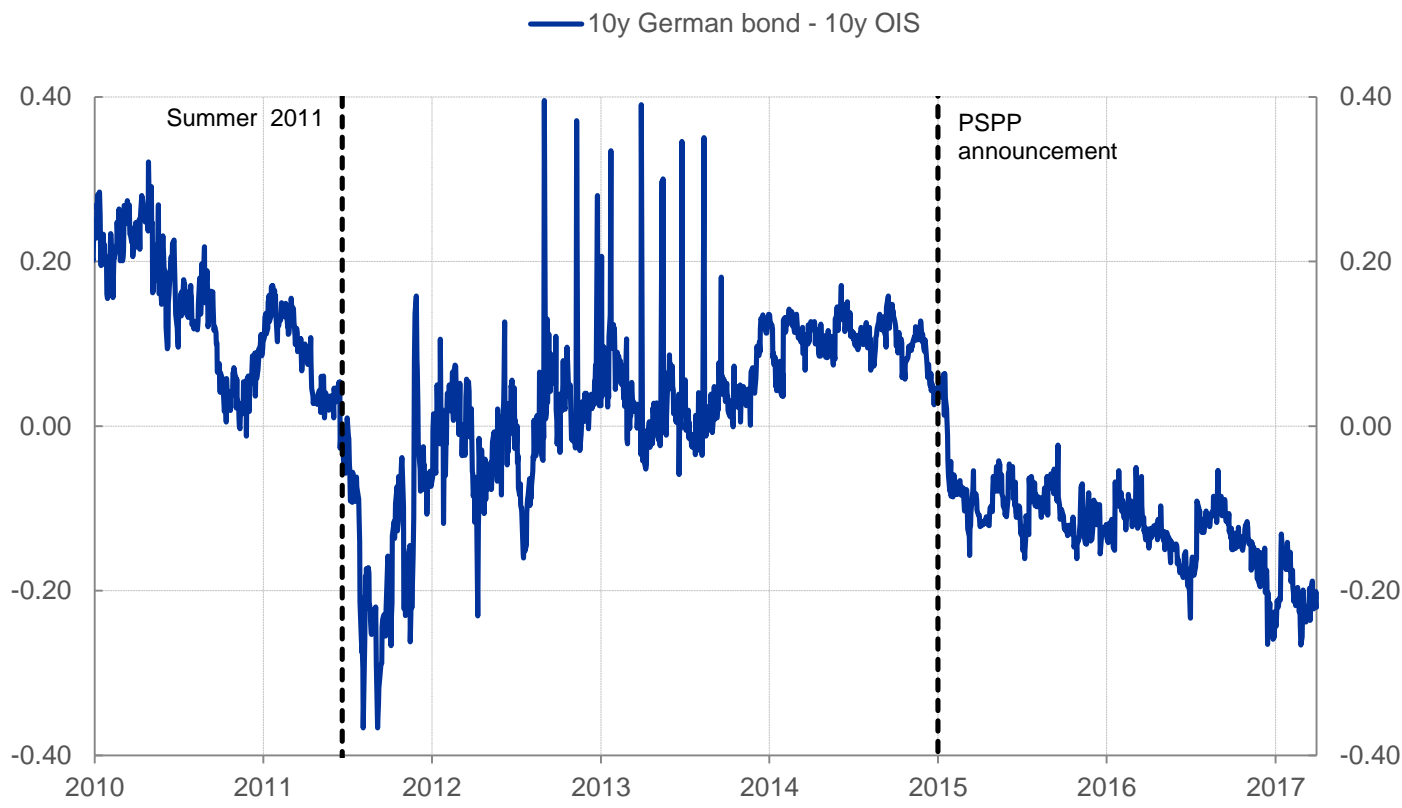
## 2-year German bond yields and 2-year overnight index swaps (OIS) (percentage per annum)



Source: Bloomberg, Reuters.  
Latest observation: 30 March 2017.

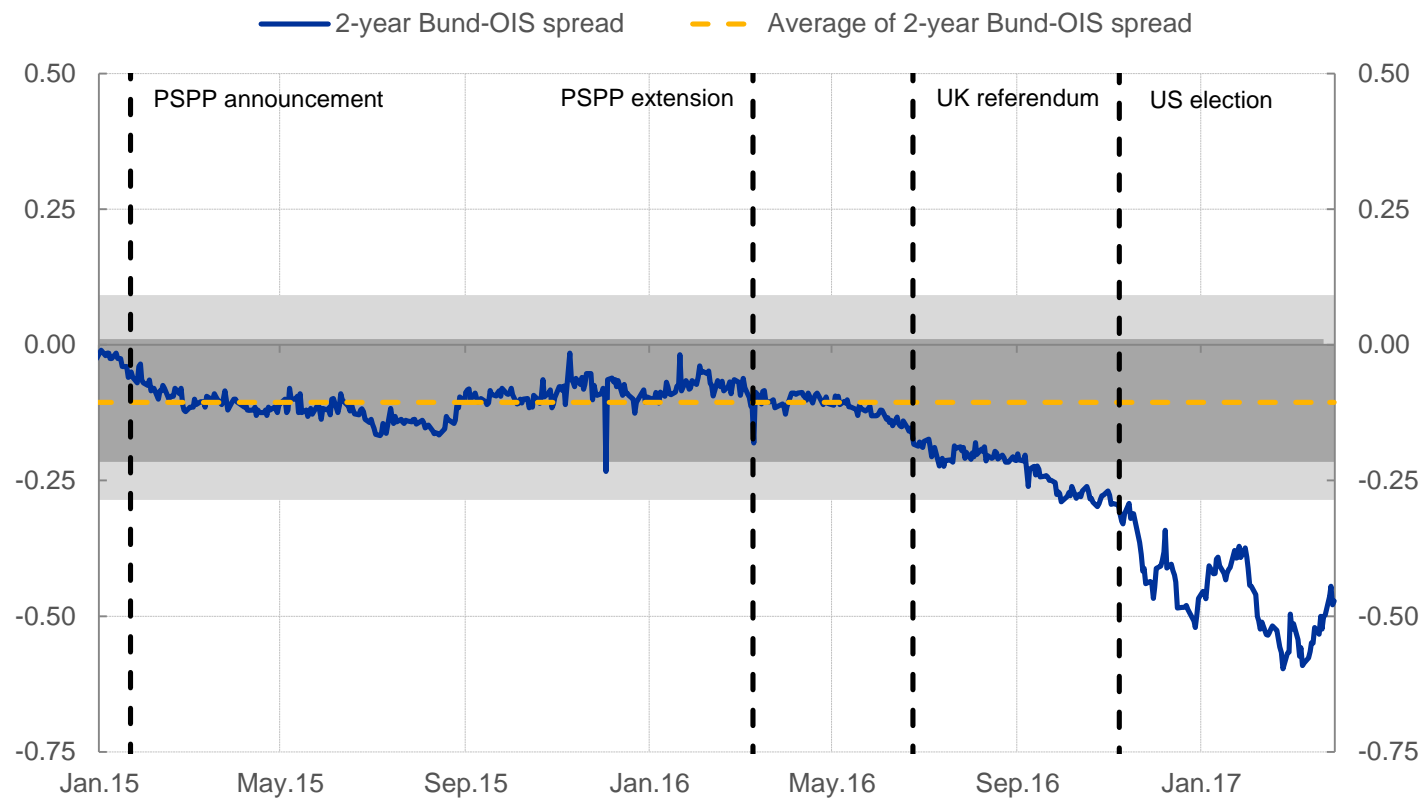
# Long-term German bond-OIS spread has been relatively stable

## Spread between 10-year German bond yields and 10-year overnight index swaps (OIS) (percentage per annum)



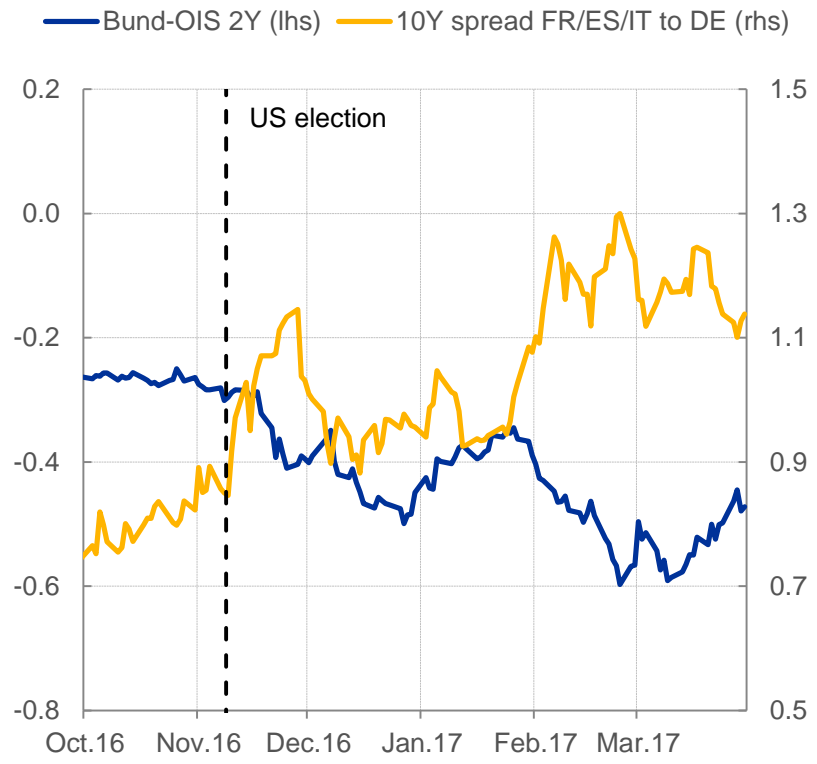
Source: Bloomberg, Reuters.  
Latest observation: 30 March 2017.

## Spread of German 2-year bonds to 2-year OIS (percentage points)



Source: Bloomberg, Reuters, ECB computations.  
Notes: The average spread and the grey areas are calculated using data since January 2007. Since 2007, 75% of observations are located within the dark grey area and 90% of observations are located within the light grey area.  
Last observation: 30 March 2017.

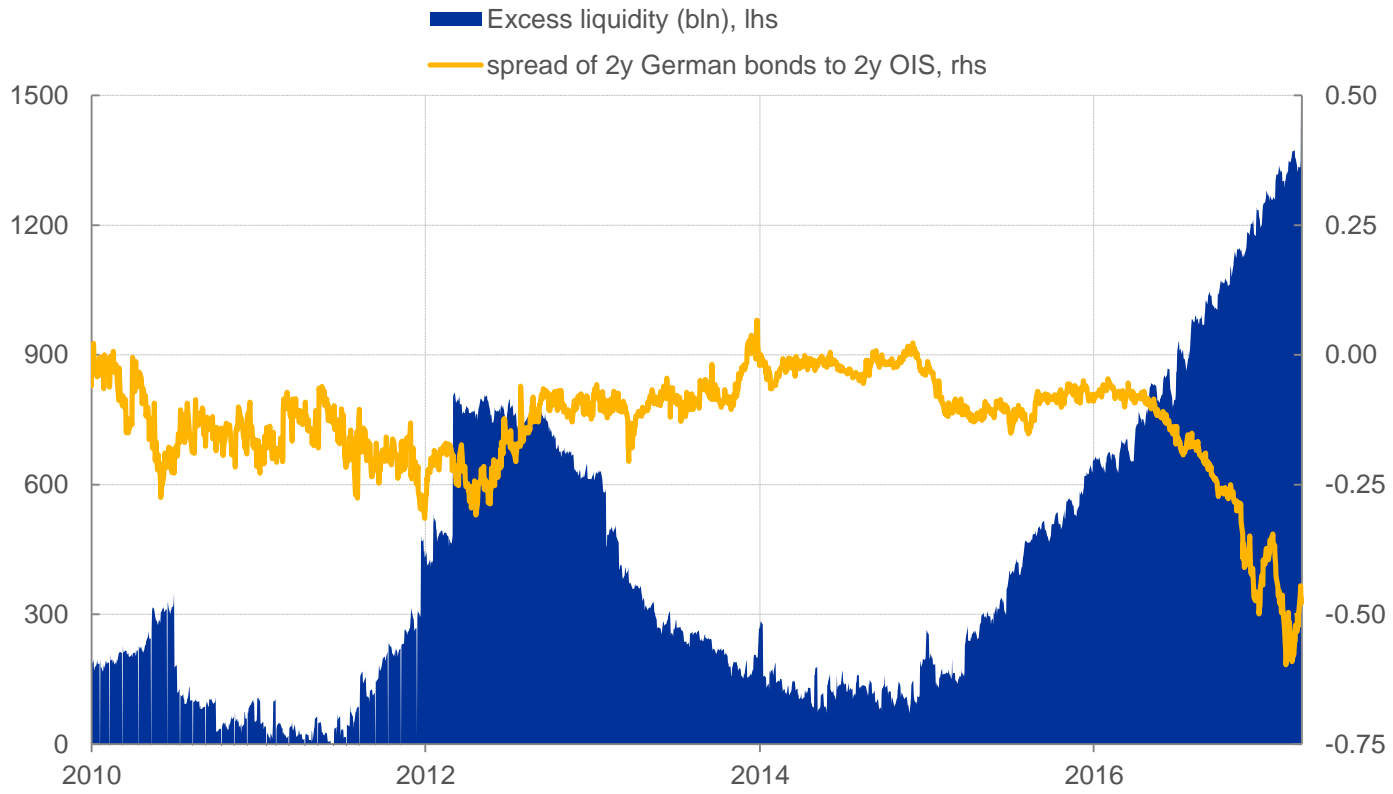
## 2-year German bund-OIS spread and 10-year French, Italian, Spanish - German bond spread (percentage points)



Source: Bloomberg, Reuters.  
Notes: The composite yield on French, Italian and Spanish bonds is calculated as the weighted-average of country yields using 2015 GDP figures as weights.  
Latest observation: 30 March 2017.

# ECB measures have created a large amount of excess liquidity

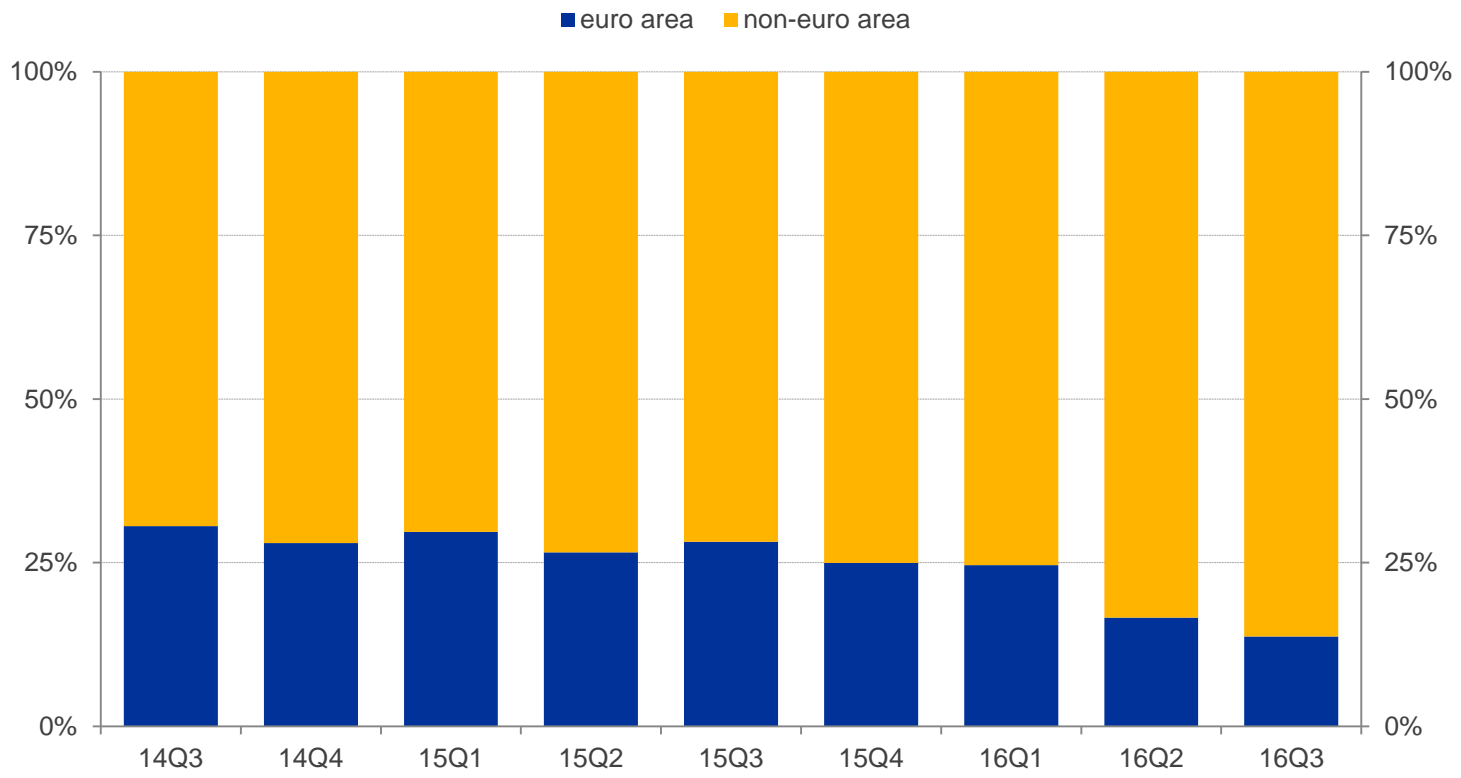
## Excess liquidity and the spread between 2-year German bonds and 2-year OIS (€ bn, lhs; percentage points rhs)



Source: Bloomberg, Reuters.  
Latest observation: 30 March 2017.

# Non-euro area investors hold significant share of short-term Bunds

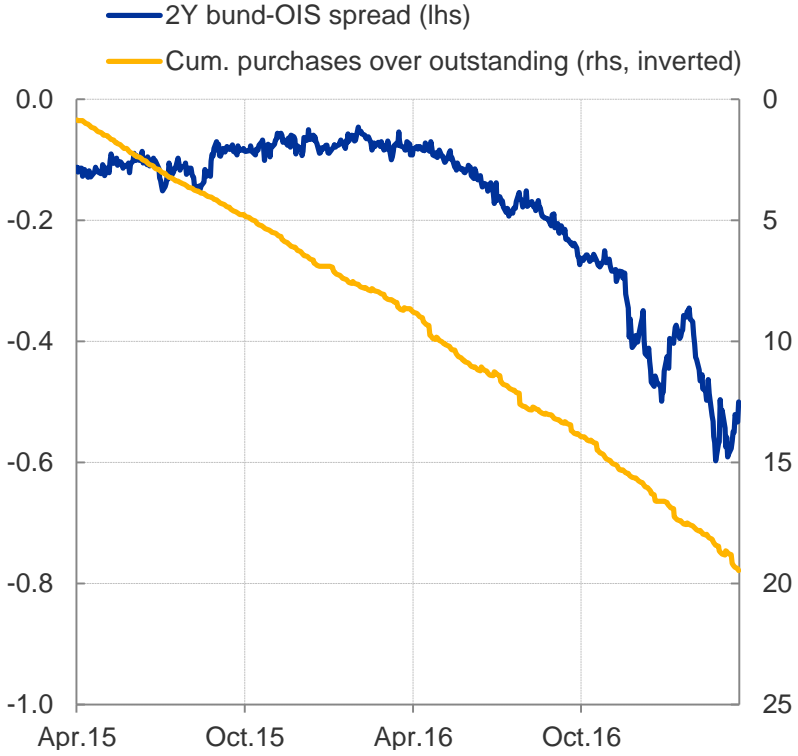
**Holdings of German government debt with original maturity of up to 2 years by euro area (EA) and non-euro area investors (non EA)**  
(percent)



Source: ECB Securities Holdings Statistics Sector data and Eurosystem.  
Latest observation: Q3 2016.

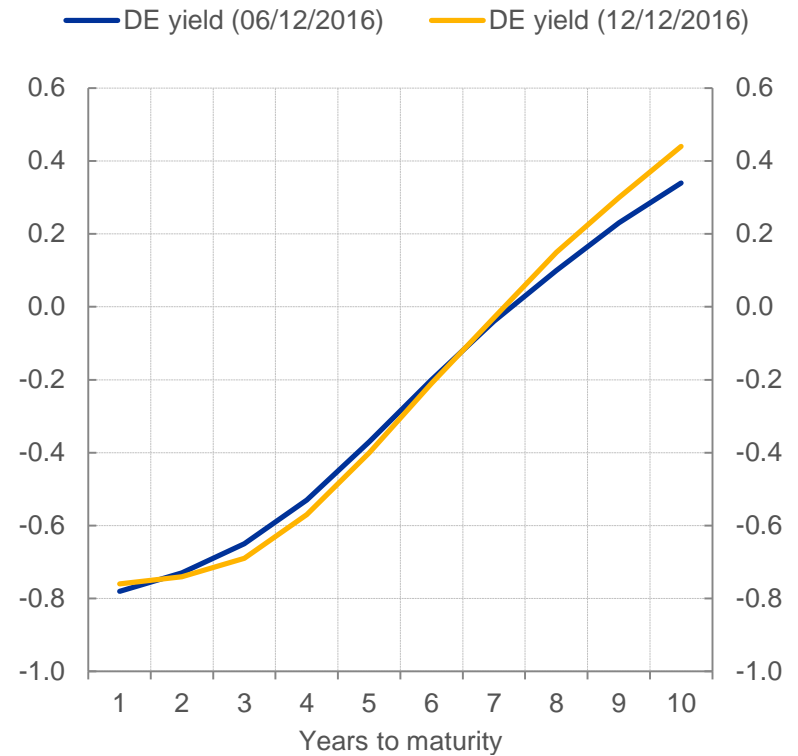
# Evidence of direct effects from PSPP purchases on the spread is scant

**German 2-year bond-OIS spread and purchases of German bonds as a share of outstanding**  
 (percent per annum, %)



Source: Bloomberg, Reuters, ECB.  
 Latest observation: 21 March 2017.

**German sovereign bond yield curve**  
 (percent per annum)



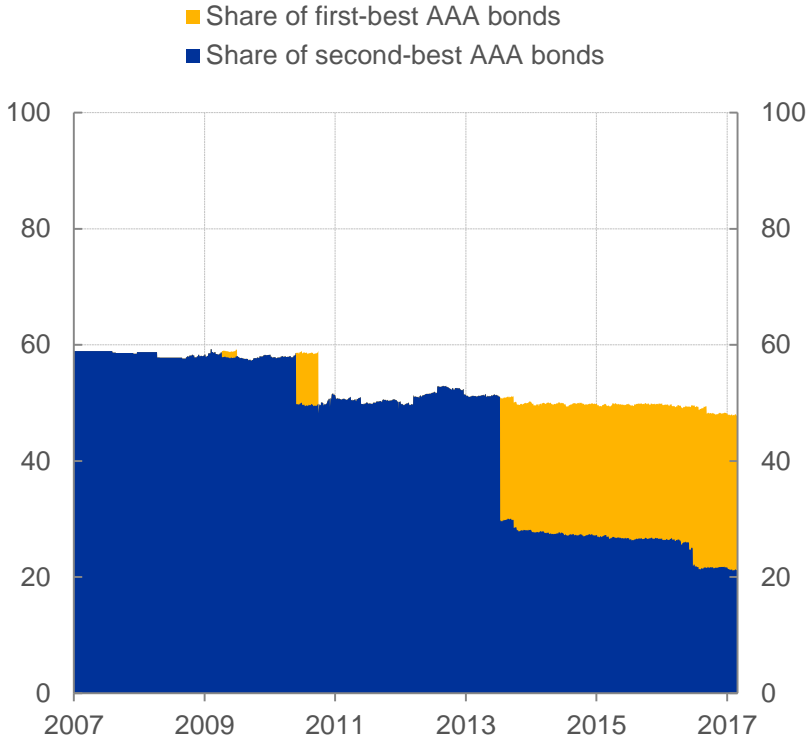
Source: Bundesbank.  
 Latest observation: 12 Dec 2016.



# Less safe bonds available, also in relation to economic size

## Share of euro area sovereign bonds with AAA-rating

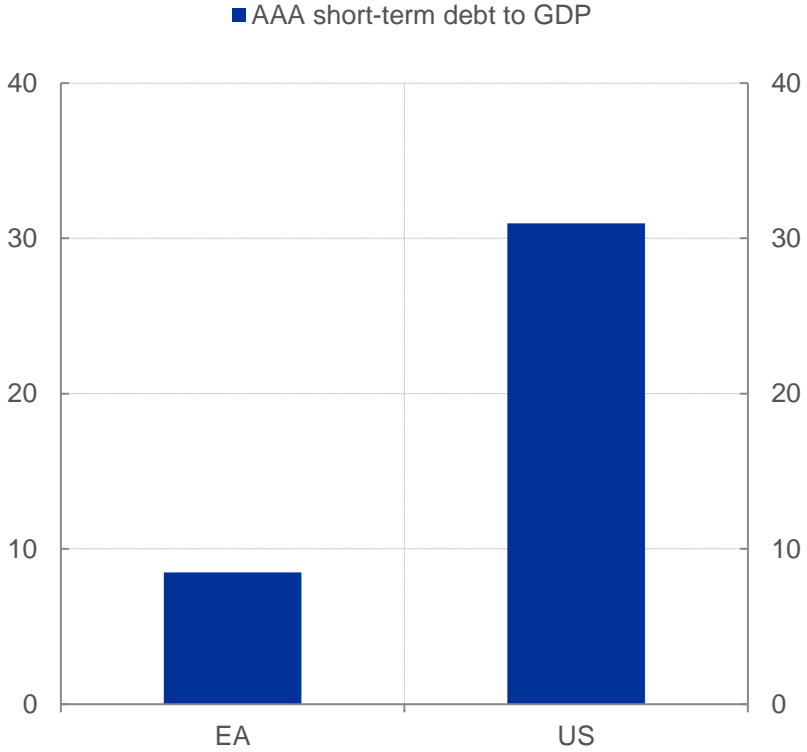
(%)



Source: ECB.  
 Notes: Ratings based on Moody's, Fitch, Standard & Poor's and DBRS. A bond is first-best (second-best) AAA if at least one (two) of its ratings is (are) AAA.  
 Last observation: 28 February 2017.

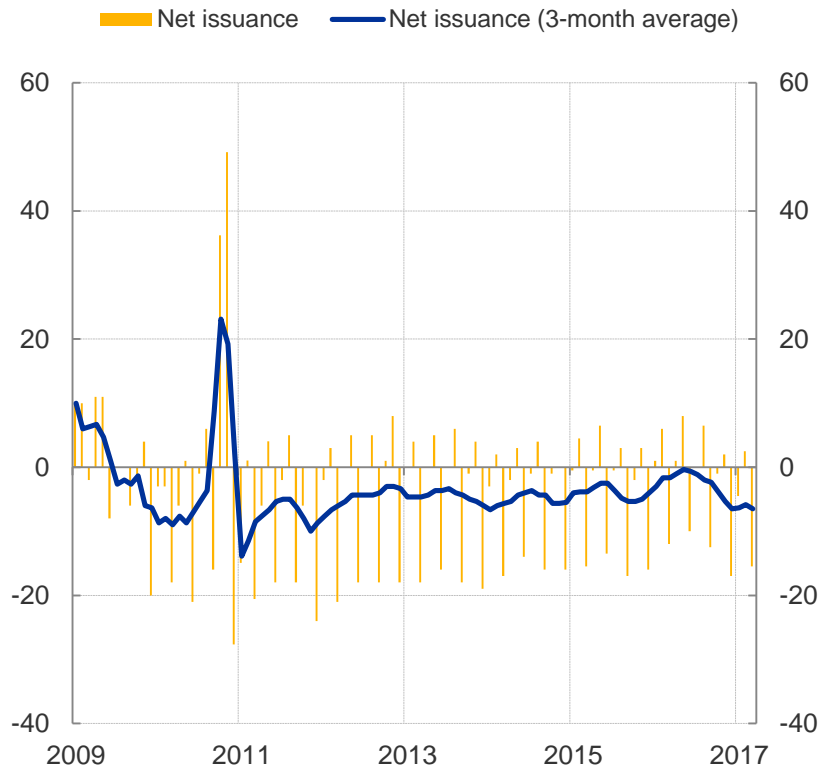
## Share of short-term government debt with AAA-rating relative to GDP

(%)



Source: ECB, US Treasury.  
 Notes: Ratings based on Moody's, Fitch, Standard & Poor's and DBRS. AAA-rating based on first-best rating. Short-term debt refers to securities with a residual maturity of up to and including 2 years.  
 Last observation: December 2016 for government debt, 2015 for GDP.

## Issuance of German sovereign debt of up to 2-year maturity (€ bn)

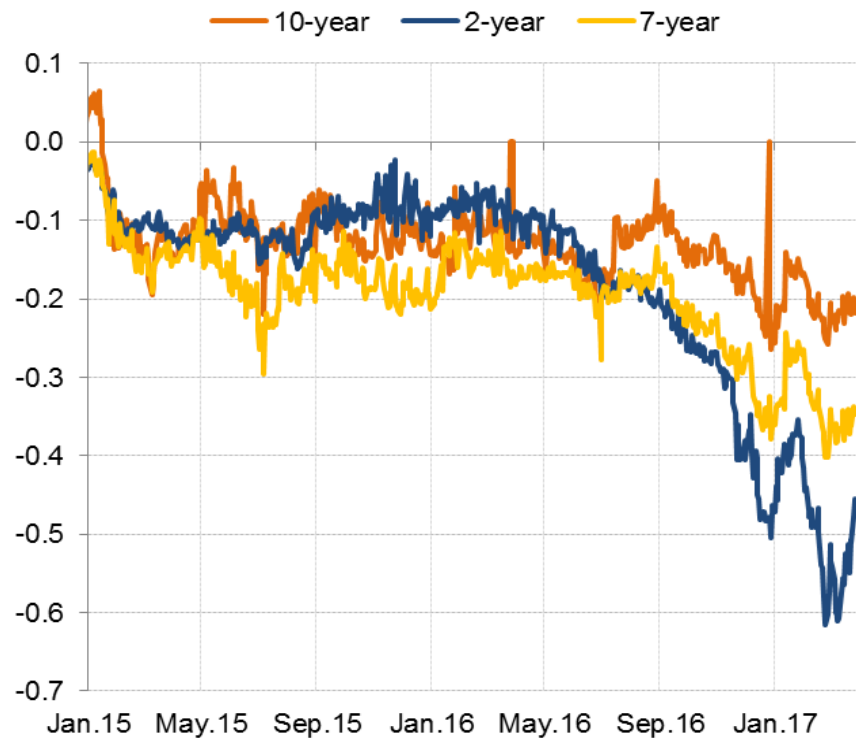


Source: ECB.  
Notes: monthly observations. Net issuance is computed as the difference between assets issued in a given month and assets maturing in a given month. Only assets with a maturity at issuance lower than 2 years are considered.  
Latest observation: March 2017.

# A robust impact from repo markets on the bond cash market remains elusive

## Spreads between German government bonds and OIS rates at different maturities

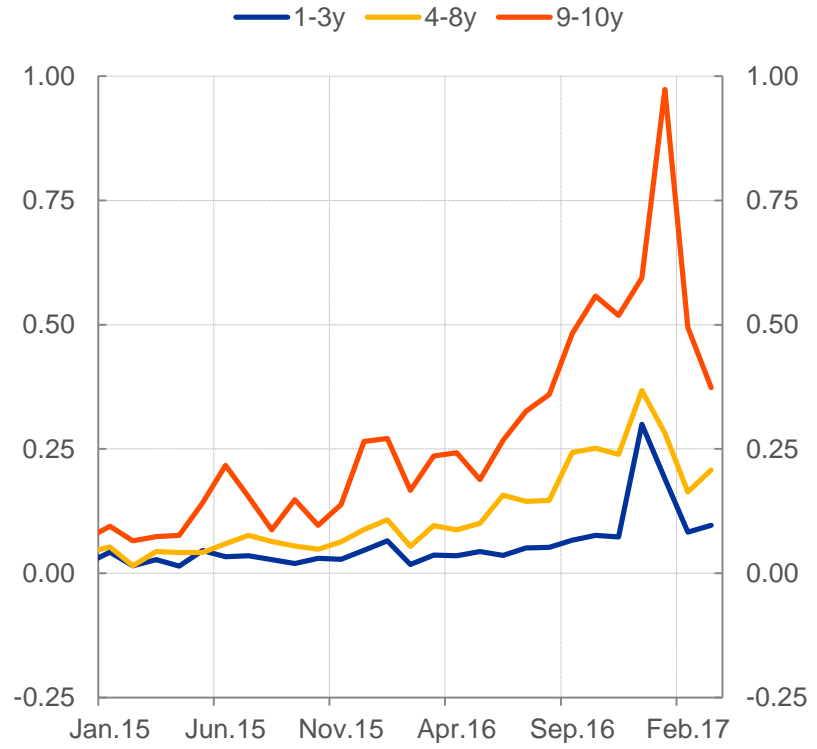
(percentage points)



Source: Bloomberg.  
Latest observation: 30 March 2017.

## Specialness premia by bond maturity bucket

(percentage points)



Source: ECB, BrokerTec, MTS  
Notes: Specialness premia are computed as difference between GC rates and Special rates. They correspond to monthly volume-weighted averages within each maturity bucket. The maturity buckets refer to the remaining maturity.  
Latest observation: March 2017.