Benoît Cœuré
Member of the Executive Board
European Central Bank

Bond scarcity and the ECB’s asset purchase programme

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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.
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.
Short-term German bond-OIS spread has increased gradually

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.
Perceived political risks may have played a role more recently

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.
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.
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

\[ \text{(percent per annum, %)} \]

Source: Bloomberg, Reuters, ECB.  

German sovereign bond yield curve

\[ \text{(percent per annum)} \]

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 (%)

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.
Negative issuance is accentuating collateral scarcity

**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.

**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.