



EUROPEAN CENTRAL BANK

EUROSYSTEM

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Member of the Executive Board

The effects of APP reinvestments on euro area bond markets

Frankfurt am Main,

12 June 2019

Dispersion of euro area 10-year sovereign bond yields

(standard deviation, in percentage points)



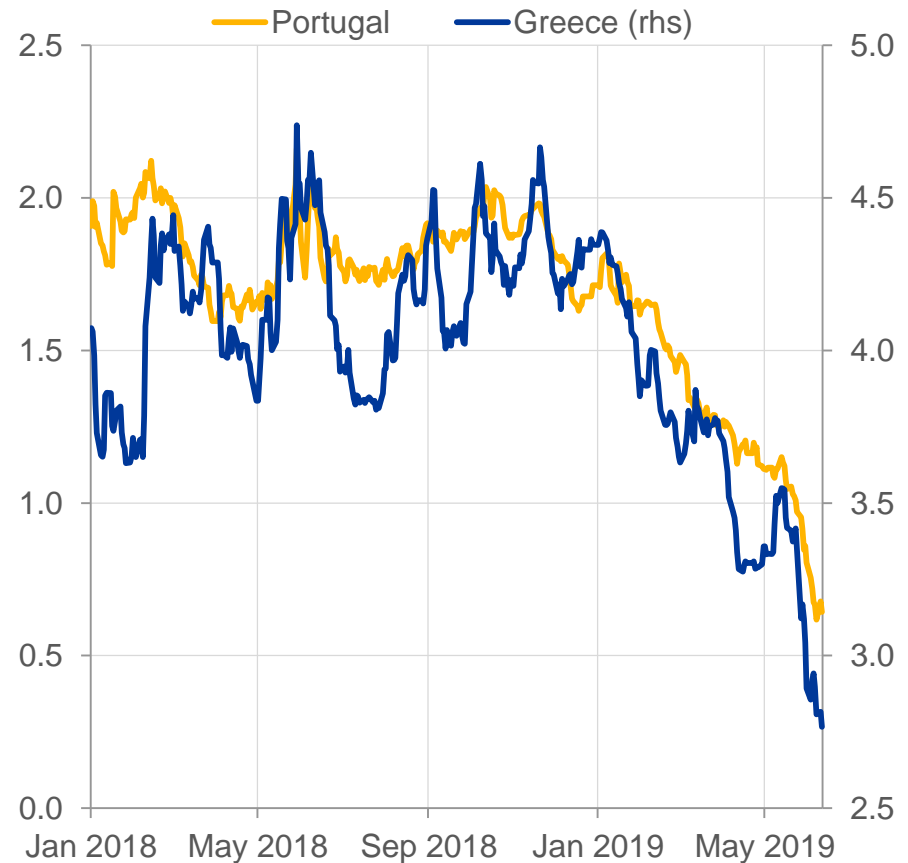
Sources: Thomson Reuters and ECB calculations.

Notes: The chart shows the standard deviation across 10-year sovereign bond yields of individual euro area member states. The sample covers those countries that were part of the euro area in early 2010 and for which 10-year bond yields have been continuously available ever since (AT, BE, DE, ES, FI, FR, GR, IE, IT, NL, PT, SI, SK).

Latest observation: 11 June 2019.

Portuguese and Greek 10-year government bond yields

(percentage per annum)

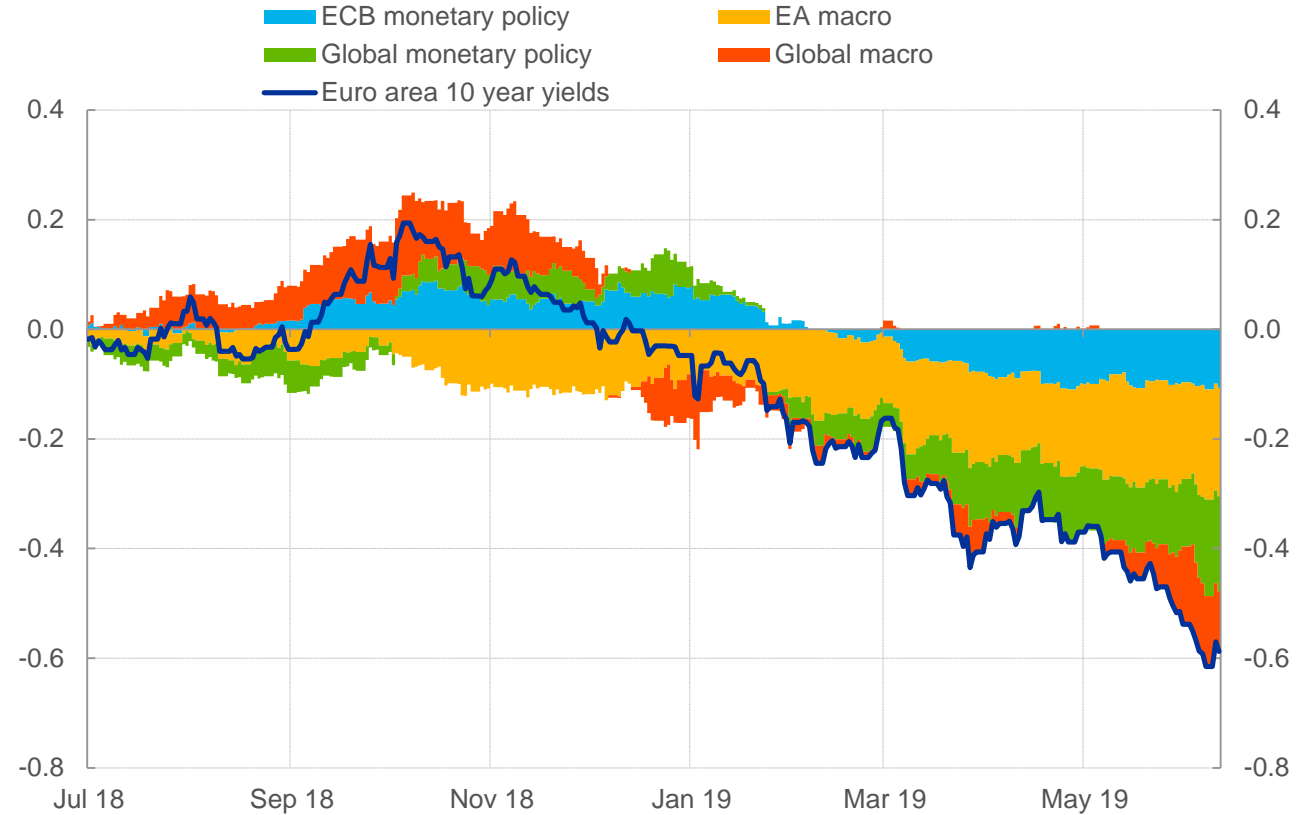


Source: Bloomberg.

Latest observation: 11 June 2019.

Drivers of euro area 10-year OIS yield

(cumulative changes, percentage points)



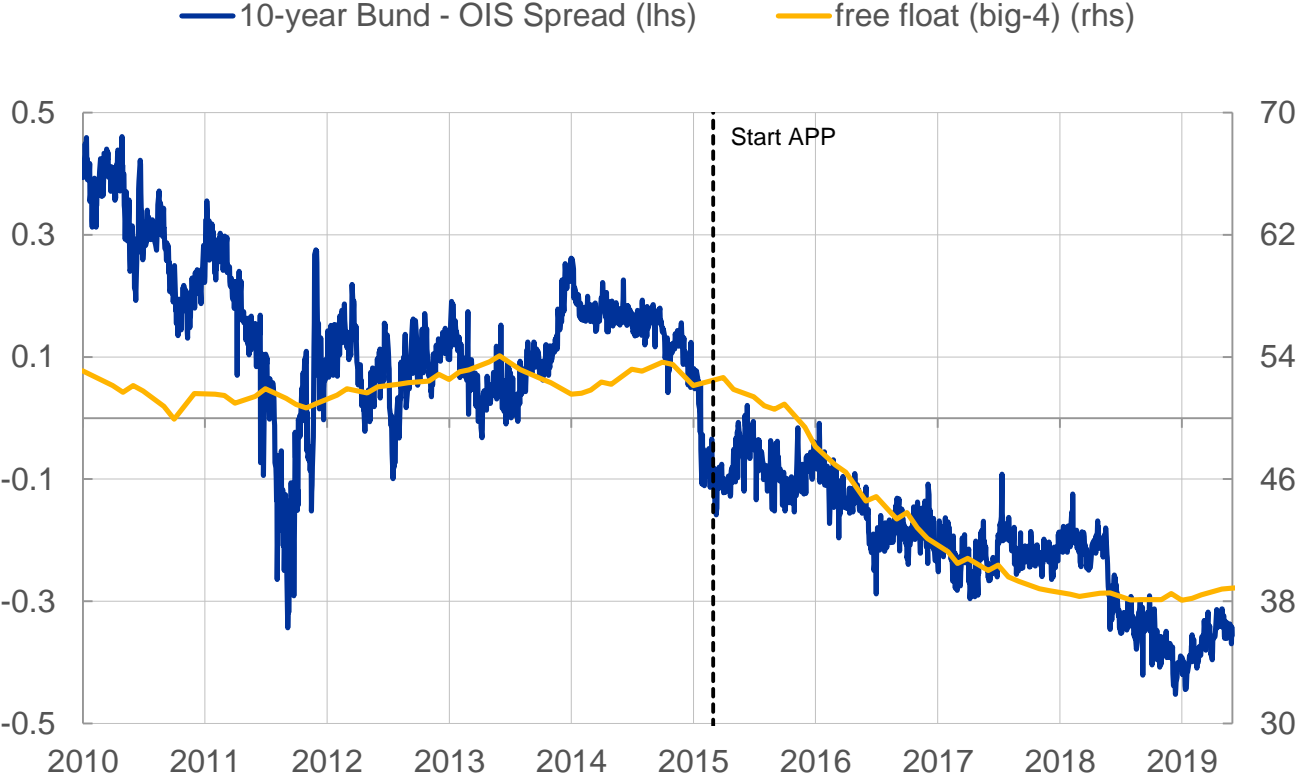
Source: ECB calculations.

Notes: The chart shows the cumulative contributions of four underlying drivers to changes in euro area 10-year OIS since July 2018. The factors are identified by exploiting cross-asset movements in risk-free long-term rates, stock prices, and exchange rates in a Bayesian VAR framework.

Latest observation: 11 June 2019.

10-year Bund-OIS spread and bond free float

(left-hand scale: percent per annum, right-hand scale: percent)



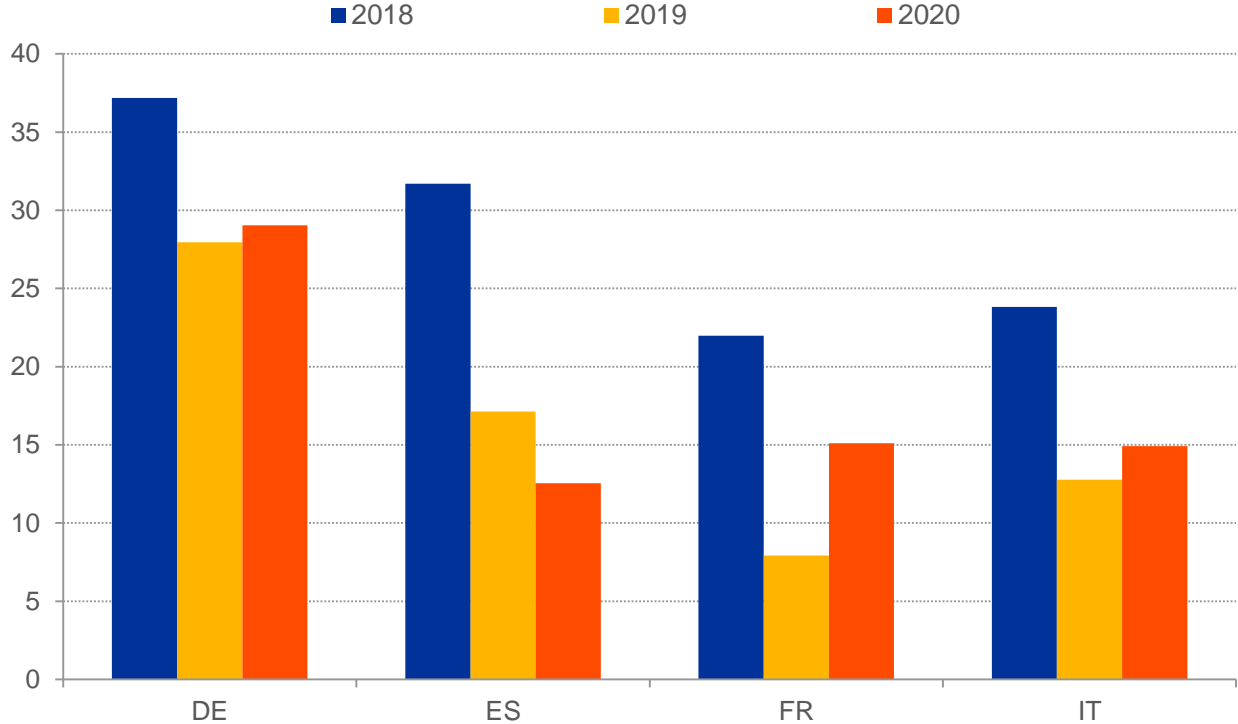
Sources: Thomson Reuters and ECB calculations.

Notes: The big-4 free float measure is defined as the ten-year equivalent holdings of general government bonds issued by the four largest euro area countries (Germany, France, Italy and Spain) by private price-sensitive investors as a share of total supply. Price-sensitive investors are all investors other than the foreign official sector, insurance companies, pension funds and the Eurosystem.

Latest observation: 31 May 2019.

Gross PSPP purchases as a share of planned gross issuance

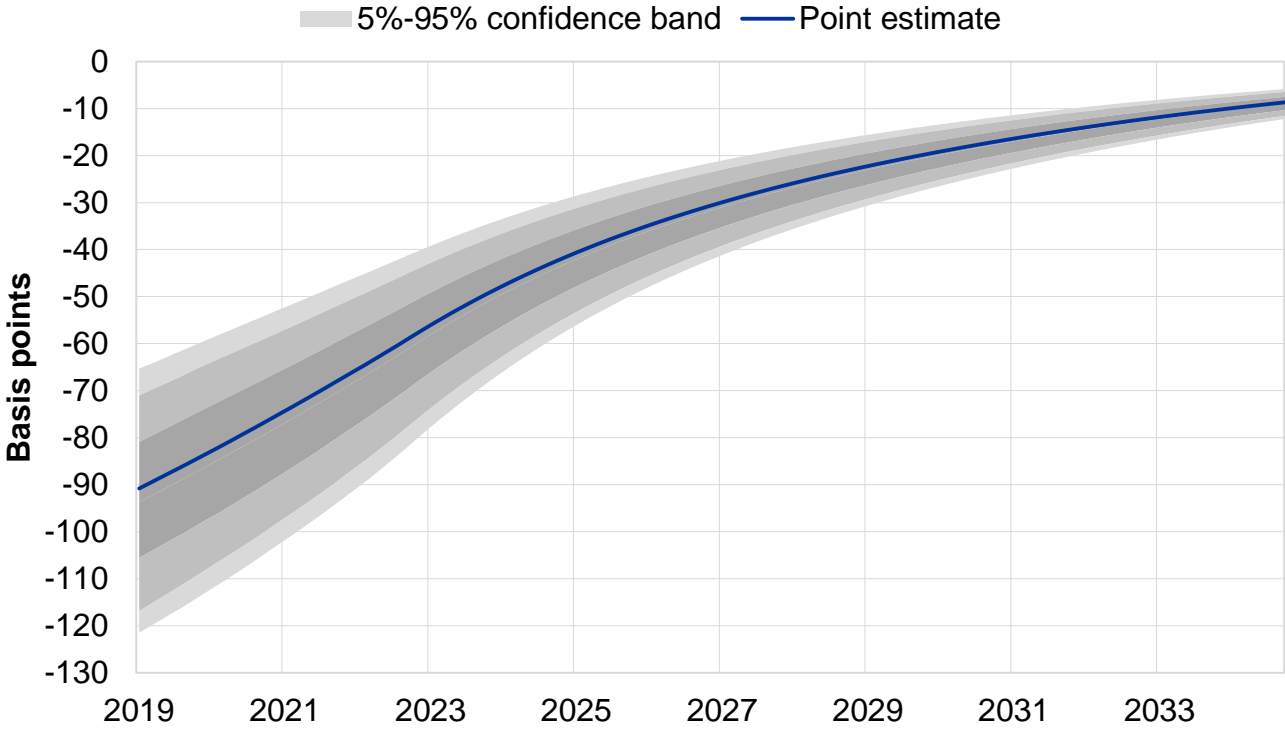
(in %)



Source: ECB estimates.

Note: Refers to central government only.

Estimated impact of the APP on euro area sovereign yields: 10-year term premium impact over time

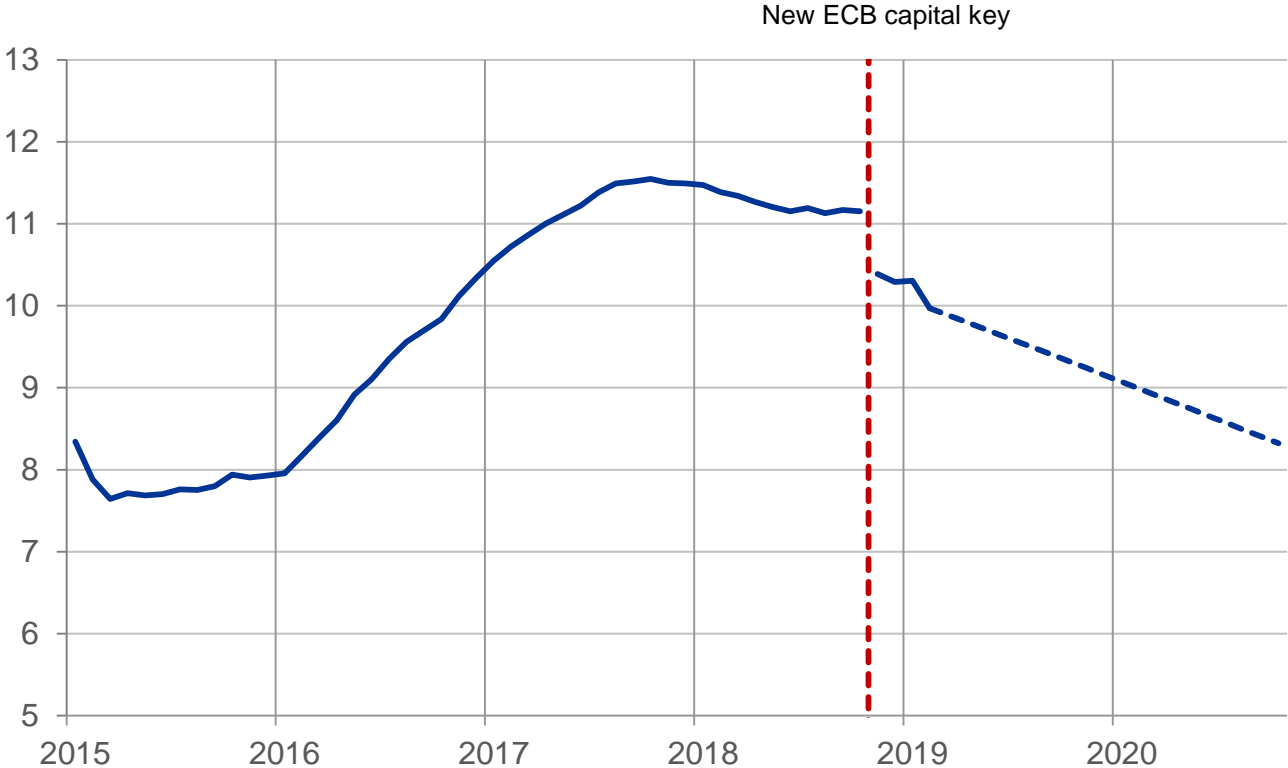


Source: Based on Eser, Lemke, Nyholm, Radde and Vladu (2019).

Notes: The chart shows point estimates of the ten-year yield term premia compression over time. The confidence band reflects parameter uncertainty around these point estimates, constructed using bootstrap/Monte Carlo resampling techniques. Euro area yields are proxied by the GDP-weighted zero-coupon yields of the four largest euro area countries. Projected holdings are conditional on information in April 2019 and, based on the Bloomberg survey from 5 April 2019, on a reinvestment horizon of four years.

Divergence of PSPP purchases from ECB capital key

(Sum of absolute deviations from ECB capital key)

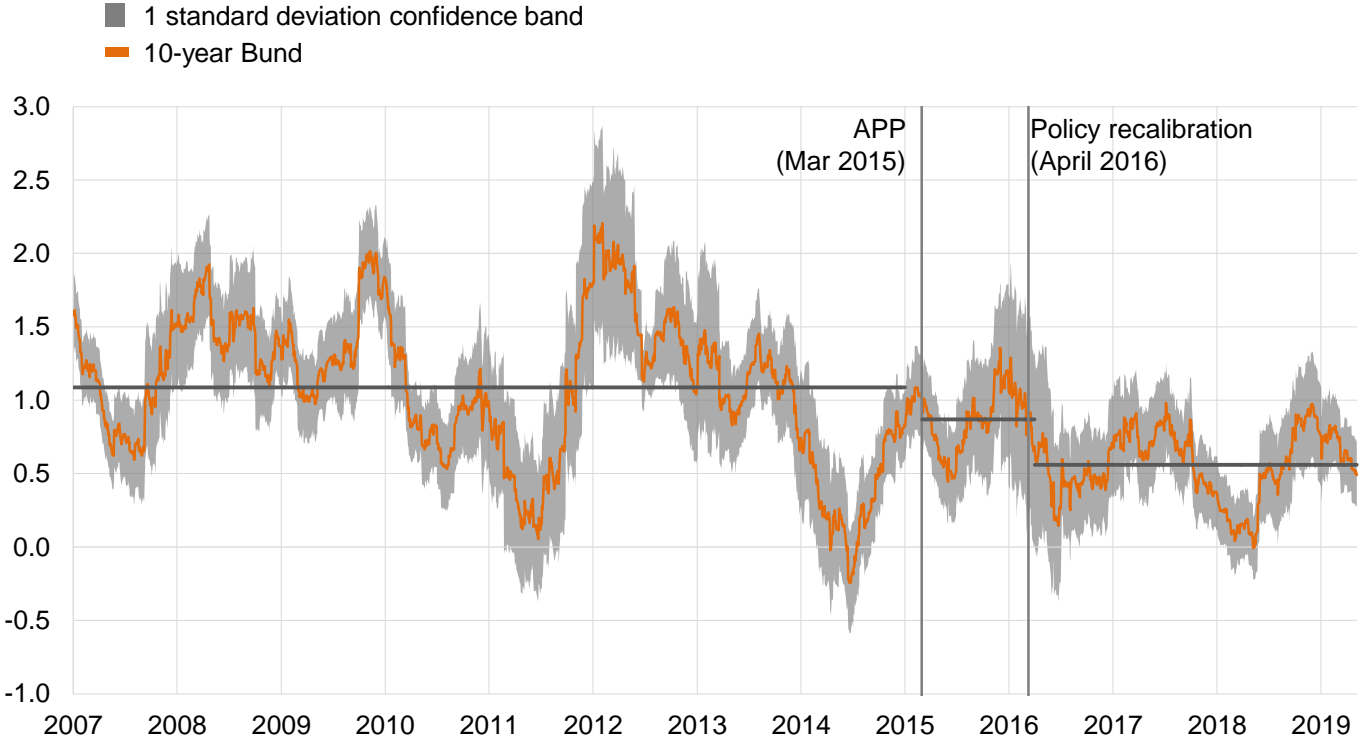


Sources: ECB and ECB estimates.

Note: The red dotted indicates the end of net asset purchases in December 2018 and the change to the new ECB capital key. Based on the decision by the Governing Council of 13 December 2018. See ECB (2018), *ECB decides on technical parameters for the reinvestment of its asset purchase programme*, press release, 13 December.

Sensitivity of 10-year Bund yields to macroeconomic news

(regression coefficient)

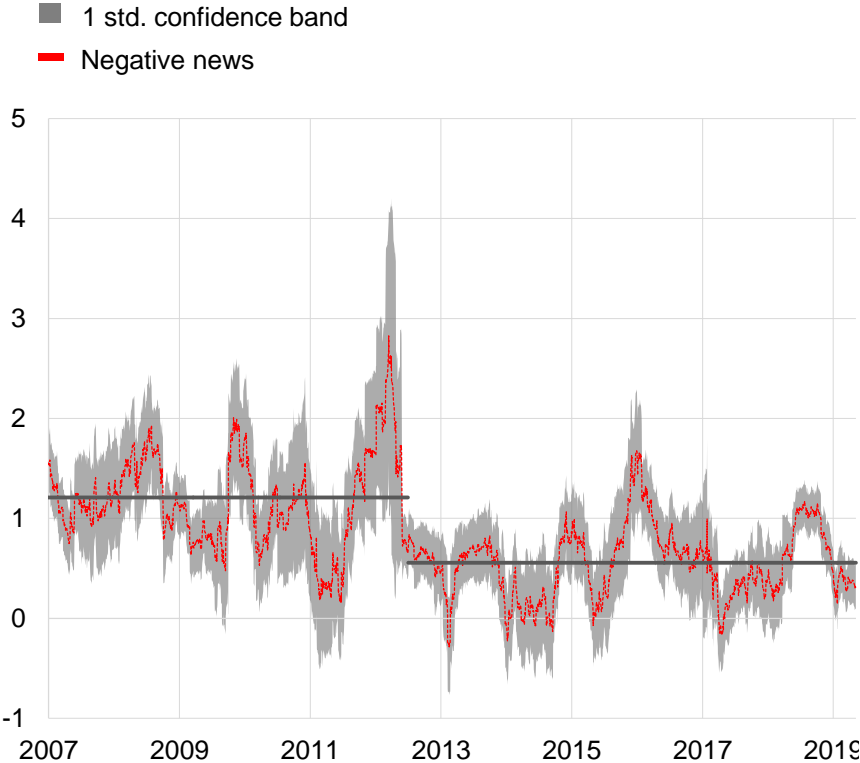


Sources: Bloomberg and ECB calculation.

Notes: The displayed sensitivity is a rolling window regression, with a window of 130 days and based on Bloomberg macro news releases.

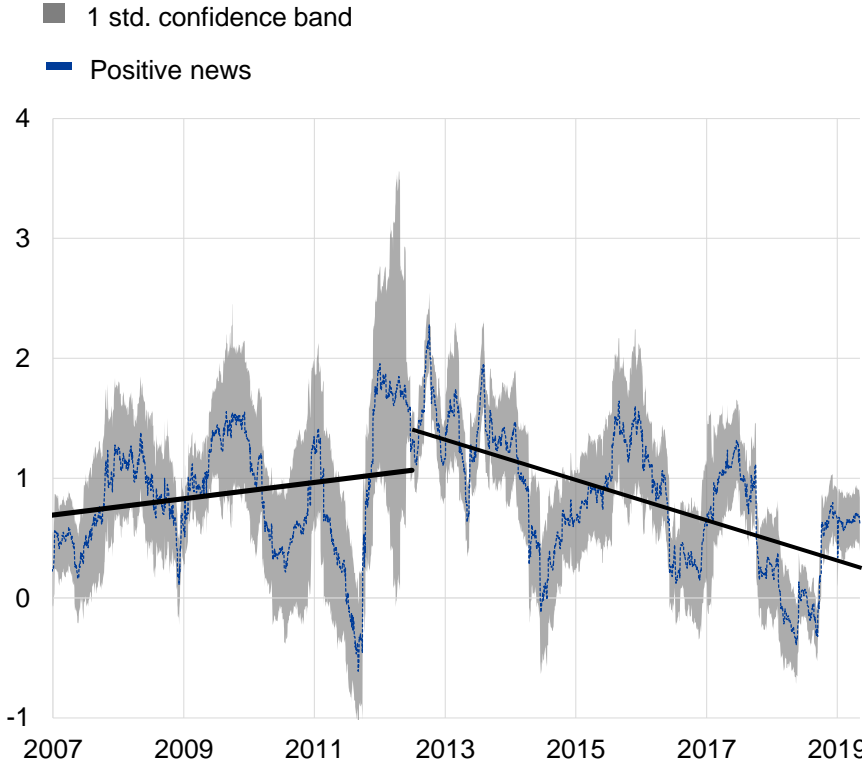
Sensitivity of 10-year Bund yield to *negative* macroeconomic news

(regression coefficient)



Sensitivity of 10-year Bund yield to *positive* macroeconomic news

(regression coefficient)

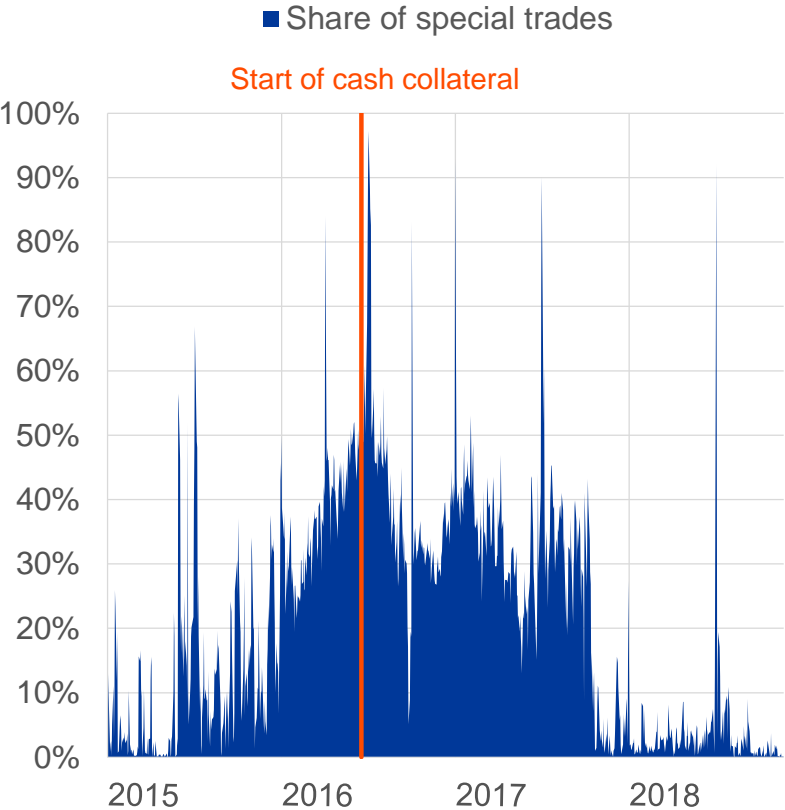


Sources: Bloomberg and ECB calculation.

Notes: The displayed sensitivity is a rolling window regression, with a window of 130 days and based on Bloomberg macro news releases.

Repo market developments for German government bonds

(%)

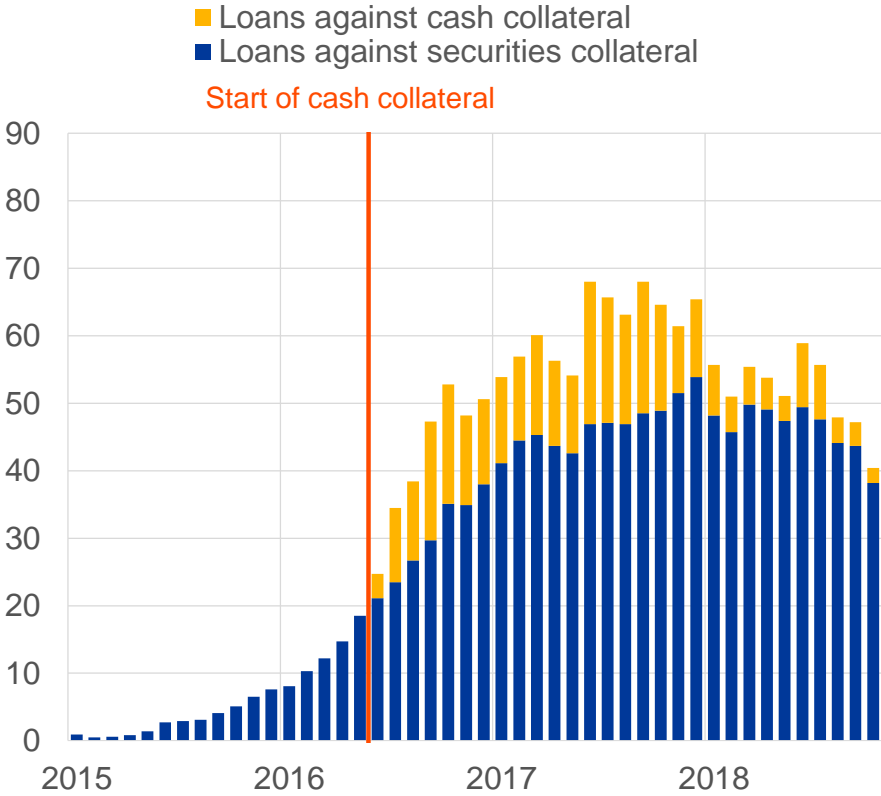


Sources: ECB calculations, NEX Data and MTS Markets.

Notes: Special trades are defined as those trades priced at least 25 basis points lower than the cheapest specific German bond on a given day. They are expressed as a share of the total volume on any given day.

PSPP on-loan balance

(EUR billions)

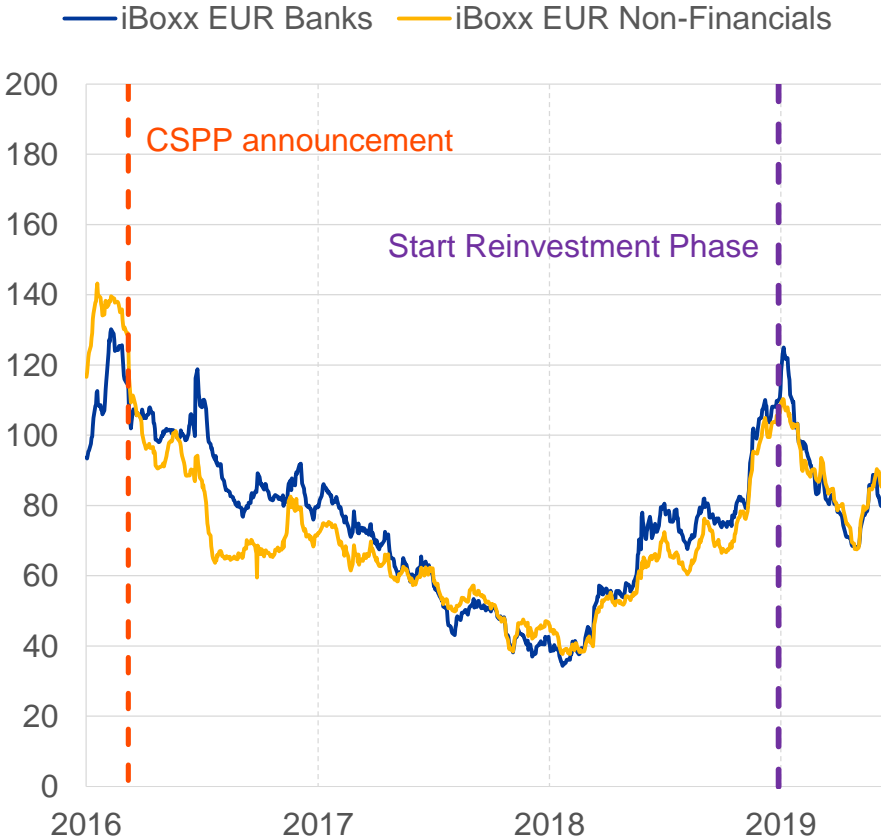


Sources: ECB calculations.

Notes: Amounts are in market value terms.

Asset swap spreads of banks and NFCs

(bps)



Sources: iBoxx and ECB staff calculations.
 The orange line denotes the announcement on 10 March 2016 of the CSPP.
 Latest observation 11 June 2019

New issuance premium for NFCs

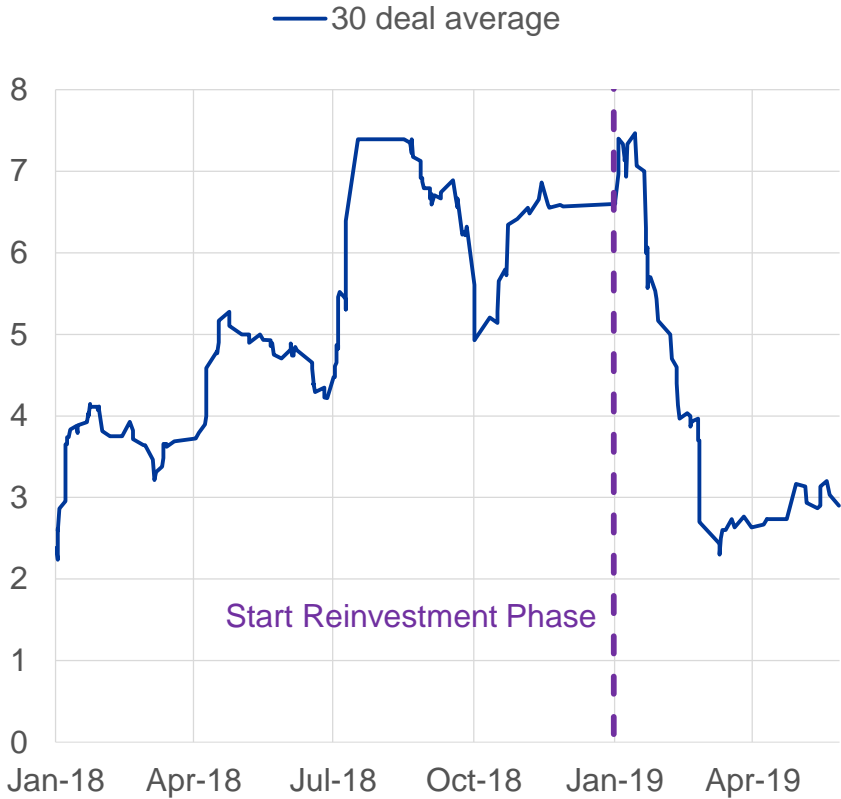
(bps; 30 deal moving average, weighted by issue size)



Sources: Eurosystem, Bloomberg.
 Note: New Issuance Premium for CSPP eligible issuances.
 Latest observation: 21 May 2019.

New issuance premium for covered bonds

(bps; 30 deal moving average)



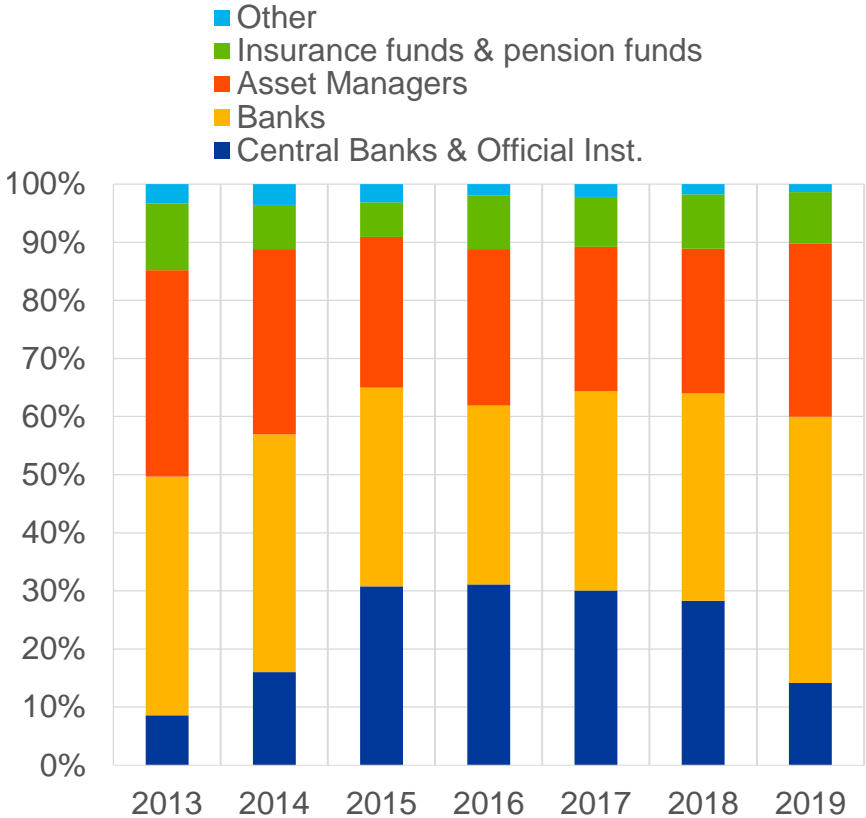
Sources: Eurosystem, Bloomberg.

Note: New issuance premium for CBPP3 eligible issuances.

Latest observation: 28 May 2019.

Covered bond primary market breakdown

(%; breakdown of primary market deals by investor type)

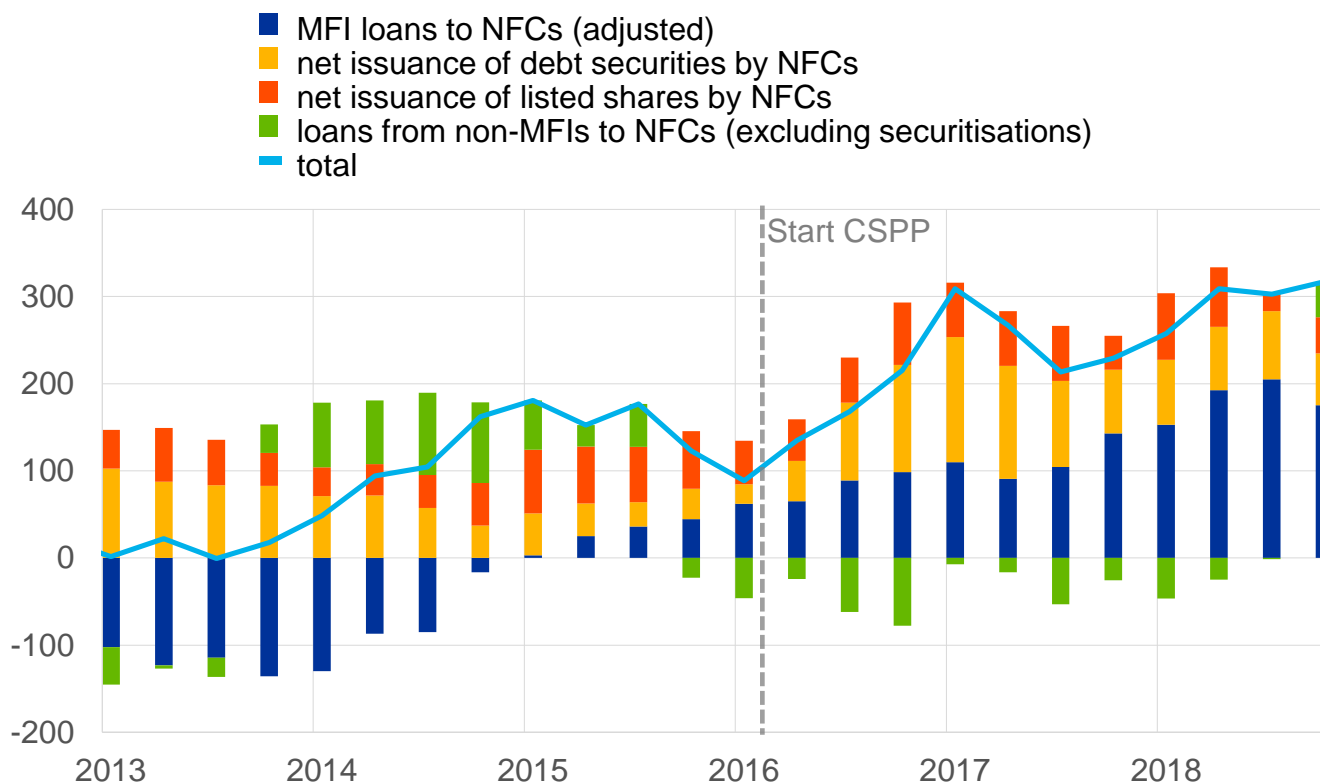


Source: ECB calculations.

Note: Figures are for EUR benchmarks. They include non-eligible deals. Central banks include sovereign/official institutions.

Composition of NFCs' external financing

(EUR billions; quarterly flows, four-quarter sums)



Sources: Eurostat, ECB and ECB calculations.

Notes: Non-MFI loans include loans from other financial intermediaries (OFIs) and insurance corporations and pension funds (ICPFs) to NFCs.

Latest observation: Q4 2018.

Thank you for your attention