



EUROPEAN CENTRAL BANK

EUROSYSTEM

DG/MARKET OPERATIONS

30 June 2015

**Bond Market Contact Group  
Ad-hoc teleconference**

Frankfurt am Main, Monday, 29 June 2015, 11:30-12:00 CET

**SUMMARY OF THE DISCUSSION**

The Bond Market Contact Group (BMCG) held an ad-hoc teleconference to share its views on the impact of the developments in Greece on the euro area bond markets.

Members described the bond market reaction as rather benign at the time of speaking, with a relatively limited contagion to the more stressed jurisdictions and average secondary market trading activity. The initial bond yield spread widening in the more stressed jurisdictions at the opening of the European trading session had been largely retraced, with reportedly domestic real money investors seeing the wider spreads as a buying opportunity. Other long-term investors like pension funds or insurance companies were also looking at opportunities to buy euro area government bonds at higher yields.

The BMCG regarded the limited spill-over as encouraging, reflecting: (1) the lean investor exposure to Greece; (2) the stronger political and fiscal positions of the other jurisdictions compared to 2011; (3) a sounder EMU's governance framework; and (4) the increased transparency/level of disclosure for the European banking system as a follow up to the comprehensive assessment of October 2014. In the short run, BMCG members thus did not expect additional action from the ECB in the bond markets or adjustments to its policy programmes.

Notwithstanding the constructive initial market reaction, BMCG members suggested to remain cautious given that: (i) there are many challenges for Greece over the next few weeks,; and (ii) many market participants are still in a wait-and-see mode. The Italian government bond auctions on Tuesday could provide indications about the market's risk sentiment and investor demand for government bonds from the more vulnerable jurisdictions.