

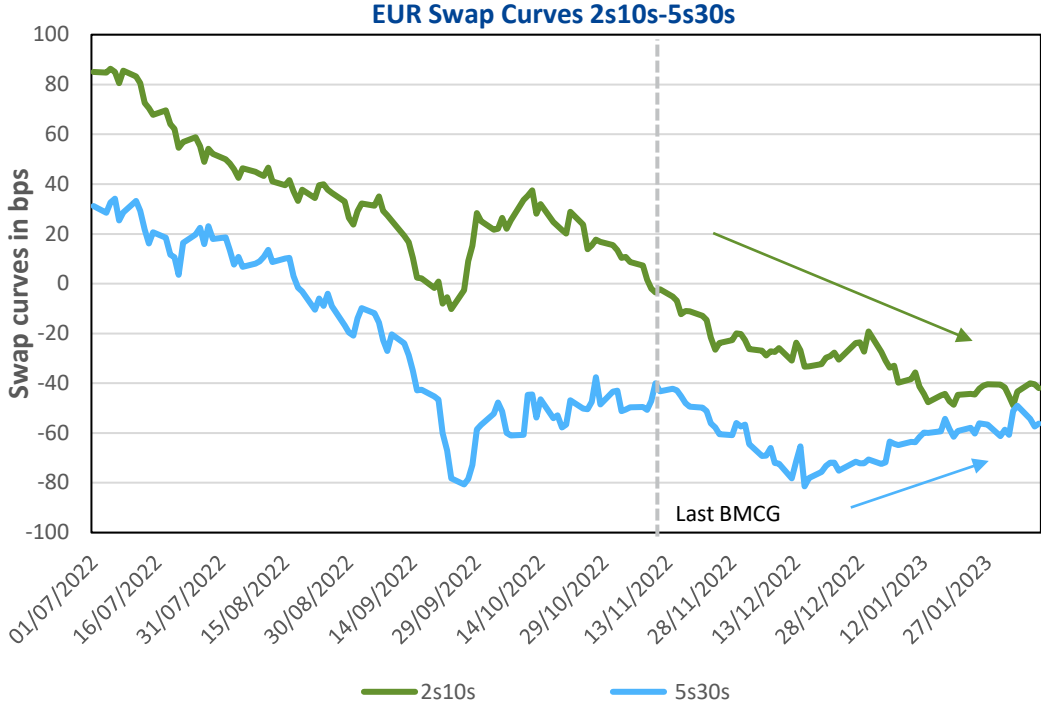
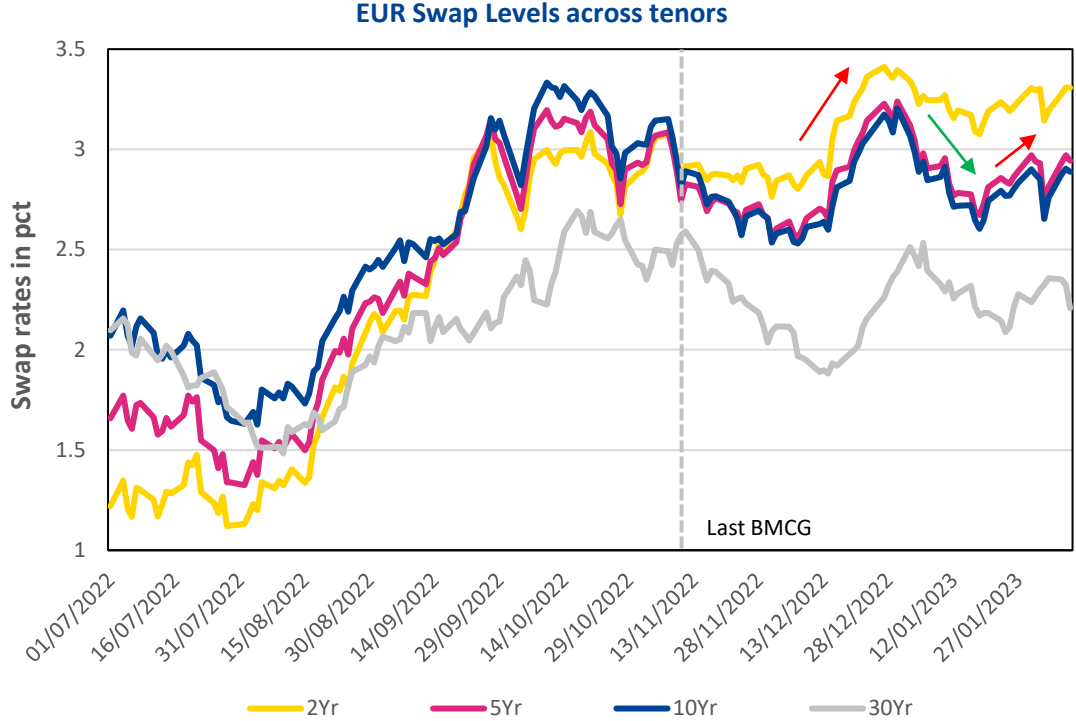
BOND MARKET CONTACT GROUP

Review and outlook of the euro area bond market developments

14th February 2023



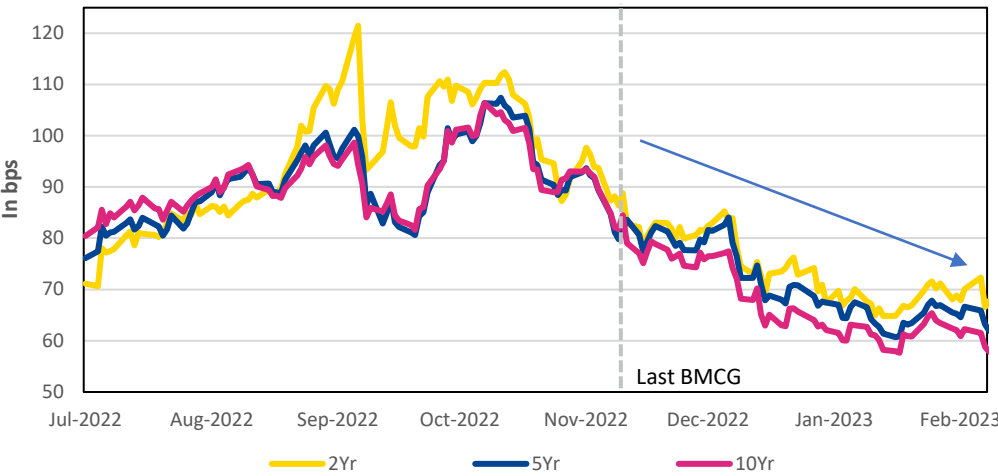
WHAT HAPPENED SINCE NOVEMBER?



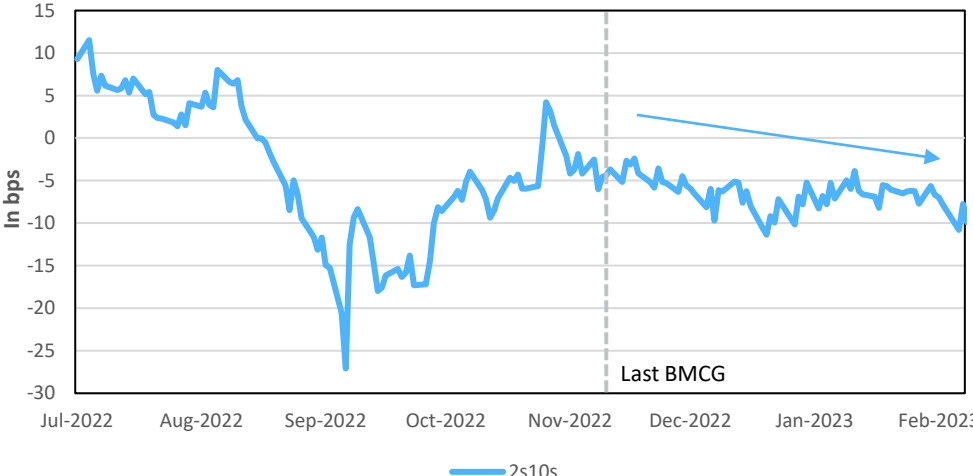
Source: Bloomberg, ESM

SPREAD MOVES

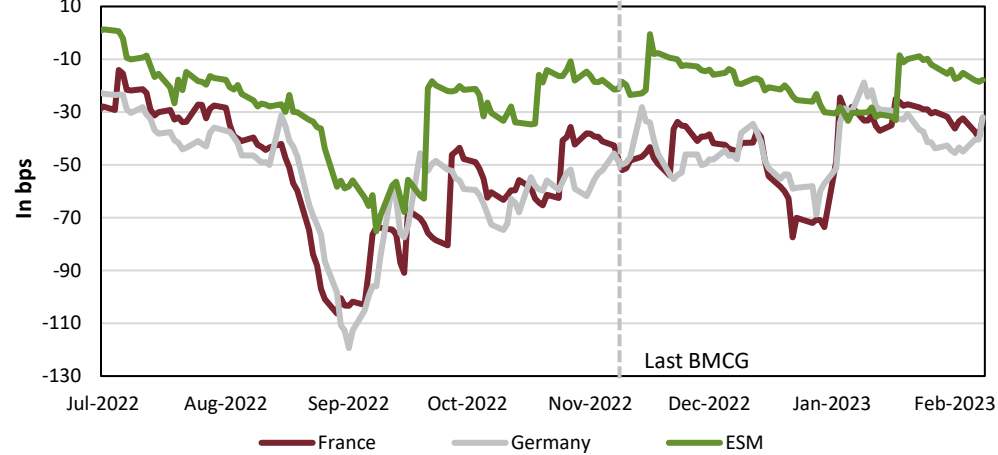
EUR Swap Spreads



EUR 2s10s Swap Spread Curve



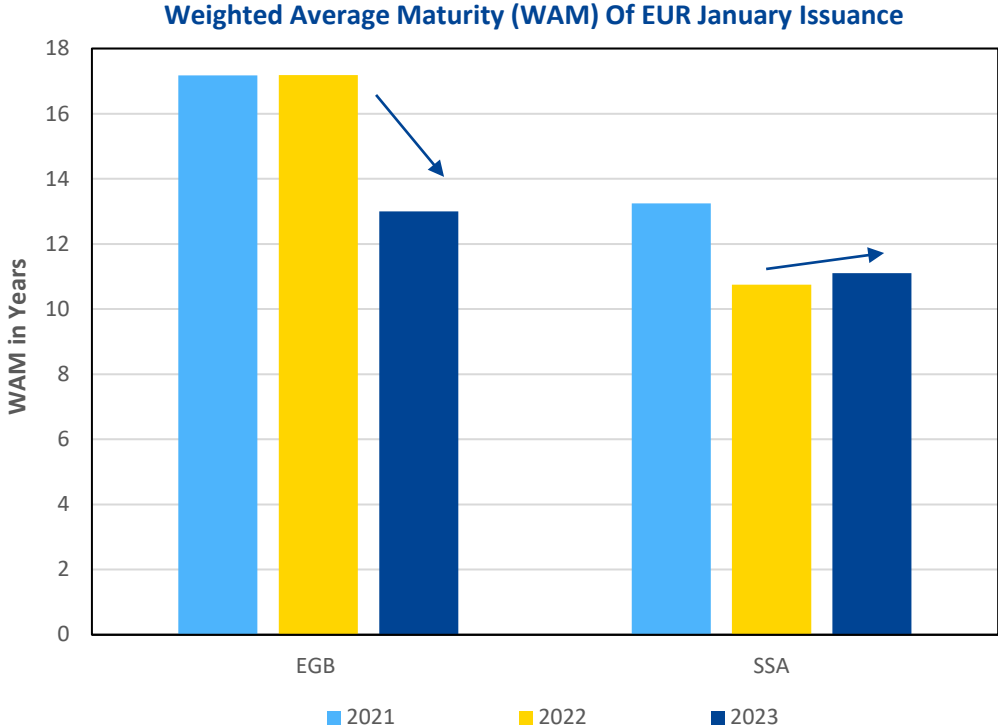
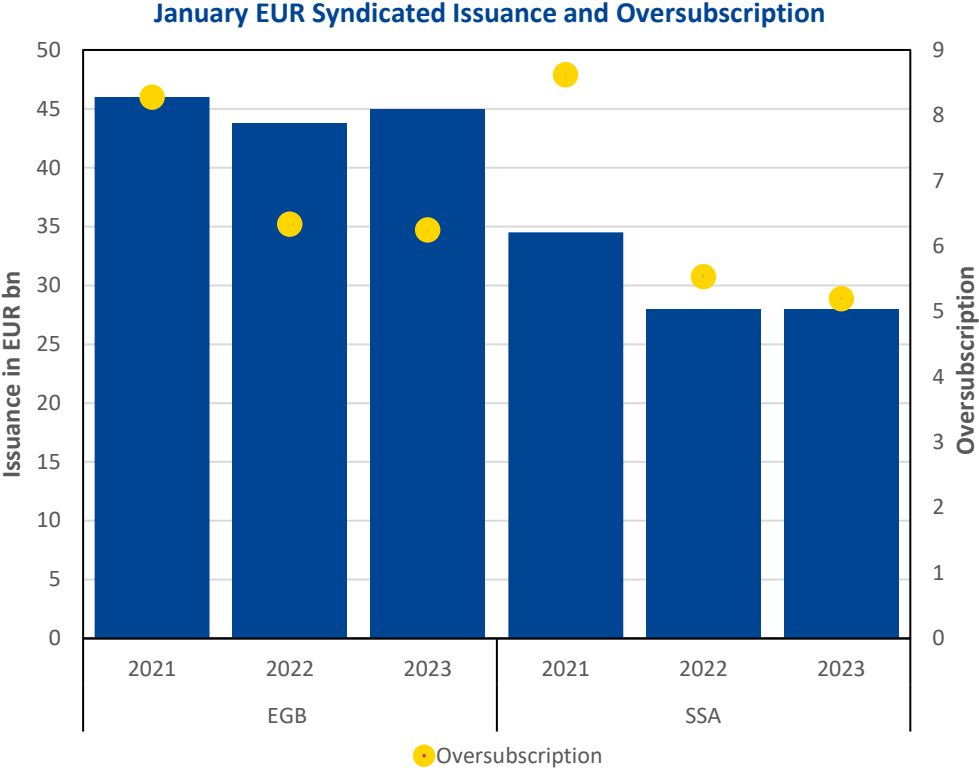
6M bill Rate Spreads vs €STR



Source: Bloomberg, ESM

- Swap spreads moved tighter...
- ... a move mostly expressed in the bills space, but
- ...swap spread curves are still far from normal.

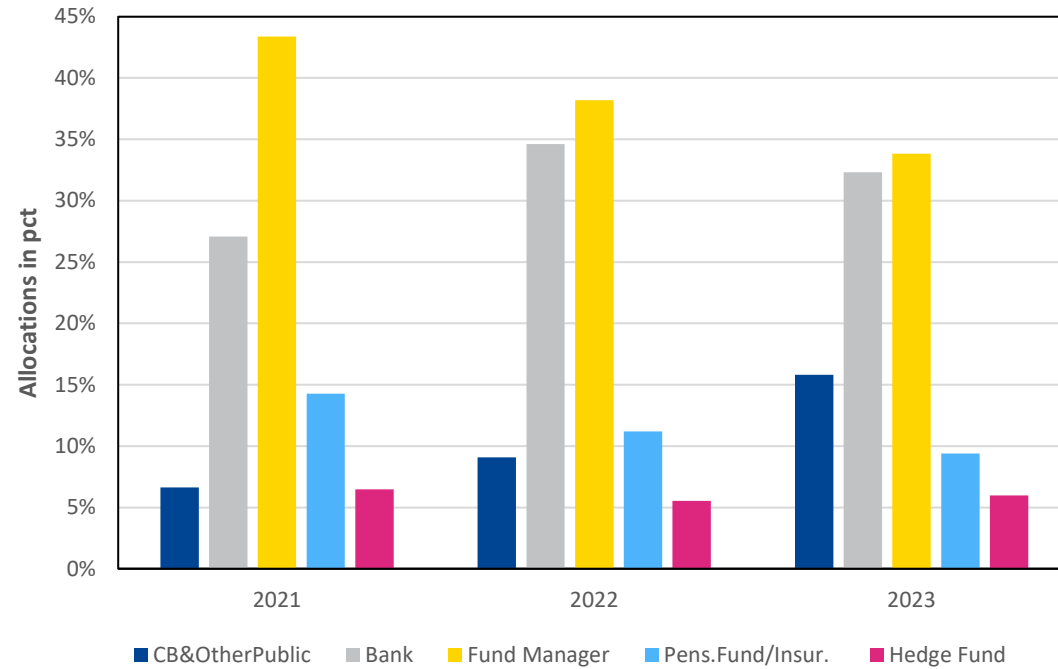
ISSUANCE CONDITIONS



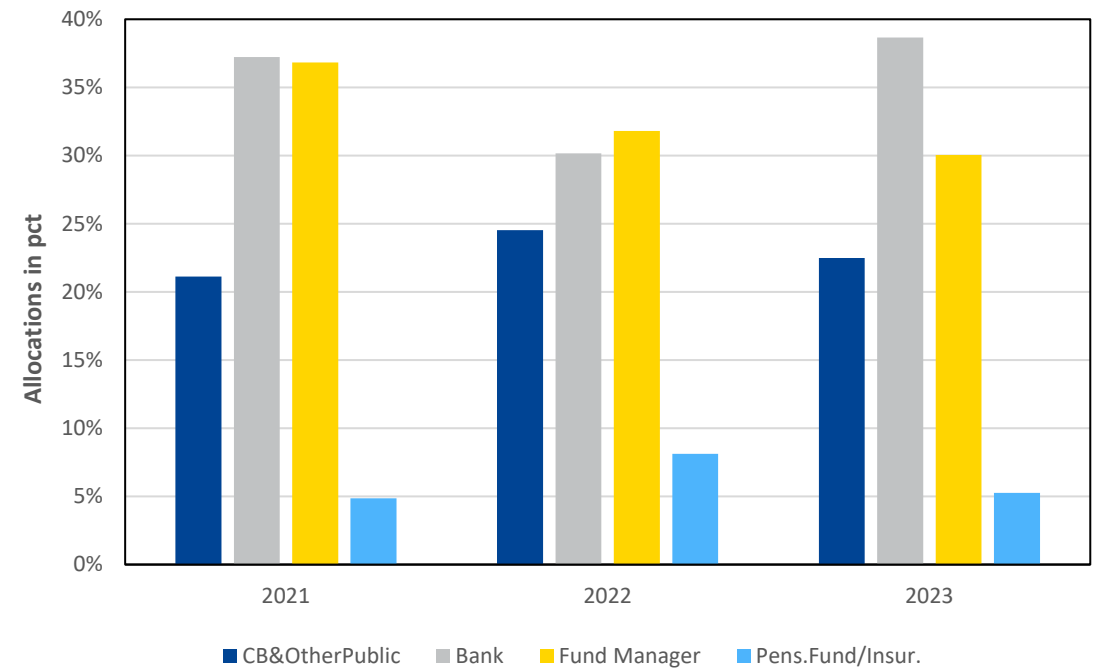
Source: ESM

WHO IS BUYING?

EGBs January EUR by Investor Type



SSAs January EUR by Investor Type



Source: ESM

DISCUSSION POINTS

- **From terminal rates to terminal balance sheet size**
 - What would be the level of excess liquidity to trigger concerns regarding secondary market functioning?
 - Would a more prolonged overlap of rate hikes and balance sheet reduction, than currently discounted, augment such concerns?
- **Supply takedown**
 - Can issue sizes stay where they are in second half of 2023 in the event of change in macro and rates outlook from the current one?
 - Who will emerge as marginal buyer in the future?
 - Do we expect differences between jurisdictions and across asset classes?



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