

Recent Money Market Developments

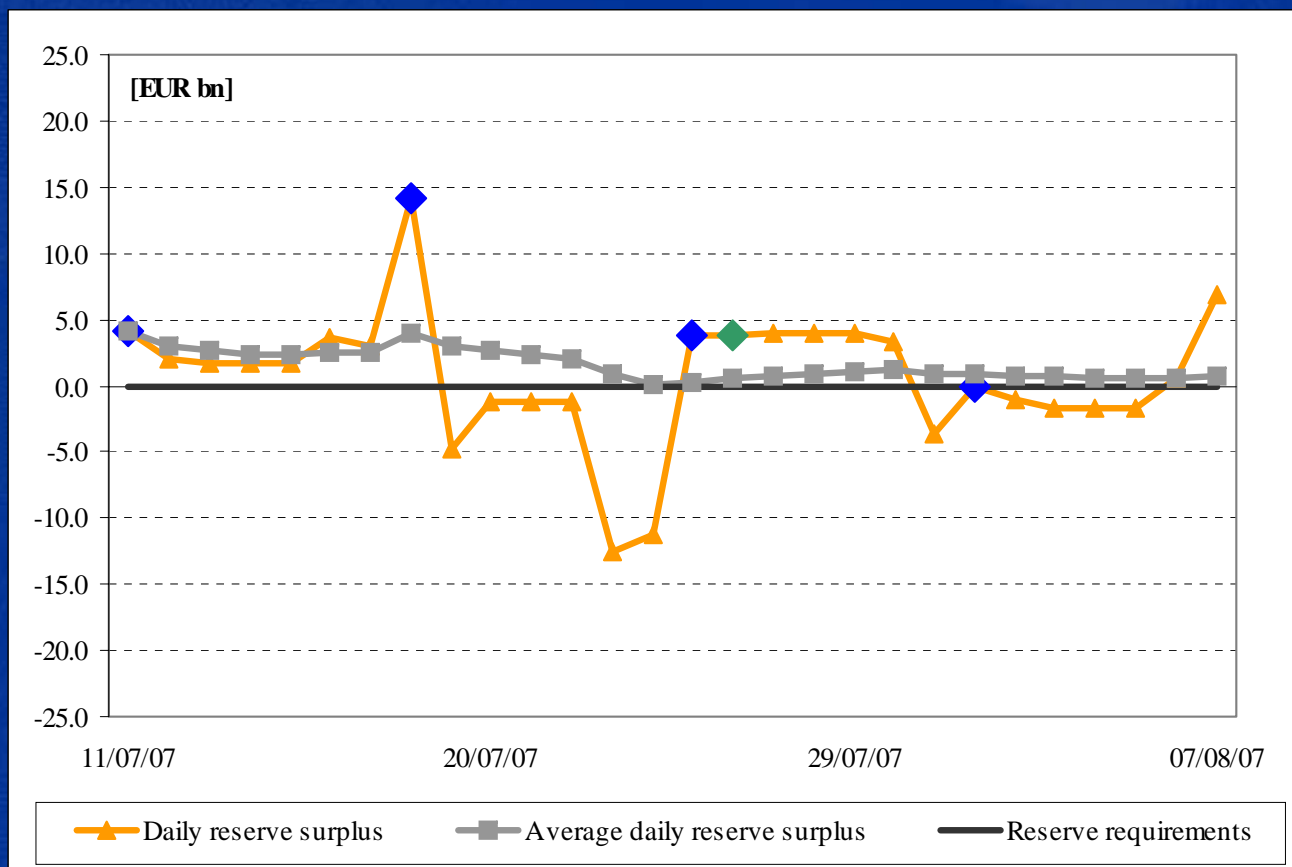
Money Market Contact Group

Frankfurt am Main, 27 September 2007

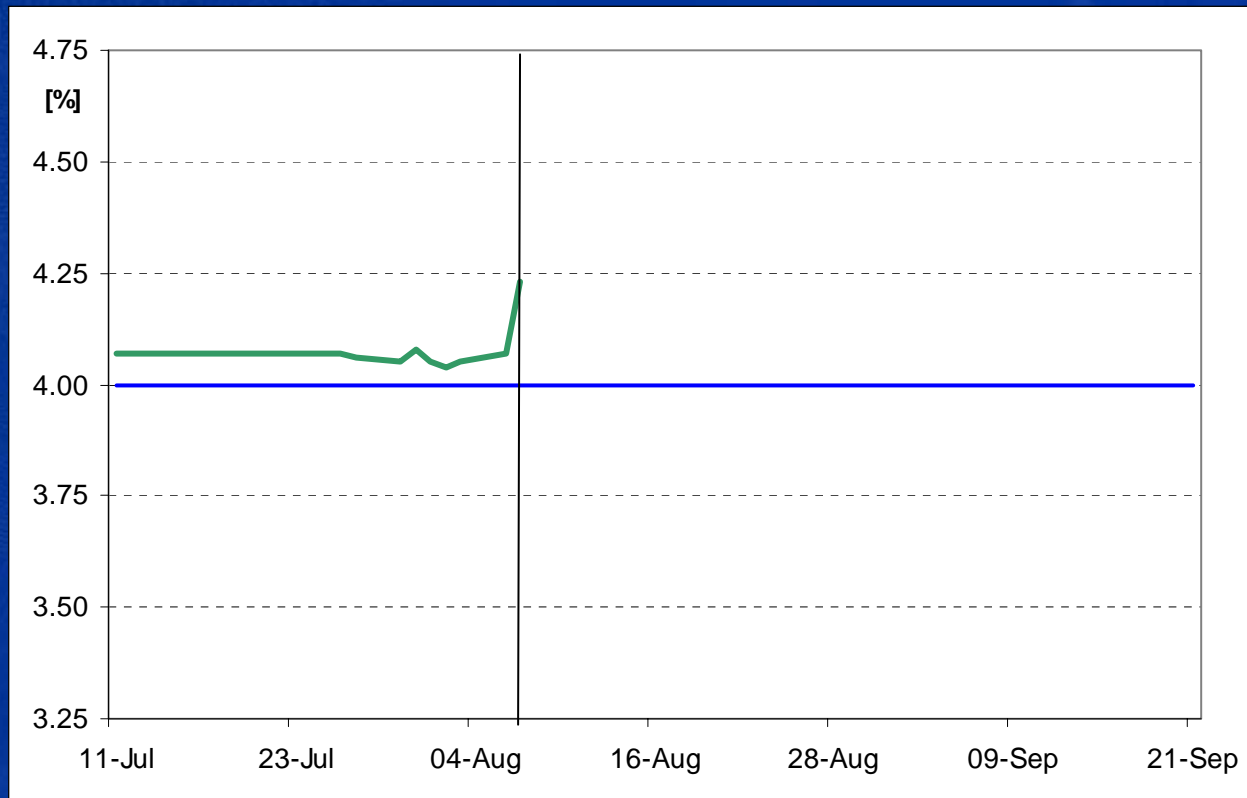
Paul Mercier

A “usual” reserves fulfilment profile

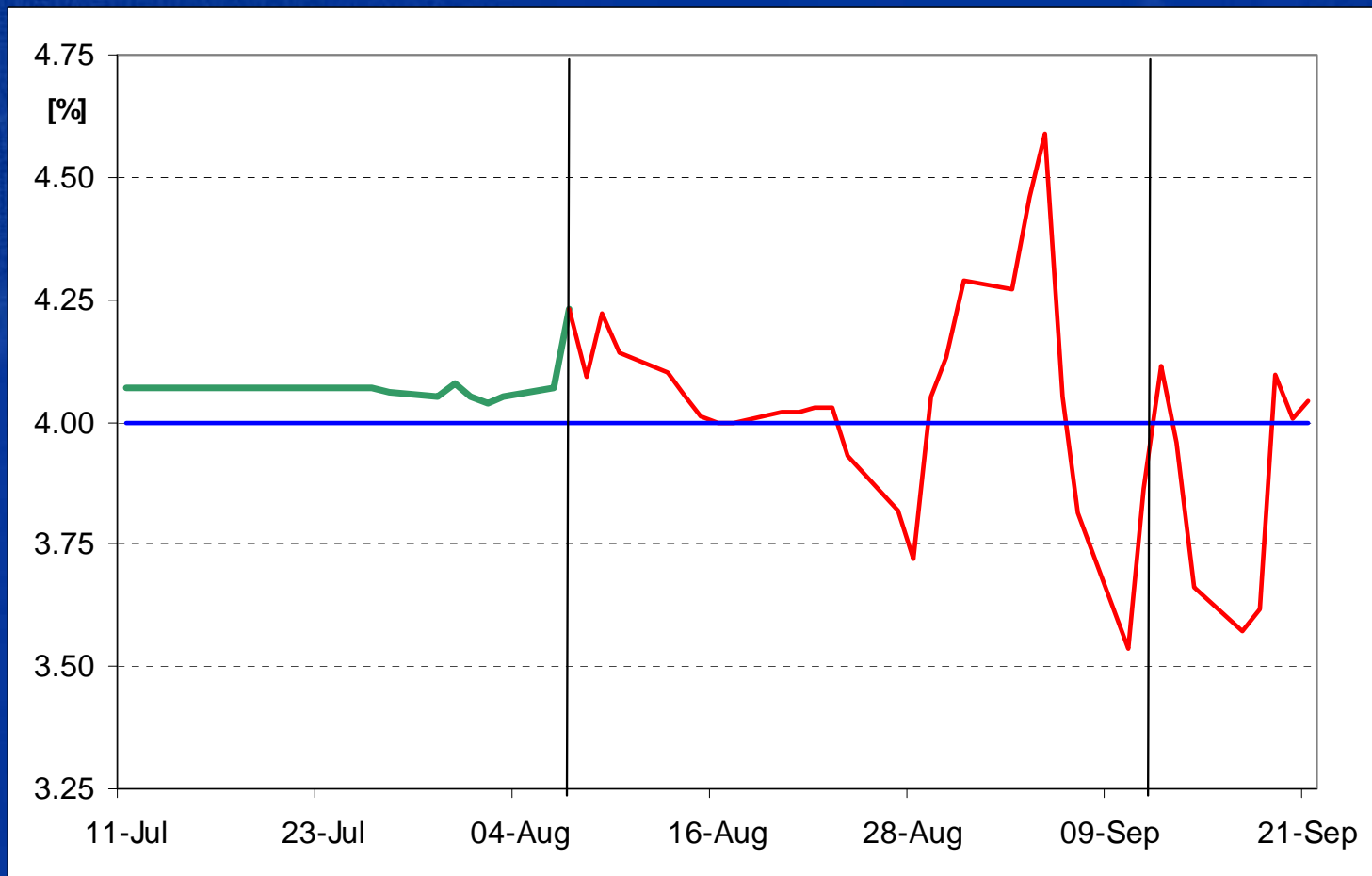
The July/August 2007 maintenance period



EONIA development in the July/August maintenance period



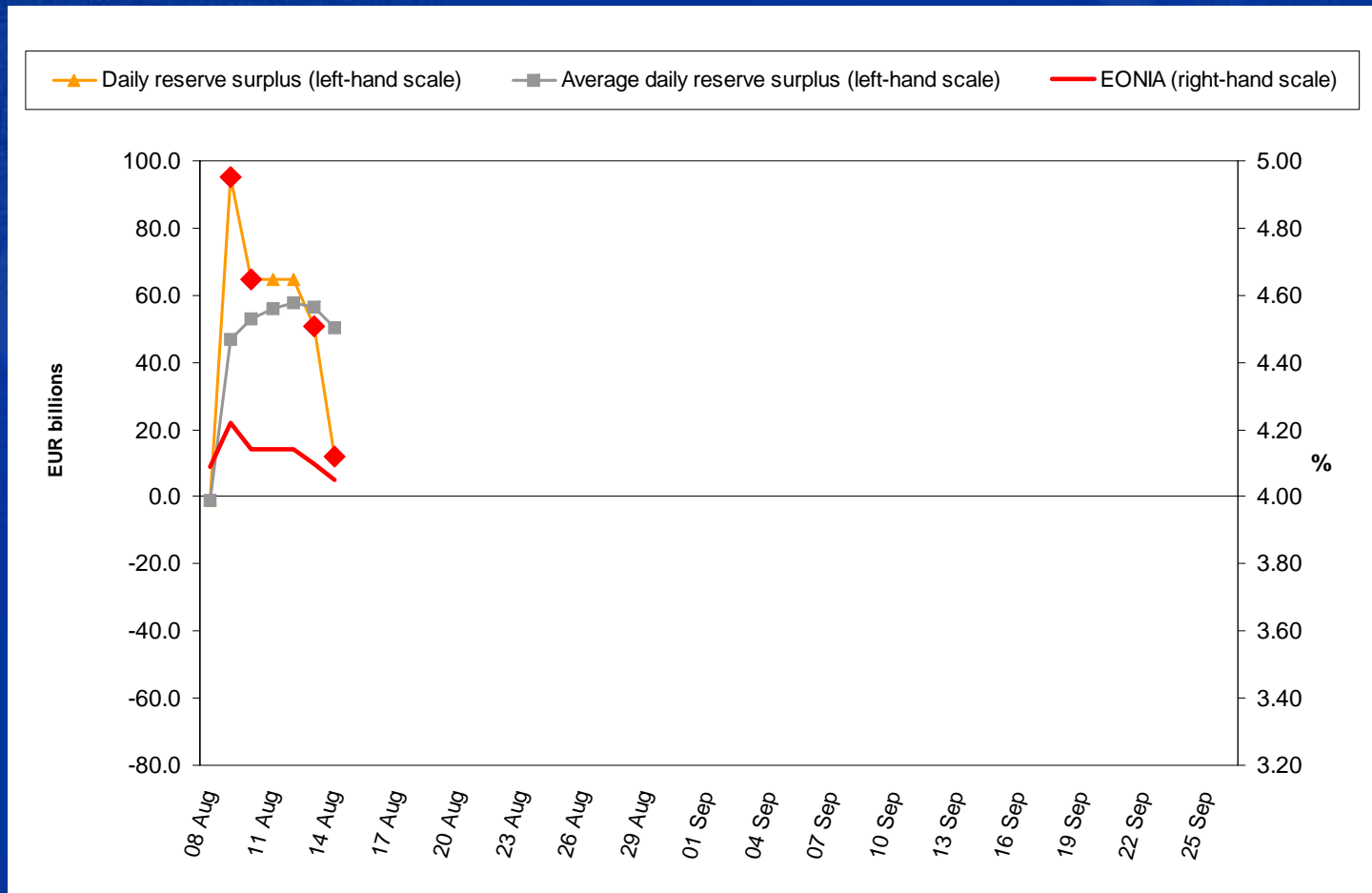
EONIA development since the start of the July/August maintenance period



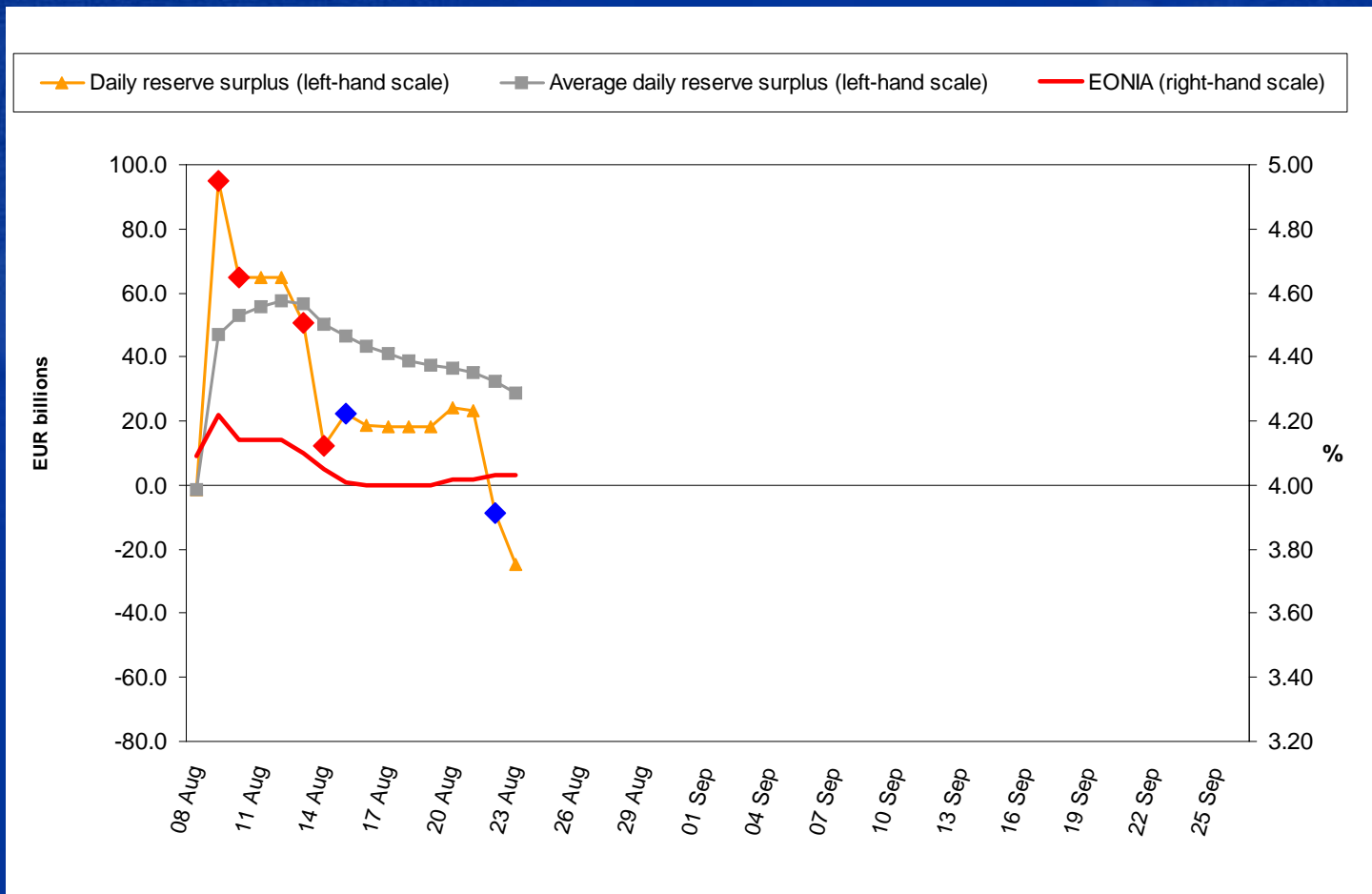
ECB operations (overview)

Date	Operation	Maturity	Total bid amount	Allotment	Marginal	Weighed	Benchmark	Deviation from BM
09-Aug	Fine tuning	O/N	95	95	4.00%	4.00%	x	
10-Aug	Fine tuning	O/N	110	61	4.05%	4.08%	x	
13-Aug	Fine tuning	O/N	84.4	47.6	4.06%	4.07%	x	
14-Aug	Fine tuning	O/N	45.9	7.7	4.07%	4.07%	x	
14-Aug	Main Refinancing	1-week	427	310	4.08%	4.10%	236.5	73.5
21-Aug	Main Refinancing	1-week	439.7	275	4.08%	4.09%	229	46
23-Aug	Longer-term Refinancing	3-month	125.8	40	4.49%	4.61%	x	(40)
28-Aug	Main Refinancing	1-week	352.7	210	4.08%	4.09%	195.5	14.5
29-Aug	Longer-term Refinancing	3-month	119.8	50	4.56%	4.62%	50	
04-Sep	Main Refinancing	1-week	426.3	256	4.15%	4.19%	251	5
06-Sep	Fine tuning	O/N	90.9	42.2	4.06%	4.13%	x	
11-Sep	Main Refinancing	1-week	406.1	269	4.14%	4.17%	259	10
11-Sep	Fine tuning	O/N	-66.4	-60	4.00%	4.00%	x	
12-Sep	Longer-term Refinancing	3-month	139.0	75	4.35%	4.52%	x	(75)
18-Sep	Main Refinancing	1-week	356.3	155	4.15%	4.16%	119	36
25-Sep	Main Refinancing	1-week	369.0	190	4.27%	4.29%	157	33
26-Sep	Longer-term Refinancing	3-month	85.4	50	4.50%	4.63%	x	

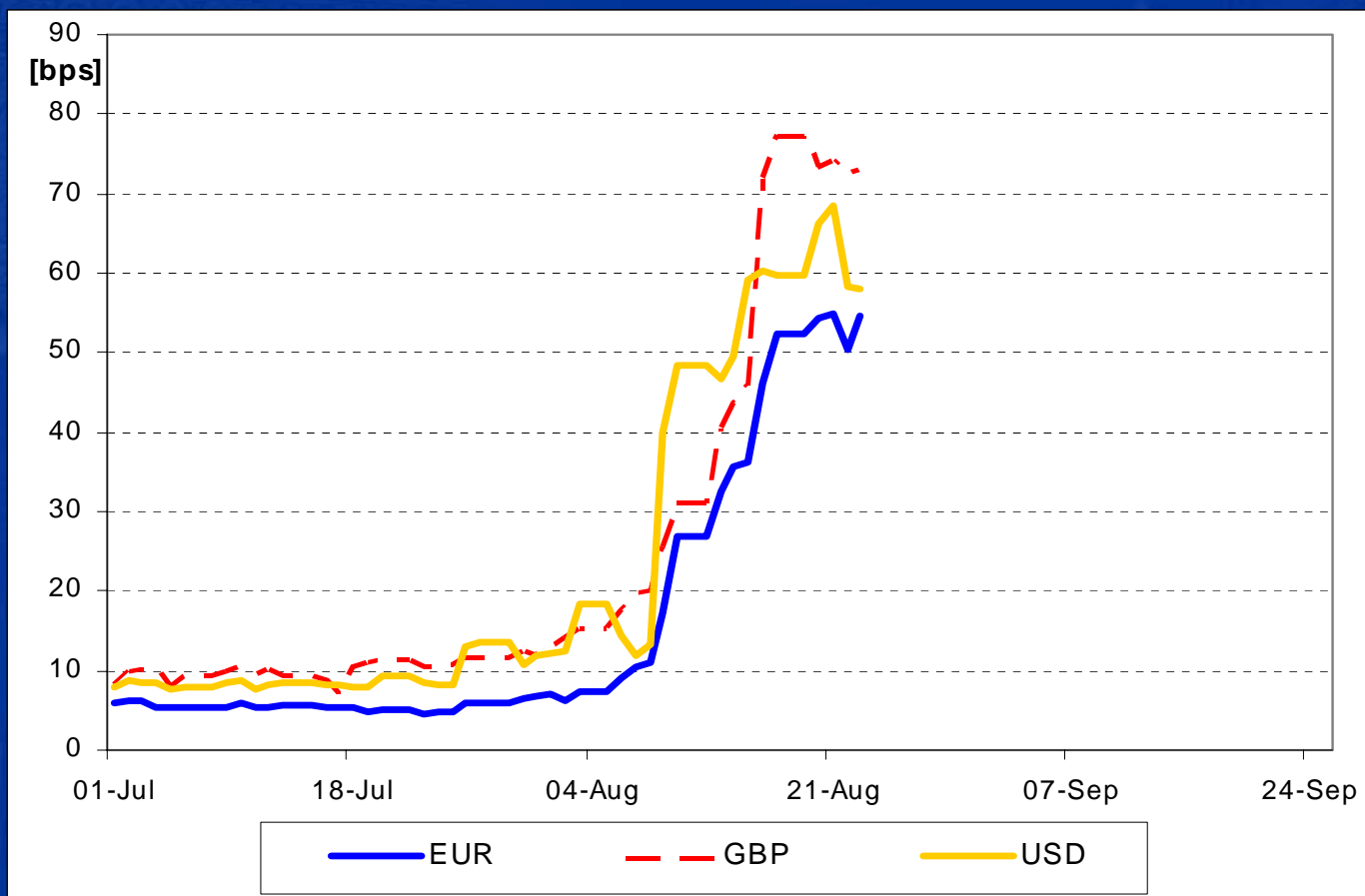
Immediate reaction: four liquidity providing fine tuning operations



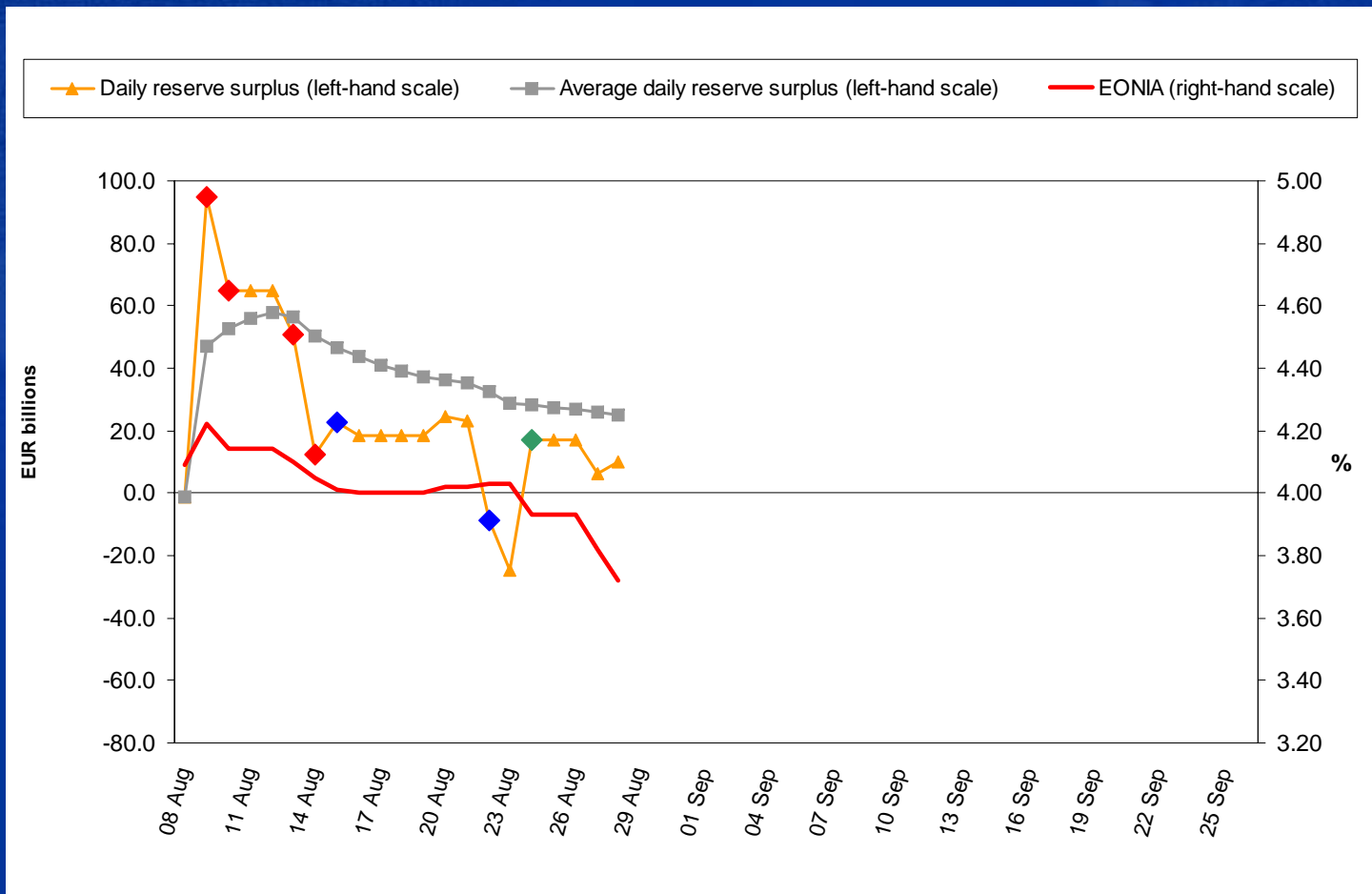
Above-benchmark allotments in the following two MROs (14 and 21 Aug)



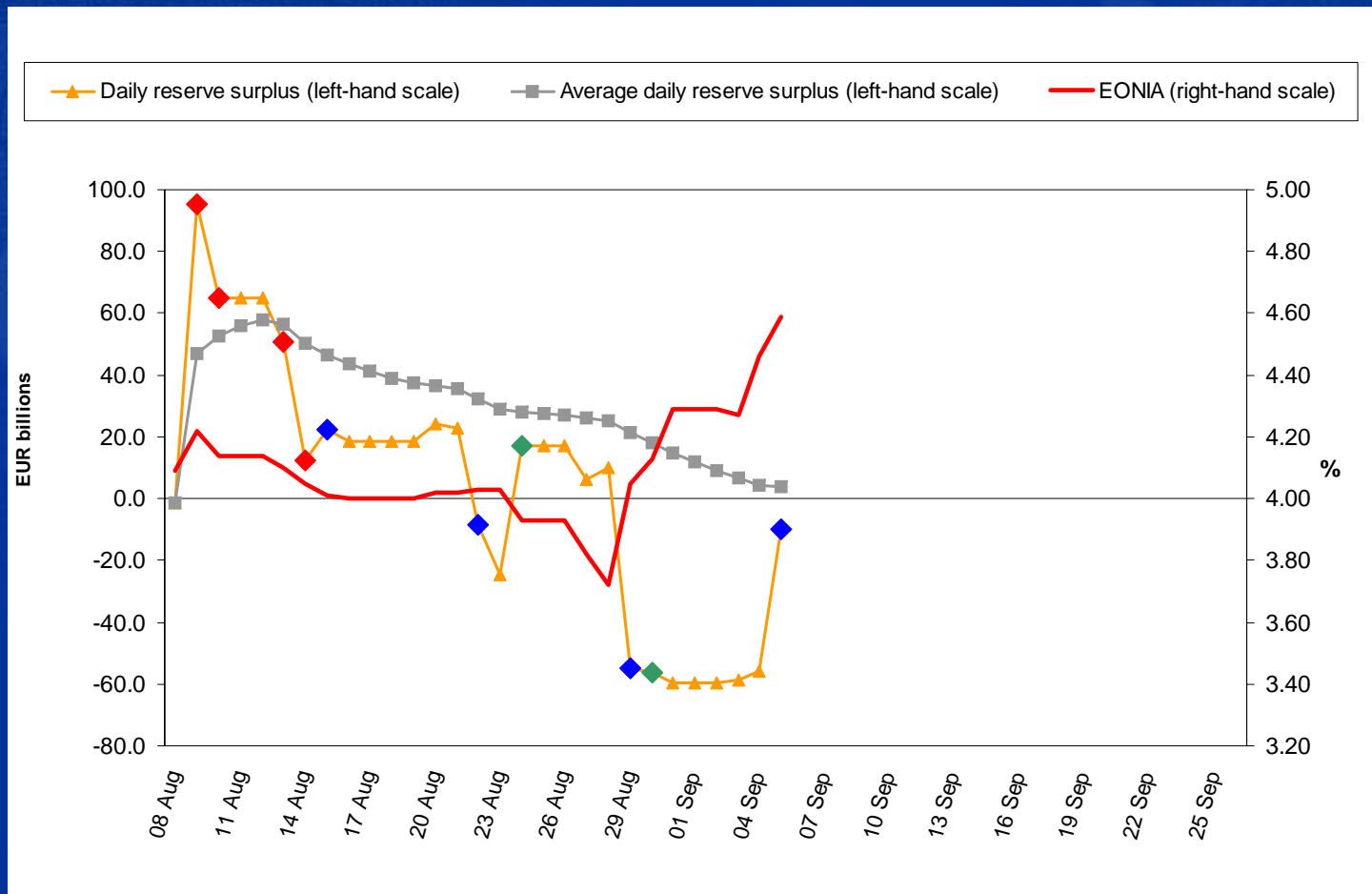
Development of 3-month deposit-OIS spreads



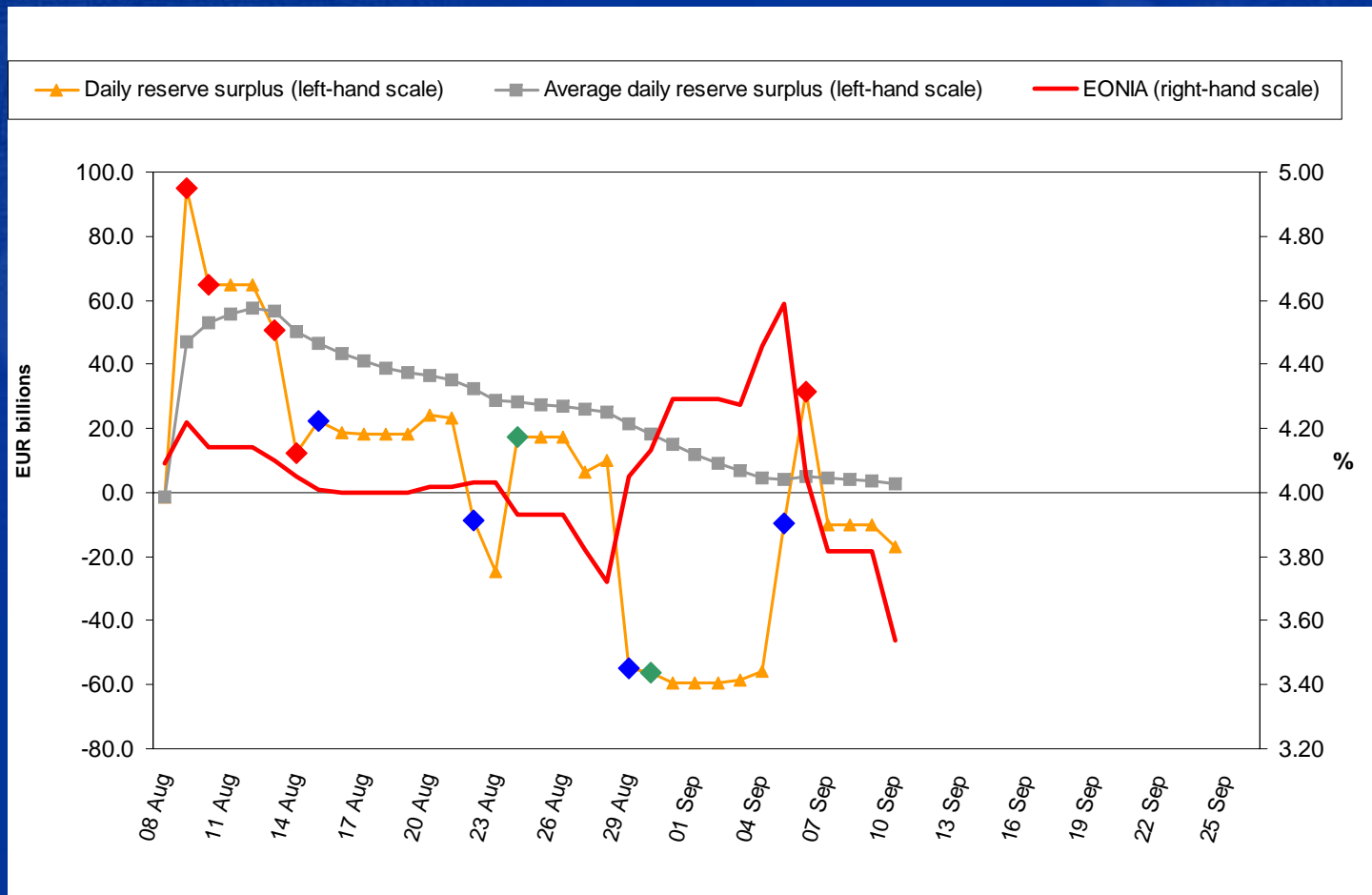
Supplementary LTRO (23/24 Aug) to support market functioning



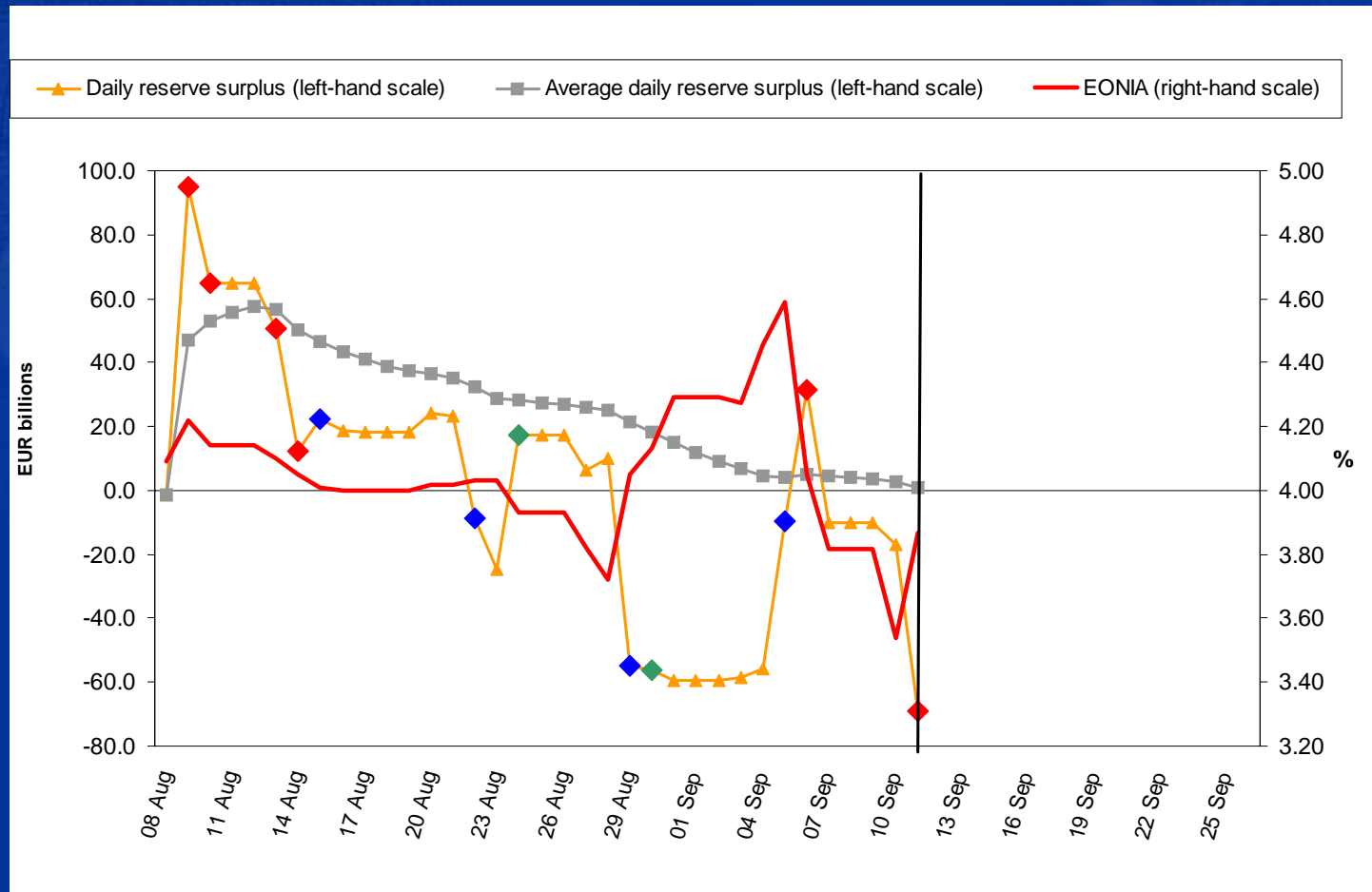
MROs allotted on 28 August and 4 September / regular LTRO allotted on 29 August



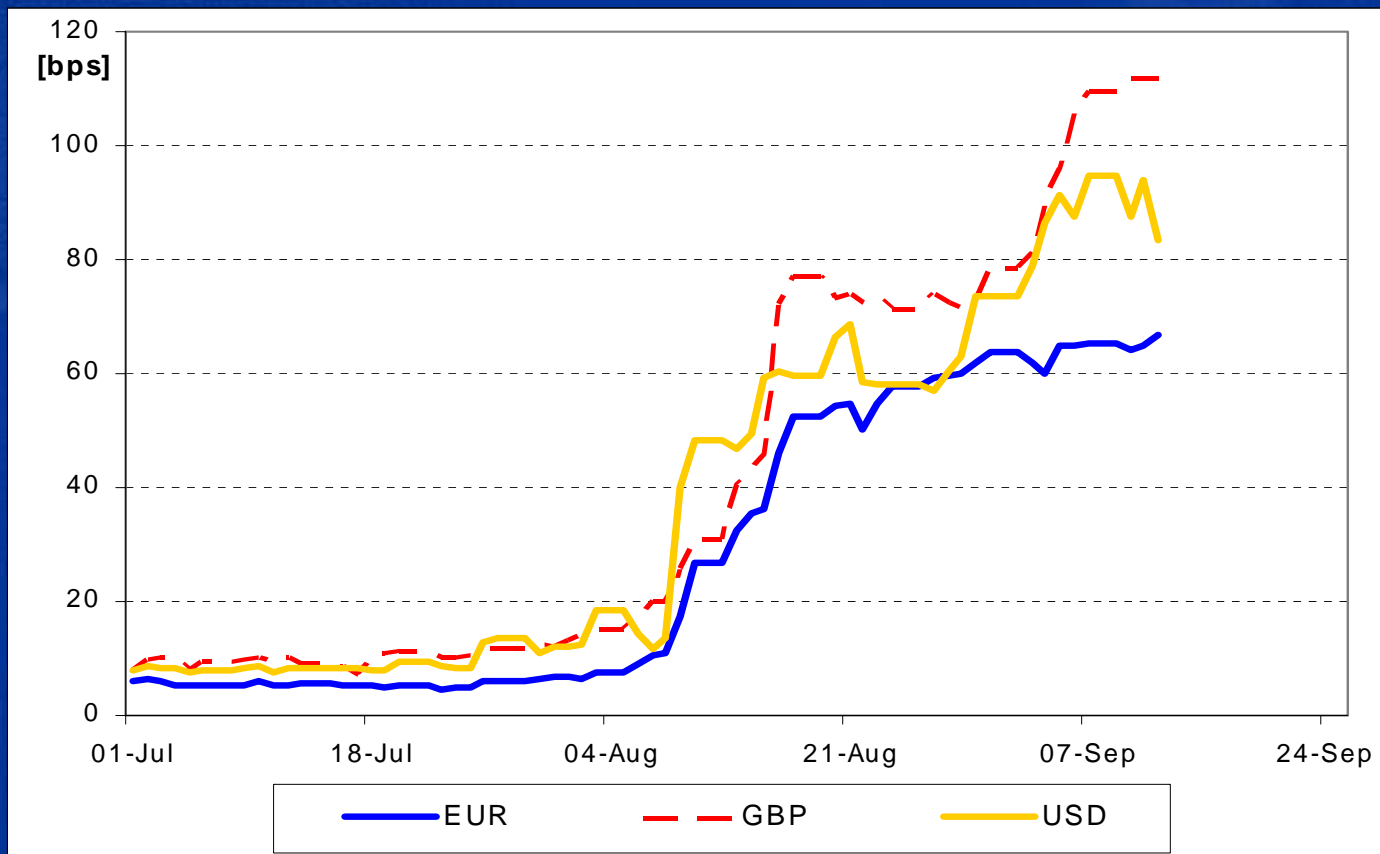
Additional liquidity providing fine tuning operation (6 Sep)



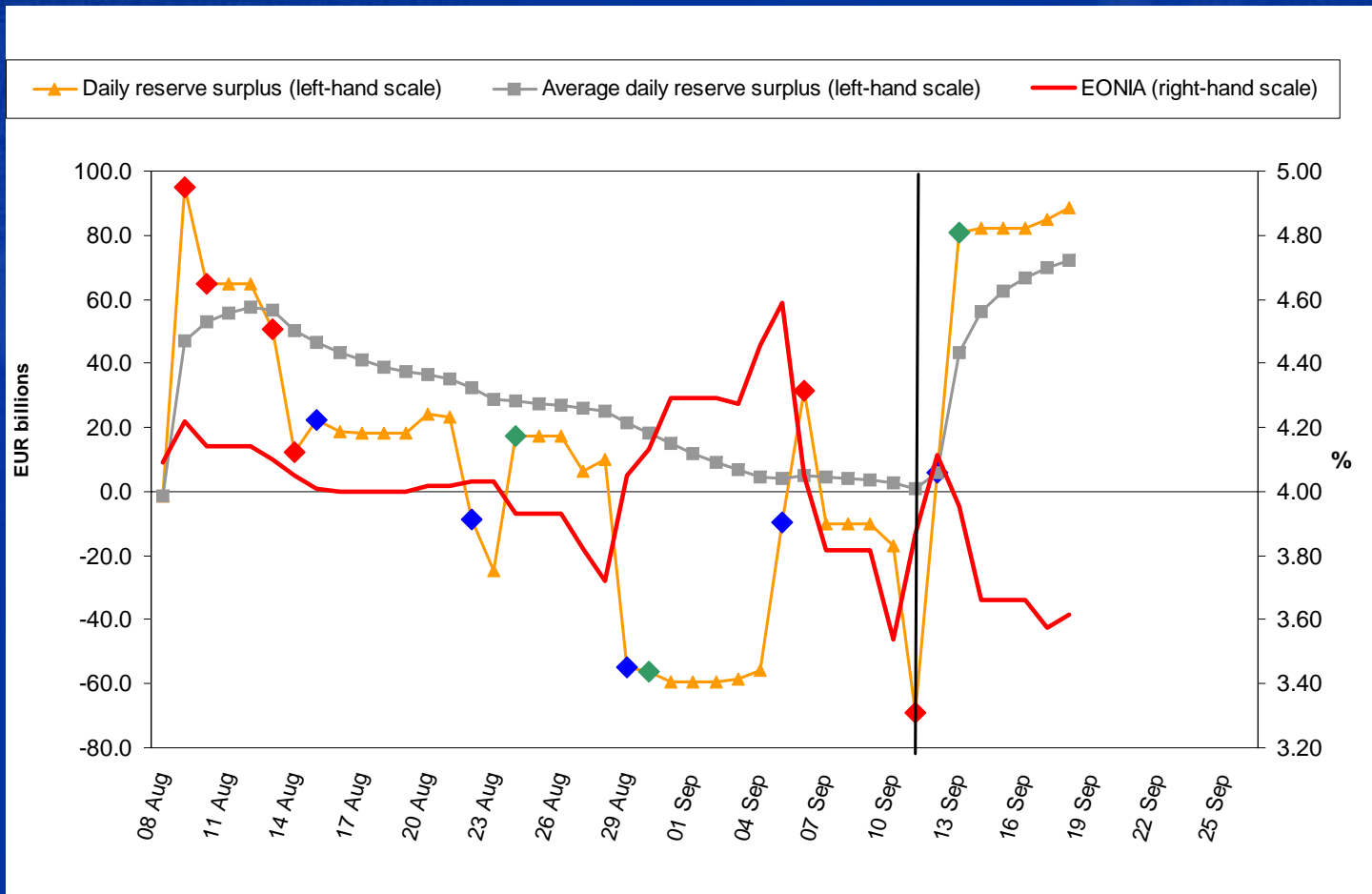
Regular end-of-period (absorbing) fine tuning operation (11 Sep)



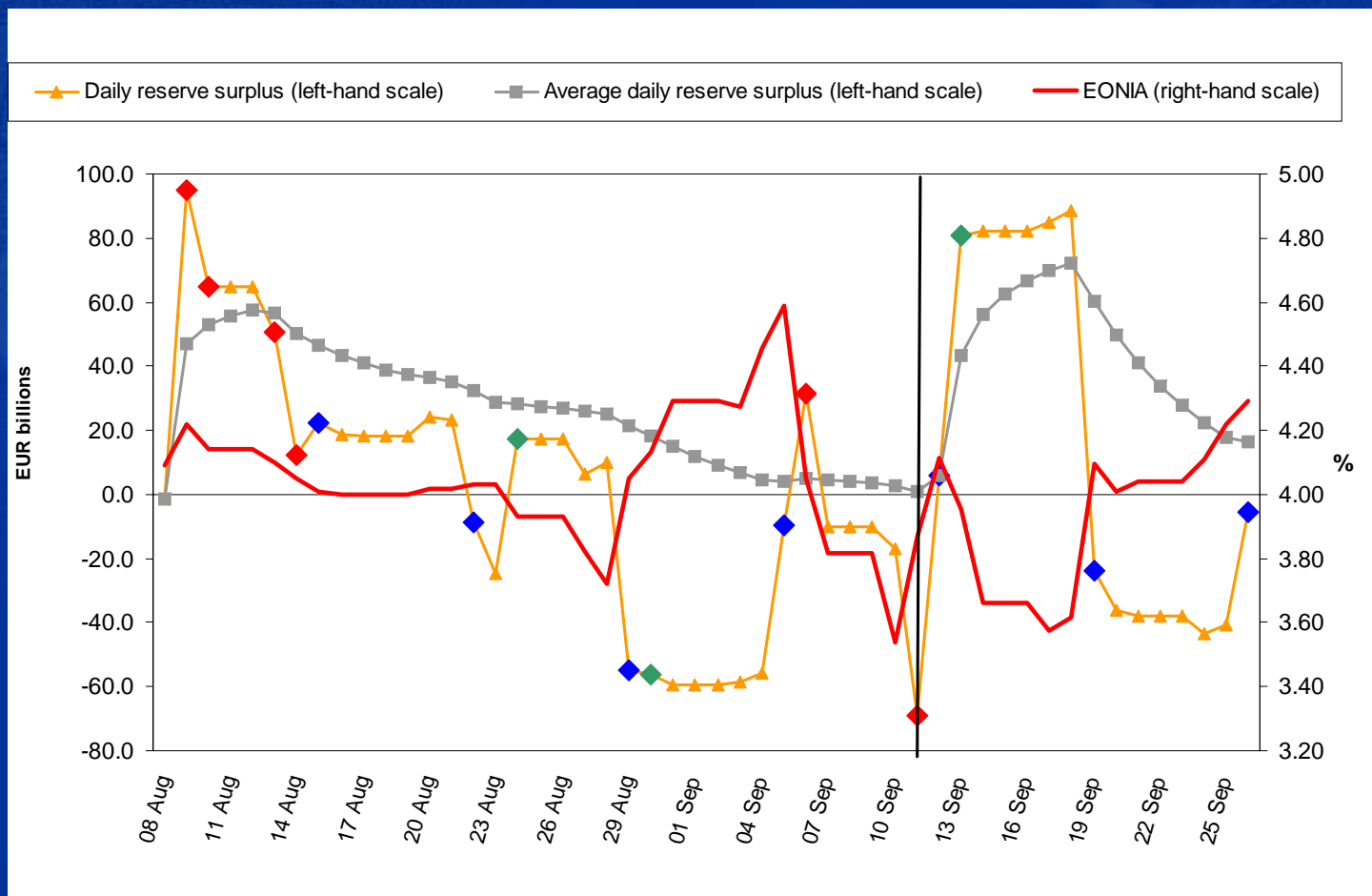
Development of 3-month deposit-OIS spreads



First MRO of the new maintenance period / supplementary LTRO (12/13 Sep)



Progressive reduction of average daily reserve surplus in most recent MROs (18 and 25 Sep)



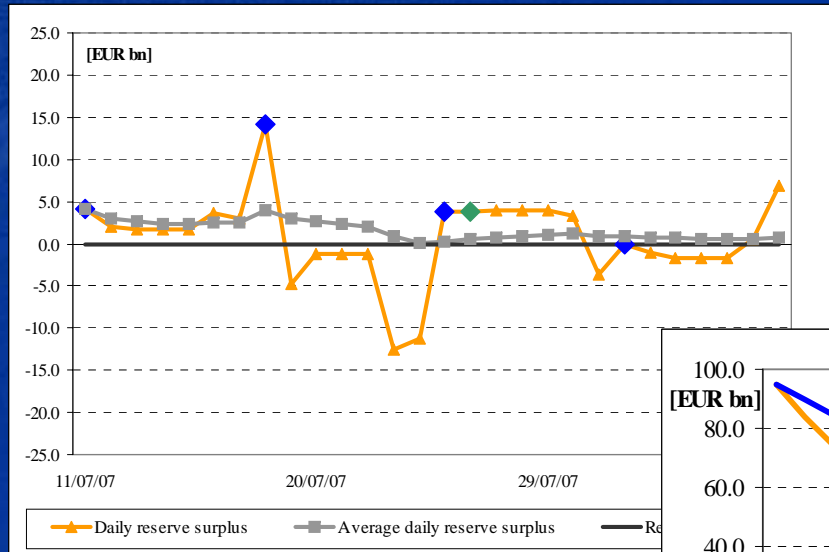
Summary

The ECB did not provide additional liquidity over a full maintenance period;

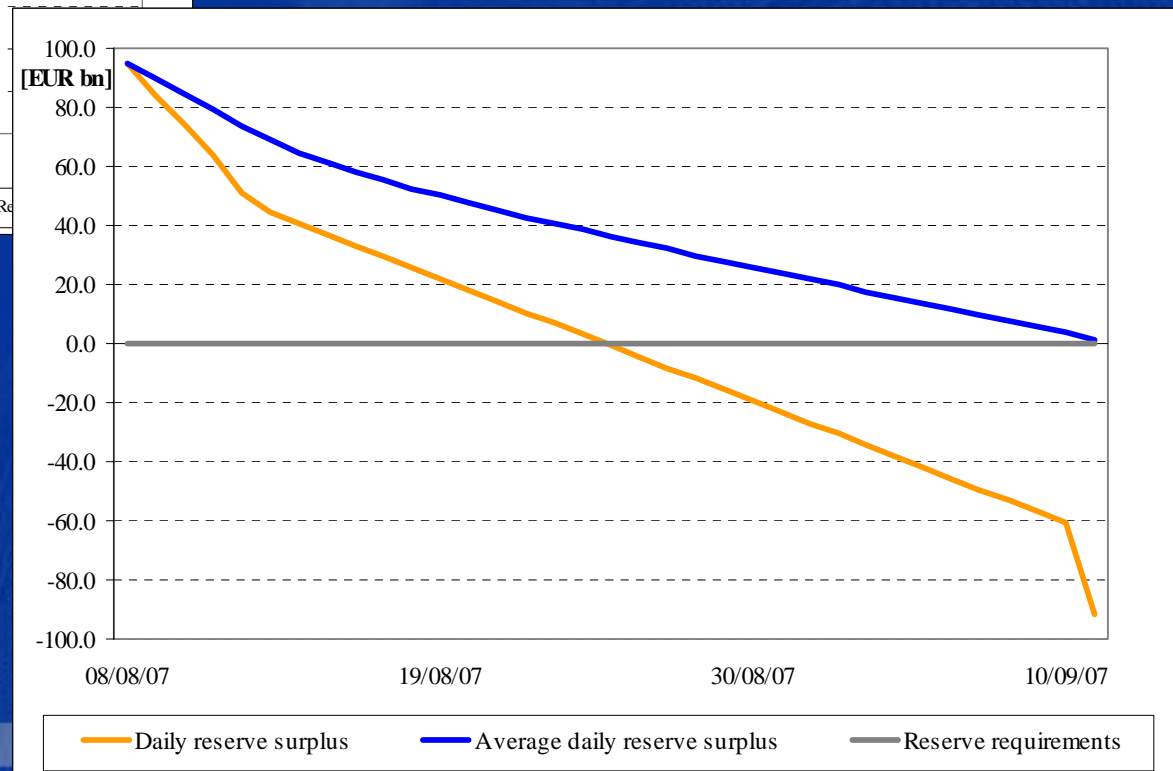
- it provided the liquidity following a different time pattern; and
- it modified the relative share of liquidity provided via 1-week and 3-month operations.

The modified time pattern

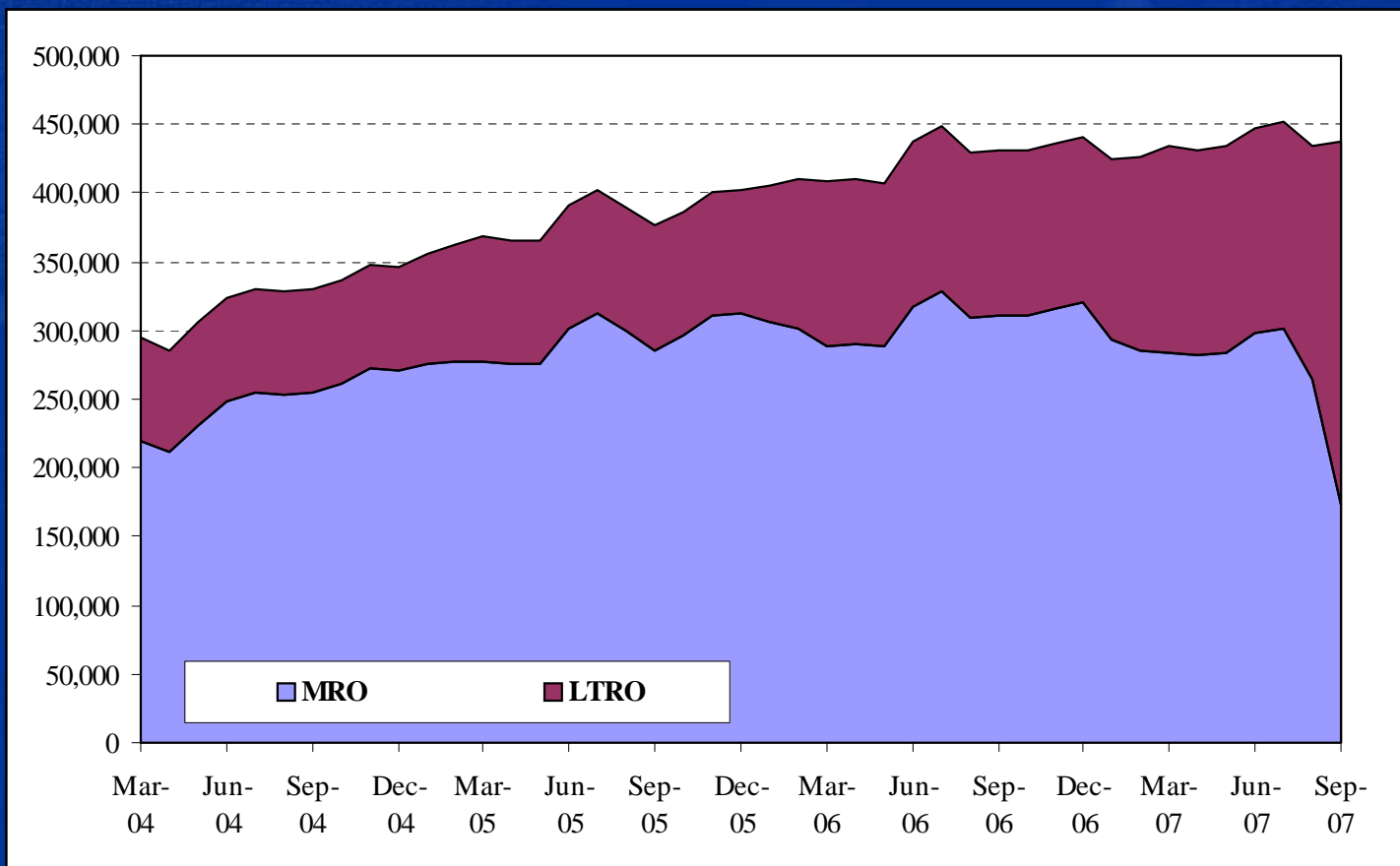
"Usual" reserves fulfilment path



Current (stylized) reserves fulfilment path



The modified maturity pattern



Conclusion

- The main aim of the ECB is to keep short-term interest rates close to the policy rate (i.e. the minimum bid rate signalling the monetary policy stance) with limited volatility
- In pursuing this objective, the ECB aims at supporting the proper functioning of the money markets