



EUROPEAN CENTRAL BANK

EUROSYSTEM

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Recent developments in the euro money market

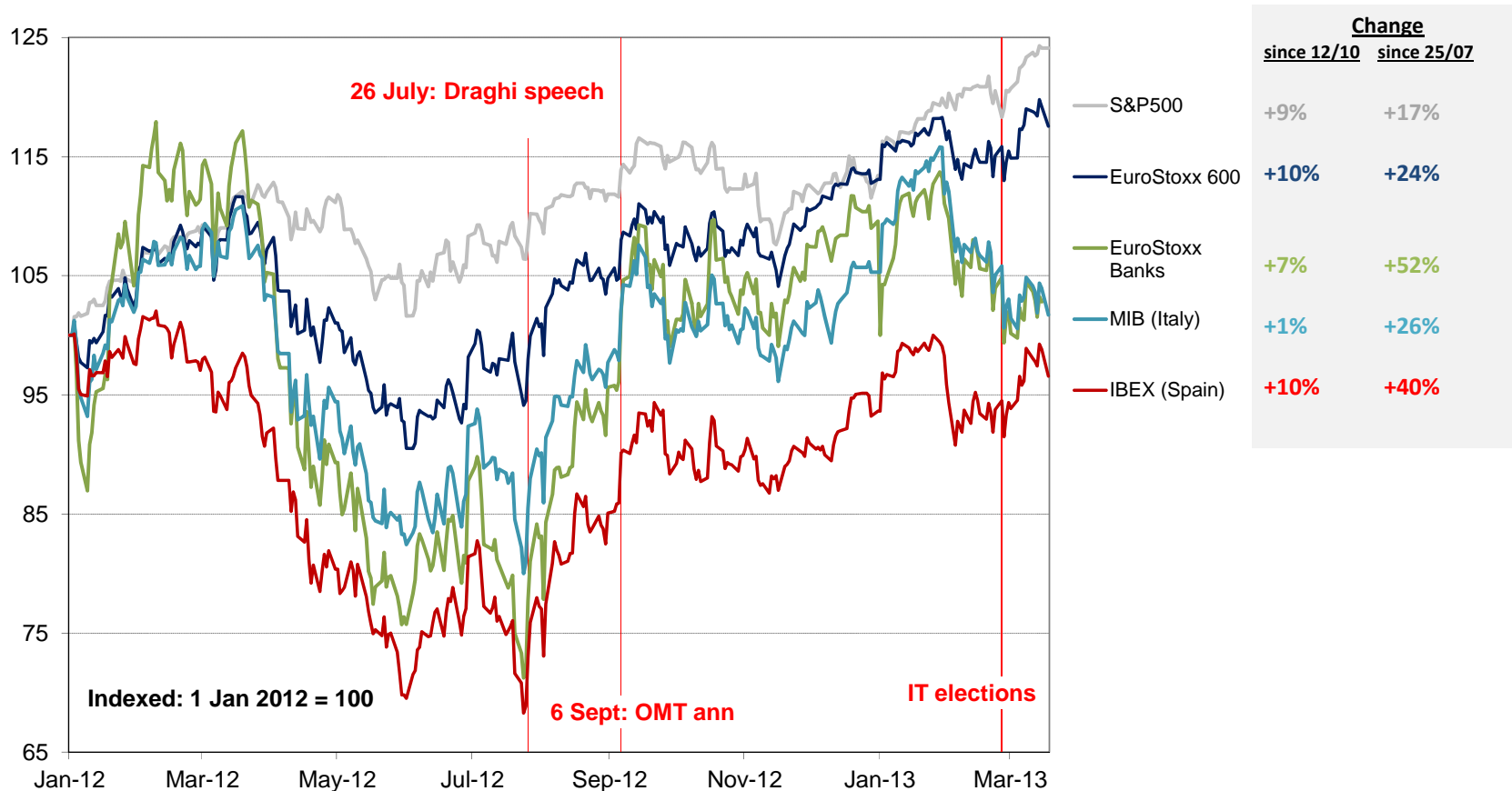
Frankfurt am Main, 18 March 2013

Money Market Contact Group

ECB developments and announcements

- **17 Dec:** ECB publishes Euro Money Market Study
- **19 Dec:** ECB announces change in eligibility of debt instruments issued or guaranteed by the Greek government
- **8 Feb:** Press release: ECB welcomes the European Commission's intention to regulate systemically important reference rates
- **11 Feb:** Eurosystem's response to IOSCO's consultation report on financial benchmarks
- **11 Feb:** Eurosystem's response to the EBA and ESMA's public consultation on the principles for benchmark-setting processes in the EU
- **21 Feb:** Press release: ECB discloses details on securities holdings acquired under the Securities Markets Programme

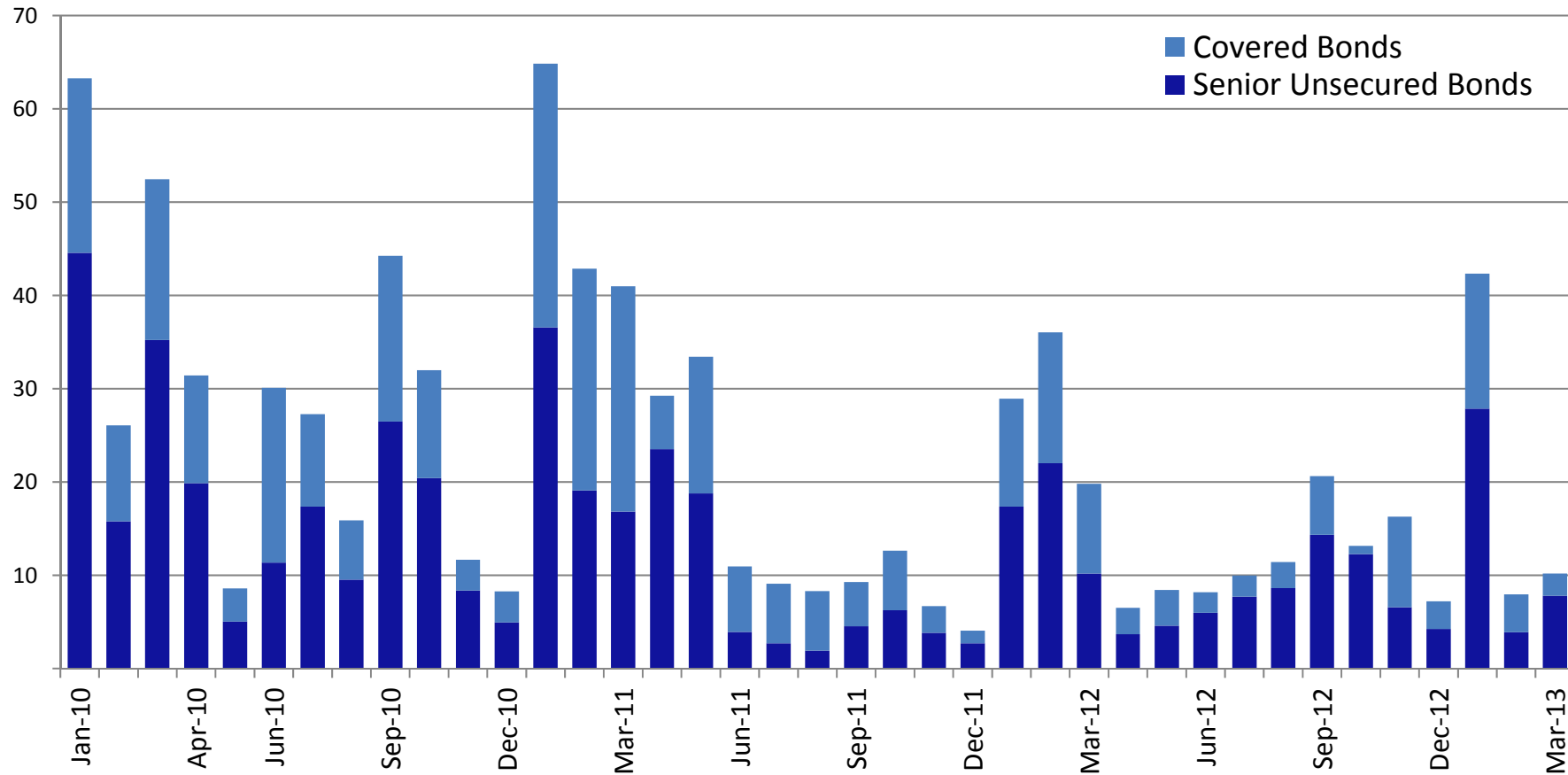
Financial market sentiment – equity markets



Global positive momentum keeps pace but risk sentiment in the euro area dented by a number of country-specific events

Bank funding

Bn EUR

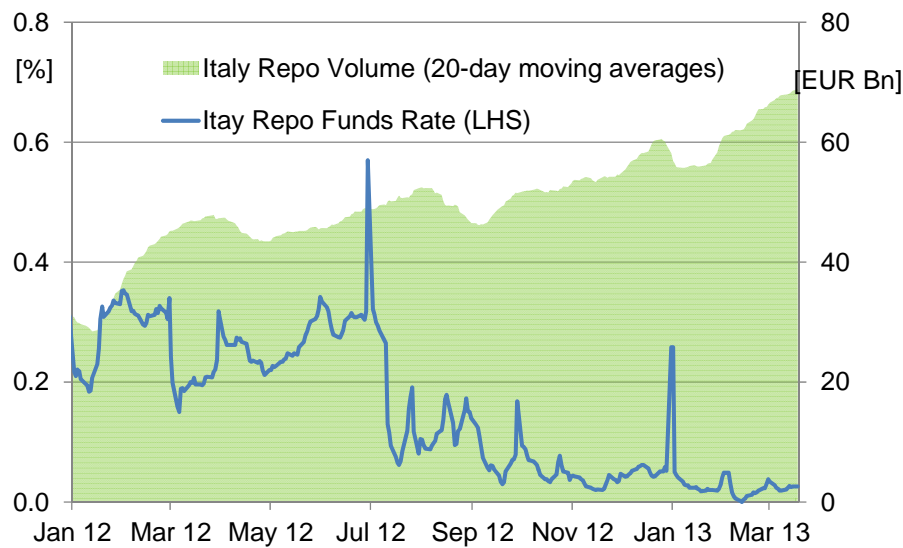


Euro area financial issuance rebounded in January reflecting improved market access, also for the non-core countries

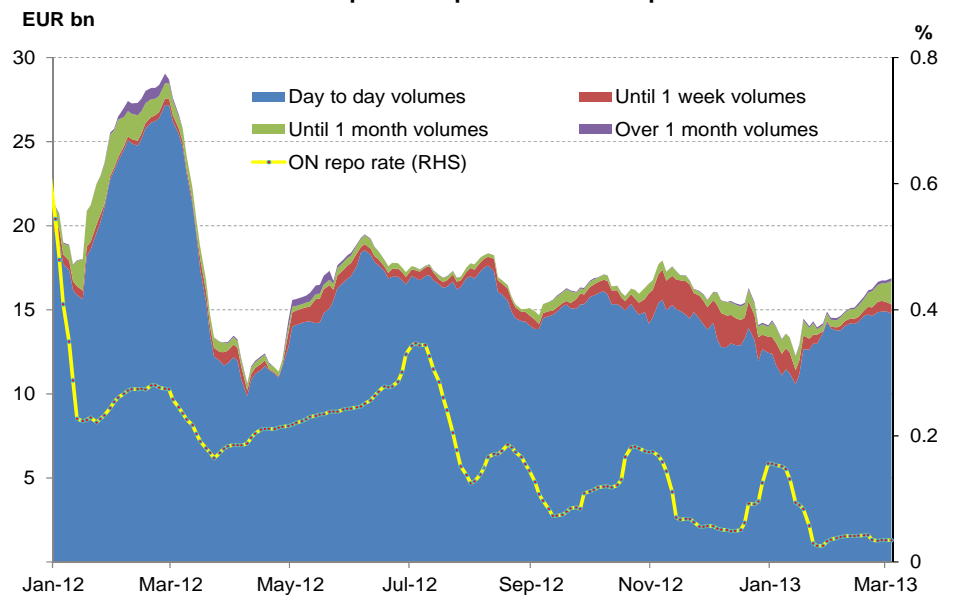
Note: all issuances with issuance volumes > EUR 100 million, Source: Dealogic MMCG

Money market conditions - repo

Italian repo market developments (RepoFunds)

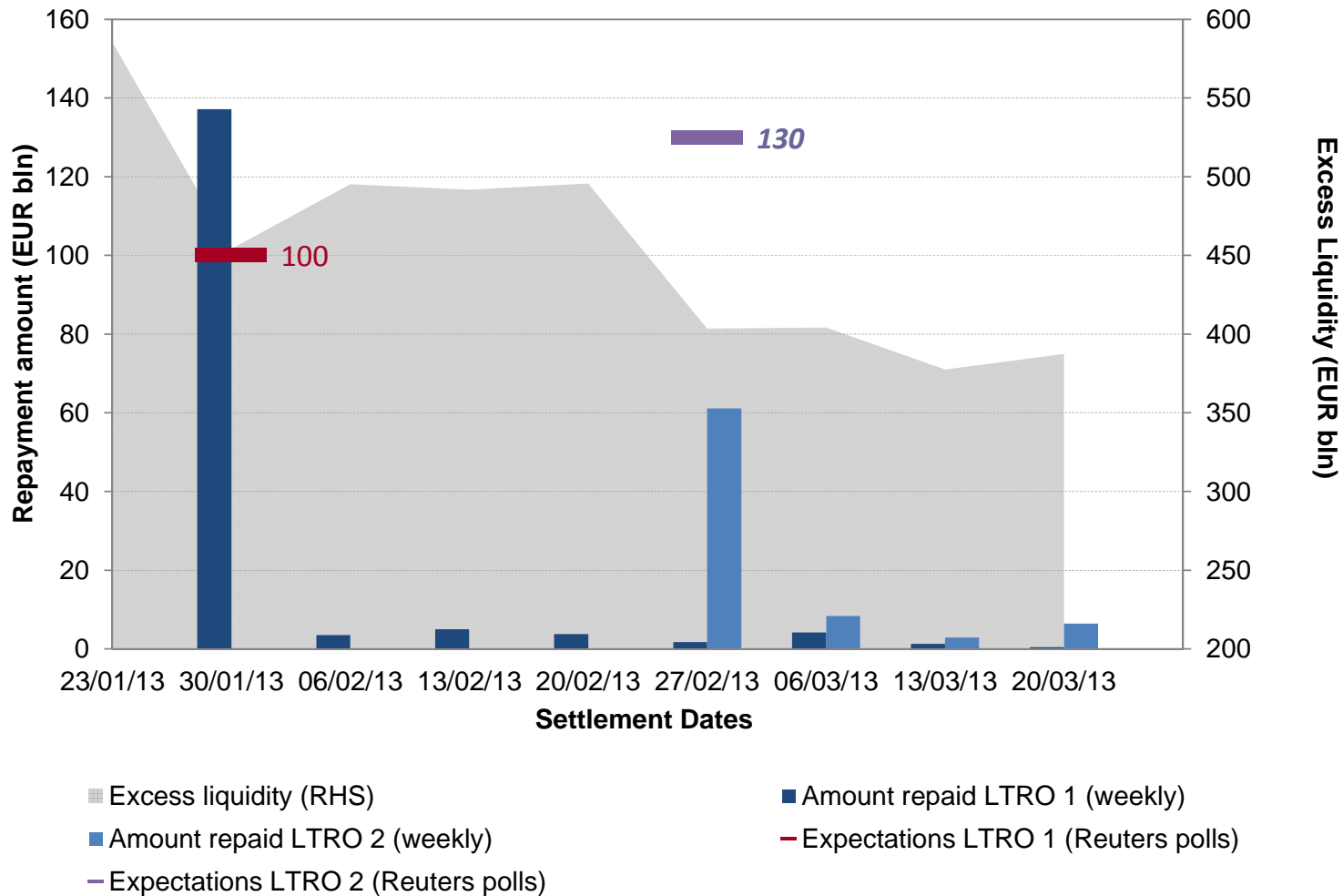


Spanish repo market developments



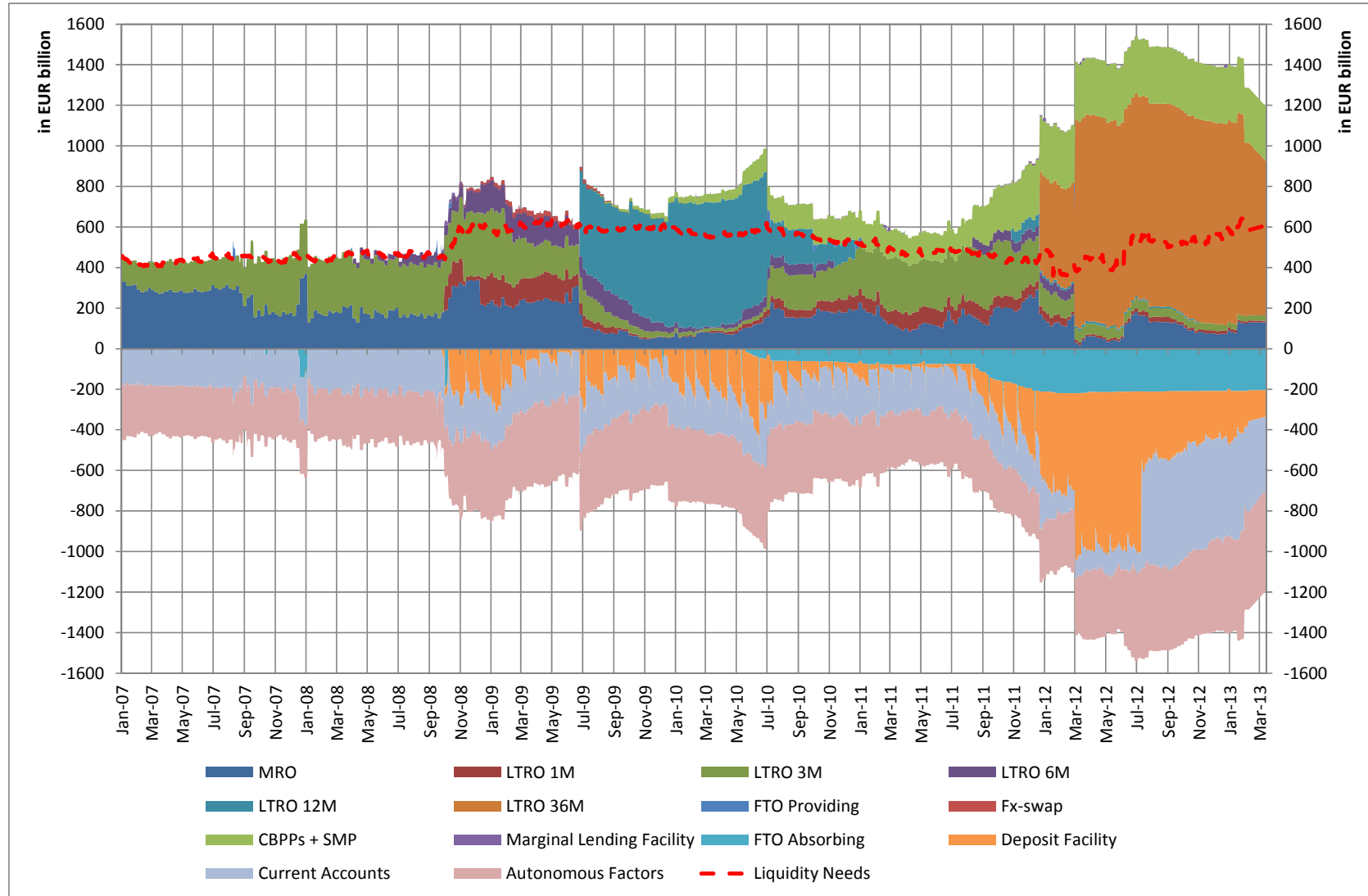
Repo market volumes rose since January and so far were little affected by a recent increase in market uncertainty

3-year LTRO repayments and excess liquidity

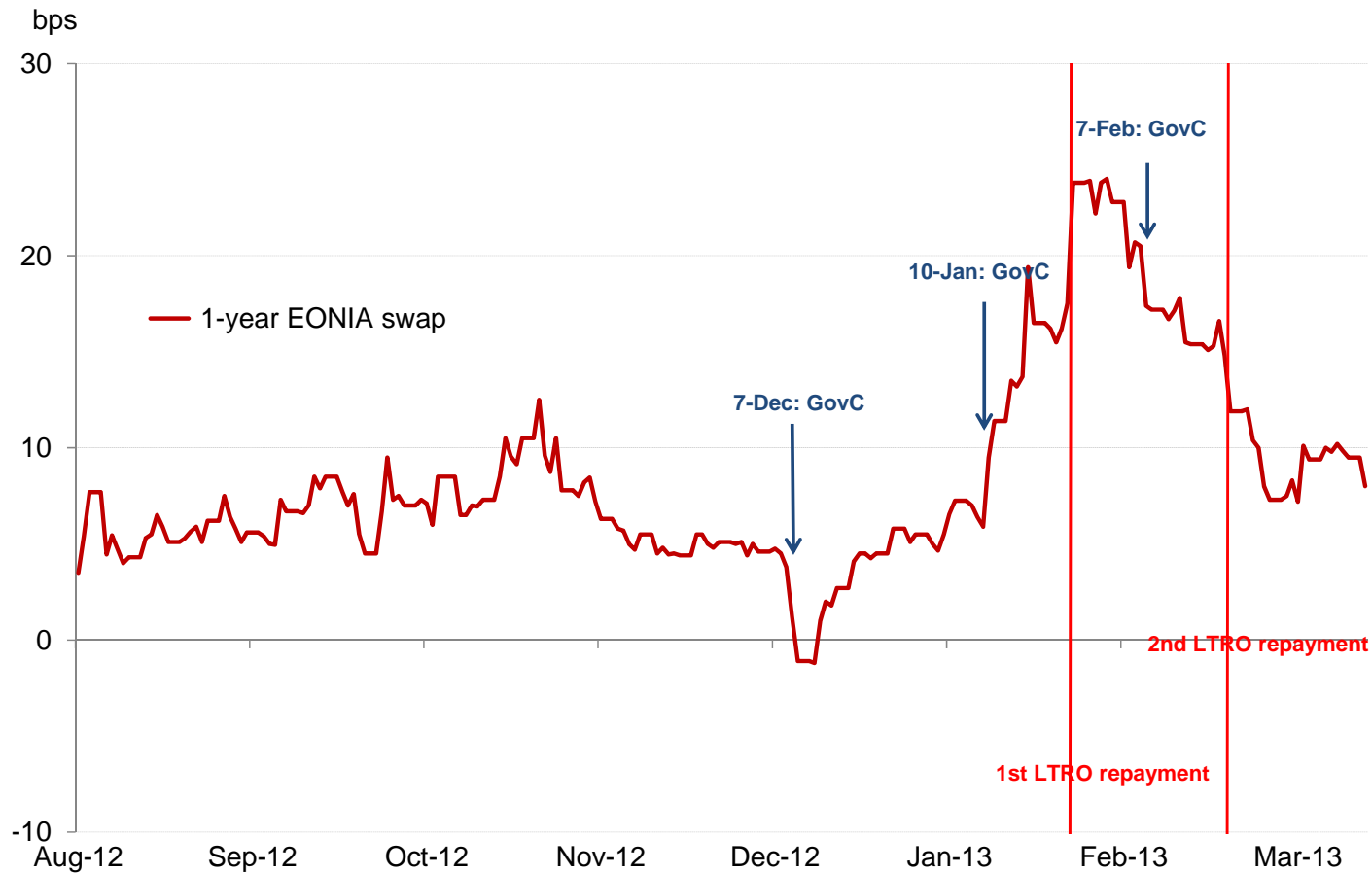


- Repayments amounted totally to EUR 236 bn (EUR 157 bn + EUR 79 bn)
- 23.8% of the total borrowings and 40.3% of the excess liquidity

ECB liquidity breakdown

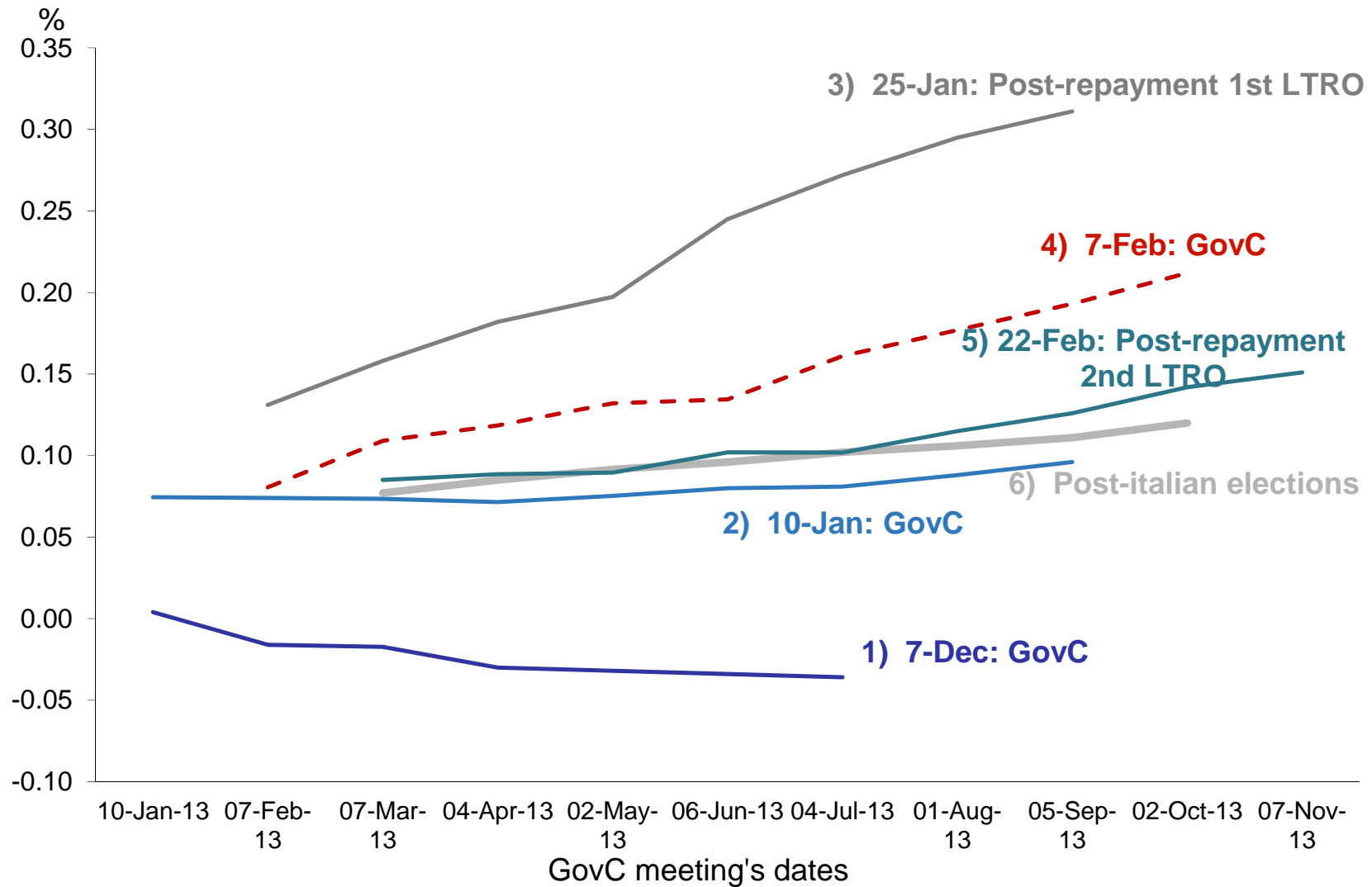


EONIA swap rates

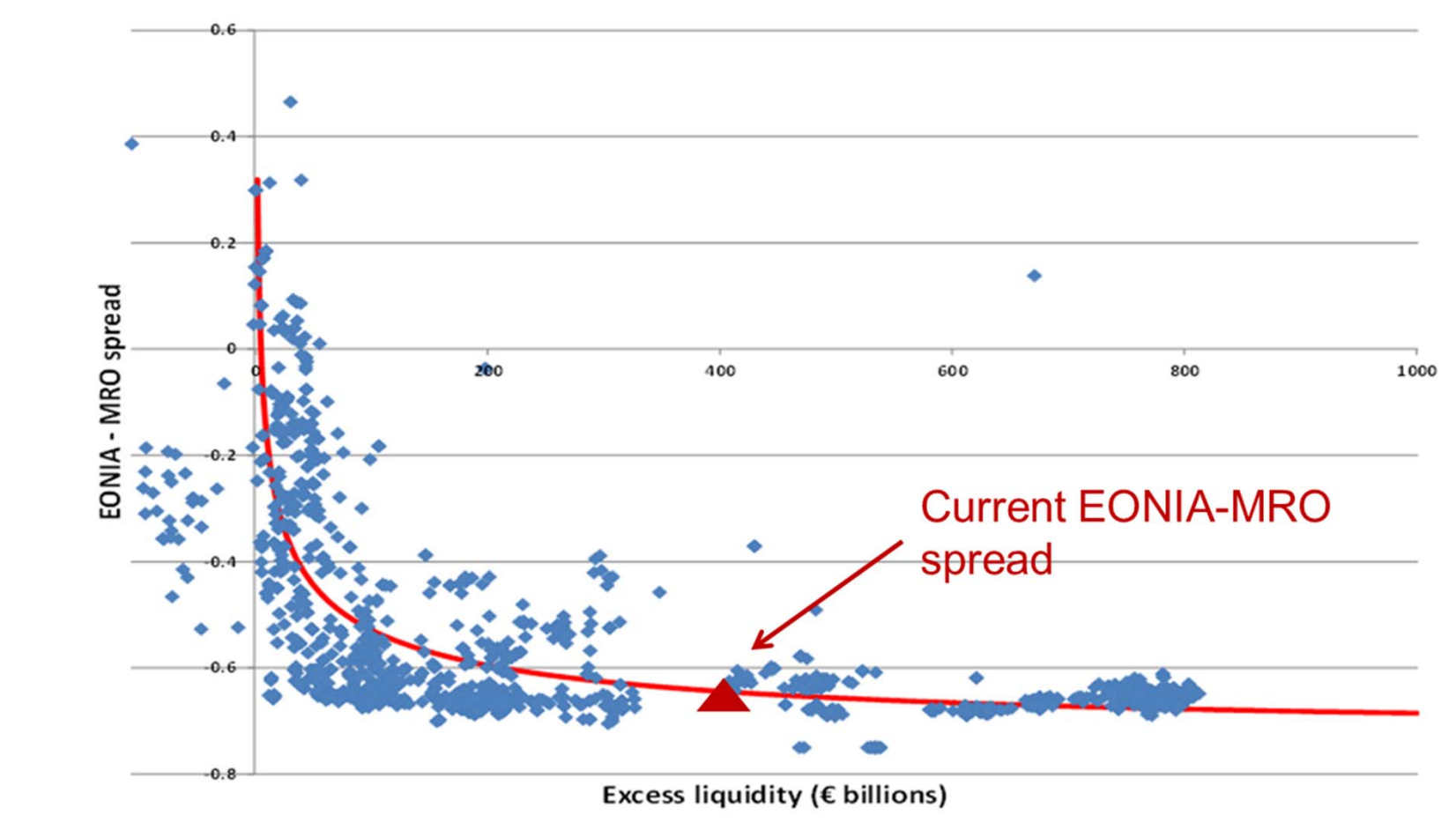


Re-pricing of market expectations with regard to monetary policy and excess liquidity resulted in high volatility of the EONIA swap rates

Eonia Forward rates

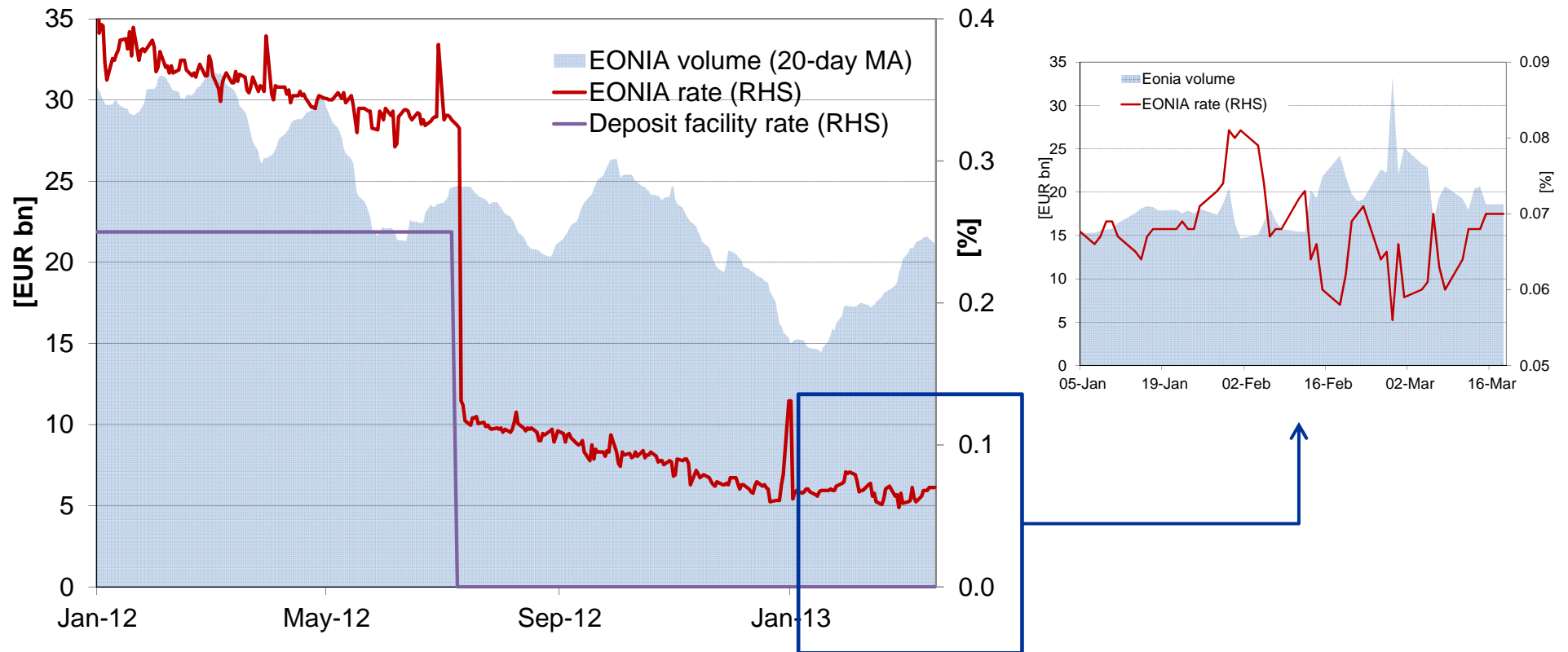


EONIA - MRO spread and excess liquidity



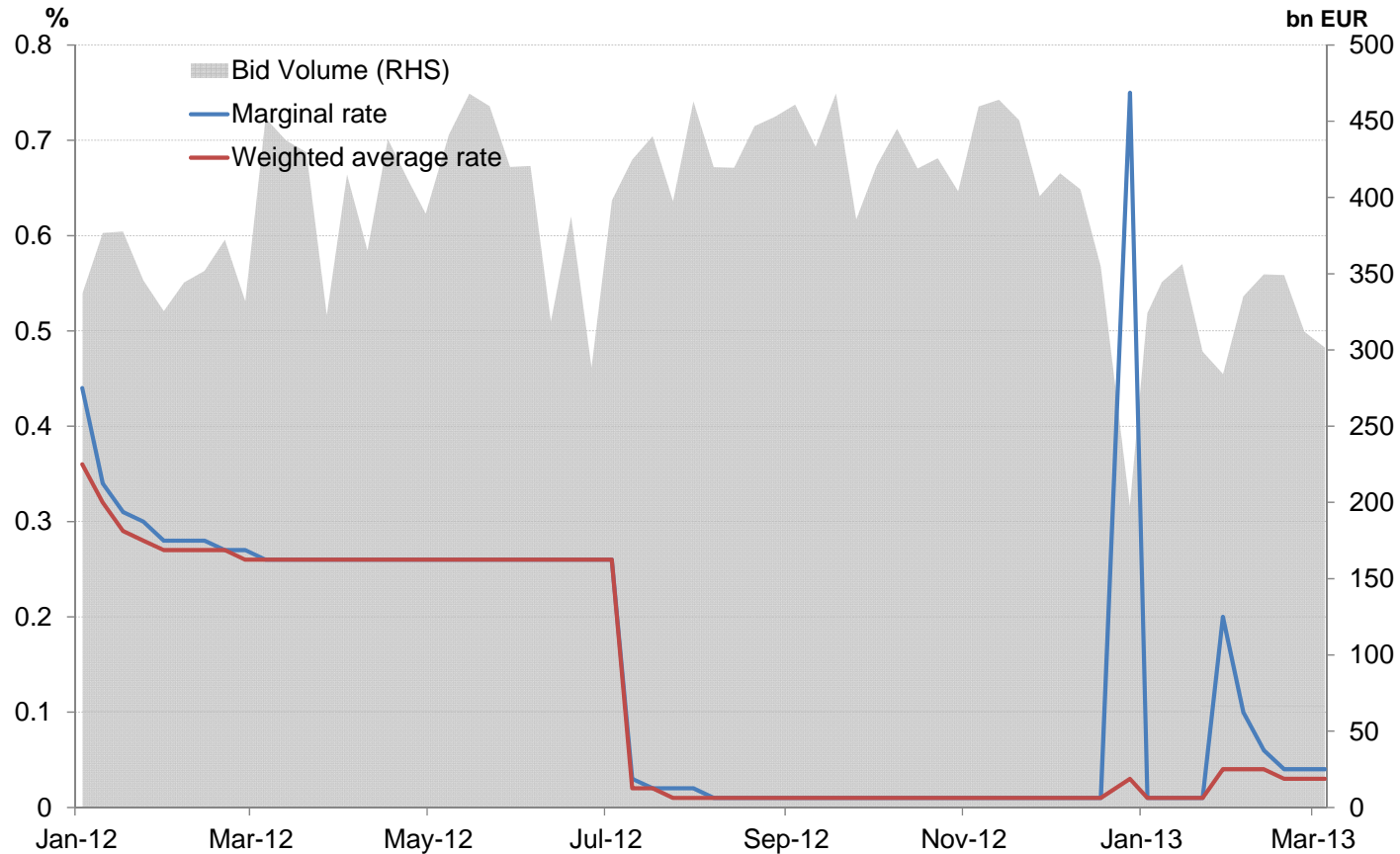
Current EONIA levels are broadly in line with the empirical relationship of the EONIA rate and the level of excess liquidity

EONIA rates and volumes



EONIA volumes started to recover amid higher volatility of EONIA rates

Re-pricing of central bank liquidity absorbing operations



Marginal and weighted average rates in the 1-week liquidity absorbing operations rose reflecting a lower amount of excess liquidity

Issues for discussion

- Market view on the 3-year LTRO repayments:
 - main drivers of the repayment?
 - market expectations of future repayments, their impact on the level of excess liquidity and money market rates?
- Improvement in the money market sentiment:
 - A self-sustained momentum?
 - Segmentation and cross-border flows?
- MMCG expectations with regard to the ECB monetary policy:
 - Standard and non-standard policy measures?

