

Market Update

ECB Money Market Contact Group

Paris, 17th June 2015

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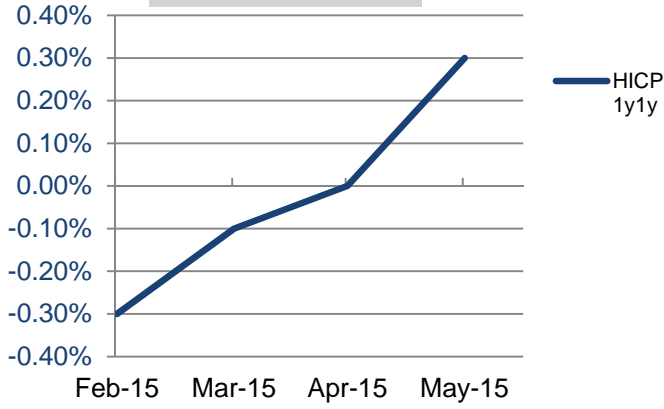
RESTRICTED/CONFIDENTIEL

Market Focus

Inflation

Improving prospects?

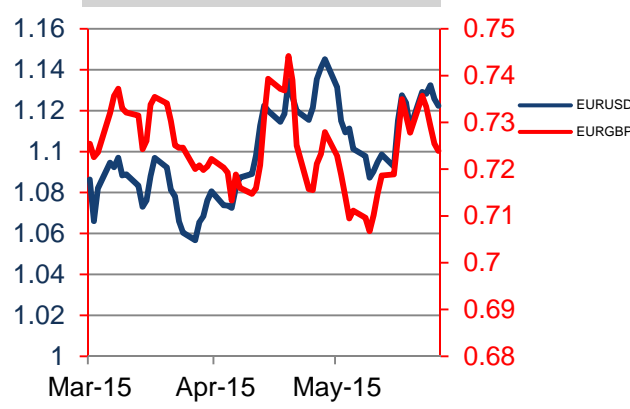
HICP 1Y1Y



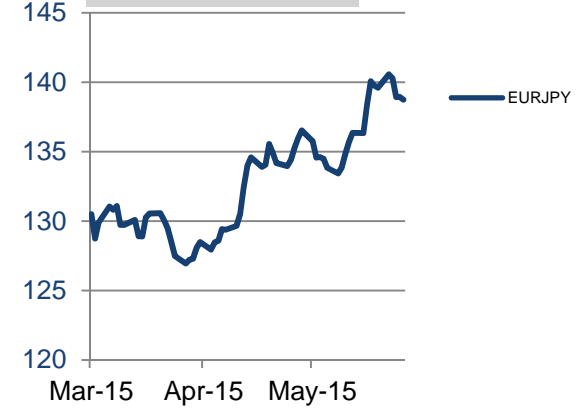
Currencies

Range bound EuroDollar and EuroGBP

EURUSD & EURGBP

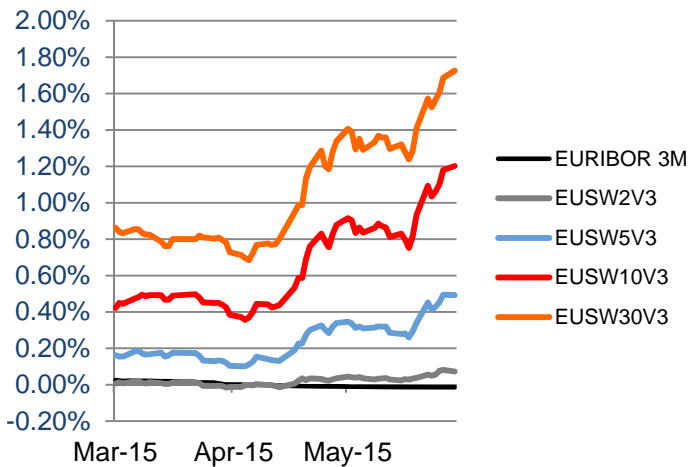


EURJPY

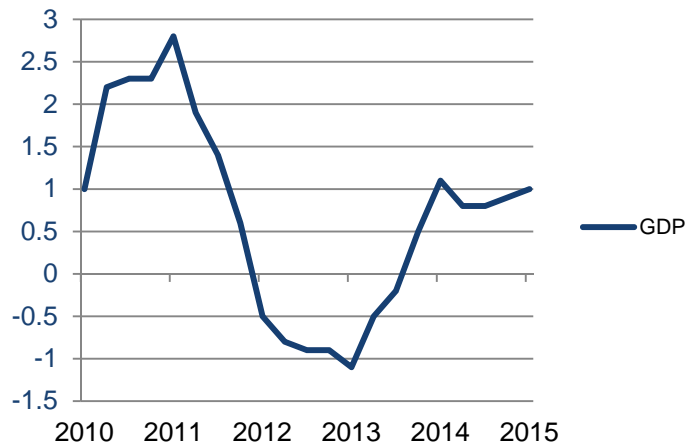


Rates

Euribor Swap



EuroZone GDP Growth



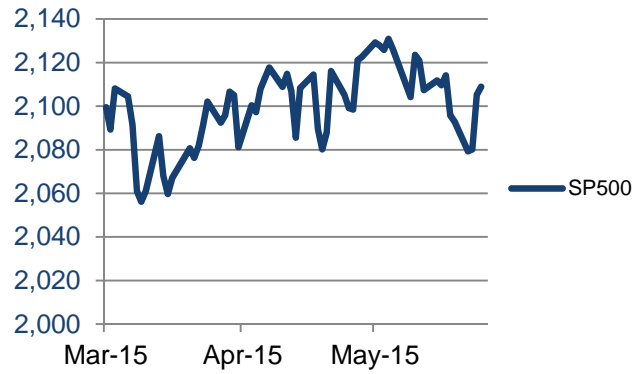
Comments

- HICP Inflation improving
- Recent sharp increase of Euro Long Term rates
- EUR FX Rates stabilize vs USD and GBP

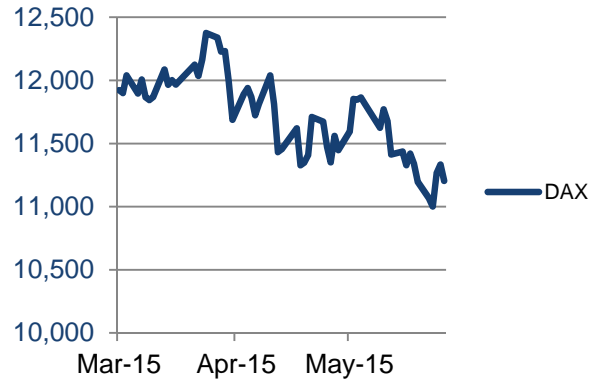
Market Focus

Equities

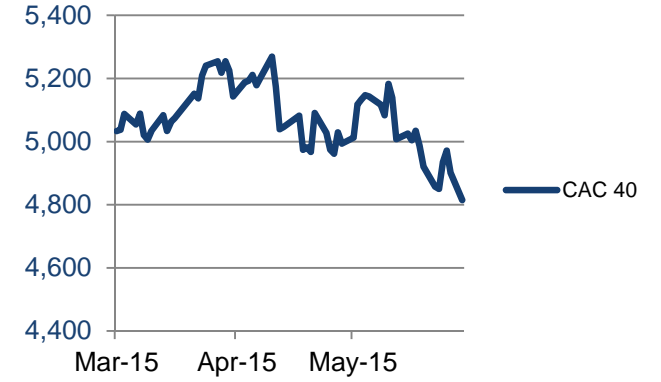
SP500



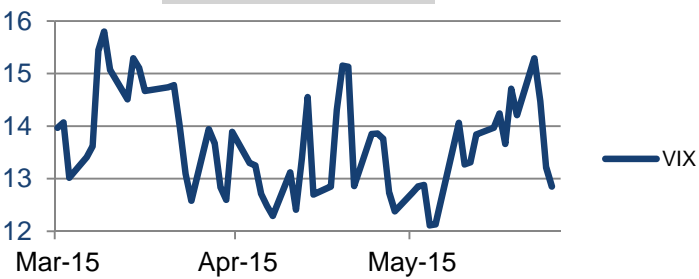
DAX



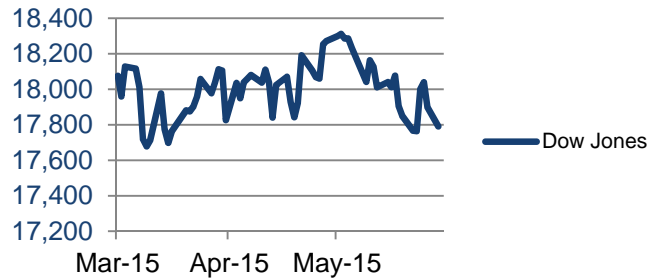
CAC 40



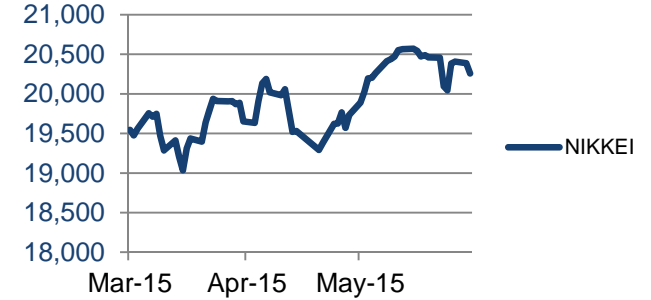
VIX



Dow Jones



Nikkei



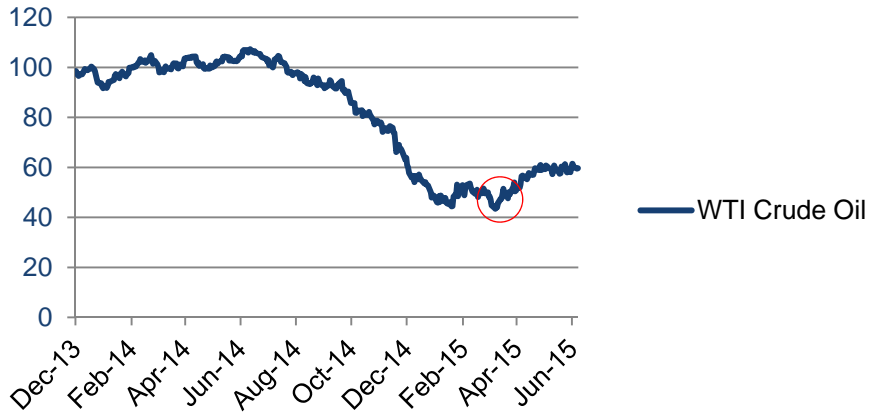
Comments

- Stable US equities whilst Euro indices are slightly retrenching
- Stock index volatility is remaining low

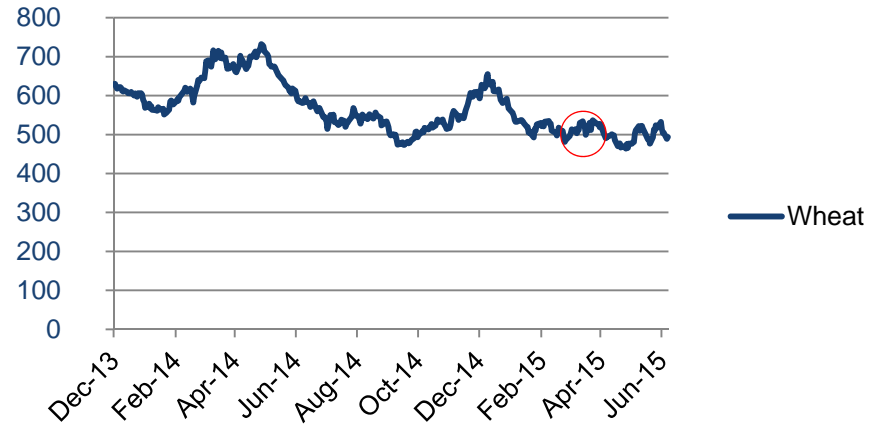
Market Focus

Commodities

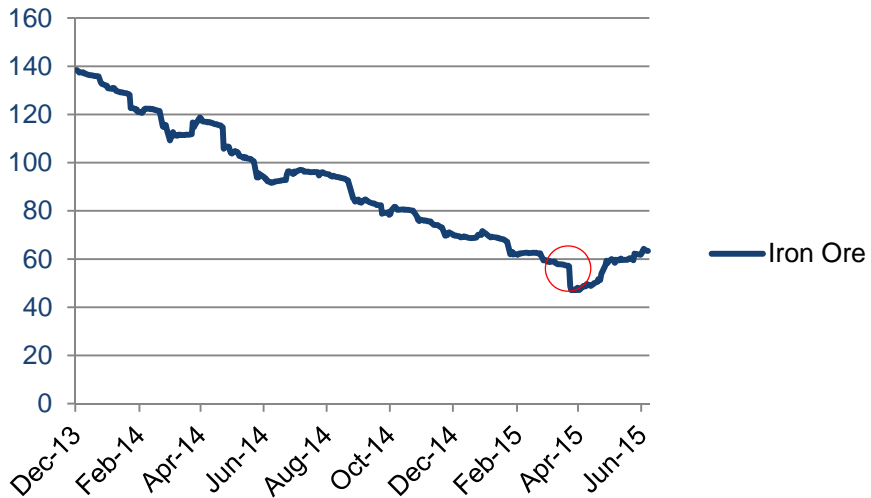
WTI Crude Oil



Wheat



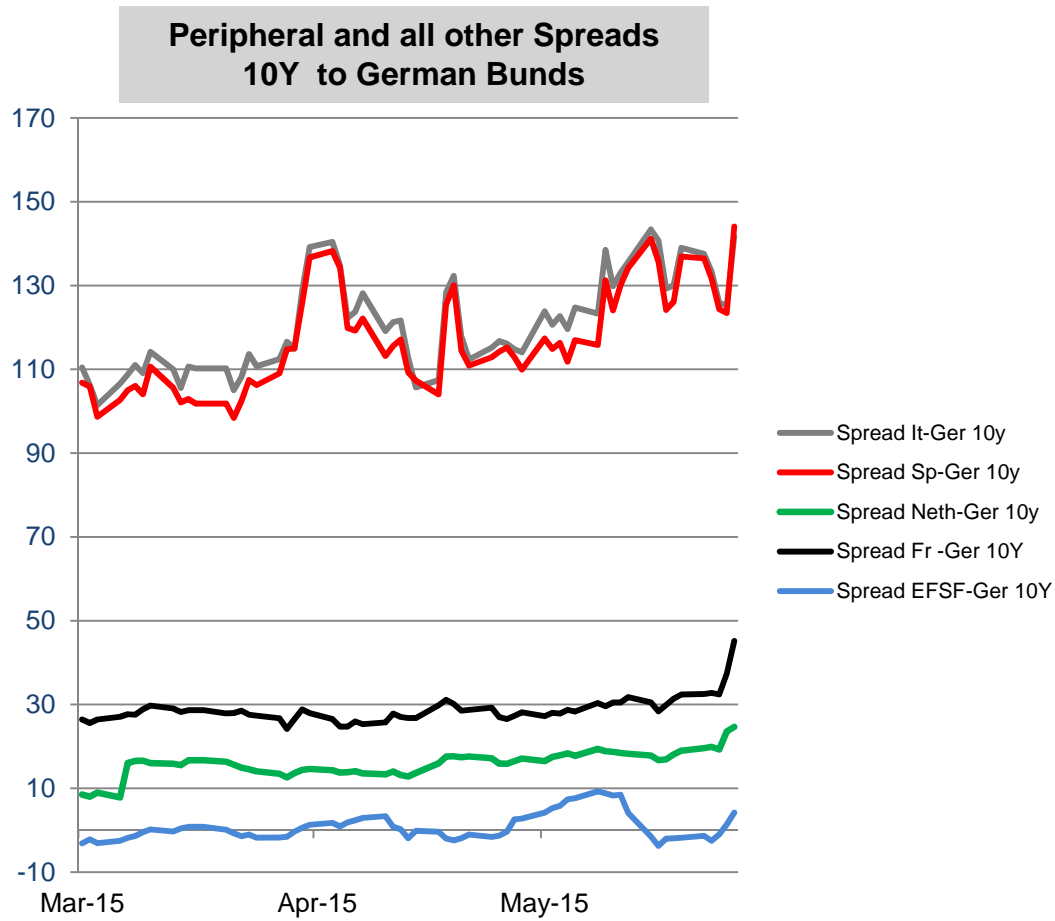
Iron Ore



Comments

- Commodities off recent lows

Sovereign Credit

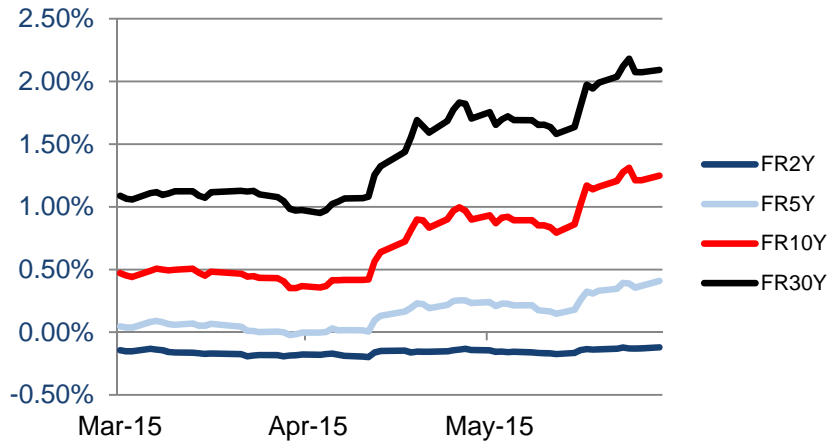


Comments

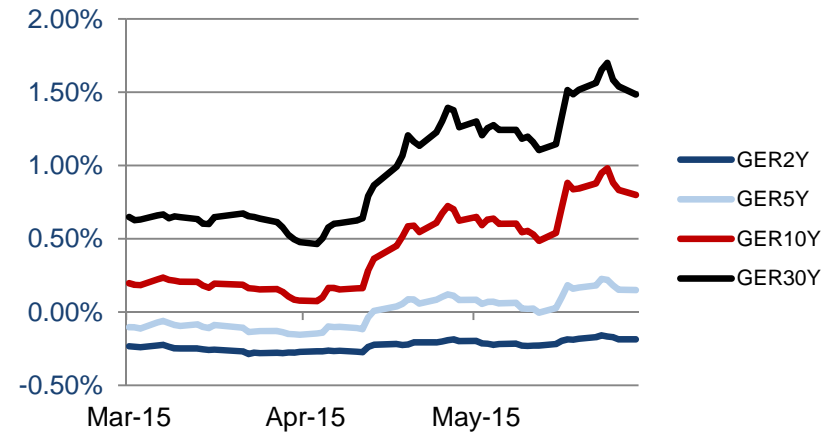
- Sharp movements on Long Term Rates
- Also impacted periphery and core spreads vs Germany

Sovereign Credit

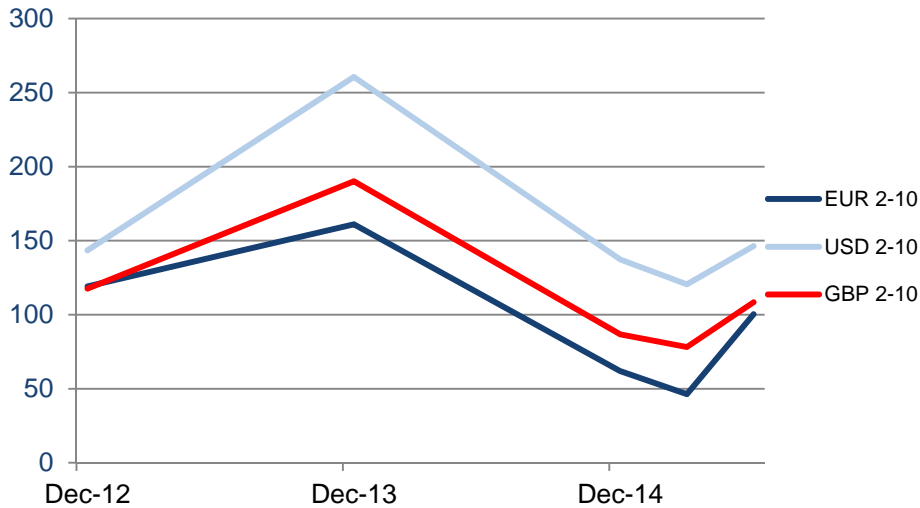
France bonds



German bonds



2-10 Spreads

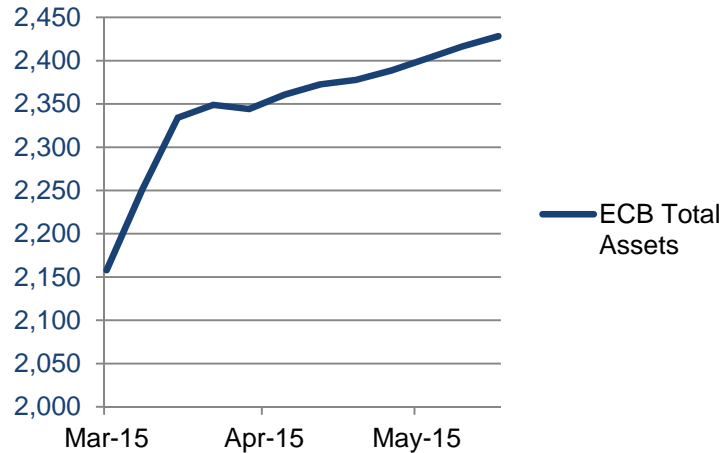


Comments

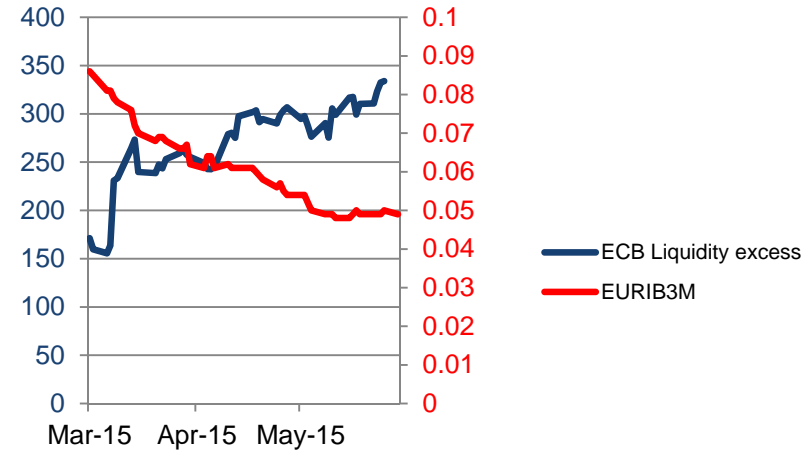
- 2-10 Swap curve steeper
- 2-10 Spreads are trending to 2012 levels

Money Market Developments

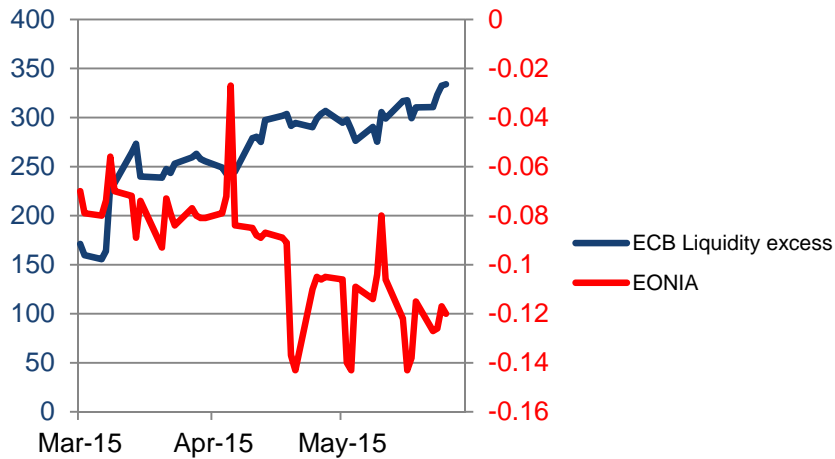
ECB Balance Sheet



ECB Liquidity Excess and Euribor3M



ECB Liquidity Excess and EONIA

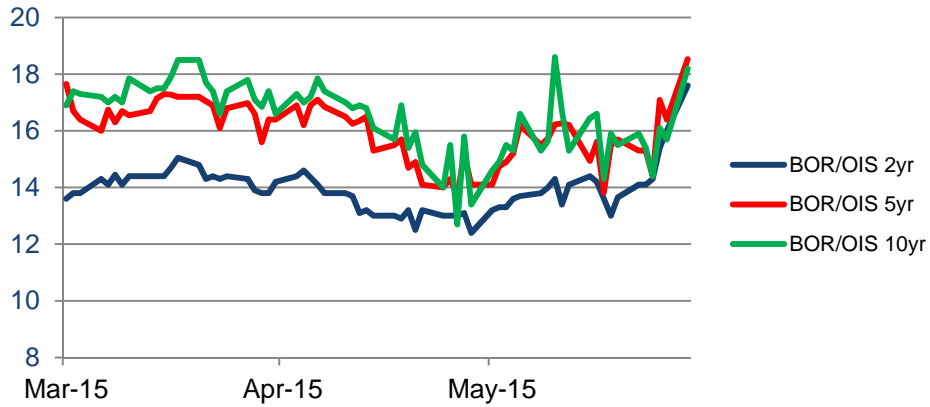


Comments

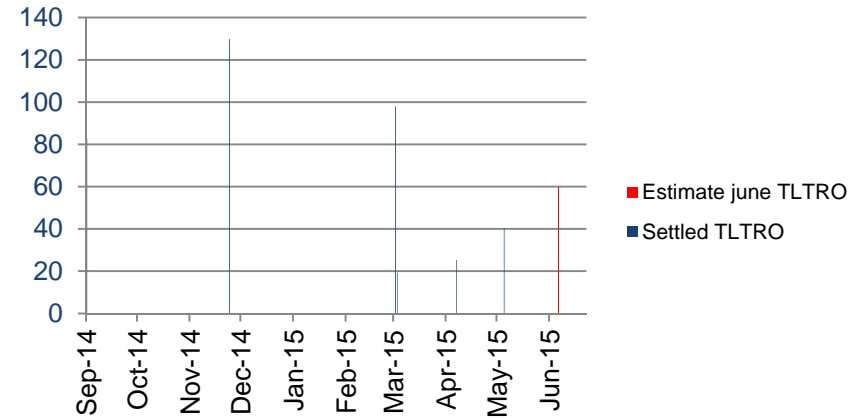
- Lower Short Term rates with increasing EuroSystem excess liquidity (through ECB purchases and TLTRO)

Money Market Developments

BOR/OIS



Historic and estimate TLTRO

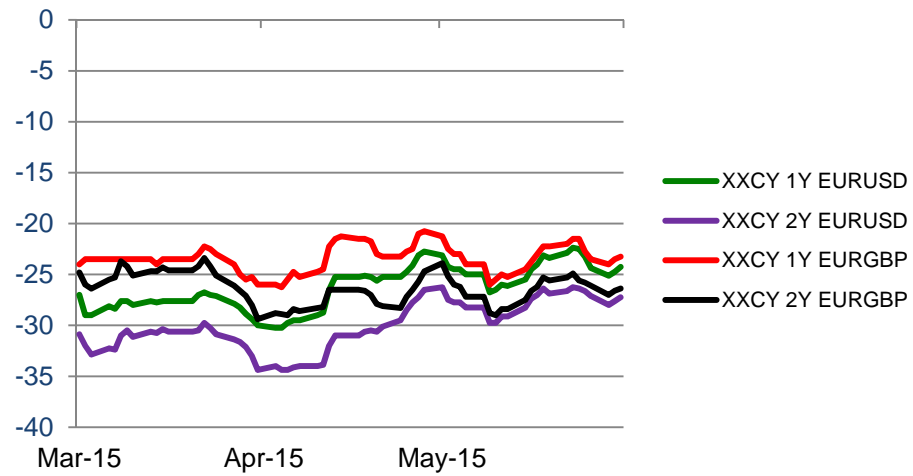


Comments

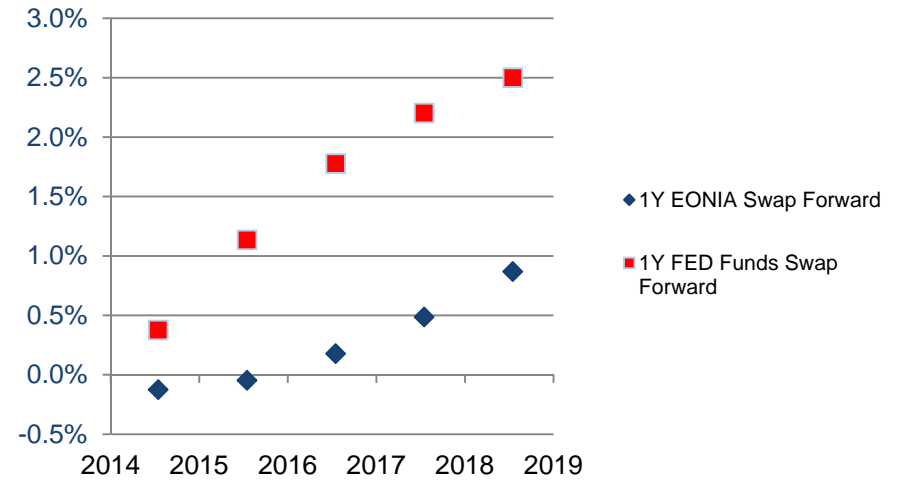
- Recent EONIA/BOR widening

Money Market Developments

Cross Currency EURUSD and EURGBP



Eonia 1Y swap and FED Funds 1Y swap: Forward curve



Food for thoughts

- **Recent market developments paving the way for decoupling Short Term and Long Term rates in EuroZone?**
- **Despite outright movement in rates, Sovereign Euro Markets have been resilient. Can Greek bailout negotiations change this?**