



EUROPEAN CENTRAL BANK

EUROSYSTEM

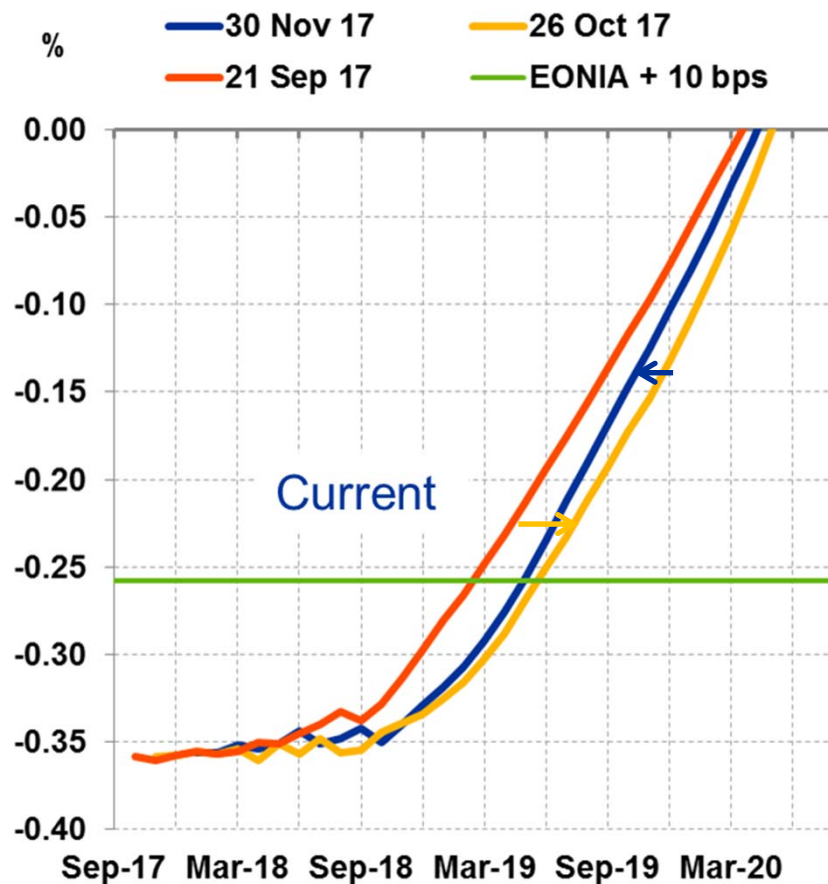
# Recent developments in EONIA forward rates

MMCG, 4 December 2017

Frankfurt

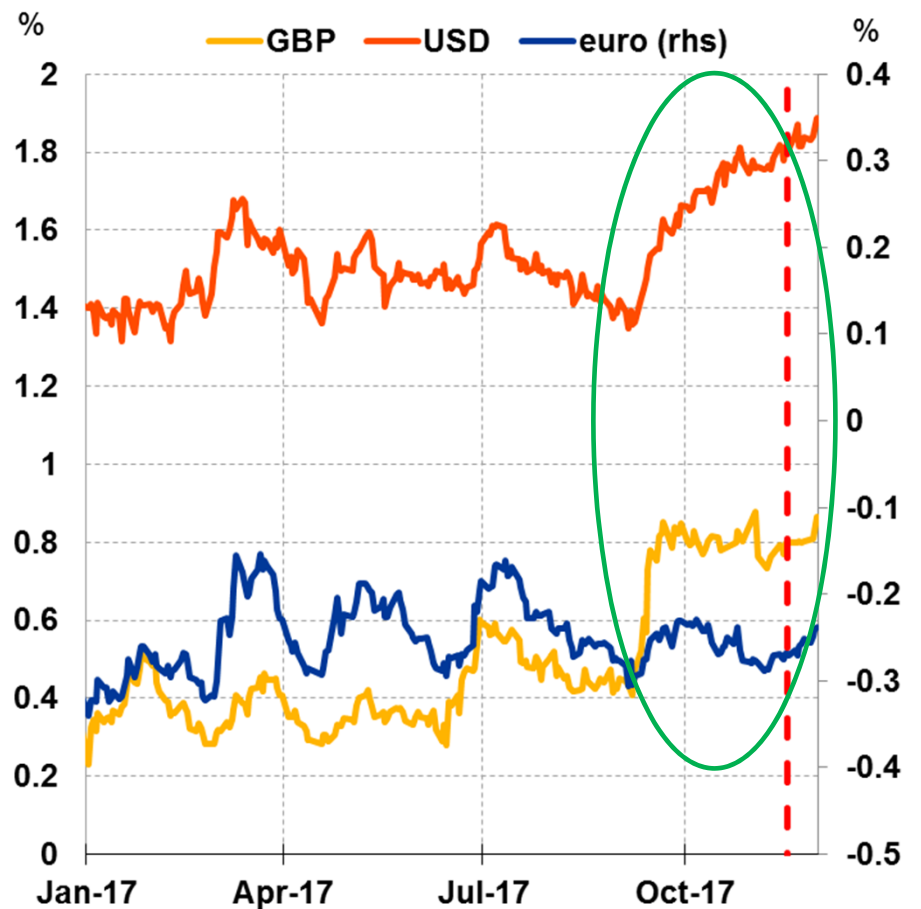
EONIA forward rates seem to be well-anchored  
 ECB deposit rate hike priced for for mid-2019

**EONIA forward curve (in %)**



Source: Bloomberg, ECB.

**OIS one-year forward rates in one year's time (in %)**



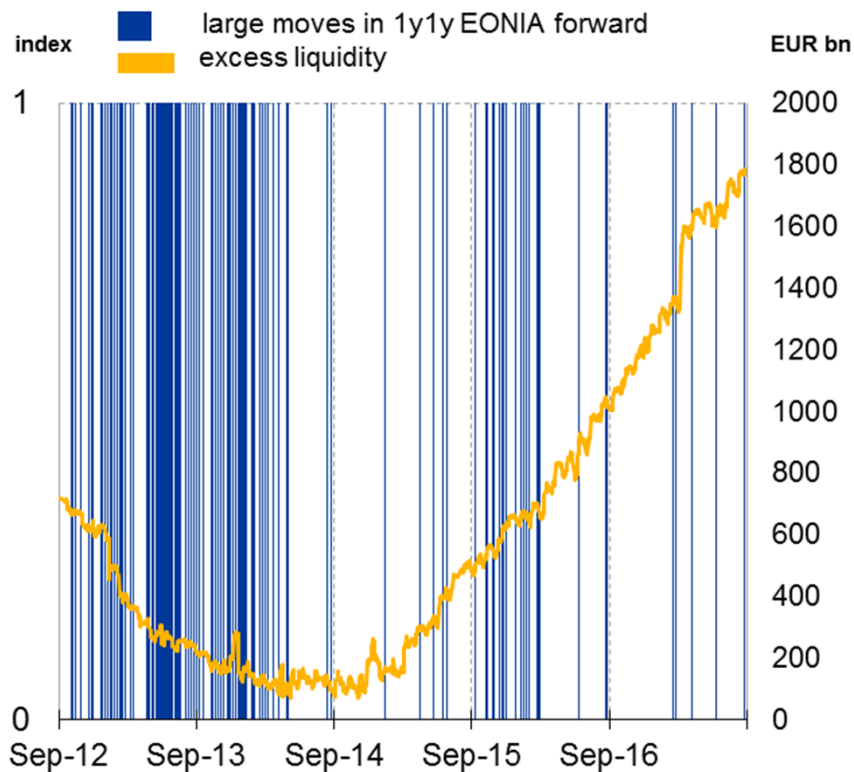
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Source: Bloomberg, ECB

Note: The dashed line refers to the October Governing Council. [www.ecb.europa.eu](http://www.ecb.europa.eu) ©

## Reduced volatility in forward rates lately but more active position-taking on days of large moves

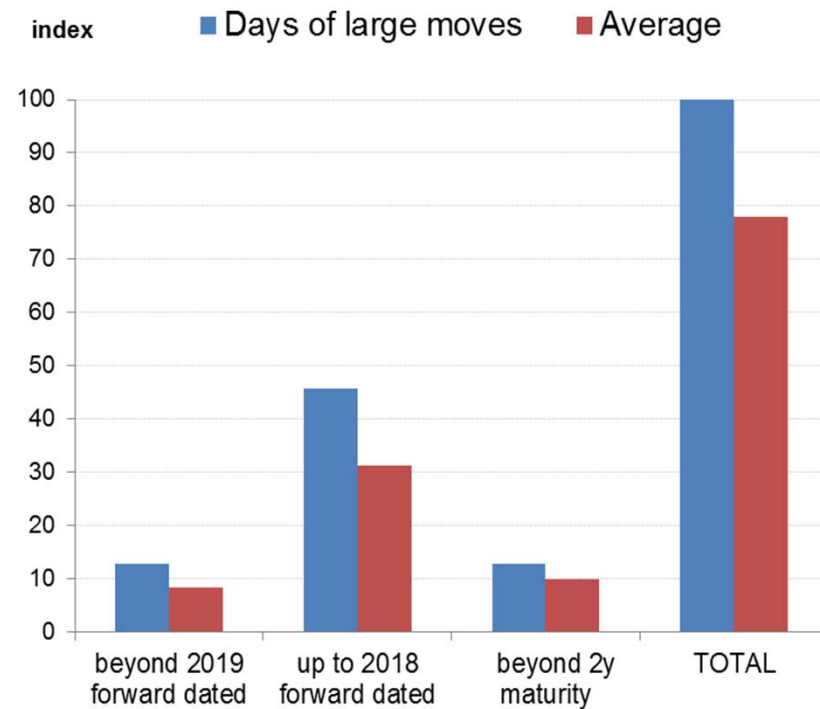
**Days of large moves in 1y1y EONIA forward and excess liquidity (0/1 index and in EUR bn)**



Source: ECB.

Note: The variable "large moves" denotes the largest 5<sup>th</sup> percentile.

**Average daily OIS volumes from MMSR (Index)**



Source: MMSR, ECB calculation.

Note: "Large moves" refers to the 5<sup>th</sup> percentile largest moves in 1y1y EONIA since March 2016. Due to MMSR data availability, only dates as of July 2016 considered. Index=100 for total average for days of large moves.

## Main findings

- Money market forward rates less volatile recently but more driven by ECB communication
- Large changes in forward rates coincide with more active position-taking
- Most position-taking takes place for the near future contracts while relatively limited volumes for contracts beyond-2019 maturities

MMCG members are invited to provide their views on the most important drivers of the EONIA forward market in the recent months