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Functioning of the EURO area Repo Markets

ECB – Money Market Contact Group (MMCG)

Frankfurt 13 March 2018

MMCG expectation for YE Repomarket

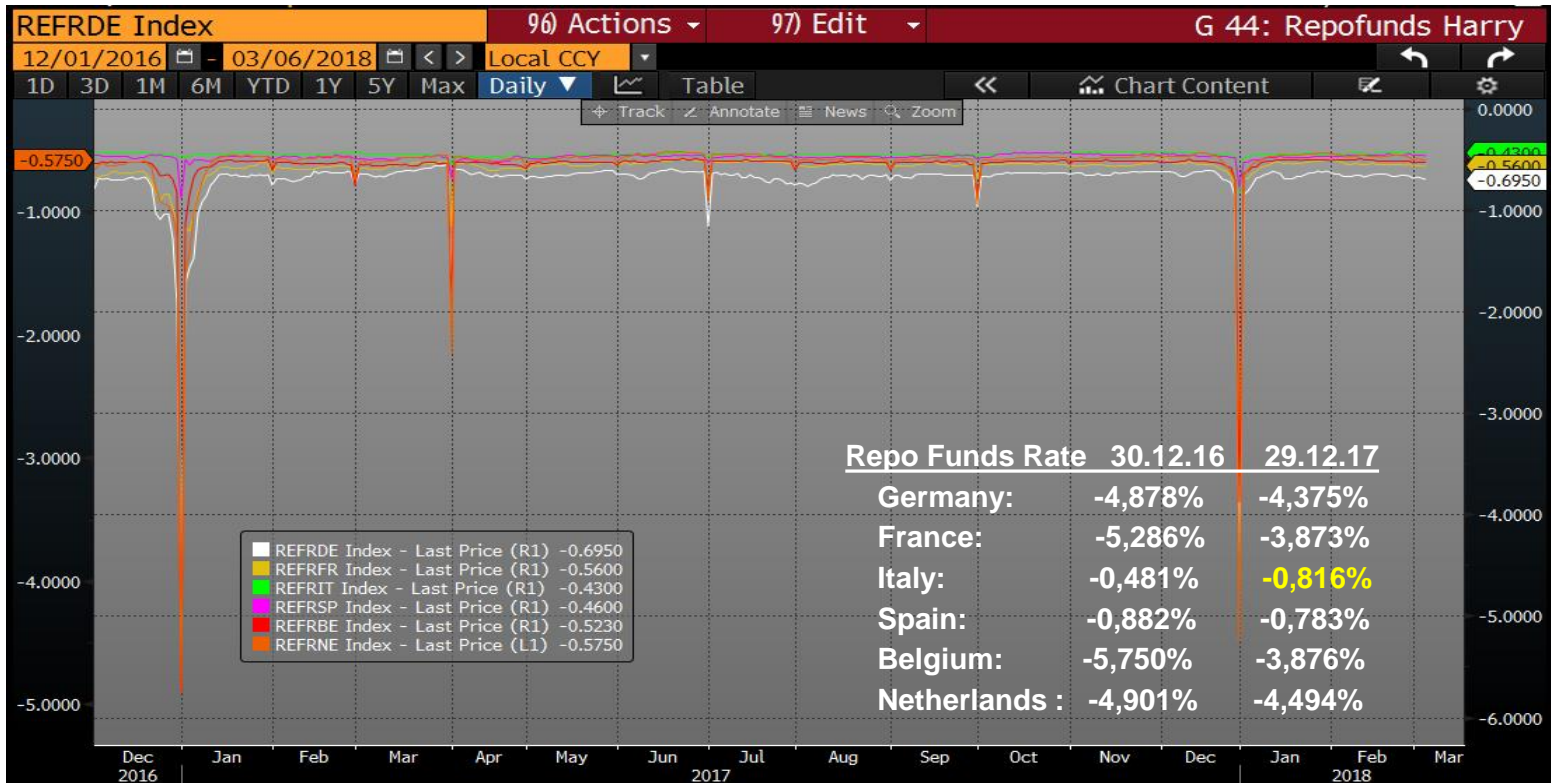
MMCG members agreed that repo market participants were overall better prepared for the year-end compared to last year. Similar to the FX swap market, this was mainly attributed to learning behaviour from the last year-end, earlier preparations for the year-end needs and a more favourable liquidity situation, in part also due to the Eurosystem securities lending facility. The fact that one-month repo rates declined more than last year, once crossing the year-end, reportedly indicated a higher level of market preparedness.

Source: Summary ECB MMCG 4 December 2017

- Early preparation (one-month repos)
- More balance sheet for repo business
- Improvement in the various ECB and NCB lending facilities

<https://www.icmagroup.org/News/news-in-brief/icma-publishes-report-on-state-of-the-european-repo-market-at-year-end-2017/>

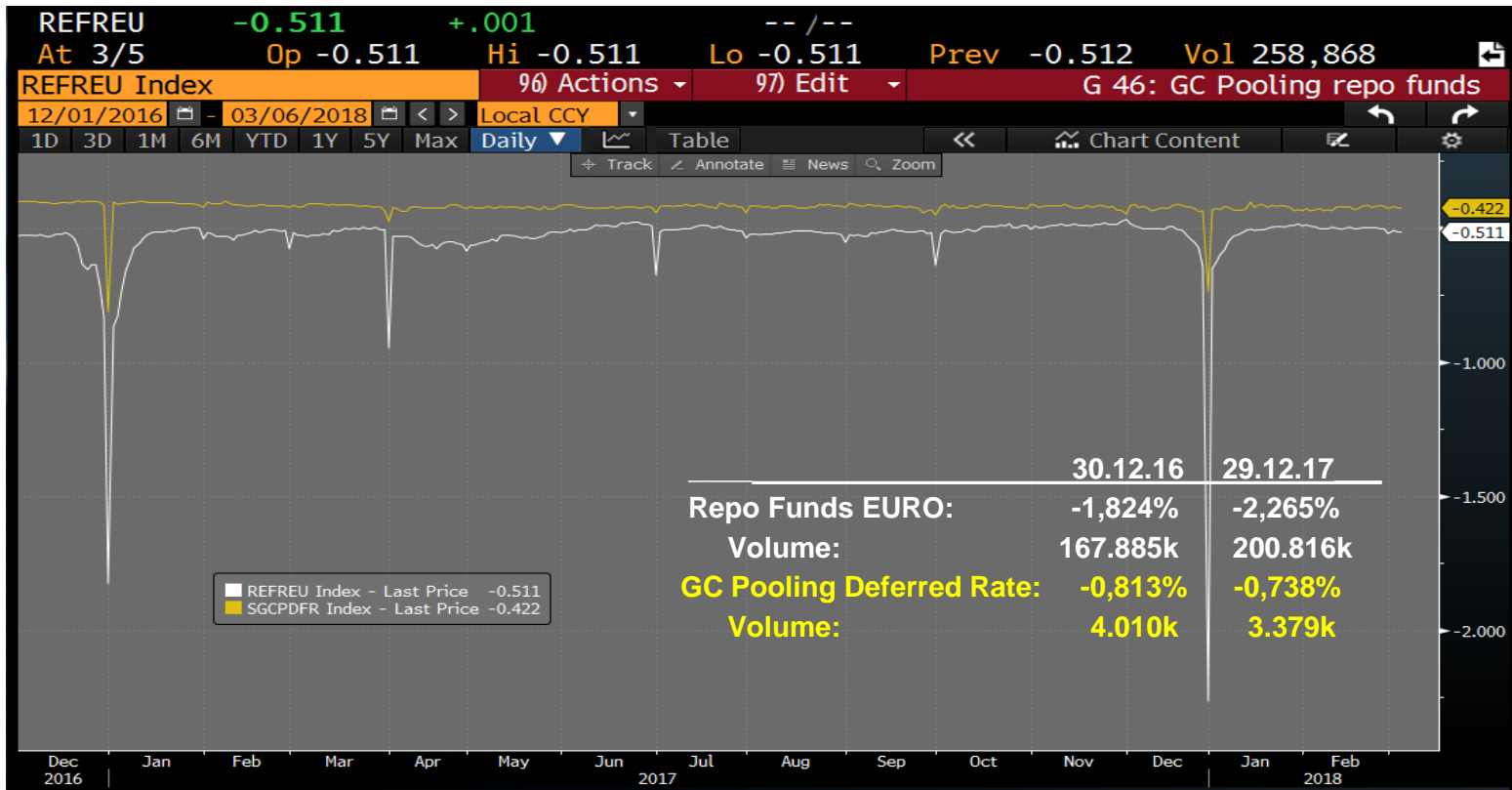
REPO FUNDS Rate (RFR) all countries



Source: Bloomberg , NEX Data

NEX Data Services is pleased to announce that on 2 February 2018 it was approved as one of the first Benchmark Administrators under the EU Benchmarks Regulation (BMR). The RepoFunds Rate suite of daily euro benchmarks for the Euro, Italy, Germany, Spain, The Netherlands and Belgium will now fall under the BMR.

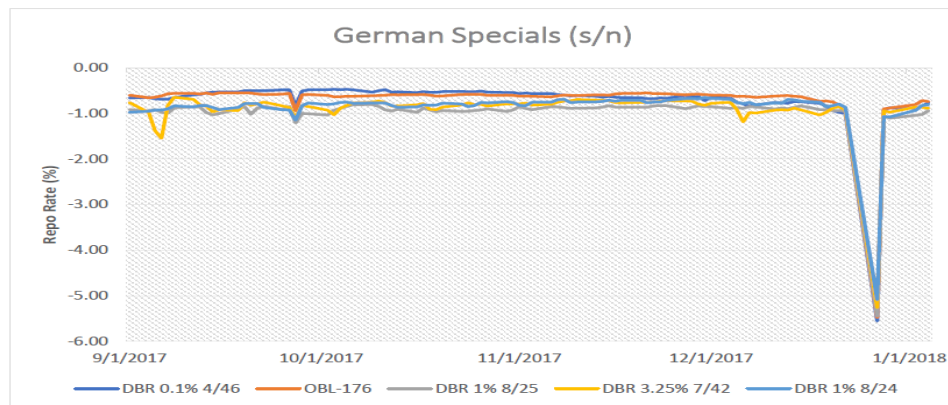
GC Pooling Deferred Rate vs. REPO FUNDS Rate



Source: Bloomberg

- REPO Funds year-end rate more expensively than last year

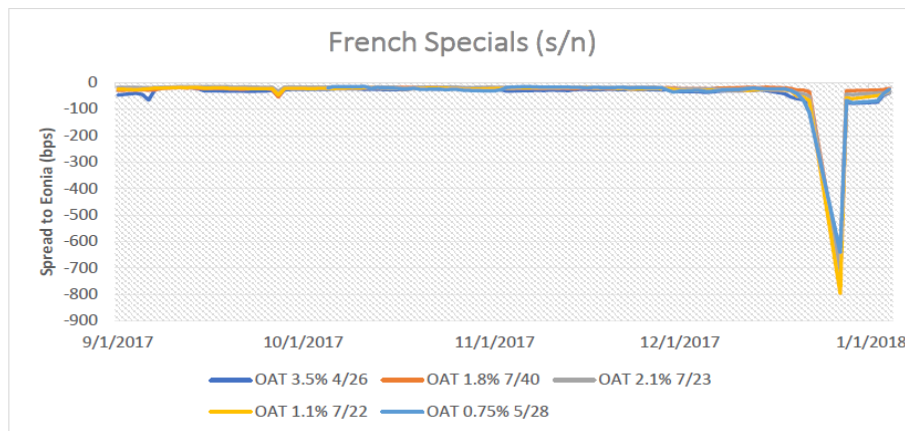
German and French Specials



Source: Nex Data Services Ltd – BrokerTec Repo

German Specials

- German specials tightened not so dramatically as at 2016 year-end
- Most expensive specials around -5,50%
- Not a real outlier bond



Source: Nex Data Services Ltd – BrokerTec Repo

French Specials

- French specials more expensive than German specials
- Most expensive specials around -8,00%
- Not a real outlier bond

Source: ICMA The European repo market at 2017 year-end

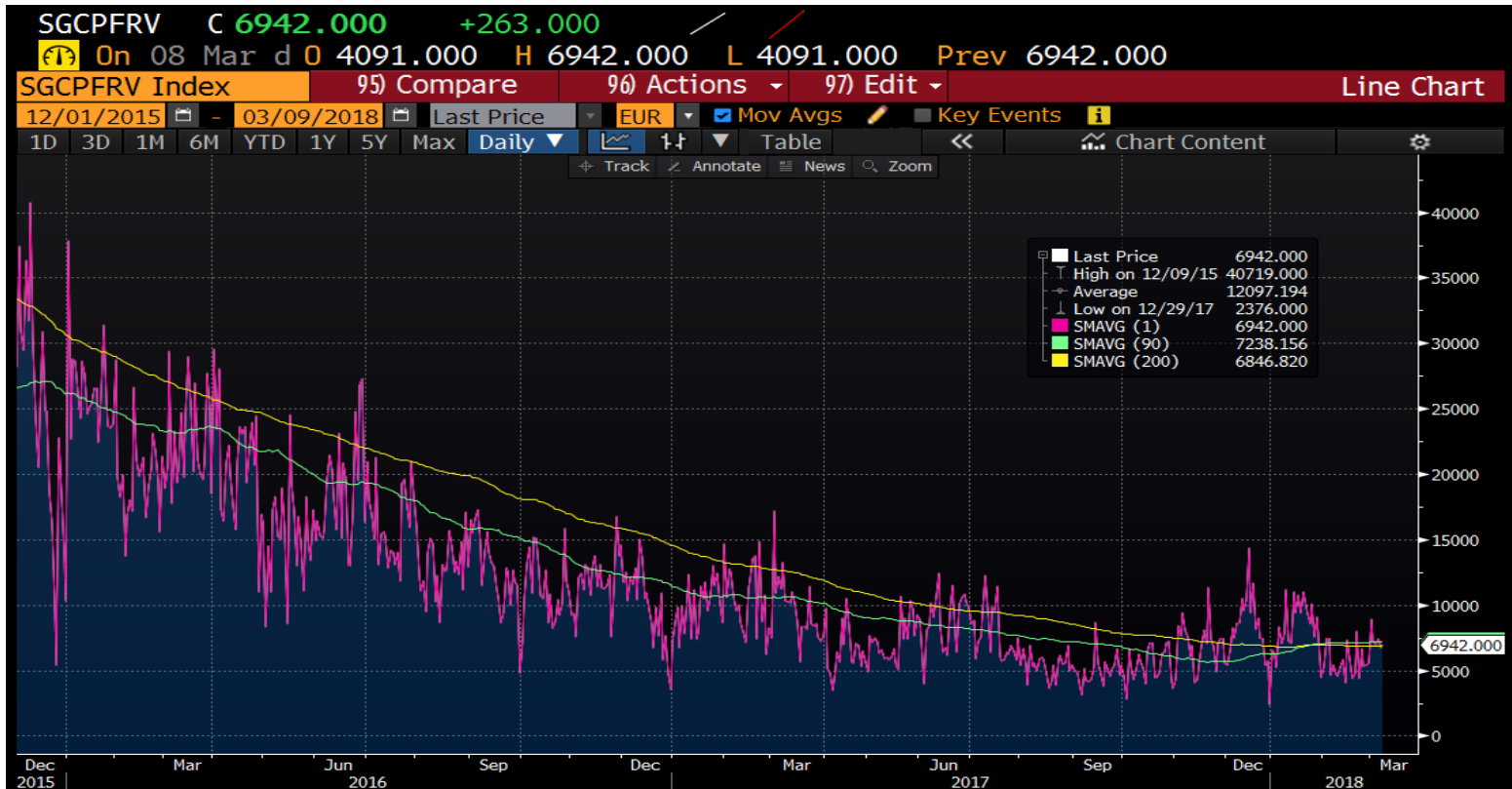
REPO FUNDS Volume



Source: Bloomberg

- higher Repo Volume in 2017

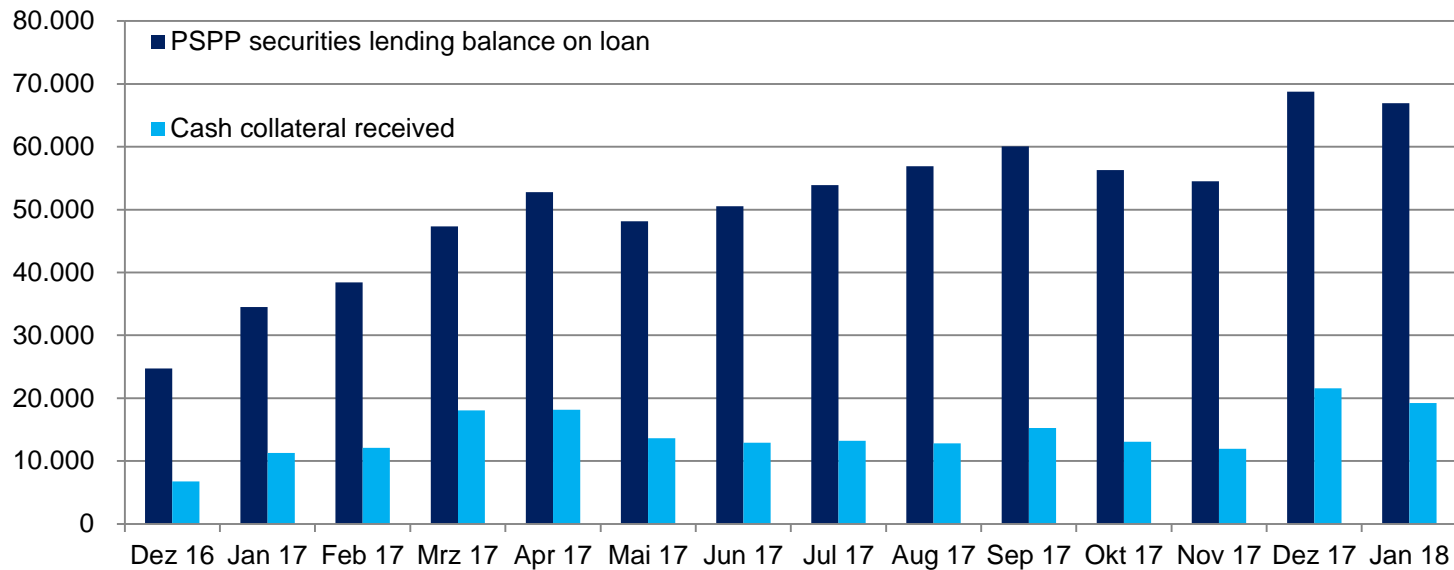
GC Pooling Deferred Funding Rate Volume



Source: Bloomberg

- Stable Volume 2017 after decrease in 2016

PSPP securities lending activity



Source: ECB

- Significant improvement to 2016
- More market participants use the securities lending program
- Highest open average volume in December 2017