



ECB MMCG DEC 2023

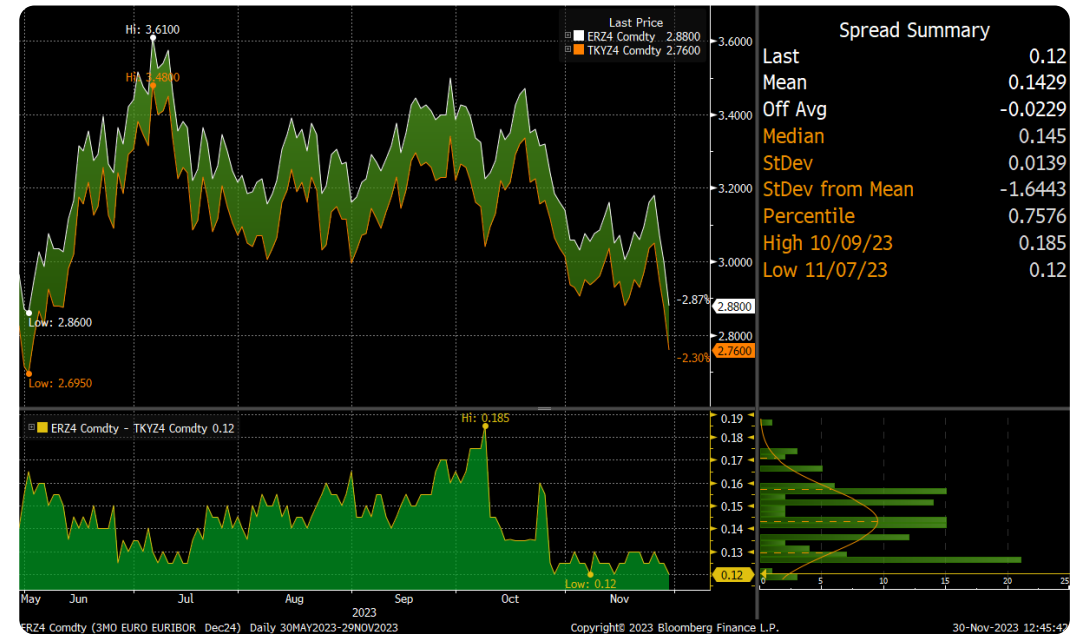
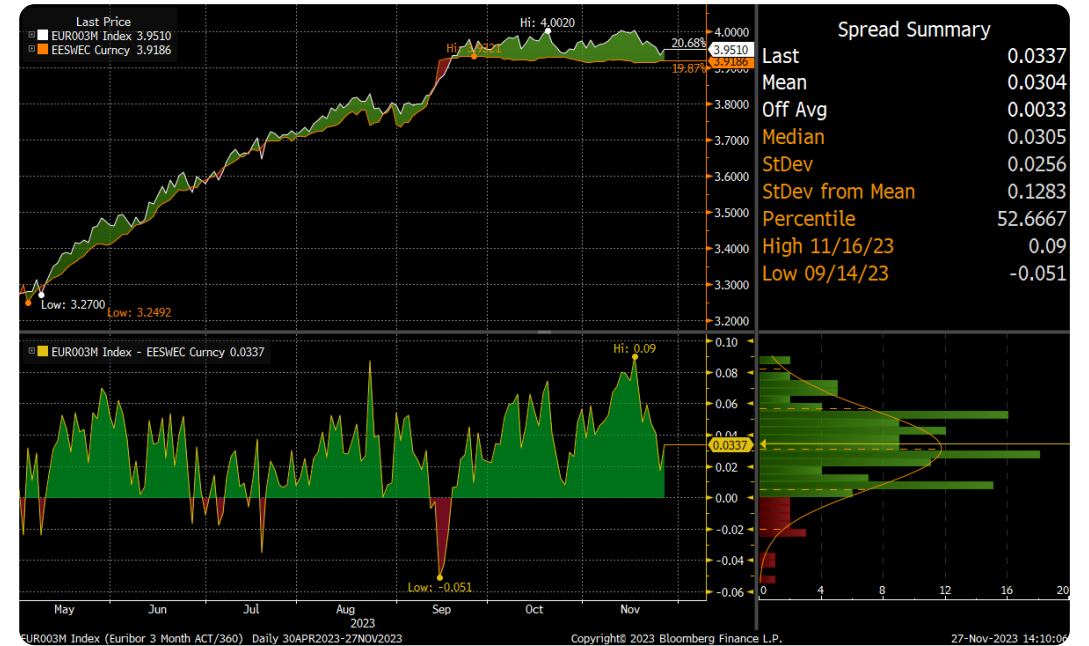
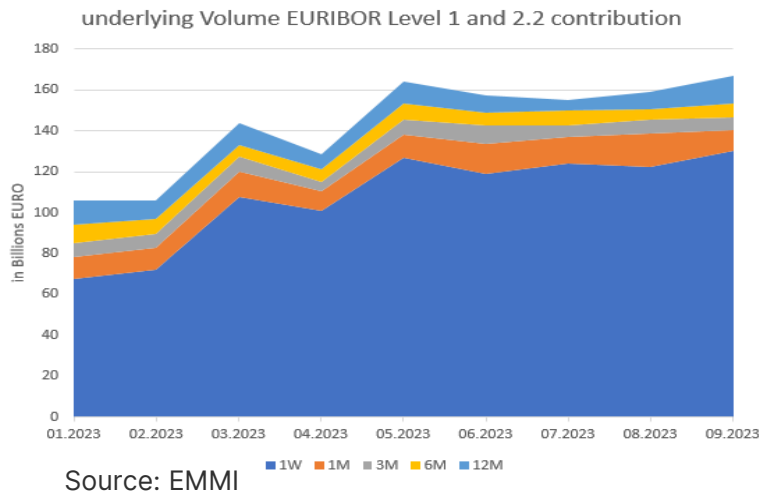
# Recent Money Market Developments and YearEnd Expectations

Brunner René  
Frankfurt, 05th Dec 2023



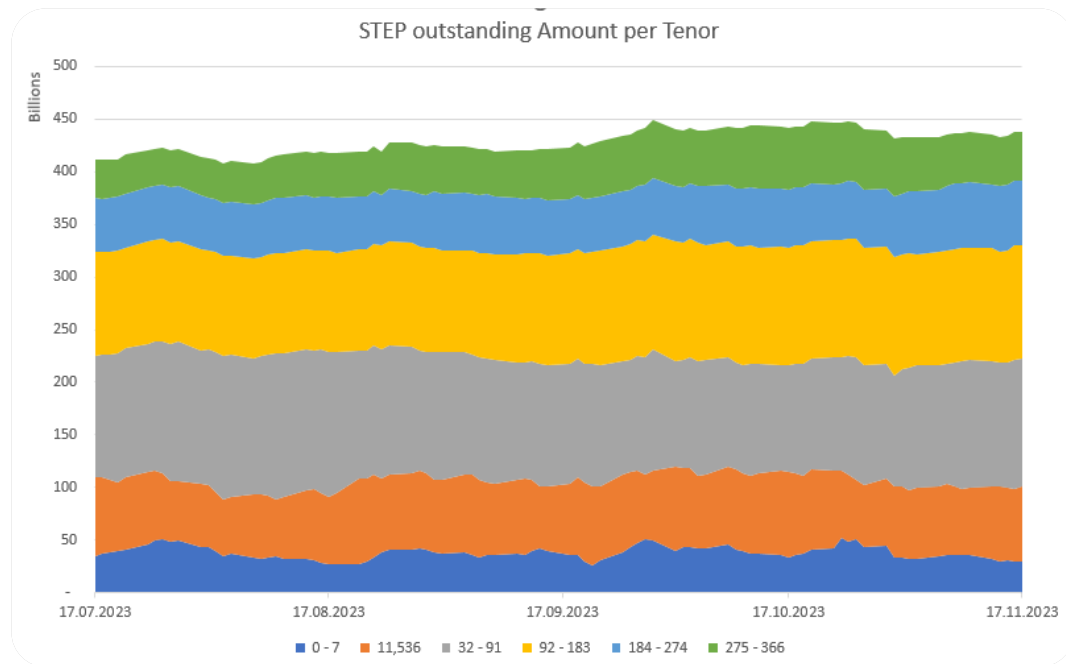
# Unsecured Money Markets

- currently rather in a wait an see mode
- cash levels with low volatility, peak in rates seems to have been reached
- larger moves only on forward terms as more and more rate cuts are getting priced
- €STR vs EURIBOR spread within small range
- Underlying volumes for EURIBOR fixing also quite constant over last quarter, no indication of any tenor-shift

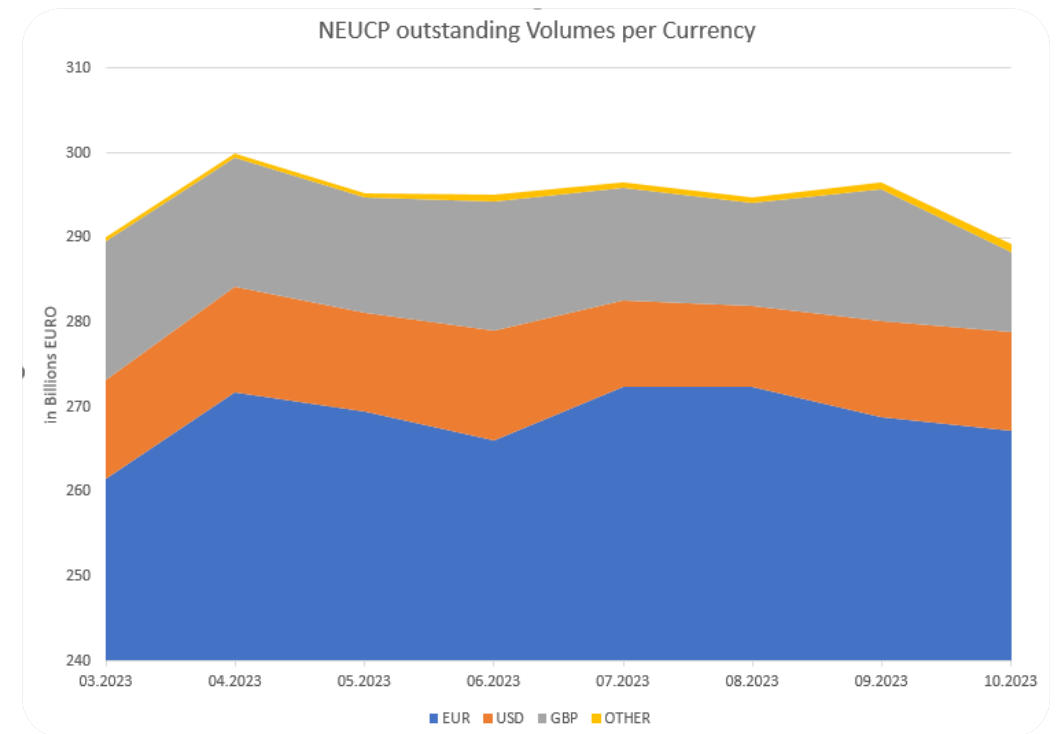


# CP Issuance

- Volumes relatively constant
- ~60% of volumes in 1M-6M tenors
- Distribution of issuing volumes to tenors is also quite stable => no indication of any shifts from shorter to longer duration or the other way around from available data



Source: ECB

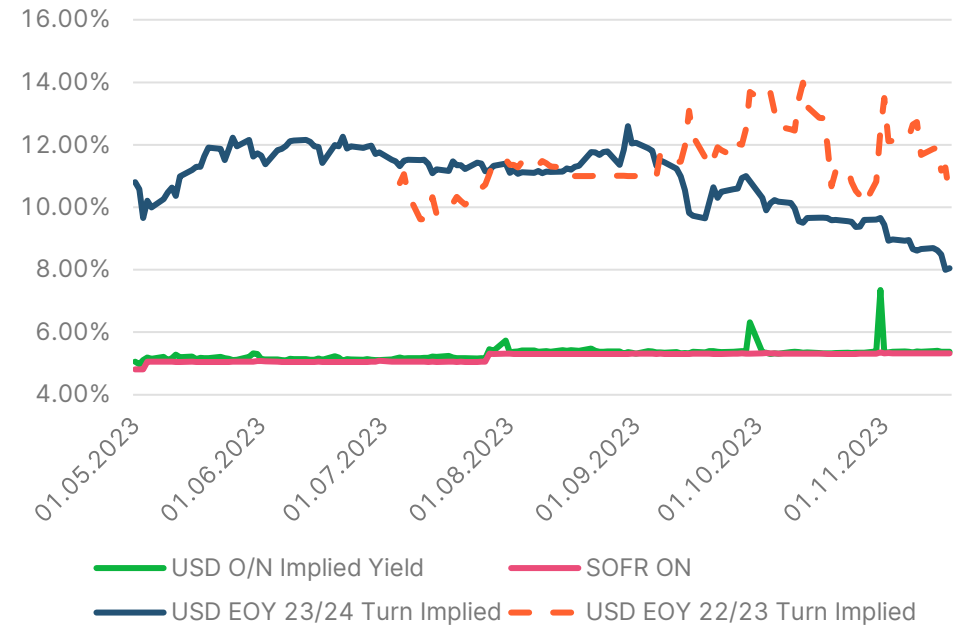


Source: Banque De France

# USDEUR Basis

- USD Overnight implied FX rates impacted by minimum reserve calculation dates in EURO area
- USD O/N funding to be covered via off-balance products instead of money market deposits on those dates
- Experienced very low liquidity in EURUSD overnight swaps on MR calculation dates
- price move capped at cost of MRR;
- EOY much more relaxed this year as resolution fund costs are significantly lower, collateral situation is much better than last years and it's not a MR calculation date;
- USDEUR basis moved strongly up over last six months which hints toward higher EURO demand

USD Overnight



Source: Bloomberg, ERSTE



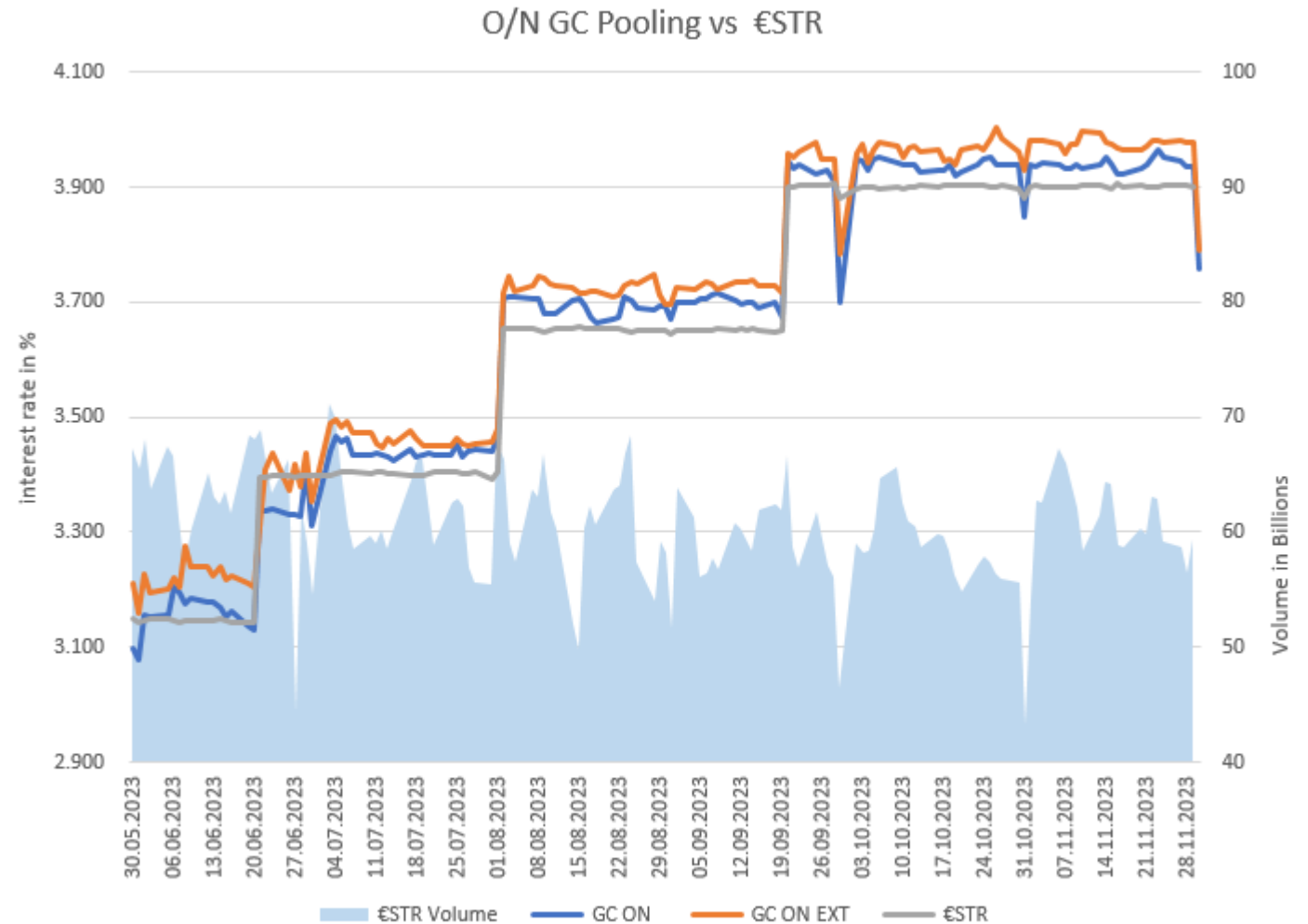
1Y USDEUR Basis, Source: Bloomberg

# Secured Money Markets

- the change of remuneration of minimum reserves does clearly also impact repo markets
- GC pooling o/n rates significantly dropped at each MR calculation date while €STR rate level is also affected but so far not that much
- Indicates that collateral needs much higher over those dates
- a further increase of MR coefficient would most likely lead to higher volatility on those dates
- Regarding year-end expectations also here the situation is much more relaxed

DE: ESTR -100 (ESTR-200 in 2022)  
 FR: ESTR -65 (ESTR-200 in 2022)  
 IT: ESTR -30 (ESTR-170 in 2022)  
 ES: ESTR -40 (ESTR-200 in 2022)

Source: EUREX, ERSTE



Source: Bloomberg, ERSTE

# Disclaimer

The views expressed in this document reflect my personal assessment of the current market and do not necessarily represent the views of ERSTE Group and should not be construed as advice.

This document is only intended to serve as a basis for discussions within MMCG in order to exchange potentially differing views on current market developments.