



Main Developments in Money Markets

Unsecured and FX & XCCY Swap Markets

ECB MMCG – June 12, 2024
Juergen Sklarczyk

Unsecured Funding Markets

EUR Funding Markets --- STEP

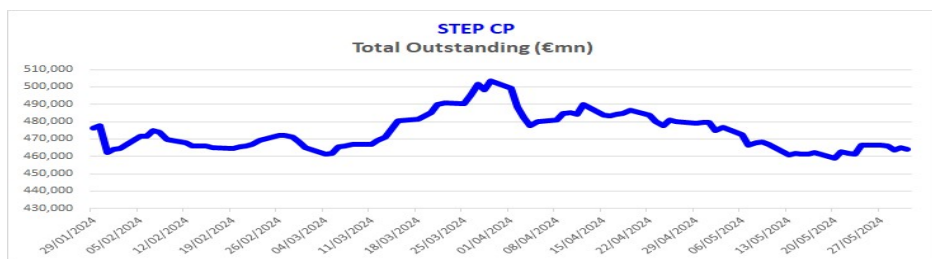


STEP - Amounts Outstanding (€mn)						
by Currency						
Date	EUR	USD	GBP	JPY	Others	Total
31/01/2024	323,342	85,880	50,206	3	2,922	462,353
29/02/2024	335,659	79,459	50,204	3	2,742	468,067
29/03/2024	358,504	87,683	55,045	13	2,248	503,493
30/04/2024	345,365	76,562	55,420	6	2,392	479,745
31/05/2024	335,319	73,299	53,386	-	2,201	464,205

Source: ECB - Short-Term European Paper (STEP)

STEP - Amounts Outstanding (€mn)							
by residual maturity							
Date	1W	1M	3M	6M	9M	12M	TOTAL
31/01/2024	32,653	82,264	126,002	110,301	69,204	41,930	462,354
29/02/2024	42,296	63,994	133,321	121,070	62,423	44,963	468,068
29/03/2024	59,523	75,173	126,412	124,511	61,825	56,049	503,493
30/04/2024	41,596	85,326	112,899	119,045	61,981	58,898	479,745
31/05/2024	45,038	69,062	122,030	113,995	63,449	50,631	464,205
May 2024 vs Jan 2024	12,385	- 13,202	- 3,972	3,694	- 5,755	8,701	1,851

Source: ECB - Short-Term European Paper (STEP)



STEP - Yield Statistics							
EUR Interest rates (original maturity)							
Date	1W	1M	3M	6M	9M	12M	
29/01/2024	3.91	4.02					3.65
31/01/2024	3.93	3.92			3.95		
26/02/2024	3.91				3.90		3.81
27/02/2024	3.92	3.97					3.77
28/02/2024	3.93		4.18				3.74
29/02/2024	3.93	3.98	3.98		3.97		
25/03/2024	3.90	3.95	3.97	3.72		3.88	3.77
29/03/2024	3.93	3.98	3.99			3.85	
18/04/2024	3.94	3.96			3.89		3.71
19/04/2024	3.92	3.97	3.98				3.75
30/04/2024	3.93	3.98	3.95			3.86	
17/05/2024	3.93	3.96			3.88		3.75
20/05/2024							3.73
21/05/2024			3.98		3.85	3.81	3.76
31/05/2024	3.93	3.85			3.80		3.76

Source: ECB - Short-Term European Paper (STEP)

Key Developments and Aspects:

(January 2024 to May 2024)

- **Total amounts outstanding** across currencies show some volatility in 2024 whereby
 - ME May-24 reduced back to ME Jan-24
 - ME Mar-24 (€503.5bn) was the peak
- **EUR outstanding** increased while the **USD one** reduced by the same amount between Jan-24 and May-24
- Regarding the **residual maturities**, we do see
 - some roll-down from 1M to 1W (€~12.5bn) and from 6M to 3M (€~4bn)
 - but also an increase in 12M which, in turn, could be viewed as a slightly positive development (small incremental amount, though)
- **Short-dated EUR rates** fairly stable and moved lower as expected with the anticipated rate cut in ECB June 2024 meeting
- **EUR 12M rates** have increased following the change in market expectations around 'EUR rates higher for longer'

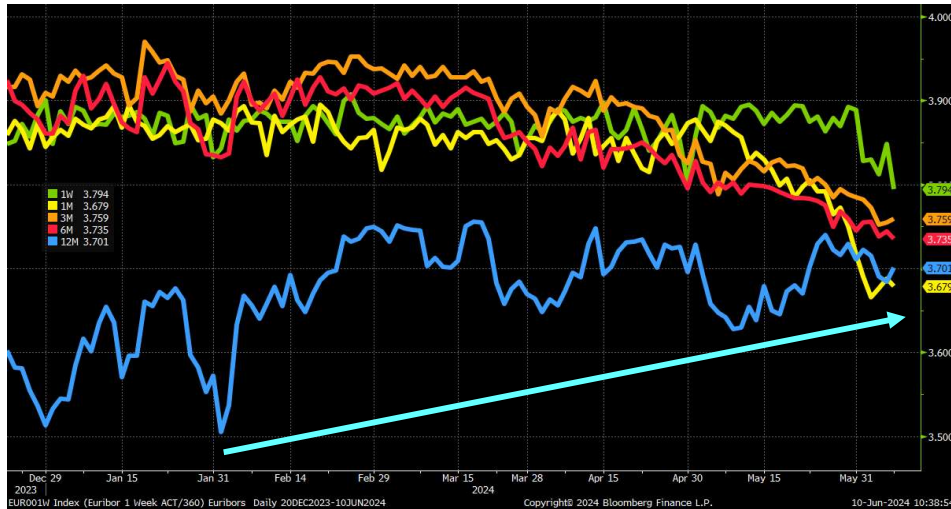
Unsecured Funding Markets

EUR Funding Markets --- EURIBOR and €STR



Euribor Rates

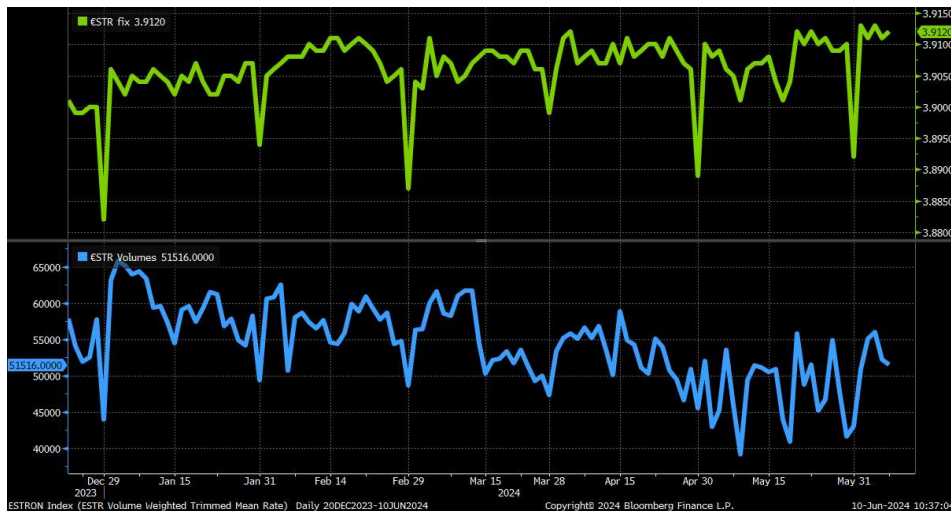
(Dec 20, 2024 to Jun 7, 2024)



Source: Bloomberg LLP

€STR Rates

(Dec 20, 2024 to Jun 7, 2024)



Source: Bloomberg LLP

EURIBOR - Level 1 and 2.2

(aggregated notional volumes €bn)

Month	1W	1M	3M	6M	12M	TOTAL
Jan-24	116.3	9.6	10.1	7.2	13.7	156.9
Feb-24	108.5	10.3	6.0	7.1	11.1	143.0
Mar-24	103.4	7.8	4.8	7.6	12.6	136.2
Apr-24	113.7	10.1	3.8	6.6	11.4	145.6

Source: EMMI

Key Developments and Aspects:

- **Euribor-related aggregated notional volumes** (between Jan-24 and Apr-24) reported showed some reductions, especially in the 3M tenor
- **12M Euribor rates** have trended higher since the start of 2024, in parts driven by the market view '€ term rates higher for longer'
- **€STR daily volumes** have been traded in a fairly wide range (€39bn to €66bn) whereby the trend over the last 3 months has currently been pointing to slightly lower daily amounts (see blue line)
- **€STR daily fixings** have seen some minor volatility, especially around month- and quarter-ends as well as on local public holidays (see green line)

Unsecured Funding Markets

USD Funding Markets



FED NY: USD Commercial Paper

as of June 7, 2024

Date	CP Outstanding Financial Total	CP Outstanding Financial Domestic Total	CP Outstanding Financial Domestic Foreign Bank Parent	CP Outstanding Financial Domestic Foreign Nonbank Bank Parent	CP Outstanding Financial Domestic Other	CP Outstanding Financial Domestic U.S. Owned	CP Outstanding Financial Foreign Total	CP Outstanding Financial Foreign Bank or Bank Holding	CP Outstanding Financial Foreign Other		
Jan-23	662,276	234,321	148,760	26,820	-	58,741	427,955	238,478	189,478		
Feb-23	629,367	239,031	141,014	28,430	100	69,487	390,335	226,481	163,854		
Mar-23	566,957	208,154	117,126	24,654	265	66,109	358,804	211,935	146,869		
Apr-23	595,185	229,811	134,925	29,026	813	65,047	365,374	202,198	163,176		
May-23	597,625	227,469	135,612	28,584	1,007	62,266	370,156	214,406	155,750		
Jun-23	570,237	204,133	114,177	29,374	1,092	59,490	366,104	212,601	153,504		
Jul-23	594,698	237,344	143,863	28,018	1,133	64,331	357,354	217,569	139,785		
Aug-23	613,730	247,560	151,663	28,848	1,134	65,915	366,170	223,030	143,140		
Sep-23	599,174	230,626	137,481	29,981	1,134	62,031	368,548	222,490	146,058		
Oct-23	597,458	248,142	147,318	32,525	727	67,572	349,317	204,258	145,058		
Nov-23	618,740	247,557	143,172	33,597	-	70,789	371,183	216,278	154,905		
Dec-23	586,330	217,777	115,620	34,497	-	67,660	368,553	217,598	150,955		
Jan-24	614,691	256,980	148,256	35,625	-	73,099	357,710	200,192	157,518		
Feb-24	595,899	251,813	144,350	36,935	-	70,528	344,087	190,944	153,142		
Mar-24	583,243	222,416	126,475	30,892	-	65,249	360,826	197,957	162,869		
Apr-24	575,141	248,078	139,803	34,176	-	74,100	327,063	167,705	159,358		
May-24	571,667	251,609	135,900	35,175	-	80,534	320,058	152,689	167,368		
YTD May 2024 Delta	-	14,663	33,832	20,280	679	12,874	-	48,495	-	64,909	16,414

Source: Federal Reserve Bank of New York

FED NY - USD CP (Financials)

- Small reduction in overall outstanding since Dec-23 (\$-15bn) → trend to lower amounts continues
- Increase in Domestics (\$+34bn) vs decrease in Foreigns (\$-49bn)
- AA Financial CP rates (up to 3M) since Dec-23 have been moving a in relatively narrow range

STEP- USD CP

- Lower amounts outstanding since ME Jan-24

USD Fed Funds (FFE), SOFR, and OBFR, and US Treasury Cash Balances

- Fairly stable amounts for FFE and OBFR
- SOFR does show a wider range since Dec-23, i.e. between \$1.6trn and \$2.1trn
- US Treasury's cash balance has come down significantly from the highs (\$~950bn)

RRP Balances

- Quite a substantial reduction in these balances since 2023

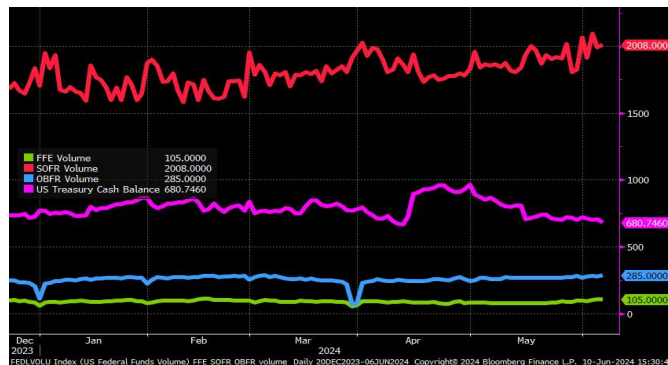
FED NY: USD Commercial Paper

as of June 7, 2024

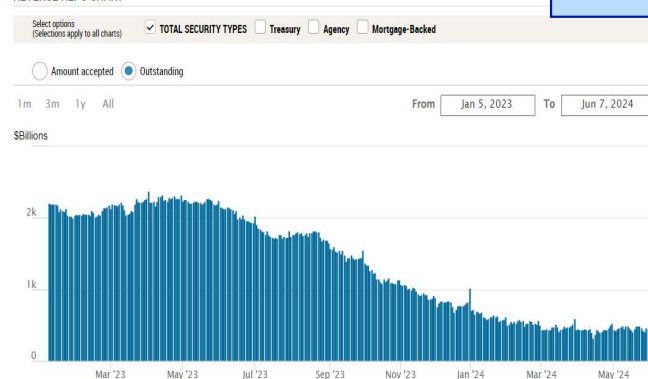
DATE	Overnight AA Financial Commercial Paper Interest Rate	7-Day AA Financial Commercial Paper Interest Rate	15-Day AA Financial Commercial Paper Interest Rate	30-Day AA Financial Commercial Paper Interest Rate	60-Day AA Financial Commercial Paper Interest Rate	90-Day AA Financial Commercial Paper Interest Rate
03/01/2023	4.30	4.32	4.29	4.37	4.50	4.57
31/01/2023	4.30	4.50	4.54	4.61	4.70	4.73
28/02/2023	4.54	4.58	-	4.66	-	-
31/03/2023	4.79	4.83	-	-	-	4.98
31/05/2023	5.06	5.05	5.06	-	-	-
30/06/2023	5.05	5.06	-	-	-	5.22
31/07/2023	5.30	5.33	5.31	-	5.48	5.47
31/08/2023	5.31	5.31	5.31	-	-	-
29/09/2023	5.31	5.33	-	5.33	-	-
31/10/2023	5.31	5.33	-	-	5.40	5.43
30/11/2023	5.31	-	-	5.34	-	5.39
29/12/2023	5.29	-	-	-	-	-
02/01/2024	5.31	5.30	5.32	5.32	5.32	5.32
31/01/2024	5.31	5.31	-	-	-	5.24
29/02/2024	5.31	-	5.31	5.29	-	5.22
20/03/2024	5.31	5.32	-	5.31	5.31	5.31
29/03/2024	-	-	-	-	-	-
02/04/2024	5.31	5.33	5.32	5.31	5.29	5.27
03/04/2024	5.31	5.33	5.31	5.33	5.32	5.30
30/04/2024	5.31	-	-	-	-	5.34
30/05/2024	5.31	-	-	-	-	-
31/05/2024	5.31	-	5.31	5.31	-	5.33
03/06/2024	5.31	5.31	5.30	5.30	-	-
04/06/2024	5.31	-	-	-	-	5.37
05/06/2024	5.31	5.33	5.35	5.40	-	-

Source: Federal Reserve Bank of New York

Daily Volumes: FFE, SOFR, OBFR, US Treasury Cash Balance (Dec 20, 2024 to Jun 7, 2024)



REVERSE REPO CHART



STEP - Amounts Outstanding (€mn) USD

Date	USD
31/01/2024	85,880
29/02/2024	79,459
29/03/2024	87,683
30/04/2024	76,562
31/05/2024	73,299

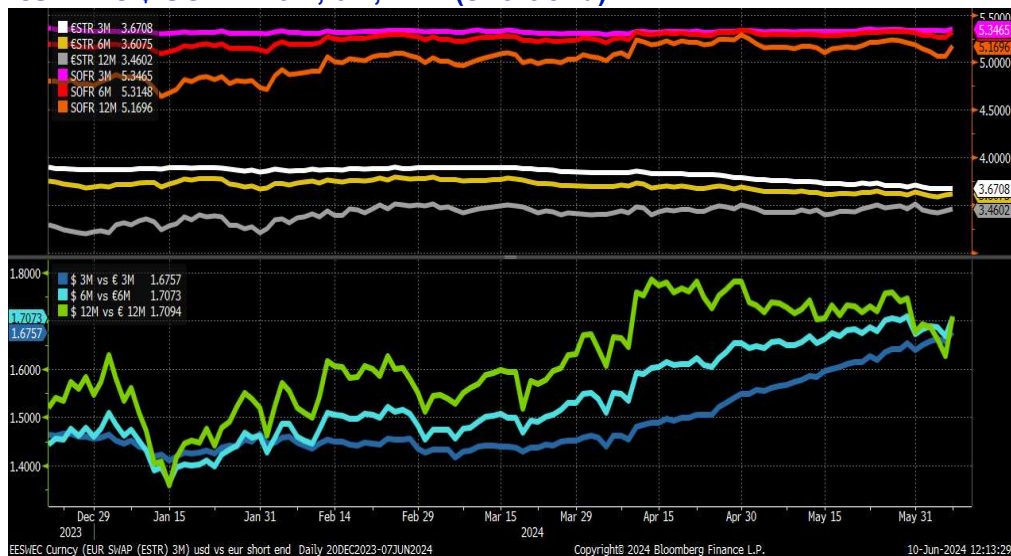
Source: ECB - Short-Term European Paper (STEP)

Unsecured Funding Markets

EUR and USD Interest Rates (Dec 20, 2024 to Jun 7, 2024)

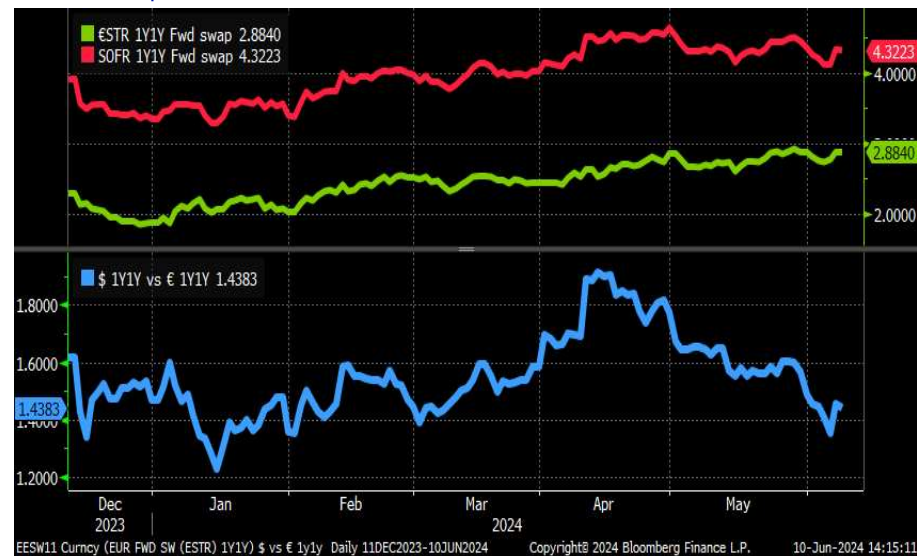


€STR vs \$ SOFR – 3M, 6M, 12M (short end)



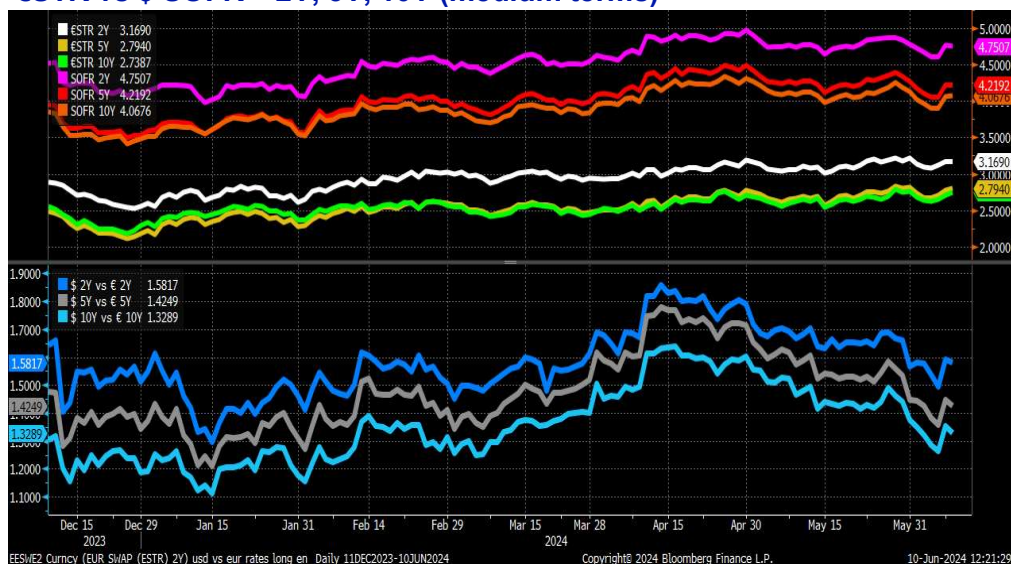
Source: Bloomberg LLP

€STR vs \$ SOFR 1Y1Y Fwd



Source: Bloomberg LLP

€STR vs \$ SOFR – 2Y, 5Y, 10Y (medium terms)



Source: Bloomberg LLP

Aspects to consider:

- US economy and inflation data have had sizable effects on USD rates and curves and, therefore, affected the FED monetary policy communications and decisions (e.g. slowing of QT, fewer dots in 2024) → 'higher rates for longer'
- EUR rates and curves have also been affected to some extent by these changes on the USD side, indicating a potential increase in the correlation between the two currencies
- In general, very high intra-day and DoD, WoW, and MoM volatility in both markets and curves, among other aspects, driven by economic and inflation data differences between surveys & expectations vs actuals as well as positioning by market participants

Unsecured Funding Markets

EUR IR Basis



€ 3ME / €STR 3M basis



Source: Bloomberg LLP

Aspects to consider:

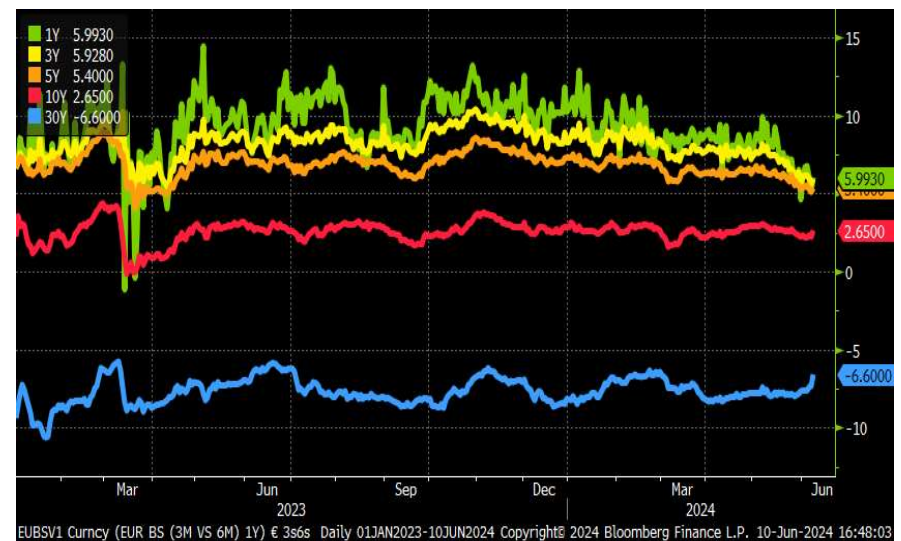
- **€ 3ME / €STR 3M basis spreads** have been fairly volatile and trading in a range between 0.0bps and +10.6bps since Dec 1, 2023 due to different reasons, e.g.
 - changes in ECB excess cash levels
 - ECB monetary policy decisions and the respective uncertainty around size and timing
- **Term € 3ME / €STR basis spreads** have trended tighter since early Dec-23 indicating fewer uncertainties around future EUR funding markets
- **€ 6s3s basis spreads** especially in the shorter end have tightened a few bps

€ 3ME / €STR basis --- 1Y to 30Y



Source: Bloomberg LLP

€ 6s3s basis --- 1Y to 30Y



Source: Bloomberg LLP

Unsecured Funding Markets

EUR/USD FX & XCCY Basis



Source: Bloomberg LLP

Aspects to consider:

- €/ \$ FX & XCCY basis spreads across both spot and forward curves have tightened quite significantly since Dec-23, to a large extent driven by the very short end, e.g. due to
 - Lower Issuance volumes by the US Treasury department
 - higher USD excess cash levels in the system for longer than originally anticipated
 - reduction in QT speed at the last FED meeting
- Medium to longer dated spreads also affected by strong USD funding and credit markets, making it more attractive for non-domestic issuers (e.g. European issuers) to issue in USD and swap the liquidity back to their respective currencies (e.g. EUR)
- XCCY spot spread curve flattening since Dec-23 indicating more confidence about higher USD liquidity available to the markets for longer and lower uncertainty levels