



Developments Money Markets

March – May 2020
MMCG

Frankfurt, 16.06.2020
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 **DZ BANK** Gruppe

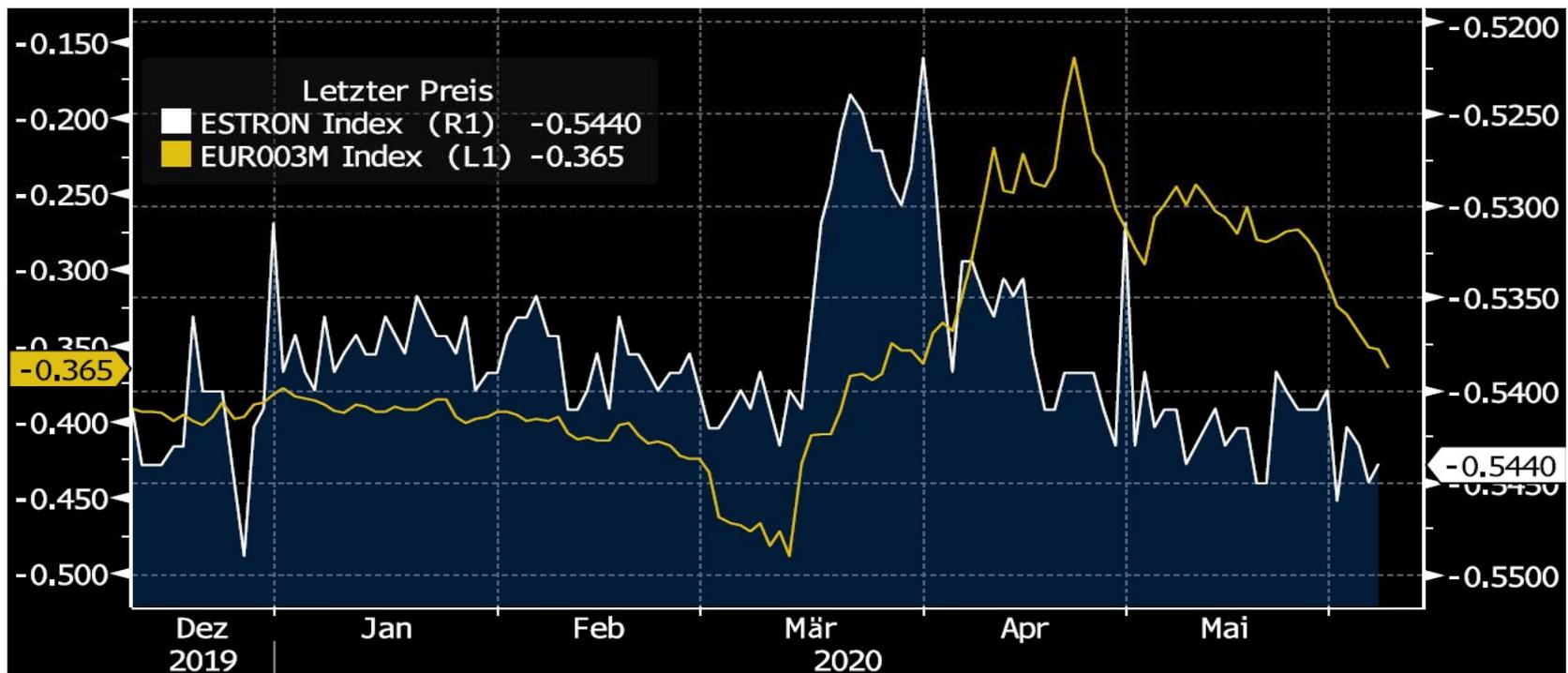
3 M EURIBOR vs €STER

Different speed of rate developments !

Persistent disruption (March/April) of the term markets

BLOOMBERG

ESTRON Index (ESTR Volume Weighted Trimmed Mean Rate)
EUR003M Index (Euribor 3 Month ACT/360)



US 3 M LIBOR vs USD O/N LIBOR

Clear direction of the short US money market supports faster recovery of the LIBOR market
Interest rate cut supported term market

US0003M Index (ICE LIBOR USD 3 Month)
US000/N Index (ICE LIBOR USD Overnight)

Bloomberg



EUR GC Pooling 3 M vs 3 M EURIBOR

Time leg of EURIBOR obvious

The good liquidity of the repo market accelerates the recovery of the market

Bloomberg

SGCP3M Index (STOXX GC Pooling EUR 3 Months Index)
EUR003M Index (Euribor 3 Month ACT/360)



3 M EURIBOR vs 3 M MM Futures

3 M MM Futures Leading indicator

3 M EURIBOR Lagging indicator

Bloomberg

ERM0 Comdty (3MO EURO EURIBOR Jun20)
 EUR003M Index (Euribor 3 Month ACT/360)



3 M EURIBOR vs 3 M MM Futures (norm base Dec 2019)

Time leg of EURIBOR (yellow chart) obvious

ERM0 Comdty (3MO EURO EURIBOR Jun20)
EUR003M Index (Euribor 3 Month ACT/360)

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Basis EUR/USD 3 month

FED direct support of term markets via term facilities against domestic eligible collaterals

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EUBSC Curncy (EURUSD BS (3M VS 3M) 3M)
 EUR003M Index (Euribor 3 Month ACT/360)
 EUBSC BGN Curncy - EUR003M Index
 US0003M Index (ICE LIBOR USD 3 Month)



EUR Liquidity excess TLTRO and further APP on the way....

ECBLXLIQ Index (ECB Eurozone Excess Liquidity)

Bloomberg



Money Markets and the role of non banks

Focus: Mid of March to end of April 2020

Temporary complete suspension of the 3 month money market
but very different behavior of investor groups

Central Banks

Retail

Government/Sub state

Other institutional clients

Corporates/ SME

Money Markets Funds

Fund industry

Interbank Markets

Temporary capital and operational relief

ECB allows temporary to operate below the given level of the LCR (12.03.2020)

- Consequent and immediate guidance by the ECB Banking supervision
- Discussion on the possible use of the limit breaches tolerated by the supervisory authority to fall below the usual requirements of the LCR
- Underestimating the established governance rules of various internal regulations and established courses of action such as recovery plans, resolution plans and contingency funding plans
- Underestimating of external observation and consequences to investors, customer, public, rating agencies , etc.
- to observe different opinions whether a clear reduction of the ratio or perhaps a different calculation method would have been easier to apply
- Possibly this point should be better prepared for a crisis

Money Market Contact Group: Topics for post-processing liquidity crises “COVID 19”

Actions of Central Banks

- liquidity measures fast and prompt delivered
- transmission to the term money market takes time

EURIBOR

- lagging indicator during crises

Tolerance for limit breakage of the LCR

- theory and practice

Credit Claims/ACC

- complexity in the discussion and implementation