

EURIBOR / OIS spread and CP issuance activity

Looking ahead: the prospects for the year end and expectations for 2022

3M EURIBOR vs. 3M OIS (shifted EONIA) since Jan 2007



Source: Bloomberg

3M EURIBOR vs. 3M OIS (€STR) since Jan 2020

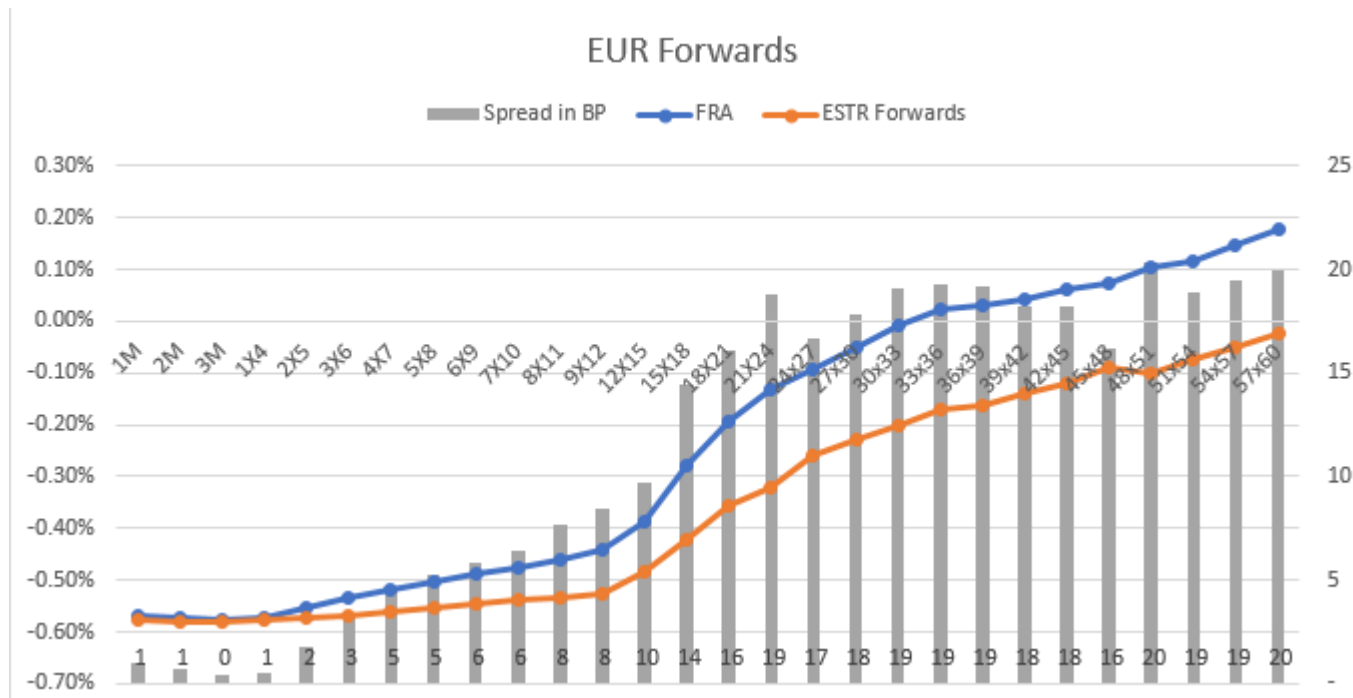


Source: Bloomberg

3M EURIBOR vs. 3M OIS (€STR) spot spread development

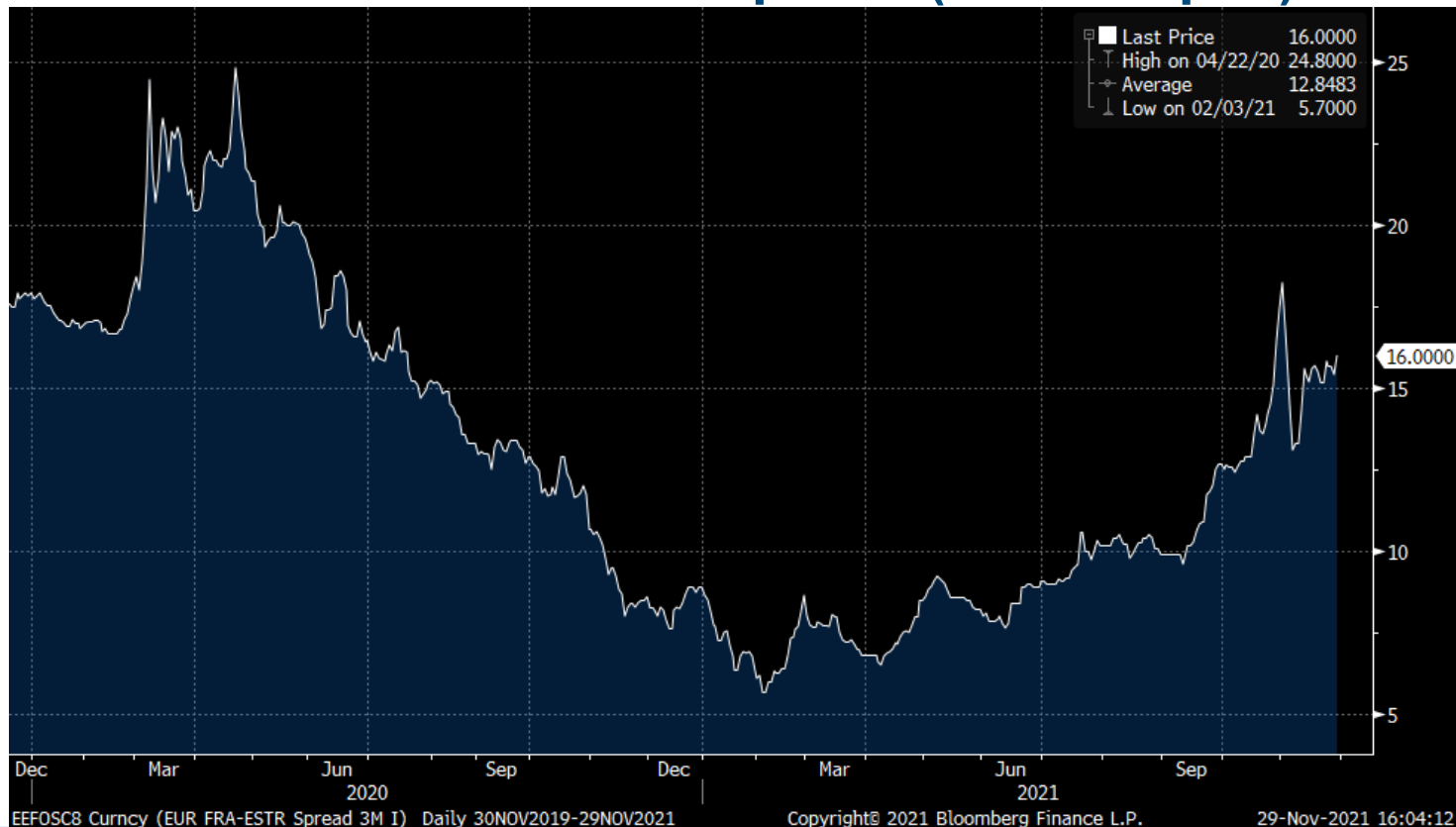
- From 2012 till start of covid crisis relatively stable spread with slight tightening trend from 20 to 16bp
- Sharp widening to 40bp during the start of the covid crisis Mar/Apr20 (Dash for Cash)
- Quick move back to below 5bp after liquidity injections (PEPP, APP, TLTRO) with further tightening to current levels around 0bp spread
- Almost no year-end effect on prices can be observed in this tenor

3M EURIBOR vs. 3M €STR Forwards (25th Nov 2021)



Source: ERSTE Analysis using Refinitiv Data

3M EURIBOR/ €STR Forward Spread (IMM8 Sep23)



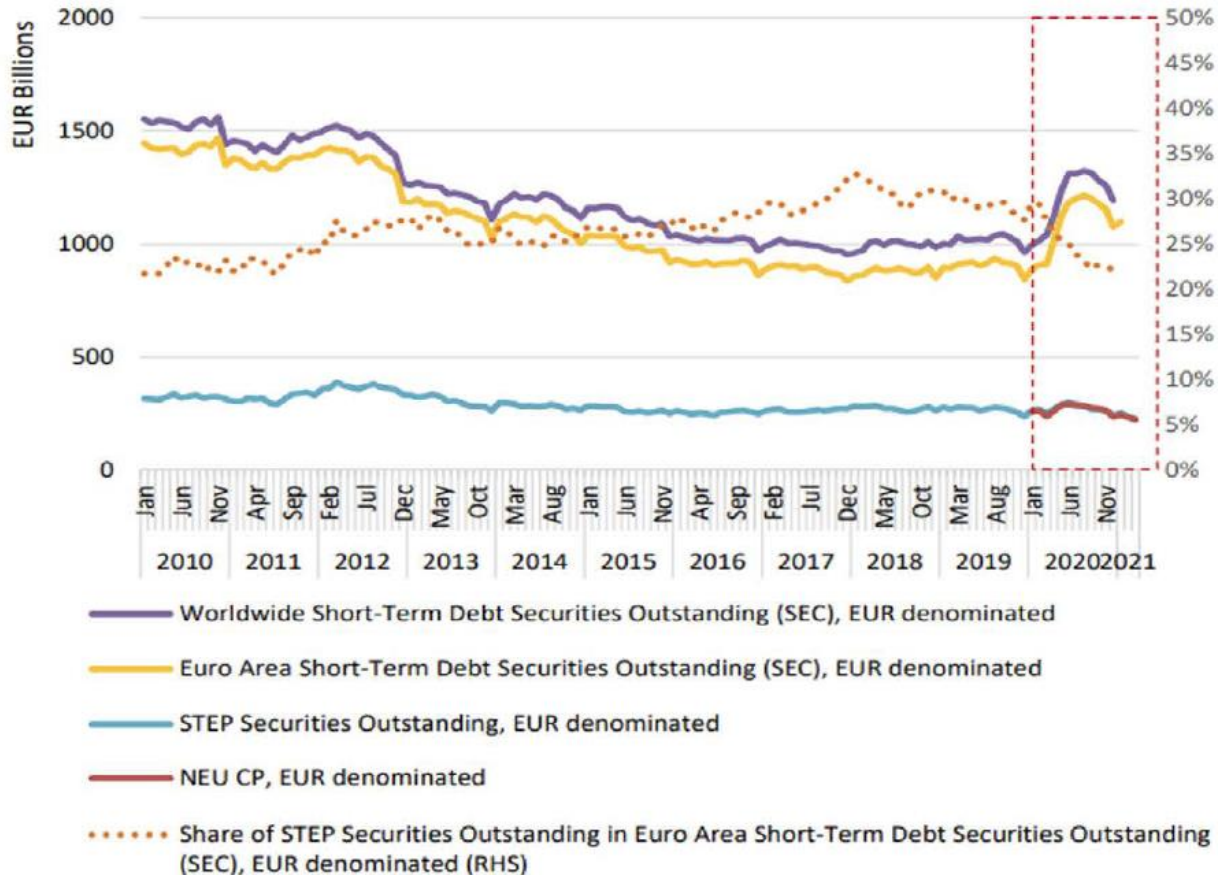
Source: Bloomberg

3M EURIBOR/€STR Spread Expectations

- Expectation of spread widening within the next 18-21 months to a level of 15-20bp and then stabilization at this levels is currently priced in the market
- This are also the levels where market has stabilized before the covid-crisis started => can this be interpreted as expected normalization of excess liquidity?
- Around that time market is also pricing first hikes of DFR but only very slowly and gradually to reach 0% only in five years from now
- The IMM8 forward spread widening since April can be interpreted that market is getting more and more confident about positive economic and inflationary development; especially the later gave the spread another push higher in Sep/Oct21

CD/CP Market in EURO

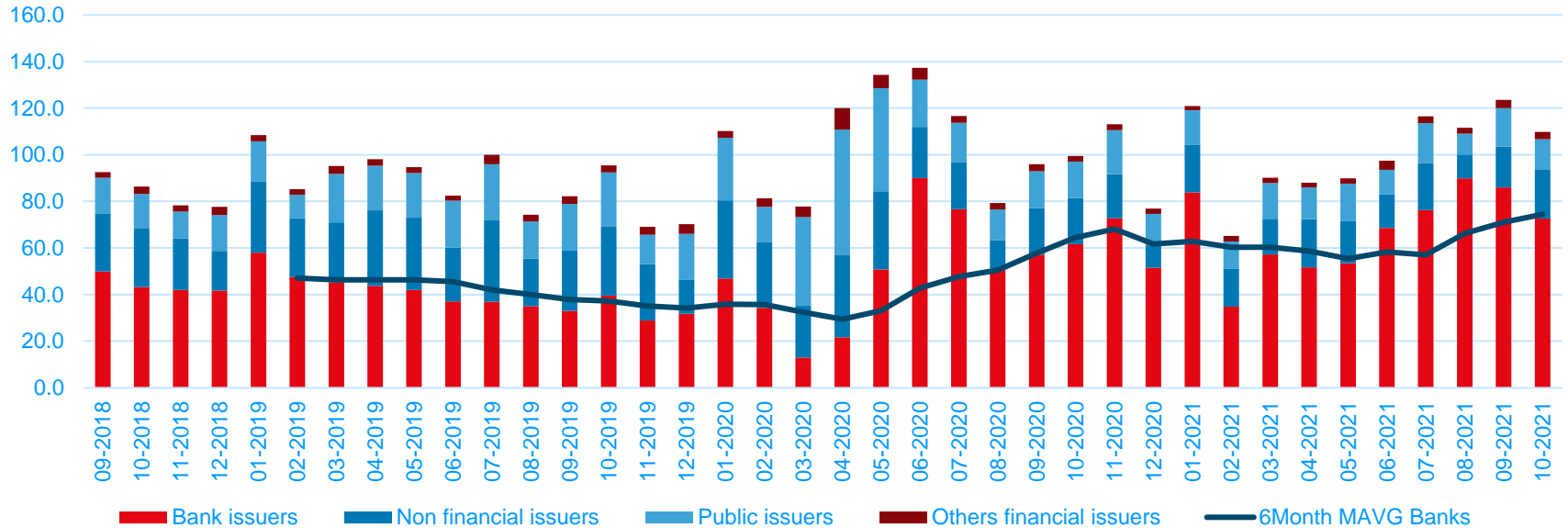
<https://www.icmagroup.org/assets/documents/Regulatory/CP/ICMA-CPC-white-paper-The-European-Commercial-Paper-and-Certificates-of-Deposit-Market-September-2021-290921.pdf>



Source:
EMMI, ICMA

CD/CP Market in EURO

NEU CP New Issues per Month (in Bn EURO)



Source: Banque de France

CD/CP Market Expectations

- For year-end it can be expected that volumes, especially in bank issues, will drop again
- Maybe more than during the last years in relative terms as we have higher outstanding volumes and more opportunistic issues will not be rolled over
- Yields especially for short tenors (1W-1M) will most likely drop further over the turn but not as extreme as in the repo market
- With TLTRO repayments and reduction of purchasing programs next years yield levels should start to increase again (in line with the EURIBOR levels) and therefore volumes should reduce again
- Maturities should lengthen again
- All at a slow pace in line with ECB actions