

Recent Money Market Developments

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A "usual" reserves fulfilment profile

The July/August 2007 maintenance period



EONIA development in the July/August maintenance period



EONIA development since the start of the July/August maintenance period



ECB operations (overview)

Date	Operation	Maturity	Total bid amount	Allotment	Marginal	Weighed	Benchmark	Deviation from BM
09-Aug	Fine tuning	O/N	95	95	4.00%	4.00%	Х	
10-Aug	Fine tuning	O/N	110	61	4.05%	4.08%	х	
13-Aug	Fine tuning	O/N	84.4	47.6	4.06%	4.07%	х	
14-Aug	Fine tuning	O/N	45.9	7.7	4.07%	4.07%	х	
14-Aug	Main Refinancing	1-week	427	310	4.08%	4.10%	236.5	73.5
21-Aug	Main Refinancing	1-week	439.7	275	4.08%	4.09%	229	46
23-Aug	Longer-term Refinancing	3-month	125.8	40	4.49%	4.61%	х	(40)
28-Aug	Main Refinancing	1-week	352.7	210	4.08%	4.09%	195.5	14.5
29-Aug	Longer-term Refinancing	3-month	119.8	50	4.56%	4.62%	50	
04-Sep	Main Refinancing	1-week	426.3	256	4.15%	4.19%	251	5
06-Sep	Fine tuning	O/N	90.9	42.2	4.06%	4.13%	х	
11-Sep	Main Refinancing	1-week	406.1	269	4.14%	4.17%	259	10
11-Sep	Fine tuning	O/N	-66.4	-60	4.00%	4.00%	х	
12-Sep	Longer-term Refinancing	3-month	139.0	75	4.35%	4.52%	х	(75)
18-Sep	Main Refinancing	1-week	356.3	155	4.15%	4.16%	119	36
25-Sep	Main Refinancing	1-week	369.0	190	4.27%	4.29%	157	33
26-Sep	Longer-term Refinancing	3-month	85.4	50	4.50%	4.63%	х	

Immediate reaction: four liquidity providing fine tuning operations



Above-benchmark allotments in the following two MROs (14 and 21 Aug)



Development of 3-month deposit-OIS spreads



Supplementary LTRO (23/24 Aug) to support market functioning



MROs allotted on 28 August and 4 September / regular LTRO allotted on 29 August



Additional liquidity providing fine tuning operation (6 Sep)



Regular end-of-period (absorbing) fine tuning operation (11 Sep)



Development of 3-month deposit-OIS spreads



First MRO of the new maintenance period / supplementary LTRO (12/13 Sep)



Progressive reduction of average daily reserve surplus in most recent MROs (18 and 25 Sep)



Summary

The ECB did not provide additional liquidity over a full maintenance period;

 it provided the liquidity following a different time pattern; and

 it modified the relative share of liquidity provided via 1-week and 3-month operations.

The modified time pattern



The modified maturity pattern



Conclusion

- The main aim of the ECB is to keep short-term interest rates close to the policy rate (i.e. the minimum bid rate signalling the monetary policy stance) with limited volatility
- In pursuing this objective, the ECB aims at supporting the proper functioning of the money markets