



Money Market Contact Group Market Developments

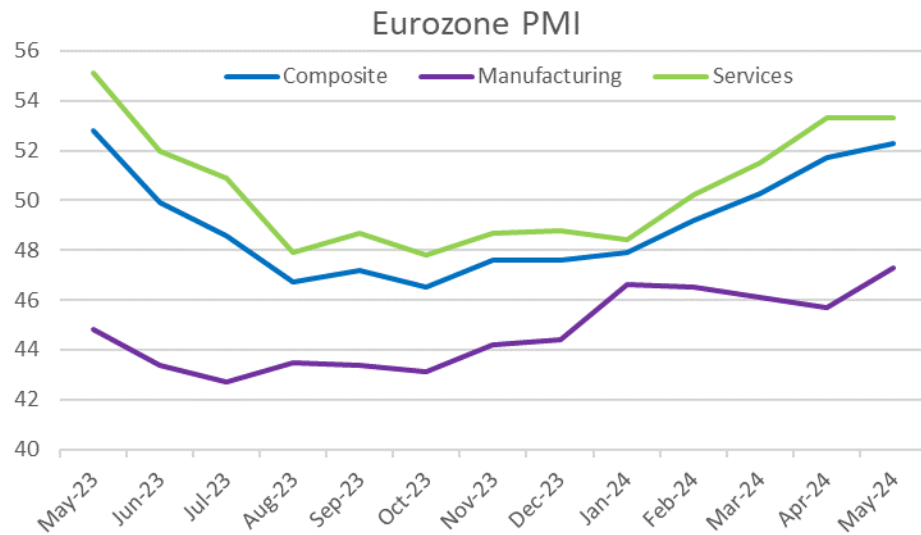
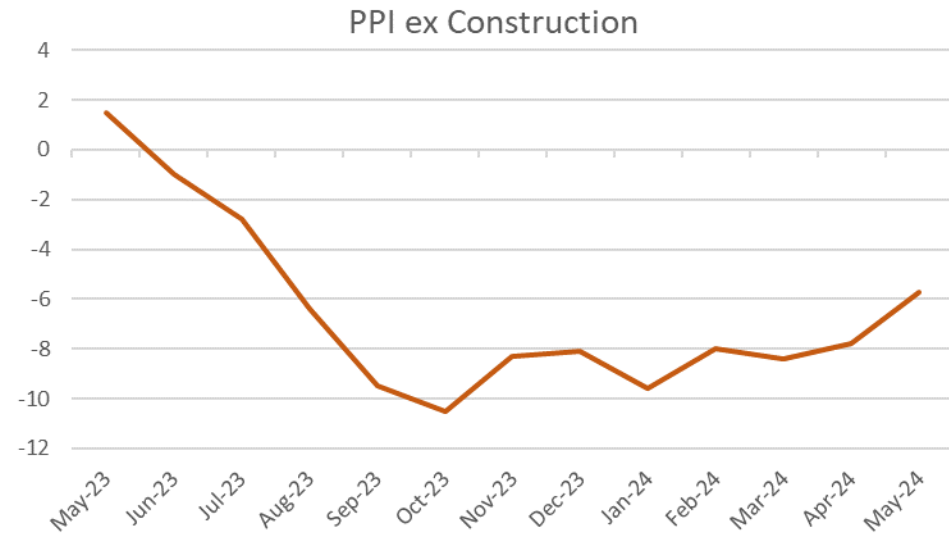
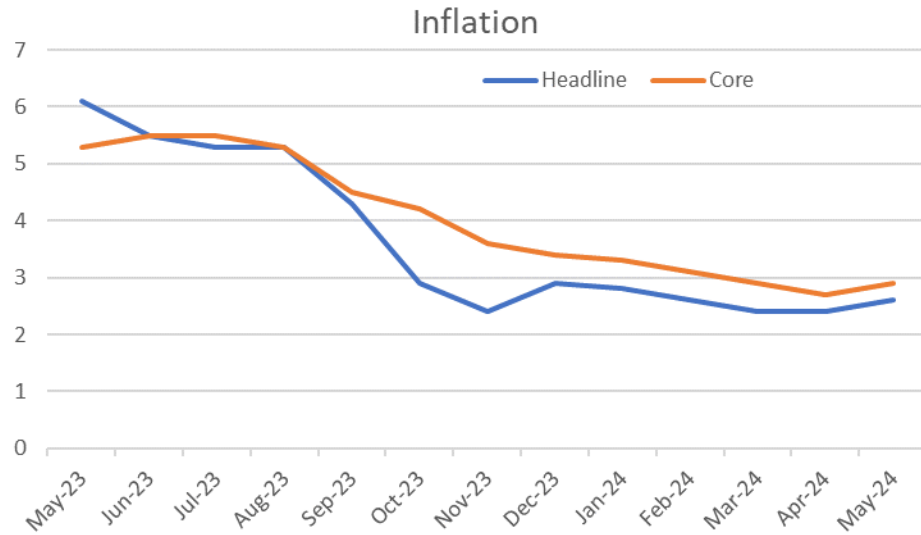
June 12th, 2024



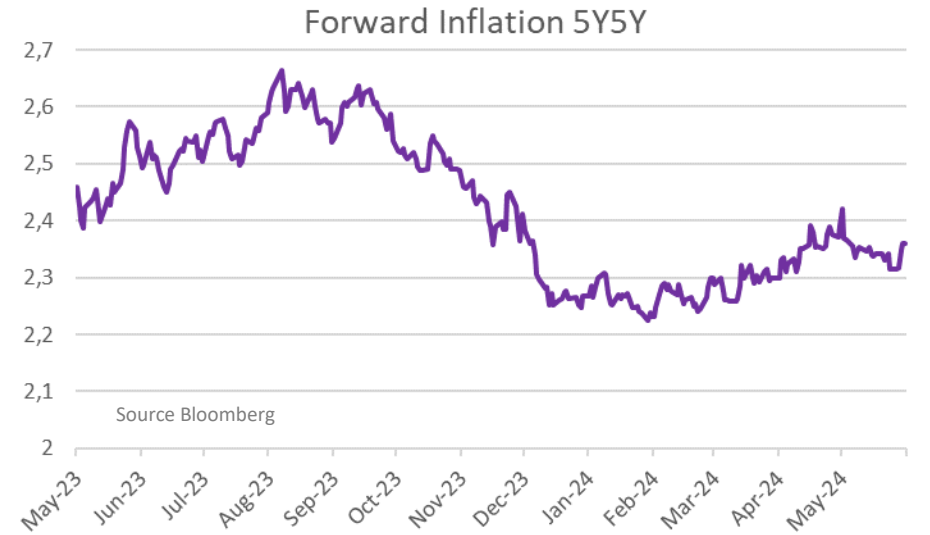
PARTENAIRE PREMIUM



Economic Environment

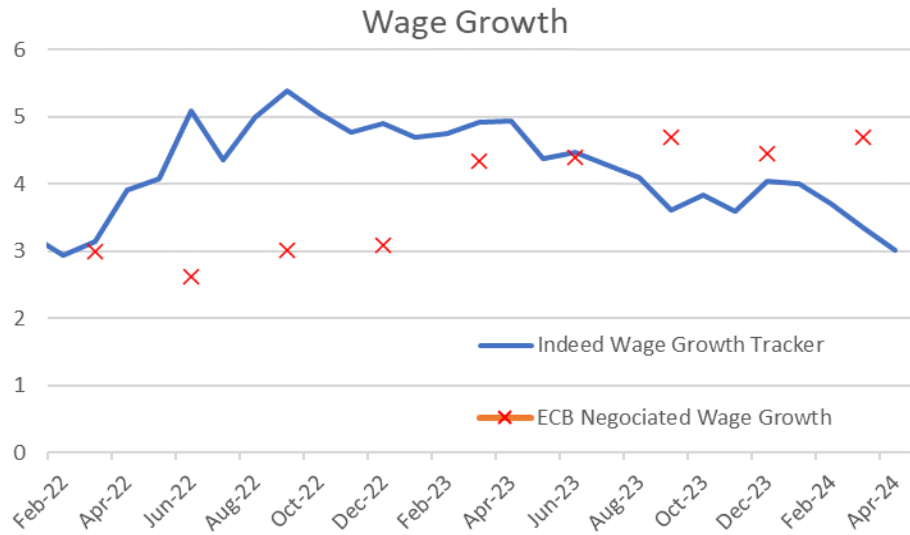


Source Eurex



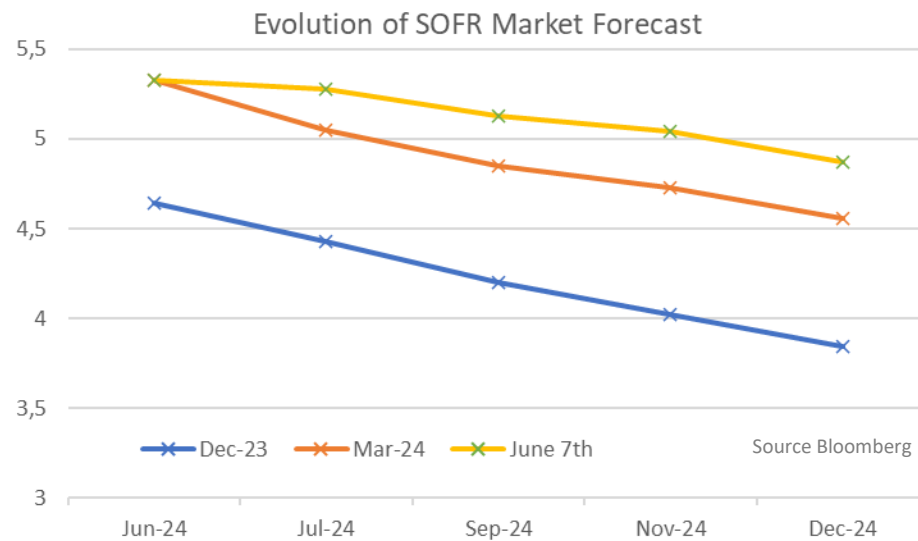
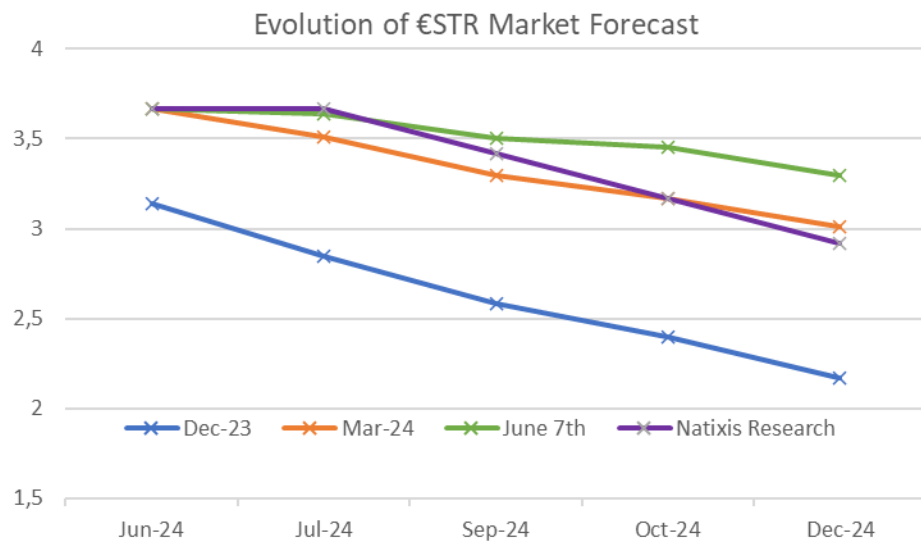
Source Bloomberg

Market Forecast



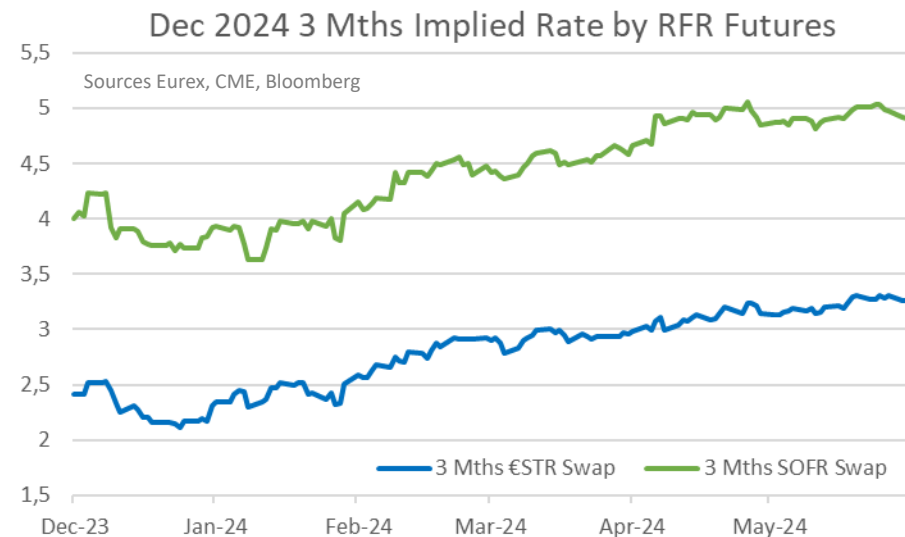
After a widely expected rate cut, Ms. Lagarde stressed data dependency of any future decision, with an overall neutral tone. The ECB revised its inflation forecast for 2025 slightly upwards for 2024 and 2025 (HICP from 2,3 to 2,5% in 2024 and from 2,0 to 2,2% in 2024), undermining another cut in July. ECB still expects wages to moderate (*) and underlying price pressure to ease. Natixis Research continue to expect rates to be cut in September and for an additional 50bp in the two subsequent meetings.

(*) read ECB Blog :Tracking euro area wages in exceptional times

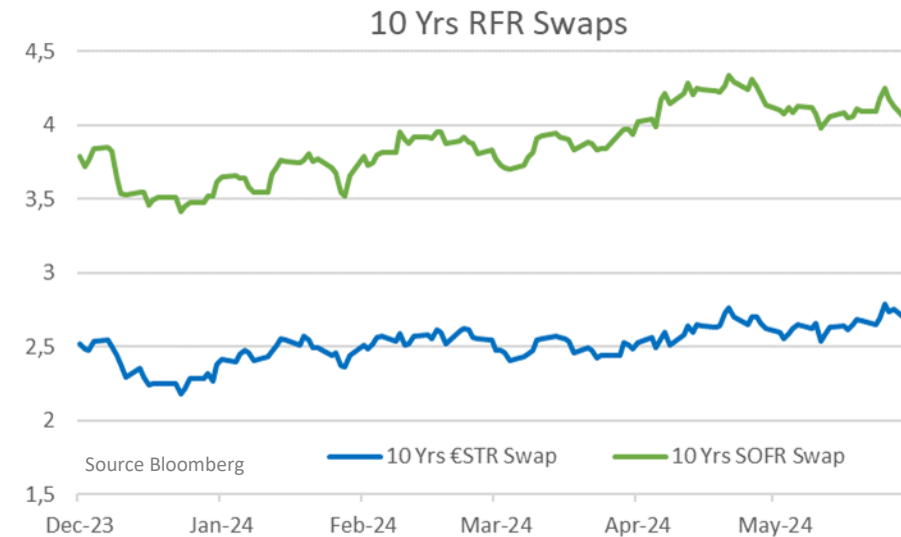


Source Bloomberg

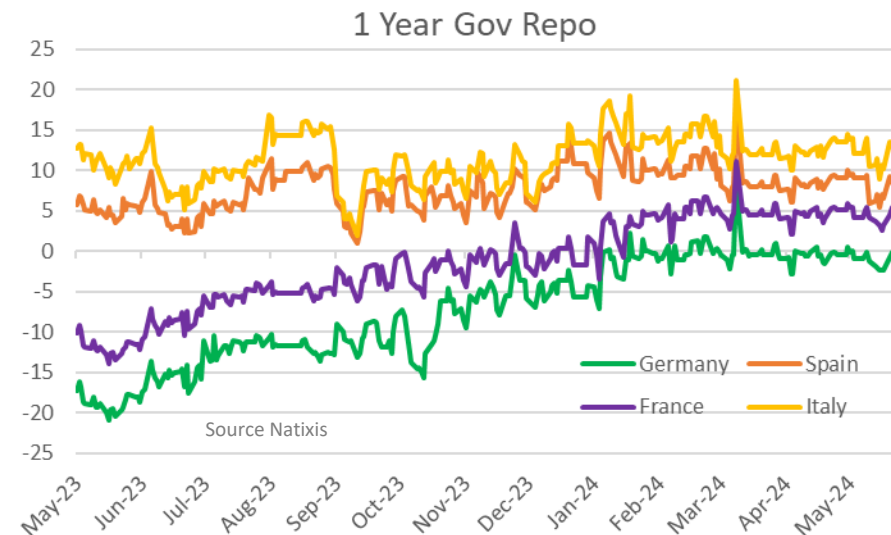
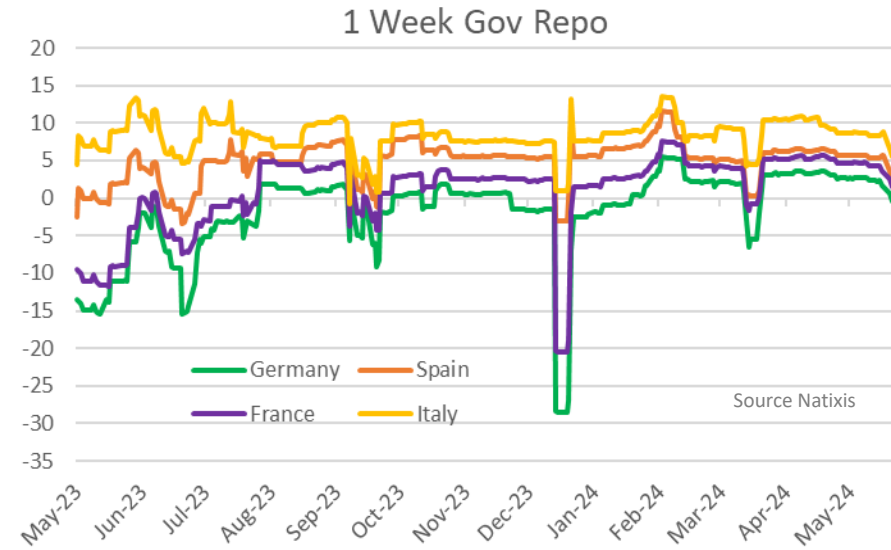
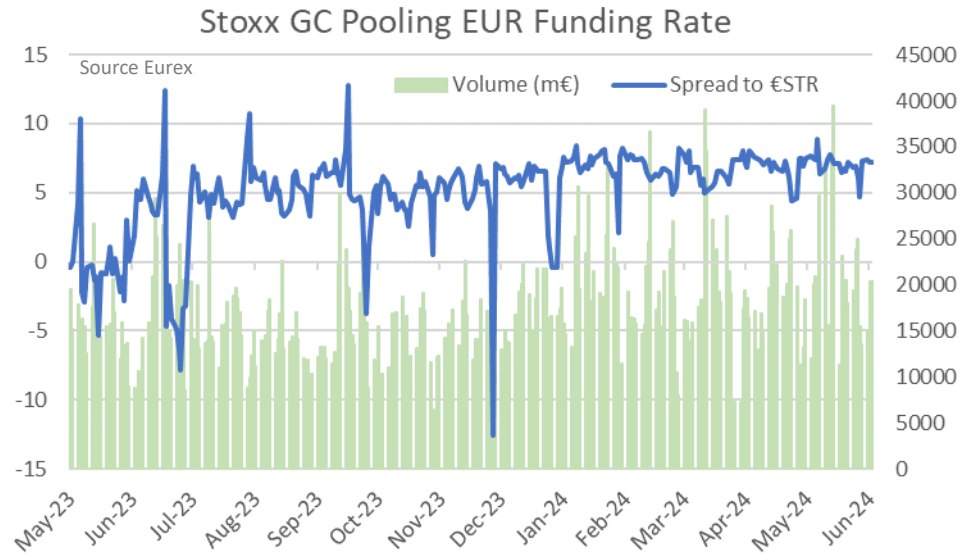
US Interest Rates Expectations Spill-Over to Euro Area



- Euro rates expectations look strongly correlated to US expectations.
- Market participants view central banks action as coordinated.
- While growth in euro zone was still subdued (0,1% YoY Q4 2023, 0,4% Q1 2024) and inflation in a downward trend (from 2,9% to 2,4% between Dec. 2023 and Apr. 2024), Euro long term rates and short-term expectations followed US rates, driven by the rebound of US CPI.

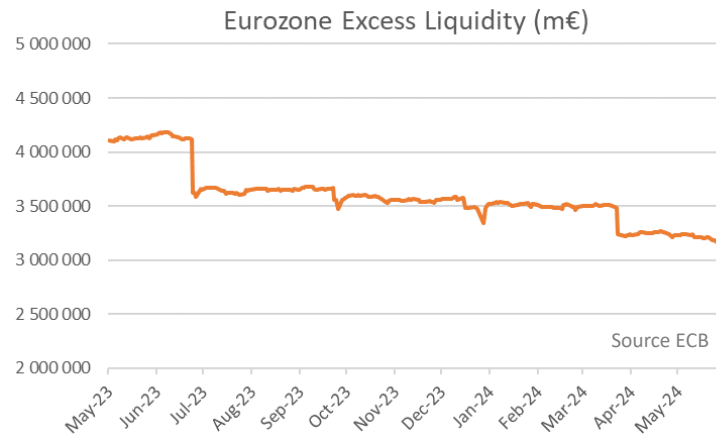


Repo Seems To Stabilize



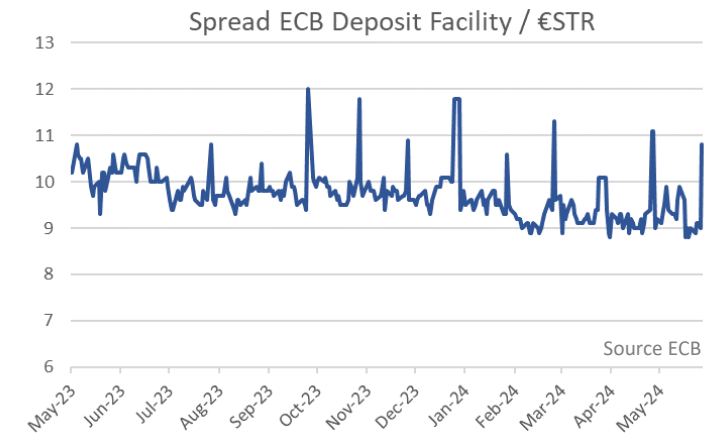
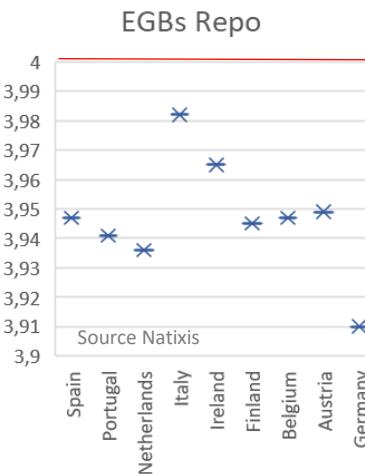
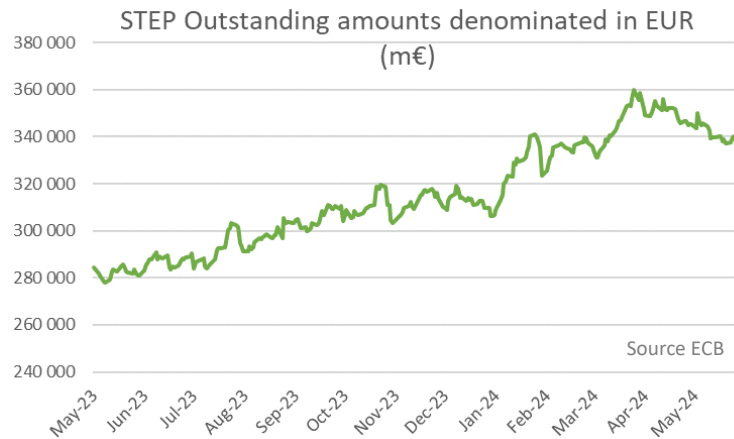
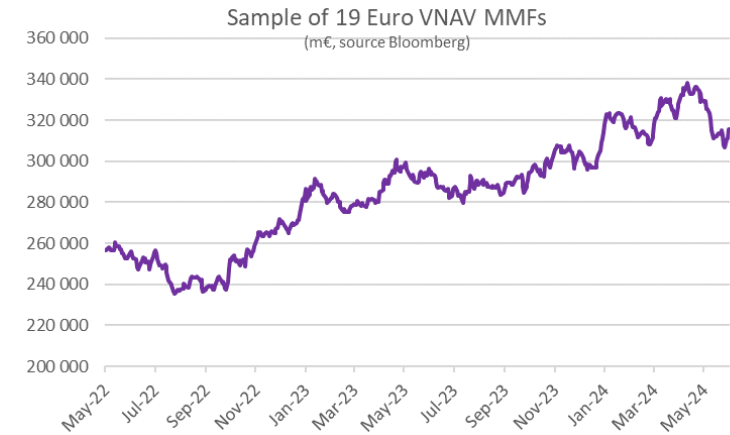
- The spread between core and peripheral countries further tighten.
- Most EGBs are funded between €STR and the Deposit Facility.
- If trimester ends look less sensitive, the impact of reserves persists on situation dates.
- The new MRO conditions, as of September, appear to cap term repo and strengthen the appetite from banks ALM/Treasury to take ECB eligible assets, especially covered bonds.

Liquidity : What To Look At ?



Beyond the straight amount of excess liquidity a few items can be observed to assess a degradation in access to liquidity :

- Narrowing Deposit Facility/€STR spread,
- Short dates repo above Deposit Facility,
- Decrease in AUM of VNAV Money Market Funds,
- Decrease in Commercial Paper issuances.



Thank You !