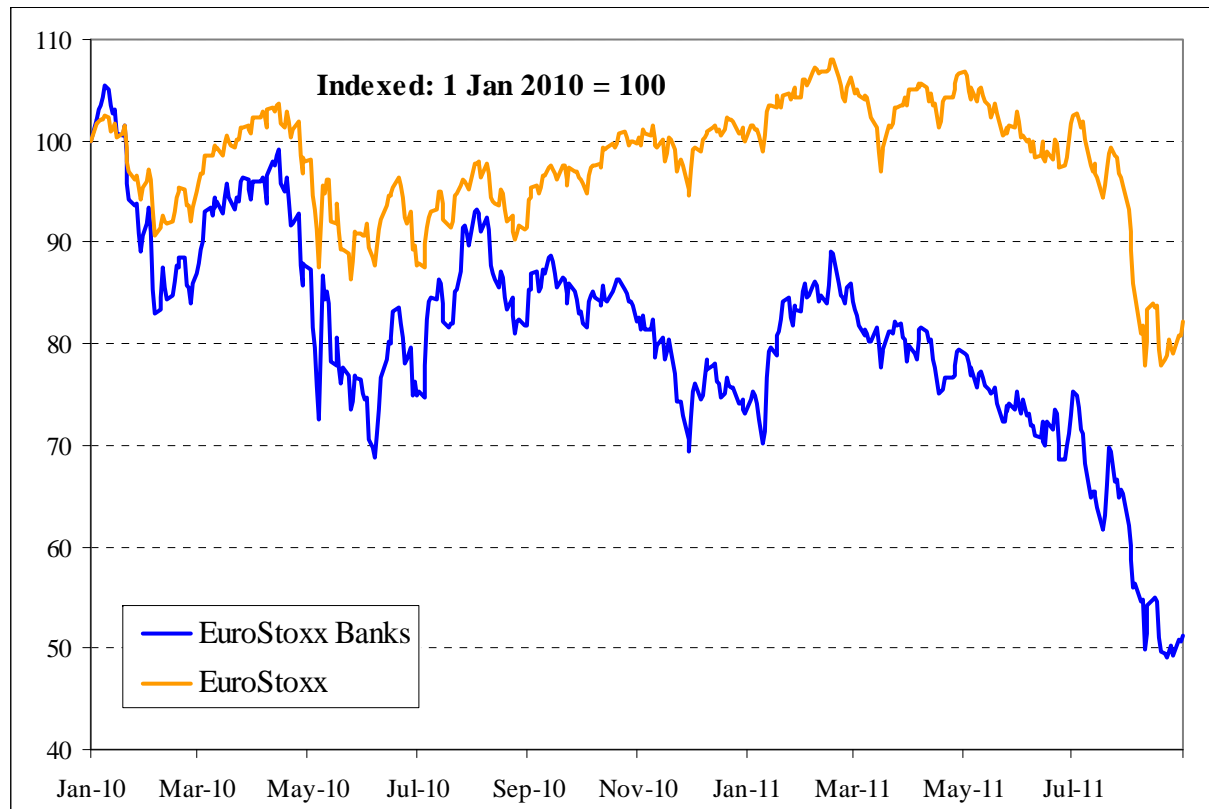


Recent developments in the euro money market

Money Market Contact Group
Frankfurt, 5 September 2011

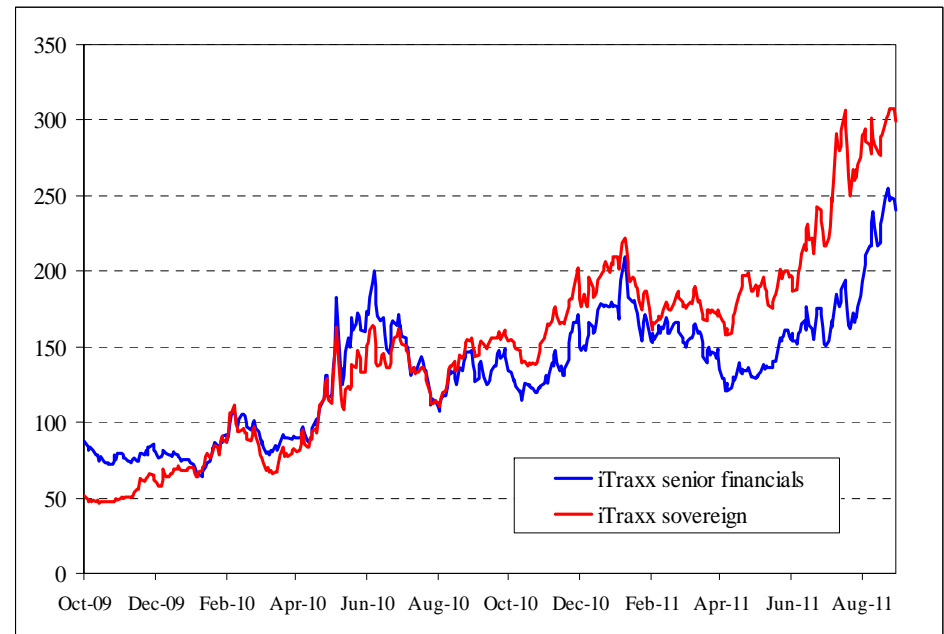
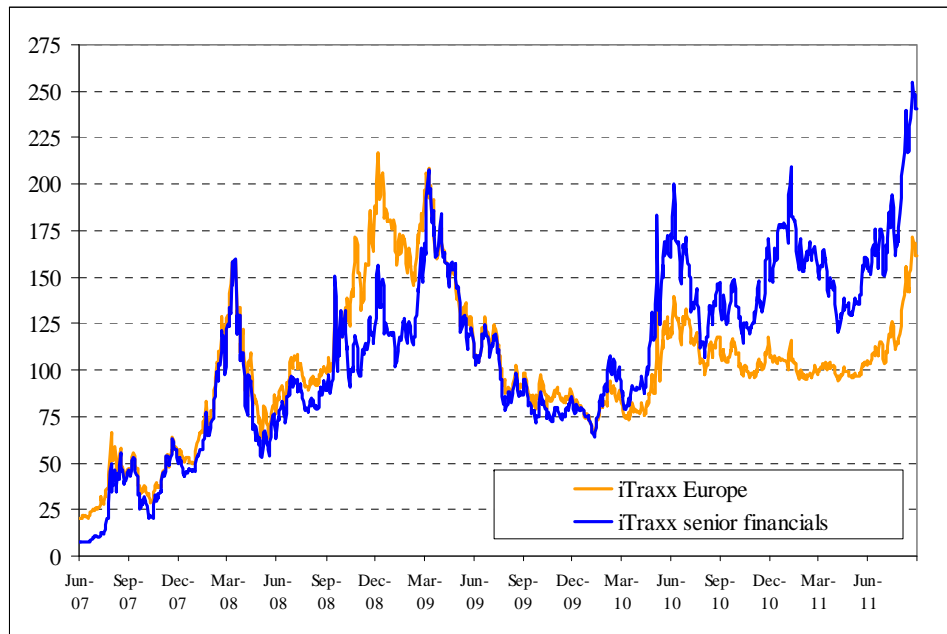
Overall financial market background

I) Bank stocks' underperformance continues unabated

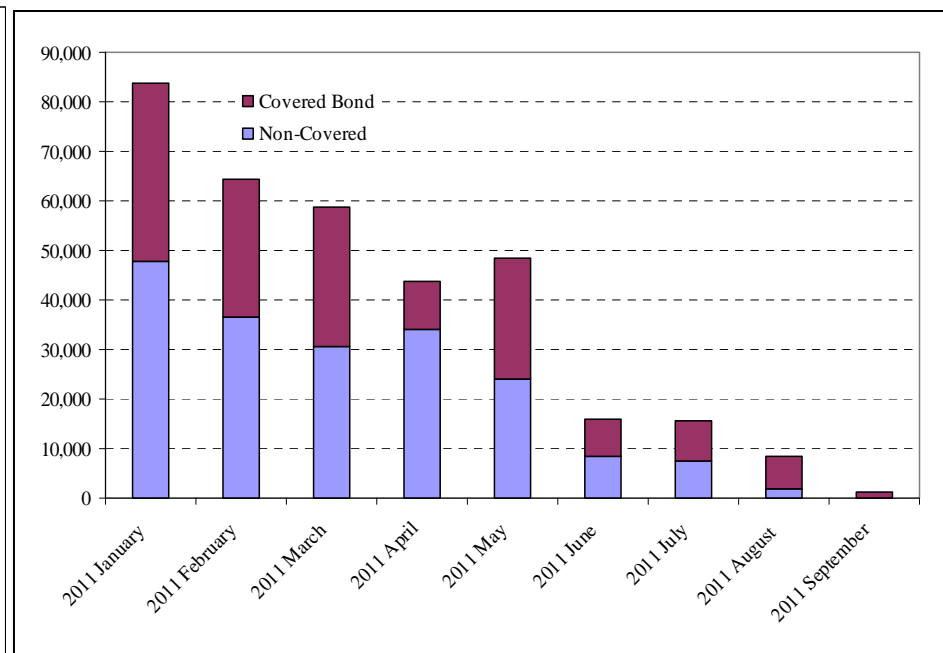
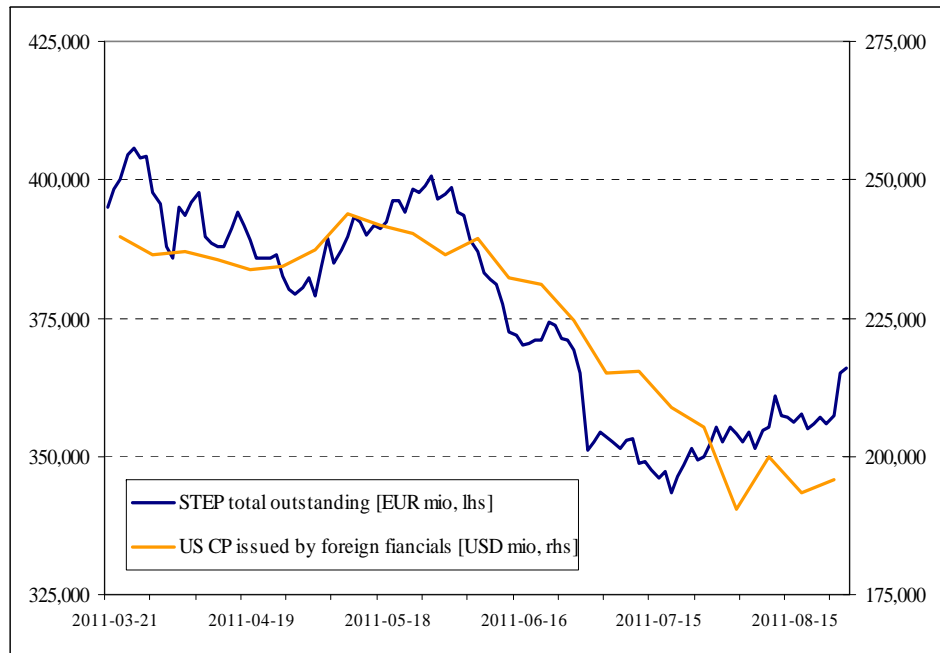


Overall financial market background

II) Perceived credit risk of senior financials and sovereigns reaches new highs

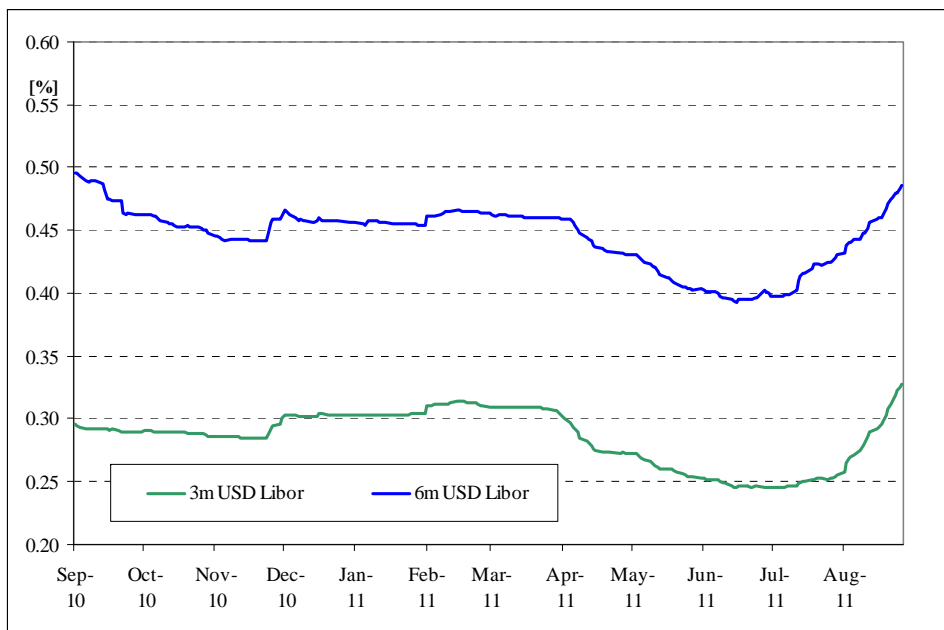


Banks' funding situation

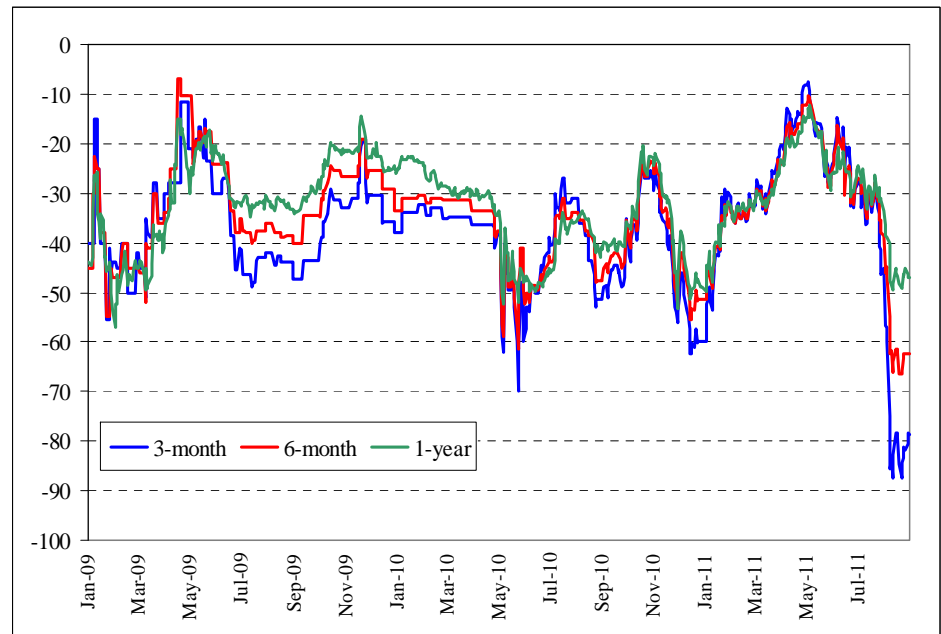


USD funding situation

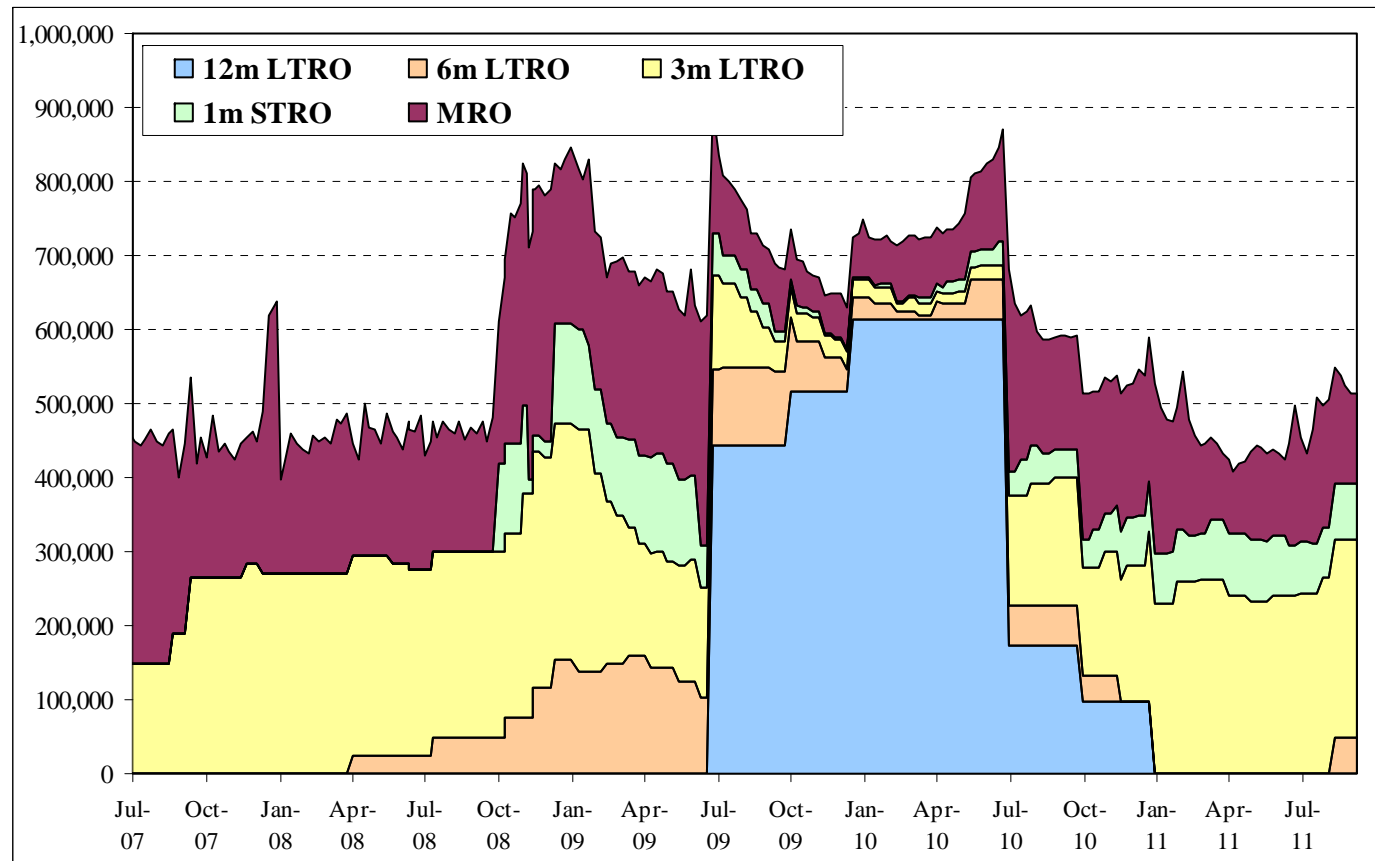
USD Libor fixings creep higher



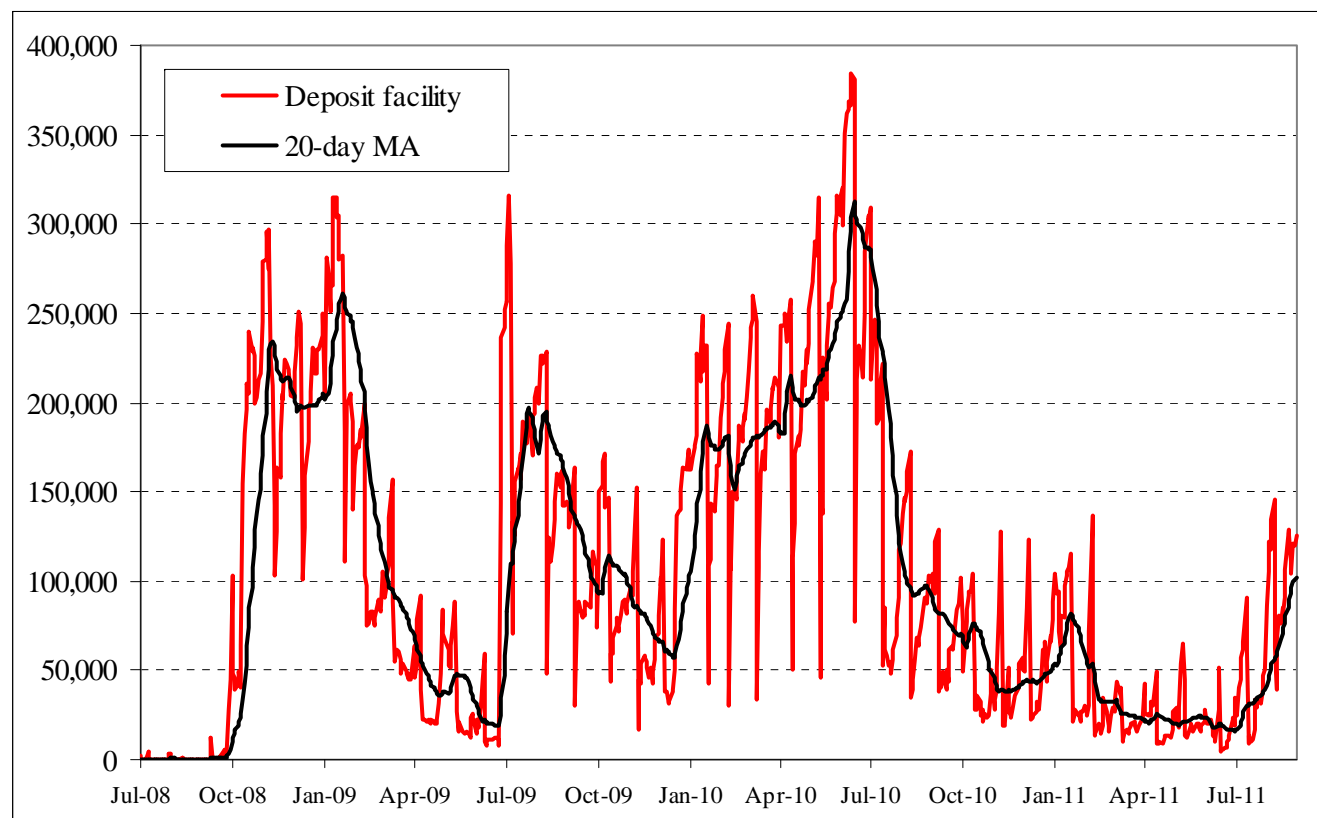
EUR/USD FX swap premia surge



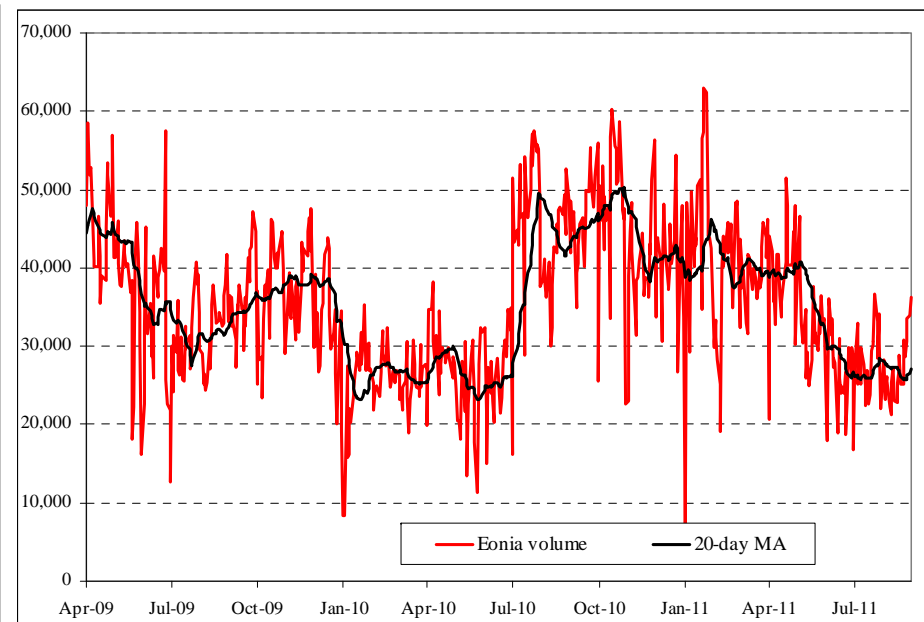
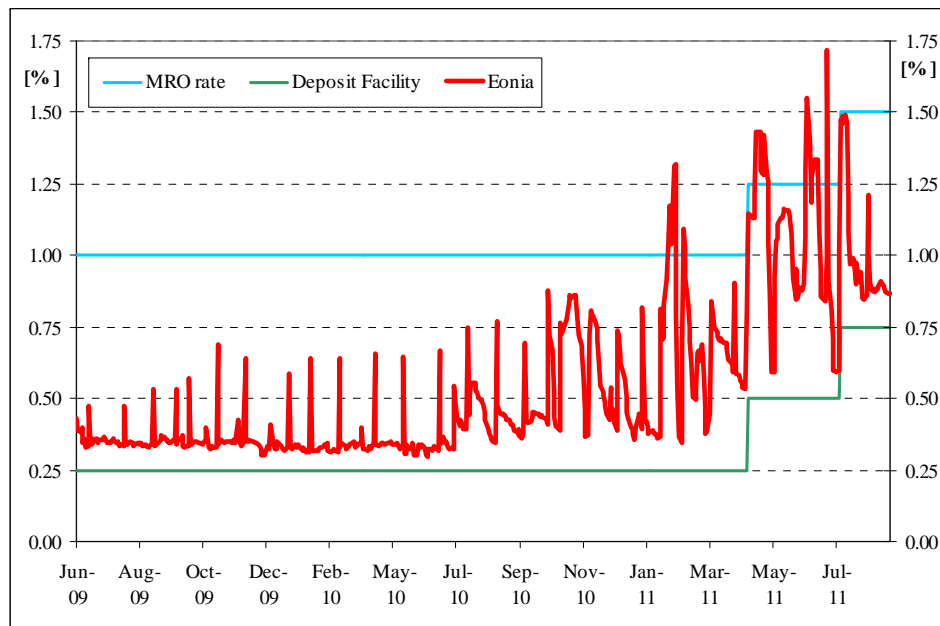
Maturity breakdown of the ECB's liquidity providing operations – 6m maturity reintroduced



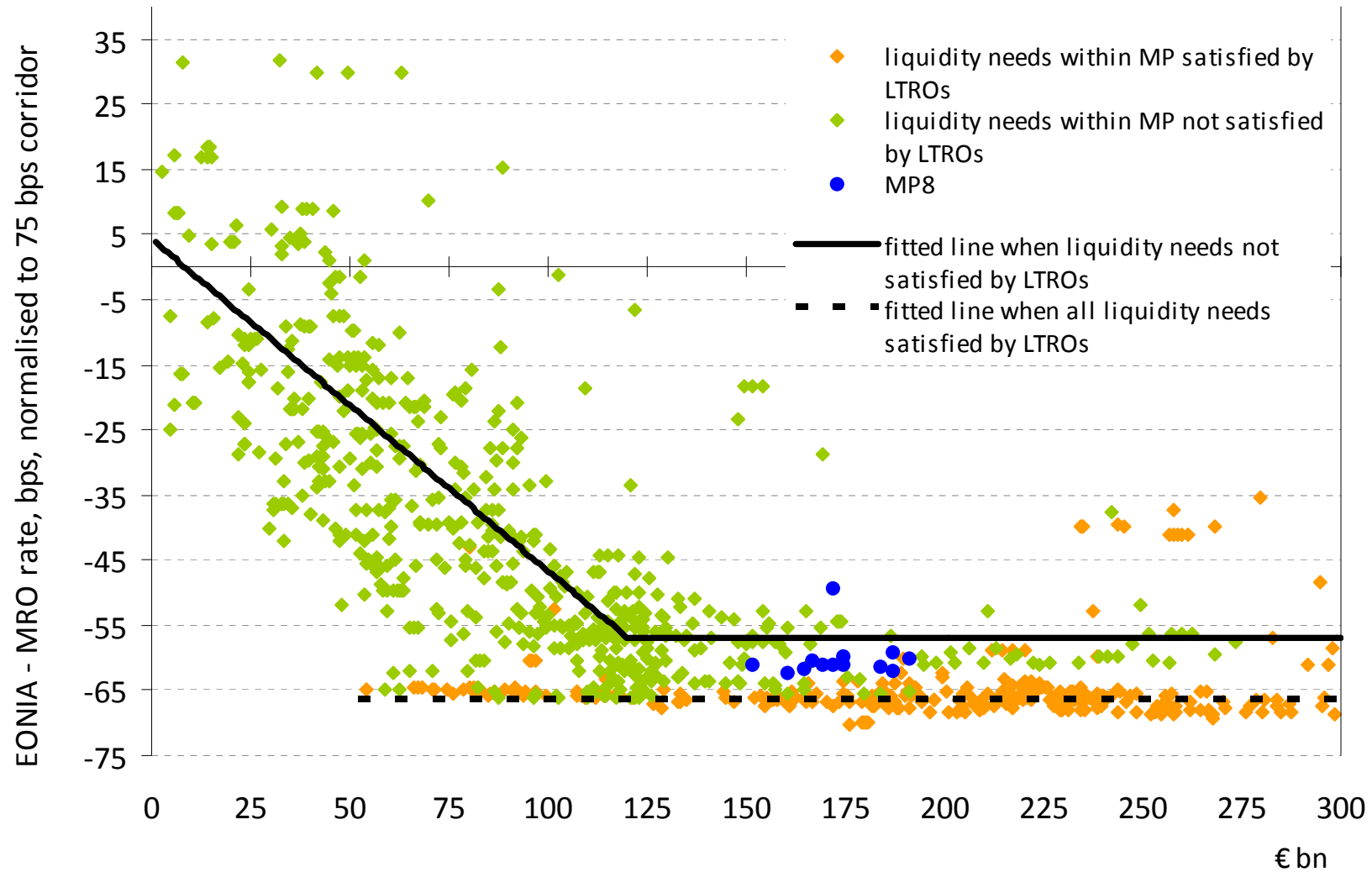
Use of the ECB's deposit facility



ECB rates and Eonia developments

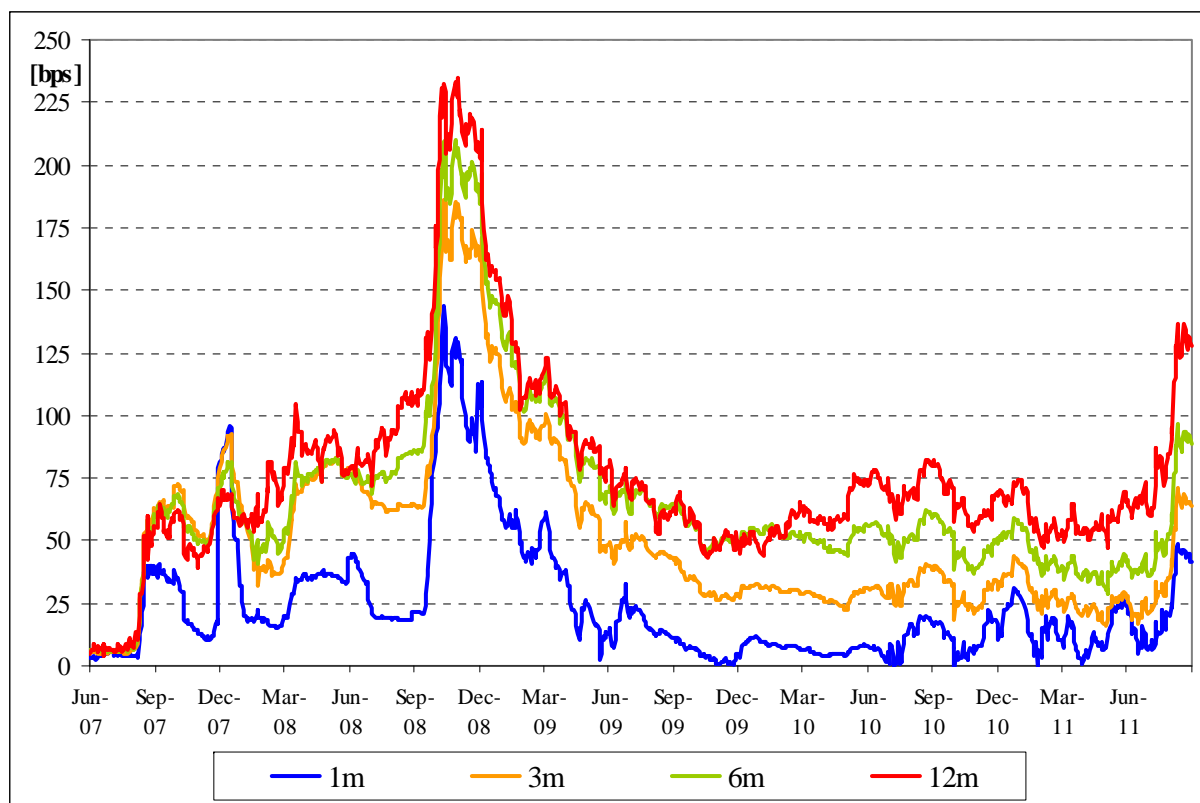


Relation between EONIA spread and excess liquidity

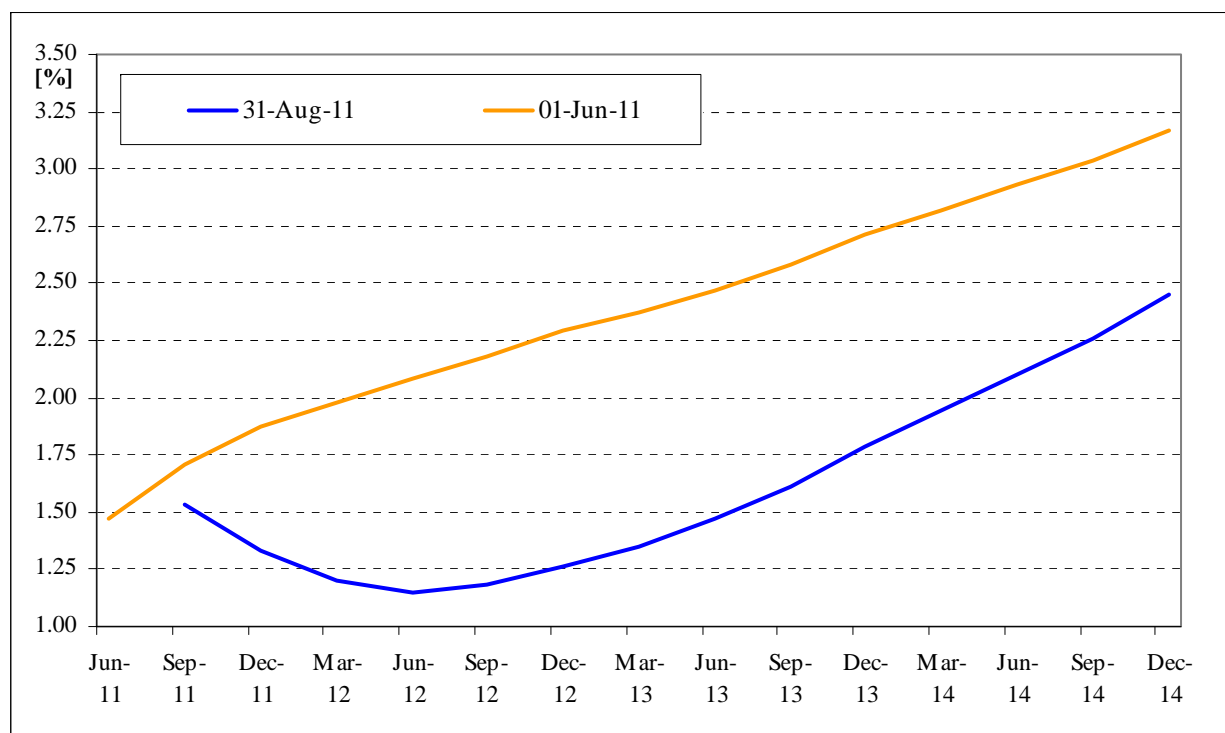


EURIBOR - OIS spreads

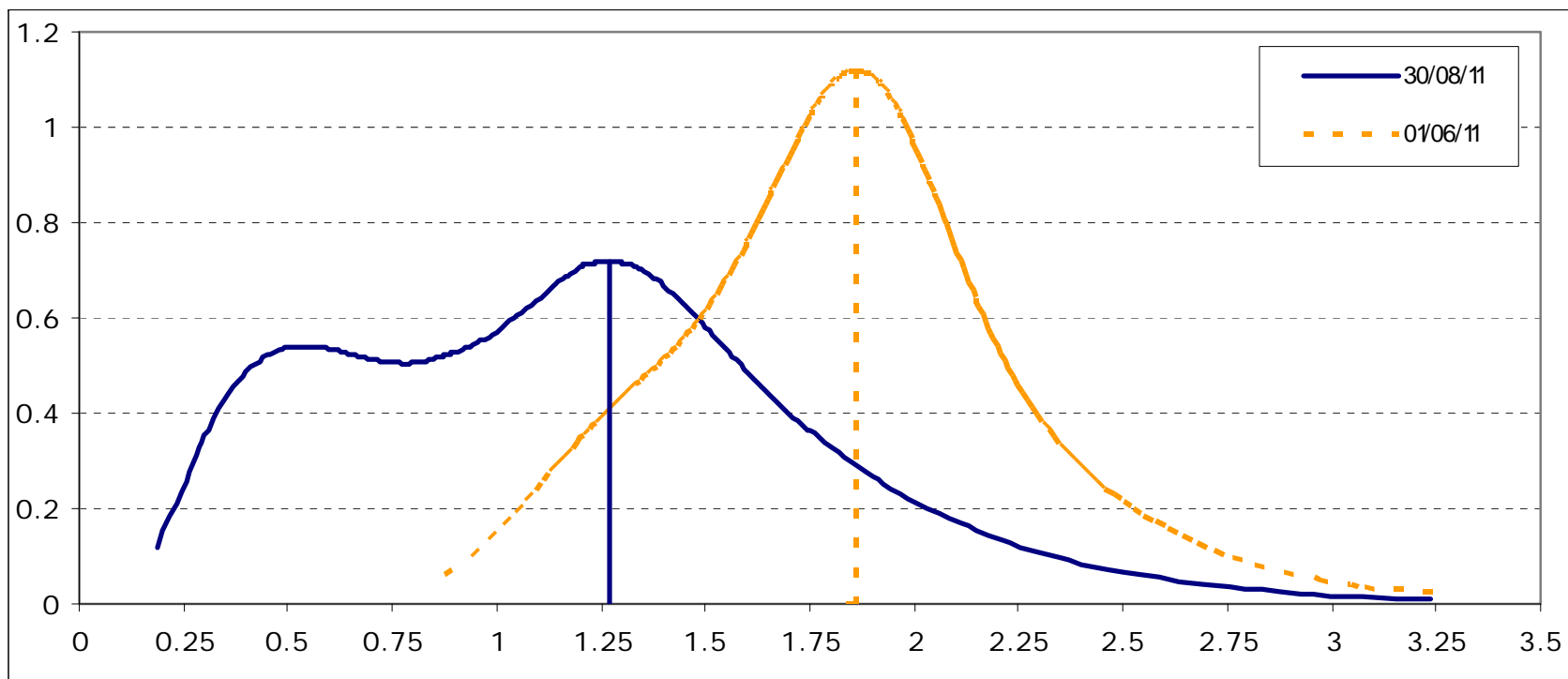
Spiking higher on the back of significantly lower OIS rates



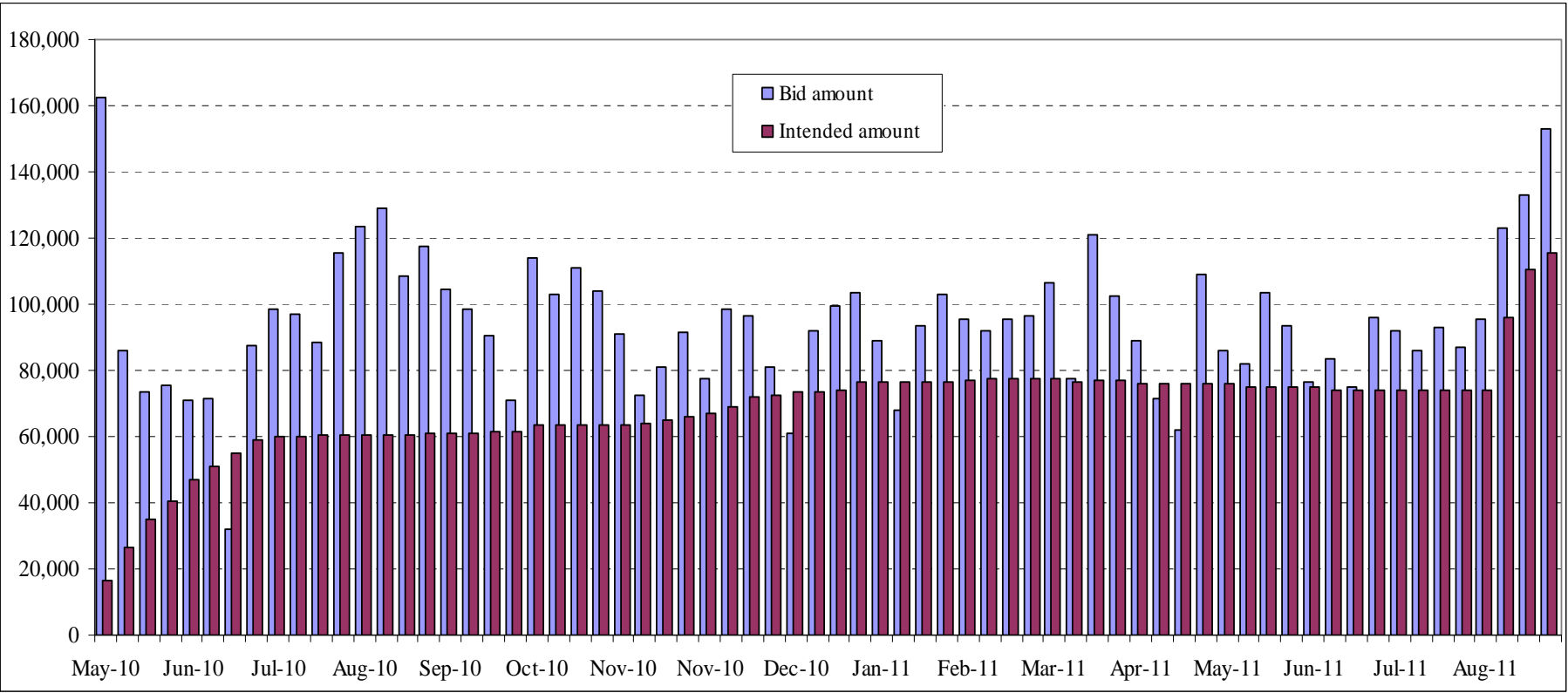
Development of the Euribor futures curve



Option-implied probability of EURIBOR futures rate in 6 months



I-week liquidity absorbing FTOs



ECB developments and announcements

29 June 2011

Extension of the swap line with the Fed until 1 Aug 2012 – continuation of the 1-week USD providing operations.

7 July 2011

Rate hike by 25 bps for all three policy rate bringing the MRO rate to 1.50%. This also implies that the rate corridor remains at +/- 75 bps.

Suspension of the minimum credit rating threshold for marketable debt instruments issued or guaranteed by the Portuguese government.

4 August 2011

Announcement of another 6-month operation and commitment of fixed rate full allotment procedures beyond year-end.

7 August 2011

Statement on the active implementation of the SMP

Potential issues for discussion

- *Do members have any comments on the decision to extend fixed rate / full allotment procedures beyond year-end and to re-introduce a 6-month operation?*
- *Has the recent intensification of the sovereign credit crisis had an impact on the various segments of the repo market?*
- *In general, how do members assess banks' current funding conditions – also in the USD market?*
- *What is the outlook for banks' participation in the 1-week liquidity absorbing fine-tuning operations?*