

## **Money Market Report for the week ending 25 October 2019**

### **ECB Decisions**

On 24 October 2019, the Governing Council of the European Central Bank (ECB) decided that the interest rate on the main refinancing operations (MRO) and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.50% respectively. The Governing Council expects the key ECB interest rates to remain at their present or lower levels until it has seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.

As decided at the last Governing Council meeting on 12 September 2019, net purchases will be restarted under the Governing Council's asset purchase programme (APP) at a monthly pace of €20 billion as from 1 November 2019. The Governing Council expects them to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates.

The Governing Council intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when it starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

### **ECB Monetary Operations**

On 21 October 2019, the ECB announced its weekly MRO. The operation was conducted on 22 October 2019, and attracted bids from euro area eligible counterparties of €1.07 billion, €0.81 billion lower than the bid amount of the previous week. The amount was allotted in full at a fixed rate equivalent to the prevailing MRO rate of 0.00%, in accordance with current ECB policy.

On 23 October 2019, the ECB conducted a 7-day US dollar funding operation through collateralised lending in conjunction with the US Federal Reserve. This operation attracted bids of \$0.04 billion, which was allotted in full at a fixed rate of 2.33%.

### **Domestic Treasury Bill Market**

In the domestic primary market for Treasury bills, the Treasury invited tenders for 28-day and 91-day bills for settlement value 24 October 2019, maturing on 21 November 2019 and 23 January 2020, respectively. Bids of €10.00 million were submitted for the 28-day bills, with the Treasury accepting €8.00 million, while bids of €15.00 million were submitted for the 91-day bills, with the Treasury accepting all bids. Since €22.00 million worth of bills matured during the week, the outstanding balance of Treasury bills increased by €1.00 million, at €296.30 million.

The yield from the 28-day bill auction was -0.411%, a decrease of 0.1 basis point from bids with a similar tenor issued on 17 October 2019, representing a bid price of €100.0320 per €100 nominal. The yield from the 91-day bill auction was -0.410%, a decrease of 0.3 basis point from bids with a similar tenor issued on 3 October 2019, representing a bid price of €100.1037 per €100 nominal.

During the week under review, there was no trading on the Malta Stock Exchange.

This week the Treasury will invite tenders for 28-day bills maturing on 28 November 2019.