

Money Market Report for the week ending 7 June 2019

ECB Decisions

On 6 June 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 -0.40% respectively. The Governing Council now expects the key ECB interest rates to remain at their present levels at least through the first half of 2020, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term.

The Governing Council intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme 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.

Regarding the modalities of the new series of quarterly targeted longer-term refinancing operations (TLTRO III), the Governing Council decided that the interest rate in each operation will be set at a level that is 10 basis points above the average rate applied in the Eurosystem's MRO over the life of the respective TLTRO. For banks whose eligible net lending exceeds a benchmark, the rate applied in TLTRO III will be lower and can be as low as the average interest rate on the deposit facility prevailing over the life of the operation plus 10 basis points.

ECB Monetary Operations

On 3 June 2019, the ECB announced its weekly MRO. The operation was conducted on 4 June 2019, and attracted bids from euro area eligible counterparties of €5.28 billion, €0.85 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 5 June 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 \$0.02 billion, which was allotted in full at a fixed rate of 2.88%.

Domestic Treasury Bill Market

In the domestic primary market for Treasury bills, the Treasury invited tenders for 91-day bills for settlement value 6 June 2019, maturing on 5 September 2019. Bids of €62.00 million were submitted, with the Treasury accepting €12.00 million. Since €12.50 million worth of bills matured during the week, the outstanding balance of Treasury bills decreased by €0.50 million, to stand at €328.70 million.

The yield from the 91-day bill auction was -0.358%, a decrease of 0.3 basis point from bids with a similar tenor issued on 30 May 2019, representing a bid price of €100.0906 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 91-day and 182-day bills maturing on 12 September and 12 December 2019, respectively.