

Money Market Report for the week ending 13 December 2019

ECB Decisions

On 12 December 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.

On 1 November net purchases were restarted under the Governing Council's asset purchase programme (APP) at a monthly pace of €20 billion. 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 9 December 2019, the ECB announced its weekly MRO. The operation was conducted on 10 December 2019, and attracted bids from euro area eligible counterparties of €1.40 billion, €0.01 billion more 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 11 December 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 \$0.07 billion, which was allotted in full at a fixed rate of 2.06%.

On 12 December 2019, the ECB conducted the second operation of the third Targeted Longer Term Refinancing Operations (TLTRO-III.2) programme. This operation attracted bids of €97.72 billion, with the rate fixed at the average rate of the MROs over the life of the operation. However, the final interest rate applied to this operation may differ and will be determined according to Article 5 of Decision ECB/2019/28.

Domestic Treasury Bill Market

In the domestic primary market for Treasury bills, the Treasury invited tenders for 91-day bills for settlement value 12 December 2019, maturing on 12 March 2020. Bids of €70.00 million were submitted, with the Treasury accepting €38.00 million. Since €30.00 million worth of bills matured during the week, the outstanding balance of Treasury bills increased by €8.00 million, standing at €294.30 million.

The yield from the 91-day bill auction was -0.423%, a decrease of 0.6 basis point from bids with a similar tenor issued on 5 December 2019, representing a bid price of €100.1070 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 90-day bills maturing on 18 March 2020.