

Money Market Report for the week ending 26 July 2019

ECB Decisions

On 25 July 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 expects the key ECB interest rates to remain at their present or lower 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 its aim 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.

The Governing Council also underlined the need for a highly accommodative stance of monetary policy for a prolonged period of time, as inflation rates, both realised and projected, have been persistently below levels that are in line with its aim. Accordingly, if the medium-term inflation outlook continues to fall short of its aim, the Governing Council is determined to act, in line with its commitment to symmetry in the inflation aim. It therefore stands ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner.

In this context, the Governing Council has tasked the relevant Eurosystem Committees with examining options, including ways to reinforce its forward guidance on policy rates, mitigating measures, such as the design of a tiered system for reserve remuneration, and options for the size and composition of potential new net asset purchases.

ECB Monetary Operations

On 22 July 2019, the ECB announced its weekly MRO. The operation was conducted on 23 July 2019, and attracted bids from euro area eligible counterparties of €2.91 billion, €0.02 billion higher 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 24 July 2019, the ECB conducted an eight-day US dollar funding operation through collateralised lending in conjunction with the US Federal Reserve. This operation attracted bids of \$0.01 billion, which was allotted in full at a fixed rate of 2.85%.

Domestic Treasury Bill Market

In the domestic primary market for Treasury bills, the Treasury invited tenders for 91-day and 364-day bills for settlement value 25 July 2019, maturing on 24 October 2019 and 23 July 2020, respectively. Bids of €45.00 million were submitted for the 91-day bills, with the Treasury accepting €20.00 million, while bids of €20.00 million were submitted for the 364-day bills, with the Treasury accepting €2.00 million. Since €35.00 million worth of bills matured during the week, the outstanding balance of Treasury bills decreased by €13.00 million, at €324.80 million.

The yield from the 91-day bill auction was -0.373%, a decrease of 0.9 basis point from bids with a similar tenor issued on 18 July 2019, representing a bid price of €100.0944 per €100 nominal. The yield from the 364-day bill auction was -0.329%, a decrease of 4.0 basis points from bids with a similar tenor issued on 23 August 2018, representing a bid price of €100.3338 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 273-day bills maturing on 31 October 2019 and 30 April 2020, respectively.