

## **Money Market Report for the week ending 8 March 2019**

### **ECB Decisions**

On 7 March 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 end of 2019, 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.

A new series of quarterly targeted longer-term refinancing operations (TLTRO-III) will be launched, starting in September 2019 and ending in March 2021, each with a maturity of two years. These new operations will help to preserve favourable bank lending conditions and the smooth transmission of monetary policy. Under TLTRO-III, counterparties will be entitled to borrow up to 30% of the stock of eligible loans as at 28 February 2019 at a rate indexed to the interest rate on the MRO over the life of each operation. Like the outstanding TLTRO programme, TLTRO-III will feature built-in incentives for credit conditions to remain favourable.

The Eurosystem's lending operations will continue to be conducted as fixed rate tender procedures with full allotment for as long as necessary, and at least until the end of the reserve maintenance period starting in March 2021.

### **ECB Monetary Operations**

On 4 March 2019, the ECB announced its weekly MRO. The operation was conducted on 5 March 2019, and attracted bids from euro area eligible counterparties of €5.77 billion, €0.72 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 6 March 2019, the ECB conducted a seven-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 2.90%.

### **Domestic Treasury Bill Market**

In the domestic primary market for Treasury bills, the Treasury invited tenders for 91-day bills for settlement value 7 March 2019, maturing on 6 June 2019. Bids of €35.00 million were submitted, with the Treasury accepting €10.00 million. Since €34.50 million worth of bills matured during the week, the outstanding balance of Treasury bills decreased by €24.50 million, to stand at €389.80 million.

The yield from the 91-day bill auction was -0.345%, down by 0.4 basis point from bids with a similar tenor issued on 28 February 2019, representing a bid price of €100.0873 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 bills maturing on 13 June 2019.