

Money Market Report for the week ending 24 January 2020

ECB Decisions

On 23 January 2020, 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.

The Governing Council will continue to make net purchases under its 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.

The Governing Council also decided to launch a review of the ECB's monetary policy strategy.

ECB Monetary Operations

On 20 January 2020, the ECB announced a 7-day MRO. The operation was conducted on 21 January 2020, and attracted bids from euro area eligible counterparties of €0.97 billion, €0.14 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 22 January 2020, 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 \$0.05 billion, which was allotted in full at a fixed rate of 2.04%.

Domestic Treasury Bill Market

In the domestic primary market for Treasury bills, the Treasury invited tenders for 91-day and 182-day bills for settlement value 23 January 2020, maturing on 23 April and 23 July 2020, respectively. Bids of €20.00 million were submitted for the 91-day bills, with the Treasury accepting €12.00 million, while bids of €20.00 million were also submitted for the 182-day bills, with the Treasury accepting €5.00 million. Since €15.00 million worth of bills matured during the week, the outstanding balance of Treasury bills increased by €2.00 million, standing at €344.00 million.

The yield from the 91-day bill auction was -0.437%, an increase of 0.1 basis point from bids with a similar tenor issued on 16 January 2020, representing a bid price of €100.1106 per €100 nominal. The yield from the 182-day bill auction was -0.413%, a decrease of 0.4 basis point from bids with a similar tenor issued on 9 January 2020, representing a bid price of €100.2092 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 and 273-day bills maturing on 30 April and 29 October 2020, respectively.