

## **Money Market Report for the week ending 30 October 2020**

### **ECB Decisions**

On 29 October 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 its purchases under the pandemic emergency purchase programme (PEPP) with a total envelope of €1,350 billion. These purchases contribute to easing the overall monetary policy stance, thereby helping to offset the downward impact of the pandemic on the projected path of inflation. The purchases will continue to be conducted in a flexible manner over time, across asset classes and among jurisdictions. This allows the Governing Council to effectively stave off risks to the smooth transmission of monetary policy. The Governing Council will conduct net asset purchases under the PEPP until at least the end of June 2021 and, in any case, until it judges that the coronavirus crisis phase is over. The Governing Council will reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2022. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

Net purchases under the asset purchase programme (APP) will continue at a monthly pace of €20 billion, together with the purchases under the additional €120 billion temporary envelope until the end of the year. The Governing Council continues to expect monthly net asset purchases under the APP 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 will also continue to provide ample liquidity through its refinancing operations. In particular, the third series of targeted longer-term refinancing operations remains an attractive source of funding for banks, supporting bank lending to firms and households.

### **ECB Monetary Operations**

On 26 October 2020, the ECB announced the 7-day MRO. The operation was conducted on 27 October 2020, and attracted bids from euro area eligible counterparties of €1.04 billion, €0.03 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 28 October 2020, the ECB conducted the three-month, longer-term refinancing operation to be settled as a fixed rate tender procedure with full allotment, with the rate fixed at the average MRO rate over the life of the operation. The operation attracted bids of €0.09 billion from euro area eligible counterparties. The amount was allotted in full in accordance with current ECB policy.

On 28 October 2020, the ECB conducted the 7-day and 84-day US dollar funding operations through collateralised lending in conjunction with the US Federal Reserve. The 7-day USD operation attracted bids of \$0.14 billion, which was allotted in full at a fixed rate of 0.33%. The 84-day USD operation attracted bids of \$0.12 billion, also allotted in full at a fixed rate of 0.33%.

### **Domestic Treasury Bill Market**

In the domestic primary market for Treasury bills, the Treasury invited tenders for 28-day bills and 91-day bills for settlement value 29 October 2020, maturing on 26 November 2020 and 28 January 2021, respectively. Bids of €110.00 million were submitted for the 28-day bills, with the Treasury accepting €18.00 million, while bids of €112.00 million were submitted for the 91-day bills, with the Treasury accepting €7.00 million. Since €46.00 million worth of bills matured during the week, the outstanding balance of Treasury bills decreased by €21.00 million, standing at €686.50 million.

The yield from the 28-day bill auction was -0.488%, a decrease of 0.2 basis points from bids with a similar tenor issued on 22 October 2020, representing a bid price of €100.0380 per €100 nominal. The yield from the 91-day bill auction was -0.489%, a decrease of 0.2 basis points from bids with a similar tenor also issued on 22 October 2020, representing a bid price of €100.1238 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 28-day bills and 91-day bills maturing on 3 December 2020 and 4 February 2021, respectively.