

Money Market Report for the week ending 19 June 2020

ECB Decisions

In view of the improvements in US dollar funding conditions and the low demand at recent 7-day maturity US dollar liquidity-providing operations, the Bank of England, the Bank of Japan, the European Central Bank (ECB) and the Swiss National Bank, in consultation with the Federal Reserve, have jointly decided to reduce the frequency of their 7-day operations from daily to three times per week. This operational change will be effective as of 1 July 2020. At the same time, these central banks will continue to hold weekly operations with an 84-day maturity.

These central banks stand ready to re-adjust the provision of US dollar liquidity as warranted by market conditions. The swap lines among these central banks are available standing facilities and serve as an important liquidity backstop to ease strains in global funding markets, thereby helping to mitigate the effects of such strains on the supply of credit to households and businesses, both domestically and abroad.

ECB Monetary Operations

On 15 June 2020, the ECB announced a 7-day Main Refinancing Operation (MRO). The operation was conducted on 16 June 2020, and attracted bids from euro area eligible counterparties of €0.47 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 17 June 2020, the ECB conducted an 84-day US dollar funding operation through collateralised lending in conjunction with the US Federal Reserve. This operation attracted bids of \$3.19 billion, which was allotted in full at a fixed rate of 0.34%.

During the week under review, the ECB conducted five 7-day US dollar funding operations through collateralised lending in conjunction with the US Federal Reserve. These operations attracted total bids of \$0.04 billion, at the rates of 0.34% and 0.35%.

On 18 June 2020, the ECB also conducted the fourth operation of the Targeted Longer Term Refinancing Operations (TLTRO) programme. This operation attracted bids of €1,308.43 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 the TLTRO-III Decision.

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 18 June 2020, maturing on 17 September and 17 December 2020, respectively. Bids of €140.00 million were submitted for the 91-day bills, with the Treasury accepting €32.50 million, while bids of €117.00 million were submitted for the 182-day bills, with the Treasury accepting €10.50 million. Since €43.00 million worth of bills matured during the week, the outstanding balance of Treasury bills remained unchanged at €835.00 million.

The yield from the 91-day bill auction was -0.386%, a decrease of 3.8 basis points from bids with a similar tenor issued on 11 June 2020, representing a bid price of €100.0977 per €100 nominal. The yield from the 182-day bill auction was -0.355%, a decrease of

4.5 basis points from bids with a similar tenor issued also on 11 June 2020, representing a bid price of €100.1798 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 364-day bills maturing on 24 September 2020 and 24 June 2021, respectively.