

## **Money Market Report for the week ending 17 March 2023**

### **ECB Decisions**

On 16 March 2023, the Governing Council of the European Central Bank (ECB) decided to increase the three key ECB interest rates by 50 basis points, in line with its determination to ensure the timely return of inflation to the 2% medium-term target. Accordingly, the interest rate on the main refinancing operations (MRO) and the interest rates on the marginal lending facility and the deposit facility will be increased to 3.50%, 3.75% and 3.00% respectively, with effect from 22 March 2023.

The Asset Purchase Programme portfolio is declining at a measured and predictable pace, as the Eurosystem does not reinvest all of the principal payments from maturing securities. The decline will amount to €15 billion per month on average until the end of June 2023 and its subsequent pace will be determined over time. As concerns the pandemic emergency purchase programme (PEPP), the Governing Council intends to reinvest the principal payments from maturing securities purchased under the programme until at least the end of 2024. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance. The Governing Council will continue applying flexibility in reinvesting redemptions coming due in the PEPP portfolio, with a view to countering risks to the monetary policy transmission mechanism related to the pandemic.

As banks are repaying the amounts borrowed under the targeted longer-term refinancing operations (TLTROs), the Governing Council will regularly assess how targeted lending operations are contributing to its monetary policy stance.

The Governing Council stands ready to adjust all of its instruments within its mandate to ensure that inflation returns to its 2% target over the medium term and to preserve the smooth functioning of monetary policy transmission. The ECB's policy toolkit is fully equipped to provide liquidity support to the euro area financial system if needed. Moreover, the Transmission Protection Instrument is available to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across all euro area countries, thus allowing the Governing Council to more effectively deliver on its price stability mandate.

### **ECB Monetary Operations**

On 13 March 2023, the ECB announced the 7-day MRO. The operation was conducted on 14 March 2023 and attracted bids from euro area eligible counterparties of €977.00 million, €126.00 million more than the previous week. The amount was allotted in full at a fixed rate equivalent to the prevailing MRO rate of 3.00%, in accordance with current ECB policy.

On 15 March 2023, the ECB conducted the 7-day US dollar funding operation through collateralised lending in conjunction with the US Federal Reserve. This operation attracted bids of \$469.50 million, which was allotted in full at a fixed rate of 4.85%.

During the week under review, participants in the TLTRO-III operations 4 to 10 had the option of terminating or reducing their outstanding amount before maturity. Accordingly, on 29 March 2023 a total of €87,730.41 million will be repaid.

## **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 16 March 2023, maturing on 15 June and 14 September 2023, respectively. Bids of €213.51 million were submitted for the 91-day bills, with the Treasury accepting €27.51 million, while bids of €20.50 million were submitted for the 182-day bills, with the Treasury accepting €6.70 million. Since €84.45 million worth of bills matured during the week, the outstanding balance of Treasury bills decreased by €50.24 million, standing at €817.73 million.

The yield from the 91-day bill auction was 2.847%, increasing by 5.60 basis points from bids with a similar tenor issued on 9 March 2023, representing a bid price of €99.2855 per €100 nominal. The yield from the 182-day bill auction was 2.917%, decreasing by 0.40 basis point from bids with a similar tenor also issued on 9 March 2023, representing a bid price of €98.5467 per €100 nominal.

During this week, there was no trading on the Malta Stock Exchange.

This week the Treasury will invite tenders for 91-day and 364-day bills maturing on 22 June 2023 and 21 March 2024, respectively.