

Money Market Report for the week ending 28 April 2023

ECB Decisions

In view of the improvements in US dollar funding conditions and the low demand at recent 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 revert the frequency of their 7-day operations from daily to once per week. This operational change will be effective as of 1 May 2023, and 7-day operations will be held according to the posted schedules.

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 24 April 2023, the ECB announced the 7-day main refinancing operation (MRO). The operation was conducted on 25 April 2023 and attracted bids from euro area eligible counterparties of €1,933.00 million, €398.50 million more than the previous week. The amount was allotted in full at a fixed rate equivalent to the prevailing MRO rate of 3.50%, in accordance with current ECB policy.

On 26 April 2023, 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 €716.00 million from euro area eligible counterparties.

On a daily basis, the ECB conducted the 7-day US dollar funding operations through collateralised lending in conjunction with the US Federal Reserve. The five operations attracted total bids of \$410.00 million, at the rate of 5.08%.

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 27 April 2023, maturing on 27 July and 26 October 2023, respectively. Bids of €219.33 million were submitted for the 91-day bills, with the Treasury accepting €31.73 million, while bids of €43.63 million were submitted for the 182-day bills, with the Treasury accepting €19.73 million. Since €44.40 million worth of bills matured during the week, the outstanding balance of Treasury bills increased by €7.06 million, standing at €789.37 million.

The yield from the 91-day bill auction was 2.968%, increasing by 1.70 basis points from bids with a similar tenor issued on 20 April 2023, representing a bid price of €99.2553 per €100 nominal. The yield from the 182-day bill auction was 2.949%, increasing by 0.50 basis point from bids with a similar tenor issued on 13 April 2023, representing a bid price of €98.5310 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 182-day bills maturing on 3 August and 2 November 2023, respectively.