

Money Market Report for the week ending 24 March 2023

ECB Decisions

On the 19 March 2023, the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank (ECB), the Federal Reserve and the Swiss National Bank have announced a coordinated action to enhance the provision of liquidity via the standing US dollar liquidity swap line arrangements.

To improve the swap lines' effectiveness in providing US dollar funding, the central banks currently offering US dollar operations have agreed to increase the frequency of 7-day maturity operations from weekly to daily. These daily operations commenced on 20 March 2023, and will continue at least through the end of April.

The network of swap lines among these central banks is a set of available standing facilities and serves 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.

ECB Monetary Operations

On 20 March 2023, the ECB announced the 7-day main refinancing operation (MRO). The operation was conducted on 21 March 2023 and attracted bids from euro area eligible counterparties of €974.00 million, €3.00 million less 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 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 bids of a total of \$483.50 million, with the rate ranging between 4.94% and 5.06%.

Domestic Treasury Bill Market

In the domestic primary market for Treasury bills, the Treasury invited tenders for 91-day and 364-day bills for settlement value 23 March 2023, maturing on 22 June 2023 and 21 March 2024, respectively. Bids of €237.64 million were submitted for the 91-day bills, with the Treasury accepting €24.89 million, while bids of €29.33 million were submitted for the 364-day bills, with the Treasury accepting €12.33 million. Since €60.28 million worth of bills matured during the week, the outstanding balance of Treasury bills decreased by €23.06 million, standing at €794.67 million.

The yield from the 91-day bill auction was 2.867%, increasing by 2.00 basis points from bids with a similar tenor issued on 16 March 2023, representing a bid price of €99.2805 per €100 nominal. The yield from the 364-day bill auction was 3.130%, increasing by 11.5 basis points from bids with a similar tenor issued on 16 February 2023, representing a bid price of €96.9323 per €100 nominal.

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

This week the Treasury will invite tenders for 90-day and 182-day bills maturing on 28 June and 28 September 2023, respectively.