

Money Market Report for the week ending 19 December 2025

ECB Decisions

On 18 December 2025, the Governing Council of the European Central Bank (ECB) decided to keep the three key ECB interest rates unchanged. Accordingly, the interest rates on the deposit facility, the main refinancing operations (MROs) and the marginal lending facility will remain unchanged at 2.00%, 2.15% and 2.40% respectively.

The Governing Council's updated assessment reconfirms that inflation should stabilise at the 2% target in the medium term. The new Eurosystem staff projections show headline inflation averaging 2.1% in 2025, 1.9% in 2026, 1.8% in 2027 and 2.0% in 2028. For inflation excluding energy and food, staff project an average of 2.4% in 2025, 2.2% in 2026, 1.9% in 2027 and 2.0% in 2028. Inflation has been revised up for 2026, mainly because staff now expect services inflation to decline more slowly. Economic growth is expected to be stronger than in the September projections, driven especially by domestic demand. Growth has been revised up to 1.4% in 2025, 1.2% in 2026 and 1.4% in 2027 and is expected to remain at 1.4% in 2028.

The Governing Council is determined to ensure that inflation stabilises at its 2% target in the medium term. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, the Governing Council's interest rate decisions will be based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path.

The Asset Purchase Programme and the Pandemic Emergency Purchase Programme portfolios are declining at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.

The Governing Council stands ready to adjust all of its instruments within its mandate to ensure that inflation stabilises at its 2% target in the medium term and to preserve the smooth functioning of monetary policy transmission. 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 15 December 2025, the European Central Bank (ECB) announced the 6-day Main Refinancing Operation (MRO). The operation was conducted on 16 December 2025 and attracted bids from euro area eligible counterparties of €14,158.50 million, €6,175.00 million more than the previous week. The amount was allotted in full at a fixed rate equivalent to the prevailing MRO rate of 2.15%, in accordance with current ECB policy.

On 17 December 2025, the ECB conducted a 21-day US dollar funding operation through collateralised lending in conjunction with the US Federal Reserve. This operation attracted bids of \$480.50 million, which were allotted in full at a fixed rate of 3.90%.

Domestic Treasury Bill Market

In the domestic primary market for Treasury bills, the Treasury invited tenders for 90-day and 182-day bills for settlement value 18 December 2025, maturing on 18 March and 18 June 2026, respectively. Bids of €72.59 million were submitted for the 90-day bills, with the Treasury accepting €50.54 million, while bids of €11.79 million were submitted for the 182-day bills, with the Treasury accepting €7.72 million. Since €37.52 million worth of bills matured during the week, the outstanding balance of Treasury bills increased by €20.73 million, standing at €773.03 million.

The yield from the 90-day bill auction was 2.101%, increasing by 1.80 basis points from bids with a similar tenor issued on 11 December 2025, representing a bid price of €99.4775 per €100 nominal. The yield from the 182-day bill auction was 2.157%, increasing by 3.50 basis points from bids with a similar tenor also issued on 11 December 2025, representing a bid price of €98.9213 per €100 nominal.

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

This week the Treasury will invite tenders for 92-day and 274-day bills maturing on 26 March and 24 September 2026, respectively.