

Money Market Report for the week ending 12 June 2026

ECB Decisions

On 11 June 2026, the Governing Council of the European Central Bank (ECB) decided to raise the three key ECB interest rates by 25 basis points. Accordingly, the interest rates on the deposit facility, the main refinancing operations (MRO) and the marginal lending facility will be increased to 2.25%, 2.40% and 2.65%, respectively, with effect from 17 June 2026. The war in the Middle East is generating inflation pressures, and the decision to raise rates is robust across a range of scenarios mapping out how the shock might evolve and affect the medium-term outlook for the euro area. The Governing Council is committed to setting monetary policy to ensure that inflation stabilises at its 2% target in the medium term.

In the baseline of the new Eurosystem staff projections, headline inflation is expected to average 3.0% in 2026, 2.3% in 2027 and 2.0% in 2028. For inflation excluding energy and food, the baseline foresees an average of 2.5% in 2026 and 2027 and 2.2% in 2028. Compared with March, staff have revised up their baseline projection for inflation in 2026 and 2027 owing to a higher path for energy prices, which, to some extent, is expected to feed into food, goods and services inflation. The baseline sees economic growth at an average of 0.8% in 2026, 1.2% in 2027 and 1.5% in 2028. This is a downward revision for 2026 and 2027, reflecting a more pronounced impact of the war on commodity markets, real incomes and confidence.

The outlook remains uncertain, with upside risks for inflation and downside risks for economic growth. The full implications of the war for medium-term inflation and growth will depend on the intensity and duration of the energy price shock, as well as the scale of its indirect and second-round effects.

With today's decision, the Governing Council remains well positioned to navigate the uncertainty caused by the war. It will closely monitor the situation and 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 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 8 June 2026, the ECB announced the 7-day MRO. The operation was conducted on 9 June 2026 and attracted bids from euro area eligible counterparties of €12,909.50 million, €1,086.60 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 10 June 2026, the ECB conducted a 7-day US dollar funding operation through collateralised lending in conjunction with the US Federal Reserve. This operation attracted bids of \$48.00 million, which were allotted in full at a fixed rate of 3.87%.

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 11 June 2026, maturing on 10 September and 10 December 2026, respectively. Bids of €111.44 million were submitted for the 91-day bills, with the Treasury accepting €46.58 million, while bids of €41.17 million were submitted for the 182-day bills, with the Treasury accepting €10.99 million. Since €49.38 million worth of bills matured during the week, the outstanding balance of Treasury bills increased by €8.19 million, standing at €718.49 million.

The yield from the 91-day bill auction was 1.891%, decreasing by 17.00 basis points from bids with a similar tenor issued on 4 June 2026, representing a bid price of €99.5243 per €100 nominal. The yield from the 182-day bill auction was 1.994%, increasing by 1.20 basis points from bids with a similar tenor also issued on 4 June 2026, representing a bid price of €99.0020 per €100 nominal.

During the week, secondary market turnover in Malta Government Treasury Bills amounted to €590,000, which were executed on the On-exchange market of the Malta Stock Exchange.

This week the Treasury will invite tenders for 91-day and 182-day bills maturing on 17 September 2026 and 17 December 2026, respectively.