Money Market Report for the week ending 11 September 2026

ECB Decisions

On 10 September 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 2.50%, 2.65% and 2.90% respectively, with effect from 16 September 2026. The conflict in the Middle East continues to generate inflation pressures, and inflation is set to remain well above target for an extended period. The Governing Council's commitment to setting monetary policy to ensure that inflation stabilises at its 2% target in the medium term.

The baseline of the new ECB staff projections sees headline inflation averaging 3.0% in 2026, 2.5% in 2027 and 2.1% in 2028. For inflation excluding energy and food, the baseline foresees 2.5% in 2026, 2.6% in 2027 and 2.3% in 2028. Compared with June, the baseline projection for inflation in 2026 is unchanged, while it has been revised up for 2027 and 2028. The baseline projection for economic growth is 0.9% for 2026, 1.4% for 2027 and 1.5% for 2028. This is an upward revision for both 2026 and 2027, mainly reflecting the greater than expected resilience of the euro area economy.

The outlook remains highly uncertain, with risks to the upside for inflation and to the downside for economic growth. In relation to the energy shock, the updated scenarios put together by staff illustrate the broad range of outcomes for how growth and inflation would evolve under different assumptions about its intensity and duration, as well as its indirect and second-round effects.

The Governing Council remains well positioned to navigate the uncertainty caused by the conflict. 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 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

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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 7 September 2026, the ECB announced the 7-day MRO. The operation was conducted on 8 September 2026 and attracted bids from euro area eligible counterparties of €12,241.00 million, €1,625.00 million less than the previous week. The amount was allotted in full at a fixed rate equivalent to the prevailing MRO rate of 2.40%, in accordance with current ECB policy.

On 9 September 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 $90.00 million, which were allotted in full at a fixed rate of 3.88%.

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 10 September 2026, maturing on 10 December 2026 and 11 March 2027, respectively. Bids of €117.23 million were submitted for the 91-day bills, with the Treasury accepting €44.23 million, while bids of €42.83 million were submitted for the 182-day bills, with the Treasury accepting €5.83 million. Since €46.58 million worth of bills matured during the week, the outstanding balance of Treasury bills increased by €3.47 million, standing at €910.24 million.

The yield from the 91-day bill auction was 2.216%, increasing by 5.80 basis points from bids with a similar tenor issued on 3 September 2026, representing a bid price of €99.4430 per €100 nominal. The yield from the 182-day bill auction was 2.063%, decreasing by 2.30 basis points from bids with a similar tenor also issued on 3 September 2026, representing a bid price of €98.9678 per €100 nominal.

During the week, secondary market turnover in Malta Government Treasury Bills amounted to €134,000 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 December 2026 and 18 March 2027, respectively.

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