

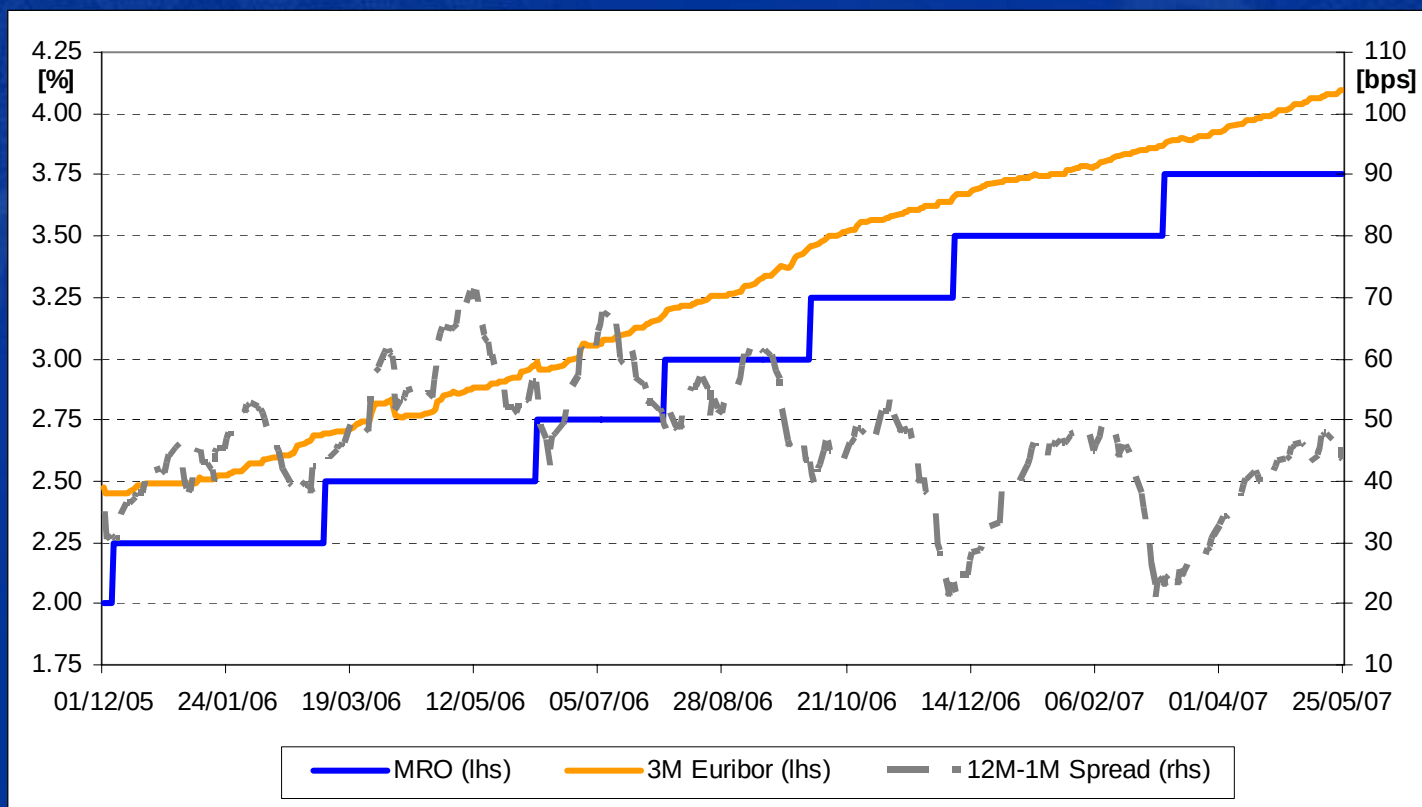
Recent Money Market Developments

Money Market Contact Group

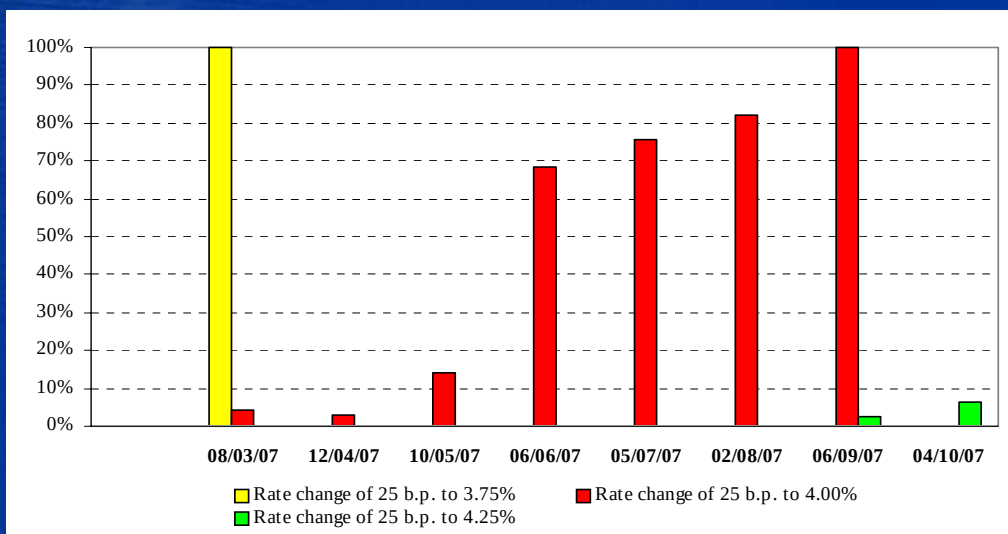
Frankfurt am Main, 31 May 2007

DGM/FRO/2007/99

Development of selected interest rates

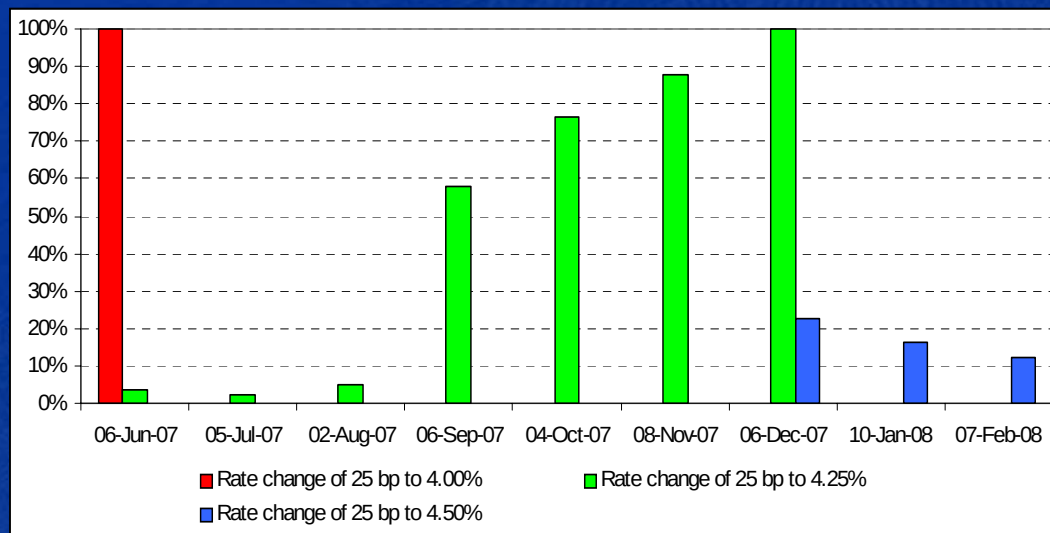


Interest rate expectations in the euro area



Ahead of our previous meeting

As at 25 May



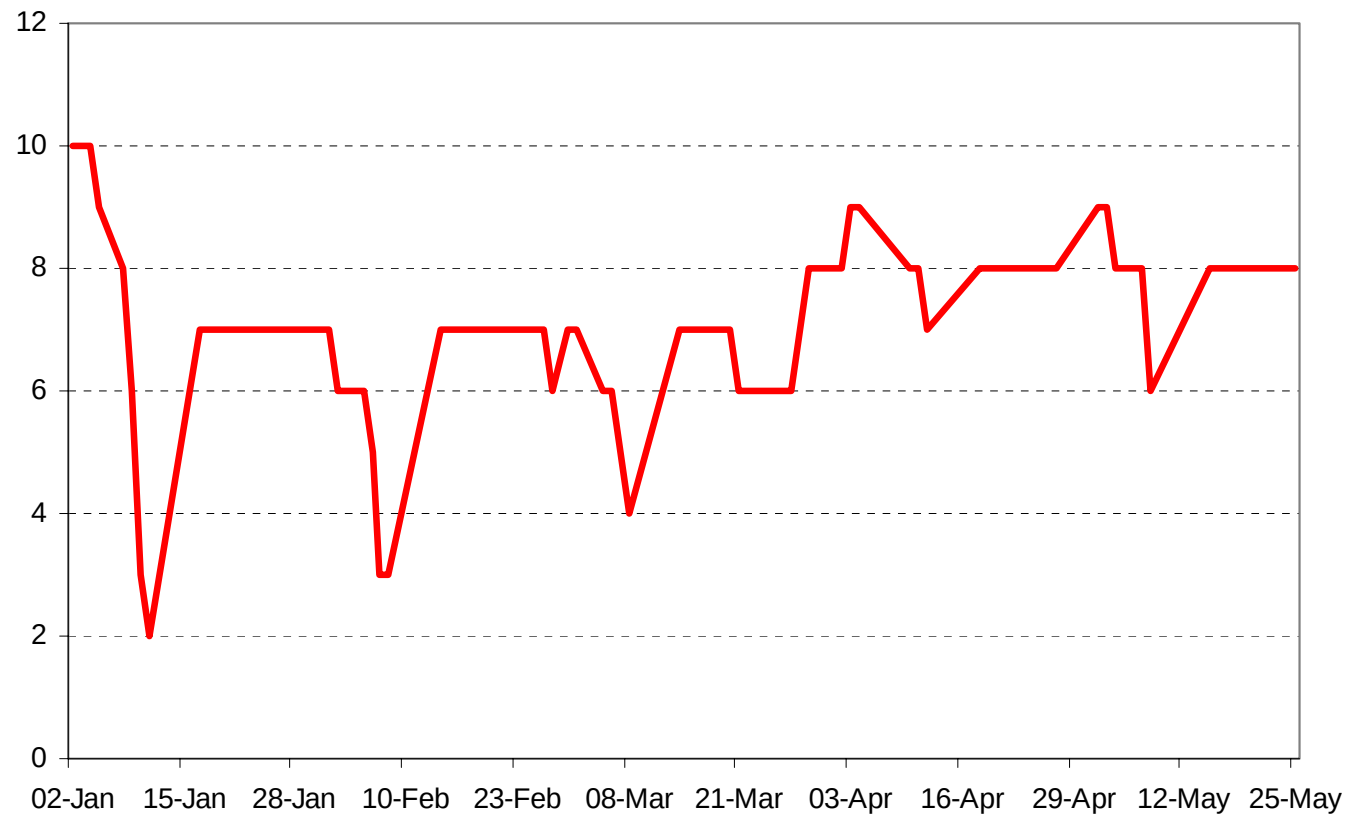
Evolution of implied volatility

[3rd Euribor future contract; currently Dec07]

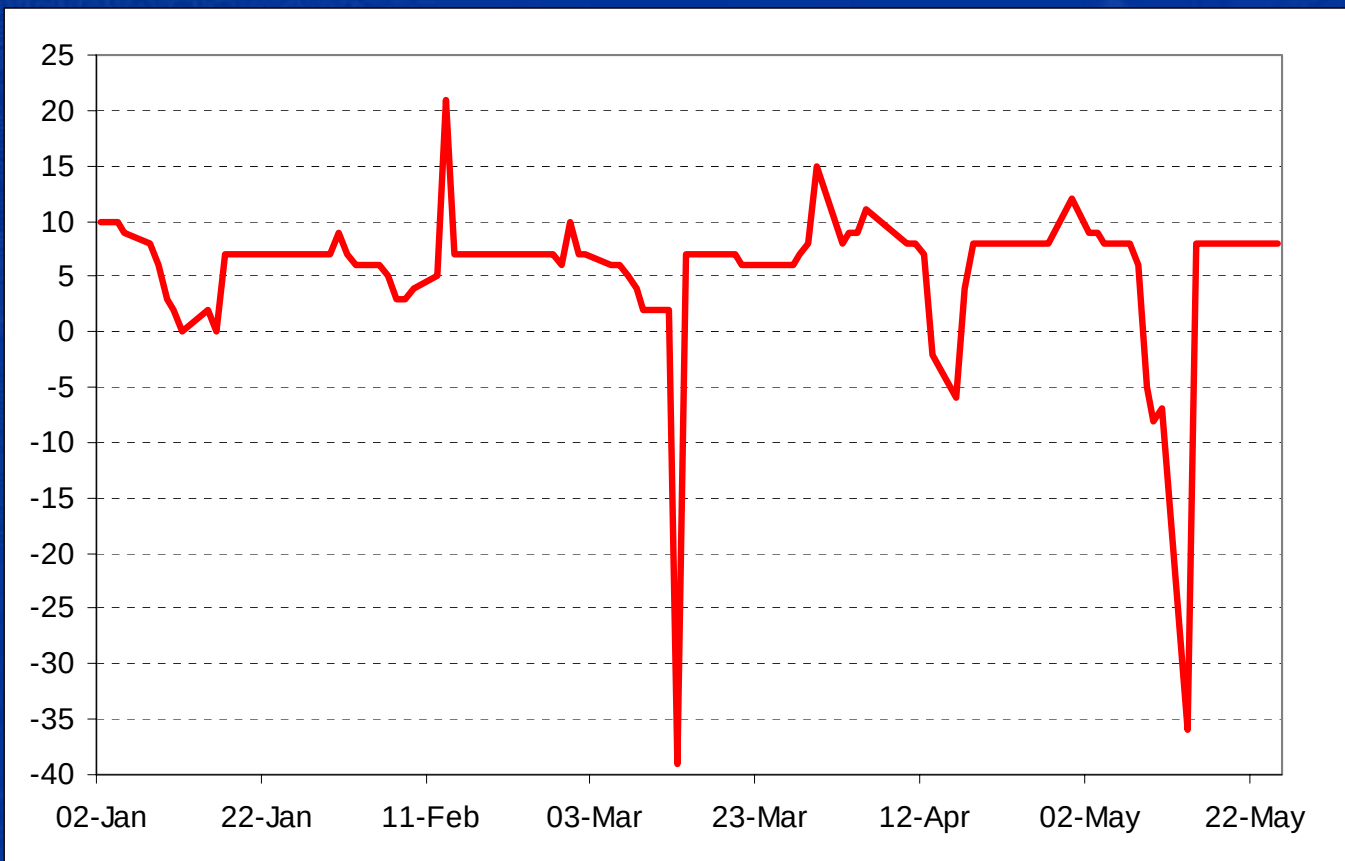


EONIA spread development

[excl. last 3 days of MP and end of month]



EONIA spread development



End of the last 12 reserve periods

	Allotment last MRO	Fine tuning operation	Net recourse to facilities	Excess reserves	Eonia	Spread to MBR
14-Jun	BM + 2bn	5 bn absorbing (only 4.9 bn received)	0.8bn MLF	0.73	2.50%	0 bps
11-Jul	BM + 2bn	8.5 bn absorbing	0.8bn MLF	0.74	2.76%	+1 bps
08-Aug	BM + 2bn	18.0 bn absorbing	1.2bn MLF	0.61	2.73%	-2 bps
05-Sep	BM + 2bn	11.5 bn absorbing	0.6bn MLF	0.60	3.04%	+4 bps
10-Oct	BM	9.5 bn providing	0.2bn DF	0.67	3.09%	+9 bps
07-Nov	BM + 1bn	none	2.0bn MLF	0.79	3.32%	+7 bps
12-Dec	BM + 1bn	2.5 bn providing	0.6bn MLF	0.68	3.36%	+11 bps
16-Jan	BM + 1bn	none	0.6bn MLF	0.96	3.50%	0 bps
13-Feb	BM + 1bn	2.0 bn providing	0.4bn MLF	0.79	3.71%	+21 bps
13-Mar	BM + 1bn	10.5 bn absorbing (only 2.3 bn received)	7.4bn DF ¹⁾	0.80	3.11%	-39 bps
17-Apr	BM + 1bn	22.5 bn absorbing	1.0 bn MLF	0.80	3.79%	+4 bps
14-May	BM + 1bn	7.5 bn absorbing (only 2.5 bn received)	5.5 bn DF ²⁾	0.99	3.39%	-36 bps

Potential issues for discussion

- *Potential reasons for the repeated underbidding in the end-of-period fine-tuning operation ?*
- *Anything the ECB could do to prevent this ?*
- *Potential reasons for the continued decline of implied volatilities ?*
Could algorithmic trading have a role here ?
- *Are these low volatility levels appropriately reflecting the risks of having a large “tail event” ?*

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Thank you for your
attention!