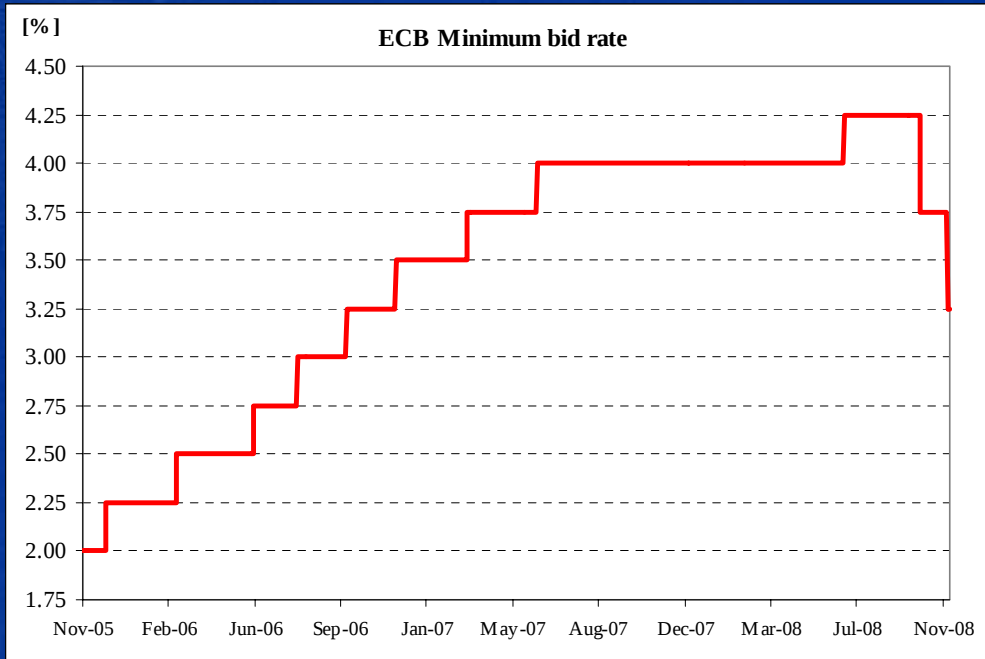


Recent Money Market Developments

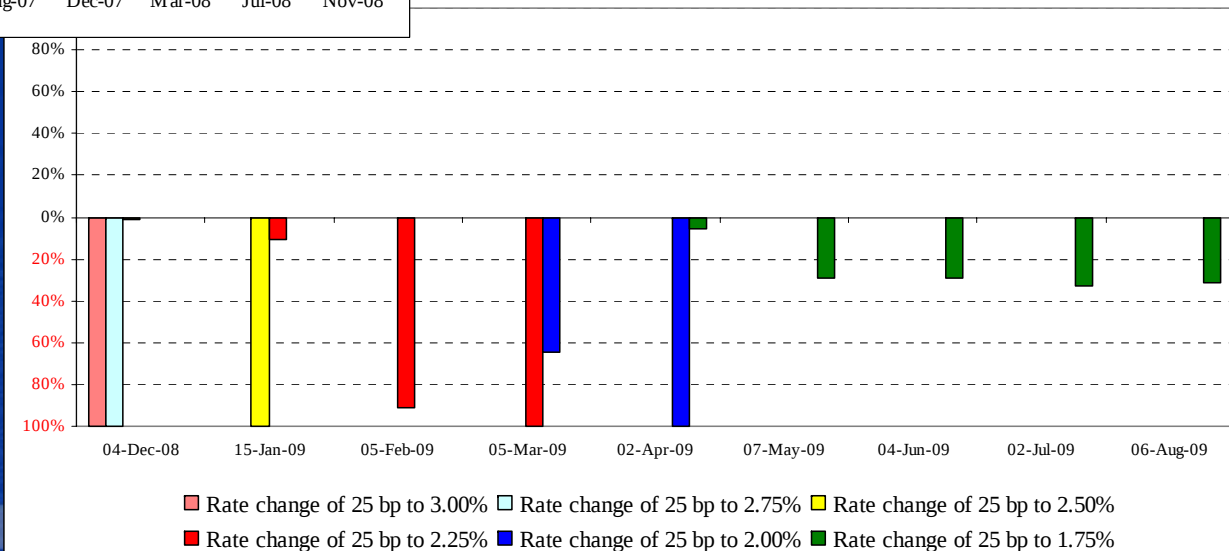
Money Market Contact Group

Frankfurt am Main, 18 November 2008

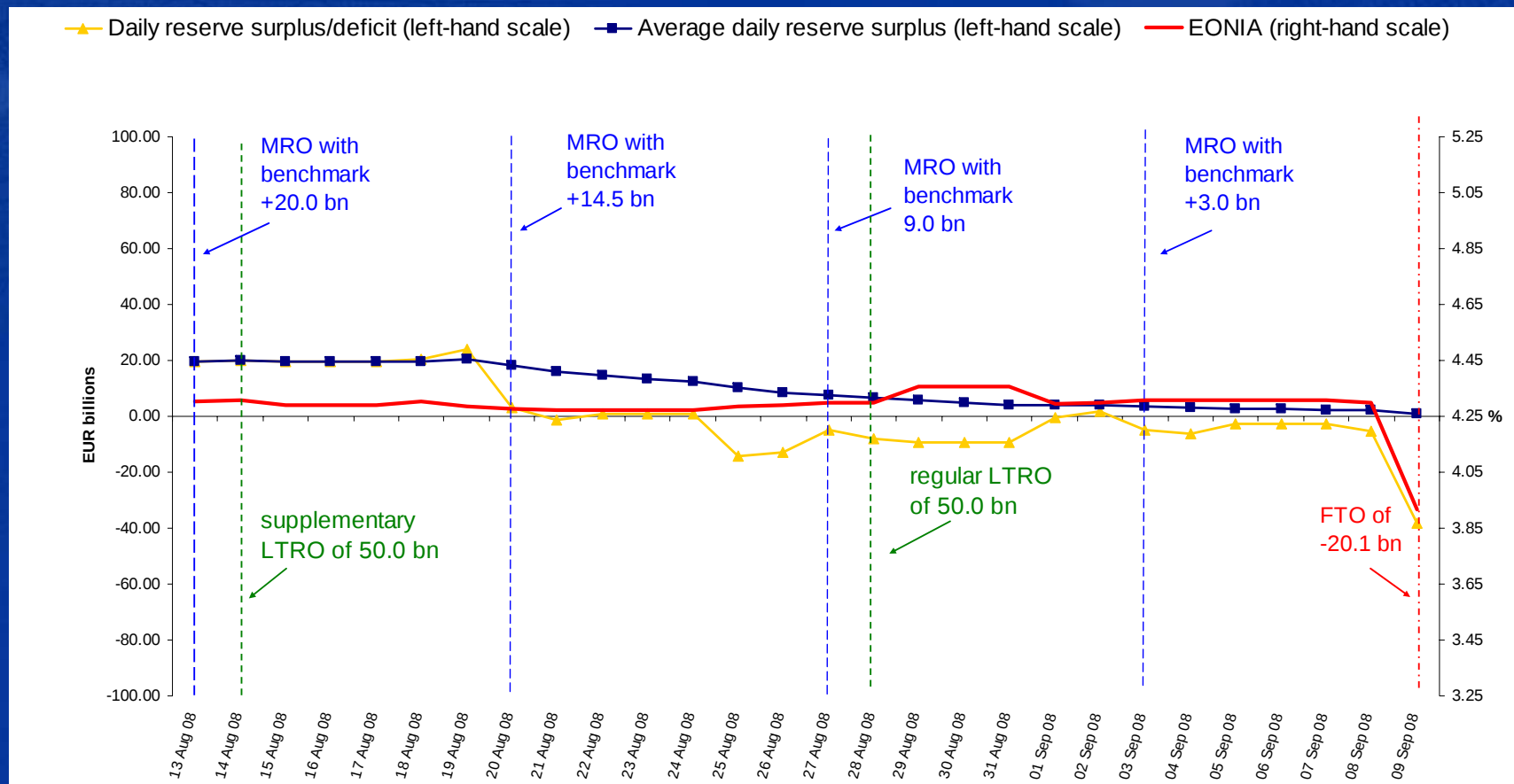
Development of ECB monetary policy stance and current interest rate expectations



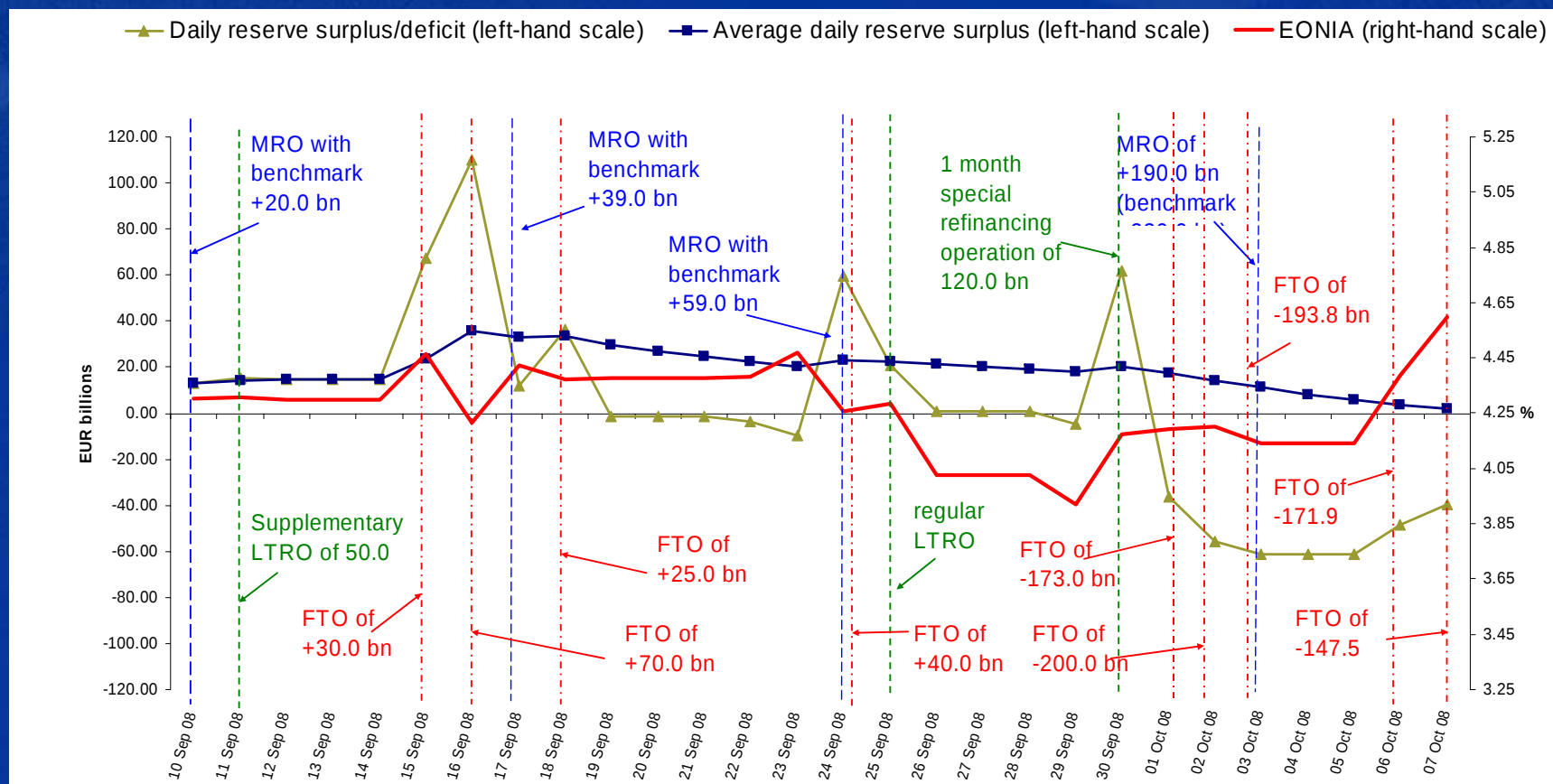
Current probabilities of ECB rate cut/hike



ECB operations, reserve surplus and Eonia in the Aug/Sep '08 maintenance period

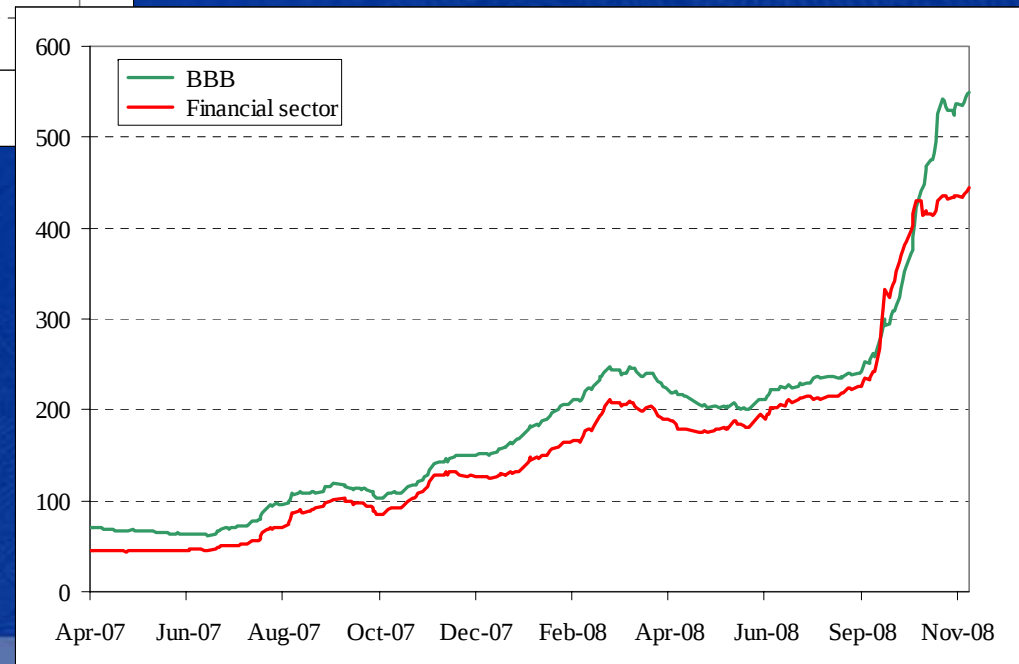
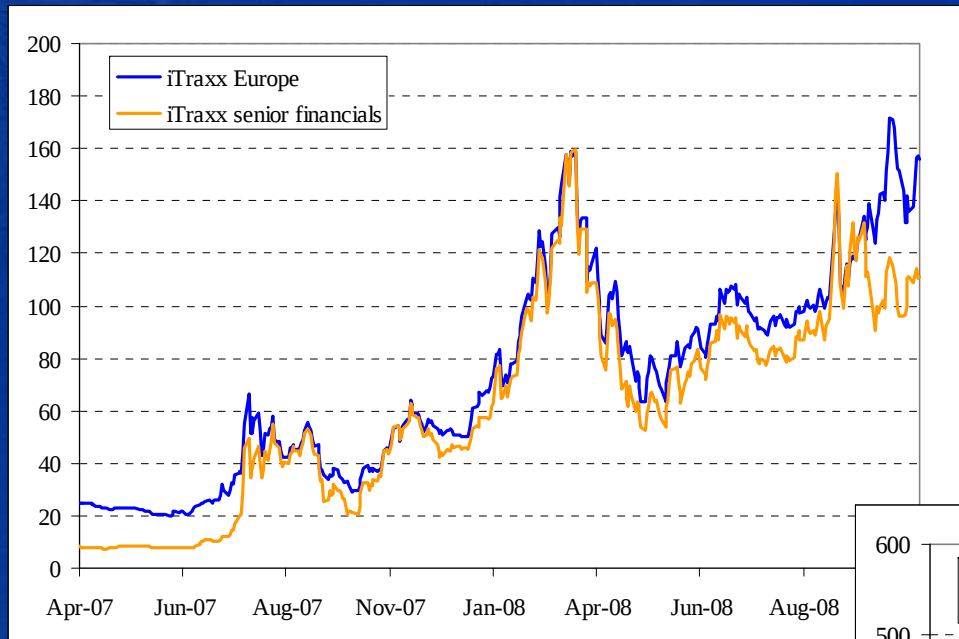


ECB operations, reserve surplus and Eonia in the Sep/Oct '08 maintenance period

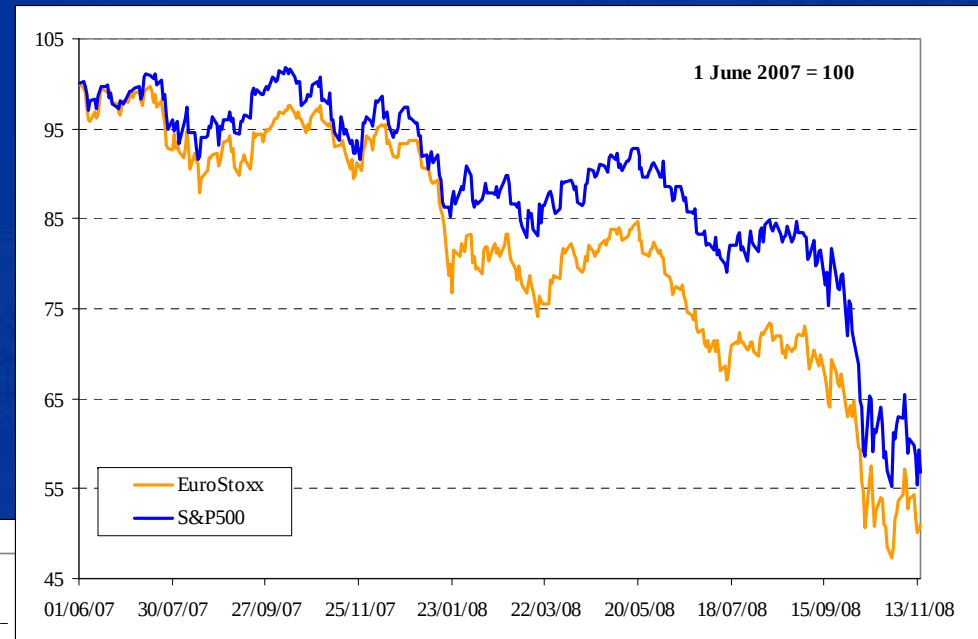


Credit markets – iTraxx indices

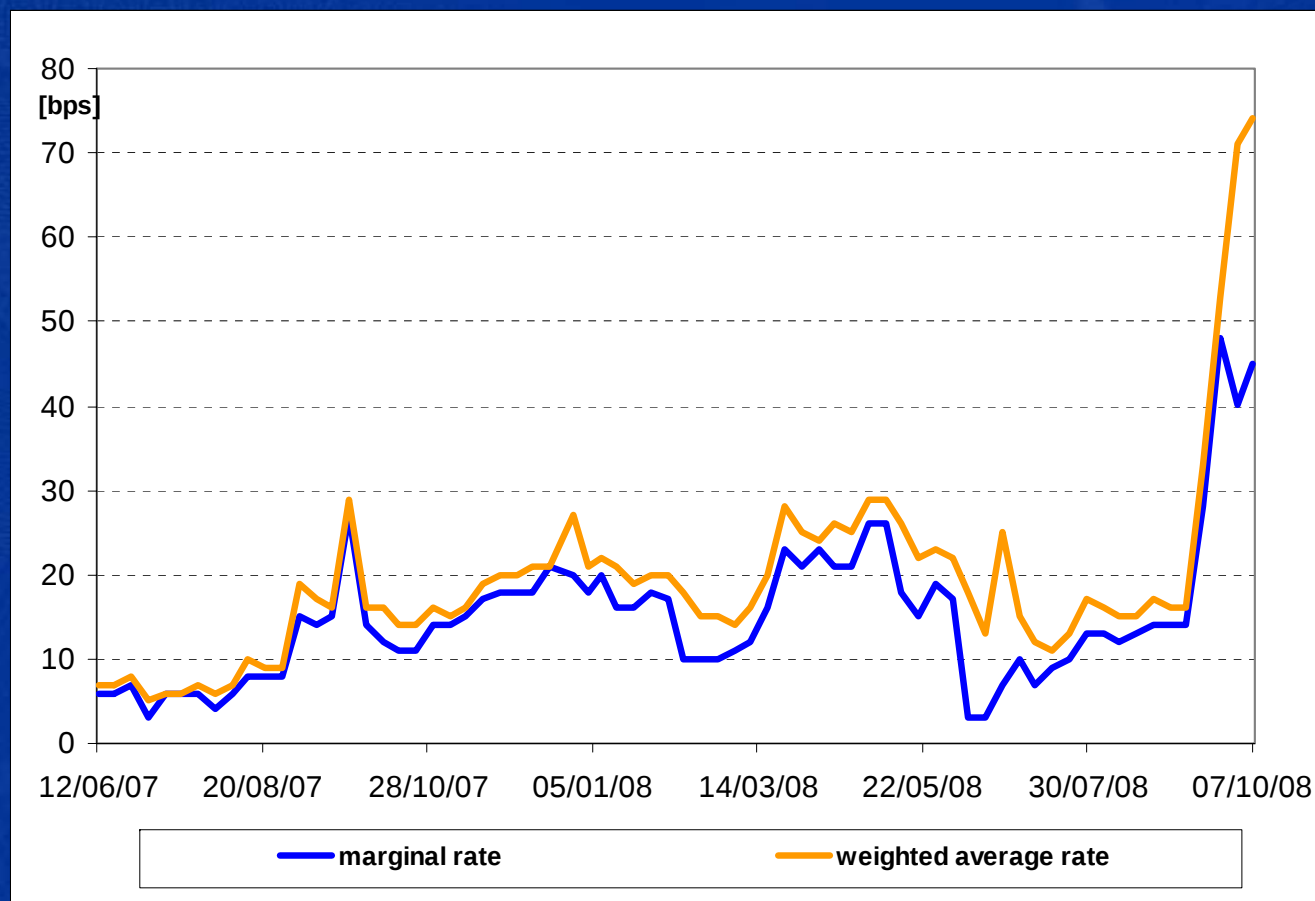
corporate bond spreads



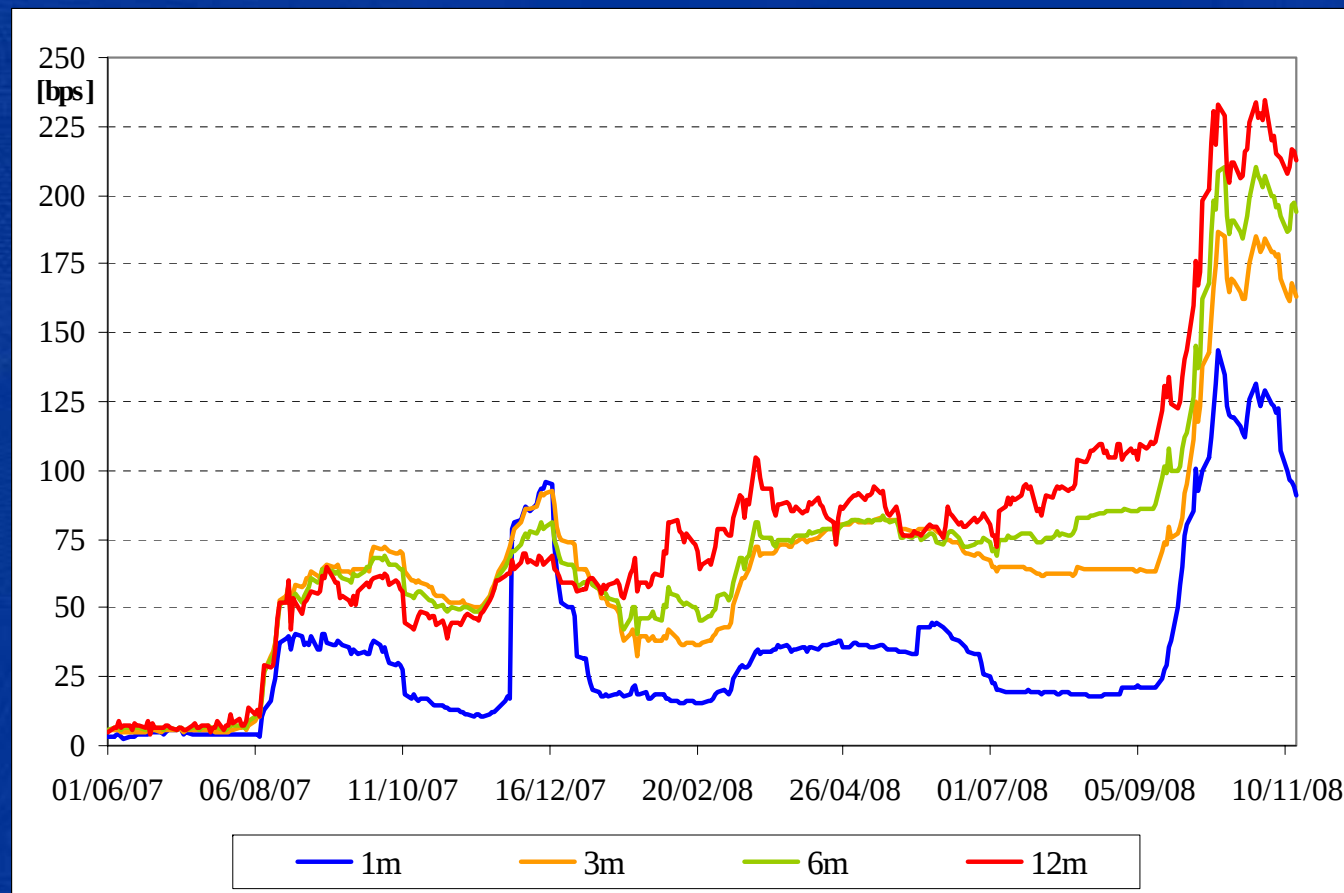
Equity market developments



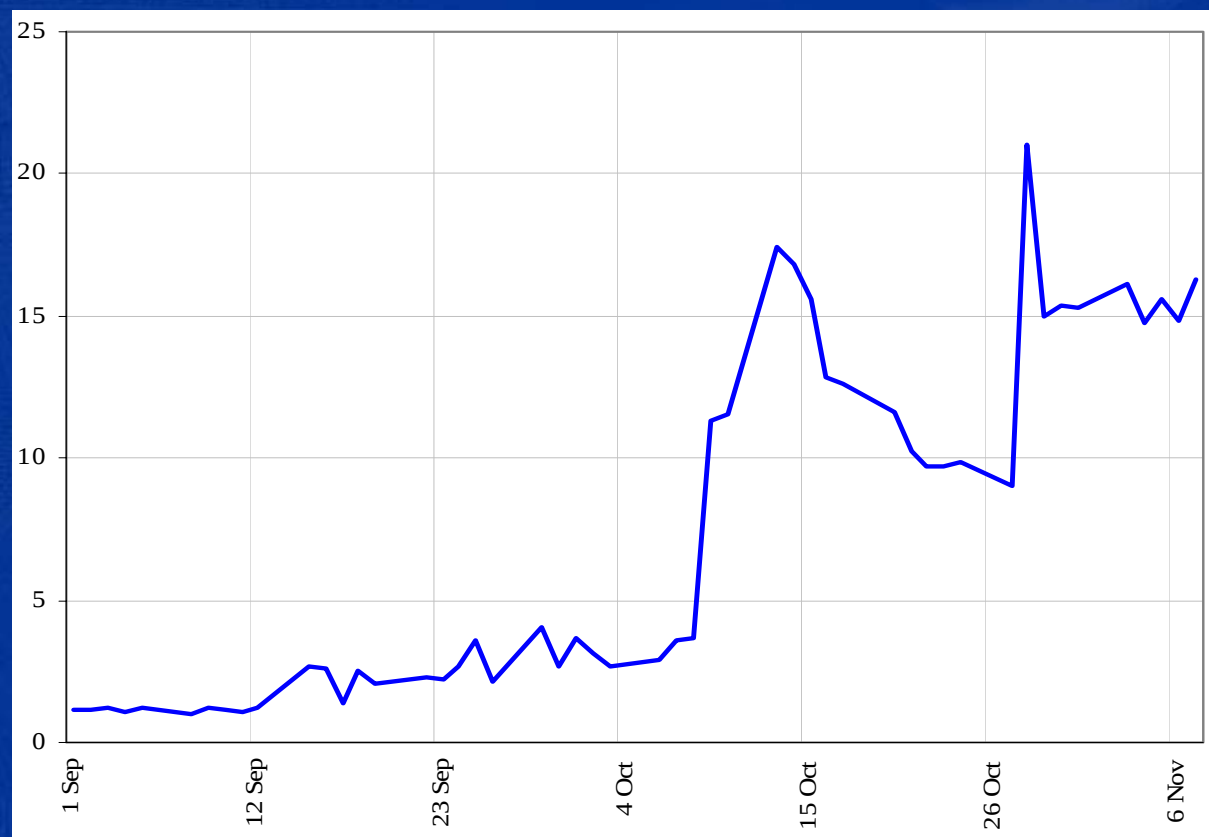
Development of spread between MRO rates and the minimum bid rate



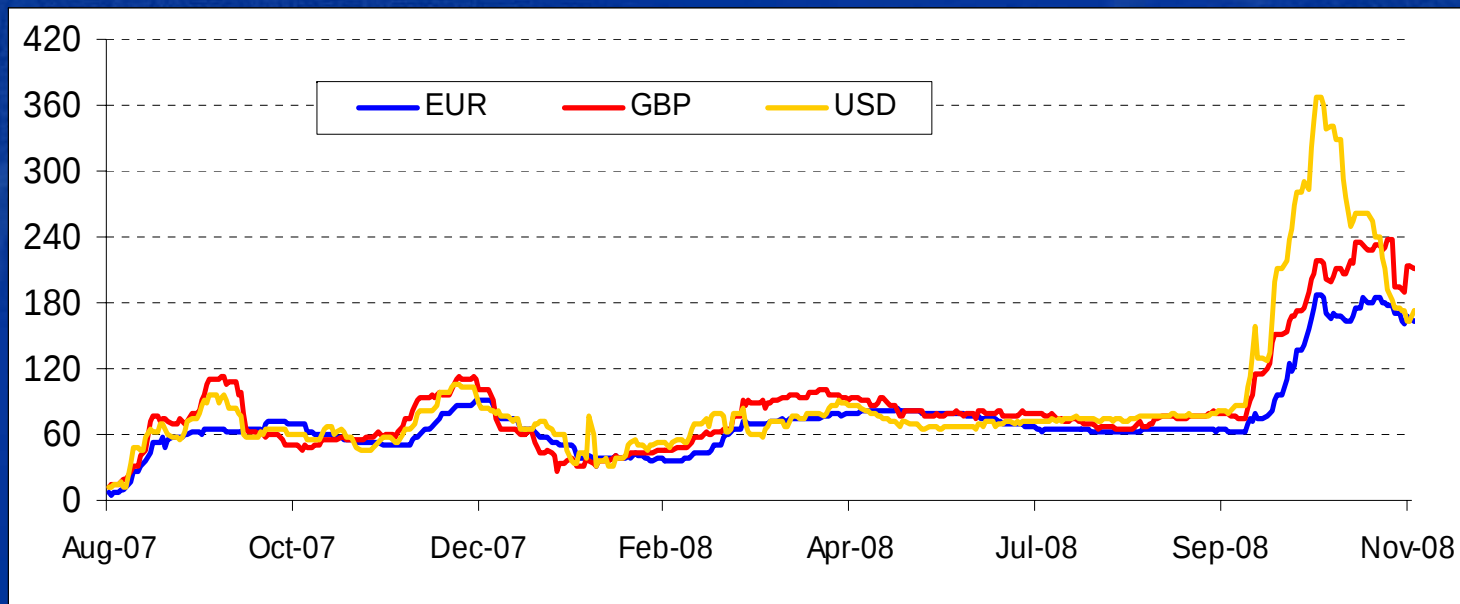
EURIBOR - OIS spreads for different maturities



Standard deviation of individual Euribor contributions [3-month maturity; in bps]



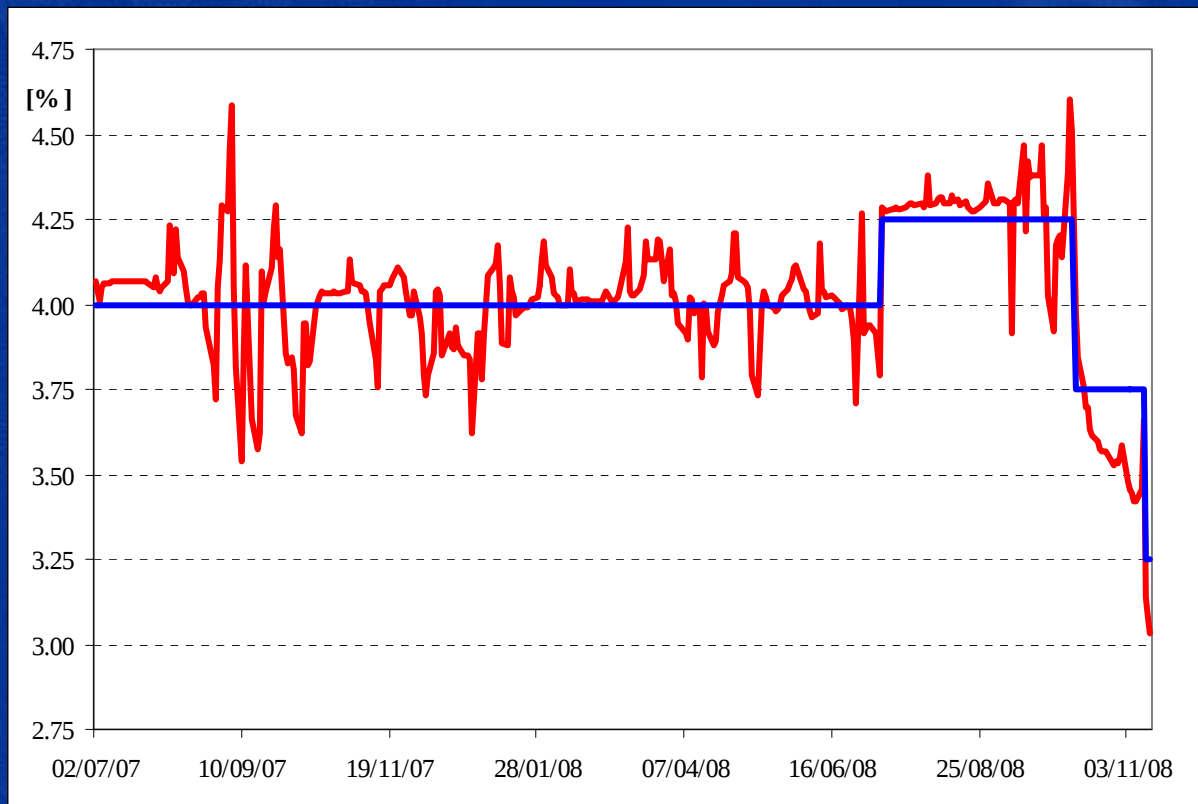
International comparison of 3-month deposit-OIS spreads



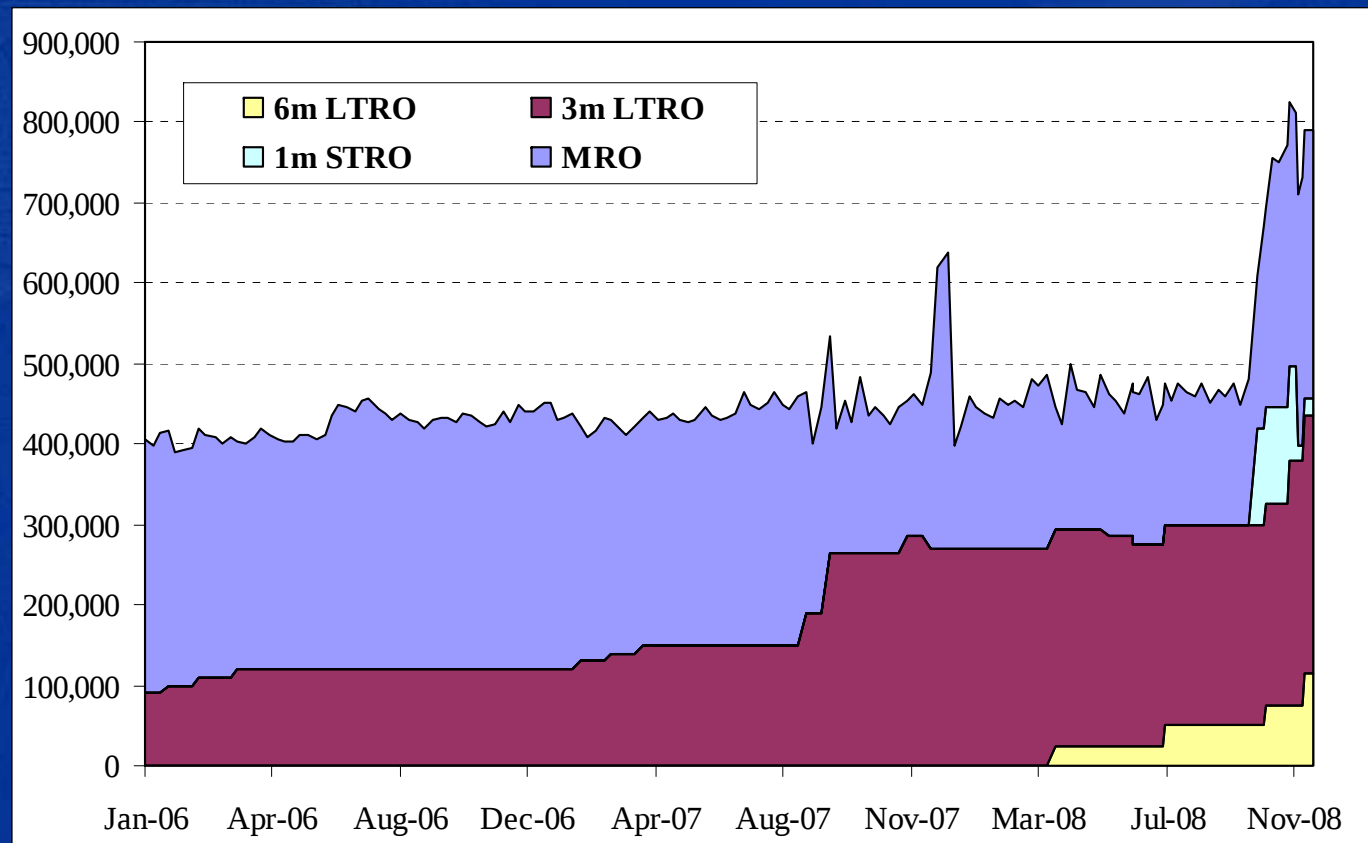
A selection of ECB liquidity management measures since the last MMCG meeting

- **18 Sep:** Provision of O/N USD liquidity +
Larger amounts for the term USD operations
- **29 Sep:** Special 1m term EUR refinancing operation
- **7 Oct:** Doubling of amount for 6m LTRO to EUR 50 billion
- **8 Oct:** Fixed rate/full allotment MROs +
Narrowing of the corridor of the standing facilities
- **13 Oct:** Fixed rate/full allotment USD operations
- **15 Oct:** Fixed rate/full allotment LTROs +
Temporary widening of the eligible collateral pool +
USD FX swaps alongside repo operations +
CHF FX swaps

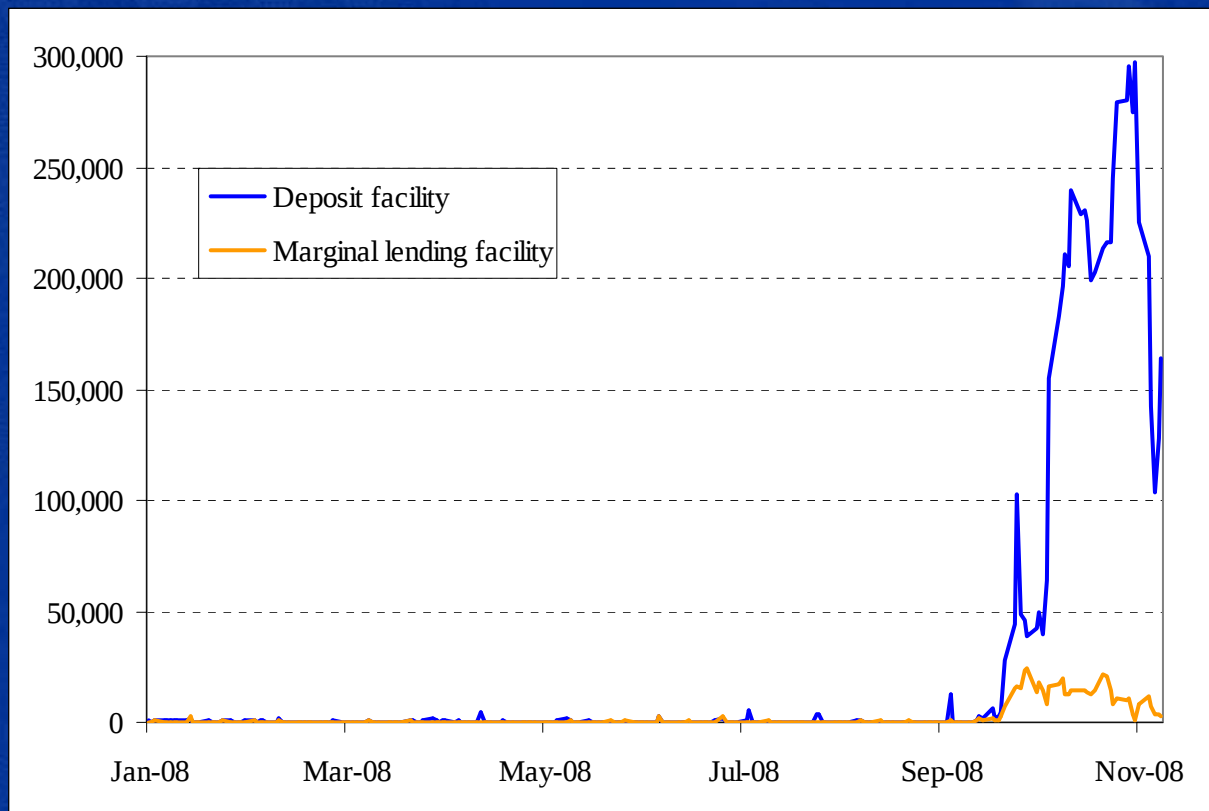
Eonia development since the beginning of the turmoil



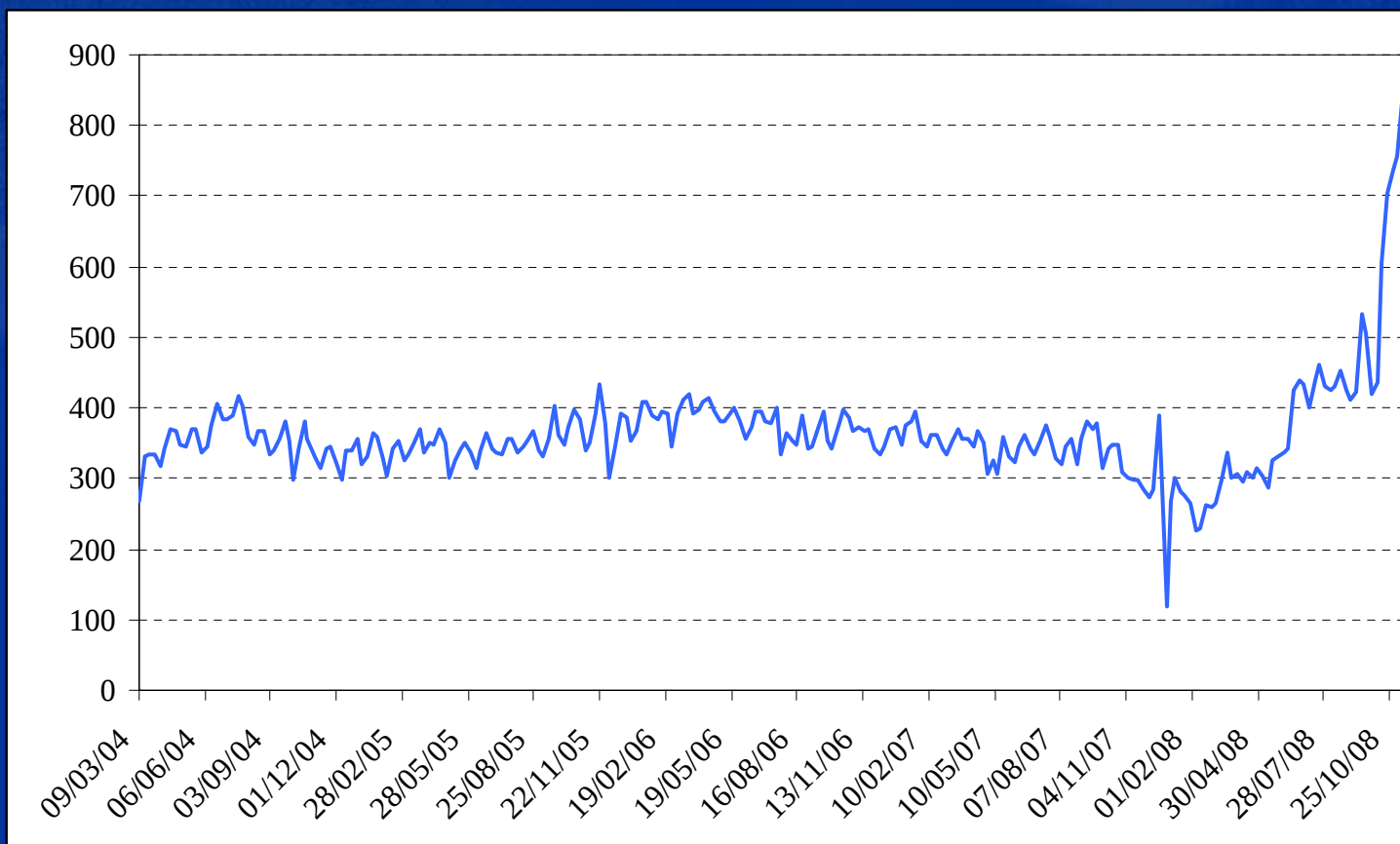
Maturity breakdown of the ECB's liquidity providing operations



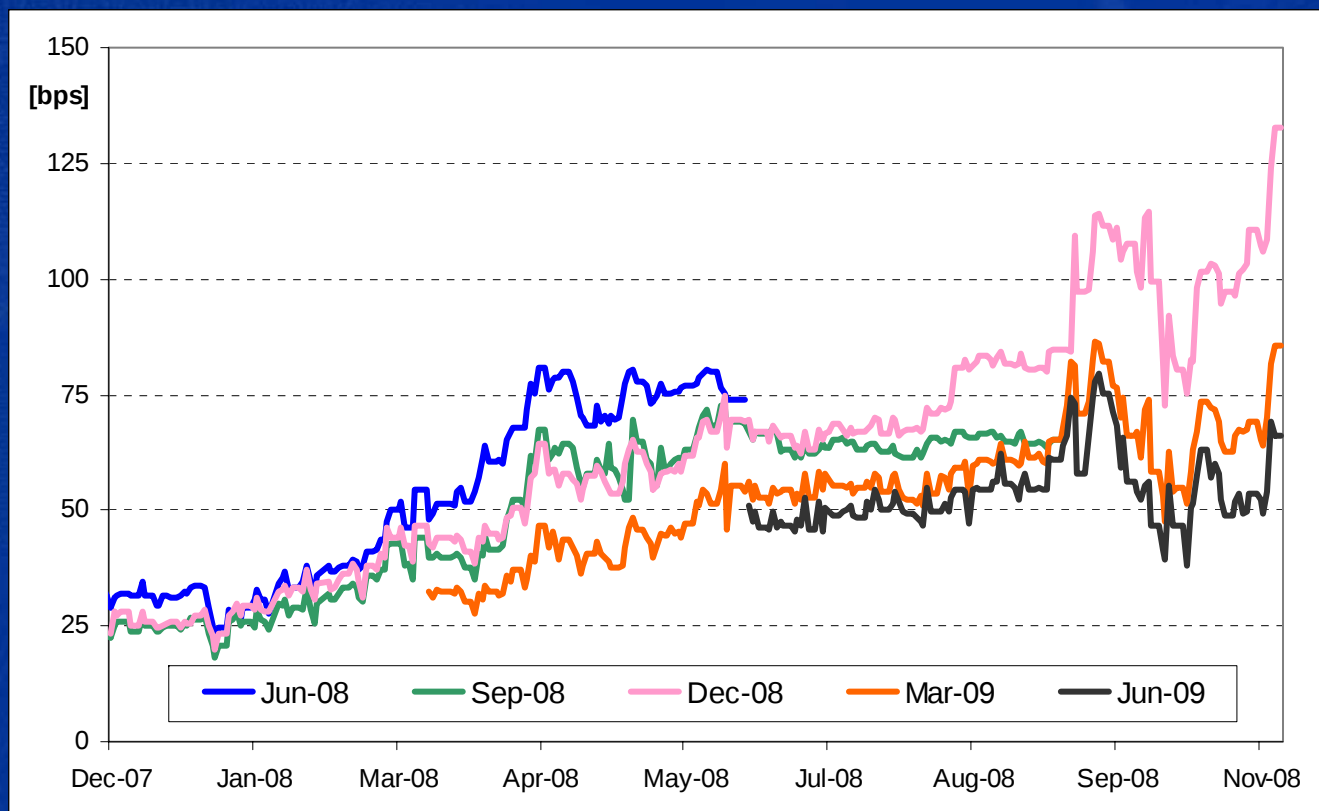
Use of the ECB's standing facilities [EUR million]



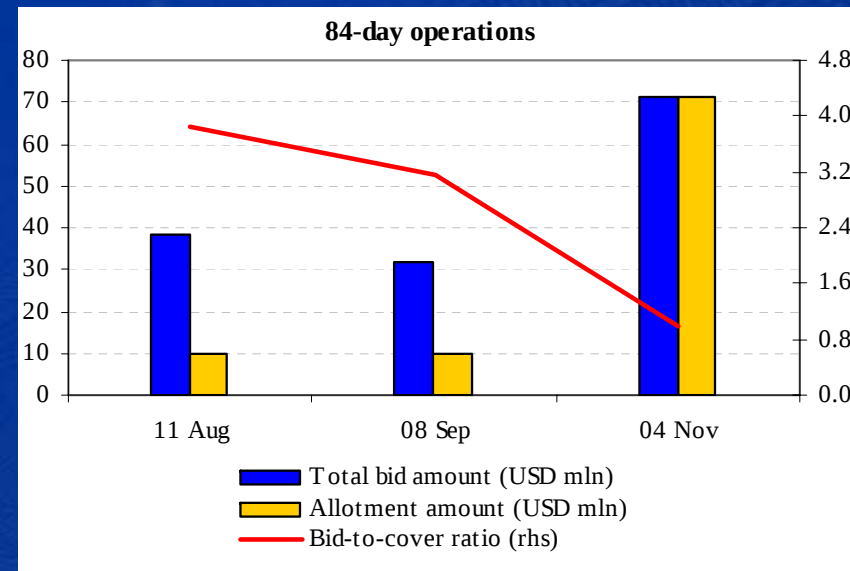
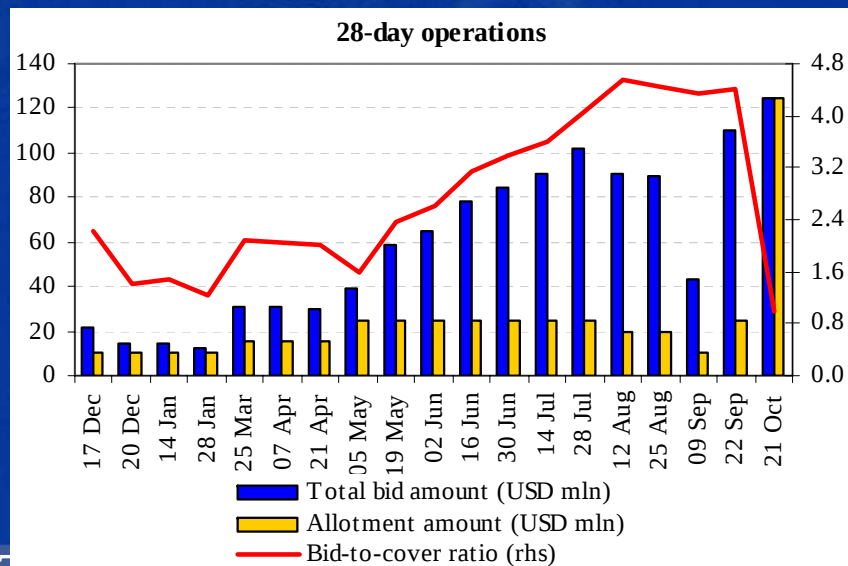
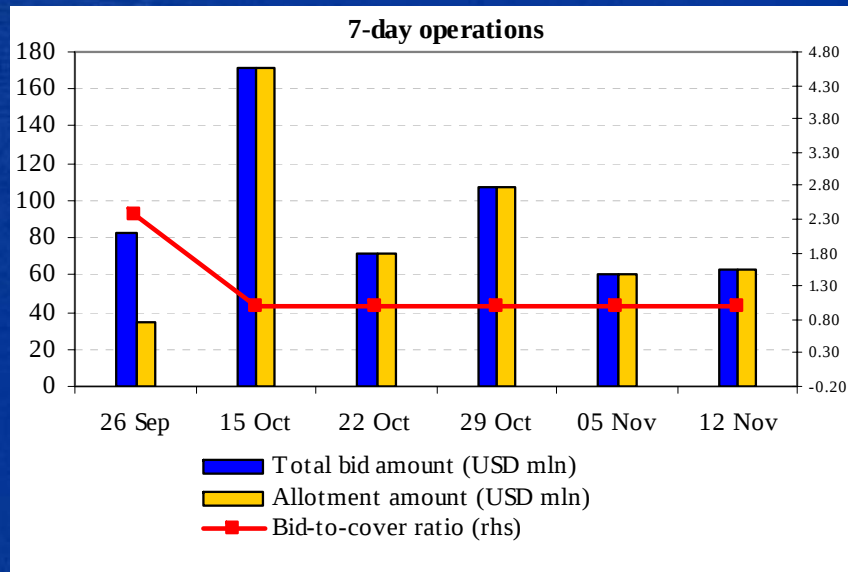
Number of participating banks in MROs



3m forward EURIBOR - OIS spreads



Results of the Eurosystem's USD providing operations



Simplified Eurosystem balance sheet

Simplified consolidated balance sheet of the Eurosystem (in billion of EUR)
31-Oct-2008 vs. (29-Jun-2007)

Assets		Liabilities	
USD refinancing operations	209 (0)	Claim of US Federal reserve	209 (0)
CHF refinancing operations	14 (0)	Claim of Swiss National Bank	14 (0)
<u>Autonomous liquidity factors</u>		<u>Autonomous liquidity factors</u>	
Net foreign assets	260 (294)	Banknotes in circulation	728 (633)
Domestic assets portfolio	154 (131)	Government deposits	95 (70)
		Other autonomous factors (net)	-27 (3)
<u>Monetary Policy Instruments</u>		<u>Monetary Policy Instruments</u>	
Main refinancing operation	327 (313)	Current accounts - Res. Requ.	179 (182)
Longer term ref. Operation	502 (150)	Absorbing Operations	0 (0)
Marginal lending facility	11 (1)	Deposit facility	279 (1)
	1477 (889)		1477 (889)

Issues for discussion

- *The ECB seems to have become the intermediary of last resort. What could be done to re-start normal market functioning?*
- *Has the fixed rate/full allotment strategy eased concerns regarding the upcoming end of the year ? Or are members still wary of potential challenges in this respect ?*
- *What are the prospects for money market developments in 2009 ?*