



The state of money markets

Bank of Finland & SUERF Conference

Christoph Rieger, 11 June 2025

Agenda

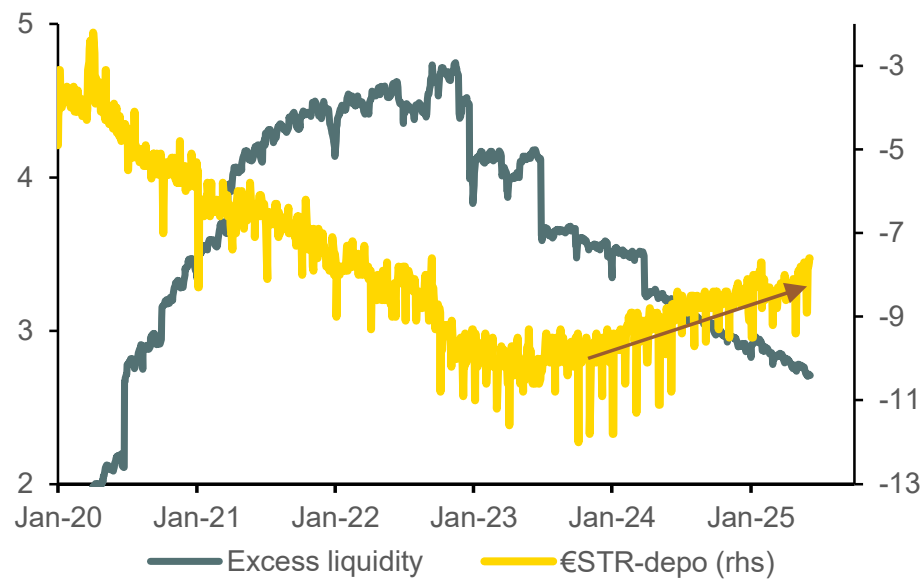


- **Recent trends in secured and unsecured markets**
- **The role of hedge funds**
- **Liquidity distribution**

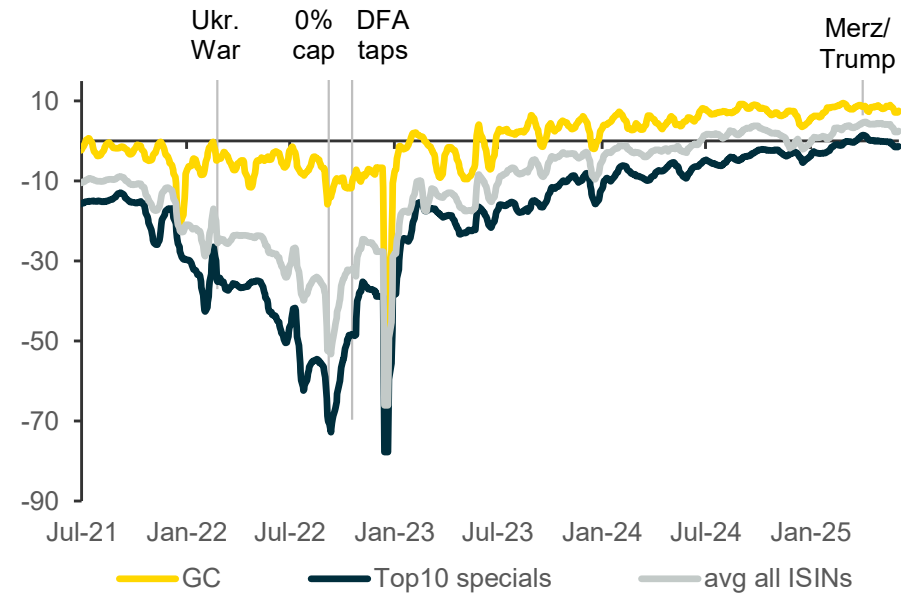
Rates pressure picking up?



€STR-depo spread, in bp, and ECB excess liquidity, in € trn



Selected German repo spreads vs €STR, in bp

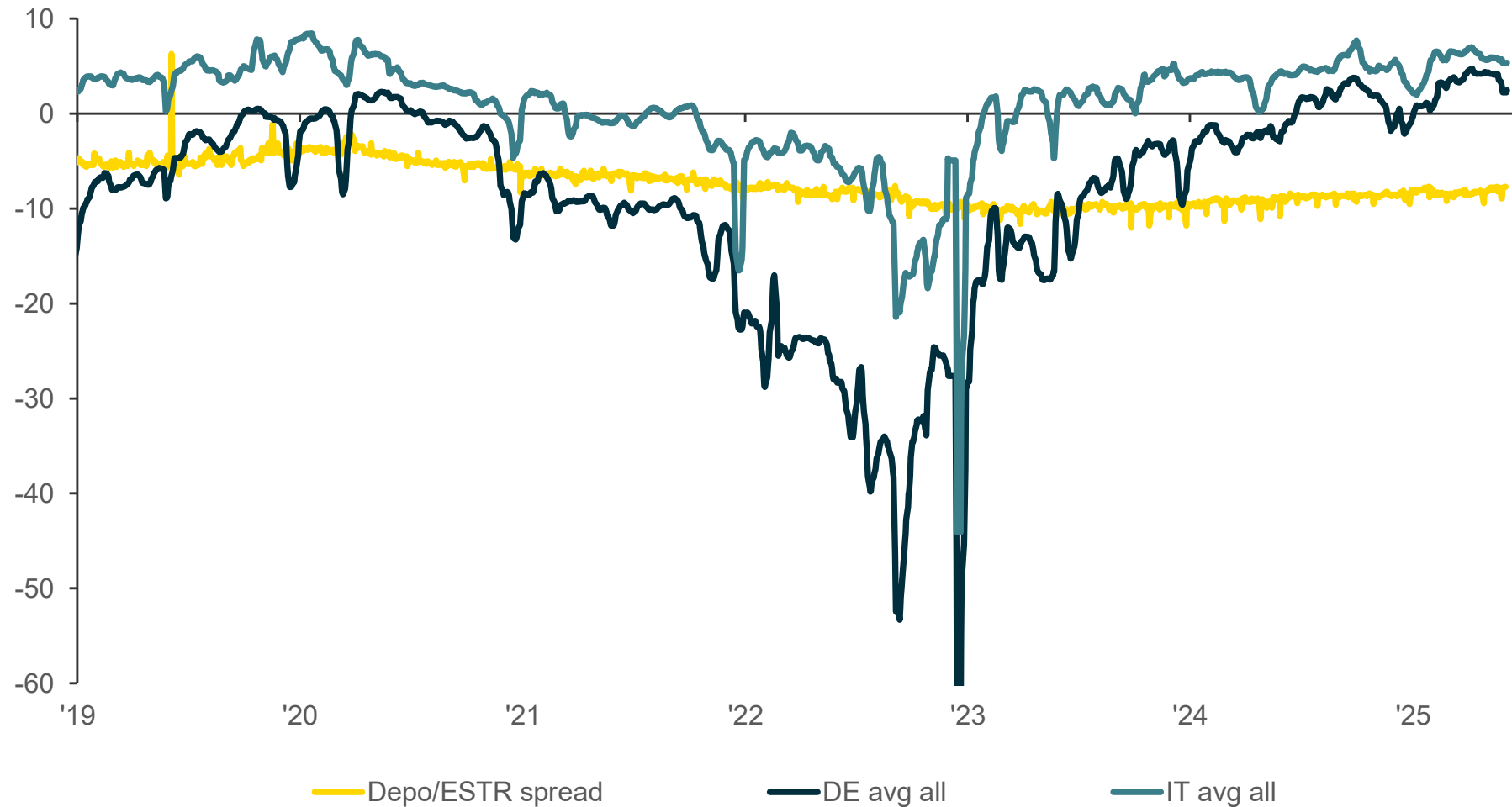


Source: Bloomberg, Commerzbank Repo desk & Research

Unsecured below secured rates!



Depo/€STR spread and German and French repo spreads vs. €STR

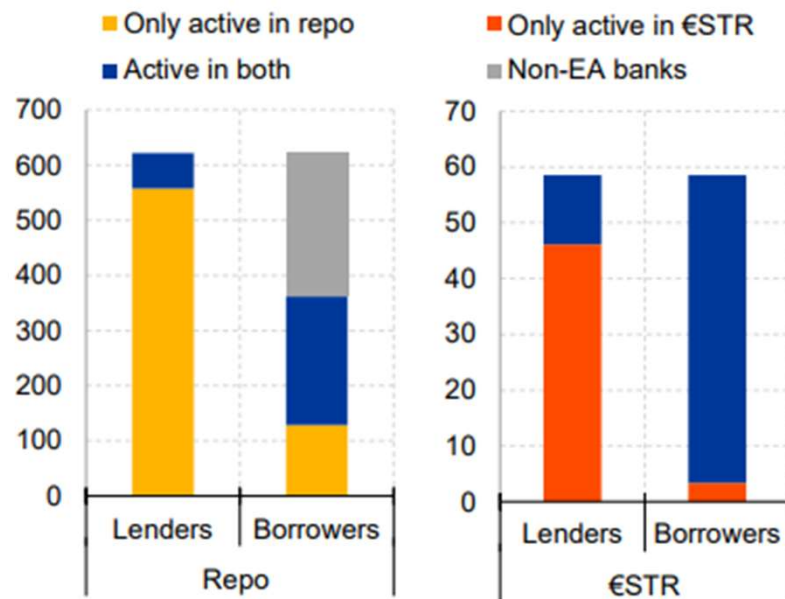


Source: Commerzbank Repo desk & Research

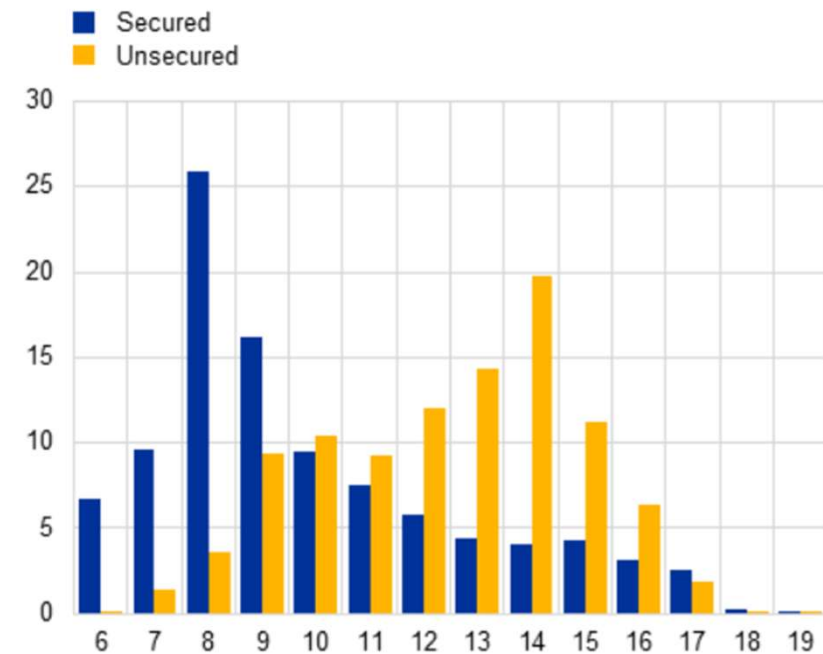


Secured/unsecured market segmentation

Volume of 1-day transactions by lender and borrower activity in money markets, in € bn



Time of trade execution, share of daily trading volume per hour

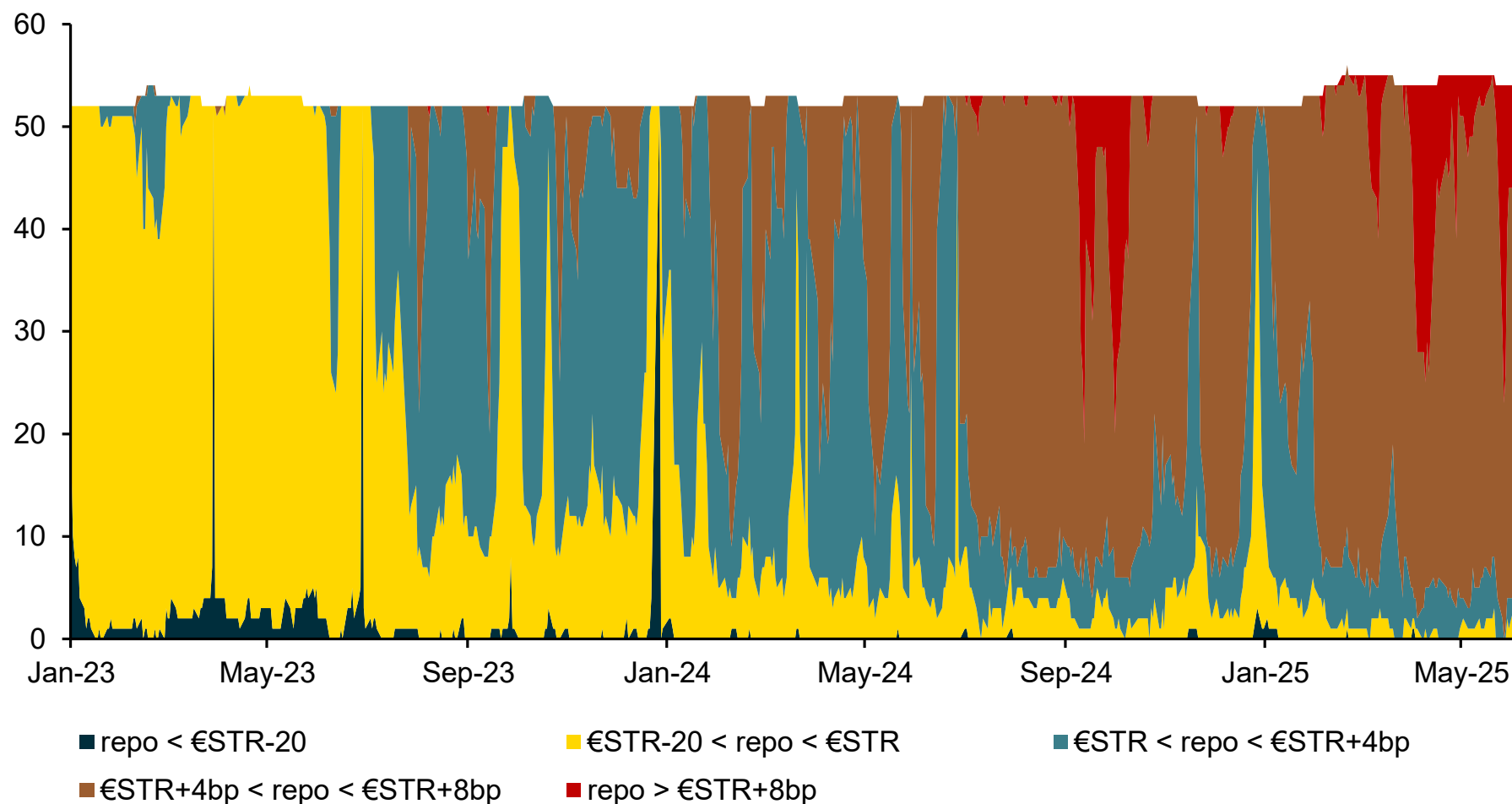


Source: ECB

Share of OATs trading above €STR+5bp reaches record high!



Number of bonds in respective repo bucket, SN settlement of OAT collateral

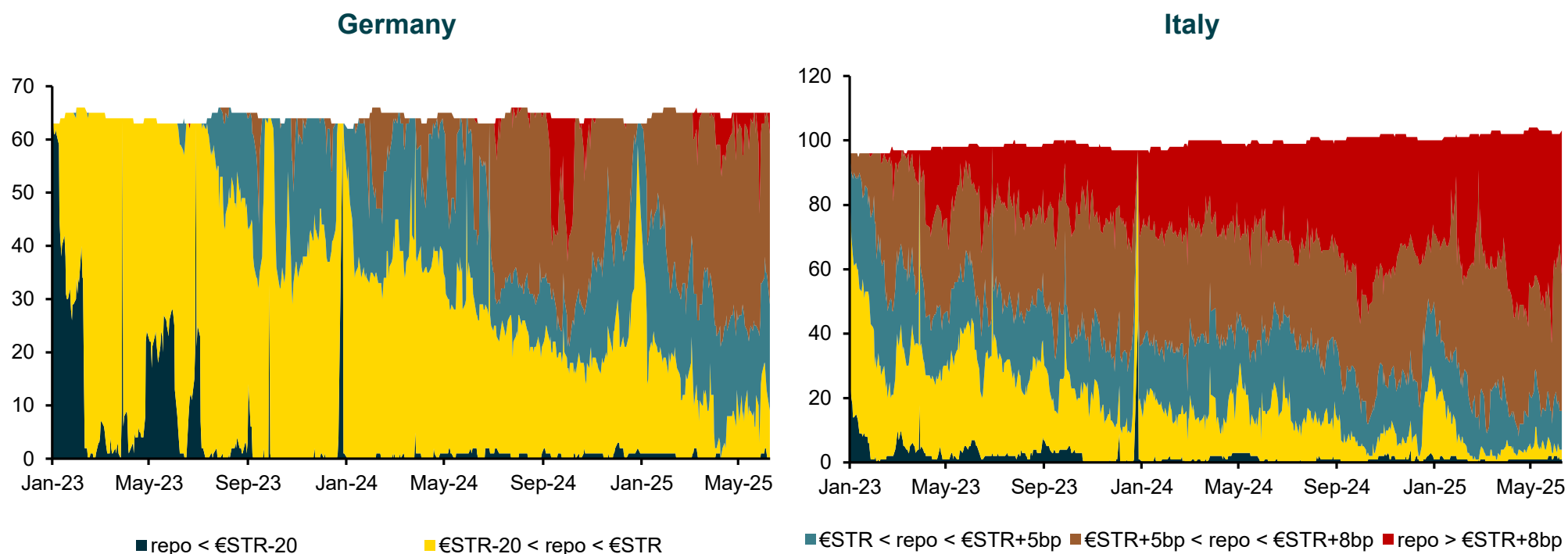


Source: Commerzbank Repo desk & Research

More than half of BTP ISINs are trading above DFR



Number of bonds in respective repo bucket, SN settlement of Bund and BTP collateral

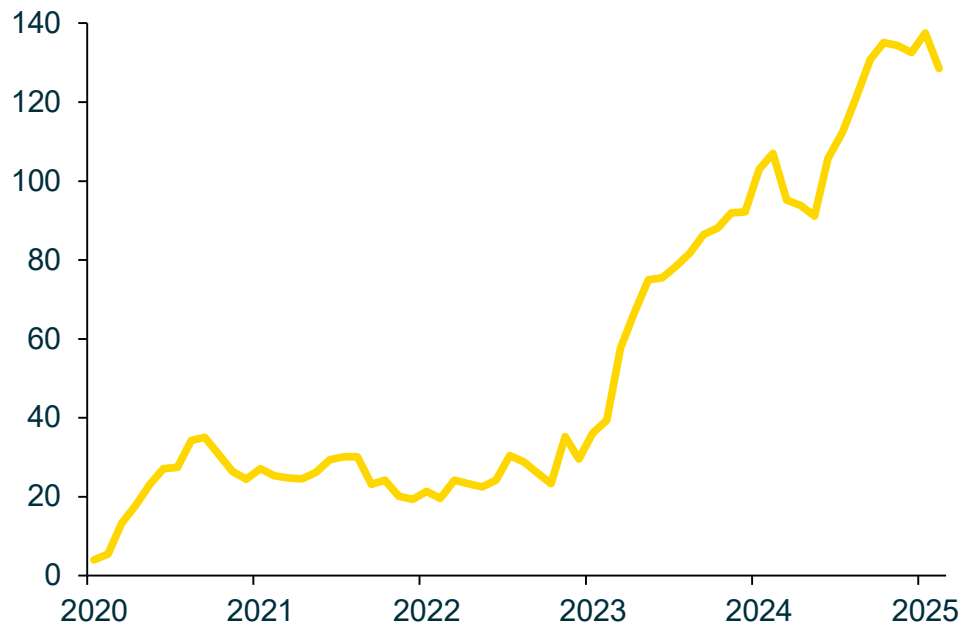


Source: Commerzbank Repo desk & Research

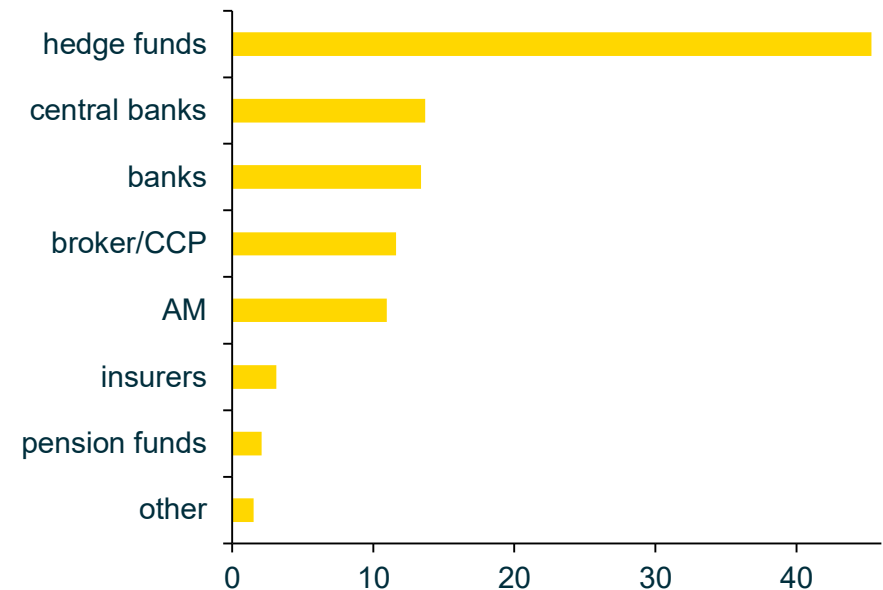
Hedge funds in need of funding



Cumulative net secondary purchases of German government bonds since 2020, in € bn



Net secondary purchases of 10y Bunds in 2024, in € bn

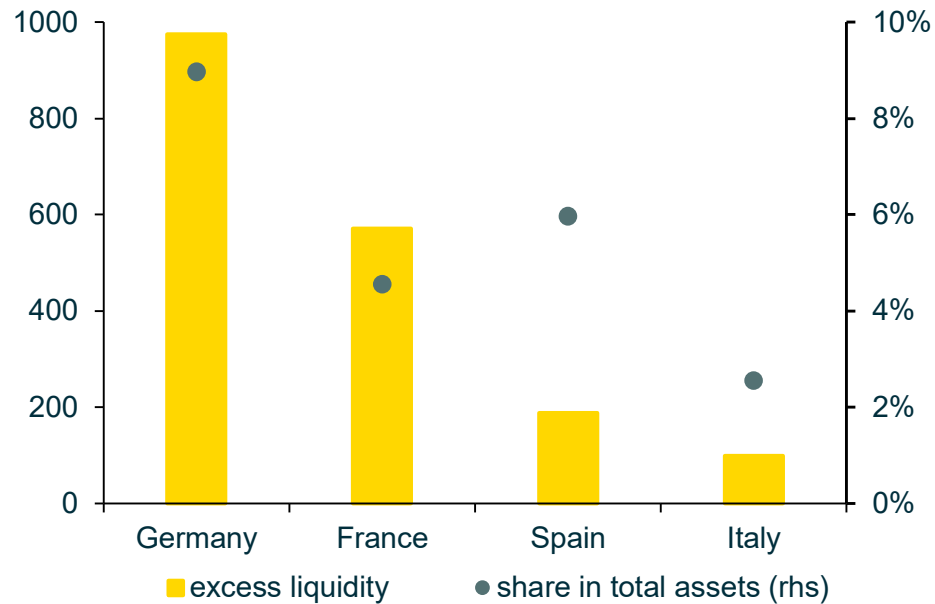


Source: DFA, Commerzbank Research

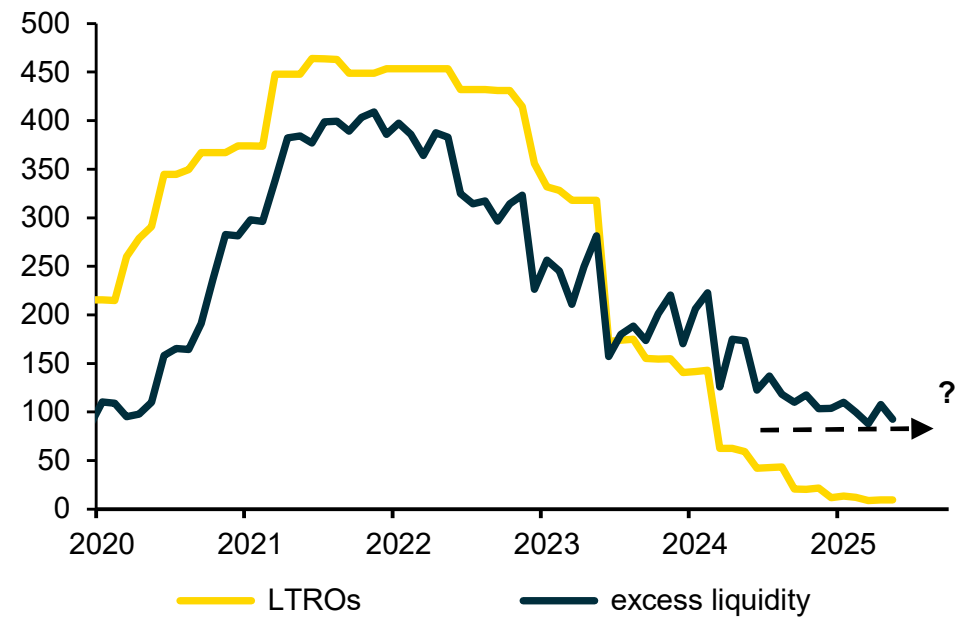
Italian banks at target?



Banks' excess liquidity, in € bn and as share of total assets



Italian banks outstanding LTROs and excess liquidity, in € bn

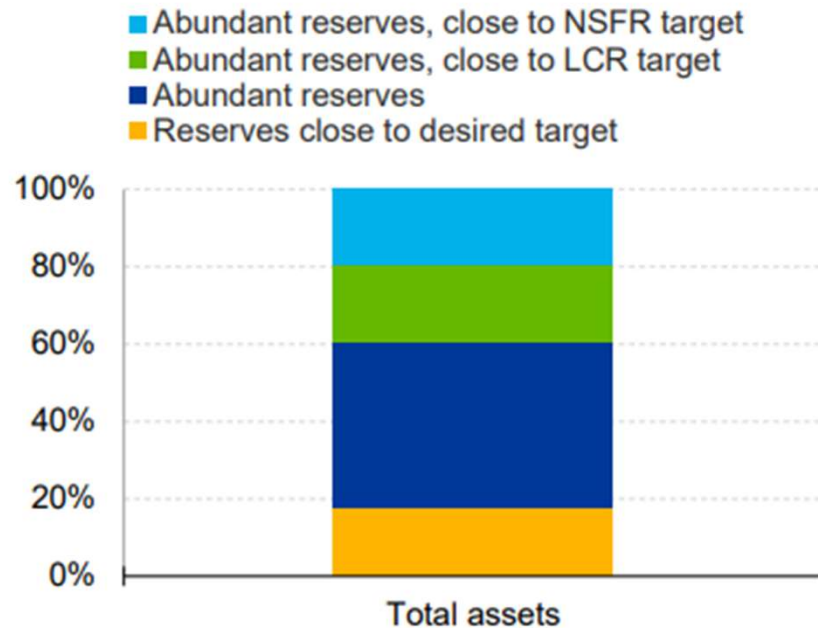


Source: Bdl, ECB, Commerzbank Research

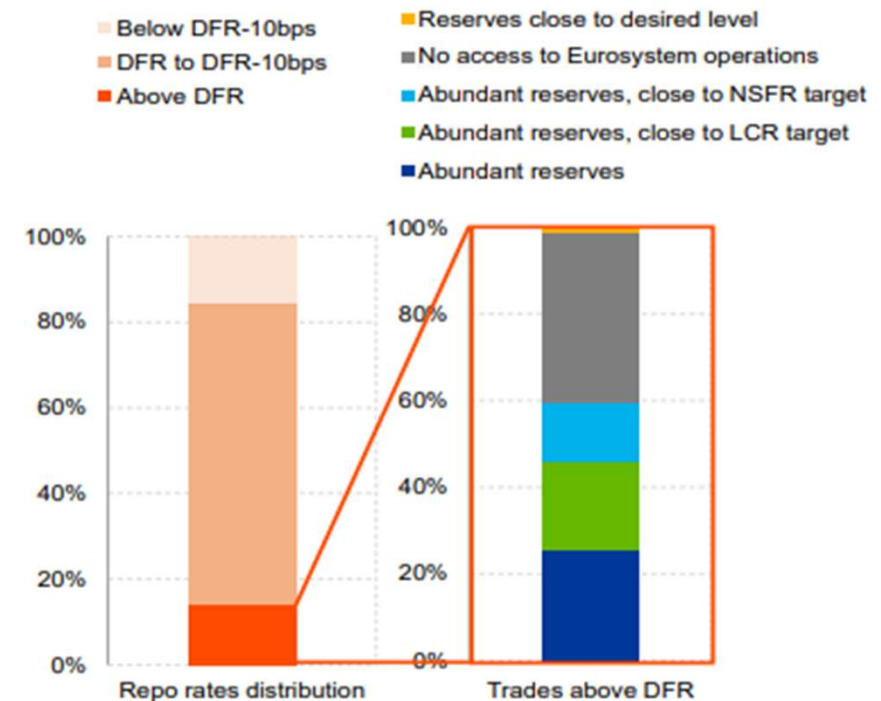
More than half of euro area banks are facing liquidity constraints of some kind!



Share of banking sector split by liquidity position relative to desired target



Share of repo trading above the DFR

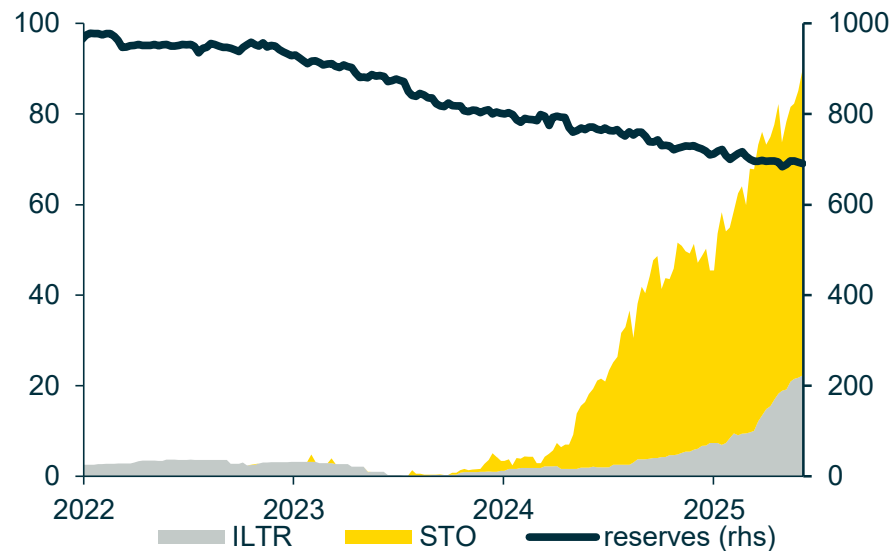


Source: ECB

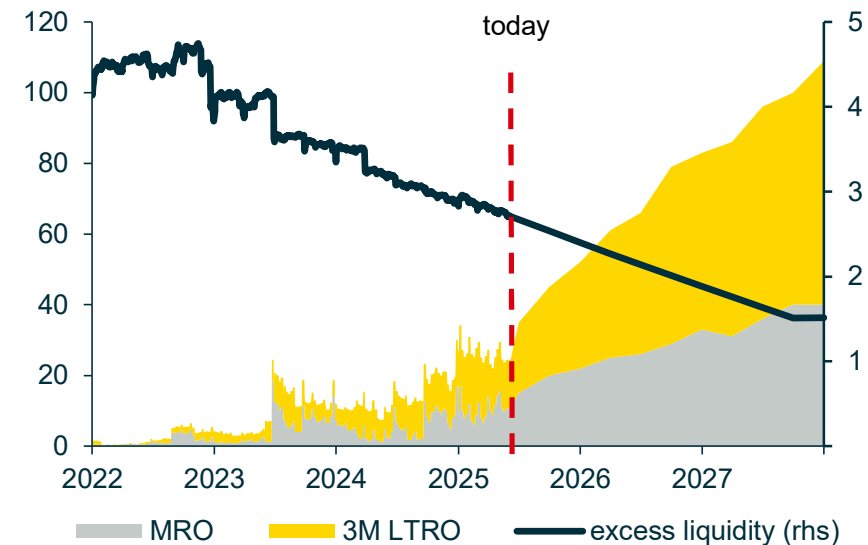
BoE experience leading the way, or will 15bp ECB spread lead to ‘ketchup effect’?



Outstanding **BoE** 6M ILTR and 7D STO, in £ bn



Outstanding **ECB** MRO and 3M LTROs, in € bn, including median projection from SMA, and excess liquidity, in € trn, including Commerzbank projection

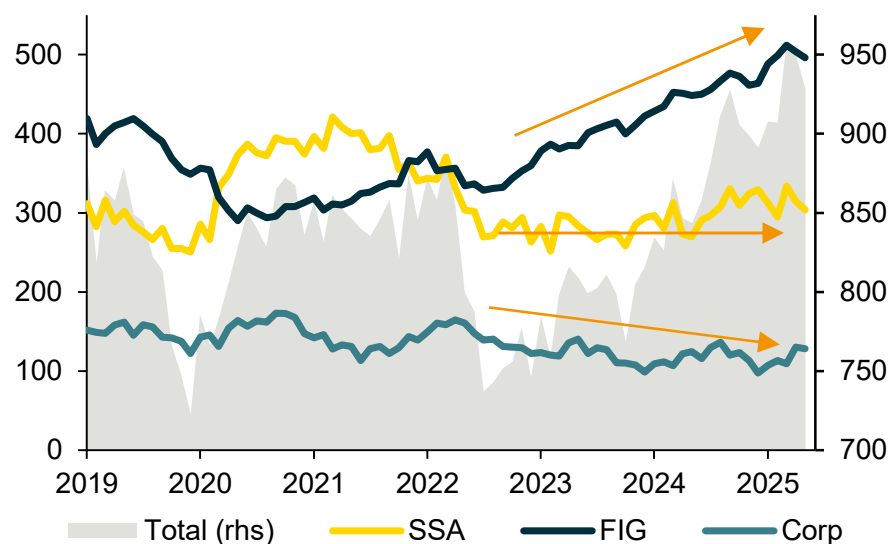


Source: ECB, Bloomberg, Commerzbank Research

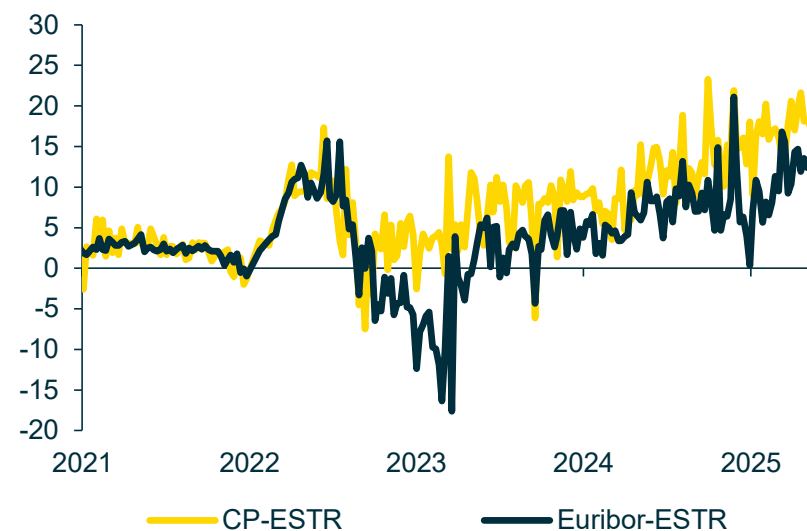
Unsecured bank funding picking up without larger price impact yet



ECP outstanding volumes by sector, in € bn



3M French NEU CP rates – Financial Issuers (AA rating, filtered for outliers on low-volume days) and Euribor vs €STR, in bp

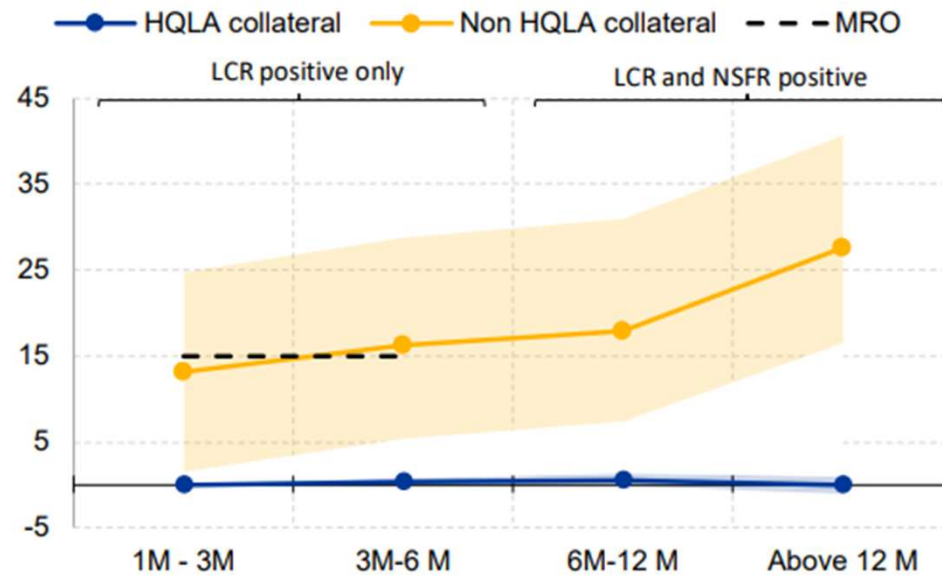


Source: CMDPortal, Banque de France, Bloomberg, Commerzbank Research

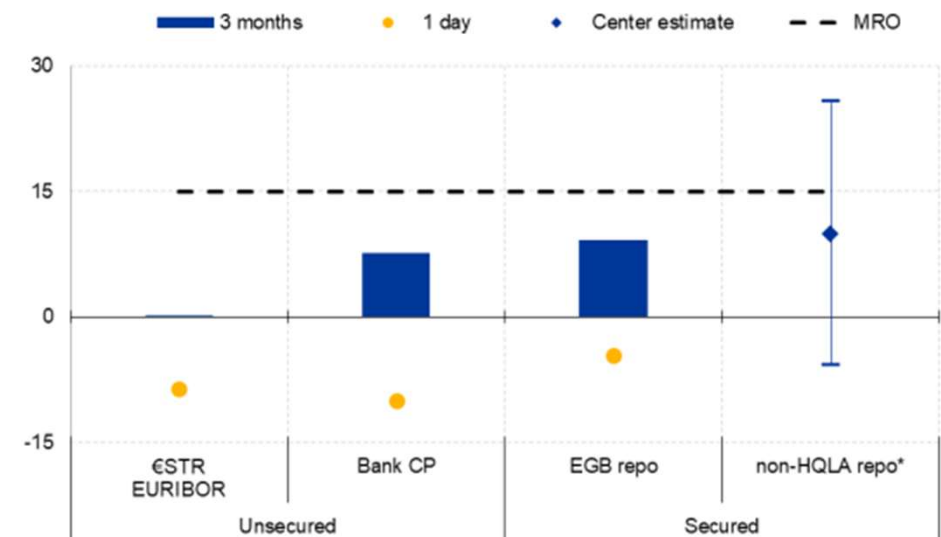
Just a question of price?



Term-structure of HQLA generation premium in repo, bp, 95% confidence intervals



Relative market pricing of money market instruments to DFR

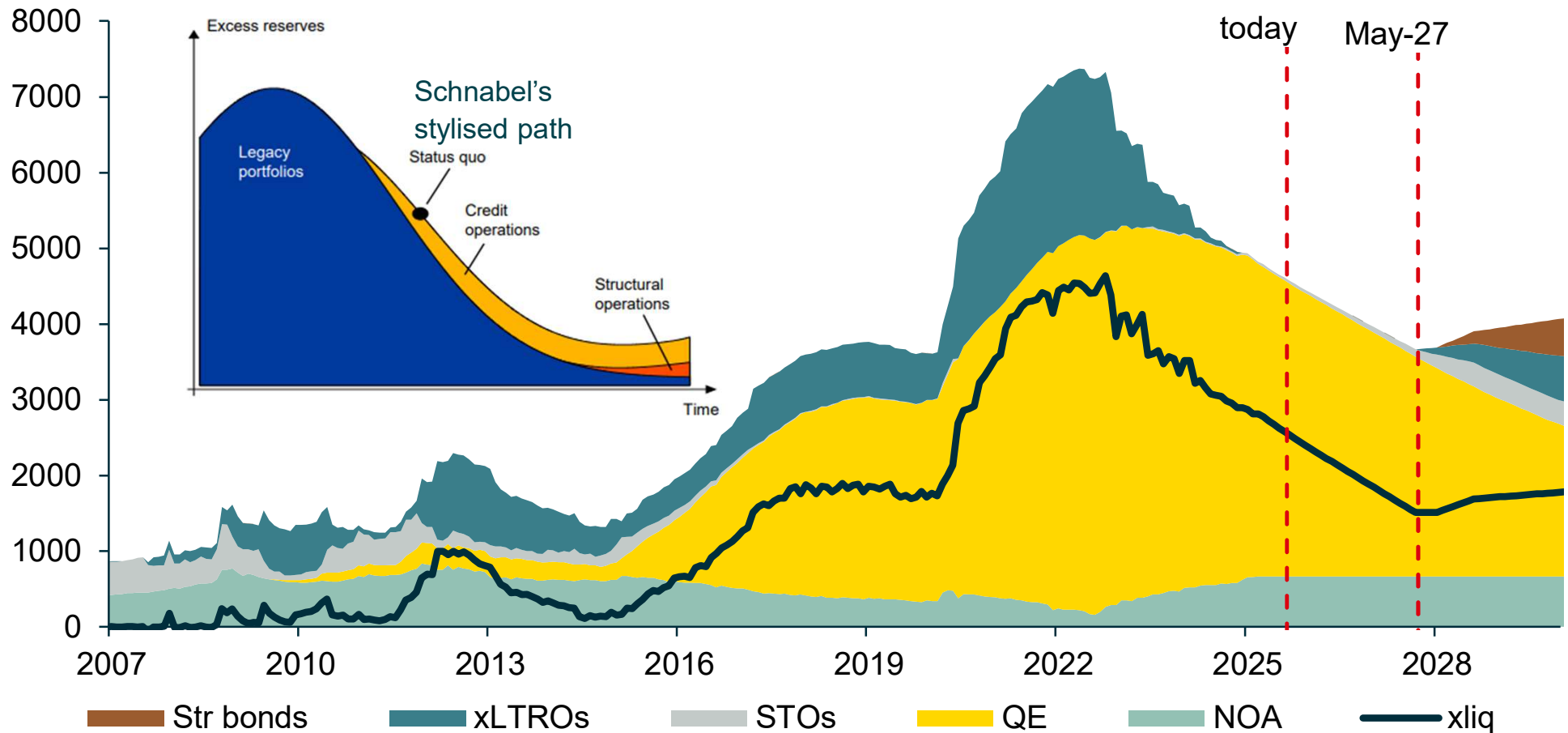


Source: ECB

Getting close to the inflection point?



Reserve supplying Eurosystem assets, including projections (assumptions, see [AotC 21Mar](#)), in € bn. "Str. bonds" is structural bond portfolio, NOA is net other assets, STO is short-term operations (MRO and 3M LTRO)



Source: ECB, Bloomberg, Commerzbank Research

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Overweight (OW)	We expect outperformance versus the benchmark in spread and/or total return terms
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Benchmark:	Unless stated otherwise, the benchmark is the iBoxx € Corporate for IG-rated names/instruments, and the iBoxx € High Yield core cum crossover LC for HY-rated names/instruments

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	All covered instruments	The proportion of issuers in each of these categories for which Commerzbank provides investment banking services
Overweight	27%	33%
Marketweight	55%	83%
Underweight	18%	100%

Source: Commerzbank Research

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Source: Commerzbank Research

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