

Confidence
must be earned

Amundi
ASSET MANAGEMENT

WEEKLY LIQUIDITY & TREASURY

27 February 2020

Data as of 02/26/2020 [Lookback : 1 week (7 days)]

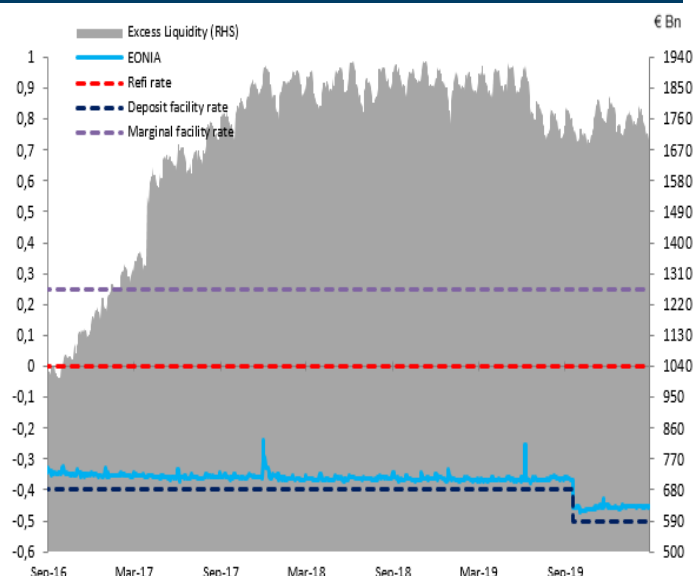
Spot

MONEY MARKET											
	Spot	Low	1Y Range	High	1Y Range		Spot	Low	1Y Range	High	1Y Range
EURO	bp					US	bp				
EONIA*	-45	-46		-45		FedFunds*	158	158		159	
€STR	-54	-54		-54		OIS 1 M	155	155		158	
OIS 3 M*	-48	-48		-45		OIS 3 M	150	150		156	
OIS 6 M*	-50	-50		-47		OIS 6 M	138	138		150	
OIS 12 M*	-53	-53		-49		OIS 12 M	121	121		137	
EURIBOR 3M	-42	-42		-41		ICE LIBOR USD 3M	1,65	1,65		1,68	
GBP	Spot	Low	1Y Range	High	1Y Range	FOREX MAJORS					
SONIA*	71,1	71,1		71,1		EUR/USD	1,09	1,08		1,09	
OIS 1 M*	71,1	71,1		71,1		EUR/GBP	0,84	0,84		0,84	
OIS 3 M*	66,0	66,0		69,2		EUR/JPY	120	120		121	
OIS 6 M*	59,0	59,0		65,5		GBP/USD	1,29	1,29		1,30	
OIS 12 M*	50,1	50,1		58,9		USD/JPY	110	110		112	
LIBOR 3M	73,5	74		75		GOV RELATED BONDS					
Bunds						US Govt. Bonds					
	Spot	Low	1Y Range	High	1Y Range		Spot	Low	1Y Range	High	1Y Range
2 Y	-0,70	-0,70		-0,64		2 Y	1,18	1,18		1,39	
5 Y	-0,69	-0,69		-0,61		5 Y	1,17	1,17		1,36	
10 Y	-0,51	-0,51		-0,43		10 Y	1,35	1,35		1,52	
30 Y	-0,02	-0,03		0,05		30 Y	1,84	1,83		1,96	
UK Govt. Bonds						Japanese Govt. Bonds					
2 Y	0,36	0,36		0,52		2 Y	-0,19	-0,19		-0,15	
5 Y	0,38	0,38		0,46		5 Y	-0,20	-0,21		-0,14	
10 Y	0,50	0,50		0,58		10 Y	-0,09	-0,10		-0,04	
30 Y	0,93	0,93		1,05		30 Y	0,35	0,34		0,37	

Eurozone: liquidity analysis

Excess Liquidity evolution (in € bn)	
Excess Liquidity as of 25/02/2020	1728,69
Δ Estimated autonomous Factors	-29,70 ▼
Δ MRO (Main Refinancing Operation)	0,70 ▲
PSPP (Public Sector Purchase Programme)	5,06
CB / ABS PP (Purchase Programme) / CSPP	1,93
TLTRO (Targeted LT Refinancing Operation)	0,00
LTRO 3 M (LT Refinancing Operation)	0,00
Total variation	37,39 ▲
Excess Liquidity (prevision for this week)	1766,08

Evolution of EONIA, ECB rates and excess liquidity



The virus Covid-19 causes turbulences on market

The rapid spread of the virus outside of China is pushing investors towards safe havens investment and is also significantly altering expectations regarding monetary policy.

While the financial markets had held up well until last week, recent developments on the spread of the virus have rekindled investor concerns.

The markets have reassessed upwards the risks associated with this health crisis which could last longer than expected.

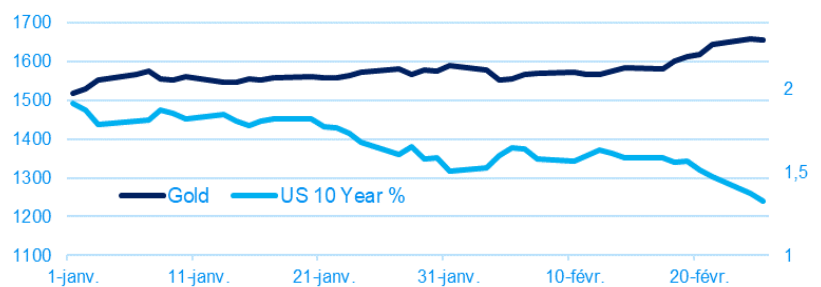
Thus, the G20 countries that met on February 22nd and 23rd in Riyadh committed to monitor the impact of the virus on global economic growth and to take appropriate measures.

China Central bank has already indicated it is ready to use its monetary policy tools to maintain liquidity in the banking system at a reasonable levels.

In this environment, gold is appreciating – currently at 1 656 dollars – while government bonds yields are falling (cf. graph 1).

The US 10Y yield fell to a three-year low at 1.35%. In Europe, the German 10Y yield crossed the -0.51% threshold as of 26th February.

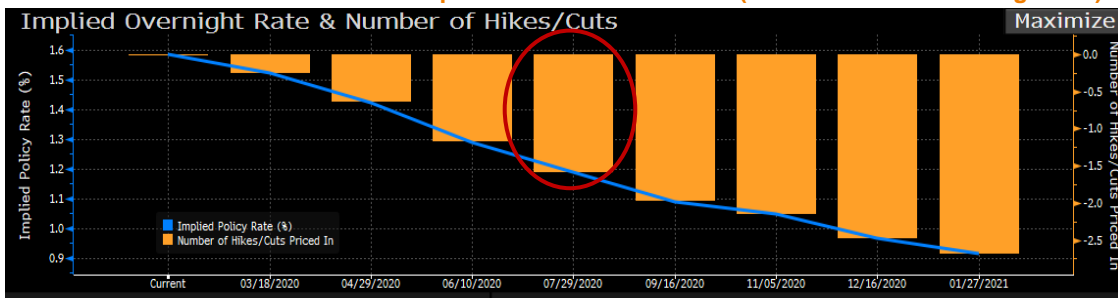
1. US 10Y treasury yield and gold price since January 1st



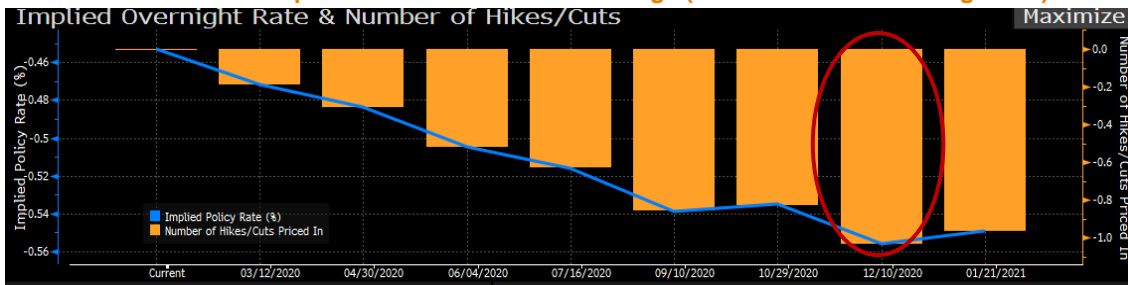
The worsening of the crisis has caused a great change in the expectations regarding the main central banks monetary policies.

In the US, the forecast for a 25 bps rate cut is currently as early as June 2020, compared to the end of July last week (cf. graph 2). In the euro zone, the markets estimate that the ECB could cut rates by 10 bps in December (cf. graph 3).

2. Number of Fed Funds rate cuts expected for the next FOMC (WIRP source Bloomberg 26/02):



3. Number of rate cuts expected for the next BCE meetings (WIRP source Bloomberg 26/02):



Indeed, the markets believe that monetary intervention should help to stabilize economies of the developed countries and thus avoid jeopardizing global growth dynamics.

This health crisis will probably keep rates in negative land for a longer period than expected.

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