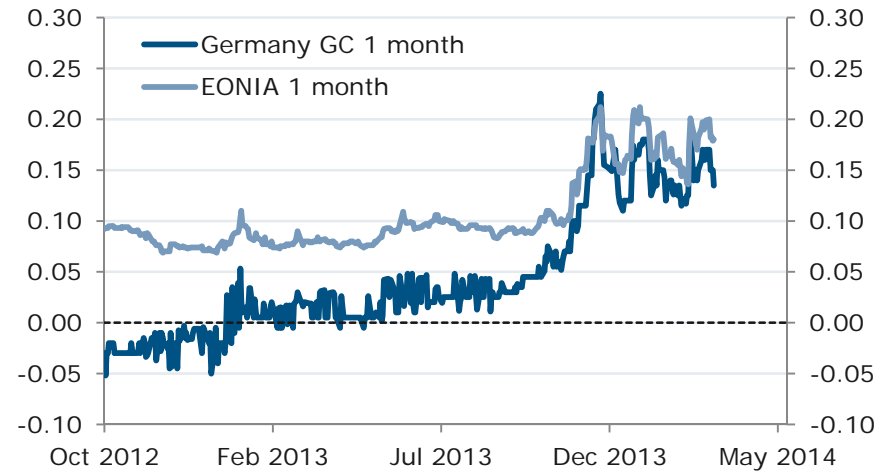


# Ahead of the ECB – money market conditions

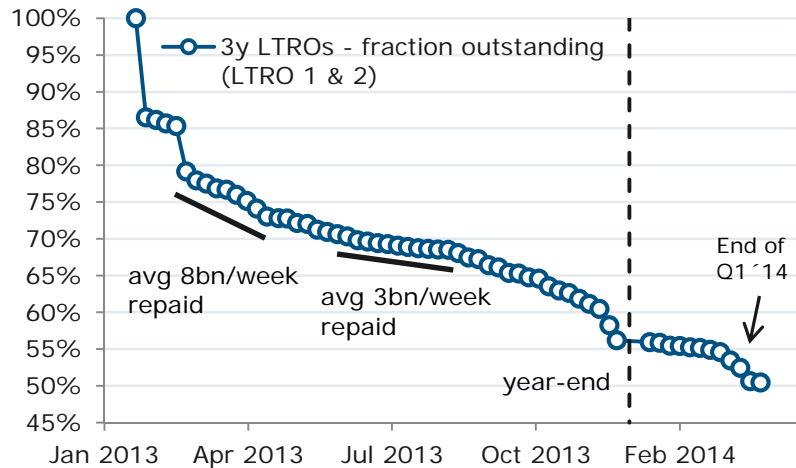
- Money market rates have remained somewhat elevated during the past month but still in the range we have gotten used to this year (Fig 1)
- LTRO repayments as well as autonomous factors picked up going into quarter-end (Fig 2) and consequently so did reliance on ECB operations
- Excess liquidity has continued its gradual decline and is hovering around the EUR 100bn level (Fig 3)
- All in all, we don't consider current money market rates as "unwarranted". Instead, the ECB may even be satisfied with how the back-stops in place can self-regulate conditions if liquidity tightens

**Fig 1. Money/repo market rates remain in check**



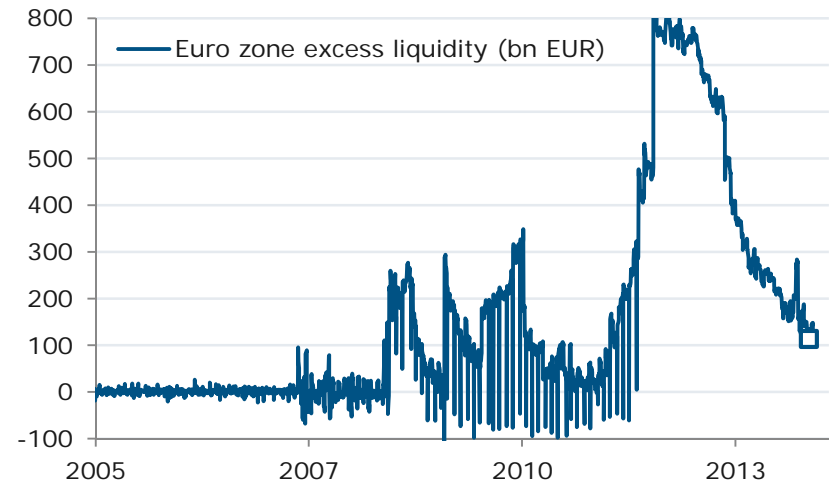
Source: Nordea & Bloomberg

**Fig 2. LTRO repayments pick up going into quarter-end**



Source: Nordea & Bloomberg

**Fig 3. Excess liquidity approaching EUR 100bn**

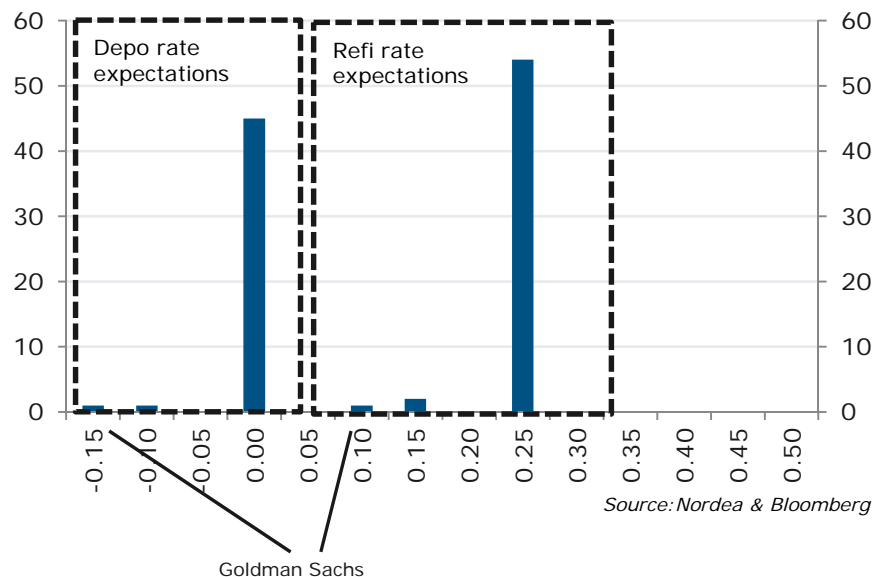


Source: Nordea & Bloomberg

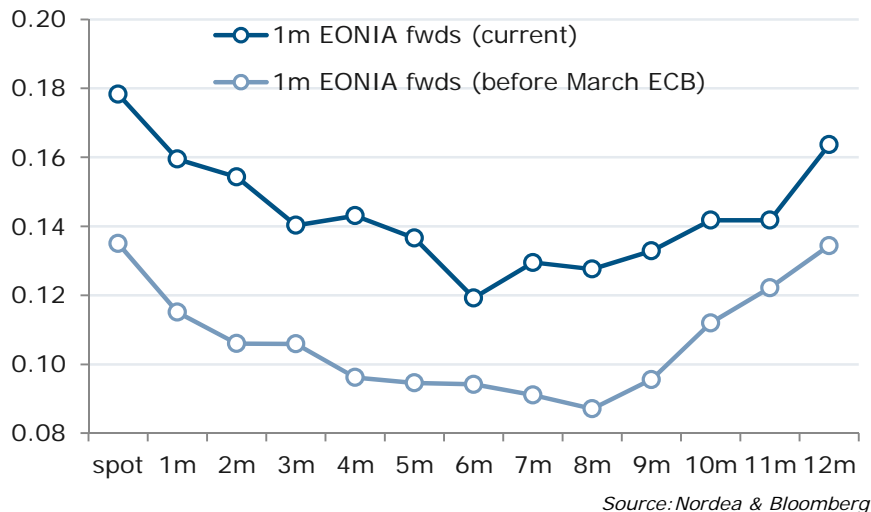
# Ahead of the ECB – what's priced in

- Only a couple of economists expect a refi and deposit rate cut, including Goldman (Fig 4)
- The 1m EONIA forward curve is still inverted up to six months out (Fig 5), suggesting there is some easing priced in over the coming half year
- The market is pricing in an increasingly different ECB and Fed policy rate path (Fig 6)

**Fig 4. Economists' ECB expectations**



**Fig 5. Inverted EONIA fwd curve remains in place**



**Fig 6. Market's take on ECB and Fed rate paths**

