

ECB MMCG September 2026

Main Developments in Money Markets

Prepared by HSBC Markets Treasury

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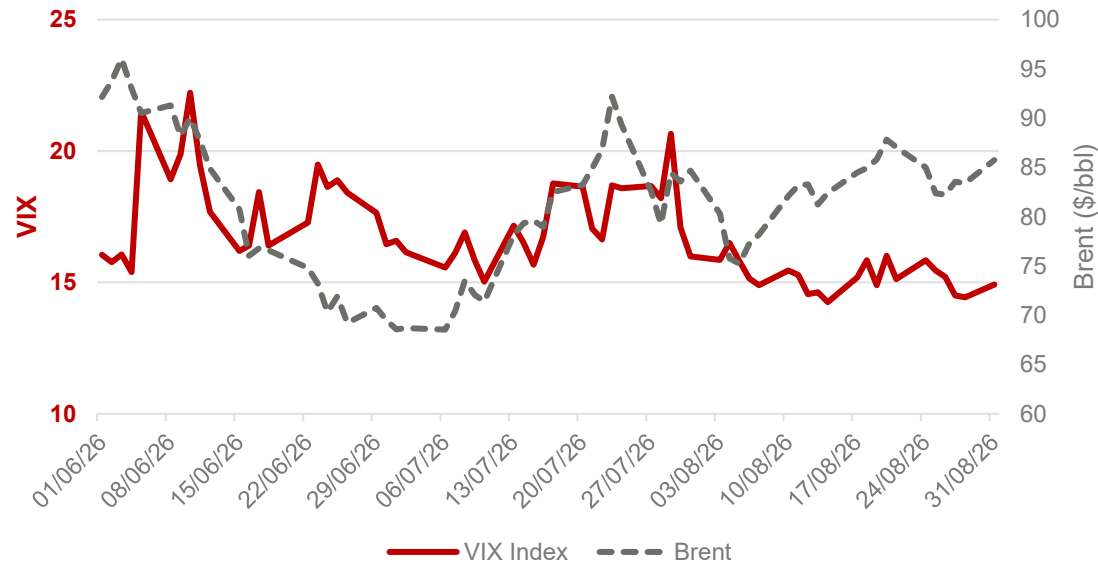
Date:

▪ 16th September 2026

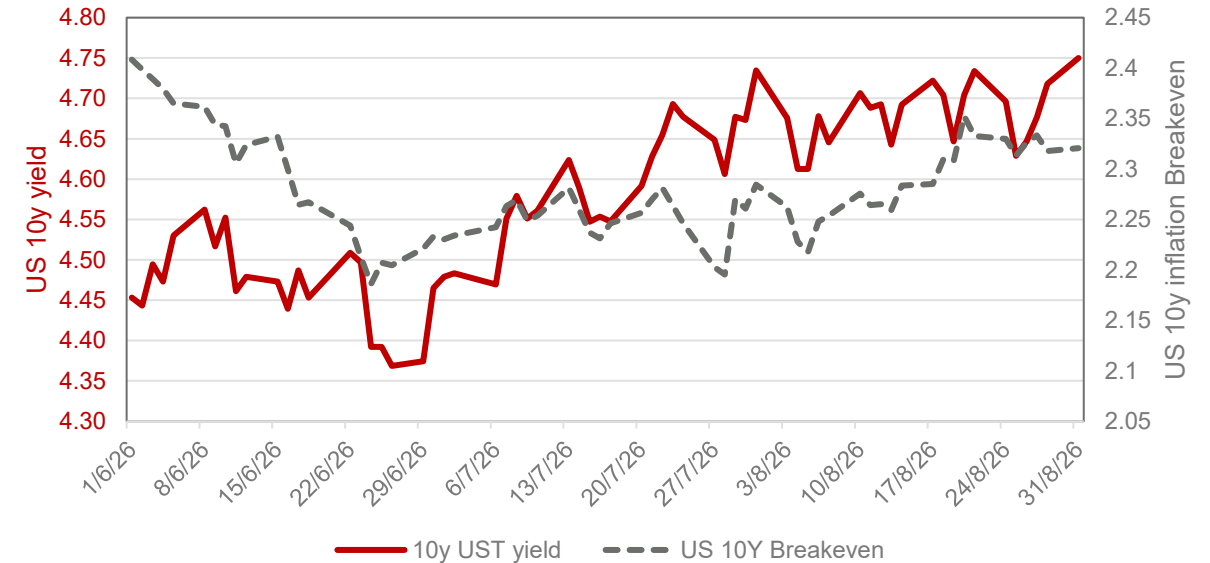


The Macro Backdrop – geopolitics re-priced inflation risk more than growth risk.

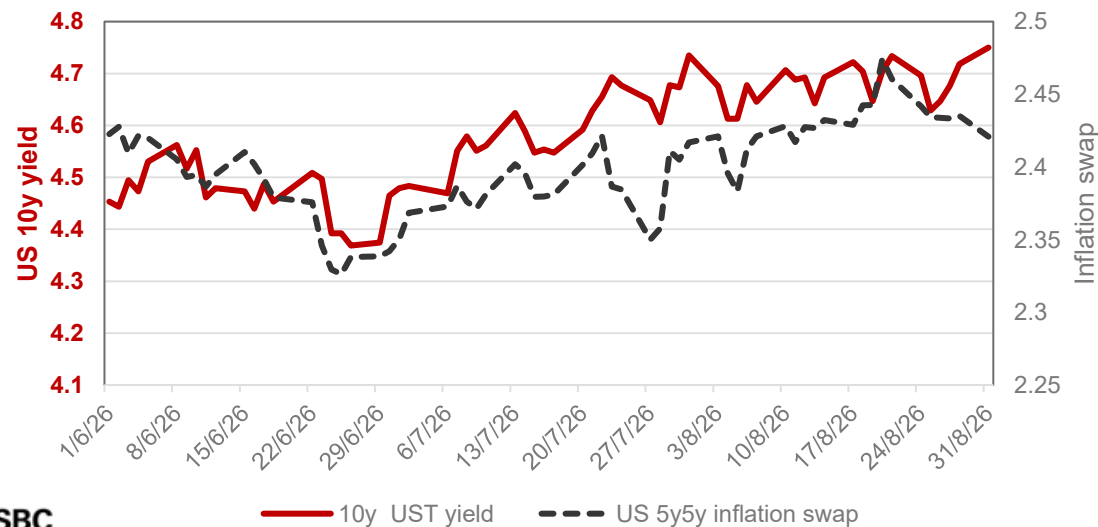
Brent front-month crude and VIX



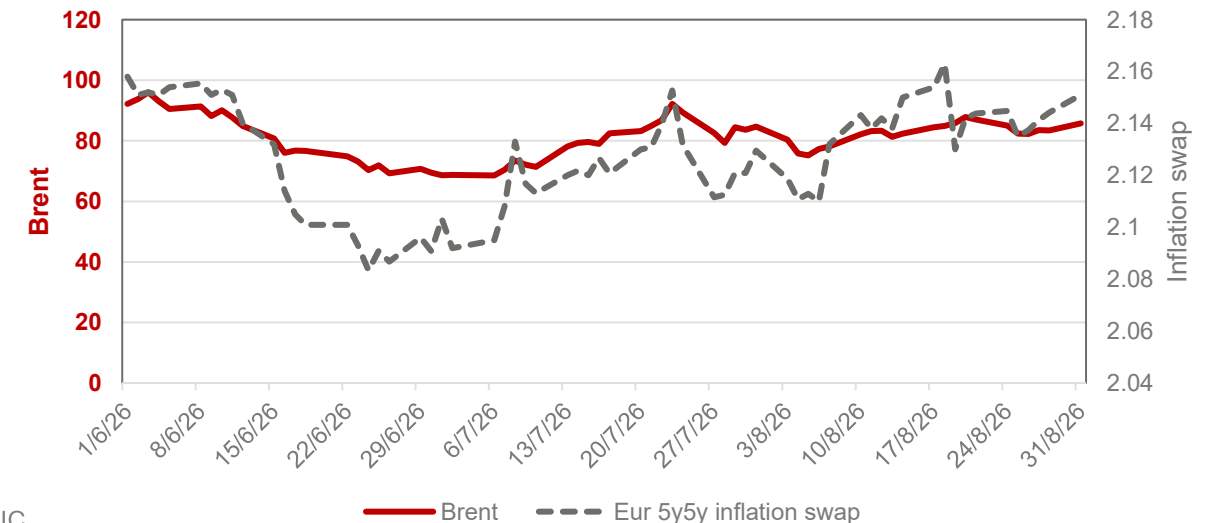
US 10Y Treasury yield and US 10Y breakeven inflation



US 5y5y inflation swap and US 10y yield



Eur 5y5y inflation swap and Brent

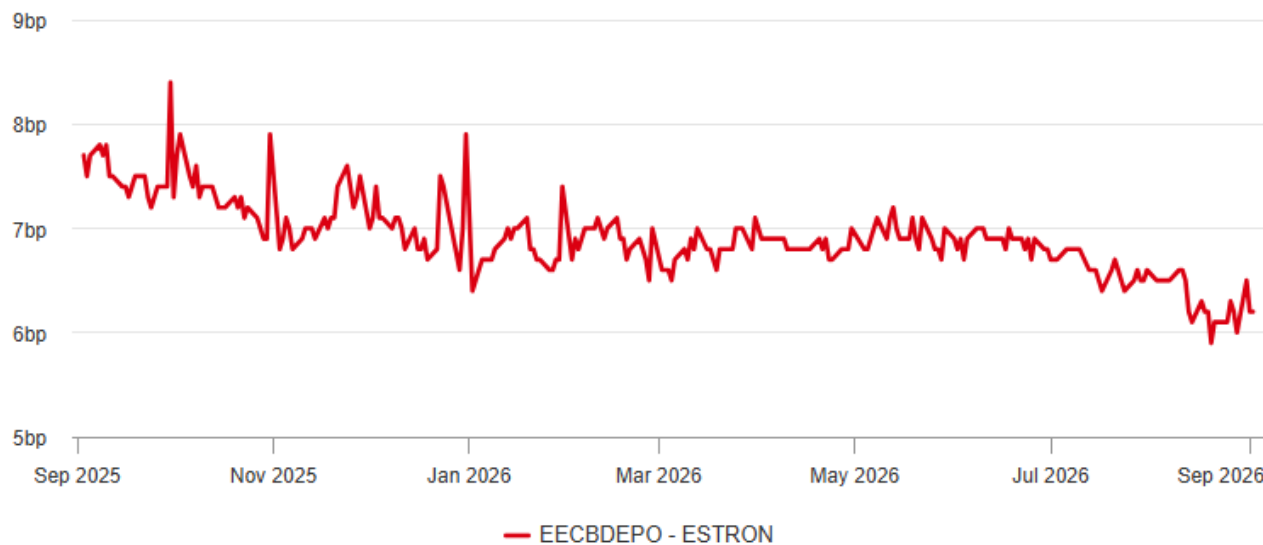


Decline in Excess liquidity – no sign of stress

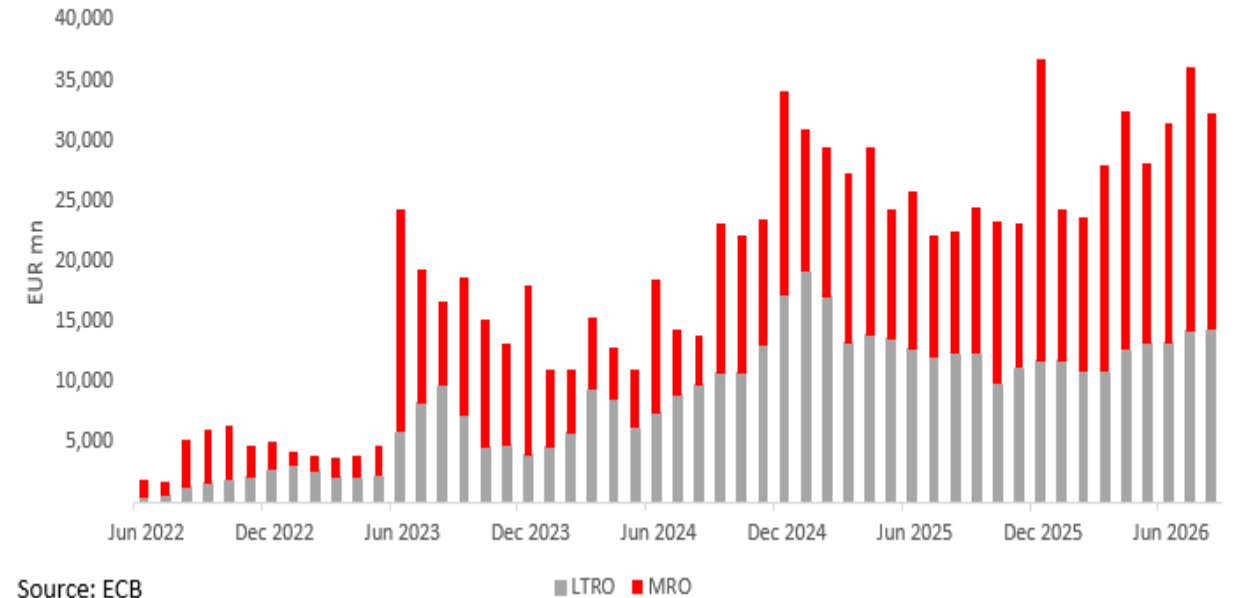
Excess liquidity parked at ECB



ECB deposit facility minus €STR



Open market operations take-up



Source: ECB

- Excess liquidity drain accelerated following the stoppage of PEPP reinvestments end of 2024 but is showing signs of recent deceleration.
- Can be explained by at take-up at the ECB's standard refinancing operations edging higher.
- The drawdown has so far been orderly leading to a gradual €STR – DFR spread tightening - no sign of liquidity stress.
- An increase of MRR requirement to 2% of sight deposits would mean a €175bio drain from the market putting Excess liquidity just below the €2trio level



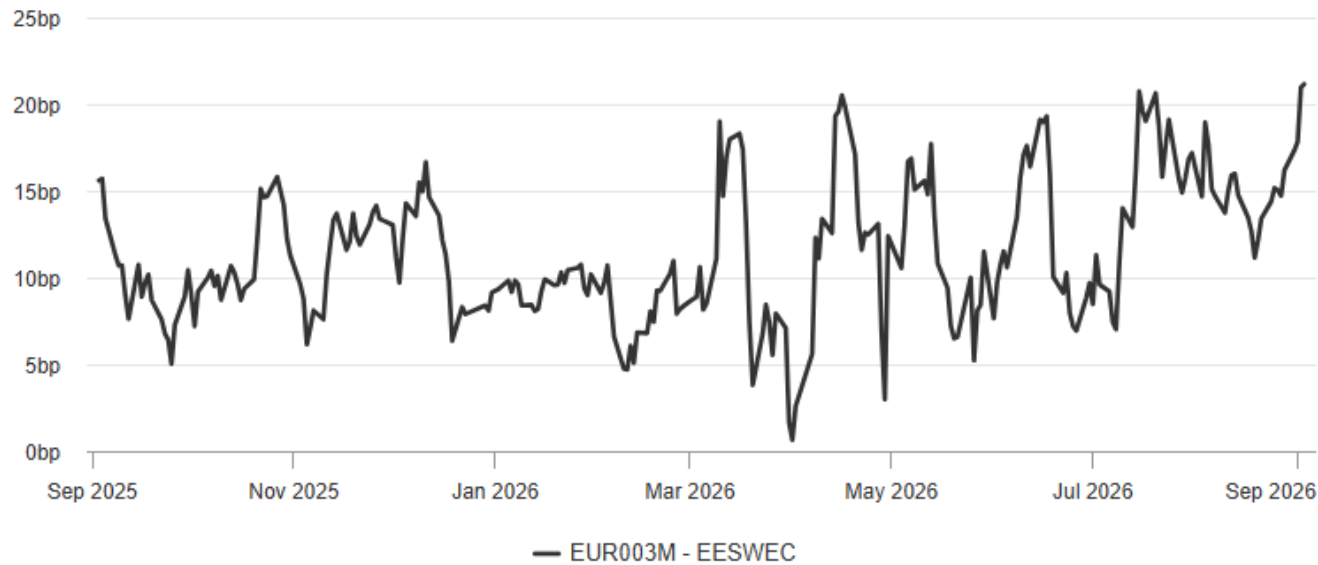
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Source : Bloomberg

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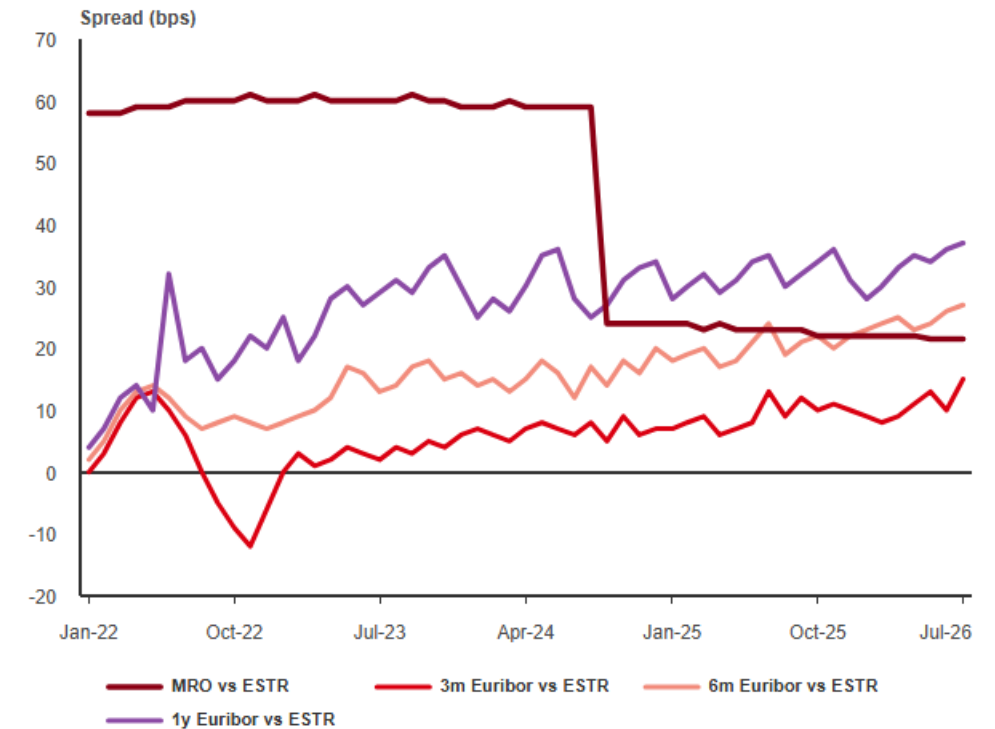
Short end funding (1/2)

EURIBOR 3M minus ESTR swap 3M



Source : Bloomberg

The drift wider in BOR-ESTR basis has pushed 6m and 12m points above the MRO



Source: ECB.

- Money market rates and fixings are gradually rising to reflect greater liquidity competition with Repo and European bills cheapening.
- Spread between Euribor and €STR has been rising also reflecting this competition rather than pointing to any liquidity stress.

Short end funding (2/2)

EUR-USD OIS basis swap in 3m and 1y tenors

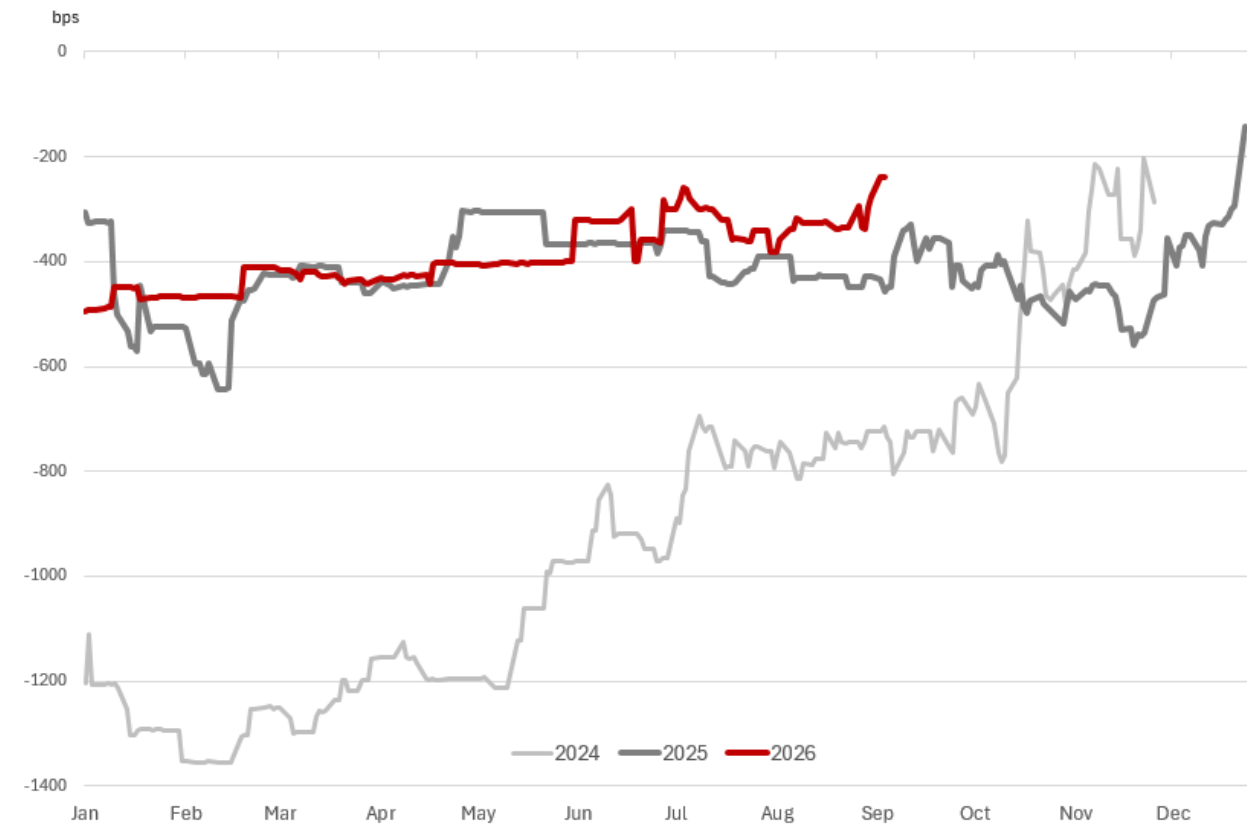


GBP - USD OIS basis swap in 3m and 1y tenors



EURUSD Year-End Basis - Historical Comparison

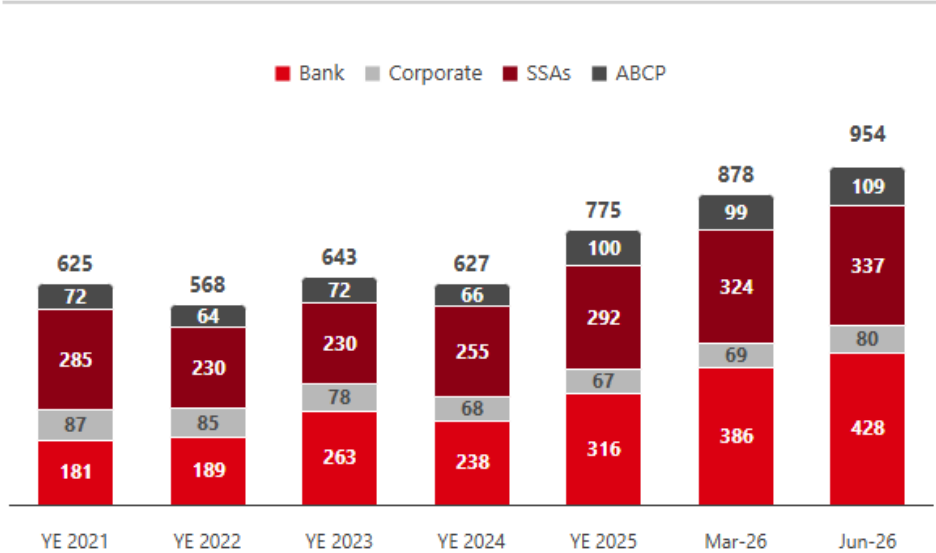
Normalised to a 1-day turn equivalent



- ESTR – SOFR, SONIA-SOFR basis swap and Year-End basis turns confirm this competition story; current level is not indicative of any stress.

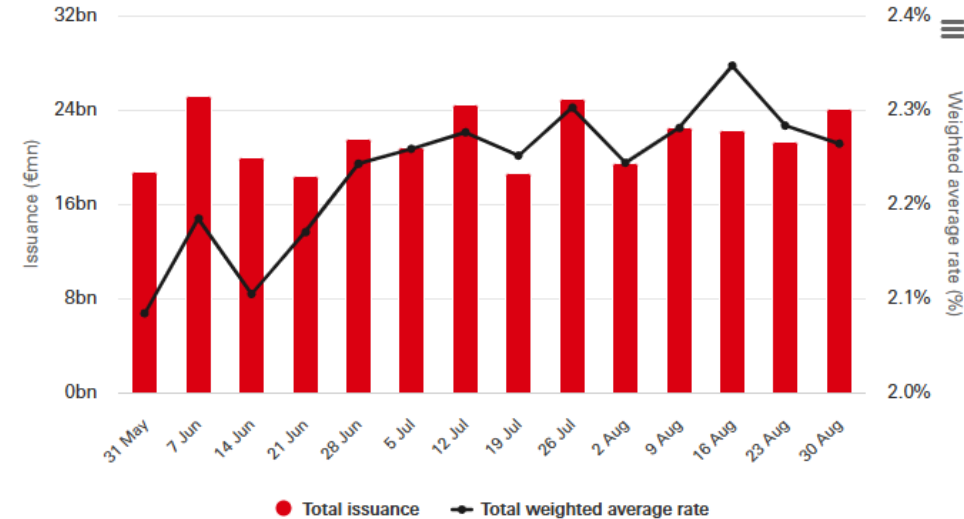
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ECP OUTSTANDINGS BY ISSUER TYPE (\$BN)

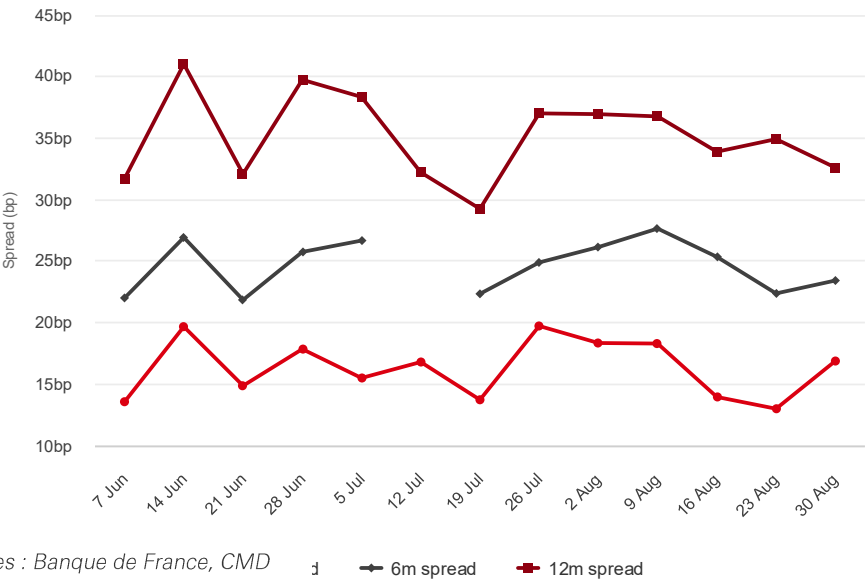


Weekly total issuance vs total weighted average rate

Volume resilience and aggregate pricing evolution

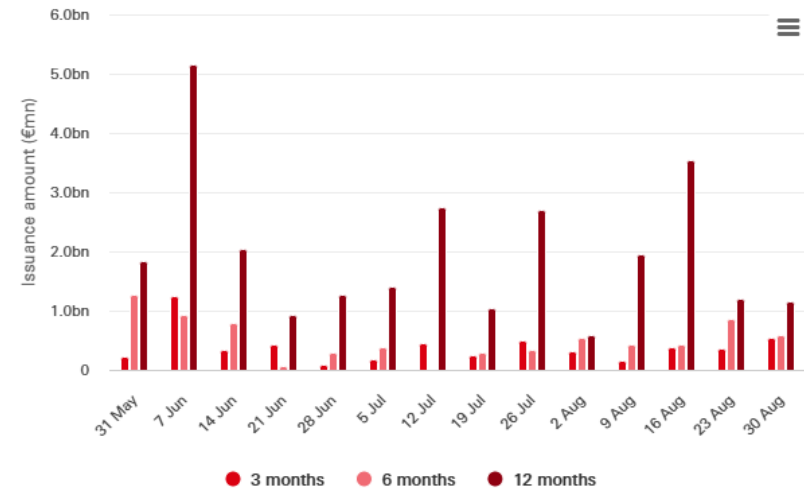


NeuCP Issuance Spread over €STR per tenor



Issuance amounts at 3m, 6m and 12m

Longer-dated supply contribution through the quarter



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Sources : Banque de France, CMD

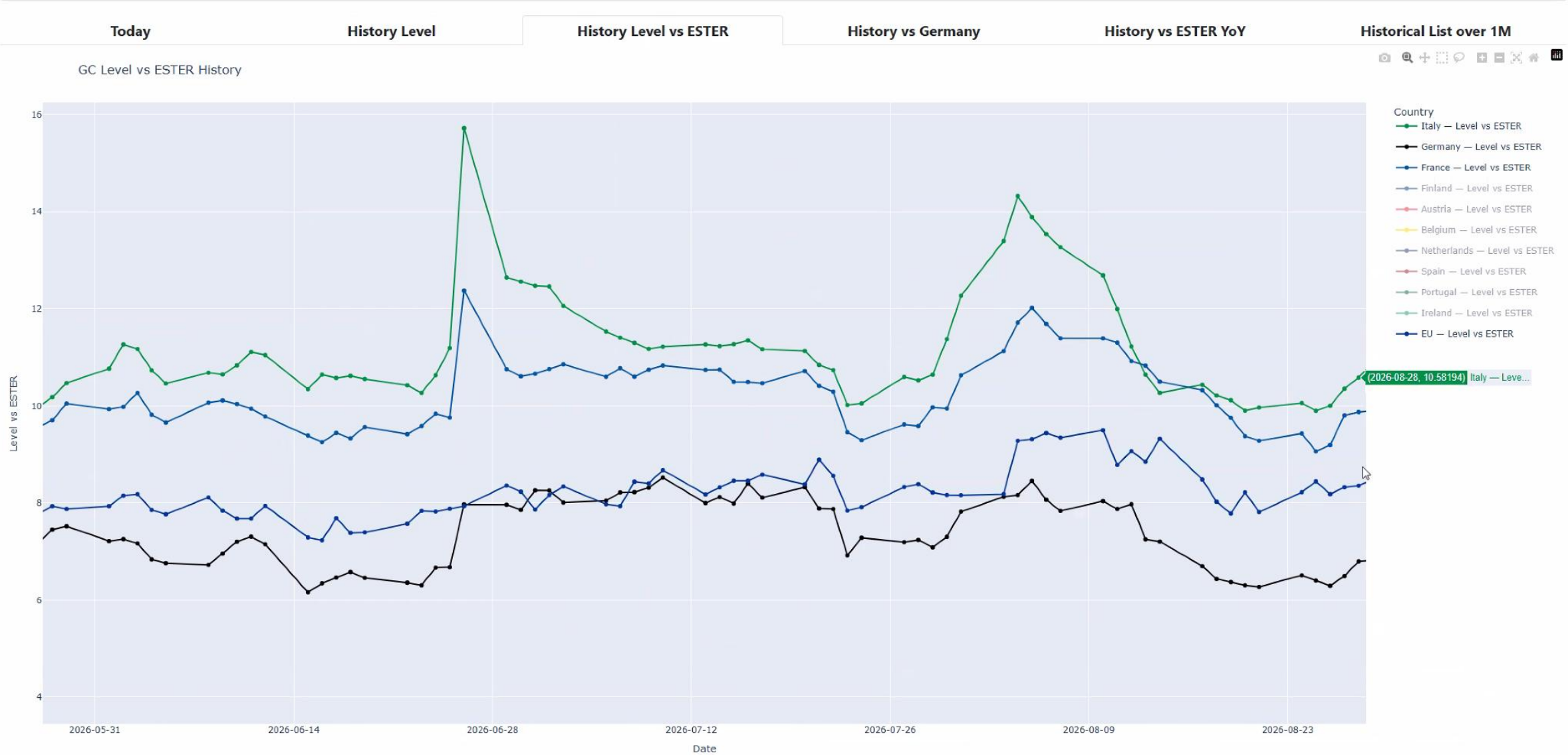
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6m spread

12m spread

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Repo – Eur GC



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