

Main Developments in Money Markets

USD --- Funding, Interest Rate and FX & XCCY Markets

ECB MMCG – June 12, 2025
Juergen Sklarczyk

USD Markets

Interest Rates and Interest Rate Basis

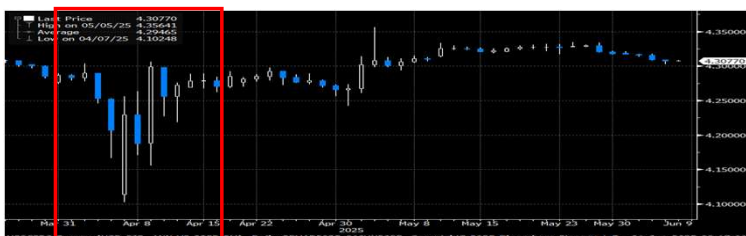


FED Funds Implied Rate
(Mar 11, 2025 to Jun 5, 2025)

FED Meeting dates	2025-03-11	2025-03-13	2025-03-31	2025-04-02	2025-04-03	2025-04-04	2025-04-07	2025-04-10	2025-05-08	2025-06-05
03/19/2025	4.323	4.323								
05/07/2025	4.219	4.239	4.282	4.282	4.246	4.205	4.217	4.241		
06/18/2025	4.047	4.070	4.124	4.148	4.061	3.978	3.989	4.063	4.282	4.320
07/30/2025	3.928	3.968	3.963	3.985	3.865	3.750	3.778	3.860	4.148	4.253
09/17/2025	3.764	3.799	3.797	3.809	3.662	3.569	3.610	3.692	3.968	4.089
10/29/2025	3.678	3.713	3.698	3.700	3.530	3.450	3.503	3.590	3.813	3.943
12/10/2025	3.577	3.606	3.570	3.559	3.370	3.307	3.375	3.450	3.641	3.767
01/28/2026	3.545	3.573	3.518	3.500	3.288	3.230	3.315	3.405	3.543	3.663
03/18/2026	3.488	3.519	3.443	3.414	3.192	3.144	3.236	3.339	3.424	3.531
04/29/2026	3.470	3.495	3.410	3.373	3.140	3.085	3.190	3.318	3.368	3.460
06/17/2026	3.379	3.427	3.365	3.324	3.091	3.041	3.143	3.311	3.291	3.357
07/29/2026	3.370	3.413	3.348	3.293	3.048	3.000	3.113	3.240	3.248	3.302
09/16/2026	3.461	3.491	3.395	3.403	3.064	3.059	3.074	3.244	3.266	3.252
10/28/2026	3.445	3.480	3.395	3.380	3.135	3.055	3.105	3.260	3.243	3.220
12/09/2026	3.263	3.294	3.227	3.184	2.963	2.945	2.970	3.137	3.202	3.192
01/27/2027	3.320	3.355	3.270	3.255	3.010	2.930	2.980	3.150	3.250	3.175

Source: Bloomberg LLP; WIRP (based on Fed Funds Futures)

3M SOFR swaps --- Intra-Day
(Mar 25, 2025 to Jun 5, 2025)



Source: Bloomberg LLP

2Y SOFR swaps --- Intra-Day
(Mar 25, 2025 to Jun 5, 2025)



Source: Bloomberg LLP

10Y SOFR swaps --- Intra-Day
(Mar 25, 2025 to Jun 5, 2025)



Source: Bloomberg LLP

A few key events and topics affecting the (USD) markets:

- 'Liberation Day'
- Ongoing tariff-related discussions & (changing) decisions
- USD as a 'safe haven'
- U.S. Tax bill
- U.S. Debt ceiling
- Fiscal policies and spending
- Wars

- Renewed geopolitical tensions, tariffs affecting global trade, and fiscal policies have significantly **increased uncertainties** for the global markets, in general, and the USD markets, in particular
- As a consequence volatility in the interest rate markets has further increased, not only day-over-day but also intra-day, especially in early April 2025, e.g.
 - Fed Funds implied pricing
 - SOFR swaps (eod and intra-day pricing)

SOFR swaps
(Feb 1, 2025 to Jun 5, 2025)



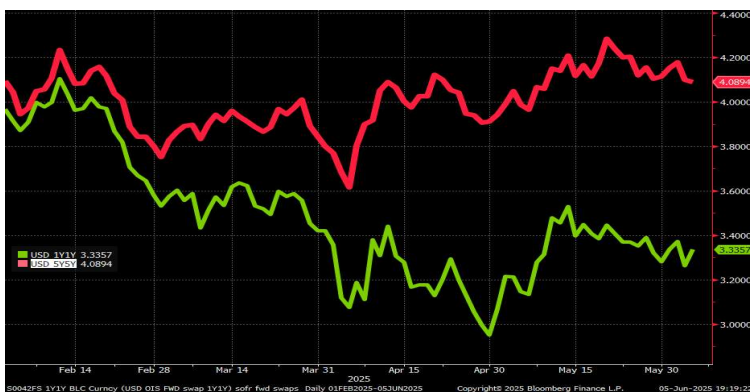
Source: Bloomberg LLP

USD Markets

Interest Rates and Interest Rate Basis

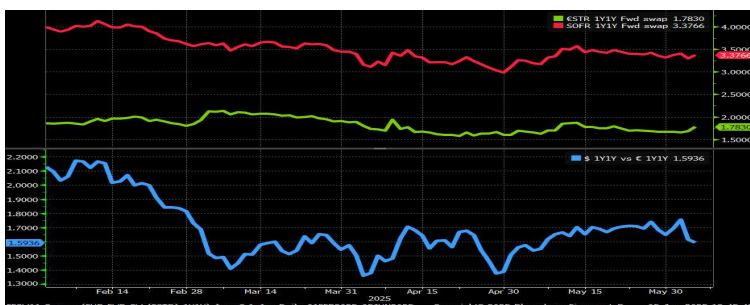


SOFR Fwd swaps
(Feb 2, 2025 to Jun 5, 2025)



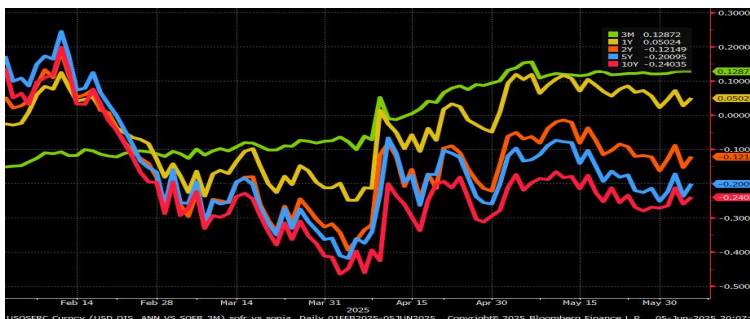
Source: Bloomberg LLP

1Y SOFR Fwd vs €STR Fwd swaps
(Feb 2, 2025 to Jun 5, 2025)



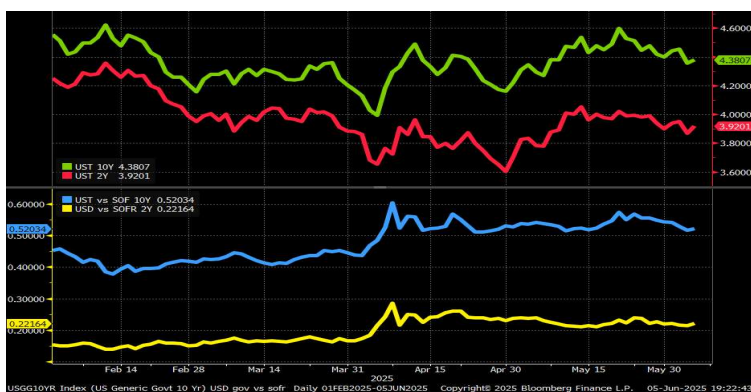
Source: Bloomberg LLP

SOFR swaps vs SONIA swaps
(Jan 1, 2025 to Jun 5, 2025)



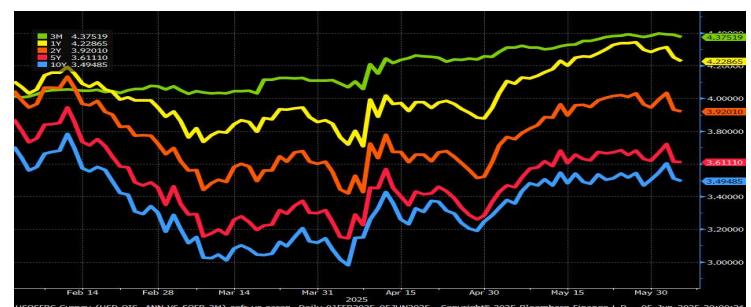
Source: Bloomberg LLP

US Treasuries vs SOFR swaps
(Feb 2, 2025 to Jun 5, 2025)



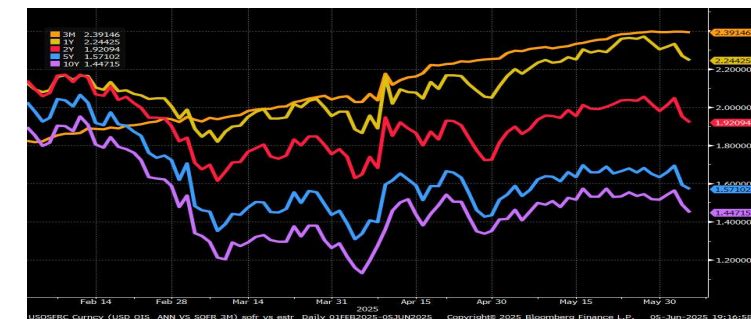
Source: Bloomberg LLP

SOFR swaps vs SARON swaps
(Jan 1, 2025 to Jun 5, 2025)



Source: Bloomberg LLP

SOFR swaps vs €STR swaps
(Jan 1, 2025 to Jun 5, 2025)



Source: Bloomberg LLP

Similar volatility has been experienced in

- Forward SOFR swaps
- Asset swaps (US Treasuries vs SOFR swaps)
- SOFR swaps vs other currency RFR swaps, e.g. EUR, GBP, CHF

Some of key drivers have been

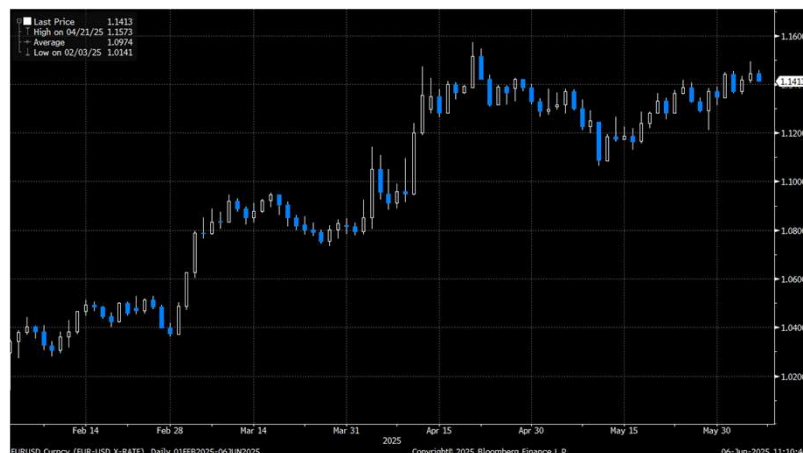
- Slowing of foreign capital inflows into the U.S.
- Active divestments from U.S. bond and equity assets into the Eurozone and other regions
- Concerns around inflation in the U.S. and the U.S. economy and its growth outlook
- Increased frequencies between risk-on and risk-off mode by market participants
- U.S. debt ceiling discussions and the expected 'X date' by which the U.S. Treasury cash balance is to get close to zero

USD Markets

FX & XCCY Basis Swaps



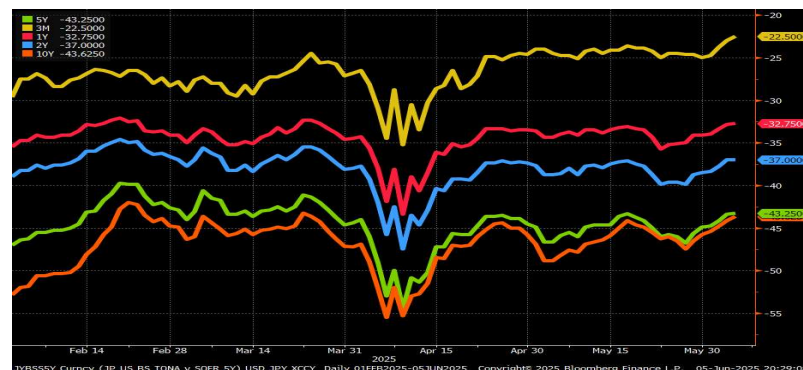
EUR/USD FX Spot
(Feb 2, 2025 to Jun 5, 2025)



Source: Bloomberg LLP

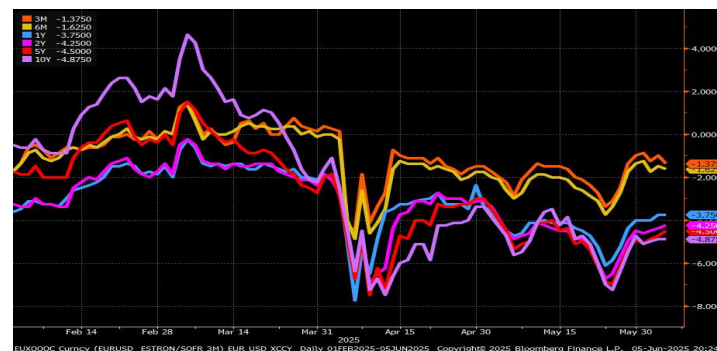
- €/ \$ FX Spot has been significantly affected by the uncertainties and geopolitical tensions since the beginning of February 2025
- We saw a move from \$1.02 levels to a \$1.14 – \$1.15 range in a fairly short period of time
- It looks like that the FX market has found a level from which it needs to assess the next moves (higher or lower)

USD/JPY XCCY
(Feb 2, 2025 to Jun 5, 2025)



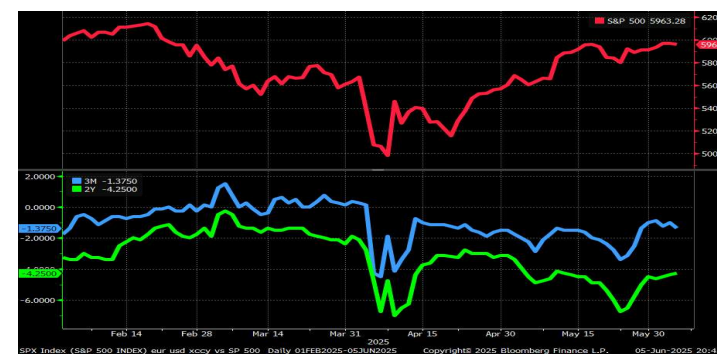
Source: Bloomberg LLP

EUR/USD XCCY Basis swaps
(Feb 2, 2025 to Jun 5, 2025)



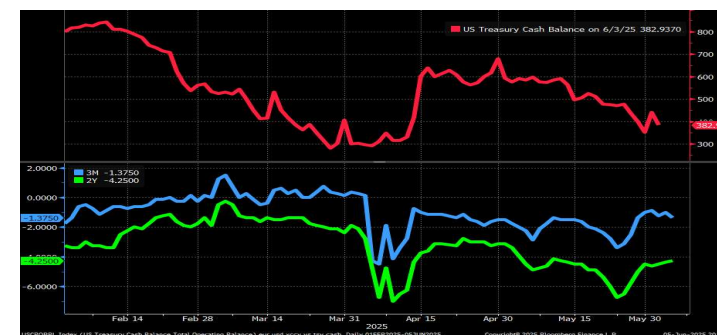
Source: Bloomberg LLP

EUR/USD XCCY vs S&P 500
(Feb 2, 2025 to Jun 5, 2025)



Source: Bloomberg LLP

EUR/USD XCCY vs US Treasury operating cash balance
(Feb 2, 2025 to Jun 5, 2025)



Source: Bloomberg LLP

- EUR/USD XCCY basis spreads have also experienced a bit of volatility due to the events unfolding over the last several months however: within a comparatively tight range
- Spreads have typically been driven by the short end of the curve, both spot and forward
- Shape of the basis spread curve has been somewhat limited, i.e. within a fairly tight range up to 10Y
- XCCY spreads continue to be driven by Issuance flows as well as whether the market is risk-on or risk-off
- Other indicators could be the S&P 500 as well as U.S. Treasury operating cash balance both seem to have a decent correlation

USD Markets

USD Funding --- Unsecured and Secured



Trade Volumes & U.S. Treasury Operating Cash balance
(Feb 2, 2025 to Jun 5, 2025)



Source: Bloomberg LLP

Effects on USD Funding Markets (around 'Liberation Day' and thereafter)

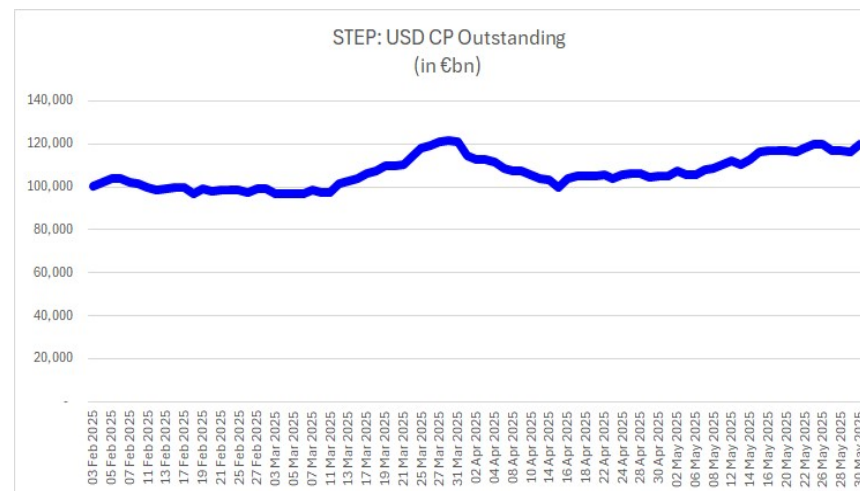
- Liquidity in the \$ unsecured WSF markets in Europe initially reduced early April whereby short end remained liquid and flows were traded while the liquidity in tenors from 6M and out somewhat decreased
 - Outstanding in STEP USD CP initially moved lower by about €20bn but recovered to the \$120bn level again
- Investors initially looked for higher yields especially for term but credit spreads in the WSF \$ funding markets have also moved lower since their peaks
- In the U.S., unsecured volumes in key benchmarks (Fed Funds, OBFR) as well as in USD CP outstandings have not only been fairly stable but have increased since early April 2025
 - We saw a relatively small reduction in CP outstanding for Foreign Financials right after April 3, 2025 but the amounts recovered nicely since then
 - Overall USD excess liquidity remained at a comparatively comfortable level

FED NY: USD CP Outstandings in the U.S.
(Jan 1, 2025 to Jun 4, 2025)

Time Period	Commercial Paper Outstanding	Asset-backed Commercial Paper Outstanding	Financial Commercial Paper Outstanding	Domestic Financial Commercial Paper Outstanding	Foreign Financial Commercial Paper Outstanding	Nonfinancial Commercial Paper Outstanding	Other Commercial Paper Outstanding
2025-01-01	1,087,894	342,007	502,106	185,752	316,354	241,784	1,997
2025-01-08	1,147,189	345,577	543,797	216,699	327,099	255,924	1,892
2025-01-15	1,145,216	346,786	556,770	224,711	332,059	239,901	1,760
2025-01-22	1,156,896	350,581	568,751	228,525	342,225	235,871	1,693
2025-01-29	1,210,532	353,106	612,202	261,496	350,706	243,508	1,715
2025-02-05	1,219,535	354,787	598,545	237,766	360,779	264,615	1,589
2025-02-12	1,258,809	359,167	620,001	241,758	378,243	278,019	1,623
2025-02-19	1,281,303	362,532	626,592	242,077	384,515	290,643	1,536
2025-02-26	1,306,872	367,237	636,757	245,720	391,038	301,653	1,224
2025-03-05	1,321,429	369,554	639,402	244,956	394,446	311,156	1,317
2025-03-12	1,359,591	373,287	658,100	251,196	406,903	327,019	1,184
2025-03-19	1,384,713	375,044	672,178	259,279	412,898	336,254	1,237
2025-03-26	1,391,922	375,048	680,547	267,652	412,895	335,061	1,266
2025-04-02	1,394,773	377,106	694,522	282,427	412,095	321,785	1,359
2025-04-09	1,381,866	375,753	677,250	278,539	398,711	327,676	1,186
2025-04-16	1,393,529	377,346	678,698	287,116	391,582	336,300	1,186
2025-04-23	1,401,016	382,424	679,904	289,991	389,913	337,598	1,090
2025-04-30	1,403,255	384,223	682,694	288,709	393,984	335,338	1,000
2025-05-07	1,402,669	387,591	683,714	289,458	394,256	330,414	951
2025-05-14	1,419,281	387,215	703,029	295,106	407,922	328,002	1,035
2025-05-21	1,442,889	390,830	711,179	299,874	411,305	340,064	816
2025-05-28	1,449,246	389,639	721,724	302,866	418,858	337,143	740
2025-06-04	1,469,934	390,595	729,623	307,390	422,233	349,020	696

Source: <https://www.federalreserve.gov/releases/CP/outstanding.htm>, seasonally adjusted

STEP: USD CP outstanding
(Feb 3, 2025 to Jun 5, 2025)



Source: ECB STEP website

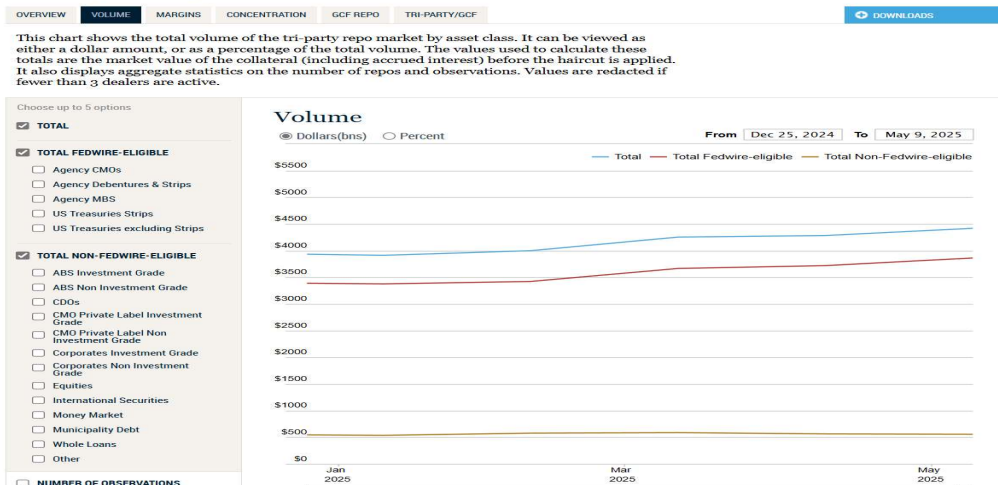
USD Markets

USD Funding --- Unsecured and Secured



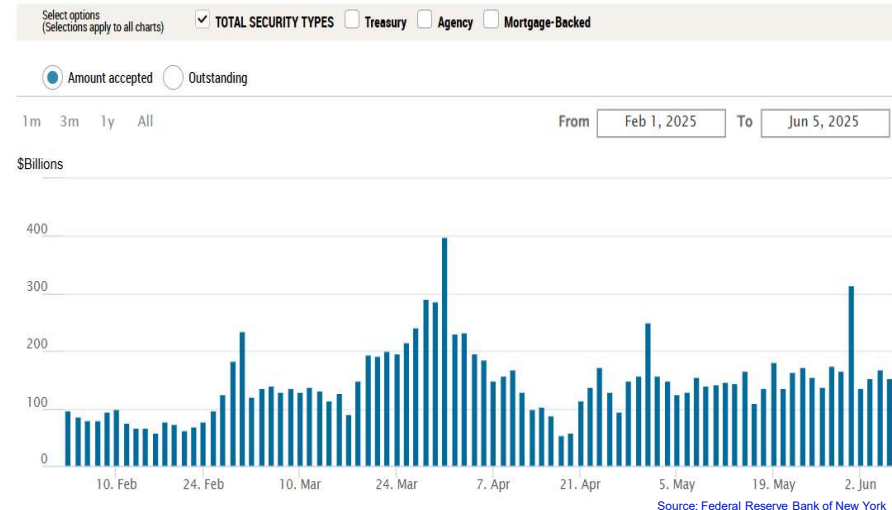
Tri-Party / GCF Repo Volumes (Dec 25, 2024 to May 9, 2025)

Tri-Party/GCF Repo

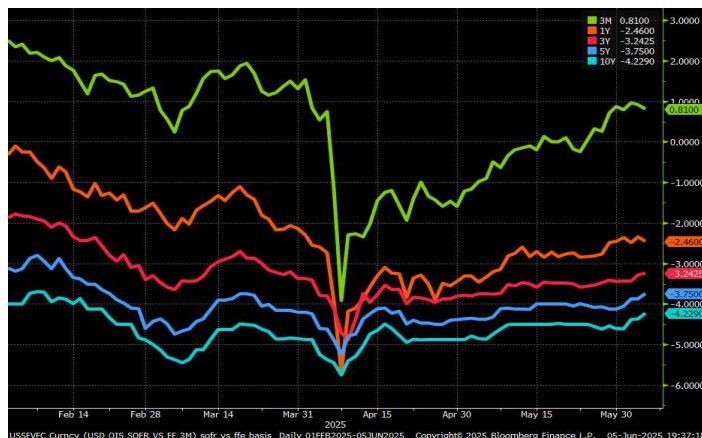


RRP Balances (Feb 1, 2025 to Jun 5, 2025)

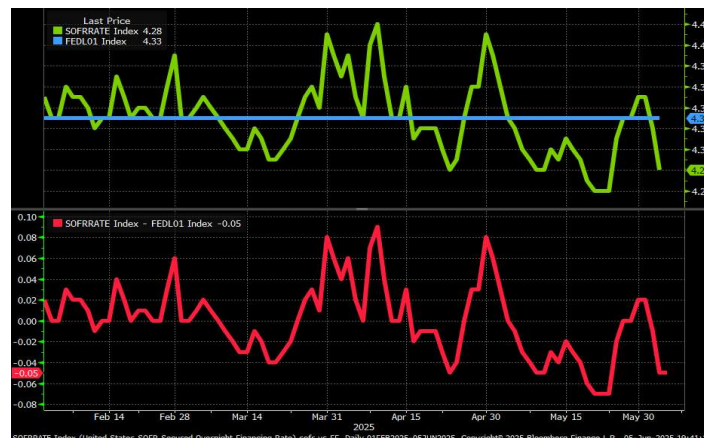
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SOFR vs Fed Funds Term Basis (Feb 2, 2025 to Jun 5, 2025)



SOFR vs Fed Funds (ON fixings) (Feb 2, 2025 to Jun 5, 2025)



- For the secured USD market in the U.S., SOFR and Trip-Party GCF volumes have also been fairly stable
- RRP balances also remained on relatively low levels (especially when compared to a few years ago)
- The SOFR vs Fed Funds basis spreads have shown some volatility in a tight trading range but it has not been unique to the days around the 'Liberation Day'

USD Markets

FED USD Swap Lines and Balance Sheet



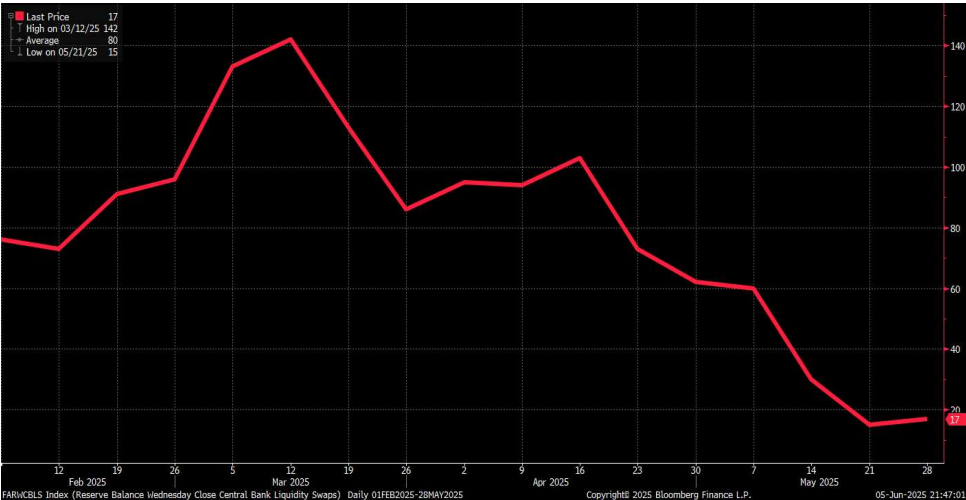
FED USD Swap lines (Feb 5, 2025 to Jun 5, 2025)

Counterparty	CCY	Trade Date	Settlement Date	Maturity Date	Term (days)	Amount (\$)	Interest Rate
Bank of England	USD	2025-02-05	06/02/2025	13/02/2025	7	5,000,000	4.58
European Central Bank	USD	2025-02-05	06/02/2025	13/02/2025	7	64,800,000	4.58
Bank of Japan	USD	2025-02-04	06/02/2025	14/02/2025	8	3,000,000	4.58
Bank of Japan	USD	2025-02-12	14/02/2025	20/02/2025	6	5,000,000	4.58
European Central Bank	USD	2025-02-12	13/02/2025	20/02/2025	7	85,600,000	4.58
Bank of England	USD	2025-02-19	20/02/2025	27/02/2025	7	10,000,000	4.58
European Central Bank	USD	2025-02-19	20/02/2025	27/02/2025	7	84,400,000	4.58
Bank of Japan	USD	2025-02-18	20/02/2025	27/02/2025	7	2,000,000	4.58
European Central Bank	USD	2025-02-26	27/02/2025	06/03/2025	7	133,000,000	4.58
European Central Bank	USD	2025-03-05	06/03/2025	13/03/2025	7	140,400,000	4.58
Bank of Japan	USD	2025-03-04	06/03/2025	13/03/2025	7	2,000,000	4.58
European Central Bank	USD	2025-03-12	13/03/2025	20/03/2025	7	110,500,000	4.58
Bank of Japan	USD	2025-03-11	13/03/2025	21/03/2025	8	2,000,000	4.58
European Central Bank	USD	2025-03-19	20/03/2025	27/03/2025	7	85,900,000	4.58
European Central Bank	USD	2025-03-26	27/03/2025	03/04/2025	7	94,800,000	4.58
European Central Bank	USD	2025-04-02	03/04/2025	10/04/2025	7	93,900,000	4.58
Bank of England	USD	2025-04-09	10/04/2025	17/04/2025	7	5,000,000	4.53
European Central Bank	USD	2025-04-09	10/04/2025	17/04/2025	7	97,900,000	4.53
European Central Bank	USD	2025-04-16	17/04/2025	24/04/2025	7	73,400,000	4.58
European Central Bank	USD	2025-04-23	24/04/2025	02/05/2025	8	62,000,000	4.58
European Central Bank	USD	2025-04-30	02/05/2025	08/05/2025	6	60,000,000	4.58
European Central Bank	USD	2025-05-07	08/05/2025	15/05/2025	7	30,000,000	4.58
European Central Bank	USD	2025-05-14	15/05/2025	22/05/2025	7	15,000,000	4.58
Bank of Japan	USD	2025-05-20	22/05/2025	29/05/2025	7	1,000,000	4.58
European Central Bank	USD	2025-05-21	22/05/2025	30/05/2025	8	15,500,000	4.58
European Central Bank	USD	2025-05-28	30/05/2025	05/06/2025	6	16,000,000	4.58

Source: Federal Reserve Bank of New York

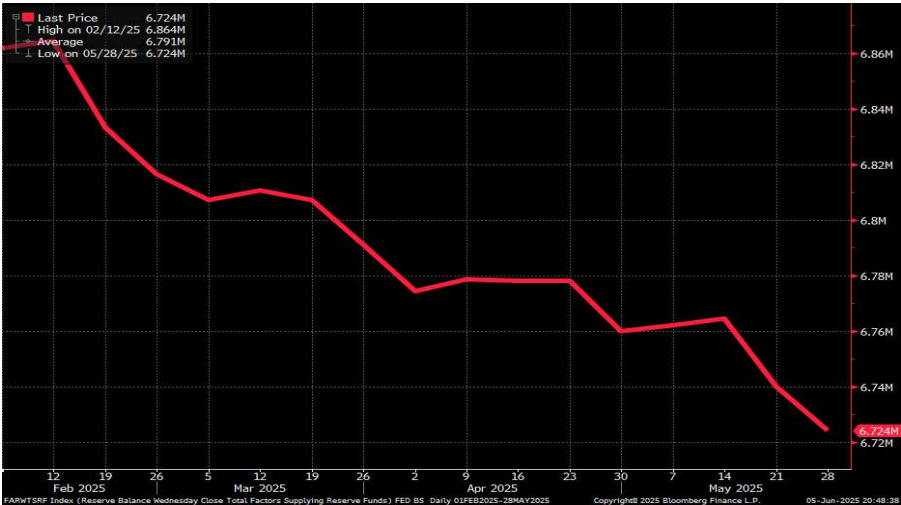
Extremely low usage of the FED USD swap lines on and after ‘Liberation Day’ indicates that there was no stress observed in the USD and other major currency funding markets

FED USD Swap lines - Usage (Feb 2, 2025 to Jun 5, 2025)



Source: Bloomberg LLP

FED Balance Sheet (Feb 2, 2025 to Jun 5, 2025)



Source: Bloomberg LLP