



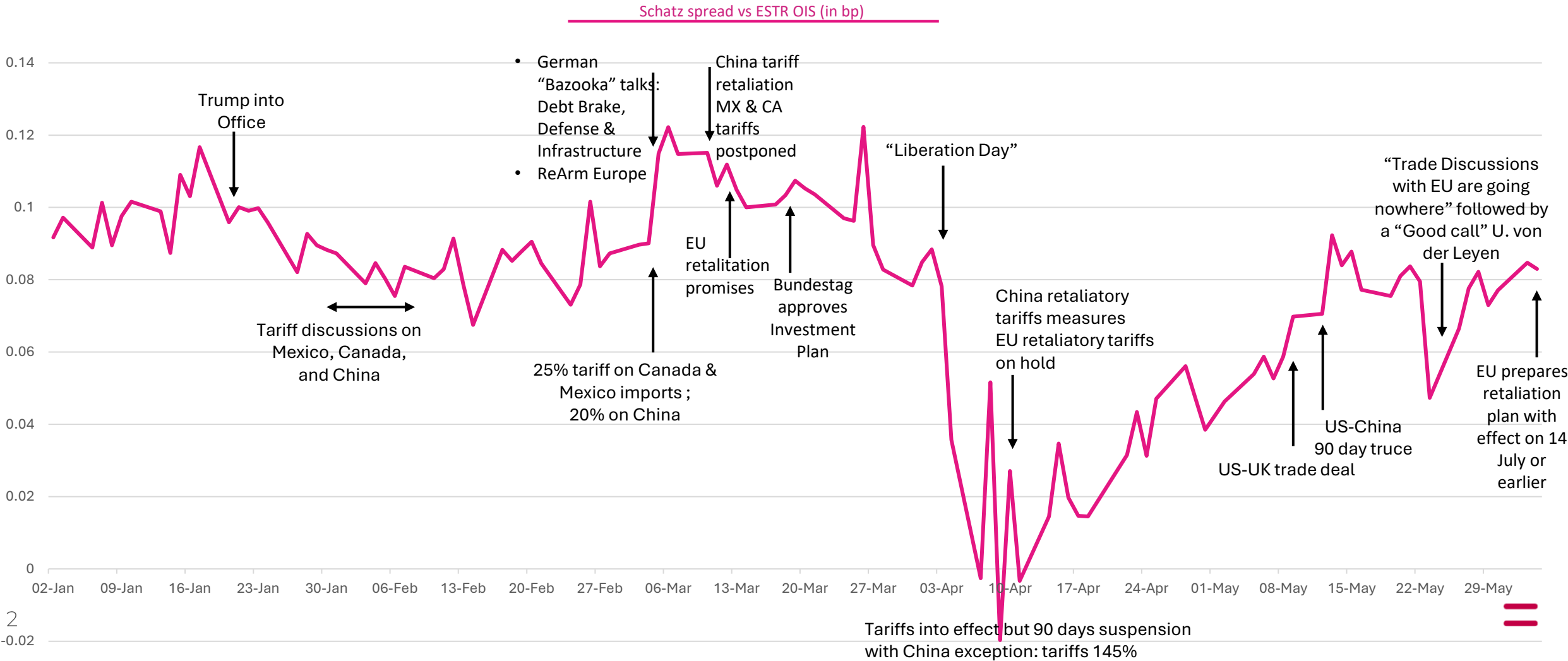
# Main Market Developments

## Money Market Contact Group

12.06.2025

# Global Snapshot

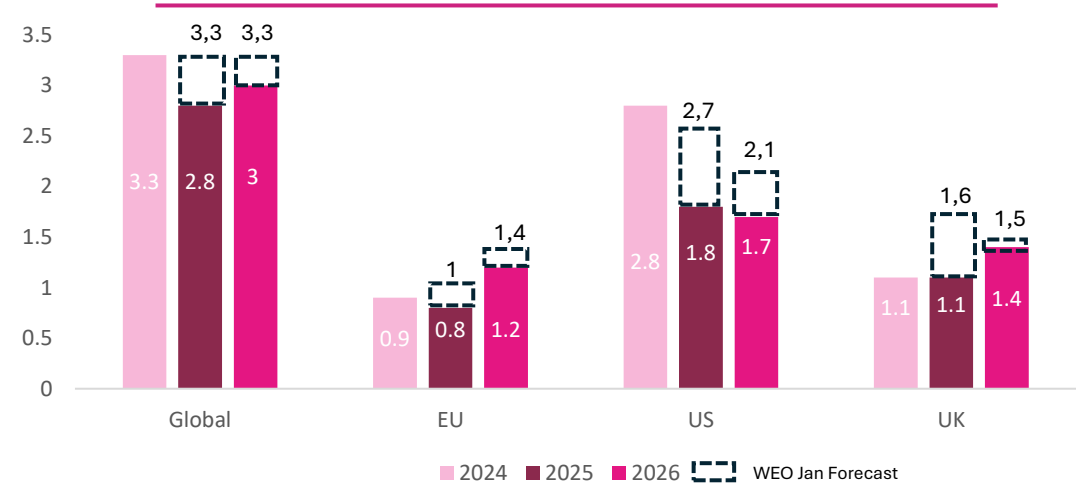
Since the start of 2025, the global economy has entered a new phase marked by fragmentation, fiscal assertiveness, and geopolitical reordering. The new U.S. Administration has reignited protectionist rhetoric and introduced fresh uncertainty into global trade and diplomacy. In Europe, Germany's bold fiscal stimulus—dubbed the “bazooka”—has signaled a shift toward more interventionist economic policy, while it has accelerated its rearmament in response to renewed geopolitical tensions and shifting NATO dynamics.



# Global Snapshot

Weighing on trade flows and economic activity, higher U.S. tariffs and persistent policy uncertainty are setting the stage for a global economic slowdown

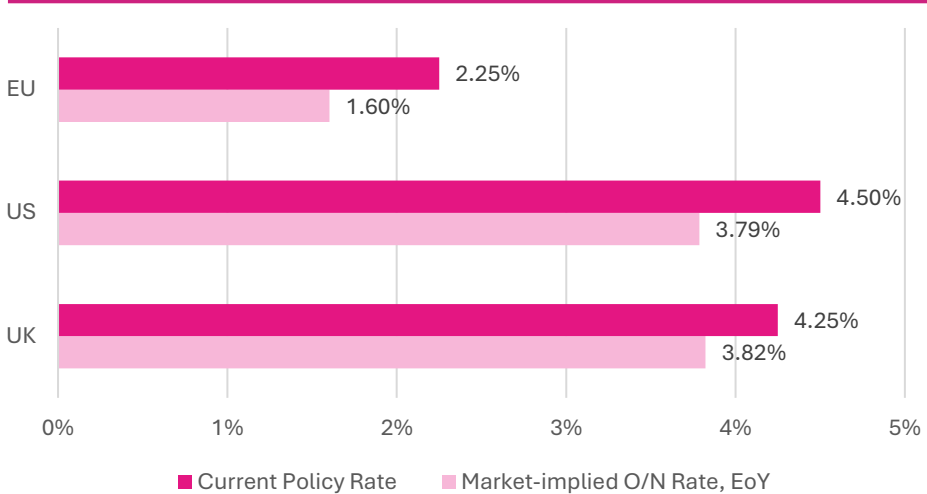
Global growth, percentage change  
Current vs January WEO Forecast



Source: IMF, World Economic Outlook (WEO), Apr 2025

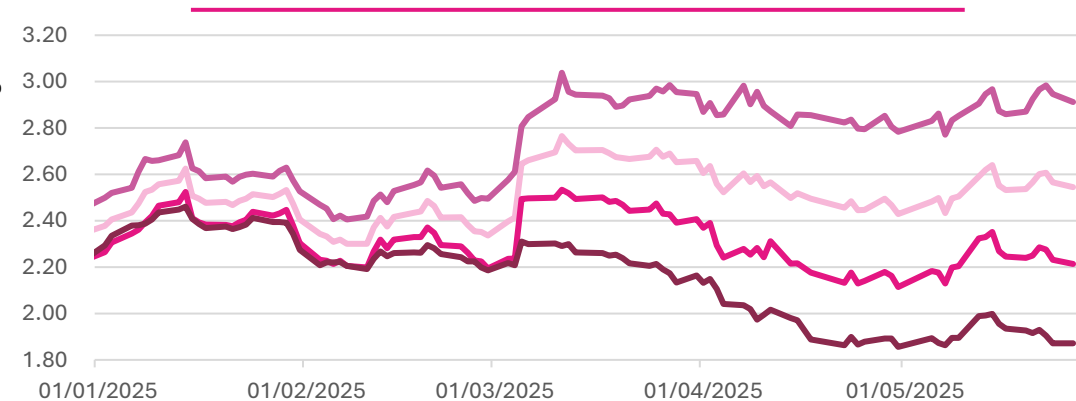
Although central banks are currently proceeding with caution in a data-dependent and wait-and-see mode, further interest rate cuts are anticipated later this year as policymakers aim to mitigate the economic impact of tariff-related disruptions

Current policy rates and market-implied rates (EoY)



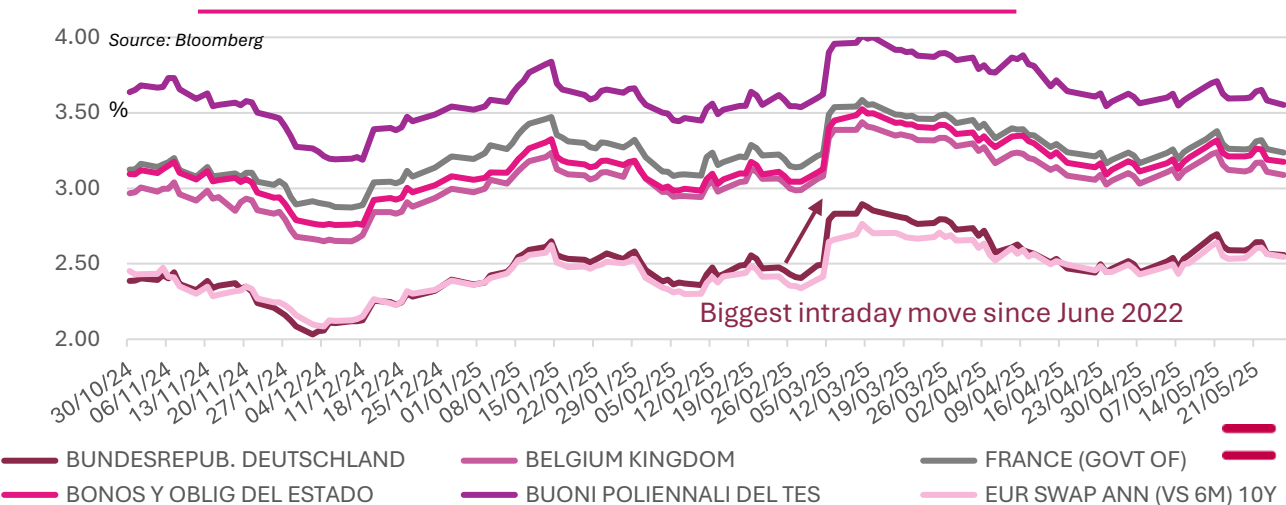
Source: Bloomberg, as of May 30, 2025

EUR Swaps



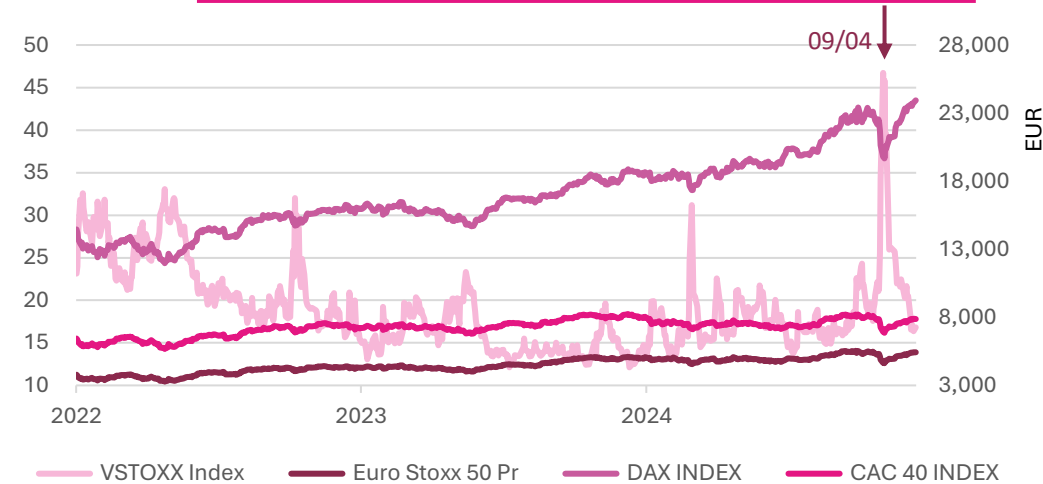
Source: Bloomberg

10-Year European Sovereign Bonds



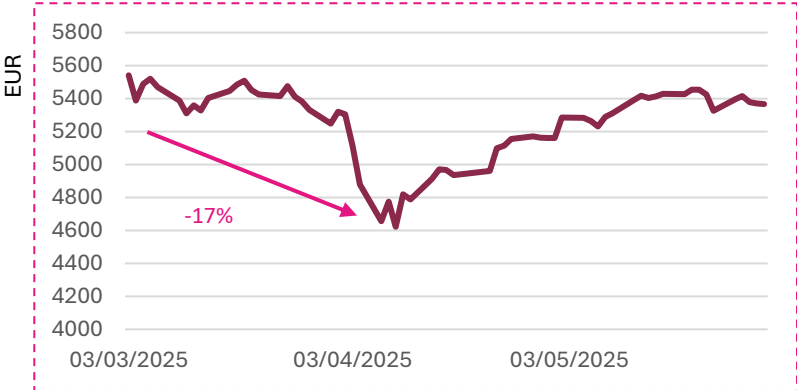
# Global Snapshot

European Equities Index and Volatility

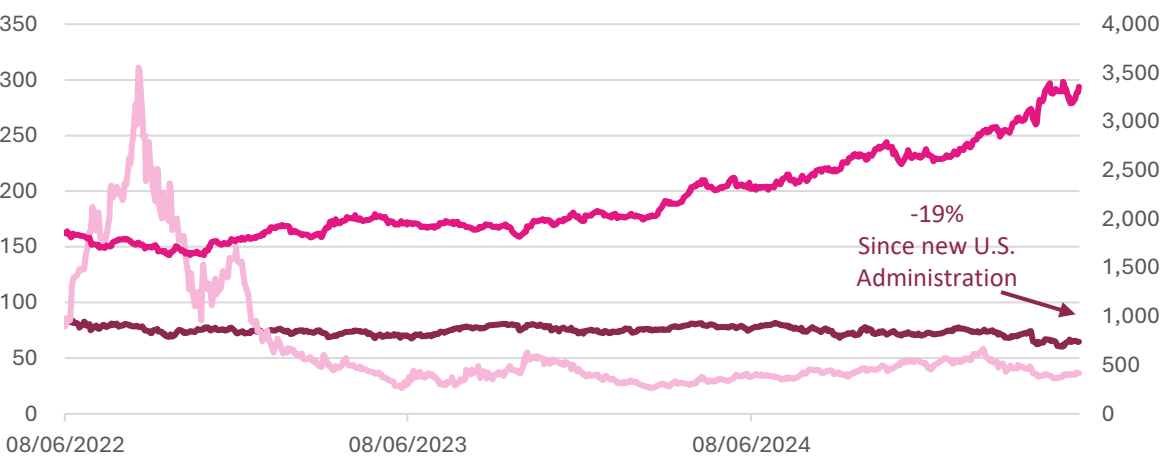


Source: Bloomberg

Zoom on Euro Stoxx 50 since March

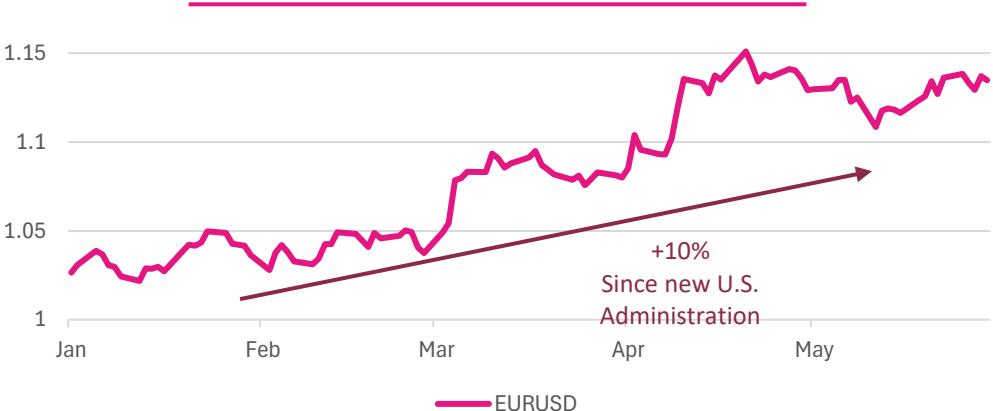


Energy and Precious Metal Commodities



Source: Bloomberg

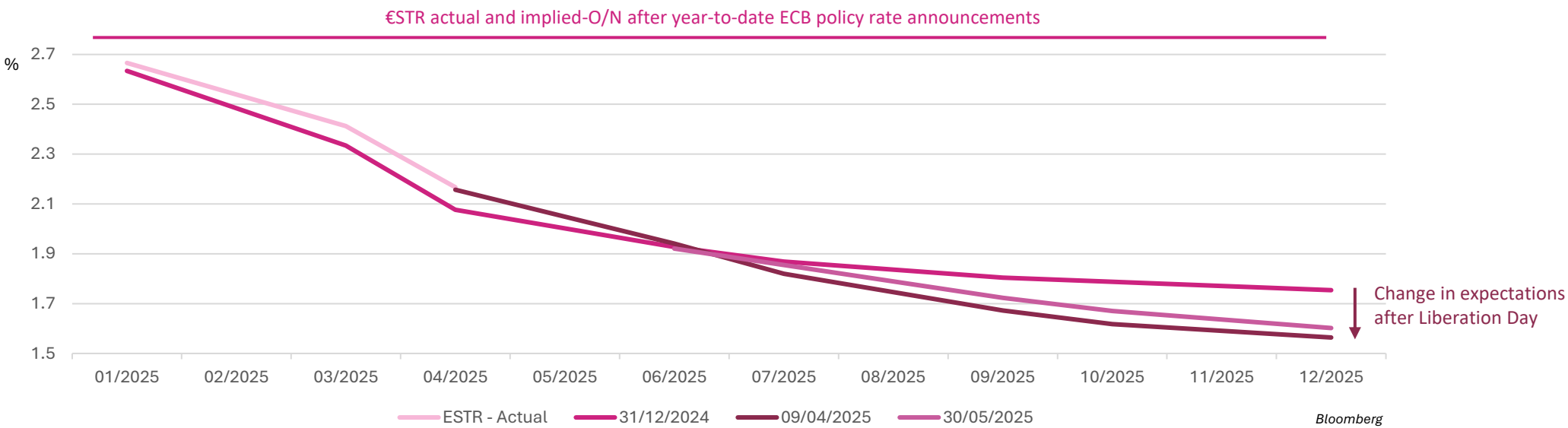
FX EURUSD



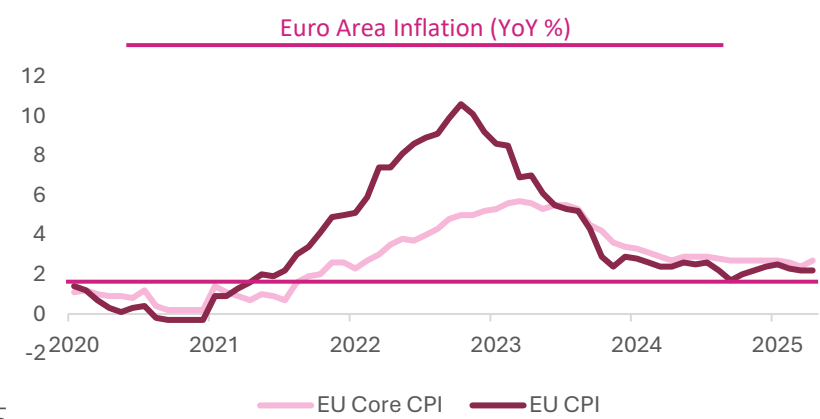
Source: Bloomberg



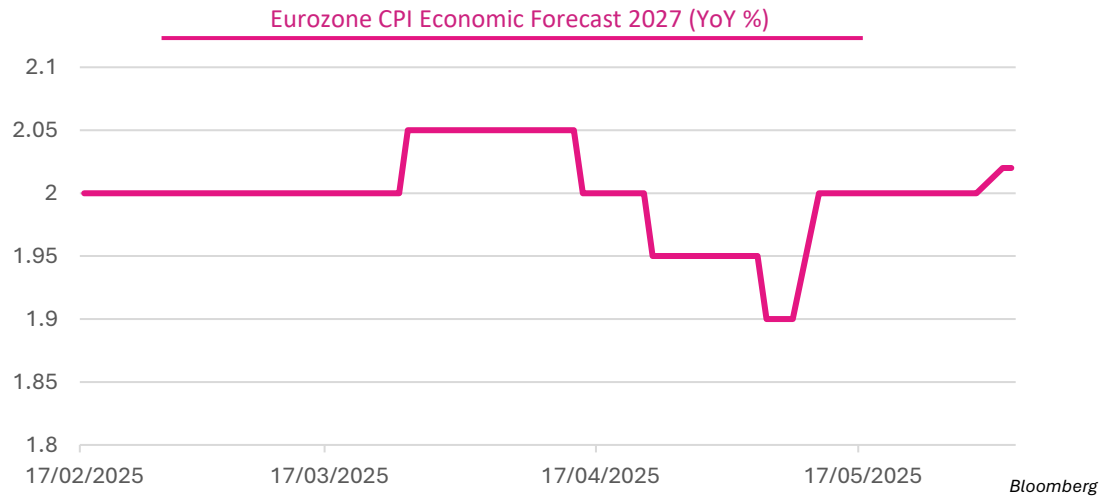
Amid escalating global trade tensions, markets significantly lowered their rate forecasts in the past 6 months



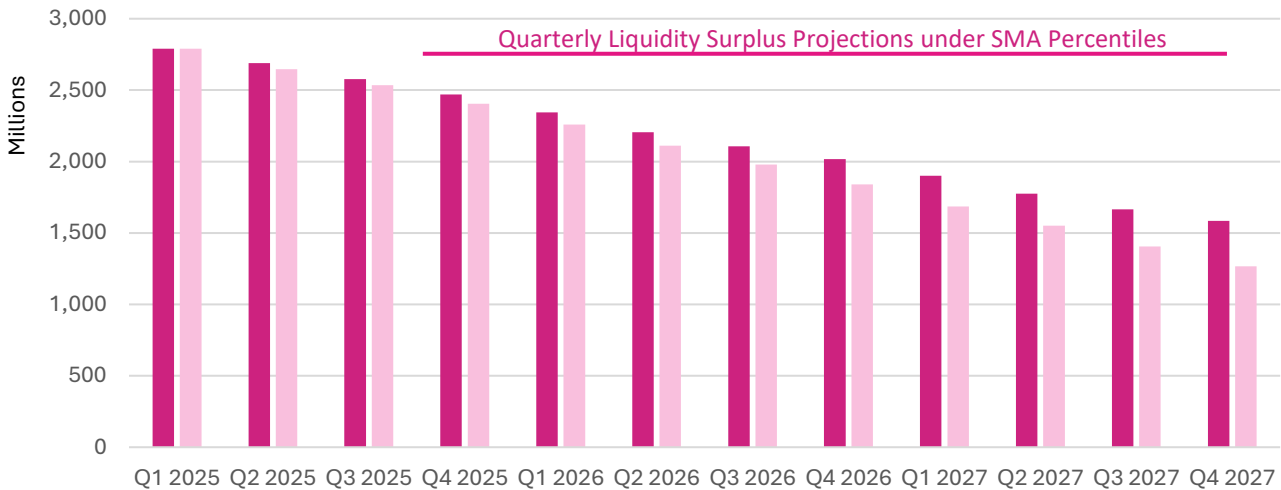
Euro area inflation is heading towards the ECB target...



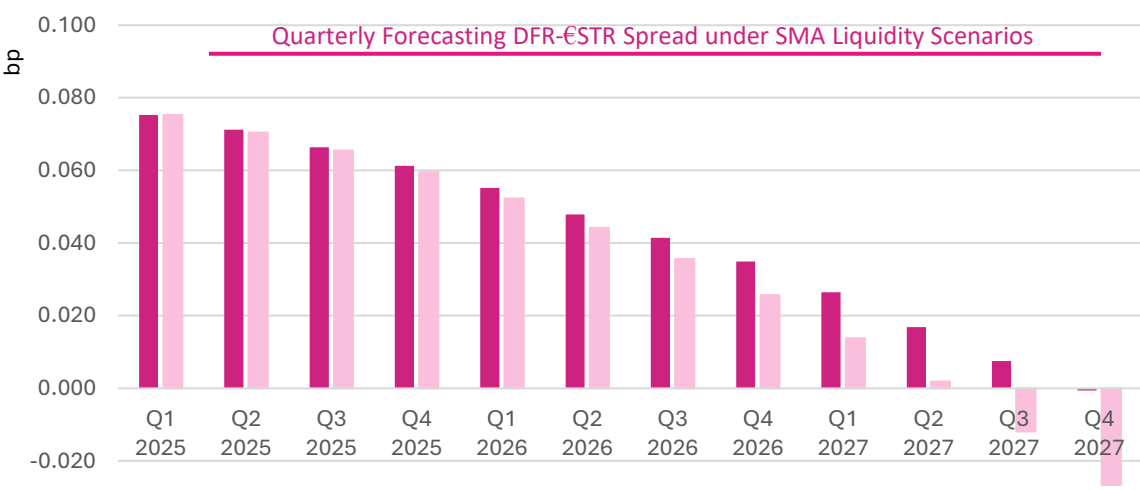
... with 2027 inflation projections confirming the path towards equilibrium at the end of the ECB projection horizon



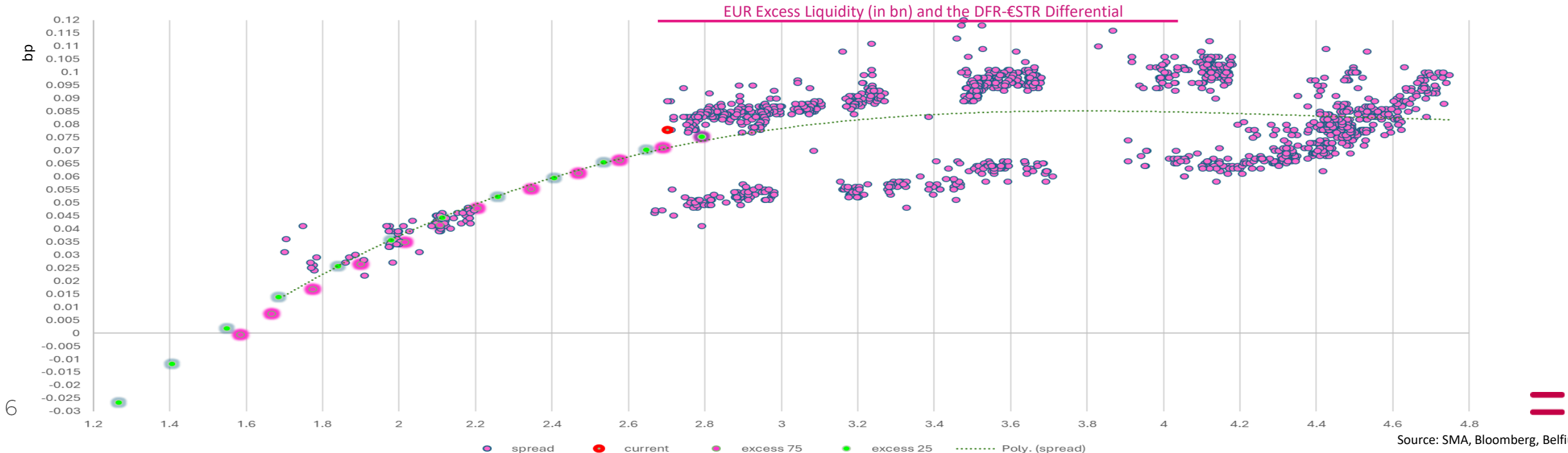
# ECB Snapshot



Source: SMA, Bloomberg, Belfius



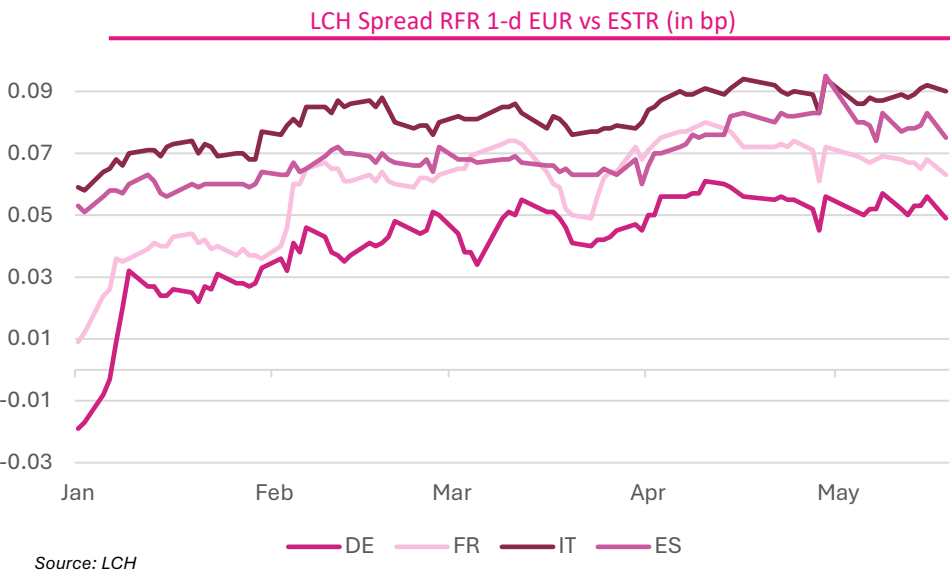
Source: SMA, Bloomberg, Belfius



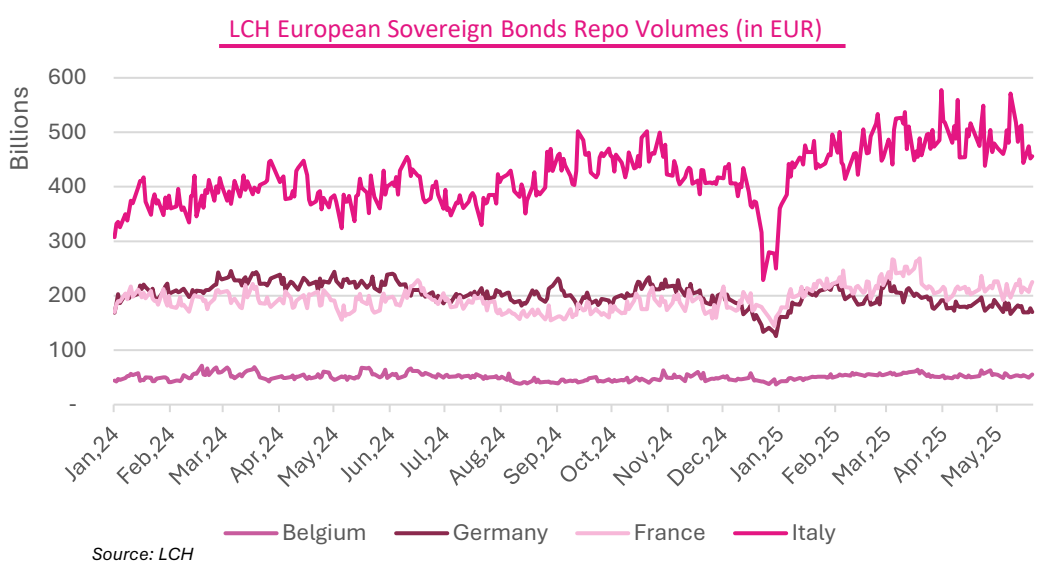
Source: SMA, Bloomberg, Belfius

# Repo Snapshot

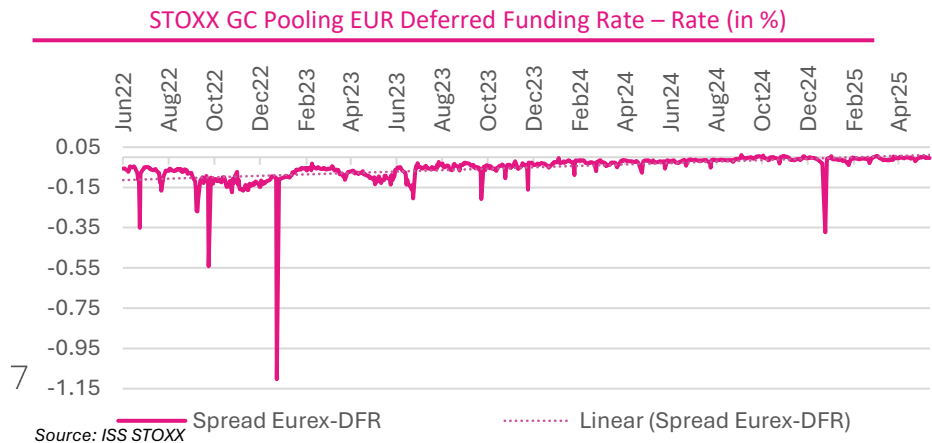
Sovereign repo rates have trended upwards toward the Deposit Facility Rate, with recent spreads ranging from ESTR+5 to +9 bps, depending on the collateral type



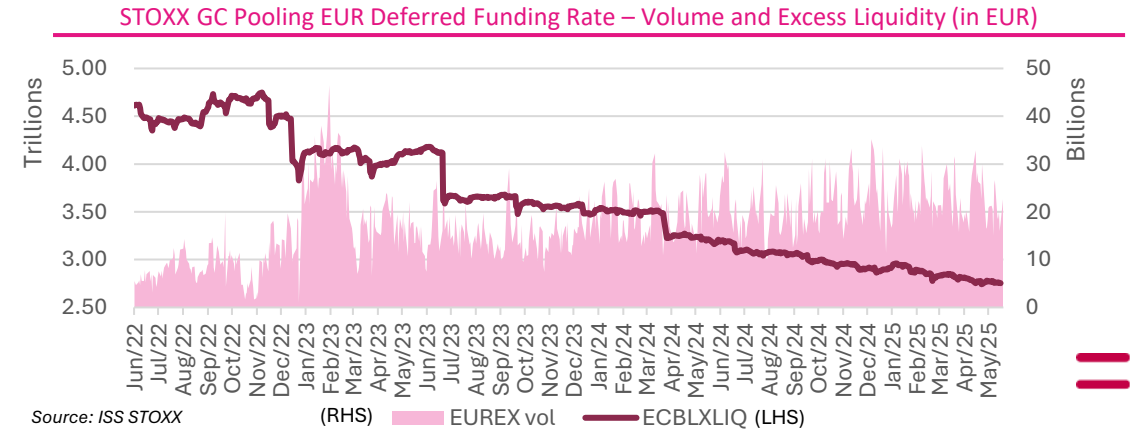
Driven by rising net government bond issuance and given the ECB balance sheet normalization, trading volumes in European sovereign bonds have risen



Similarly, Eurex GC Pooling short-term cash-driven transactions are aligning closely with the Deposit Facility Rate



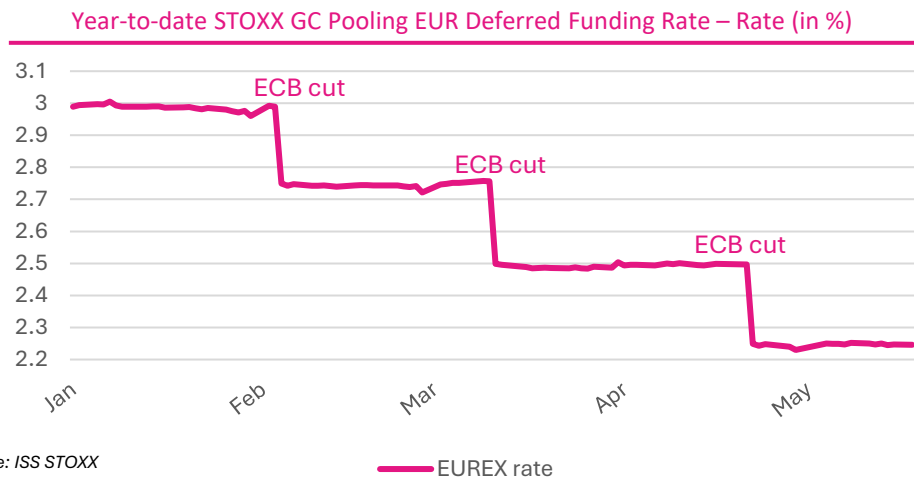
In contrast to declining Eurozone excess liquidity, cash-driven volumes in Eurex GC Pooling are on the rise



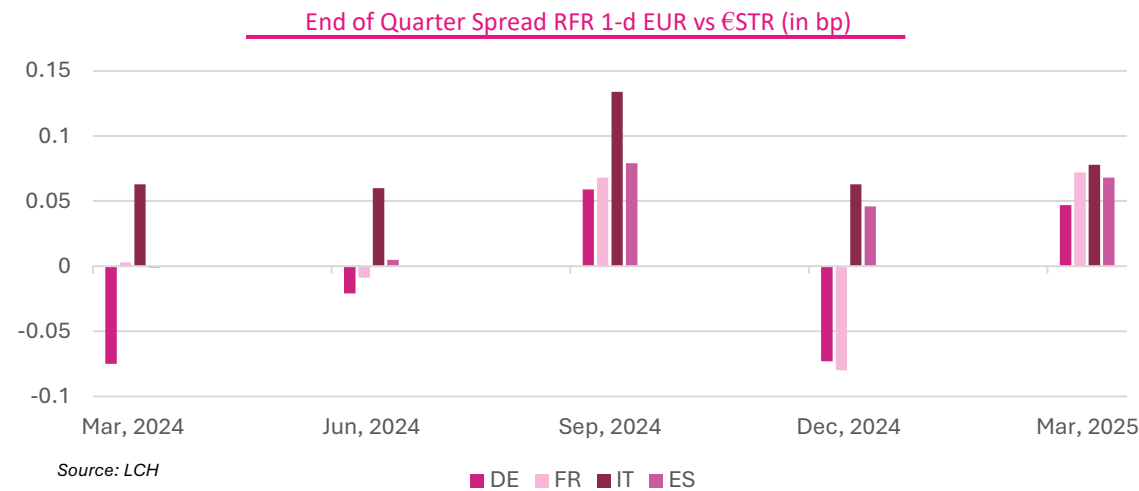
# Repo Snapshot

Despite global trade uncertainty, current increased government issuance (and expected with upcoming German stimulus package, ReArm Europe program), and ECB balance sheet normalization, the repo market remains a stable and deep source of liquidity

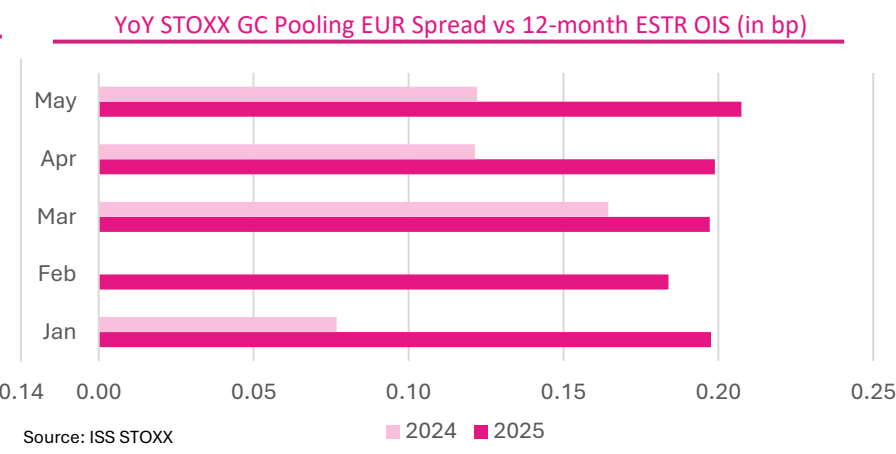
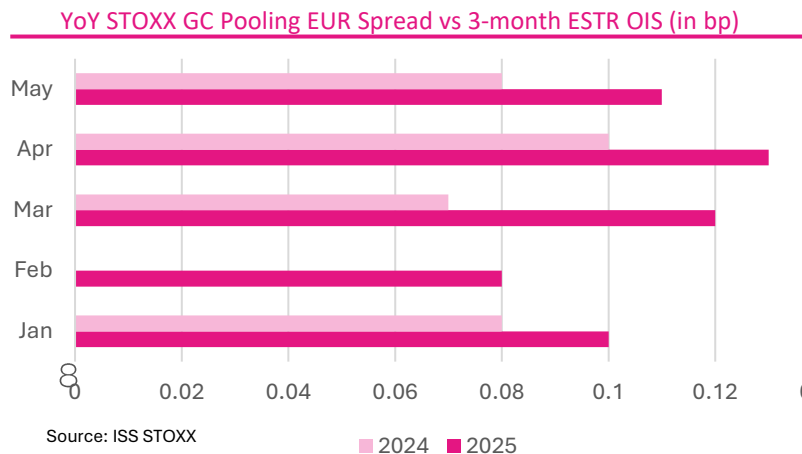
... transmitting policy rates effectively



... with end of first quarter 2025 spreads aligned with current market spreads vs €STR



... while experiencing regulatory-driven spread widening (LCR, NSFR)



... with active engagement from market participants

- NSFR 30/06 : EU Parliament ratification
- ECMS : potential repo developments
- EU basket
- ESG initiatives : Green repo basket
- New entrants

... but still with potential risks to consider

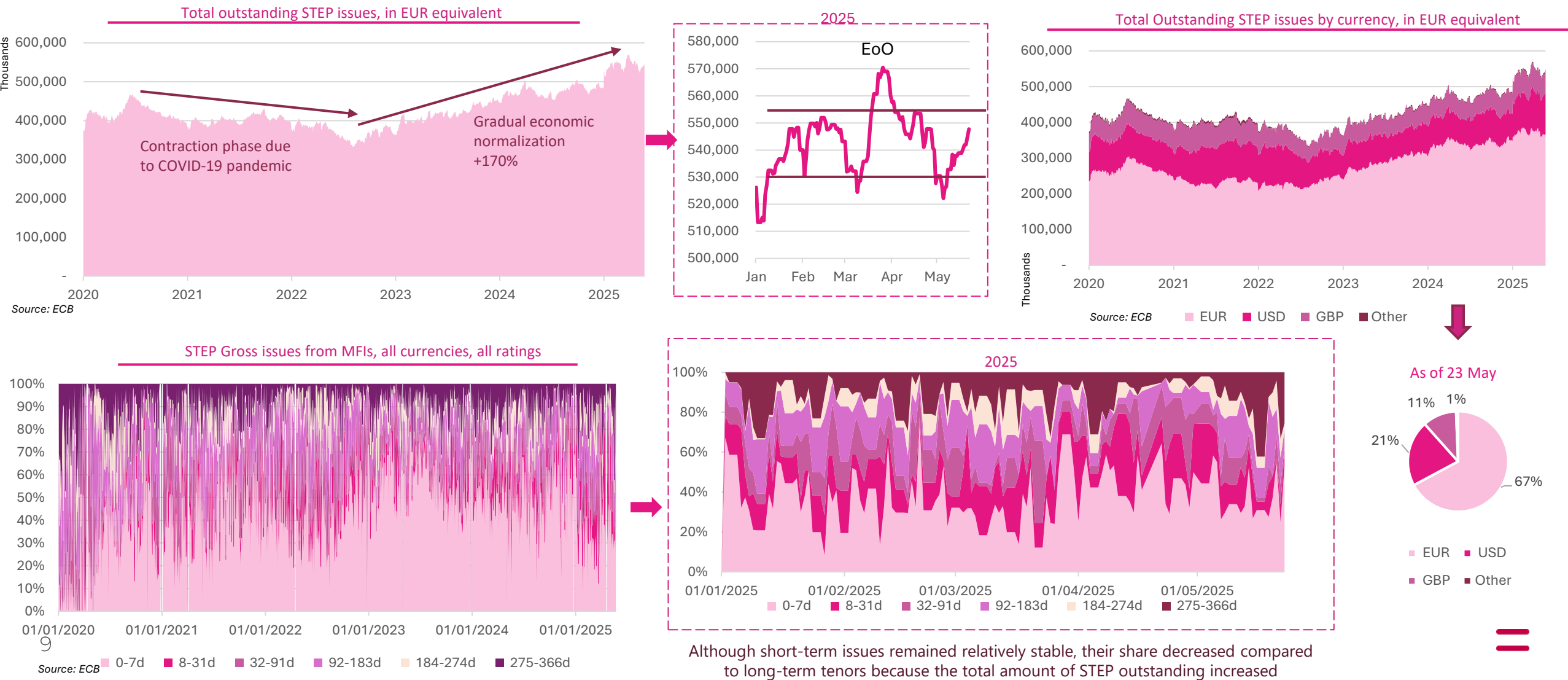
- Sources of liquidity concentration risk
- Liquidity provider behavior around reporting dates
- Regulatory reforms (ex: MMF, ...)



# Short-term European Paper (STEP\*) Snapshot

The STEP market remains a key pillar of euro-area short-term funding, supported by persistent liquidity demand, effective monetary transmission, and cautious non-bank investor interest, though it still faces risks from regulatory changes (ex: MMF reform), fragmentation, and liquidity shocks.

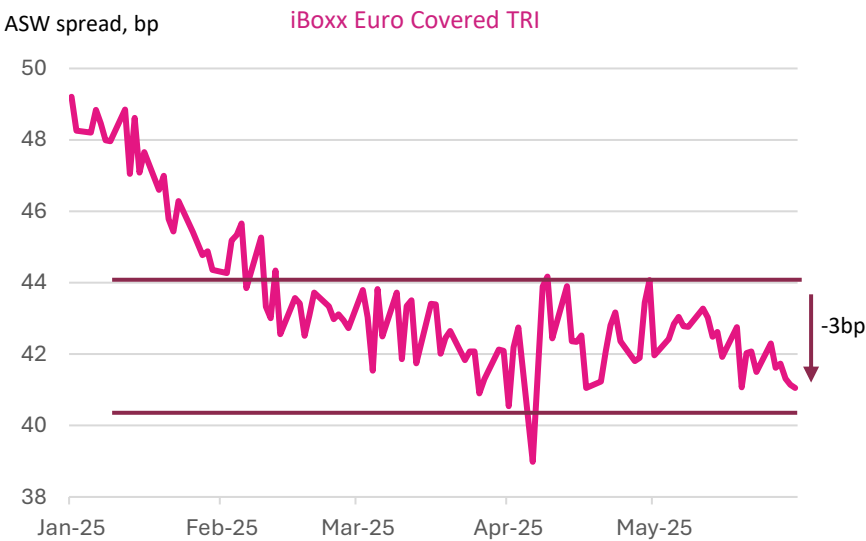
*\*Despite its growth, it represents only a segment of the broader euro-denominated short-term market.*



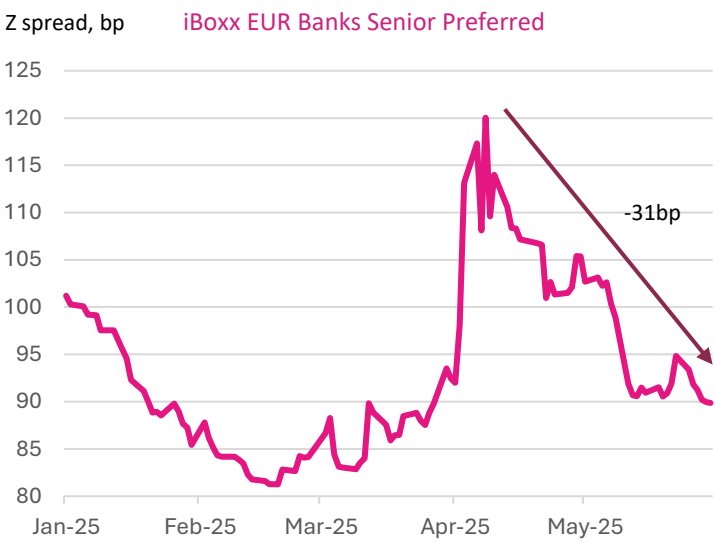
# Long-Term Instruments Spread Dynamics Snapshot

Covered bonds have demonstrated notable resilience amid the recent post-Liberation Day market volatility, reaffirming their stabilizing role in the market. In contrast, senior and subordinated spreads experienced significant widening due to heightened risk aversion, though they have since begun to normalize as sentiment gradually recovers. Market activity was subdued during the days following the Liberation Day, with issuance resuming cautiously led by a new covered bond deal that reopened the primary market ahead of other funding instruments.

## Covered Bond



## Senior Preferred



## AT1

