



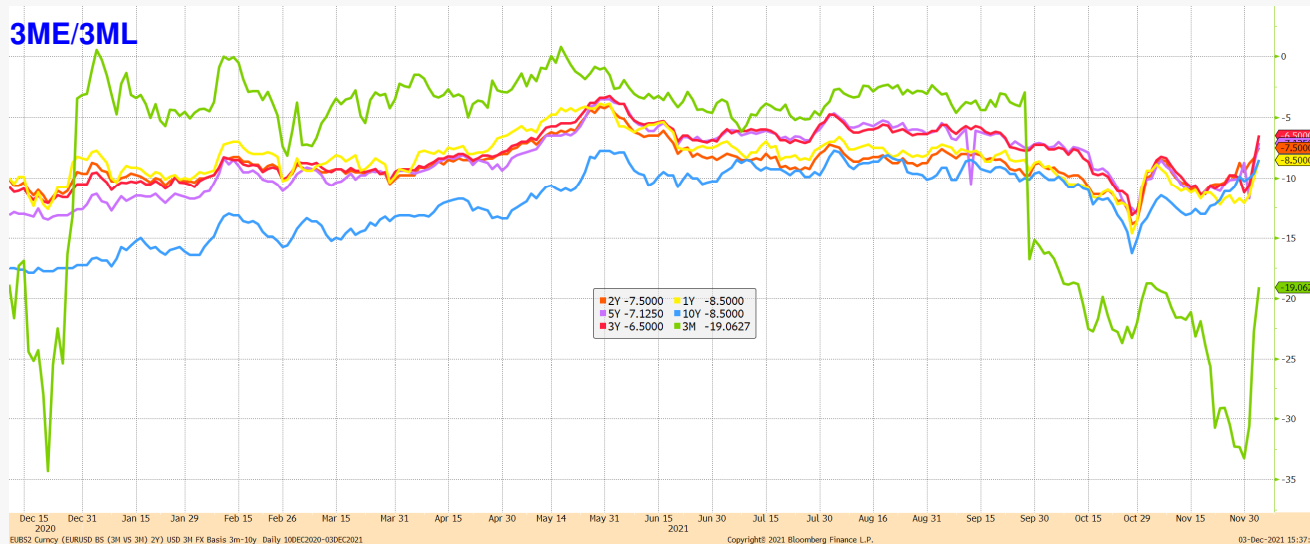
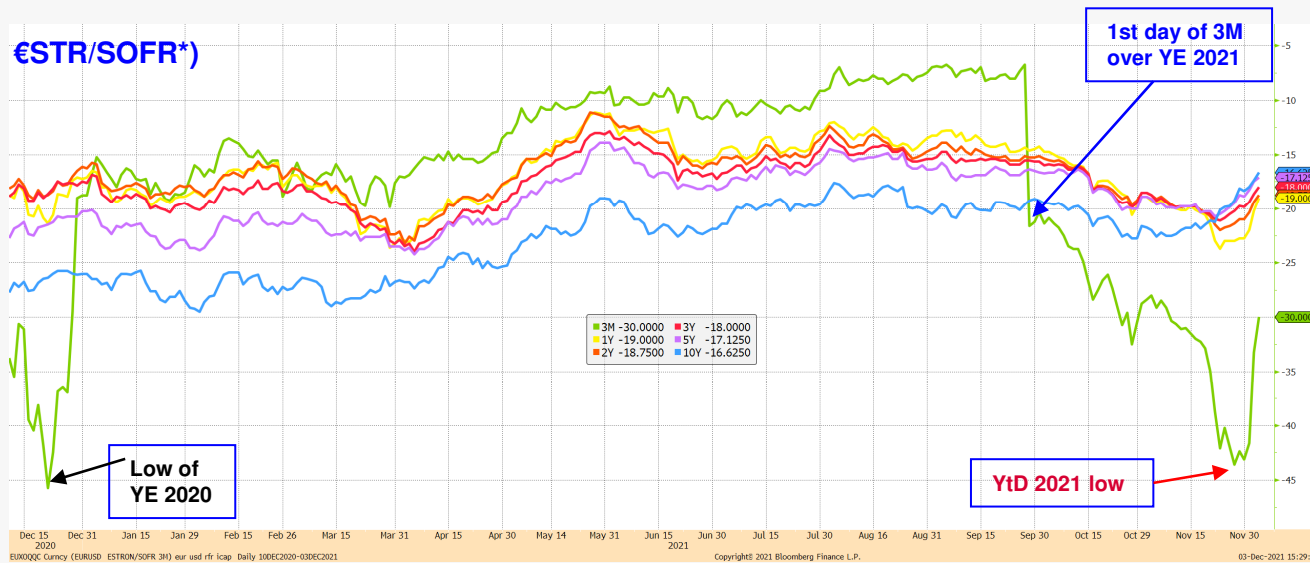
FX and XCCY Swap Markets

A Market Update

ECB MMCG – December 07, 2021
Juergen Sklarczyk

€/\$ FX / XCCY Swap Basis (3M to 10Y)

RFR/RFR and 3M/3M XCCY swap spreads



- YE 2021 volatility in the short end despite substantial levels of excess cash in both currencies
- A shortage of collateral in the EUR repo markets do seem to play a more prominent role for this YE vs previous ones (even after the ECB increased its cash limit to €150bn from €75bn)
- Coupled with the usual funding demand over year-end and the respective limitations to provide sufficient USD liquidity due to regulatory and internal requirements do seem to have resulted in a significant widening of the short-term, especially the 3M FX basis despite or actually because of all the excess cash not finding a 'home'
- YE turn itself has traded up to more than 10% at the peak so far

Deutsche Bank

*) Liquidity in €/\$ €STR/SOFR XCCY swaps has been picking up over the last several weeks

Source: Bloomberg -- Dec 10, 2020 – Dec 3, 2021

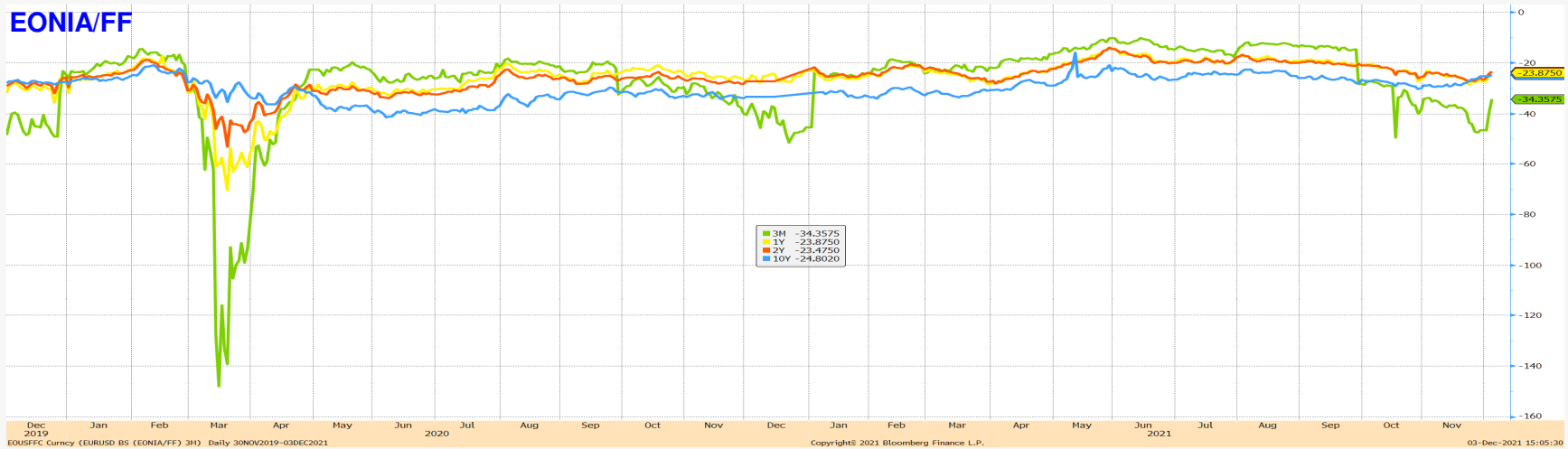
€/\$ FX / XCCY Swap Basis (3M to 10Y)

OIS/OIS and 3M/3M XCCY swap spreads

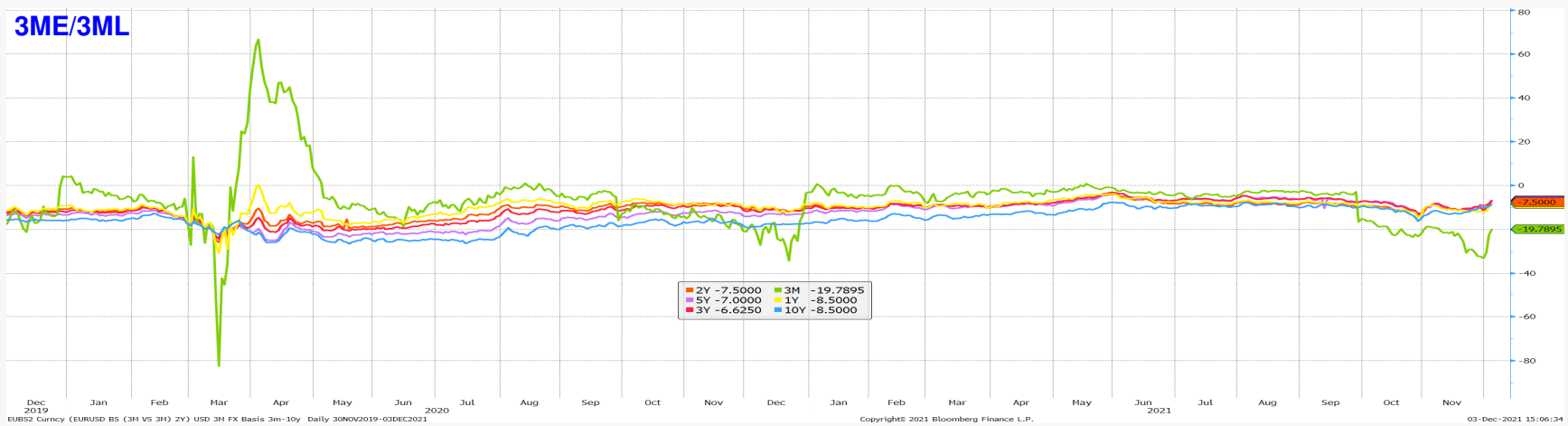


➤ €/\$ FX / XCCY swap spreads have been fairly tight throughout 2021 mostly due to the significant excess cash levels in USD and less demand for USD liquidity

EONIA/FF



3ME/3ML

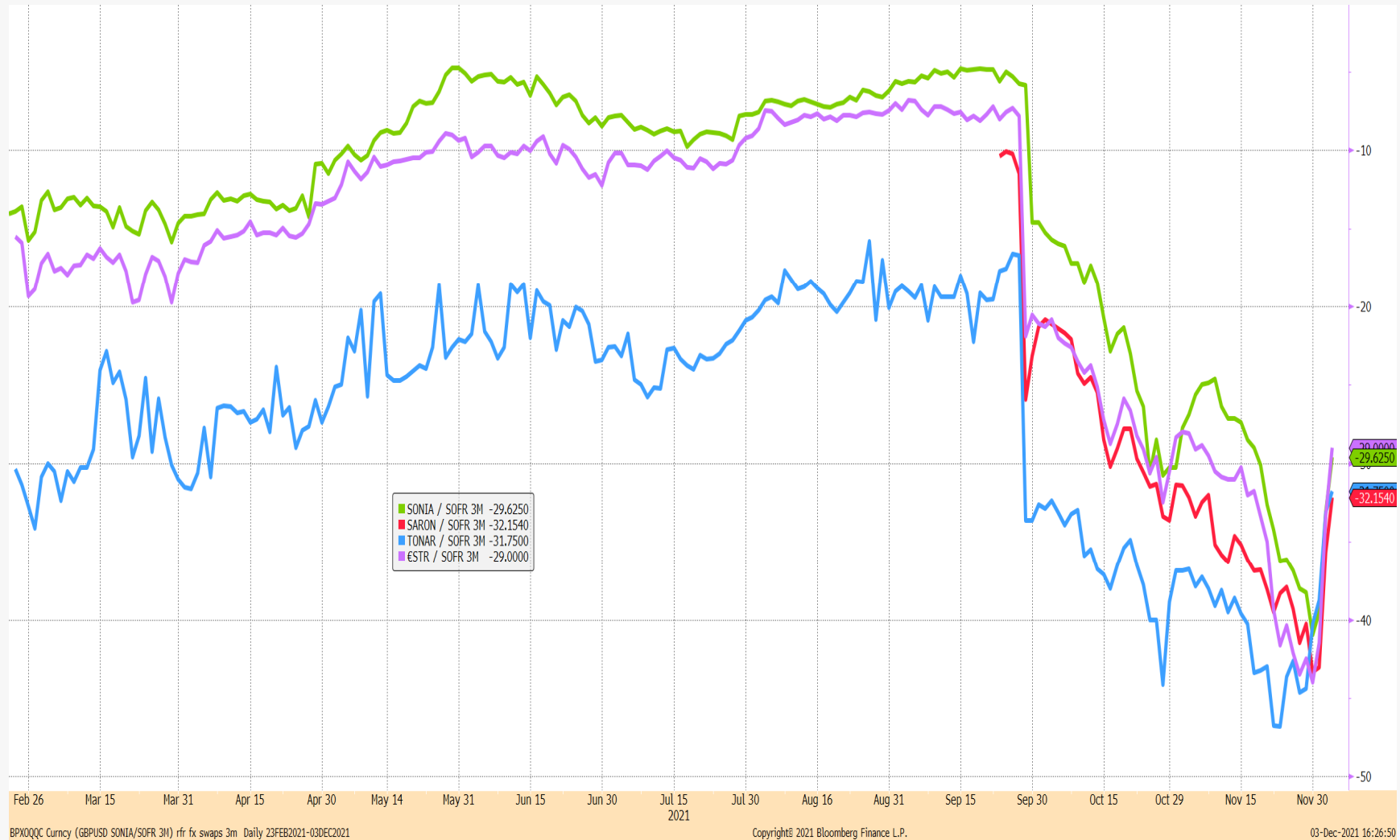


FX / XCCY RFR / RFR Swap Basis (3M)

fairly consistent spread developments in 3M across currency pairs



€/\$, \$/GBP, \$/CHF, \$/JPY



FX / XCCY 3M / 3M Swap Basis (3M)

YE 2021 fairly in line with YE 2020 so far



€/\$, \$/GBP, \$/JPY

