Euro short-term rate (ESTR) fixed at -0.527% based on €45.43 billion with 29 banks.

**APP cumulative Net purchases, by programme**

The stock of bonds stood at €2,732 billion at the end of February 2020.
#The Central Banks Lead the Way

The ECB will start intervening in the commercial paper market this week to provide a liquidity shield for companies and support the economy.

The ECB has indicated that, in addition to all asset classes already eligible under the current purchase programme, the Pandemic Emergency Purchase Programme (PEPP) will include new securities: non-financial Commercial Papers. The publication on 25th of March in the Official Journal of the EU confirms the launch of the PEPP and its imminent start. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32020D0440&from=EN

The purchase program for short-term corporate securities will focus on the secondary and primary market. In terms of pricing, the ECB will buy at "non-stressed" prices and should thus enable banks to lighten their balance sheets significantly and rapidly.

"ECB will not buy paper at prices of a "stressed market"; will have "very pragmatic" ways to manage buying limits; and will be careful to be as continuous and uniform as possible".

Villeroy de Galhau, Governor of the Banque de France on 23 March 2020

In the US, the FED has already launched a commercial paper Funding Facility program (CPFF) to provide a liquidity backdrop in the Commercial paper markets to support the flow of credit to households and businesses. The United Kingdom has launched the Covid Corporate Financing Facility (CCFF), to help provide funding to business in the fallout from the Covid-19 economic shock. 


European markets are fervently awaiting the start of the ECB's Programme to restore confidence and improve the liquidity conditions in the short-term markets.

Market Consequences

The numerous initiatives undertaken by central banks and governments are helping to reduce the level of stress in the financial markets.

In the euro zone, spreads in peripheral countries are narrowing. See graph opposite.

In the United States, the short-term market remains under pressure, with the effective FF rate at 0.12%, the 3-month Libor rate at 1.23% and the 10-year rate at 0.87%.

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