WEEKLY LIQUIDITY & TREASURY

January 14h 2021

Confidence must be earned

Amundi ASSET MANAGEMENT

Markets Indicators

MONEY MARKET

EURO	Spot	Median	Low	High	Δ YTD	Δ 1W	1Y Histo
	bp						
EONIA*	-48	-48	-50	-48	+2	0	
€STER*	-56	-56	-58	-56	-	-	
OIS 1 M*	-48	-48	-48	-47	-1	0	
OIS 3 M*	-48	-48	-48	-48	-1	0	
OIS 6 M*	-49	-49	-49	-49	0	0	
OIS 12 M*	-50	-50	-52	-49	+1	0	
EURIBOR 3M	-55	-55	-56	-55	0	+1	

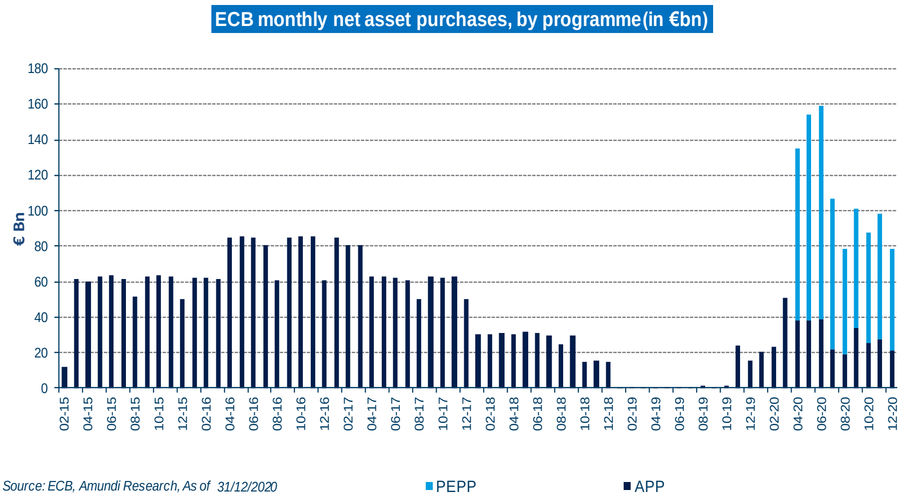
US	Spot	Median	Low	High	Δ YTD	Δ 1W	1Y Histo
	bp						
FedFunds*	9	9	9	9	0	0	
OIS 1 M	8	8	8	9	-0	-0	
OIS 3 M	8	8	8	8	0	-0	
OIS 6 M	8	8	7	8	+0	+0	
OIS 12 M	8	8	7	8	+0	-0	
ICE LIBOR USD 3M	0.23	0.23	0.22	0.24	-0	+0	

GOV RELATED BONDS

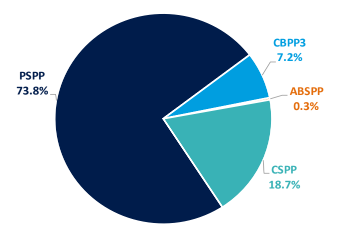
	Spot	Median	Low	High	Δ YTD	Δ 1W	1Y Histo
Bunds	bp						
2 Y	-71	-70	-72	-69	-1	-0	
5 Y	-71	-73	-76	-69	+3	+3	
10 Y	-52	-52	-60	-47	+5	0	
30 Y	-12	-13	-20	-7	+4	+1	
Bunds Curve	bp						
2-5 Y	0	-3	-4	0	+4	+3	
5-10 Y	18	20	16	22	+1	-3	
2-10 Y	18	18	12	22	+5	+0	
10-30 Y	40	40	38	41	-1	+1	
SWAPS Spreads EUR	bp						
2 Y	19	18	18	19	-0	+1	
5 Y	26	28	26	28	-1	-2	
10 Y	29	29	27	31	-2	+0	
Futures 10 Y	Price						
Ger. Govt. Bonds	177.33	177.35	176.44	178.12	-0	+0	
UK Govt. Bonds	bp						
2 Y	-11	-13	-16	-8	+5	+3	
5 Y	-1	-5	-10	1	+7	+5	
10 Y	31	29	17	35	+11	+2	
30 Y	88	87	73	93	+13	+1	
Curve	bp						
2-5 Y	10	8	5	10	+2	+2	
5-10 Y	32	32	28	34	+4	-2	
2-10 Y	42	42	33	43	+6	-0	
10-30 Y	57	57	55	59	+2	-2	

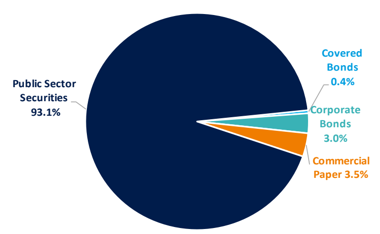
	Spot	Median	Low	High	Δ YTD	Δ 1W	1Y Histo
US Govt. Bonds	bp						
2 Y	15	13	11	15	+3	+1	
5 Y	49	46	35	51	+13	+3	
10 Y	111	108	91	115	+20	+3	
30 Y	184	183	164	188	+20	-1	
US Curve	bp						
2-5 Y	34	32	24	36	+10	+2	
5-10 Y	62	62	55	64	+7	+0	
2-10 Y	96	94	79	100	+17	+2	
10-30 Y	73	74	73	78	-0	-4	
(Semi Annual)							
2 Y	7	7	7	8	-1	-0	
5 Y	7	7	6	8	+0	+0	
10 Y	1	1	-1	1	+0	+1	
Futures 10 Y	Price						
US Treasuries	136.55	136.86	136.39	138.13	-2	-0	
Japanese Govt. Bonds	bp						
2 Y	-11	-12	-13	-11	+0	-0	
5 Y	-10	-11	-12	-10	+1	-0	
10 Y	3	3	1	4	+1	-1	
30 Y	64	65	60	66	-1	-2	
Curve	bp						
2-5 Y	1	1	0	1	+1	+0	
5-10 Y	14	14	13	15	+1	-0	
2-10 Y	15	15	13	15	+1	-0	
10-30 Y	61	62	56	63	-2	-1	

ECB Purchase Programm



Source: ECB, Amundi Research, As of 31/12/2020





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ASSET MANAGEMENT

US Markets and Short Term rates

Breaking The (Blue) Waves

Last week was marked by the Democratic sweep of the Congress, as well as Biden's congressional approval, only disturbed by pro-Trump rioters. The markets largely shrugged off this last event, and preferred to bet on bigger fiscal stimulus from Washington – the blue wave opening the door to looser fiscal policy from the Biden administration. US deficit for 2021 could approach record levels recorded in 2020 and US Treasury appears well positioned to finance these packages.

Large issuance volumes will put upward pressure on US interest rates.

This movement should continue under the combination of signs of economic recovery and the support from the Fed accommodative policy: by maintaining favorable financial conditions and Fed Funds rate at the current level, close to zero.

"It would be appropriate to continue those purchases at least at the current pace, and nearly all favored maintaining the current composition of purchases". J Powell

The Fed is keeping a lot of flexibility to act: purchases at the current monthly pace of $120bn will continue

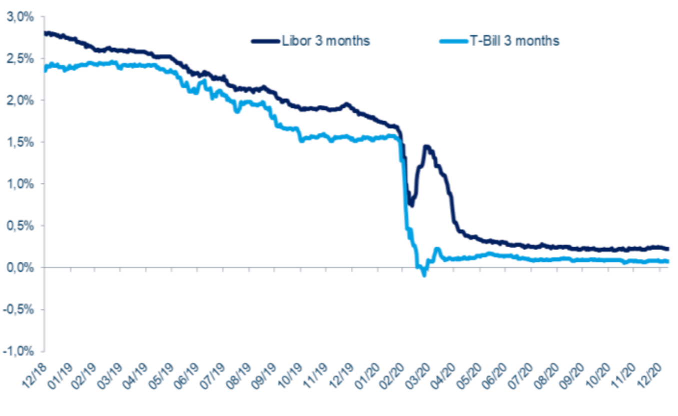
"until substantial further progress has been made toward the Committee's maximum employment and price stability goals".

Consequences on US Markets

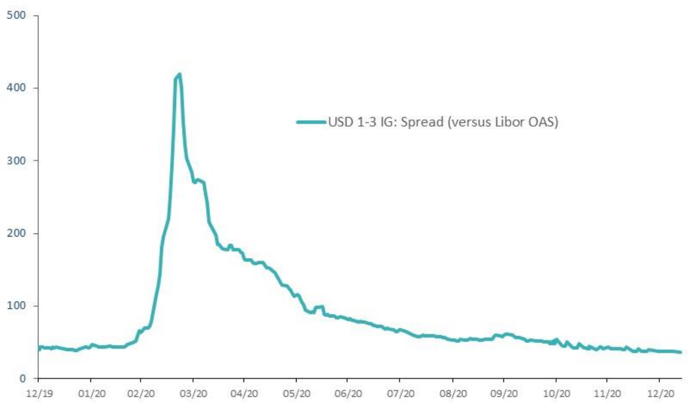
US government bond yields rose on the expectations of higher growth and inflation:

US 10Y yield hit 1% for the first time since March 2020 after last week election results and now settled at 1.10%.
The yield curve steepened, with the 2-10Y close to 95bps.
The rollout of vaccines, December package of USD 900Bn and Georgia election have lifted investors' confidence.
But, the interest rate upside should be limited by the high sensitivity of the US economy to tighter financing conditions.

US Money Markets yields remain stable



US IG Credit Market continues to perform



Source Amundi Research, Bloomberg, Fed website