

# Recent key financial market developments

Operations Managers Group  
Frankfurt, 18 October 2012

# Major developments and announcements

[26 July 2012](#)

*ECB President commits to do what is necessary to preserve the euro and remove unjustified euro break up premia in sovereign yields.*

[6 September 2012](#)

*ECB announces operational details of the Outright Monetary Transactions to repair monetary policy transmission mechanism under strict conditionality:*

- *Residual maturity of 3-years;*
- *EFSF/ESM ECCL in cooperation with IMF pre-condition;*
- *No ex-ante limits on the OMT purchases*
- *No seniority*
- *Eligibility of USD, JPY and GBP denominated securities issued and held in the euro area for Eurosystem Credit Operations*

[13 September 2012](#)

*Fed announces:*

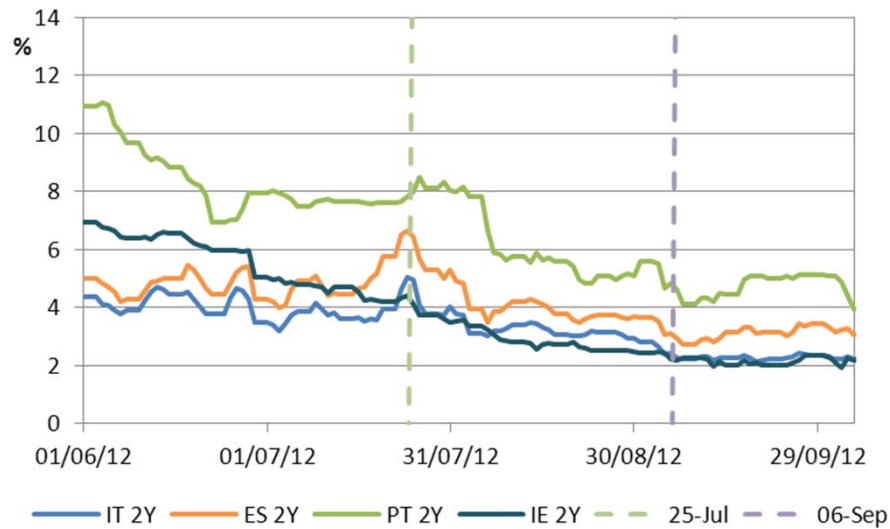
- *open ended QE3*
- *Possible additional measures if the situation does not improve*
- *guidance for short-term interest rates near zero until mid of 2015*

[28 September 2012](#)

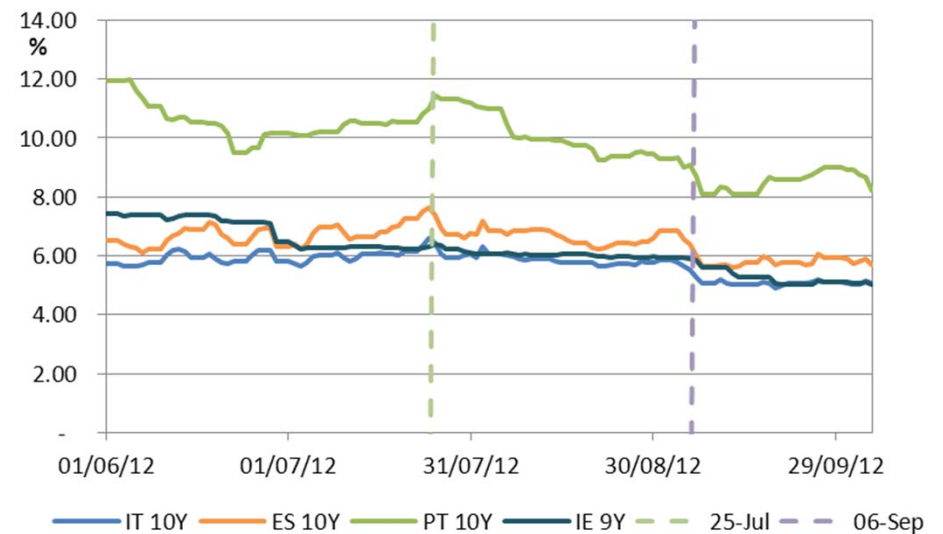
*Release of stress tests on Spanish bank capital needs*

# Selected government bond yield developments

2-year Government Bond yield – recent changes



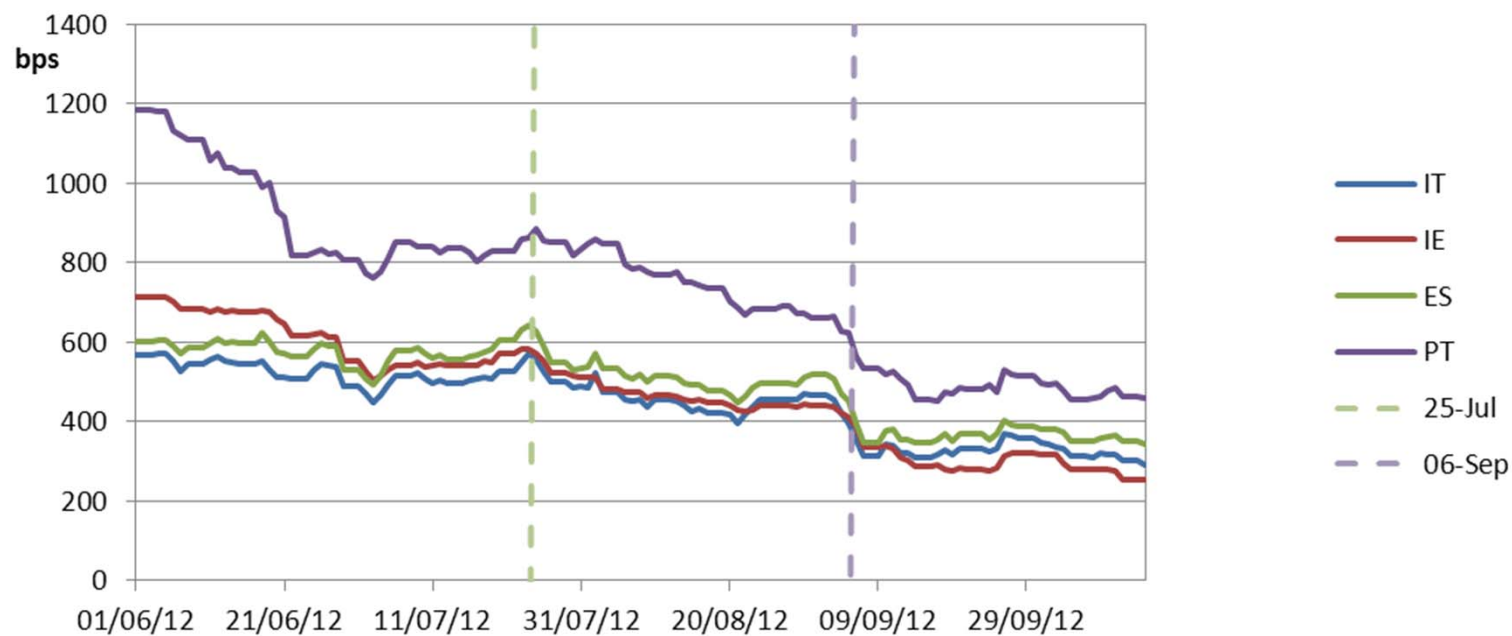
10-yr Gvt Bond yields – recent changes



Source: Bloomberg

# Government CDS developments

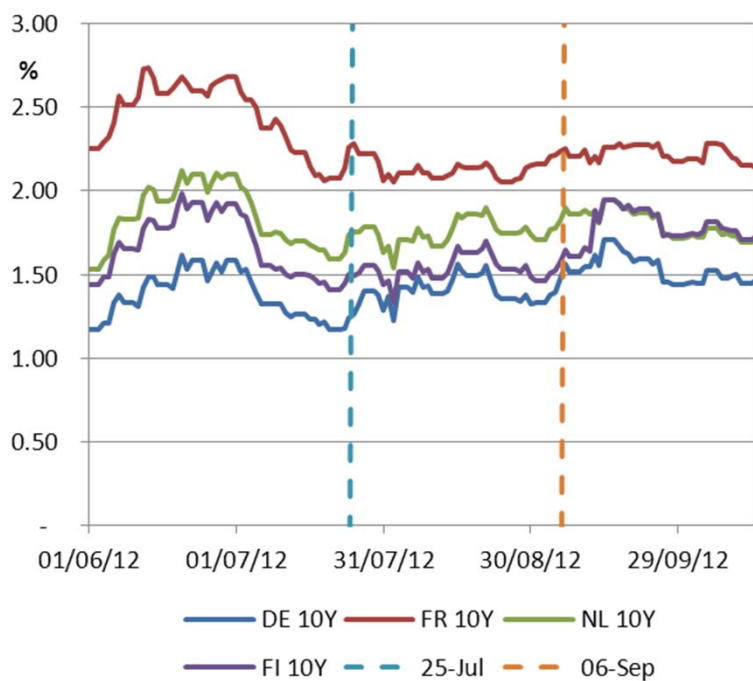
Selected government CDS developments



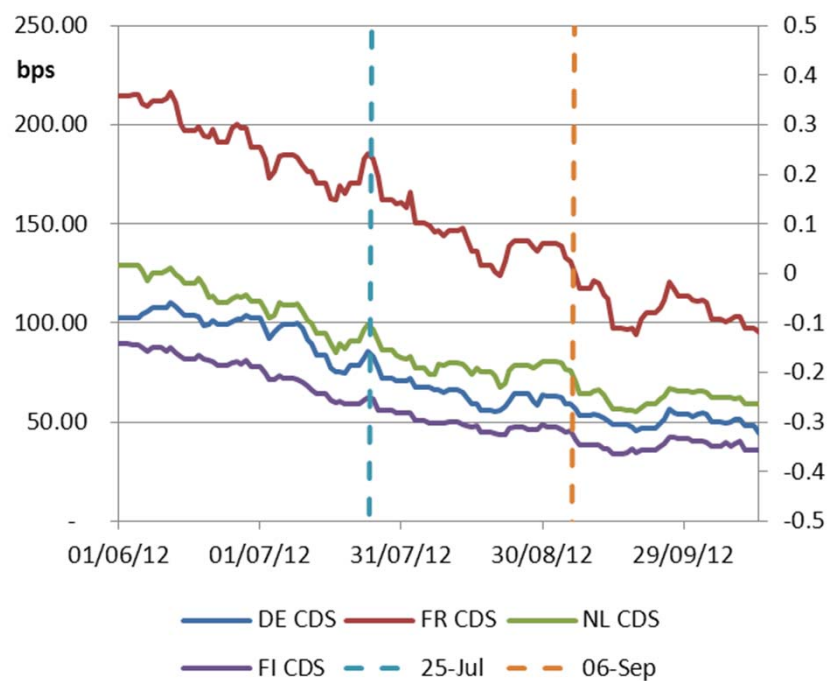
Source: Bloomberg

# 10-year gov't bond yields and CDS premia

Government bond yields



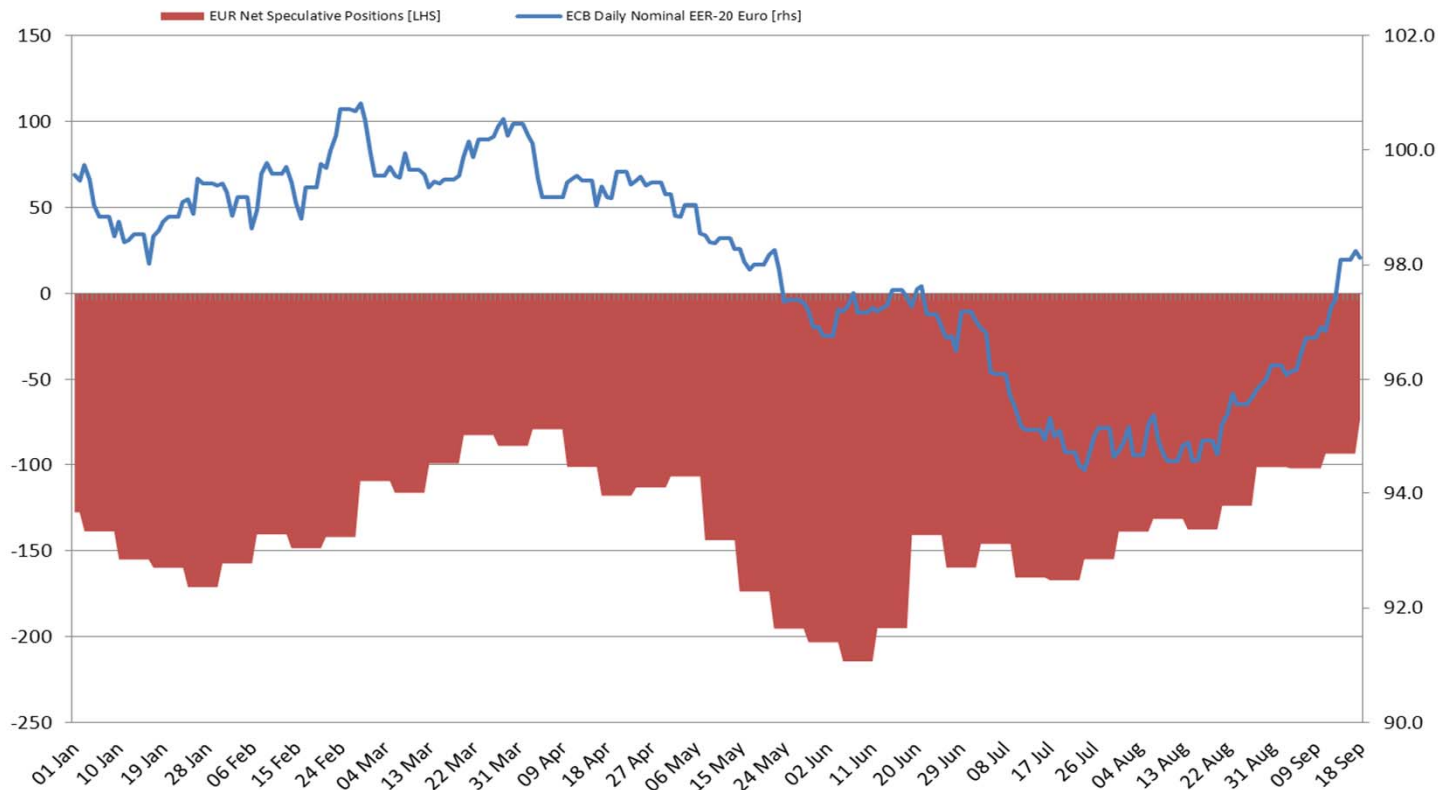
CDS premia



Source: Bloomberg

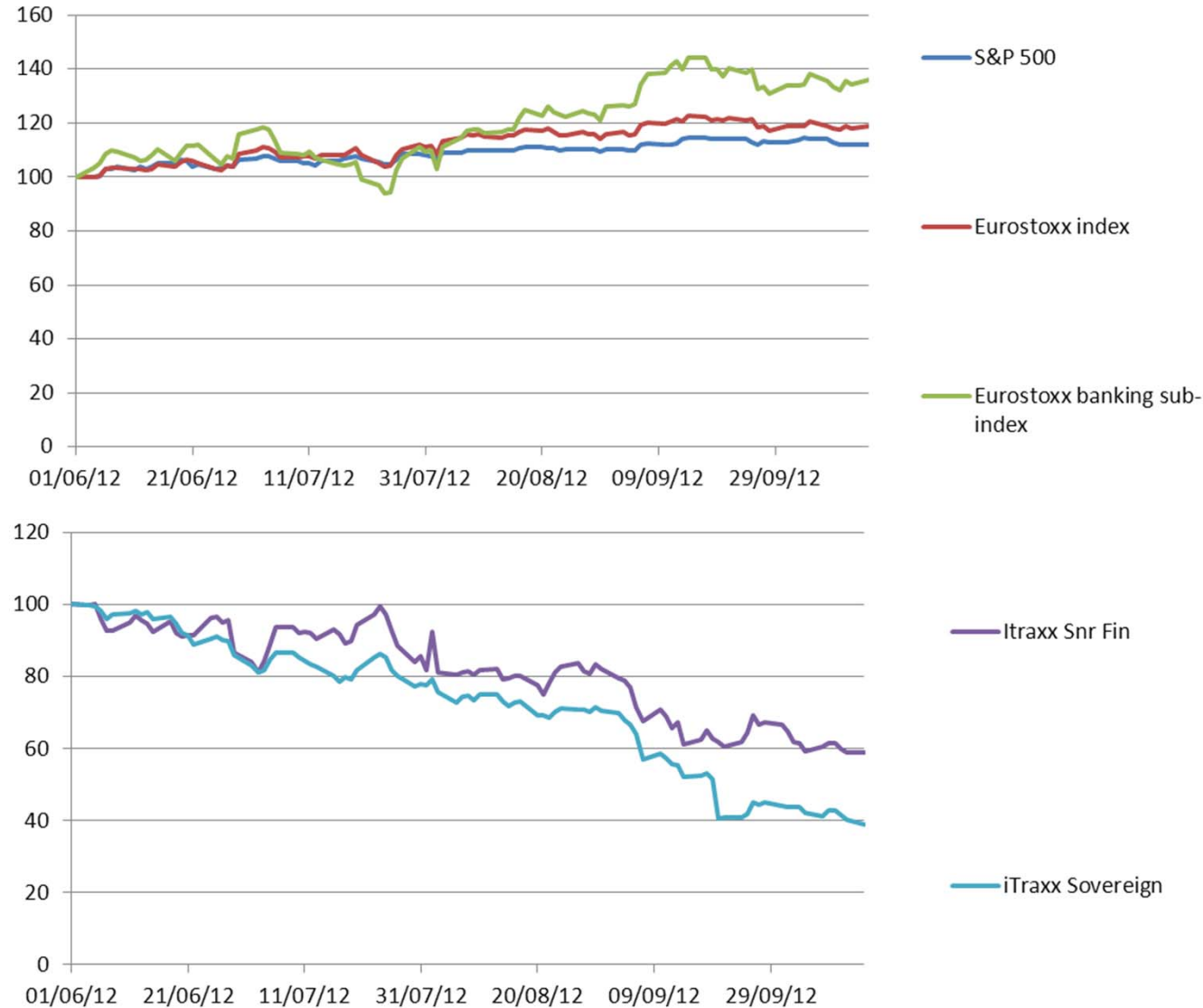
# Euro FX rate and euro speculative positions

Euro effective exchange rate and Net Speculative positions



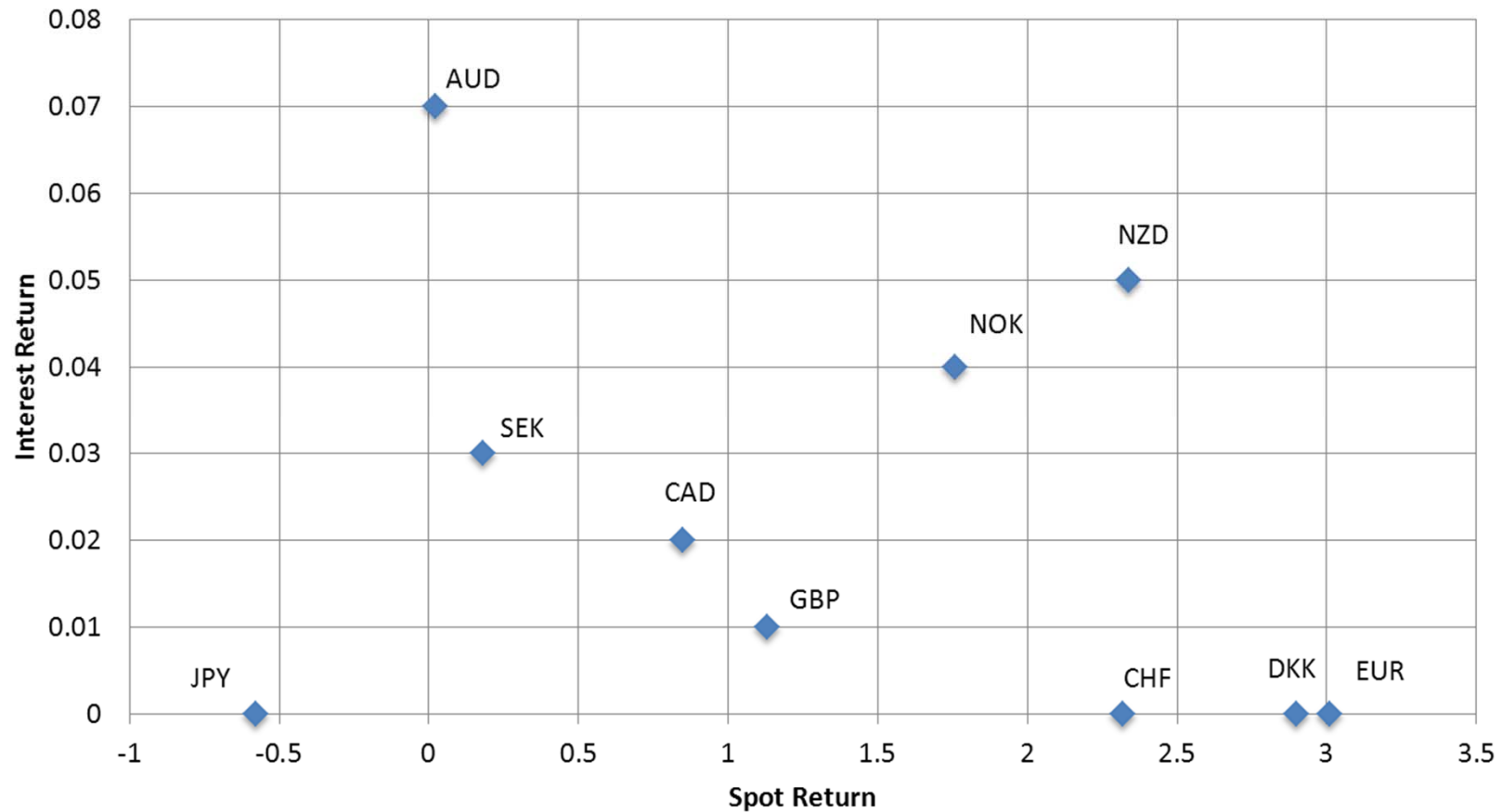
Source: CFTC, Bloomberg

# Equity market developments and bank risk



Source: Bloomberg

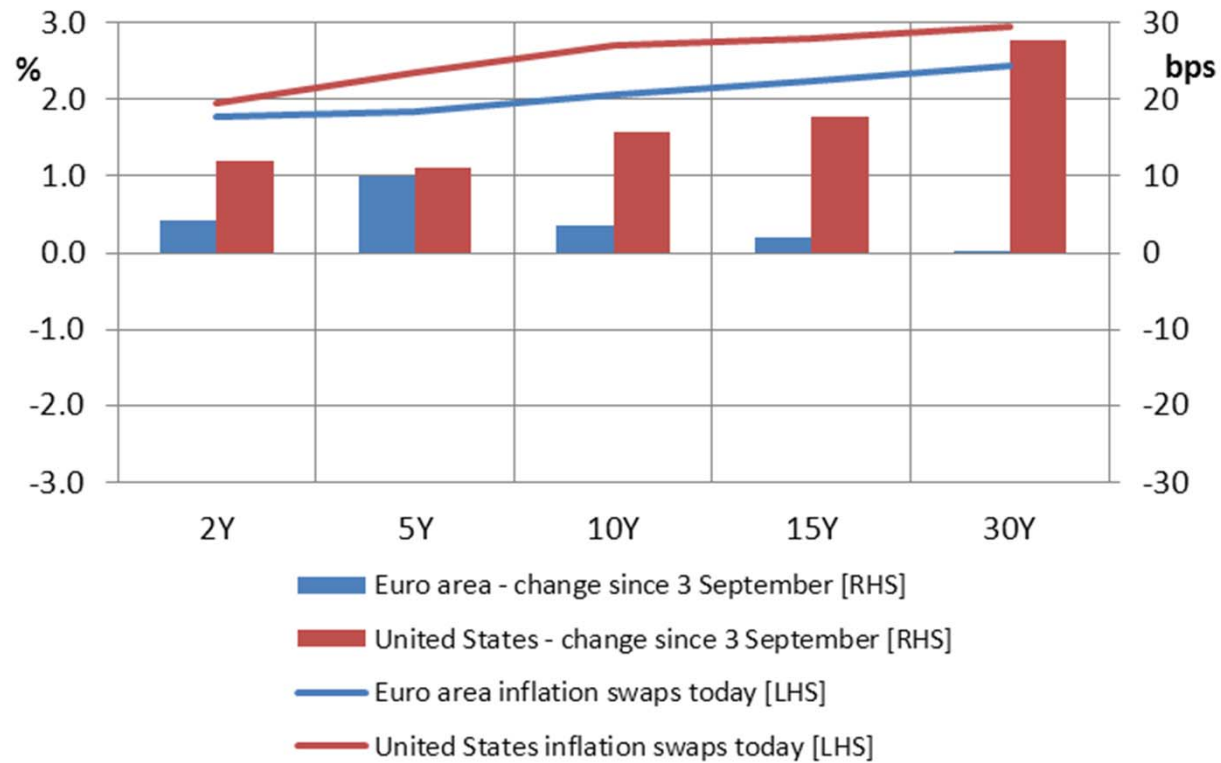
# FX market – major currencies vs. USD



Source: Bloomberg

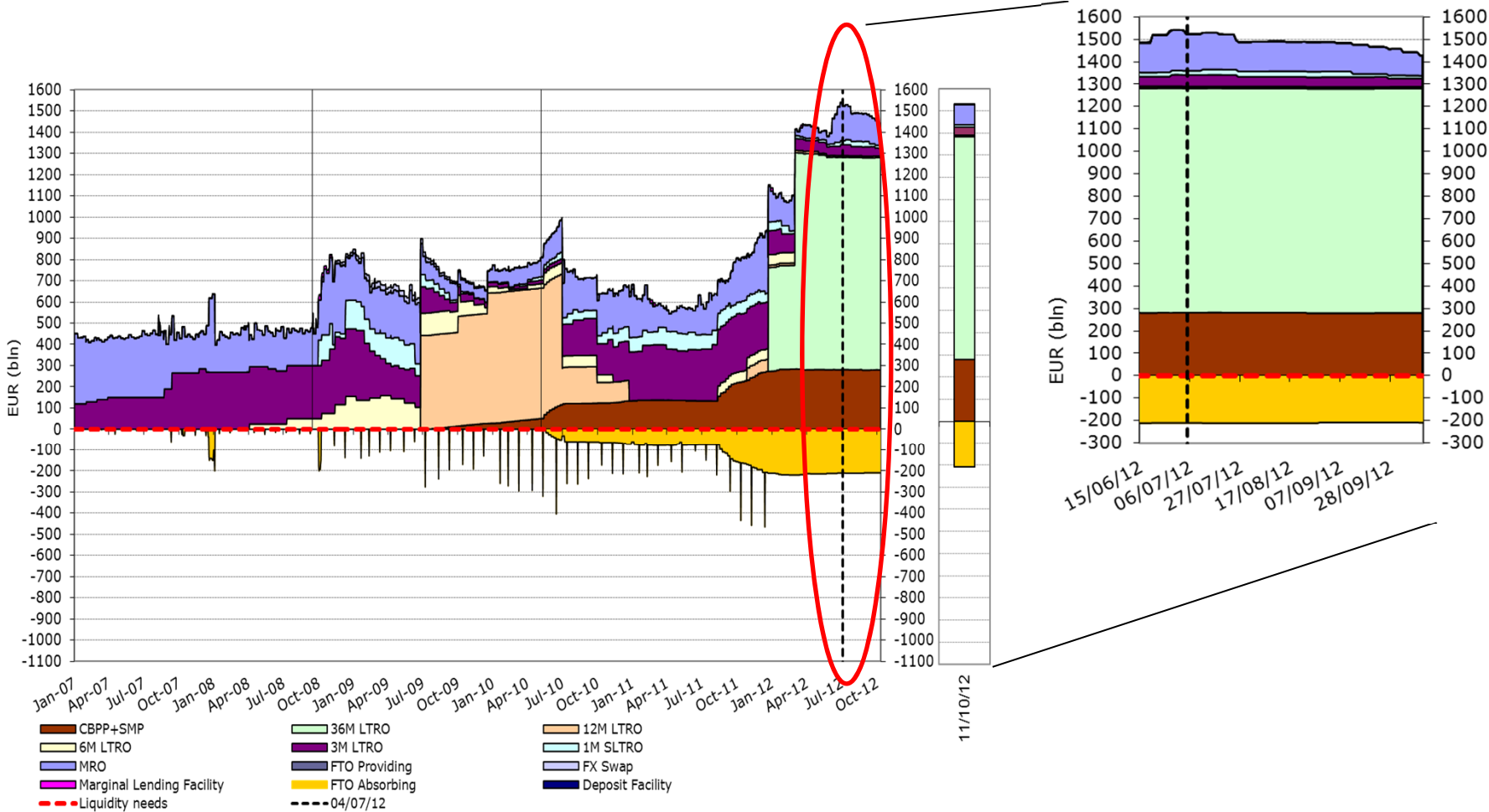


# Inflation expectations and Inflation swap



Source: Bloomberg

# Excess liquidity developments



Source: ECB

# Summary

- Decrease in general tensions in relation to the euro area sovereign debt crisis and euro redenomination risk. OMT seen as an effective backstop facility that removes systemic risk and prevents the risk of a bad equilibrium
- Areas of focus/concern: economic growth, bank-sovereign link.