

European Rates Comment

ECB QE: Analysis of securities bought in PSPP

Interest Rates

Europe including UK

Monthly average of purchases at €63bn in November, front-loading concluded

Earlier today, the ECB recently [released a breakdown](#) of securities acquired as part of the QE programme in November. Asset purchases in November amounted to €62.6bn (€2.6bn above the target and ~€1.1bn less than in [October](#)), taking the monthly average of asset purchases in the last six months to €60.9bn (Figure 1). We expect monthly purchases to fall below the targeted value of €60bn in December due to low liquidity in the market.

Maturity of bonds held vs maturity of debt outstanding: usual divergences

Analysing how the weighted average maturity of debt securities under the PSPP has evolved in the last three months shows that there has been a continuous increase in maturities for Belgium, Austria, and Finland (Figure 5). Meanwhile, there has been a consecutive decrease in Portugal. The average maturity of assets acquired in Portugal (also in Spain and Italy to a smaller degree) is still much higher than the maturity of debt outstanding, according to our analysis (Figure 2). For the time being, the maturity of assets that have been acquired in the Netherlands, Belgium, Germany and Ireland are lower than the average maturity of debt outstanding. This could mean subsequent purchases in Portugal may be lower than the average maturity of debt already acquired. The opposite could apply to the Netherlands, Belgium, Germany and Ireland.

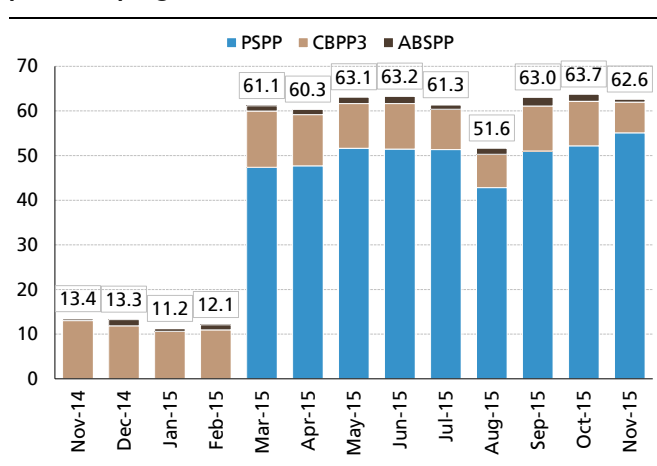
Inclusion of local government bonds to PSPP: minor impact on eligible universe

We estimate that the inclusion of local and regional government bonds to PSPP announced on [3-Dec](#) will add only approximately €70-80bn to the universe of eligible securities (accounting for the 33% issuer limit and applying eligibility criteria currently in place). Around 80% of this issuance comes from the federal states of Germany.

Analysis of run rate, €60bn target and maturity of purchases vs outstanding

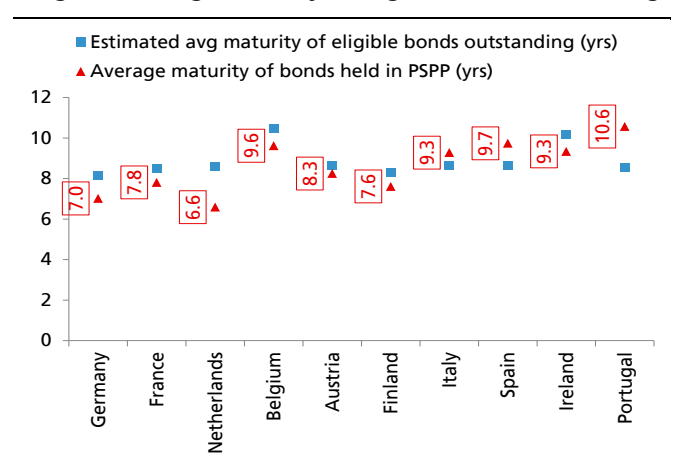
Assets acquired in the PSPP continue to represent over 80% of all Eurosystem purchases (PSPP+Covered+ABS). PSPP holdings by country remain virtually in line with the ECB's capital key (as intended) – Figure 6. Based on available data, there does not seem to be a scarcity of government bonds at this stage.

Figure 1: Monthly purchases under the expanded asset purchase programme (dates are on a settlement basis)



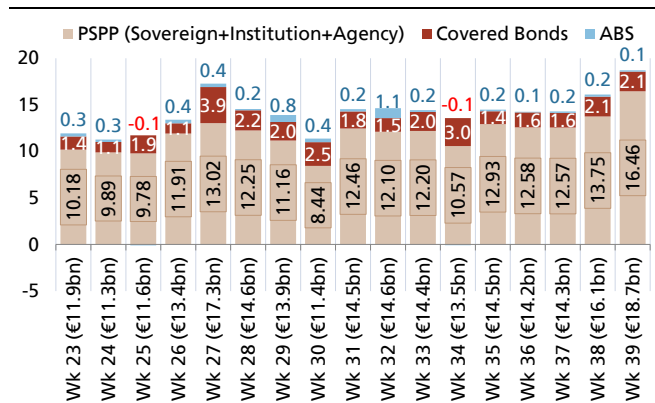
Source: UBS Research, ECB, Bloomberg *Valued at amortized cost.*

Figure 2: Weighted average maturity of PSPP holdings vs weighted average maturity of eligible assets outstanding



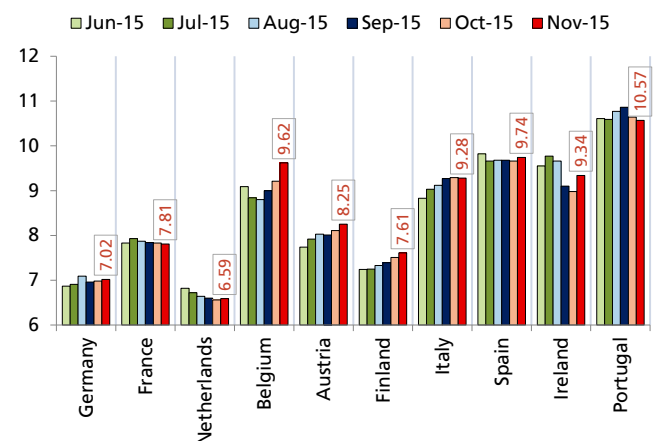
Source: UBS Research, ECB, Bloomberg

Figure 3: Securities that have settled on a weekly basis between 14 August (week 23) and 4 December (week 39)



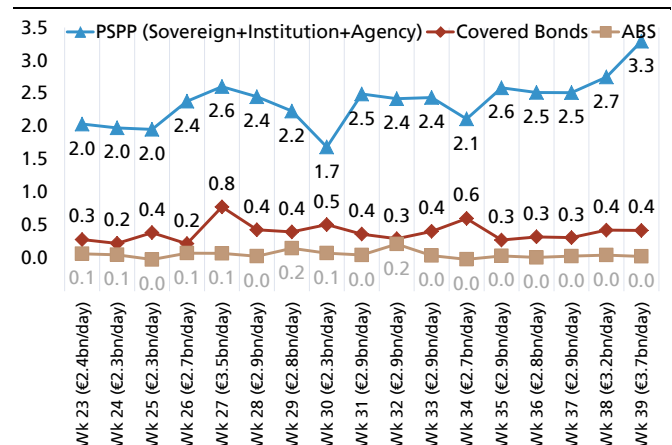
Source: UBS Research, ECB, Bloomberg Dates are on a settlement basis

Figure 5: Weighted average maturity of PSPP holdings in each of the last six months



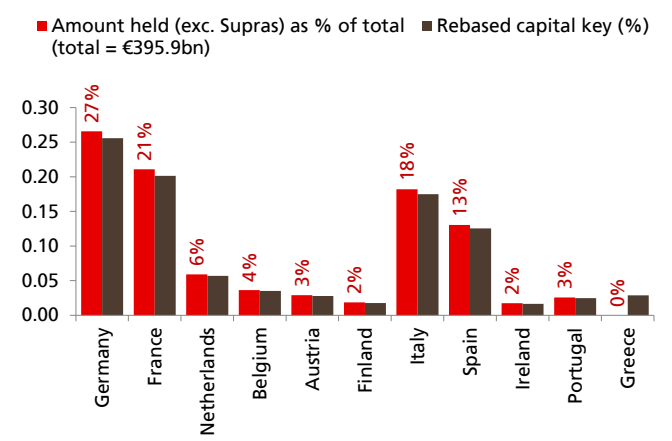
Source: UBS Research, ECB, Bloomberg

Figure 4: Daily purchase rate between 14 August (week 23) and 4 December (week 39)



Source: UBS Research, ECB, Bloomberg Dates are on a settlement basis

Figure 6: PSPP: assets held by country as a % of total are in line with ECB capital key (as intended)



Source: UBS Research, ECB, Bloomberg Valued at amortised cost

Figure 7: Summary of assets held by jurisdiction up to 30 November 2015

		A	B	C	D = A/Total of C	B - D	E	F	E - F
		ECB capital key	Rebased capital key (%)	Amount held (amortised cost)	Amount held (exc. Supras) as % of total (total = €395.9bn)	Theoretical shortfall/surplus	Estimated avg maturity of eligible bonds outstanding (yrs)	Average maturity of bonds held in PSPP (yrs)	Maturity difference (yrs)
Group 1: Largest sovereigns in SMP	Germany	18.0%	25.6%	105.2	26.6%	0.01	8.2	7.0	-1.1
	France	14.2%	20.1%	83.5	21.1%	0.01	8.5	7.8	-0.7
	Netherlands	4.0%	5.7%	23.4	5.9%	0.00	8.6	6.6	-2.0
	Belgium	2.5%	3.5%	14.5	3.6%	0.00	10.5	9.6	-0.9
	Austria	2.0%	2.8%	11.5	2.9%	0.00	8.6	8.3	-0.4
	Finland	1.3%	1.8%	7.4	1.9%	0.00	8.3	7.6	-0.7
Group 2: Sovereigns in SMP portfolio	Italy	12.3%	17.5%	72.0	18.2%	0.01	8.6	9.3	0.7
	Spain	8.8%	12.6%	51.7	13.1%	0.00	8.6	9.7	1.1
	Ireland	1.2%	1.6%	6.9	1.7%	0.00	10.2	9.3	-0.8
	Portugal	1.7%	2.5%	10.2	2.6%	0.00	8.5	10.6	2.0
	Greece	2.0%	2.9%		0.0%	-0.03			
Group 3: Smallest markets (outside of SMP portfolio)	Slovakia	0.8%	1.1%	4.3	1.1%	0.00		8.5	
	Lithuania	0.4%	0.6%	1.0	0.3%	-0.00		5.6	
	Slovenia	0.3%	0.5%	2.0	0.5%	0.00		8.1	
	Latvia	0.3%	0.4%	0.7	0.2%	-0.00		5.9	
	Luxembourg	0.2%	0.3%	1.1	0.3%	-0.00		6.1	
	Estonia	0.2%	0.3%	0.0	0.0%	-0.00		2.6	
	Cyprus	0.2%	0.2%	0.3	0.1%	-0.00		5.9	
	Malta	0.1%	0.1%	0.3	0.1%	-0.00		9.6	
	Supranationals			54.7				7.1	
	Total			450.6				8.1	
Total excluding Supras				395.9					

Source: UBS Research, ECB, Bloomberg

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Kingdom of the Netherlands	-	-
Portuguese Republic	-	-
Republic of Austria¹⁶	-	-
Republic of Finland	-	-
Republic of Ireland^{2, 4}	-	-
Republic of Italy^{2, 4, 5}	-	-
Spain	-	-
United Kingdom of Great Britain^{2, 4, 16, 22}	-	-
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