

Monetary policy, banking business and the capital market

Interest rate policy and the money market

The Governing Council of the European Central Bank did not change the Eurosystem's key interest rates in the past few months. The main refinancing operations continued to be conducted as variable rate tenders with a minimum bid rate of 2%; a rate of 3% was charged for the marginal lending facility and a rate of 1% was paid on the deposit facility. Hence both the nominal and real rates of interest remained at an exceptionally low level, lending continued support to the economy. The main reason for maintaining the steady interest rate course was the fact that, despite the oil-related rise in inflation to 2.2% of late, there have been no signs so far of a build-up of medium-term domestic inflationary pressure which would indicate a need to alter the current course. However, the price risks which are undoubtedly associated with the rising oil prices and the concurrent depreciation of the euro must continue to be monitored carefully. Furthermore, the ample liquidity in the euro area calls for ongoing monetary policy vigilance.

*Eurosystem
interest rates
unchanged*

Apart from the temporary fluctuations at the end of the half year and at the end of the minimum reserve periods, the EONIA overnight rate remained largely steady in the period under review. The overnight rate was mostly close to the marginal lending rate, which was consistently 5 basis points above the minimum bid rate. Hence the short-term money market rates also remained virtually unchanged. Between early April and late July

*Money market
rates*

Money market management and liquidity requirement

During the three reserve maintenance periods between 13 April and 12 July 2005, the liquidity requirement arising from the autonomous factors determining bank liquidity increased by €17.6 billion (net). The main reason for this development was the continued strong growth in the volume of banknotes in circulation (+€24 billion). Declines in general government deposits during the April-May and May-June reserve periods had initially offset the increase in the volume of banknotes in circulation to a large extent. However, the customary increase in general government deposits at the end of the first half of the year by €13.9 billion led to a rise in the liquidity requirement of €21.9 billion during the June-July period. Throughout the observation period, the increase in the liquidity requirement was slowed by the development of the other autonomous factors. If the changes in net foreign reserves and in other factors are taken together, a move which eliminates valuation effects, €6.4 billion net flowed into the market via these two items. This essentially occurred as a result of Eurosystem purchases of euro-denominated financial assets which were not linked to monetary policy.

In the April-May period, there was an increase in the provision of liquidity via longer-term refinancing operations of €3.1 billion after the transaction of 31 March had completed the topping up process started in late January from €75 billion to €90 billion. As the liquidity needs arising from the autonomous factors rose only slightly during this period, the main refinancing operations were concurrently reduced by €1.7 billion. In the wake of a declining need for liquidity arising from the autonomous factors, the volume of the main refinancing operations similarly fell by €3.4 billion during the next period, before a large increase of €24.5 billion took place in the June-July period. As a result, the volume of these operations rose by €19.4 billion to €297.6 billion over the entire observation period. On balance, credit institutions' central bank balances rose to such an extent that the perceptible increase of €4.5 billion in the required reserves to €147.2 billion was offset.

In the period under review, the EONIA stood mostly at between 2.06% and 2.08%. Only the increased liquidity preference at the end of the month and half year temporarily led to slightly higher overnight rates. Although the terrorist attacks in London on 7 July drove rates up for several hours, turnover was so low that EONIA closed the day at 2.11%. Even at the end of the April-May period EONIA deviated only slightly from the minimum bid rate. As was the case at the end of the previous period in April, no fine-tuning operation was necessary thanks to a very well balanced liquidity situation. However, towards the end of the May-June period, the EONIA fell to 1.78% despite a liquidity-absorbing fine-tuning operation. The reason for this was the low bidding by the credit institutions. As a result, only €3.7 billion in liquidity was absorbed instead of the €7.5 billion which had been originally planned. Uncertainty with respect to the individual liquidity situation and the ultimately disappointed hope that interbank rates might rise above the 2% fixed rate of the operation over the course of the day might have prompted credit institutions to underbid. Underbidding, albeit to a much smaller extent, also occurred at the end of the June-July maintenance period, when the ECB absorbed €9.6 billion from the market instead of the €10 billion originally targeted. Nonetheless, the objective of a balanced liquidity situation was virtually achieved, which is reflected in the EONIA of 2.06%. In both cases, net recourse to the deposit facility of €3.4 billion and €1.4 billion on the corresponding days shows that the liquidity forecasts which the ECB used to determine the key targets of the operations, and which it communicated when it announced the operations, were very reliable. Hence, any remaining imbalances were largely due to underbidding by credit institutions.

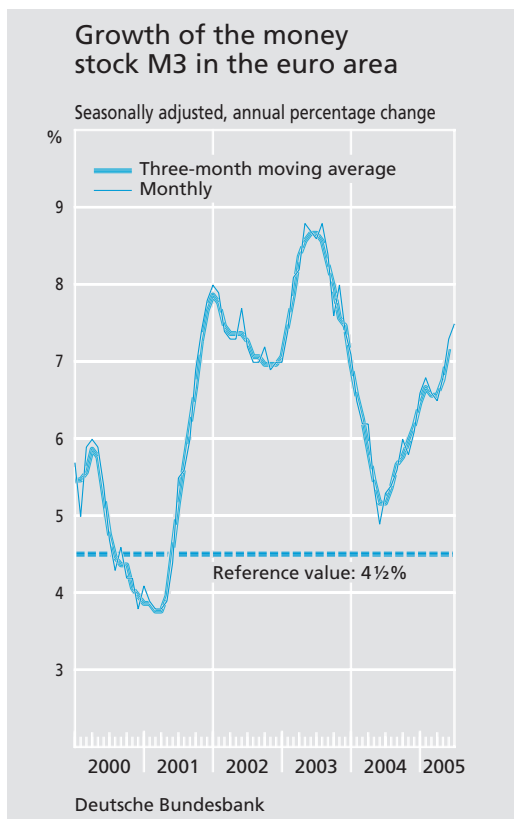
Overall, the overnight rates are currently showing an extraordinarily stable development in the last week before the end of the respective maintenance period. This was achieved by the now prevailing market expectation that the ECB will conduct fine-tuning operations at the end of the maintenance periods in order to correct any major liquidity imbalances.

Factors determining bank liquidity ¹

€ billion; calculated on the basis of daily averages of the reserve maintenance periods

Item	2005		
	13 Apr to 10 May	11 May to 7 June	8 June to 12 July
I Provision (+) or absorption (-) of central bank balances by			
1 Change in banknotes in circulation (increase: -)	- 6.9	- 7.3	- 9.8
2 Change in general government deposits with the Eurosystem (increase: -)	+ 4.5	+ 9.4	- 13.9
3 Change in net foreign reserves ²	+ 4.9	- 0.2	+ 6.5
4 Other factors ²	- 3.2	+ 3.1	- 4.7
Total	- 0.7	+ 5.0	- 21.9
II Monetary policy operations of the Eurosystem			
1 Open market operations			
(a) Main refinancing operations	- 1.7	- 3.4	+ 24.5
(b) Longer-term refinancing operations	+ 3.1	± 0.0	± 0.0
(c) Other operations	-	- 0.1	- 0.2
2 Standing facilities			
(a) Marginal lending facility	- 0.1	+ 0.0	- 0.0
(b) Deposit facility (increase: -)	- 0.0	- 0.1	+ 0.0
Total	+ 1.3	- 3.6	+ 24.3
III Change in credit institutions' current accounts (I + II)	+ 0.7	+ 1.5	+ 2.4
IV Change in the minimum reserve requirement (increase: -)	- 0.4	- 1.5	- 2.6

¹ For longer-term trends and the contribution of the Deutsche Bundesbank, see pages 14* and 15* of the Statistical Section of this *Monthly Report*. — ² Including end-of-quarter valuation adjustments with no impact on liquidity.



2005, the three-month money market rate fluctuated by just 4 basis points. By contrast, the money market rates for longer maturities developed unevenly. Between the start of April and the end of June, their interest rate spread of around 25 basis points over the EONIA eroded completely. In July, however, the longer-term money market rates began to rise again, standing most recently at around 2¼%. As a result, the yield curve on the money market is currently flat but with a positive slope. The three-month forward rate, which also expresses interest rate expectations in the money market, underwent a development similar to the longer-term money market rates. Starting from their interim peak of approximately 2¾% in late March 2005, the three-month forward rates due in nine to twelve months fell to below 2% in late June,

reflecting the expectation of a slight relaxing of interest rate policy. Once market sentiment with respect to the future interest rate policy of the ECB Governing Council turned again in July, the spread moved back to around 20 basis points.

Monetary developments in the euro area

The money stock M3 grew strongly in the second quarter of 2005. Following a slowdown in monetary expansion in the first quarter, when M3 expanded at a seasonally adjusted annual rate of 5%, money holdings grew at a rate of 9½% between April and June. Strong lending to the private sector and extensive inflows from abroad were the main drivers of this development. However, the very high level of monetary capital formation slowed monetary growth per se. Overall, the money stock M3 in June was up 7.5% on the year. Between April and June, the year-on-year growth rate averaged 7.2%, having averaged 6.6% in the first quarter.

Strong monetary growth

Of the components of the money stock, it was again the most liquid categories which expanded considerably in the second quarter. In the period under review, money holdings increased at a seasonally adjusted annual rate of just under 14½%. Although growth slowed perceptibly vis-à-vis the previous quarter (+24%), a sustained slowdown in the volume of currency in circulation does not appear to be in sight. Given the low interest rates in the euro area and the increasing expansion of euro banknotes in countries outside of the euro area, there is

Components of the money stock

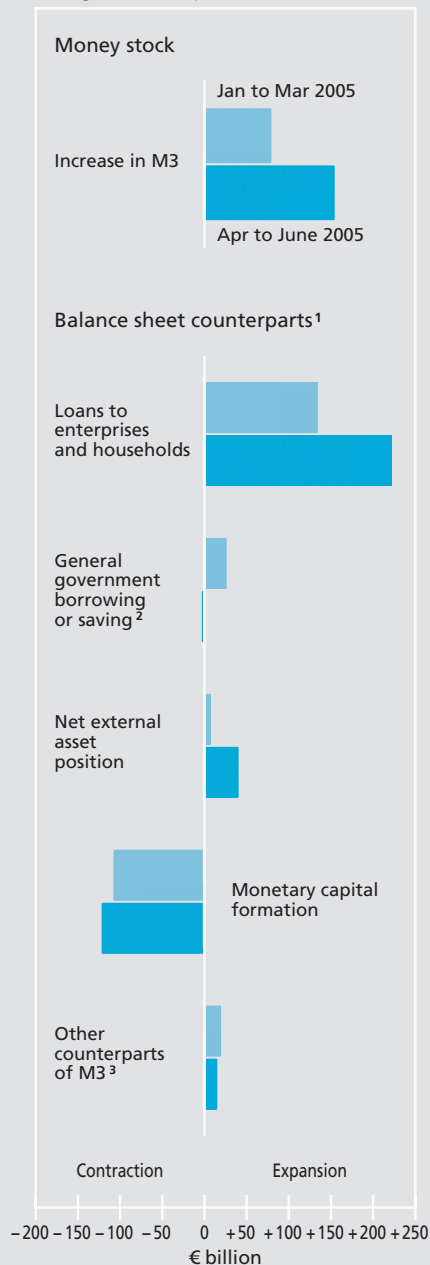
likely to be a large demand for additional euro banknotes and coins in the coming quarters, too. Although there was a slight slowdown in the expansion of overnight deposits in the second quarter, at 9½% it was still very high, particularly since there was also a noticeable acceleration in other short-term bank deposits, which in the period under review grew at a seasonally adjusted annual rate of 6½%. This was caused mainly by a rise in deposits with an agreed maturity of up to two years which, after having declined in the previous quarter, expanded strongly again. The marketable instruments included in M3 also posted strong growth in the April-June period. Both repo transactions and short-term bank debt securities expanded sharply. Money market fund shares also increased by a large amount in the period under review.

Balance sheet counterparts

Strong lending to the private sector in the euro area was the main source of money creation in the second quarter. In particular, the rise in loans to the private sector alone, at a seasonally adjusted annual rate of just under 9½%, stimulated monetary growth in the period under review. In June, unsecured lending posted a year-on-year increase of 7.9%. As in the previous quarters, housing loans to households were the main factor behind this development. They contributed 3½ percentage points to the annual growth rate of loans. The increase in unsecured lending to non-financial corporations accounted for an additional 2½ percentage points while around 1 percentage point was attributable to the rise in other loans to

Euro-area M3 and its balance sheet counterparts

€ billion, seasonally adjusted change over the period indicated



¹ Changes in balance sheet counterparts are shown in terms of whether they expand (+) or contract (-) the money stock. — ² Bank loans to general government less euro-area central government deposits with MFIs and holdings of securities issued by the MFI sector. — ³ Calculated as a residual of the other items of the consolidated balance sheet of the MFI sector.

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Lending and deposits of monetary financial institutions (MFIs) in Germany *

€ billion

Item	2005	2004
	Apr to June	Apr to June
Deposits of domestic non-MFIs 1		
Overnight	+ 18.7	+ 7.4
With agreed maturities		
of up to 2 years	+ 4.0	- 6.2
of over 2 years	- 0.6	+ 13.3
Redeemable at agreed notice		
of up to 3 months	- 1.0	+ 0.9
of over 3 months	- 1.6	- 2.3
Lending		
to domestic enterprises and households		
Unsecuritised	+ 8.4	+ 1.7
Securitised	+ 0.6	- 9.1
to domestic government		
Unsecuritised	- 4.5	- 18.7
Securitised	- 13.4	+ 14.9

* As well as banks (including building and loan associations, but excluding the Bundesbank), monetary financial institutions (MFIs) here also include money market funds; see also Table IV.1 in the Statistical Section of the *Monthly Report*. — 1 Enterprises, households and government excluding central government.

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households and an expansion in lending to financial enterprises.

Above and beyond that, MFIs' net external assets rose sharply in the period under review. However, by contrast, there was a clear increase in monetary capital formation. In the April-June period, it was particularly bank debt securities with a maturity of over two years which were again sold outside the banking sector. Long-term time deposits also continued to grow, although they were no longer in demand to the same extent as was the case in the fourth quarter of 2004 and the first quarter of 2005.

In the period under review, general government borrowing or saving exerted virtually no effect on monetary growth. The slight in-

crease in loans to the public sector in the euro area was accompanied by a moderate increase in bank deposits and short-term bank debt securities held by euro-area central governments which are not included in M3.

Deposit and lending business of German banks with domestic customers

Private non-banks' liquid deposits at domestic banks in Germany, which are included in M3, rose sharply in the second quarter. At a seasonally adjusted annual rate of just over 6½%, the rise in this item was only somewhat smaller than the corresponding increase in these deposits in the euro area as a whole (+8%). In the period under review, overnight deposits and short-term savings deposits in Germany continued to rise. Moreover, as was the case in the euro area as a whole, short-term time deposits were in particularly high demand in the period under review, after having been reduced perceptibly in the previous quarter. In the light of the further decrease in interest rates on the capital market, short-term bank deposits have become even more attractive.

In the second quarter of 2005, domestic investors' overnight deposits continued to grow strongly, reaching a seasonally adjusted annual rate of 6½%. In addition to households, non-financial corporations made a key contribution towards the increase in sight deposits. By contrast, other financial intermediaries reduced their overnight money. Instead, these institutions built up deposits with an

Sharp rise in short-term bank deposits

Sharp rise in overnight deposits ...

... and short-term deposits

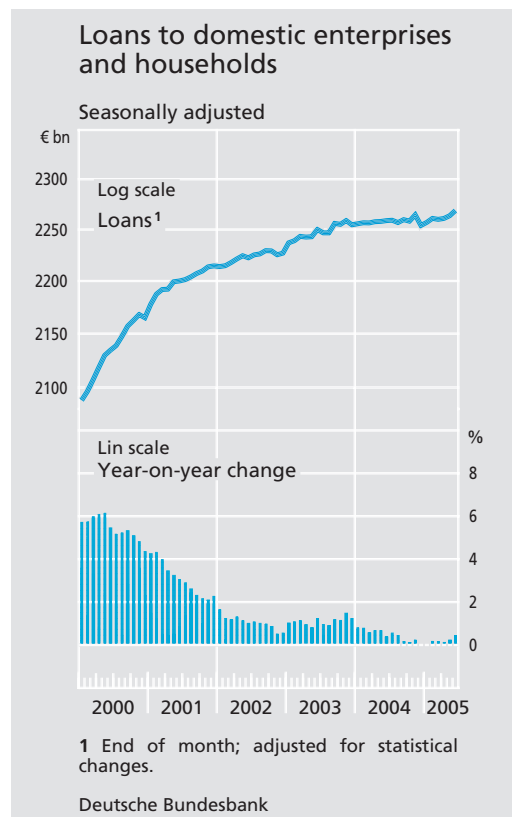
agreed maturity of up to two years. As insurance corporations and non-financial corporations also topped up their holdings of short-term time deposits considerably, in the April-June period these deposits grew strongly overall at a seasonally adjusted annual rate of 13%. While short-term savings deposits (with an agreed notice of up to three months) grew more slowly than short-term time deposits – recording a seasonally adjusted annual rise of 4½% – their growth rate accelerated noticeably compared with the preceding quarters.

Longer-term bank deposits virtually unchanged

In this context, short-term deposits are likely to have been increased partly at the expense of longer-term savings deposits (with an agreed notice of over three months). In the period under review, these deposits stagnated after having increased in the two preceding quarters. Time deposits with an agreed maturity of over two years were likewise not increased in the second quarter. Following fairly strong growth in the preceding quarters, it was probably above all the marked fall in interest rates which dampened investors' interest in long-term time deposits.

Slight rise in lending

German banks' lending to domestic non-banks increased in the second quarter. For the first time in a year, domestic credit institutions granted loans to general government in Germany. However, this contrasted with a sharp reduction in their holdings of public debt securities. In their credit business with private domestic non-banks, banks increased the volume of both securitised and unsecuritised lending. During the second quarter, the latter grew at a season-

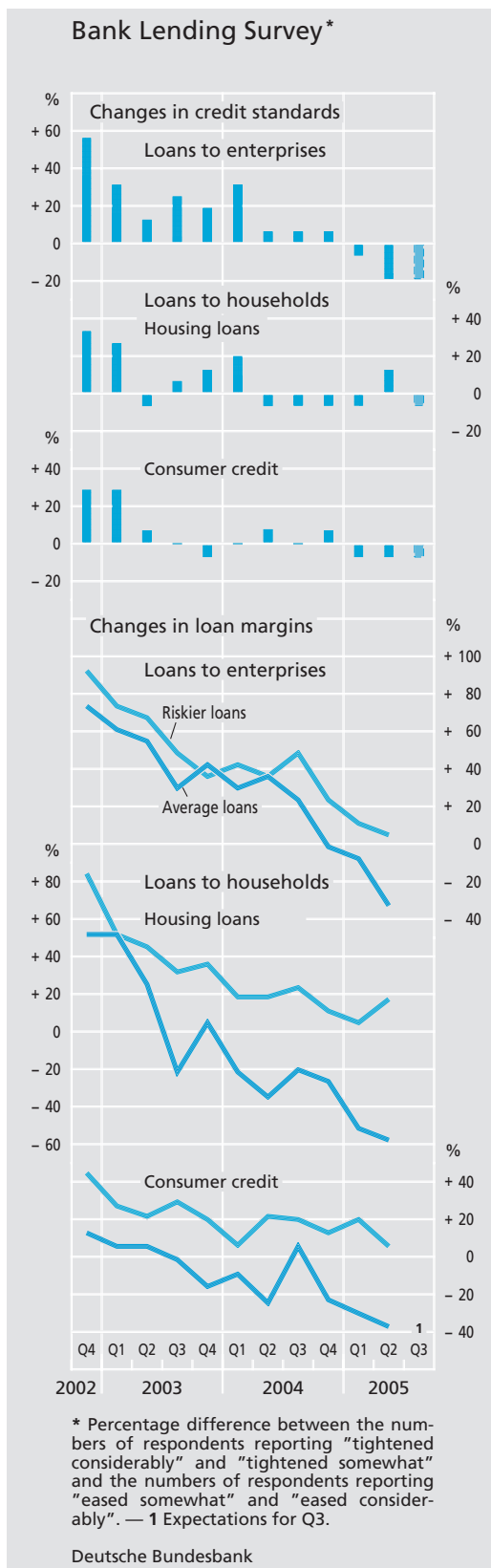


ally adjusted annual rate of 1½%. In addition to loans to domestic enterprises, such lending mainly comprised long-term housing loans.

For the first time since the Bank Lending Survey¹ was first conducted in the fourth quarter of 2002, the German results indicate that, following initial signs in the preceding quarter, there was a clearly observable easing of the credit standards for loans to enterprises, too. A number of institutions cited increasing competitive pressure in this segment of lending as the reason for this. Credit standards for households, by contrast, remained unchanged in the case of consumer credit, al-

Easing of credit standards for enterprises and falling margins

¹ See Deutsche Bundesbank, German results of euro-area bank lending survey, *Monthly Report*, June 2003, pp 67-76.



though they tended to be somewhat more restrictive for housing loans. Hence, credit standards in Germany developed much the same as in the euro area as a whole, although the more restrictive tendency in the area of housing loans in Germany deviated from the overall trend. According to the respondent banks, they further lowered the margins on average loans to enterprises and households. In Germany, this applied particularly to the area of private housing construction. A few of the institutions surveyed provided supplementary comments on this development which refer, *inter alia*, to the current competitive environment. At the same time, margins charged on riskier loans were slightly widened to some extent. German credit institutions expect a further slight easing of credit standards as well as largely unchanged credit demand in the third quarter of 2005.

In the second quarter of 2005, German banks' long-term new loans to the private sector became considerably cheaper. Depending on the credit volume, credit institutions charged non-financial enterprises between 4.0% and 4.4% in the period under review. Interest rates on long-term loans to households also fell. By the end of the second quarter, banks were charging 8.7% for consumer loans and 4.3% for housing loans with the interest rate locked in for more than ten years. By contrast, there was an uneven development in interest rates on short-term loans. While the rates of interest on both consumer loans and small corporate loans remained virtually unchanged, banks charged somewhat less for large corporate loans and

Slight fall in lending rates overall

housing loans than they did in the previous quarter.

Similar small drop in long-term deposit rates

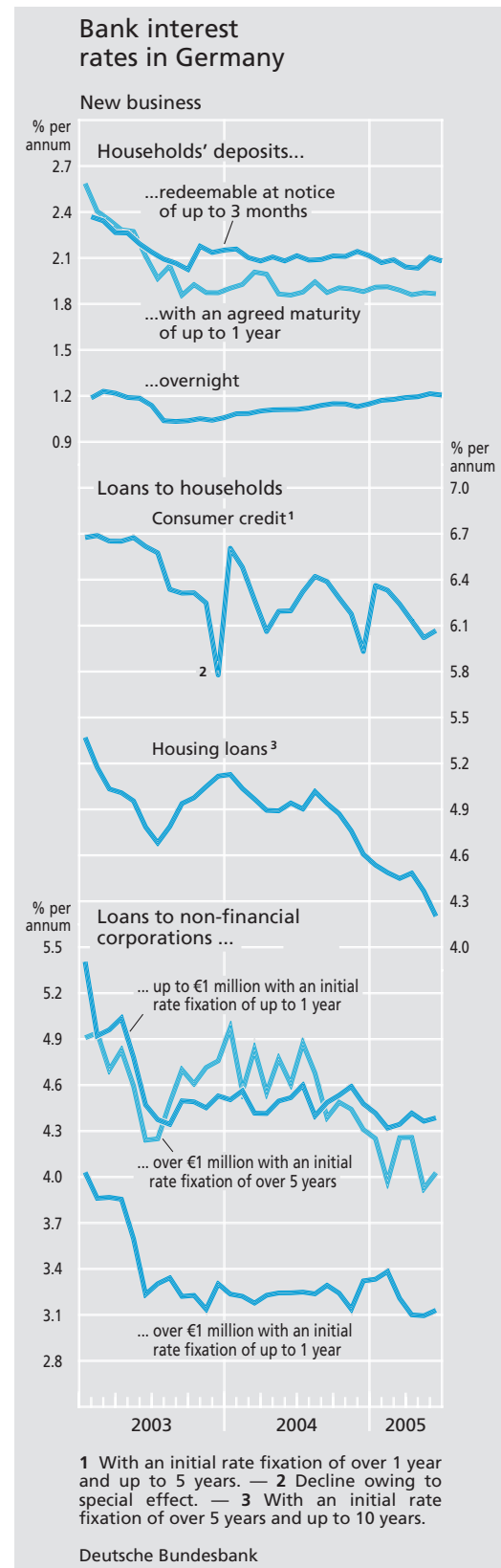
The interest rates paid on households' long-term deposits at domestic credit institutions likewise fell in the second quarter of 2005. By contrast, the rate of interest paid on short-term deposits remained virtually unchanged. Depending on the maturity, the rate of interest paid on households' time deposits ranged between 1.9% and 2.2% of late.² Savings deposits with a notice of up to three months earned 2.1% while banks offered 2.4% for longer maturities.

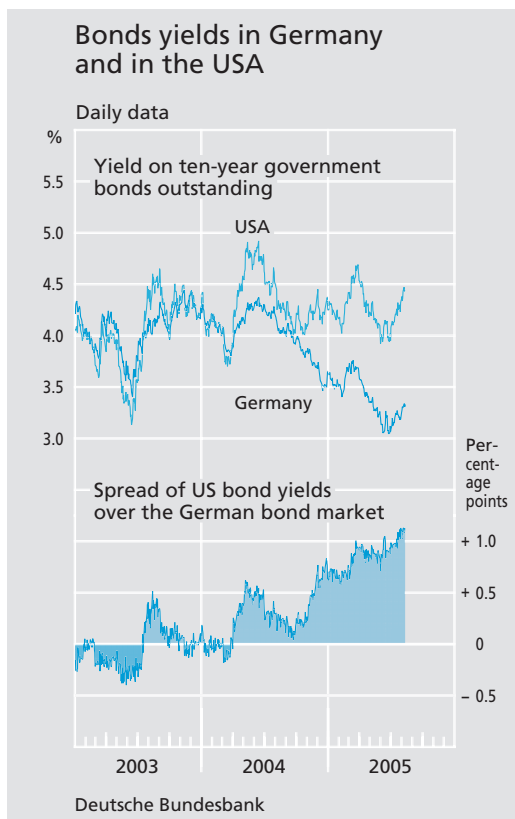
Securities markets

Low interest-rates on the bond market

Since April, the German and European bond markets have been characterised by a worldwide decline in long-term interest rates and extremely buoyant equity markets. Against this backdrop, German bond yields, measured here in terms of the yield on ten-year Bunds, fell in line with the movements in long-term US interest rates by around ½ percentage point in the second quarter to an historical low of just under 3.1% in late June/early July. On balance, the expected real rates of interest fell to the same extent. Based on long-term inflation expectations for the euro area, this figure last stood at 1¼%, which by historical standards is an exceptionally low level.

² The level reported in June 2005 of 2.7% for time deposits with an agreed maturity of over one year and up to two years is based on large-volume special transactions. The rates of interest paid in this category typically lie between those for short-term time deposits (most recently 1.9%) and those for long-term time deposits (most recently 2.2%).





Spreads on corporate bonds ...

... suggest greater risk aversion on the bond markets

In the wake of the decline in interest rates in the Bund market, financing terms in the corporate sector have also improved, although the interest rate spreads indicate there were higher default and liquidity premia than in the first quarter.³ Together with the rating agencies' more favourable assessment of corporate creditworthiness, which as in the previous quarter saw more companies being upgraded than downgraded, the yield spreads, however, tend to indicate more of an increase in investors' risk aversion in the second quarter than a more unfavourable risk assessment. This development is in line with the development on the international corporate bond markets.⁴

Issuing activity in the German bond market has not directly reflected the favourable fi-

ancing terms. Although gross sales of domestic debt securities reached a total of €341½ billion in the second quarter of 2005, after taking account of redemptions and changes in issuers' holdings of their own bonds, net sales of domestic bonds (€56½ billion) were slightly down on the quarter, a development which was particularly driven by increased redemptions of money market paper. Over and above this, domestic investors purchased €46½ billion worth of foreign debt securities, mostly denominated in euro. In net terms, therefore, €103 billion was raised on the German bond market altogether compared with €114 billion in the previous quarter.

Bond sales somewhat weaker

In the period under review, domestic credit institutions issued bonds and notes with a net value of €46 billion. This was half as much again as the amount issued in the previous quarter. They were the only group of domestic borrowers to show a net increase in sales. Sales mainly comprised other bank debt securities (€31 billion), which, in contrast to mortgage Pfandbriefe and public-sector Pfandbriefe, do not focus on the funding of specific bank credit operations but rather rep-

Greater borrowing by credit institutions

³ Measured here in terms of the yield spread of BBB-rated European corporate bonds with a maturity of seven to ten years. Although the spread, at just over 100 basis points of late, was only a little above the level at the end of March, a comparison with the previous quarter has to take account especially of the altered composition of the BBB index in the course of the second quarter as well as the associated lower level of spreads. Taking these technical changes into account, the yield spread and the corresponding premia on credit default swaps suggest higher default risk and liquidity premia.

⁴ This is indicated by a measure of risk propensity which is based on the first common factor of a principal component analysis. The principal component analysis included US and European corporate bonds from the junk bond and investment grade segments.

resent a particularly flexible general refinancing instrument. Apart from these instruments, only debt securities issued by special-purpose credit institutions were issued on a sizeable scale on balance (€9½ billion). By contrast, sales of public-sector Pfandbriefe totalled only €5 billion net; just over €½ billion was raised through the issuance of mortgage Pfandbriefe.

*Foreign
currency bond
issued
by Federal
Government*

In the quarter under review, general government raised €11½ billion net in the bond market. The lion's share of this was accounted for by the Federal Government, which issued euro-denominated debt securities worth €8½ billion net, particularly in the five-year maturity segment (€10 billion). In addition, the Federal Government issued its first foreign currency bond in the amount of US\$5 billion and at the same time eliminated the currency risk by concluding appropriate hedging transactions. Besides five-year Federal notes (Bobls), the Federal Government issued Federal savings notes and two-year Federal Treasury notes (Schätze) on balance. State government borrowed €3½ billion on the capital market.

*Enterprises
reduce capital
market
liabilities*

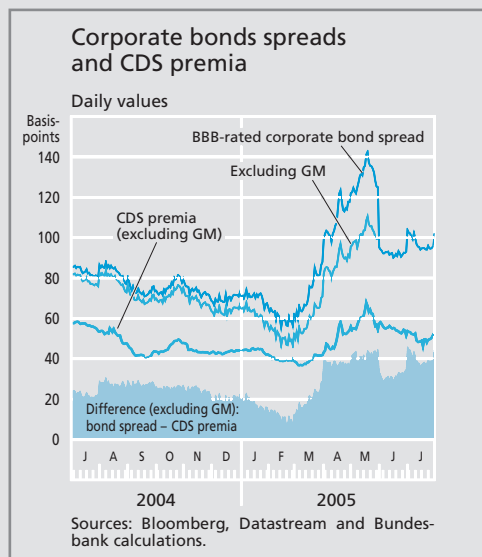
Non-financial corporations which are capable of issuing debt securities reduced their capital market liabilities by €1 billion. This mainly comprised the redemption of money market paper, although the level of debt in longer-dated securities increased slightly.

*Purchases of
debt securities*

It was primarily foreign investors who featured as purchasers on the German bond market, topping up their holdings by €59½ billion. They purchased public and private-

Development of corporate bond spreads

Between the fourth quarter of 2002 and the second quarter of 2005, the yield spread between government and corporate bonds with a BBB rating narrowed by around four-fifths to less than 60 basis points. Thereafter, a countermovement set in: between March and May the yield spread rose to just over 140 basis points. This was triggered by profit warnings from General Motors and Ford. This can be seen in a comparison with the corresponding data excluding the General Motors bond, which was included in the overall index until the end of May 2005.¹⁾ The comparison shows that in the period under review just under one-quarter of the increased spread stems from the deterioration in the credit rating of General Motors. But the adjusted index and the corresponding credit risk premia on credit default swaps (CDS) also show that there has been a sharp general increase in the credit risk and liquidity premia in addition to this spread increase since March of this year.²⁾



¹ The Merrill-Lynch BBB Index for corporate bonds with a residual maturity of seven to ten years. The Index was adjusted for the General Motors bond which was included in the index in May 2005 and recalculated accordingly. The gap between the two curves on 30 May 2005 is the result of the other changes in the composition of the index. — ² The liquidity premium can be obtained by calculating the difference between the spreads on corporate bonds and the CDS premia. See Deutsche Bundesbank, *Monthly Report*, May 2005, p 32.

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New long-term financing and investment instruments

In 2005, bonds with a maturity of 50 years were issued in Europe for the first time in 45 years. France and the United Kingdom successfully placed 50-year government bonds and an Italian telecommunications company also drew on this segment of the capital market.

Such ultra-long bonds were in great demand on the market. For example, the bid-to-cover ratio of the 50-year French government bond issue was three. It is being traded at a yield mark-up of only a few basis points vis-à-vis a comparable 30-year bond. When comparing the yields it should, however, be borne in mind that investors strongly discount payment flows that lie in the distant future. These considerations are reflected in the average, weighted commitment period of the capital, ie the duration, of the 50-year bond. This is around 22 years and thus only about 5 years longer than that of the 30-year bond.

The current tendency towards long-term financing instruments is also attested by the fact that some companies are now drawing on the capital market via hybrid bonds. These subordinated debt securities can have maturities of up to 100 years or be "undated". Such debt securities are counted by rating agencies in particular as partial capital substitutes. They improve the debt ratio and other financial ratios of the issuing company, which tends to lower its financing costs. Usually the issuer can call in a hybrid bond after ten years at the latest. Until the earliest possible call-in date these bonds typically have a fixed interest rate, thereafter a floating rate is paid. The shift to a floating interest rate means that these bonds correspond more closely to ten-year bonds than actual "ultra-long" bonds.

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sector bonds in roughly equal amounts. On balance, credit institutions added virtually only foreign bonds and notes to their portfolios (€26 billion). Domestic non-banks invested €16½ billion in the bond market, which in net terms was used exclusively for purchases of foreign debt securities (€20½ billion).

The equity markets in Germany and in Europe also recovered quickly in the second quarter after stalling briefly. This development was particularly dramatic on the German stock exchanges in June and July. By the end of July, the German share indices had reached the high levels of three to four years ago. Measured against the broad CDAX as well as the Dow Jones Euro Stoxx indices, German and European share prices rose by around 18% and 14% respectively compared with the end of April. This trend was driven above all by improved earnings expectations across the board for large enterprises active in export business. Furthermore, the appreciation of the US dollar and the resulting improvement in the competitiveness of European enterprises on the global markets generated investors' interest. Energy and utility stocks benefited from the global rise in demand in this segment. By contrast, enterprises which are dependent on domestic demand performed below average. On the whole, the distinct rise in share prices on the German equity market has improved the financing conditions for German enterprises, not only in view of the low capital market interest rates, but also in terms of the supply of risk capital.

*Equity markets
buoyant*

Lower volume of funds raised in the equity market

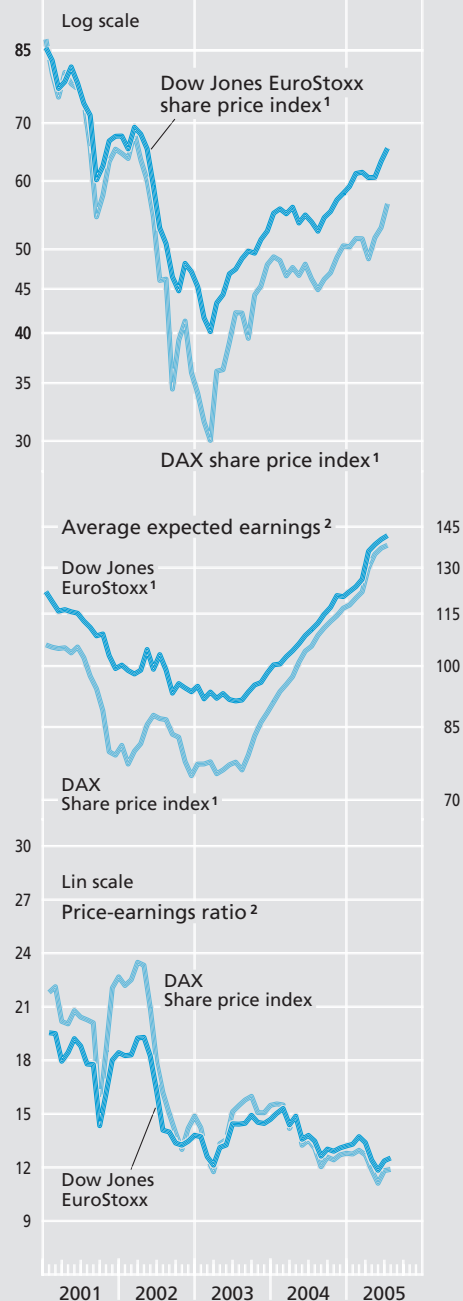
As there was only one major IPO in the second quarter, issuing activity on the German equity market shrank. German enterprises placed new shares with a market value of only €1 billion, after having placed €2 billion in the first quarter. However, share issuance is expected to pick up in the second half of the year, especially as private equity funds and other venture capitalists are again increasingly seeking to sell off existing participating interests via public offerings. In net terms, foreign investors were the sole purchasers of German shares (€26½ billion). Domestic non-banks and credit institutions, by contrast, reduced their holdings by €21 billion and €4½ billion respectively. On balance, there was virtually no change in their holdings of foreign equities.

Mutual fund shares

In the period under review, domestic investment companies attracted funds totalling €9½ billion, the same amount as in the first quarter, after having recorded outflows of funds a year ago. Two-thirds of this amount accrued to special funds. Of the investment funds open to the general public, bond-based funds were the most popular, followed by money market funds and mixed funds. Share-based funds, by contrast, had to repurchase fund units on balance. At €8 billion, foreign funds trebled their sales of mutual fund shares compared with the second quarter of 2004. The main purchasers were domestic non-banks, which bought fund units with a total value of €12½ billion, investing nearly equal amounts in domestic and foreign mutual funds. Credit institutions bought units in domestic and foreign mutual funds with a total value of €4 billion; by contrast, foreign

Price movements and earnings estimates for European and German public limited companies

Monthly data



¹ March 2000 = 100; source: Deutsche Börse AG. — ² Based on year-on-year I/B/E/S analyst estimates. Source: Thomson Financial Datastream.

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Investment activity in the German securities markets

€ bn

Item	2005		2004
	Jan to March	Apr to June	Apr to June
Bonds and notes			
Residents	62.7	43.4	59.1
Credit institutions	46.4	26.8	38.2
<i>of which</i>			
Foreign bonds and notes	34.6	26.0	18.8
Non-banks	16.2	16.6	20.9
<i>of which</i>			
Domestic bonds and notes	- 2.3	- 3.7	6.3
Non-residents	51.4	59.3	22.3
Shares			
Residents	- 1.6	- 25.7	17.1
Credit institutions	1.5	- 4.5	- 5.4
<i>of which</i>			
Domestic shares	2.3	- 6.9	- 6.2
Non-banks	- 3.1	- 21.1	22.5
<i>of which</i>			
Domestic shares	- 4.0	- 18.4	23.0
Non-residents	3.7	26.5	- 11.8
Mutual fund shares			
Investment in specialised funds	8.9	6.2	0.1
Investment in funds open to the general public	0.4	3.2	- 1.3
<i>of which: Share-based funds</i>	- 1.8	- 0.8	- 1.4

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investors increased their holdings of units in domestic mutual funds only slightly (€1 billion).