

ECB has started buying up Irish bonds

By Emmet Oliver Deputy Business Editor

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Irish government bonds have been bought by the European Central Bank in the past few days, according to a number of bond traders and analysts.

The impact has been to stabilise Irish bond yields and open the way for today's auction by the NTMA of up to €1.5bn in Irish government debt.

The ECB and the Irish Central Bank refuse to comment on any market interventions they are making, but seasoned observers of the bond market believe Irish bonds have been bought on the secondary market since late last week.

It is estimated the ECB has bought about €16.5bn of government bonds in general, which, if accurate, translates into about 2pc of the medium and long-term debt of Ireland, Portugal, Greece, and Spain, according to Italian bank UniCredit.

"This should be just the first step and more purchases will likely be required to stabilise the market," said Luca Cazzulanni, deputy head of fixed-income strategy at UniCredit.

He said the ECB should buy another €70bn in bonds.

Healthy

Glas Securities, which monitors Irish bond sales, said it expected healthy demand at today's auction, particularly in terms of bid-to-cover ratios, which show how much demand there is compared to the amount of debt available.

"While not expecting such a high bid-to-cover ratio as last month, we would anticipate reasonable demand for the Irish auction," the company said.

The programme of buying government bonds is part of the ECB's attempt to lower the borrowing costs of peripheral eurozone members like Greece, Portugal and Spain.

The ECB denies it is a form of quantitative easing or printing money.

It says it is "sterilising" the purchases and not adding to the overall amount of money circulating in the eurozone.

It hopes to achieve this by collecting money from banks and putting it on deposit at the ECB.

Bloomberg also reported yesterday that euro-region central banks were buying Greek, Portuguese and Irish government bonds for a sixth day.

Irish 10-year bond yields were trading at 4.69pc yesterday, up 10 basis points, while two-year money was almost flat at a yield of 1.97pc. (Additional reporting by Bloomberg)

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