

3. Money Market

For the year 2019, the total turnover in the interbank call loan market went down significantly by 37.74%, while that in the short-term bills market posted a modest decrease of 1.82%. With respect to money market rates, as the Bank maintained an accommodative monetary policy stance, the interbank overnight call loan rate stayed at low levels, whereas bills market rates slightly moved up during the year.

Decrease in Interbank Call Loans

Trading in the interbank call loan market was less active in 2019 on account of sufficient domestic liquidity and the interbank overnight call loan rate remaining at low levels. Total annual turnover of interbank call loans fell markedly by NT\$18,185.9 billion or 37.74% to NT\$30,006.8 billion over the previous year. At the end of 2019, the outstanding amount of interbank call loans reached NT\$265.8 billion, representing a year-on-year decrease of NT\$118.2 billion or 30.79%.

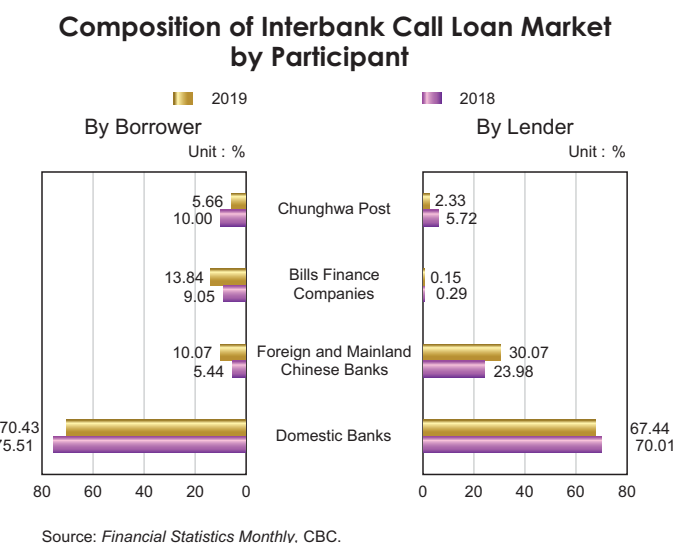
In terms of borrowers, domestic banks still made the largest contribution to total transactions, with a share of 70.43%, followed by bills finance companies, foreign and Mainland Chinese banks, and Chunghwa Post, with respective shares of 13.84%, 10.07%, and 5.66%, respectively.

With ample liquidity in the banking system, banks' demand for borrowing weakened in the year, leading the amount borrowed by domestic banks to drop substantially by NT\$15,253.4 billion or 41.92% over the previous year. On the other hand, bills finance companies, in consideration of liquidity and profitability, chose to finance through outright sales or repurchase agreement transactions, thereby reducing their funding needs. The amount borrowed by bills finance companies showed a decrease of NT\$207.3 billion or 4.76% from a year before.

Meanwhile, the amount borrowed by Chunghwa Post also declined by NT\$3,122.9 billion or 64.77% compared with the previous year, owing to softened funding needs. With net foreign capital inflows rising by NT\$15.9 billion in 2019, foreign and Mainland Chinese banks obtained funds from the custodian business for foreign investors. However, as some of these banks became more cautious about fund allocation, their demand for borrowing increased, driving the amount borrowed by foreign and Mainland Chinese banks to climb by NT\$397.7 billion or 15.16% over the previous year.

With respect to lenders, domestic banks remained the largest supplier of funds, accounting for 67.44% of total transactions in 2019. The second were foreign and Mainland Chinese banks with a share of 30.07%, followed by Chunghwa Post and bills finance companies, contributing to 2.33% and 0.15% of total transactions, respectively.

The amount lent by domestic banks recorded a significant decline of NT\$13,503.5 billion, or 40.02%, compared with the previous year. Meanwhile, the lending amount of foreign and Mainland Chinese banks contracted by NT\$2,530.9 billion or 21.90% owing to less available funds at hand. The amount lent by Chunghwa Post also fell by NT\$2,057.0 billion or 74.65% over the previous year, largely because of increased investment in commercial paper.



With regard to maturity, interbank overnight call loans remained the most actively traded instrument in the market with a predominant share of 48.75%, down by 14.44 percentage points from that of the previous year. The second were those with a maturity of one week, accounting for 36.73%, up by 11.12 percentage points from that of the previous year, while the share of loans with a two-week maturity increased by 2.51 percentage points to 10.79%.

Decline in Short-Term Bill Transactions

For the year 2019, newly issued short-term bills stood at NT\$14,927.3 billion, registering a decrease of NT\$44.6 billion or 0.30% from a year before. Commercial paper made up a dominant 91.20% of the new issues, followed by negotiable certificates of deposit (NCDs) with a share of 6.60%.

The slide in the volume of newly issued short-term bills mainly resulted from reduced issuance of NCDs. This was because when part of the NCDs reached maturity, some banks did not renew the issuance of NCDs after assessing their own funding conditions or enterprises holding NCDs did not renew their purchases in order to free up funds for other purposes. As a result, the amount of NCDs issued went down by NT\$842.8 billion from the previous year.

Meanwhile, the amount of banker's acceptances dropped slightly by NT\$4.5 billion in 2019. On the contrary, issuance of commercial paper grew by NT\$648.6 billion compared with the previous year as government enterprises and private enterprises issued commercial paper to raise funds amidst a low interest rate environment. The amount of treasury bills expanded by NT\$154.0 billion over the previous year, primarily on account of an increase in issuance to support fiscal funding needs.

As of the end of 2019, total outstanding short-term bills amounted to NT\$2,353.2 billion, showing an increase of NT\$130.1 billion or 5.85% from that of the previous year end.

Short-Term Bills Market

Unit: NT\$ Billion

Year	Total		Treasury Bills		City Treasury Bills		Commercial Paper		Bankers' Acceptances		Negotiable Certificates of Deposit	
	Issues	Year-end Outstanding	Issues	Year-end Outstanding	Issues	Year-end Outstanding	Issues	Year-end Outstanding	Issues	Year-end Outstanding	Issues	Year-end Outstanding
2010	7,140.8	1,167.5	365.0	240.0	-	-	5,903.4	686.1	33.1	6.2	839.3	235.2
2011	7,424.0	1,192.6	321.2	180.3	-	-	6,270.5	735.2	30.1	5.7	802.2	271.5
2012	8,187.7	1,454.0	265.0	195.0	-	-	7,311.6	1,023.6	24.2	4.3	586.9	231.1
2013	9,809.0	1,650.2	324.6	214.6	-	-	8,827.4	1,199.2	23.5	4.2	633.5	232.3
2014	10,840.6	1,641.2	244.9	130.0	10.0	0.0	9,919.5	1,306.8	24.1	4.3	642.2	200.2
2015	11,512.8	1,677.7	233.7	90.0	-	-	10,426.0	1,346.6	20.8	3.5	832.3	237.6
2016	12,778.5	1,873.5	217.3	90.0	-	-	11,371.3	1,480.1	18.3	4.1	1,171.6	299.4
2017	14,878.5	2,154.5	220.0	25.0	-	-	13,077.8	1,709.0	19.4	4.2	1,561.3	416.4
2018	14,971.9	2,223.1	160.0	30.0	-	-	12,965.0	1,760.6	18.5	4.0	1,828.5	428.5
2019	14,927.3	2,353.2	314.0	65.0	-	-	13,613.6	2,034.1	14.0	2.6	985.7	251.5

Source: Financial Statistics Monthly, CBC.

The total turnover of short-term bills in 2019 posted a year-on-year decrease of NT\$750.4 billion or 1.82% to NT\$40,505.5 billion. Of the total transactions, commercial paper still accounted for the lion's share of 94.63%, rising by 5.59 percentage points from a year earlier. The second were NCDs with a share of 4.72%, 5.86 percentage points lower than the previous year. Treasury bills and banker's acceptances made up negligible shares of transactions. As for market participants, private enterprises were still the largest player in the market with a share of 46.30%, followed by banks with a share of 28.22%.

Money Market Rates Remaining at Low Levels

In 2019, the weighted average interbank overnight call loan rate stayed at a low level on the back of ample market liquidity. In the first half of the year, the interbank overnight call loan rate exhibited a broad uptrend and reached 0.189% in April, driven by higher transaction demand for money prior to the extended holiday weekend for Tomb-Sweeping Day.

In the following two months, banks' funding conditions slightly tightened on account of income tax collections, the Dragon Boat Festival holidays, and enterprises' preparation to release semi-annual financial statements. The interbank overnight call loan rate thus went up and registered an all-year high of 0.202% in June.

Later in the year, some banks became cautious about fund allocation because of enterprises' dividend payouts and continuous net foreign capital outflows; nevertheless, market liquidity remained abundant, bringing down the interbank overnight call loan rate to 0.180% in August.

From September onwards, despite several public holidays and the approach of the year end leading to stronger transaction demand for money, market liquidity was at a reasonably ample level, and foreign capital recorded four consecutive months of net inflows. Therefore, the weighted

average interbank overnight call loan rate only slightly fluctuated between 0.176% and 0.177%.

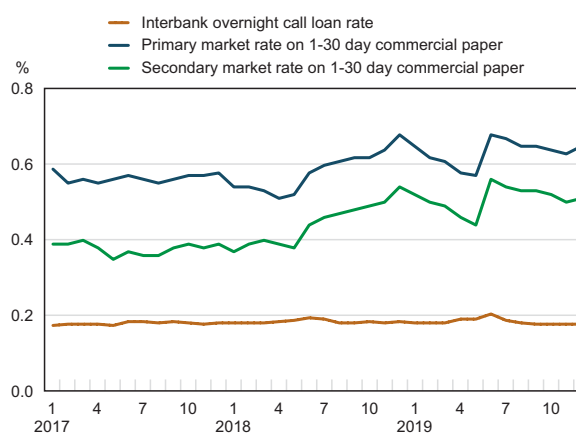
The primary market rate on commercial paper with a maturity of 1-30 days moved within a range between 0.57% and 0.68%, while the secondary market rate on commercial paper with a maturity of 1-30 days swung between 0.44% and 0.56% throughout the year.

Expansion in Money Market Funds

In the year 2019, amid a low interest rate environment, international financial market turmoil, and the global stock market rally, money market funds were often seen as an ideal investment option to park short-term capital given the benefits of stable returns, low risk, and high liquidity. As a consequence, the size of money market funds expanded during the year. At the end of 2019, there were a total of 42 money market funds in Taiwan and the total assets reached NT\$793.7 billion with an increase of NT\$110.1 billion or 16.11% from the end of the previous year.

With regard to portfolio composition, the largest use of the funds was bank deposits with a share of 57.64% at the end of the year. Following bank deposits were short-term bills and repurchase agreements, accounting for 29.45% and 12.67% of total money market funds, respectively.

Money Market Interest Rates



Source: Financial Statistics Monthly, CBC.

Portfolio Composition of Money Market Funds

Unit: NT\$ Billion

Year/Month End	Total	Bank Deposits		Short-Term Bills		Repurchase Agreements		Bonds	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
2017	783.1	550.3	70.27	132.9	16.97	99.0	12.64	0.9	0.11
2018	683.6	455.0	66.56	151.1	22.10	76.9	11.25	0.7	0.10
2019	793.7	457.5	57.64	233.7	29.45	100.6	12.67	1.9	0.24
2019/ 1	701.7	464.8	66.24	160.9	22.93	75.3	10.74	0.6	0.09
2	737.7	467.0	63.31	172.8	23.43	97.1	13.16	0.7	0.10
3	745.9	464.4	62.26	179.4	24.06	101.4	13.59	0.7	0.10
4	779.8	475.8	61.01	198.6	25.47	104.6	13.42	0.8	0.10
5	741.7	467.1	62.97	201.5	27.16	72.1	9.72	1.1	0.15
6	723.6	442.5	61.16	193.2	26.70	86.8	11.99	1.1	0.15
7	736.9	444.5	60.31	201.1	27.29	90.2	12.25	1.1	0.15
8	790.3	454.7	57.54	233.4	29.53	101.0	12.78	1.2	0.15
9	764.3	443.8	58.06	226.1	29.58	92.9	12.16	1.5	0.20
10	833.1	462.3	55.49	264.5	31.74	104.4	12.53	1.9	0.23
11	825.8	472.6	57.23	253.1	30.65	98.2	11.89	1.9	0.24
12	793.7	457.5	57.64	233.7	29.45	100.6	12.67	1.9	0.24

Source: Securities Investment Trust & Consulting Association of the R. O. C.