



Market Management

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1. Continuous Manipulation of prices via purchase and sell orders
 2. Smoothed prices, prevention of accidental prices
 3. Provision with liquidity to get fair and orderly prices

Disadvantages

Costs (i.e. transaction costs, fees)

Risk for the trader to go long or short

Danger of misuse by market participants

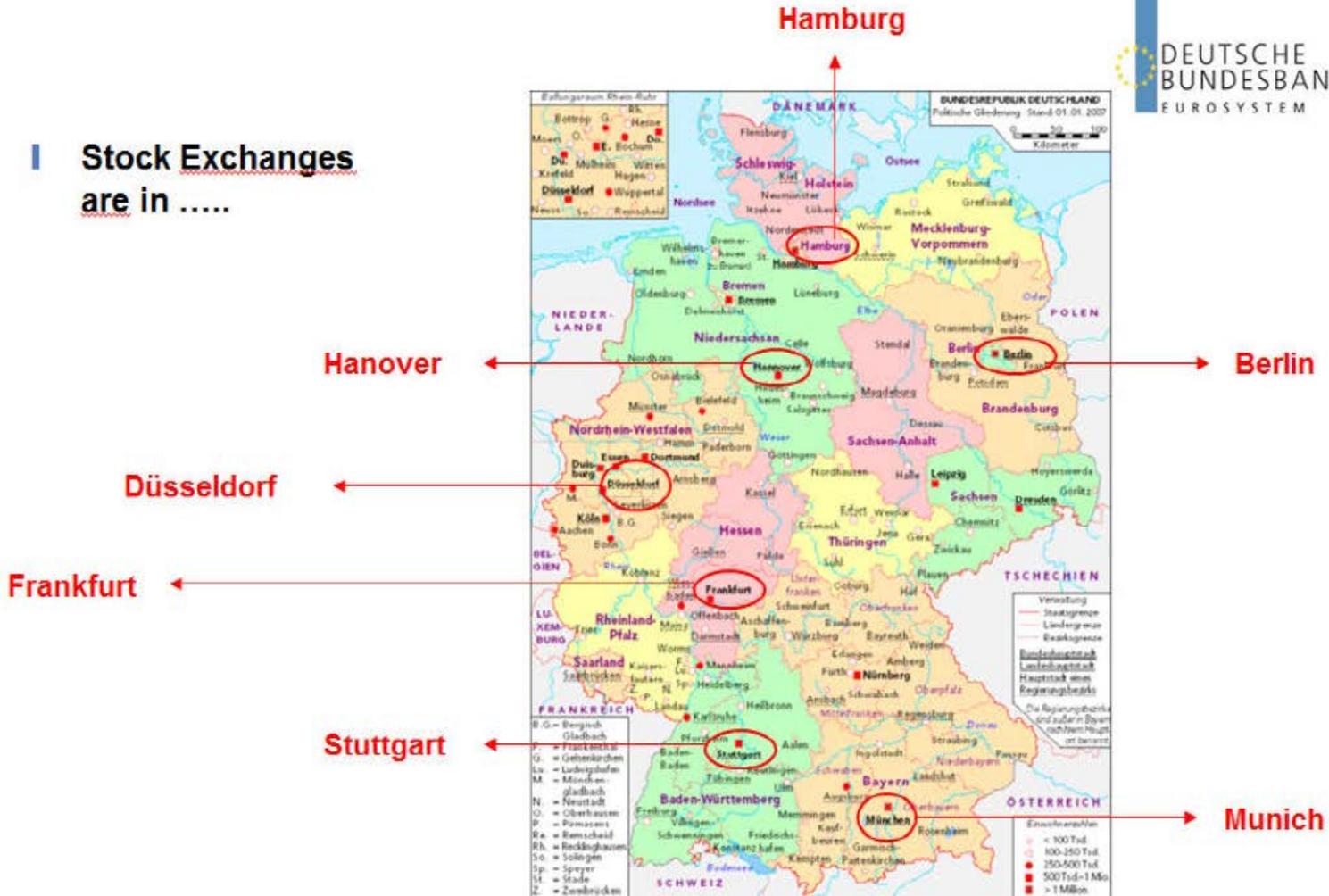
Self regulation of the market might be hindered

Trade off between liquidity and yield

Price management operations today



Stock Exchanges are in



How to find a „Fair Price“?

1. Perfect Market → market prices
2. Illiquid markets
 1. Comparison with another (liquid) bond
 2. Calculation via yield curve
 3. Calculation via money market or future prices
 4. Consulting prices in trading systems
 5. Consulting prices in information systems
 6. Calculation via asset swap history
 7. Comparison with another more liquid bond of another asset class

Who benefits from Price Management Operations?

- **Private investors**
 - Liquid markets
 - Constantly fair prices
- **Institutional investors**
 - Liquid markets for high amounts
 - Constantly fair prices also via inter-bank- and electronic dealing
 - Efficient primary and secondary markets
- **Issuer (Federal Ministry of Finance)**
 - Efficient primary and secondary markets for high volume issues
 - Lower yield than other European Euro bonds
 - Deutsche Mark/Euro was/is reserve currency
 - German government bonds are benchmark in Europe

65 years of successful Price Management Operations

1. High liquidity for German Government Bonds on all dealing platforms
 2. Fair and similar prices through all markets
 3. Prominent position for German Government Bonds among other European bonds
 4. Benefits for issuer as well as for investors
- ➔ **Price Management Operations have been a success and should therefore continue**

Thank you for your attention.