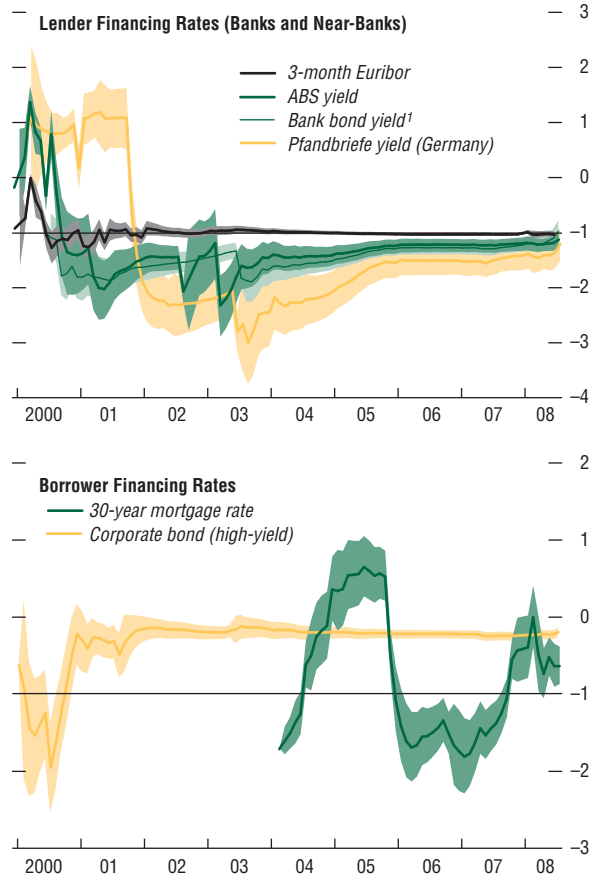**Figure 2.11. Dynamic Vector Error Correction Mechanism (VECM) (2,3) Estimation of the EONIA Rate and Market Rates – Euro Area**
(Coefficient value)

Lender Financing Rates (Banks and Near-Banks)

- 3-month Euribor
- ABS yield
- Bank bond yield[1]
- Pfandbriefe yield (Germany)

Borrower Financing Rates

- 30-year mortgage rate
- Corporate bond (high-yield)

Source: IMF staff estimates.

Note: EONIA = Euro Overnight Index Average. Sample time period: 1/31/1985–6/30/2008. VECM (2,3) six-year rolling window estimation results of the cointegration coefficients (with 90 percent confidence band) denoting the long-term equilibrium relation between level changes in the effective European Central Bank policy rate (EONIA) and selected market rates of lenders and borrowers (with seasonal control). A coefficient value of "–1" indicates a stable long-term equilibrium relation of the policy rate and the selected market rate, whereas deviations from this value indicate a breakdown in the relation. The dates in the charts refer to the end dates of the rolling window. ABS = asset-backed security.

[1]The data series of bank of bank bond yields starts in June 1992.