

## ECB: Get back to the cold drinks, nothing to see here

ECB leaves everything unchanged and confirms main messages from June



Source: Shutterstock

OK, given the summer heat, we will not even try and pretend that today's ECB meeting was exciting. In fact, hardly anyone would have noticed if the ECB's communication staff had simply replayed the tape from the June meeting on the live stream channel. As expected, the ECB and ECB President Mario Draghi chose to play extremely safe and did not deviate at all from the main messages from the June meeting: i) the ECB remains confident and determined to gradually end quantitative easing by the end of the year and ii) the first rate hike is still a long way out.

The ECB's entire assessment of the eurozone economy was almost a verbatim copy from the one at the June meeting. The ECB continues to see a strengthening of the eurozone recovery, pointing to stabilised growth data, and at the same time shows strong confidence in a further pick-up in underlying inflationary pressure, stressing that uncertainty on the inflation outlook had receded. In short, the basis for the ECB's policy message from June remains intact.

There was a little chance that Draghi could clarify the ECB's definition of "through the summer of 2019" as there had been some speculation in markets on where the ECB would see the end of the

summer, hence when there would be the first theoretical opportunity for a rate hike. Here, Draghi dodged the question, which in our view means that a first rate hike is still so far away for the ECB that it feels comfortable with some uncertainty in markets. Mainly for the German audience, Draghi also addressed the Target 2 imbalances, clearly downplaying the issue.

All of this means that our ECB calls remain unchanged. Even though the ECB has stressed the optionality of the anticipated gradual dovish tapering, we still think that it would need a severe slowdown of the recovery and/or continued low core inflation for the ECB not to stop QE by the end of the year. QE remains part of the toolbox but most ECB members would clearly be happy if it returns into the box and stays there, so that interest rates return as the ECB's main policy instrument. In this regard, the ECB could eventually show more leniency than markets currently expect and postpone a first rate hike even further into the future, if need be. For the time being, however, we still think that Draghi does not want to go into the history books as the central bank president who never hiked interest rates. He will have two opportunities after the summer of 2019. As this is still a long way out, it is clear that the only intention of today's meeting was to have a quiet summer this year.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.