

ECB: Keeping its powder dry

The ECB announces additional liquidity operations but refrains from additional QE increases. The decision to keep all other instruments unchanged shows that it first wants to take stock of all recent measures



The ECB's inflation forecasts, in particular, suggest the current neutral stance on policy is the right one

The European central bank just announced additional liquidity to the banking sector but kept its main powder dry.

There will be a new series of non-targeted pandemic emergency longer-term refinancing operations (PELTROs). There will be seven PELTROs and they will be carried out at 25bp under the refi rate until September 2021. After several tweaks to the TLTROs at the last meeting, this is another attempt to provide the banking sector and hence the real economy with more liquidity.

The decision to keep all other instruments unchanged shows that the ECB first wants to take stock of all recently taken measures. It probably also wants to keep some powder dry. And, this dry powder is needed, as [today's GDP data](#) has given us the first impression of how severe the crisis in the eurozone actually is.

[Eurozone GDP plunges -3.8%](#)

During the press conference, starting at 2.30 pm CET, market participants will closely watch

for any hints by ECB president Christine Lagarde on future increases of the different QE programmes. Strong communication with a commitment to do whatever it takes can be a very effective central bank tool.

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