

## ECB: As dovish as it can be without cutting rates

The European central bank extends forward guidance on rates and announces details of the third series of TLTROs



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Remember that former European central bank president Wim Duisenberg always said that central bankers were like whipped cream, "the harder you beat it, the tougher it gets". This does not entirely hold for the ECB these days. In another attempt to provide more dovishness without actually cutting interest rates, the ECB just announced two new measures:

- Forward guidance on rates was pushed forward to "at least through the first half of 2020", from "at least until the end of 2019"
- The pricing of a new series of cheap bank funding (TLTRO III) was set to 10 basis point above the MRO and 10bp above the deposit rate for banks reaching the ECB's benchmark for net lending. So, currently at -0.3%.

Let's be clear, another change to forward guidance is just another step to align the ECB's forward guidance with market expectations; not the other way around. The pricing of the new targeted longer-term refinancing operations (TLTROs) is broadly in line with our

expectations. In our view, the fact that the ECB refrained from any comments on a tiering system for the deposit facility means that speculations about an actual rate cut are still overdone.

In fact, the ECB is still trying to deliver dovishness without touching rates.

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