

## 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



Source: Shutterstock

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.

## 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 [www.ing.com](http://www.ing.com).