

ECB: Panic in Frankfurt?

A sign of panic or an attempt to get ahead of the curve? The European Central Bank surprised almost everyone by announcing a new series of measures, trying to avoid an unwarranted tightening of its monetary stance



Source: Shutterstock

What did the ECB announce?

- A change in forward guidance on rates. The bank now forecasts “interest rates to remain at their present levels at least through the end of 2019”. Previously, it had said “through the summer of 2019”.
- A new targeted longer-term refinancing operation (TLTRO) with a quarterly frequency from September 2019 until March 2021, at the refi rate and no longer at the deposit rate.

What does this mean?

The press conference will hopefully shed some more light on the reasons for the ECB's decision. Or better, the timing of the ECB's decision. The measures, as such, are not a major surprise but the moment of the announcement is. In our view, it is clearly an attempt to stay ahead of the curve and to avoid unwarranted tightening of the ECB's monetary stance. It is not an attempt to provide more easing. At the same time, however, it is also a bit of a gamble as any next step from here to

tackle a severe downswing of the economy would now require unprecedented measures.

More after the ECB's press conference which will start at 2.30pm CET.

Author

Carsten Brzeski

Global Head of Macro

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.