

## ECB: Trying to be targeted

The ECB just announced its first package to tackle the latest market turmoil and the economic fallout of Covid-19. It is a collection of many measures, hoping the several, targeted but smaller measures can make a difference



European Central Bank  
HQ, Frankfurt

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What did the ECB decide? First of all, all interest rates remained unchanged. The ECB mainly focusses on providing additional liquidity and stabilizing markets by additional QE. In more details:

- The ECB announced additional long-term refinancing operations, at the average deposit rate
- The ECB will conduct a new kind of targeted longer-term refinancing operations aimed at bank lending to SMEs. These TLTROs will be conducted under even more favourable conditions than previous TLTROs. The TLTROs will be priced at the repo rate minus 25bp. If the banks keep their SME lending portfolio stable, the TLTROs will be priced at the deposit rate minus 25bp. In previous TLTROs, banks had to show an increase of their lending portfolios.
- The ECB announced an additional 'envelope' of 120bn of net asset purchases until the end of the year.

The brief times in which ECB watchers could discuss the motive of ECB president Lagarde's brooch

are over. The wise owl is all of a sudden confronted with a multi-layered shock: an unprecedented combination of supply-side and demand-side shock, together with financial market turmoil and the increased risk of a negative feedback loop back into the real economy. At the same time, however, the ECB is also well aware of negative side-effects of its monetary policy stance and more general the fact that there it has almost run out of ammunition.

Today's measures are an attempt to tackle market turmoil and support the economy. In a targeted manner and not with a 'whatever-it-takes' attempt. Let's wait until the press conference at 2:30pm CET to hear more from Christine Lagarde and the ECB.

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