

ECB: The big bang

Mario Draghi delivers his final "whatever it takes" with a big package of monetary stimulus



ECB President Mario Draghi delivers a speech at the European Parliament in Strasbourg back in January

The final showdown has started with a big bang. The ECB just announced a big policy package to revive the Eurozone economy and to bring inflation back to target. Here is what the ECB will do:

- Deposit rate cut by 10 basis point to -0.5%.
- A tiering system will be introduced.
- Forward guidance on rates is no longer calendar based but open-ended and state-dependent.
- QE will be restarted with 20bn euro per month, starting 1 November. There is no end date added to QE.
- The TLTROs will be repriced and include an incentive for banks to increase lending. Along the lines of the first two generations of TLTROs, banks which exceed the benchmark ECB loans will be charged at the deposit rate.

This is Mario Draghi's final "whatever it takes". Despite all market excitement now, the question remains whether this will be enough to get growth and inflation back on track as the real elephant in the room is fiscal policy. It is clear that without fiscal stimulus, Draghi's final stunt will not necessarily lead to a happy end.

At 2.30pm CET, ECB president Mario Draghi will elaborate on the decisions and might add some

details. He might also add some flavour on the discussion and how he convinced the hawks. Get out the popcorn and cold drinks and stay tuned.

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 <http://www.ing.com>.