

## 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.

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