Small victory for hawks as ECB stops front-loading asset purchases

It is not tapering but a very tentative sign that tapering could eventually come: the European Central Bank today decided to stop the front-loading of its asset purchases and to reduce the monthly amount without announcing any explicit unwinding of the purchases

Something for the hawks. The ECB just announced an end to the front-loading of its asset purchases under the Pandemic Emergency Purchase Programme (PEPP). In the just announced policy decision from today's meeting, the ECB said that the PEPP purchases "can be maintained with a moderately lower pace of net asset purchases under the PEPP than in the previous two quarters", from a previous "significantly higher pace". To us, this is a small victory for the hawks as it signals that tapering will eventually be on the cards.

At 2.30pm CET, we will hear more from ECB President Christine Lagarde on the Bank's latest macro projections, with our special interest in the inflation forecast for next year, and possibly hints on when and how the ECB at least wants to think about tapering. The small language changes do not yet signal tapering.

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.

 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.