

## ECB starts gentle exit from QE

The central bank will reduce monthly QE purchases to 30bn euro, starting January 2018 and at least until September 2018



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The European Central Bank just announced the start of a very gentle exit process for its QE programme. Obviously, there was no change to interest rates. But the official rate decision was accompanied by details of ECB's plans to reduce its monthly QE purchases, or, in ECB terms, how the ECB intends to recalibrate its QE programme.

### 30bn lower for at least 9 months longer

In short, the ECB will reduce its monthly QE purchases from 60bn euros currently, down to 30bn euros, starting in January 2018 and at least until September 2018.

Don't forget that on top of these 30bn euro, the ECB will still reinvest the principal payments from maturing securities. Also, the ECB reiterated its forward guidance on rates, i.e. that interest rates will remain at their present levels well past "the horizon of the net asset purchases".

In short, today's decision is a sea change but a very gentle one; not a big-bang u-turn in ECB monetary policy. In fact, the QE recalibration the ECB has announced illustrates that the ECB wants to start the exit as cautiously as possible, ideally without seeing the euro appreciate

or bond yields increase.

It is a very dovish tapering. Stay tuned for the ECB press conference, which will start at 2.30pm CET.

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