

## ECB: Strong support for 'lower for longer' at least for now

Minutes of the last ECB meeting show broad support for taper decision but controversy on whether or not QE extension should be open-ended.



Source: ECB

### The figures

Today's minutes of the October meeting confirmed that the decision to reduce the monthly QE purchases to 30bn euro as of January next year was taken by a large majority of the ECB members. Diverging views were mainly on the features of the tapering but not on the tapering itself, reflected in "some initial preferences were expressed for a smaller overall envelope of intended APP purchases, as well as for a different monthly pace of purchases for a given intended envelope."

# €30bn

## Monthly QE purchases

as of January 2018

### The controversial debate

The most controversial debate seems to have been on whether or not the QE extension should be open-ended. According to the minutes, “the announcement of an end date could induce market participants to frontload possible price adjustments, which might lead to an undue tightening in financial conditions”. Interestingly, some ECB members seemed to be worried about creating market expectations about a further extension of QE, beyond September 2018. According to them, “From the current perspective that did not appear justified in the absence of major new shocks.” This view stands in stark contrast with ECB president Draghi’s comments at the last press conference when he said that he did not expect an abrupt ending of QE in September.

### An interesting detail

Another interesting detail of the ECB discussion was the fact that apparently “as regards the composition of the asset purchases beyond the year-end, broad agreement was expressed with the proposal made by Mr Cœuré that the purchase volumes under the three private sector purchase programmes should remain sizeable.” This remark fits into a story already reported yesterday by Bloomberg that the ECB was investigating whether the corporate-bond-purchasing programme was favouring large companies over SMEs. It could also mean that the ECB will change the proportionality of the asset classes it purchases when reducing the monthly QE purchases. Currently more than 10% of the monthly purchases is spent on corporate debt. It could be more.

All in all, the minutes show that there was broad agreement on the October decision to reduce the monthly QE purchases, starting January 2018. However, further down the road, ie beyond September 2018, new disagreements could emerge. In our view, the ECB will do another lower for longer after September 2018. But this discussion is not for now.

### Author

**Carsten Brzeski**

Global Head of Macro

[carsten.brzeski@ing.de](mailto: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>.