ECB: The anticipated end of QE

Unprecedented style, but the ECB just more or less announced the end of QE by the end of the year while still keeping the door open somewhat

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This is, at least partly, an unexpected communication twist. The ECB just took another important step towards a gentle end of QE. In fact, the ECB just announced that it "anticipates" an extension of QE from September to December at 15bn euro per month, from currently 30bn, before ending the net purchases in December. This is not a decision per se but a declaration of intent. At the same time, the ECB became a bit more vocal on forward guidance and sequencing by stating that it expects interest rates "to remain at their present levels at least through the summer of 2019".

A clear sign that sequencing is longer than six months. During the press conference, starting at 2.30pm CET, ECB president Mario Draghi will have to address the justifications and economic arguments for a rather significant shift in monetary policy. From no discussion of the policy outlook six weeks ago to an important step towards the end of QE, even though the macro environment has become anything but more solid. Today's decision is a truly Solomonic compromise between the hawks and the doves. The hawks finally got their end-date for QE, while the doves still have their open door for more if needed. Nicely done.

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