



seen as “*in part as reflecting changes in relative fundamentals*”. However, the Governing Council also expressed concern over the risk of a possible euro overshooting going forward.

Finally, as regards the timing of the tapering discussion, the minutes – not surprisingly – were not conclusive. Reading between the lines, phrases like “*...postponing an adjustment [of forward guidance] for too long could give rise to a misalignment between the Governing Council's communication and its assessment of the state of the economy*” and “*...the Governing Council needed to gain more policy space and flexibility to adjust policy and the degree of monetary policy accommodation, if and when needed, in either direction*” underline that the ECB is aware of the fact that some changes to the current policy stance are about to come but somehow the ECB itself is not entirely sure when to do what.

Today's minutes fit into the picture of an ECB which wants to steer and moderate the process of and towards tapering extremely cautiously. Wednesday's reports that Mario Draghi would possibly not say anything new on the bank's monetary policy at his speech at the Jackson Hole conference on 25 August had already given the same flavour.

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*In our view, this possible silence at Jackson Hole does not mean that the ECB will remain passive at the September meeting.*

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First of all, less than two weeks ahead of the next official ECB meeting, any announcement on significant policy changes was unlikely from the beginning. Secondly, the important new set of ECB staff projections for inflation and growth will not have been finalised by 25 August. Thirdly, ruling out 'a big monetary policy speech' does not automatically exclude subtle changes in tone and message. And finally, the argument that Draghi's July comment that a discussion on (the timing of) tapering should take place in the autumn hinted at the October, not the September meeting, falls short of the fact that in European officials' vocabulary, the summer finishes at the end of August.

All of this means that in our view the ECB will take another baby step towards tapering at the September meeting. This could be done by putting more emphasis on the strong economic recovery which easily could do with somewhat less monetary stimulus and/or by using the well-known key phrase that the Governing Council has tasked the relevant committees to investigate several options for QE in 2018. Tapering will come but somehow the ECB itself does not yet entirely know when and how to do it.

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