

13 December 2018
Snap

Eurozone: It's the end of QE as we know it (and it is here)

The European Central Bank just announced that monthly net QE purchase will be reduced to zero by the end of the month

Not a surprise but still a great achievement and to some, even historic. The ECB just announced, or better confirmed, the end of its net asset purchasing programme (QE). What looks like pure boredom is, in fact, the result of masterly communication, setting itself on auto-pilot and preparing financial markets. Some might argue that the end of net QE actually comes too late, few others currently contemplate that it might come too early. In any case, the ECB has managed to shelve the first unconventional crisis tool without distorting markets or the economy. Contradicting fears of market turbulence or surging bond yields, the ECB managed to end QE, and no one seems to care.

With the most prominent crisis-fighting measure of the ECB now almost back in the toolbox, the big question is, what will be next. More action, shelving of the next crisis-fighting measure negative deposit rates or nothing at all? At least for now, the ECB's forward guidance on rates, as well as the reinvestment, have been left unchanged. It seems as if the ECB wants to keep as many cards as possible close to its chest.

We will listen very carefully to the press conference with ECB President Mario Draghi at 2.30pm CET to spot any possible hints about what the ECB could do next. Our main attention will be on the ECB's staff projections on growth and core inflation. Stay tuned.

Carsten Brzeski

Chief Economist ING Germany

+49 69 27 222 64455

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 NV 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. The producing legal entity 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 subject to limited regulation by the Financial Conduct Authority (FCA). 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.