

# ECB Policy Outlook

## 13 September

The ECB is widely expected to keep interest rates and asset purchases on hold this month, after announcing in June that it expects to wind down asset purchases by the end of the year and keep interest rates on hold until at least next summer. While headline inflation has now held at 2.0% or higher for three consecutive months, inflation slowed from 2.1% in July to 2.0% in August. Core inflation similarly slowed from 1.1% to 1.0%. Traders will closely interpret the Bank's latest statement for any clues to its updated thinking on inflation and interest rates.

### MAIN POINTS TO WATCH

**UPDATED OUTLOOK:** With headline inflation holding at or above 2%, has the ECB seen any reason to adjust its inflation expectations? It has recently found that risks to the outlook are lessening, but is this still the case?

**RISKS:** Trade and rising geopolitical tensions will likely remain concerns, but does the ECB strike an increasingly cautious tone?

**FORWARD GUIDANCE:** No significant changes are expected at this juncture, but investors will pay close attention for any adjustment to the language used that could indicate the door is open for interest rates to move higher than currently expected. Traders will also watch for confirmation that asset purchases will end this year.

**PRESS CONFERENCE:** From 13:30, ECB President Draghi will hold a press conference. Volatility is often seen during the conference as investors parse Draghi's comments for any policy clues. If little new is said, the reaction may be limited.



**KEY WORDS** (definitions taken/adapted from Investopedia)

**TAPERING:** The gradual winding down of stimulus tools meant to boost economic growth

**QUANTITATIVE EASING (QE):** Central bank purchases securities (esp. government bonds) to lower interest rates and increase money supply; this differs from printing money

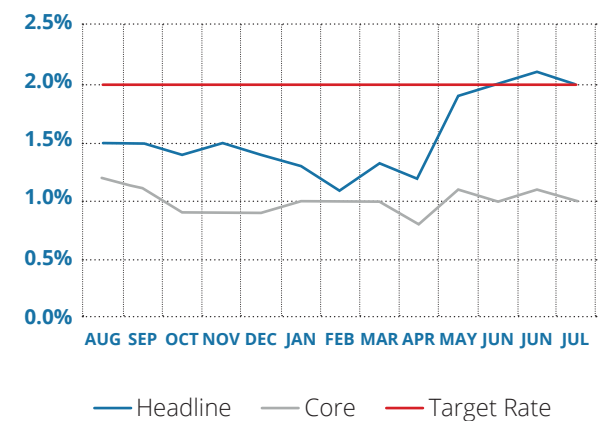
**HAWKISH/HAWK:** Policymaker who favours higher interest rates to curb inflation

**DOVISH/DOVE:** Policymaker who favours low interest rates to encourage economic growth/inflation

**TIGHTENING:** The central bank raises interest rates, which increases the cost of borrowing, in order to slow growth or inflation that is rising too quickly

**LOOSENING/ACCOMMODATIVE POLICY:** The central bank lowers interest rates, which decreases the cost of borrowing, in order to spur economic growth/inflation

### EUROZONE CPI 2017/18



With uncertainty so prevalent, it may be time to consider your options when managing currency risk.

### CHANGING CURRENCY FOR BUSINESS