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ECB FLASH: NO BIG SURPRISES, MORE OF THE SAME FOR LONGER

Berenberg Macro Flash

The ECB has delivered on its promise to recalibrate its instruments. The just announced policy package is broadly in line with [our and market expectations](#).

Without easing the policy stance further, the ECB plans to extend it beyond mid-2021 to maintain the current favourable financial conditions.

- **Rates** stay where they are at -0.5% (deposit rate) and 0% (main refinancing rate)
- **PEPP:** The ECB will make asset purchases under its Pandemic Emergency Purchase Programme (PEPP) until March 2022, that is 9 months longer than currently. To provide room for purchases beyond mid-2021 under PEPP, it increases the total envelope of the PEPP by €500bn from the current €1.35trn. The ECB will also extend the reinvestments of maturing assets until at least the end of 2023.
- **TLTROs:** The ECB will launch three additional Targeted Long-term Refinancing Operations (TLTROs) next year, every quarter, starting in June, September and December with the same 3-year maturity as the current ones. The last of the current TLTRO tranches starts in March 2021. The ECB will extend the period over which its cheapest lending rate applies from June 2020 to June 2021 until June 2022. The ECB also intends to enhance the transmission of its policy stance to the economy: Banks will be entitled to borrow 55% instead of so far 50% of their stock of eligible loans. The ECB will also offer four additional pandemic emergency longer-term refinancing operations (PELTROs) in 2021.

The ECB has not announced a further envelope to its standard asset purchase programme (**APP**). By the end of this year, the ECB will have fully spent the extra envelope of €120bn it had decided in mid-March. The ECB may offset the fewer purchases under APP (down from €32bn to €20bn per month) with more PEPP purchases to maintain the current level of combined asset purchases under PEPP and APP.

While today's policy package may be somewhat unexciting for some market participants, the ECB will be pleased to have largely steered market expectations in the right way. Unexciting if not almost boring – as in “the ECB watches the Eurozone economy's back whatever betide” – is exactly how the ECB wants to be seen. Stay tuned for the press conference.

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