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ECB: A CLEAR MESSAGE - NEITHER HAWKISH NOR DOVISH

Berenberg Macro Flash

Unperturbed by the recent softness in some data, the European Central Bank today sent an unexpectedly clear message. The bank intends to reduce asset purchases from €30bn to €15bn at the end of September and stop these purchases at the end of December. Balancing this somewhat hawkish message, the ECB also vowed to wait with the first rate hike until at least the end of summer 2019, which we would take as September 2019.

On balance, the ECB's message is neither dovish nor hawkish. Today's surprise is the unexpected degree of clarity. Of course, the ECB left a back door open, making its decision on the phasing out of asset purchases "subject to incoming data confirming the Governing Council's medium-term inflation outlook". However, after spelling out its future course of action in such detail, it would take a major downside surprise in growth and/or inflation to let the ECB reconsider its tapering decision.

For markets, the message is somewhat reassuring: First, the ECB remains confident that growth will remain roughly on track. That the ECB dares to commit itself to a policy view for 15 months, and especially an end to net purchases in December 2018, ahead despite the uncertainties stemming from Trumpian trade war threats and Italian concerns suggests that the ECB has strong faith in the Eurozone's underlying positive fundamentals. Second, from now on, ECB watching can become fairly boring for a while. Short of any dramatic change in circumstances, the ECB will simply stay the course it has now charted until, by spring 2019, the question as to whether the ECB will indeed raise rates after the summer of 2019, becomes pertinent.

We will send out a more detailed assessment after the press conference.

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