

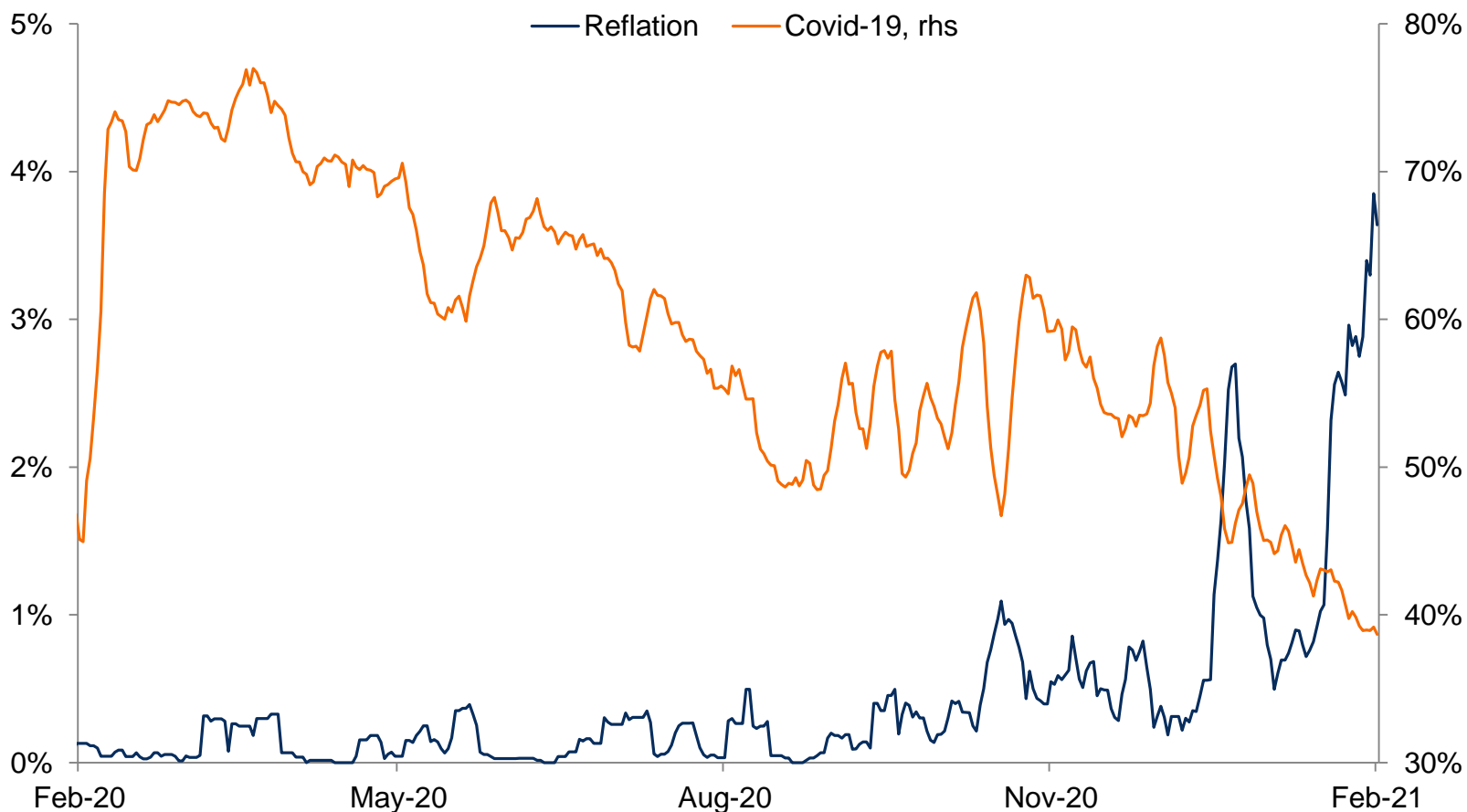
Chart Pack for ECB FXCG Meeting 16 March 2021



STATE STREET

Everyone's talking about reflation...

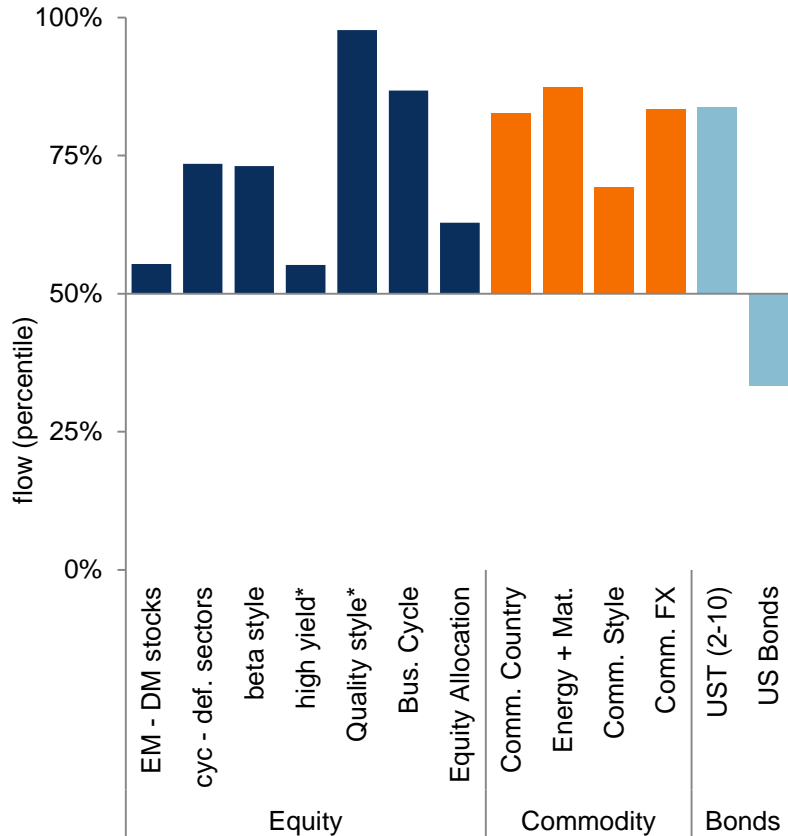
Our scan of FX-related financial media reveals a decline in mentions of Covid (albeit from a very high level) with more attention paid to reflation



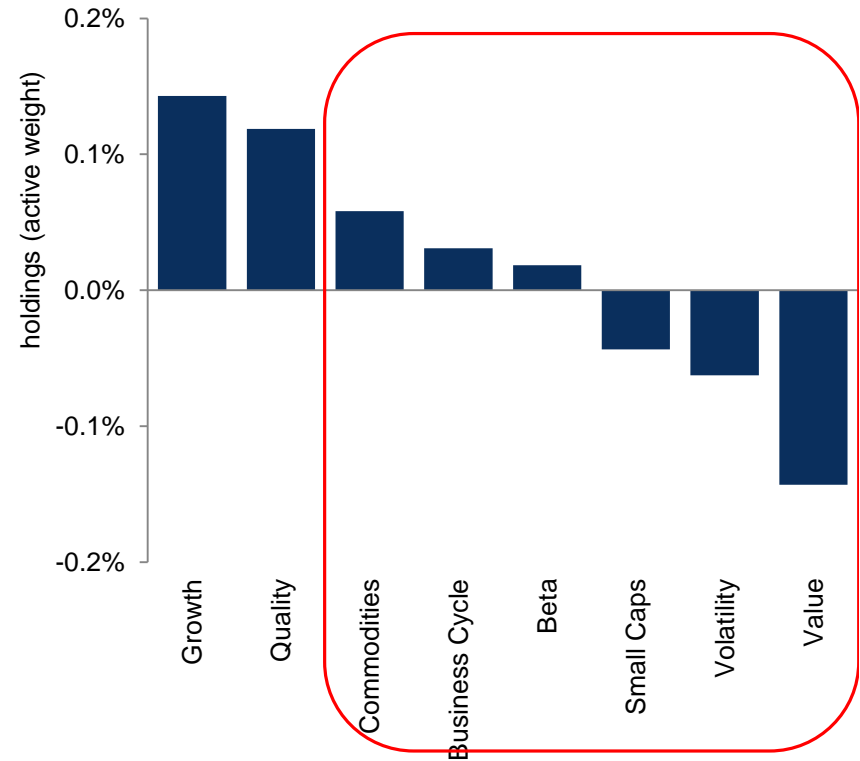
...and buying it

Plenty of room for institutions to add to positions

Consistent flows backing the reflation trade



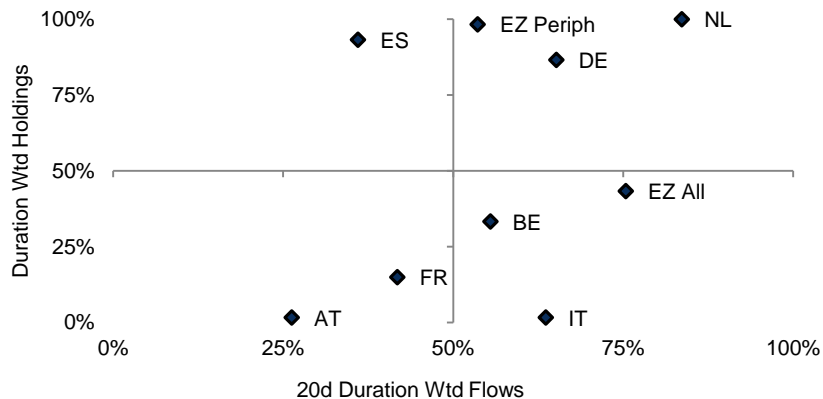
Positions in riskier assets aren't that crowded



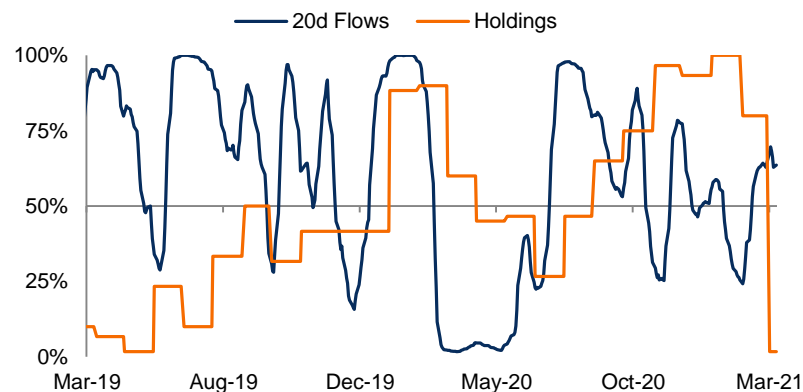
Investor Behaviour in Eurozone Assets and the EUR

Inflows into Eurozone assets look decent but scope for hedging to rise

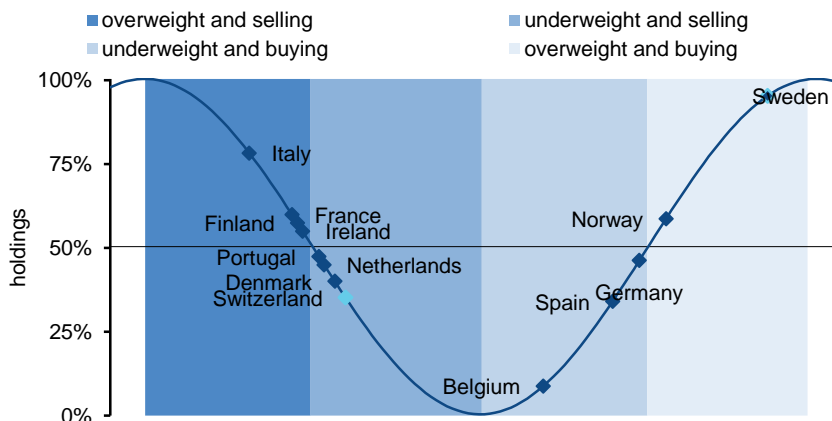
Sovereign Bond Flows and Holdings



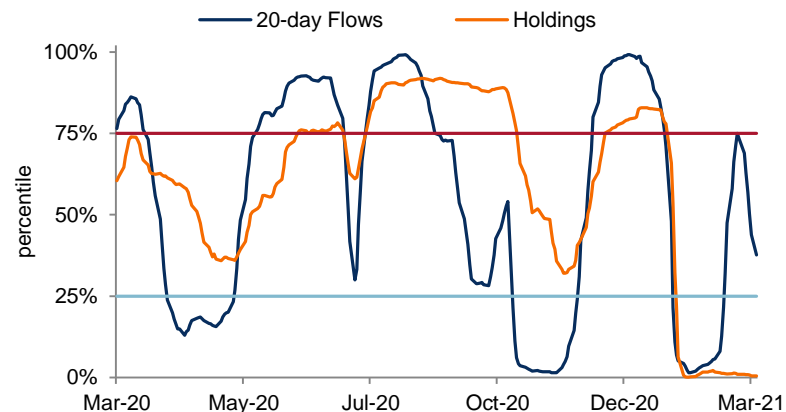
Low BTP Holdings A Very Recent Trend



Equities – not many crowds, inflows into Germany, Spain

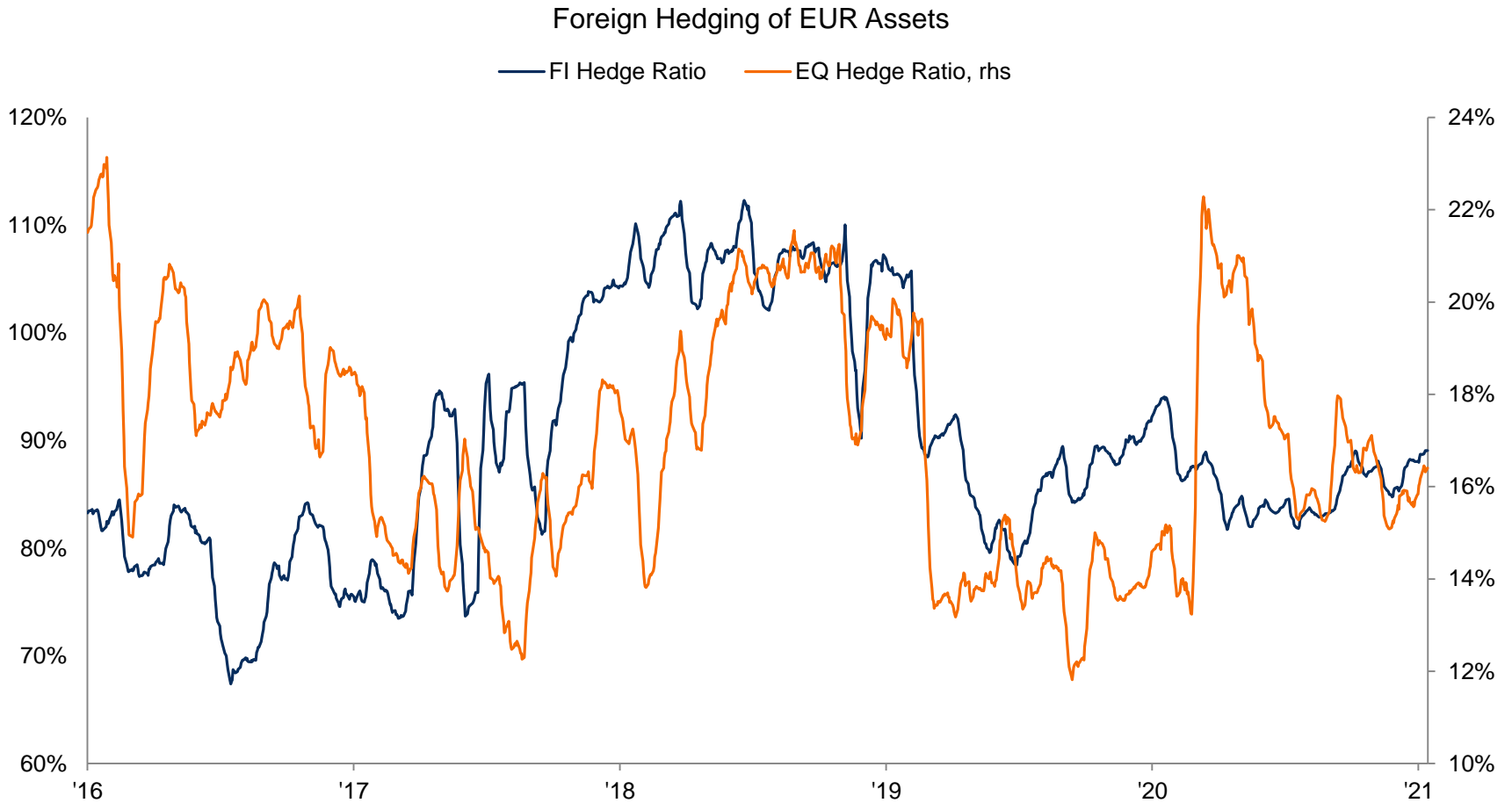


EUR – investor positions flipping around



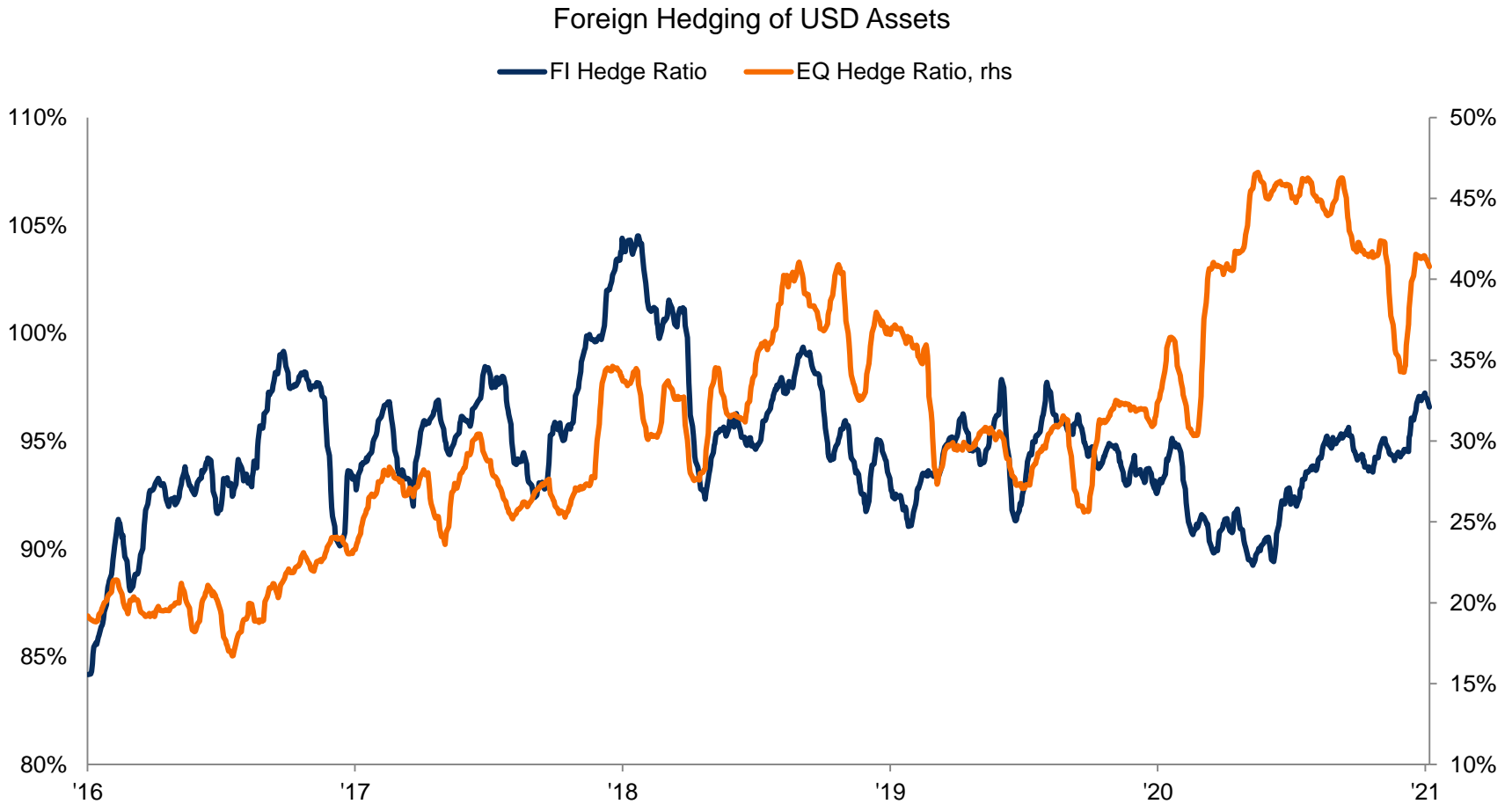
Hedge Ratio Estimates – Foreign Holders of EZ Assets

Desire to hedge EUR risk is low relative to recent history



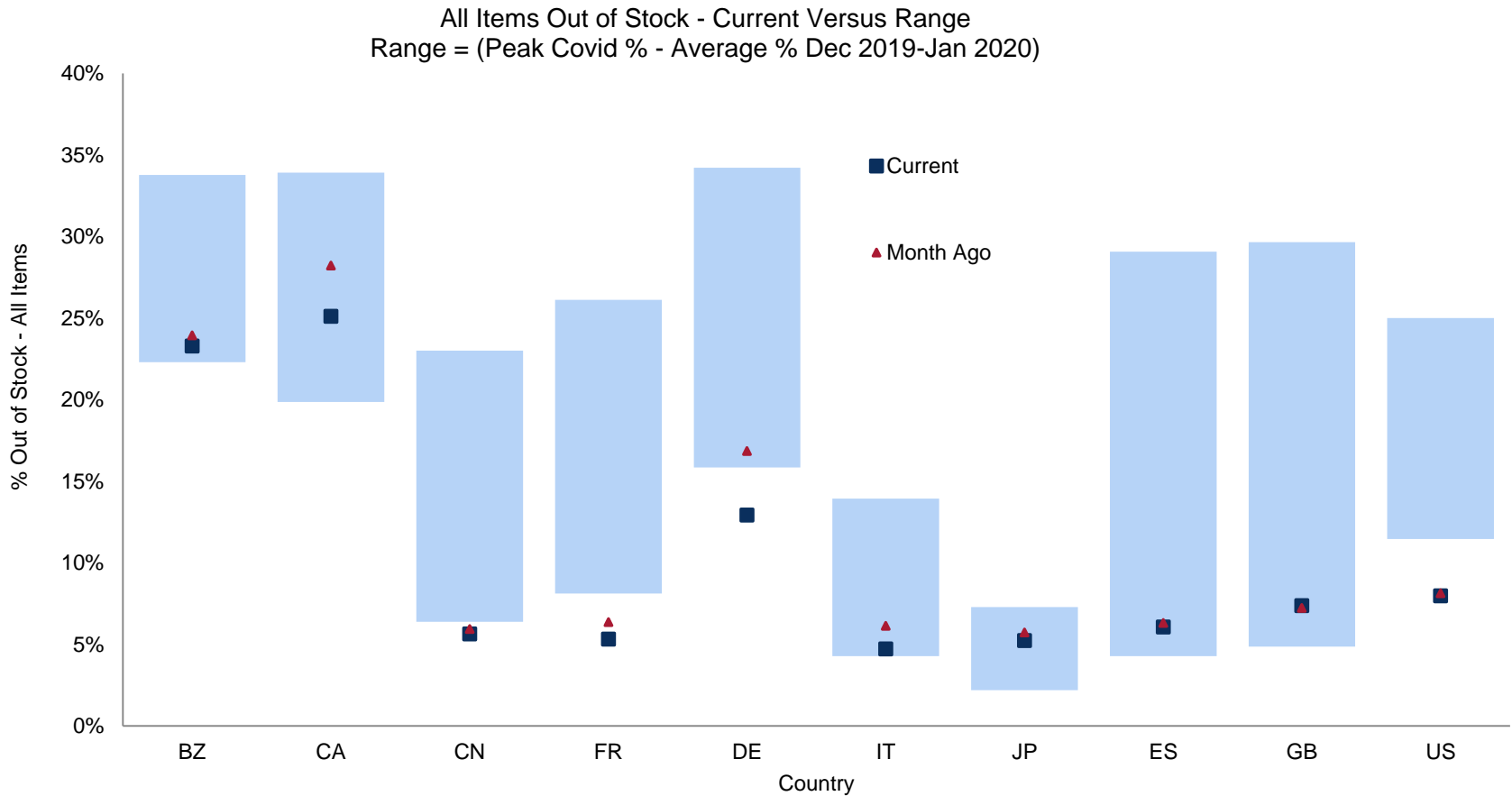
Hedge Ratio Estimates – Foreign Holders of US Assets

Desire to hedge USD risk is high and rising



Supply chain concerns are largely gone

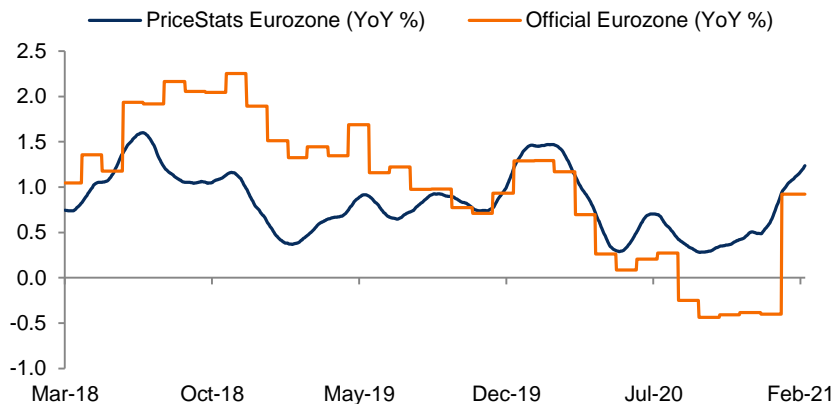
Our estimate of out-of-stock goods at online retailers show Europe has returned to normal



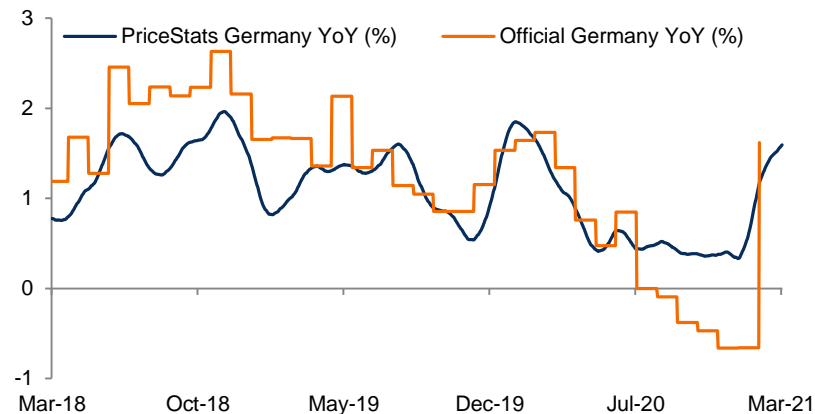
Eurozone inflation

Trouching - base effects will help, but sustaining target inflation might be tough

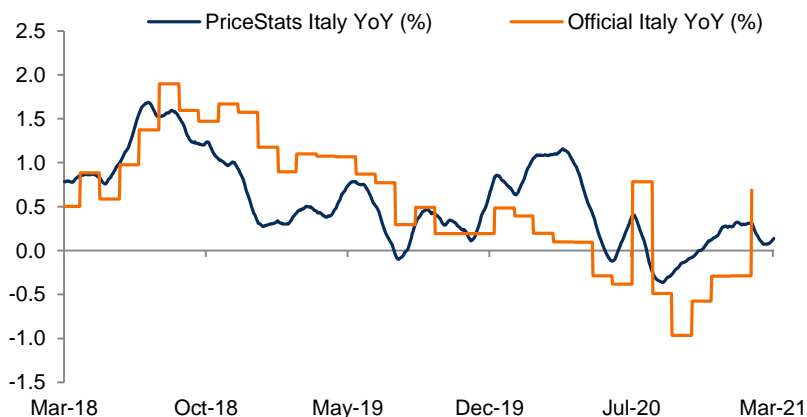
Eurozone



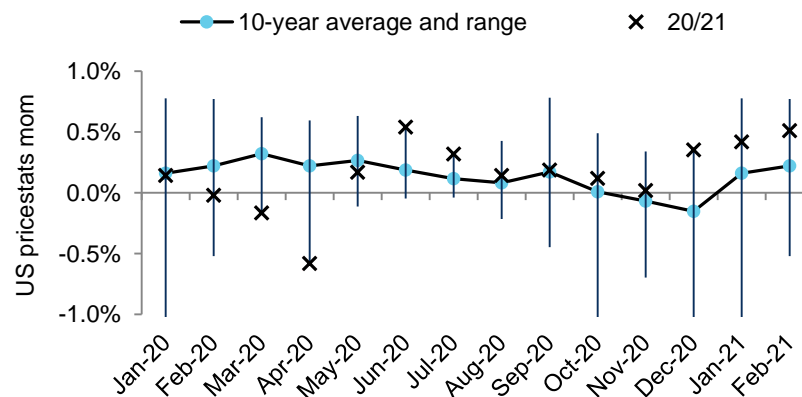
Germany



Italy



For context, US is off to the races



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