

**ECB Money Market  
Contact Group  
26<sup>th</sup> Sep 2017**

**Market Expectations For  
ECB Monetary Policy**

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Global Markets

## Recent Market Drivers

- Eurozone Data
- Draghi's Sintra Speech
- Appreciation of Euro
- Geopolitical Tensions
- ECB Guidance
- Trump Policy Uncertainty
- Global CB's (hawkish inclination)



# Deposit Rate Expectations

“We expect our key policy rates to remain at their present levels for an extended period of time, and well past the horizon of our net asset purchases” ~ ECB Sep 7th

BP move expected in Depo Rate over 1 Year horizon



## Annual Inflation Expectations

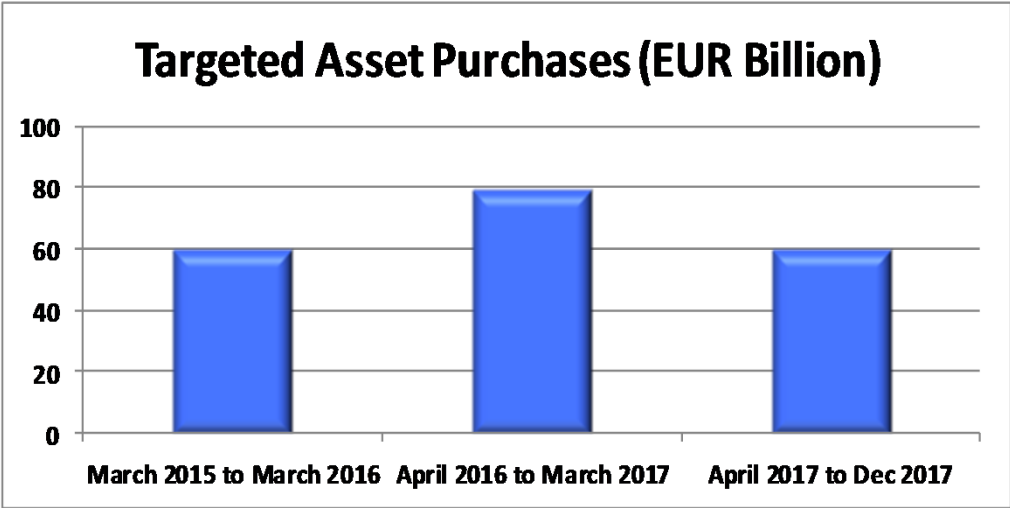
|             | ECB Core | ECB Headline | Market Headline |
|-------------|----------|--------------|-----------------|
| <b>2017</b> | 1.1%     | 1.5%         | 1.5%            |
| <b>2018</b> | 1.3%     | 1.2%         | 1.4%            |
| <b>2019</b> | 1.5%     | 1.5%         | 1.7%            |

Sourced from ECB staff forecasts (Sep 17) and Bloomberg economist’s survey

- 3mth Euribor is -0.33%. It is expected to get to zero in Q4 2019

# APP Expectations

“This autumn we will decide on the calibration of our policy instruments beyond the end of the year” ~ ECB Sep 7th



- **ECB Sources** ~ “Possibilities discussed by the ECB included – but are not limited to – cutting asset buys to €40 billion per month, or €20 billion, with extension options including 6 months or 9 months.”
- **Market expectations:** APP to be extended for 6 to 9 months at €30bn to €40bn per month.
- **Some market participants** expect the ECB to announce a figure for gross monthly purchases (i.e. including re-investments).

## Looking Ahead: Potential Market Drivers

### Europe

- German Election
- Path of Core Inflation
- Euro FX Rate
- European Integration
- Italian Election

### Global

- CB Policy Normalisation
- FED QT
- US Tax Policy
- Brexit
- Geopolitical Risks

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