

Flash ECB Review

Nothing to see so far...keep moving

- If there is a highlight from today's meeting, it is the launch of the strategic review, although the 15:30 details did not reveal any specifics on the implications of the review.
- Markets did not react to the ECB's messages.

No monetary policy messages

Today's ECB monetary policy was uneventful in terms of new policy signals, as Christine Lagarde refrained from giving clues about future of monetary policy, because data since the December meeting was broadly in line with expectations.

As we expected, the ECB left its growth risk assessment as skewed on the downside, while acknowledging some stabilisation in euro area growth dynamics and less pronounced risks surrounding international trade since December. With regard to core inflation, Lagarde also reiterated the message of recent moderate increases (from 'mild' increases in December).

Should the macro backdrop, including the inflation outlook, stay robust around the current level, we see a solid case for the ECB changing its growth risk assessment in H1 20 (potentially as early as the March meeting), together with the new staff projections. However, while resilient core inflation, in combination with a strengthening cyclical rebound, could be enough to convince the ECB to drop the easing bias in H1 20, we doubt it will be enough to take the ECB back into tightening mode in the near future.

Strategic review

The details of the strategic review are scarce but the ECB highlighted the following. (1) The review will encompass a quantitative formulation of price stability, a monetary policy toolkit, economic and monetary analyses and communication practices. (2) Other considerations, such as financial stability, employment and environmental sustainability, will also be part of the review. (3) The ECB expects to conclude the review by the end of 2020. (4) The review will be based on thorough analysis and open minds, engaging with all stakeholders.

Markets did not react to ECB news from an uneventful ECB press conference



Source: Bloomberg, Danske Bank

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Expected updates

None.

Date of first publication

See the front page of this research report for the date of first publication.

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