

April 3, 2014

EUROPEAN CENTRAL BANK

The waiting continues

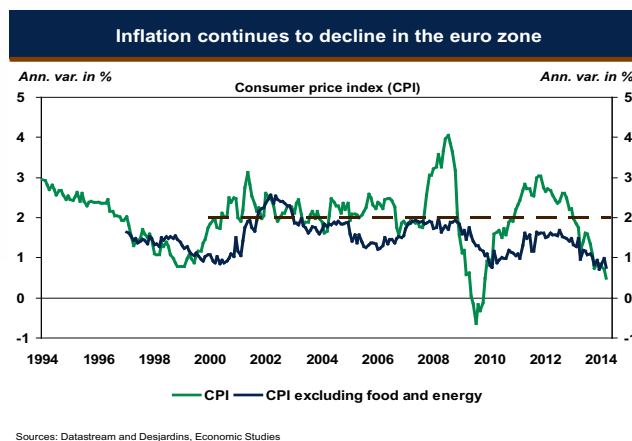
ACCORDING TO THE EUROPEAN CENTRAL BANK (ECB)

- The interest rates of the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 0.25%, 0.75% and 0.00% respectively.
- There are still risks that the economic scenario will continue to point downwards, and risks to inflation in the medium term continue to be balanced.
- The ECB is committed to maintaining a high degree of monetary easing and to act quickly if necessary. New easing of monetary policy is not off the table, and the ECB firmly reiterated that it will keep key interest rates at their current levels or lower for a long period of time.
- The Governing Council is unanimous in its commitment to using also non-traditional instruments as part of its mandate to effectively address the risks of an over long period of weak inflation.
- Movement in the exchange rate will be watched closely.

COMMENTS

Despite inflation sliding to 0.5% in March, the ECB left its monetary policy unchanged. Seeking to minimize the impact of this news, Mario Draghi noted that inflation is currently under negative pressure from temporary effects. He also repeated that the ECB does not make decisions based specifically on the current level of inflation, but on the anticipated trend in inflation in the medium term. It seems that the inflation rate's recent tumble has no impact on anticipated price changes in the medium term and that expectations remain strongly pegged to the target.

Yet, it is interesting to note there was some news in the official statement. First, the ECB appears somewhat more determined to maintain a high degree of monetary easing and to act if necessary. In addition, it was indicated that the Governing Council is unanimously in favour of using non-traditional tools. This relieves certain worries that might have existed about the Bundesbank's determination on this point. In the press conference, Mario Draghi also



mentioned that the governors discussed the possibility of quantitative easing.

A comment on the exchange rate in the statement was also news. The ECB indicated more clearly that it will closely watch the changes in the euro. Mario Draghi has already pointed out the link between inflation and the exchange rate more than once in previous press conferences. The ECB is therefore taking another step to show that it is aware of the euro's strength.

Implications: We continue to believe that the ECB could soon announce new easing measures. The tone of the statement also seems to open the door further on taking action. While lowering rates seems to be the most probable response to an extended period of weak inflation, the option of quantitative easing looks a bit more serious today.

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NOTE TO READERS: The letters **k**, **M** and **B** are used in texts and tables to refer to thousands, millions and billions respectively.

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Schedule 2014 of Central Bank meetings

	<u>Decision</u>	<u>Rate</u>		<u>Decision</u>	<u>Rate</u>	
JANUARY			JULY			
9	European Central Bank	s.q.	0.25	1	Reserve Bank of Australia	
9	Bank of England	s.q.	0.50	3	European Central Bank	
15	Bank of Brazil	+50 b.p.	10.50	3	Bank of Sweden	
21-22	Bank of Japan	---	---	10	Bank of England	
22	Bank of Canada	s.q.	1.00	11	Bank of Mexico	
29	Reserve Bank of New Zealand	s.q.	2.50	14-15	Bank of Japan	
29	Federal Reserve	s.q.	0.25	16	Bank of Brazil	
31	Bank of Mexico	s.q.	3.50	16	Bank of Canada	
FEBRUARY			AUGUST			
3	Reserve Bank of Australia	s.q.	2.50	5	Reserve Bank of Australia	
6	European Central Bank	s.q.	0.25	7	European Central Bank	
6	Bank of England	s.q.	0.50	7	Bank of England	
13	Bank of Sweden	s.q.	0.75	7-8	Bank of Japan	
17-18	Bank of Japan	---	---	SEPTEMBER		
26	Bank of Brazil	+25 b.p.	10.75	2	Reserve Bank of Australia	
MARCH			OCTOBER			
3	Reserve Bank of Australia	s.q.	2.50	2	European Central Bank	
5	Bank of Canada	s.q.	1.00	6	Reserve Bank of Australia	
6	European Central Bank	s.q.	0.25	6-7	Bank of Japan	
6	Bank of England	s.q.	0.50	9	Bank of England	
10-11	Bank of Japan	---	---	22	Bank of Canada	
12	Reserve Bank of New Zealand	+25 b.p.	2.75	23	Bank of Norway	
19	Federal Reserve	s.q.	0.25	28	Bank of Sweden	
20	Swiss National Bank	s.q.	0.00	29	Reserve Bank of New Zealand	
21	Bank of Mexico	s.q.	3.50	29	Bank of Brazil	
27	Bank of Norway	s.q.	1.50	29	Federal Reserve	
31	Reserve Bank of Australia	s.q.	2.50	31	Bank of Japan	
APRIL			NOVEMBER			
2	Bank of Brazil	+25 b.p.	11.00	3	Reserve Bank of Australia	
3	European Central Bank	s.q.	0.25	6	European Central Bank	
7-8	Bank of Japan			6	Bank of England	
9	Bank of Sweden			18-19	Bank of Japan	
10	Bank of England			DECEMBER		
16	Bank of Canada			1	Reserve Bank of Australia	
23	Reserve Bank of New Zealand			3	Bank of Brazil	
25	Bank of Mexico			3	Bank of Canada	
30	Bank of Japan			4	European Central Bank	
30	Federal Reserve			4	Bank of England	
MAY			NOVEMBER			
6	Reserve Bank of Australia			5	Bank of Mexico	
8	European Central Bank			10	Reserve Bank of New Zealand	
8	Bank of England			11	Bank of Norway	
8	Bank of Norway			11	Swiss National Bank	
20-21	Bank of Japan			16	Bank of Sweden	
28	Bank of Brazil			17	Federal Reserve	
JUNE			NOVEMBER			
3	Reserve Bank of Australia			18-19	Bank of Japan	
4	Bank of Canada			DECEMBER		
5	European Central Bank			1	Reserve Bank of Australia	
5	Bank of England			3	Bank of Brazil	
6	Bank of Mexico			3	Bank of Canada	
11	Reserve Bank of New Zealand			4	European Central Bank	
12-13	Bank of Japan			4	Bank of England	
18	Federal Reserve			5	Bank of Mexico	
19	Bank of Norway			10	Reserve Bank of New Zealand	
19	Swiss National Bank			11	Bank of Norway	

NOTE: Certain banks may decide to change rates in-between the scheduled meetings. The abbreviations s.q. and b.p. correspond to status quo and basis points respectively.