

## Macro focus

### ECB preview: ECB to launch its strategic review

- ◆ No changes in monetary policy expected on Thursday
- ◆ Big event is launch of strategic review of monetary policy
- ◆ We do not expect a lot of details about the review process and targets at this stage

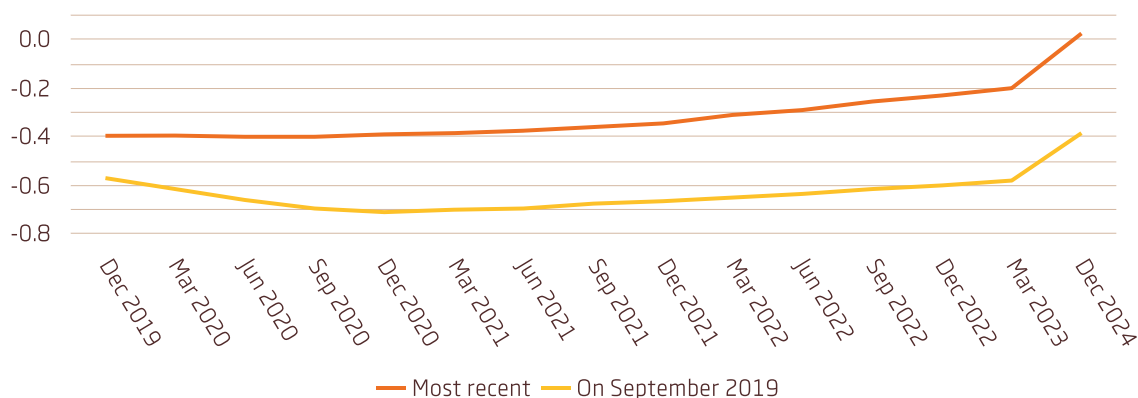
We expect no major changes in monetary policy at ECB's meeting this Thursday. We expect the interest rates to remain unchanged for a long period going forward and QE purchases to continue with a stronger focus on corporate and covered bonds as seen since the new QE start in November. The big thing at the Thursday meeting will most likely be the launch of the strategic review of the monetary policy framework. At this stage the ECB will however probably not give us any specific details on the process.

But what should be expected from the review that will be finish during 2020? We see it as likely that ECB might slightly change the target. The ECB changed its target in 2003 from "between zero and two percent" to a narrower but less specific objective of "below but close to 2 percent." We believe the ECB this time around will decide to drop the "below but close to" and just stick to the 2% inflation target, which would bring its target in line with many other central banks. We also think that is likely that the ECB will be willing to target a range of inflation between 1.5% and 2.5%. This would signal the ECB's willingness to tolerate faster price growth following the longer periods when prices failed to pick up. On top of this ECB might also consider rethinking how it defines price stability. We also see it as likely that Christine Lagarde will promote more open discussions and decision making based on voting, even if this part might happen outside the strategic review.

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#### 3 month euribor futures



Sources: Swedbank Research & Macrobond

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