

## Rates

Deposit rate cut to 2.00% from 2.25%; main refinancing rate cut to 2.15% from 2.40%

Rates unchanged, validating consensus and market pricing

Economy continues to splutter in low gear and that keeps rate cuts on the table. Besides, the ECB's own forecast show that inflation will undershoot next year. Hence, I expect another cut in September

## Bond holdings

Bond roll-offs under Quantitative Tightening will be around €520 billion in 2025

Increasingly unequal distribution of bank reserves across member states has yet to accelerate money market spread increases. Spread increases remain gradual and proportional to decreases in bank reserves

To accelerate QT, the ECB could start selling bonds. Odds remain very low though. Other factors on the ECB balance sheet have provided liquidity to the banking system, offsetting about a third of QT in the first half of 2025

## Other tools

No change expected to fixed rate/full allotment. No new standing lending facility

No change expected at all

Structural MRO plus LTRO demand stands at around 20 billion euros, basically unchanged since the start of the year. The lack of growth is unexpected, even when taking QT sterilization into account (see above)

## Forward guidance

Repeat of the data-dependent, meeting-by-meeting approach with no future rate level or policy stance in mind

Copy-paste the non-guidance of the June meeting. While the ECB is clearly on hold, it's also biased towards resuming cuts. Repeat the message that the bar for another cut is high

The we-have-no-clue-one-meeting-at-a-time approach is getting bothersome. The ECB should guide for fine-tuning rates further, but it doesn't

Inflation &  
economic  
assessment

Growth likely to remain modest, with increased downside risks owing to trade uncertainty. Underlying inflation on track to target as domestic inflation and services inflation are easing

Underlying inflation continues to fall broadly in line with ECB staff projections. Growth remains meagre, and risks remain to the downside in the near term

The economic and inflation assessment allow for easing. But the ECB is still holding out for higher government investments boosting growth at a later stage. I assume the ECB is worried about a long-end sell-off by sailing too close to the wind with more rate cuts