

## Research

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## It's hard being a dove nowadays

- **The July 2025 ECB meeting was, without the shred of a doubt, a hawkish hold.** Get this. When journos give you every opportunity to score a point or two for the doves on your team, but you simply refuse to take the shot, that's a strong hawkish signal. And when you need little prodding from journos to give several hawkish soundbites, the writing is on the wall so to say. And I want to emphasize that the Governing Council statement was neutral: a hold with the same language that doesn't commit the ECB to do anything one way or the other. Lagarde did all the hawkish damage on her own during the QnA.
- **During the press conference, ECB President Lagarde talked up the economy by saying that underlying growth – consumption and investment – are perhaps a bit better than forecast in June.** At the same time, she downplayed the undershooting of inflation staff have penciled in for 2026, calling it a mechanical discrepancy. That's two points for the hawks. In fact, Lagarde disparaged the "two or three" doves that constantly worry about undershooting inflation. At the same time, she called Board Member Schnabel's hawkish intervention – a very high bar for further cuts – a valuable contribution. Another point for the hawks.
- **More importantly, Lagarde consciously missed every opportunity to entertain the possibility of a cut.**
- **Another important – and hawkish message – is that a trade deal with the US could boost confidence and thus growth, and open up the possibility of a hike as the next step.** Removal of an inflationary risk from tit-for-tat tariffs got no real attention. So, another point for the hawks.
- **Lagarde did throw the doves a few bones by not denying that EURUSD above 1.20 is a line in the sand.** And she mentioned the decline in wage growth and unit labor costs growth, though both are in line with the ECB's expectations.
- **To conclude, the ECB is comfortably on hold.** While I do not share the ECB's relatively rosy view of the economy, odds of the 25bps cut that I've penciled in for September are now a lot lower – probably will have to scrap that call.

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