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20.10.23

Central Bank Overview: last meetings

CB	Date	Days	Event	Content	Market Reaction	Source
ECB	**2023-09-14**	**36**	**Rates**	**Hike 25 bps to 4.00% (deposit rate) as mostly expected**		x
			Statement	* Hike "in order to reinforce the progress towards" the inflation target * GC considers that "rates have reached levels that, maintained for a sufficiently long duration, will make a substantial contribution" the returning inflation to target * Future decisions will "ensure that rates will be set at sufficiently restrictive levels for as long as necessary" * Inflation projections revised upward * Past rate increases continue to be transmitted forcefully, financing conditions have tightened further and are increasingly dampening demand	EUR sharply lower	x
			Presser	Some governors would have preferred to pause and wait on more data, a solid majority agreed on the decision, rates will remain at sufficiently restrictive levels for as long as necessary, we didn't discuss how long we will leave rates at these levels, we can't say that we are now at the peak, the focus is expected to move towards duration, rates were hiked to "reinforce commitment to our target", we will continue to follow a data dependent model and stand ready to adjust all our instruments, inflation will fall in the coming months, most measures of underlying inflation are starting to fall, risks to economic growth are tilted to the downside, policy transmission is faster than in previous cycles, we are going through a phase of very sluggish growth.		x
			Projections	* Average inflation seen at 5.6% (2023), 3.2% (2024), 2.1% (2025); upward revision for 2023 and 2024, downward revision for 2025 * Growth projections lowered significantly: 0.7% in 2023, 1.0% in 2024, 1.5% in 2025		
	2023-10-12	8	**Minutes**	* Overall, the process of disinflation seemed to be proceeding largely as expected, base effects on inflation in the coming months were likely to temporarily push inflation down. * Overall, the risks to inflation had become more balanced. * Policy transmission stronger than expected. * Monetary policy cycle had reached a stage where the risks of tightening too much and the risks of tightening too little had become more balanced. * The key ECB interest rates were in a range of levels that, maintained for a sufficiently long duration, would make a substantial contribution to the timely return of inflation to the ECB's target. * The decision between raising rates and pausing was a close call, and that tactical considerations also played a role. * The decision was backed by a solid majority. * Some members expressed a preference for maintaining rates at their current levels.		x
ECB	**2023-07-27**	**85**	**Rates**	**25 bps hike to 3.75% (deposit rate) as expected**		
			Statement	* Inflation continues to decline but is still expected to remain too high for too long; recent data support the expectation that it will continue to fall for the rest of the year * Past rate increases continue to be transmitted forcefully, tighter financing conditions are increasingly dampening demand * The ECB's rates will be "set at sufficiently restrictive levels for as long as necessary" vs. previously "will be brought to…" * Future decisions will continue to be data-dependent * APP reinvestments have been discontinued as planned	EUR selling off hard, German 2s10s bull steepening	x
			Presser	Today's decision was unanimous, slight change of a verb was not random or irrelevant (re: change from "rates will be brought to restrictive levels" to "will be set at restrictive levels" in the statement), the near-term economic outlook for the eurozone has deteriorated, we will continue to follow a data-dependent path, declines to repeat that they're not even thinking about stopping hiking, "Do we have more ground to cover? At this point I wouldn't say so", we only know that we won't be cutting rates, we may hike or we may hold, there will be two readings of inflation before the September meeting, we have an opening mind on September and beyond, price pressures from wages and profit margins are becoming an increasing source of inflation, we have not discussed the reduction of our balance sheet.	EUR selling off further, especially on the "I wouldn't say so" comment	x
	2023-08-31	50	**Minutes**	* All members supported the 25 bps hike, while a preference was also initially expressed for not raising rates. * It was argued that interest rates had to cover more ground to bring inflation back to target, a further rate hike in September would be necessary if there was no convincing evidence that inflation was moving down to target. * It was quite probable that the September ECB staff projections would revise the inflation path sufficiently downwards towards 2%, without the need for another interest rate hike in September. * There was broad agreement that the Governing Council would ensure that the key ECB interest rates would "be set at sufficiently restrictive levels for as long as necessary" to achieve a timely return of inflation to its 2% medium-term target. It was felt that the word "set" was consistent with preserving optionality, which, however, did not include the possibility of a rate cut at the September meeting. * It was argued that it was preferable to tighten monetary policy further than to not tighten it enough. * Overall, despite the recent improvements, underlying inflation could be expected to remain high for an extended period, even if growth was slowing, unless further action was taken. * The concern was raised that the economy might be entering a phase of stagflation, in contrast to a more benign scenario of a soft landing. * The GC's mandate was price stability and that institutional independence had been granted to allow central banks to focus squarely on price stability.	EUR weaker, 2s and 10s lower	x

Economic Calendar

Data since the last central bank meeting

20.10.23

FX	Date	LON	Data	Act	Exp	Prev	Reaction
EUR	Tue 12.09.23	10:00	German ZEW Economic Sentiment	-11.4	-15.0	-12.3	EUR higher
			ZEW Economic Sentiment	-8.9	-6.2	-5.5	
	Thu 14.09.23	13:15	**ECB Rate Statement**		4.25	4.25	EUR weaker
	Fri 15.09.23	10:00	Trade Balance	2.9	13.5	12.5	EUR sideways
	Thu 21.09.23	15:00	Consumer Confidence	-18	-1.1	-16	EUR unchanged
	Fri 22.09.23	08:30	**German Flash Manufacturing PMI**	39.8	39.5	39.1	EUR lower
			German Flash Services PMI	49.8	47.2	47.3	
		09:00	**Flash Manufacturing PMI**	43.4	44.0	43.5	EUR sideways
			Flash Services PMI	48.4	47.7	47.9	
	Mon 25.09.23	09:00	German ifo Business Climate	85.7	85.1	85.7	EUR sideways
	Wed 27.09.23	07:00	German GfK Consumer Climate	-26.5	-25.8	-25.5	EUR sideways
	Thu 28.09.23	13:00	**German Prelim CPI m/m**	0.3	0.3	0.3	EUR sideways
	Fri 29.09.23	07:00	German Retail Sales m/m	-1.2	0.5	-0.8	EUR sideways
		10:00	**Core CPI Flash Estimate y/y**	4.5	4.8	5.3	EUR unchanged
			CPI Flash Estimate y/y	4.3	4.5	5.2	
	Mon 02.10.23	10:00	Unemployment Rate	6.4	6.4	6.4	EUR weaker
	Wed 04.10.23	10:00	**PPI m/m**	0.6	0.6	-0.5	EUR stronger
			Retail Sales m/m	-1.2	-0.5	-0.2	
	Thu 05.10.23	07:00	German Trade Balance	16.6	14.9	15.9	EUR sideways
	Fri 06.10.23	07:00	German Factory Orders m/m	3.9	1.6	-11.7	EUR sideways
	Mon 09.10.23	07:00	German Industrial Production m/m	-0.2	-0.1	-0.8	EUR weaker
		09:30	Sentix Investor Confidence	-21.9	-24.0	-21.5	EUR sideways
	Thu 12.10.23	12:30	ECB Minutes				EUR unchanged
	Fri 13.10.23	10:00	Industrial Production m/m	0.6	0.1	-1.1	EUR weaker
	Mon 16.10.23	10:00	Trade Balance	11.9	5.4	2.9	EUR sideways
	Tue 17.10.23	10:00	German ZEW Economic Sentiment	-1.1	-9.1	-11.4	EUR stronger
			ZEW Economic Sentiment	2.3	-7.7	-8.9	
	Fri 20.10.23	07:00	**German PPI m/m**	-0.2	0.4	0.3	EUR sideways

ECB Speakers Crib Sheet

Most recent comments first

Days ago	Date	Speaker	Bias	Relevant Points
2	18.10.23	**Visco**	n/a	Second-round effects are keeping inflation at levels not consistent with underlying monetary and price stability, monetary policy reaction was necessary.
3	17.10.23	**Holzmann**	Hawk	We are not out of the woods yet on inflation, further shocks may require additional rate hikes, payments on bank reserves are a huge problem.
		De Guidos	Dove	Economic activity remains subdued and is expected to stagnate until year-end, the financial stability outlook is fragile as the system adapts to a higher rate environment.
		Stournas	n/a	The Middle East crisis casts a shadow over the next ECB meeting, the war in Israel supports the case for keeping rates on hold.
4	16.10.23	**Wunsch**	Neutral	Discussing PEPP is not a pressing issue, fine with it being discussed in October or a bit later, maybe at terminal or maybe not, chances of another hike after pausing are far from marginal.
		Lagarde	Dove	The ECB is watching oil for inflation risks.
		Lane	n/a	The ECB will keep interest rates high until inflation returns to 2% but this may take some time, current level of 4% will do a great deal to bring inflation down, there's still more tightening in the pipeline, open to further hikes if we have inflation shocks that are sufficiently large or persistent, the "neutral" level for interest rates is likely around 2% reflecting long-term average policy rates, aiming to slow down wage growth in 2024 to help inflation return to 2%, policy decisions are driven by the need to address high inflation rather than a particular faction within the institution, the ECB's single interest rate policy requires national policies to fill gaps in individual countries.
5	15.10.23	**Nagel**	Hawk	Inflation remains too high and policy is to remain restrictive for the foreseeable future.
		De Cos	Dove	The surge in global borrowing cost triggered by a sell-off in US treasuries mans the ECB has done enough to tame inflation, higher borrowing costs underline governments' need to reduce deficits next year.
		Lagarde	Dove	Inflation is still too high, we need to be patient and attentive, the labour market still shows no sign of weakening.
7	13.10.23	**Lagarde**	Dove	We will return inflation to 2%, there is more policy lag in the pipeline from past hikes.
		Visco	n/a	No signs that Italian spreads are at a level that requires ECB action, markets are worried about Italy's inability to grow but the Italian economy has the potential to grow more.
8	12.10.23	**Villeroy**	Neutral	Current level of interest rates is appropriate, patience is more important than activism at present, duration is more important than level of interest rates.
		Wunsch	Neutral	Maybe we've reached the peak in interest rates, no more rate hikes are needed if inflation meets forecasts, oil prices are an upside risk to inflation, backs reopening the discussion on PEPP timetable.
		Holzmann	Hawk	The labour market remains tight, corporate profits have come down.
		Knot	Hawk	So far no systemic rippling effects of higher interest rates into the financial sector.
		Stournas	n/a	We should not stop bond buying too early, no value in bringing forward end of PEPP, need to keep flexibility and act if necessary.
		Vasle	n/a	The main challenge to our policy is the lack of accompanying fiscal policy, best solution would be to have a common fiscal policy tool.
9	11.10.23	**Holzmann**	Hawk	Inflation could turn out stronger than thought.
		Kazaks	Hawk	Interest rates are currently appropriate to get inflation to 2% in H2 2025 but the door on rate hikes cannot be closed, Italian spreads no unwarranted and not worrisome, talks on mandatory higher reserve requirements for banks are appropriate, early end to PEPP reinvestments should be discussed.
		Knot	Hawk	We have a long road ahead on inflation, restrictive policies will be needed for some time, policy is in a good place now, ready to adjust rates further if disinflation stalled, medium term growth outlook more favourable, economic cooling desirable to tame inflation.
		Nagel	Hawk	Pausing rates could be an option.
		De Cos	Dove	Could get to target if rates are maintained for a sufficiently long period, the market has understood very well our communication, growth risk skewed to the downside, negative GDP reading for Q3 possible, core inflation has turned a corner, balance sheet reduction has been significant, preference is for QT to remain gradual and predictable, PEPP flexibility is the first line of defence and TPI is second.
		Vujcic	n/a	No more rate hikes are needed if the outlook holds, too soon to declare victory on inflation, doesn't think that December will be when we'll be able to say mission accomplished on inflation, hopes for more clarity on labour market pressures and development on wage growth in the spring.
10	10.10.23	**Villeroy**	Neutral	Interest rates are on a good level, further rate hikes are not the right thing to do at this stage, wary about oil price developments over Israel situation.
11	09.10.23	**Kazaks**	Hawk	The phase of rapid rate hikes is already behind us, can currently count on the fact that we may pause, any future rate hikes would be relatively small.
		Knot	Hawk	Comfortable with current interest rate levels, elevated oil price due to conflict in Israel could present new shock to inflation.
		De Guindos	Dove	Inflation to fall in the coming month, urges caution due to evolution of oil prices, expects current level of interest rates to contribute to price stabilisation.
		Sources	n/a	Reuters: Policymakers consider rise in Italian bond yields is justified by deteriorating budget fundamentals, sources see no urgent case for ending PEPP reinvestments and discussion should be put on ice, no current discussion about activating transmission protection instrument.

ECB Speakers Crib Sheet

Most recent comments first

Days ago	Date	Speaker	Bias	Relevant Points
12	08.10.23	**Lagarde**	Dove	Not seeing a wage-price spiral for the moment but monitoring it closely, rates have reached levels that will make a sufficiently large contribution to the timely return of inflation to target if maintained for a sufficiently long duration.
14	06.10.23	**Schnabel**	Neutral	Further hikes may be necessary if risks materialize, cannot say that we are at the peak or for how long rates will need to be kept at restrictive levels, recent news on inflation is encouraging, core inflation has proven more stubborn, we cannot take it for granted that inflation will only move downwards from now on because we could have more supply side shocks, cannot be complacent and premature declare victory, still seeing upside risks to inflation.
		Knot	Hawk	We are getting on top of inflation, policy is in a good place, comfortable with the current stance of policy, would prefer a tolerance band around the target rate rather than a strict point target for inflation, Italian spreads have increased recently because of budget issues.
		Herodotou	n/a	Monetary policy transmission is taking place and working to tame inflation, the recent increase in energy prices could transmit again to the rest of the economy and have an upward pressure on prices.
		Kazimir	n/a	We are fine with the current level of rates for the moment.
		Vasle	n/a	We are seeing a soft landing right now, very close to rate peak, impossible to tell today if we are done or more hikes could be needed.
		Vujcic	n/a	We are on a good track, will manage a soft landing if projections stand.
15	05.10.23	**Villeroy**	Neutral	Increase in bond yields may be excessive but is helping to tighten financial conditions, I don't think an additional rate hike is justified now.
		Nagel	Hawk	Inflation fight has not yet been won, high core inflation is worrisome and not yet broken, restrictive stance must continue until it is clear that price growth returns to target.
		Kazimir	n/a	A December rate hike is not a scenario I would like, believes the last hike was the final one, we are on the trajectory of declining inflation.
		Lane	n/a	Credit dynamic has been quite weak and is below what we would have expected last year.
16	04.10.23	**De Guindos**	Dove	There is a substantial share of tightening still in the pipeline, we will continue to follow a data-dependent approach, economic activity is likely to remain subdued in the coming months, underlying price pressures remain strong, the labour market remains resilient.
		Lagarde	Dove	Rates are sufficiently restrictive
		Centeno	n/a	Inflation is falling faster than when it was rising, we can expect that the interest rate cycle has been completed by now.
		Herodotou	n/a	Recent inflation data affirms that monetary policy is effective and having an impact.
17	03.10.23	**Simkus**	Hawk	Rates need to stay restrictive, inflation is on its way down, prompt monetary policy response has been effective.
		Lane	n/a	Progress to 2% inflation won't be as quick as to 4%, food inflation is still quite high and a substantial issue, services inflation is now a bit contributor, we have reached a level where rates will help to tame inflation, it is key to maintain rates at this level for as long as needed.
		Valimaki	n/a	Further rate hikes cannot be ruled out.
18	02.10.23	**De Guindos**	Dove	Dismissed talk of rate cuts, getting inflation back to 2% will be difficult with the last mile of disinflation the hardest.
21	29.09.23	**Villeroy**	Neutral	Data confirms that current level of our key interest rates is appropriate, data shows that headline and core inflation declining progressively, today's data shows that the ECB's monetary policy is effective, recent volatility in long bonds has been somewhat excessive.
		Vasle	n/a	We're probably done with rate hikes.
22	28.09.23	**Nagel**	Hawk	May require more hikes if data shows further steps are needed, doesn't know where the peak in interest rate is yet, baseline scenario is that the ECB will end this cycle of rate hikes with a soft landing.
23	27.09.23	**Elderson**	n/a	Interest rates have not necessarily peaked.
24	26.09.23	**Holzmann**	Hawk	It is unclear whether we are at peak rates yet, cannot exclude further hikes, upside inflation risks are still out there.
		Müller	Hawk	As things stand now I'm not expecting any more rate hikes.
		Simkus	Hawk	Policy is currently on track for 2% inflation in 2025
25	25.09.23	**Schnabel**	Neutral	There is not yet an all-clear on inflation, activity in the Eurozone is clearly moderating.
		Villeroy	Neutral	Risks are now at least symmetric, we can always do more if needed, maintaining the current level of interest rates will bring down inflation, the risk of doing too much on rates needs to be balanced against the risk of not doing enough, rates says should remain at this level for a sufficiently long period of time, we would have to rapidly reverse course if there was a recession and a sharp fall of inflation, markets shouldn't expect rate cuts before a sufficiently long time if they incorporate our strategy, "testing until it breaks" is not a sensible way to calibrate monetary policy, having less fear about the economy than a year ago.
		Kazaks	Hawk	The hike from the ECB in September may allow for a pause in October.
		De Cos	Dove	Must avoid both insufficient and excessive tightening, if rates are kept at 4% for long enough we should reach our 2% goal, governments must roll back their energy support measures, fiscal policy for 2024 should tend towards restrictive.
		Lagarde	Dove	Recent indicators point to further weakness in Q3, inflation continues to decline but is still expected to remain too high for too long.

ECB Speakers Crib Sheet

Most recent comments first

Days ago	Date	Speaker	Bias	Relevant Points
		Sources		Econostream: one insider suggested that the probability of another hike may be a bit less than 50%, any further rate hike would in in December at the earliest.
26	24.09.23	**Villeroy**	Neutral	Patience is more important than raising rates further, very attentive to the oil price but it doesn't put into doubt the underlying disinflation.
28	22.09.23	**De Cos**	Dove	Underlying inflation is now easing, inflation seems to be turning a corner, current interest rate level is broadly consistent with achieving the target if maintained for sufficiently long, too early to talk about rate cuts, cautious about discontinuing PEPP reinvestments, selling bonds is not something the ECB is currently considering or will consider in the future.
		De Guindos	Dove	Risks to inflation are now balanced.
		Lane	n/a	Expects rates to be held sufficiently long at 4%, not seeing a toxic mix that will trigger a recession, 4% rate will do quite a bit to bring inflation to2%, the ECB is still very data dependent.
29	21.09.23	**Wunsch**	Neutral	Can't conclude yet that we've reached terminal rate, whether we need to do more or not is a very difficult question, can't conclude yet that we've reached terminal rate, fine with reaching inflation target only in 2025, can't exclude a recession but that's not the base case, does not see APP sales for now, PEPP reinvestments could and earlier than end of 2024.
		Knot	Hawk	Does not expect a rate hike at the next meeting, comfortable with current level of interest rates.
		Nagel	Hawk	Not clear if rates have peaked, rates must stay sufficiently high for sufficiently long, core inflation still stubborn, inflation is not falling at the desired pace.
		Kazaks	n/a	Rates will need to remain restrictive for quite a while, rate cut expectations around middle of 2024 are too early given the current outlook, rise in energy prices does create upside risk to inflation, recent energy price rise is structural and not a short-term transitory rise.
		Lane	n/a	The transmission of our monetary policy to broader financing conditions and the real economy is firmly taking hold, sees a staggered reset of prices and wages across the economy, dynamics of wages and profits in the coming quarters still an open question, won't be speculating on future European Central Bank policy moves, the most efficient wat to tighten monetary policy is via interest rates, the effect of some past tightening is still in the pipeline.
		Makhlouf	n/a	Another rate hike is still possible, little chance of a rate cut before March, rates could just stay where they are for longer, may not need more hikes if the inflation outlook holds.
		Stournas	n/a	My feeling is that interest rates have peaked and the next move is likely to be a cut, rates will have to stay steady for a few months, too early to discuss the timing of cuts, we could reach the inflation target by the end of 2025 or maybe a bit earlier.
		Vujcic	n/a	We won't need any more rate hikes if the inflation outlook holds, as prices ease 4% rate will be more restrictive, the latest hike puts us in a better position.
30	20.09.23	**De Cos**	Dove	Risks to inflation in the euro area are now balanced.
		Makhlouf	n/a	I do think we are there or thereabouts at the top pf the ladder on rates, not saying we are going to hold at our next meeting by we are near the top, my view at the moment is that March 2024 is probably too early for the first rate cut, we will have a better sense of 2024 rate profile one we have the next set of projections in December.
31	19.09.23	**Villeroy**	Neutral	Will maintain interest rates at 4% for a sufficiently long time, "the medicine is beginning to work", current rates are at a good level and it's better to be patient now, once inflation is back at around 2% rates can fall again.
32	18.09.23	**Holzmann**	Hawk	Definitely cannot say this was the final hike but the likelihood of another hike is not that big, inflation risks have receded lately, there is a risk more tightening will be needed.
		Kazimir	n/a	Cannot rule out furter rate hikes, I wish that the September hike was the last one, end of rate hikes to open debate on how to adjust PEPP and APP, once it is clear that no more hikes are needed the debate should be on how to speed up QT, only the March forecast can confirm we are heading unequivocally to our inflation goal.
		Sources		Reuters: ECB to tackle excess liqiodity in next stage of inflation fight, raising minimum reserves seen as first step, worries about Italy overshadow bond debate, some policymakers want to bundle a decision on reserves with those on the ECB's asset purchase schemes and interest-rate framework, a decision on the bond-buying schemes might not come this year and that any change was very unlikely to take effect until early 2024 or even later in the spring.
33	17.09.23	**Müller**	Hawk	Good case that no further hikes are needed, strong case to quicken the balance sheet roll-off, the ECB should discuss an earlier end of PEPP reinvestments.
		Stournas	n/a	Monetary policy has done its part in fighting inflation, it is up to fiscal policy to take off some of the heat.
35	15.09.23	**Kazaks**	Hawk	Latest policy decision was not a dovish hike, does not preclude future decision, comfortable with the current level of rates, sees inflation target being reached in H2 2025, April rate cut would be inconsistent with the ECB's macro scenario.
		Müller	Hawk	No additional rate hikes are expected in the coming months but higher inflation could warrant another hike.
		De Guindos	Dove	Headline and core CPI will continue to ease, any future rate cuts will depend on multiple factors.
		Lagarde	Dove	We have not discussed rate cuts, what we do next will depend on data, we will set rates at restrictive levels for as long as needed, we will return to 2% inflation target, weaker growth does not mean a recession.
		Sources	n/a	FT: Several of the more hawkish members are of the view that there could be another rate hike in December if inflation pressures persist, "we might need a very negative surprise on inflation to hike again in October but we might in December".

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36	14.09.23	**Wunsch**	Neutral	May have reached the peak on interest rates, very unclear whether the September hike would be the last one due to high uncertainty.
		Lagarde	Dove	Some governors would have preferred to pause and wait on more data, a solid majority agreed on the decision, rates will remain at sufficiently restrictive levels for as long as necessary, we didn't discuss how long we will leave rates at these levels, we can't say that we are now at the peak, the focus is expected to move towards duration, rates were hiked to "reinforce commitment to our target", we will continue to follow a data dependent model and stand ready to adjust all our instruments, inflation will fall in the coming months, most measures of underlying inflation are starting to fall, risks to economic growth are tilted to the downside, policy transmission is faster than in previous cycles, we are going through a phase of very sluggish growth.