

The Euro has caught up with the US

Gilles Moec, Group Chief Economist at AXA Investment Managers, comments on yesterday's ECB announcement:

It is a very good package, at last.

The ECB's limits are still nominally there but they no longer bite. That's the welcome main takeaway from last night's announcements.

Beyond the impressive overall new figure for QE (EUR 750bn until the end of 2020, with the possibility to do more), the key is that on the "limits" the *"Council will consider revising them to the extent necessary"*. The capital key will remain the *"benchmark"* of the purchases but they will be conducted *"in a flexible manner"* across jurisdictions and between public and private assets. So in reality those limits are now probably mere *"reference values"*.

They have added corporate commercial paper to the list of purchasable assets which is important given the pressure on this market, while on the macro point of view it is key to a number of crucial European corporates which don't need this additional concern at the moment.

The Euro has caught up with the US. Both legs of economic policy, monetary and fiscal, are now providing massive support. The depth of the economic short term shock still depends on how the epidemic itself is handled, but at least there is now a convincing policy apparatus to deal with the second round effects which could hamper the rebound.

The result is good.