

Media comment – Coronavirus ECB measures

Commenting on the measures introduced by the ECB to deal with the coronavirus outbreak, Katharina Utermöhl, senior economist at Euler Hermes, the world's leading trade credit insurer, said:

“The Pandemic Emergency Purchase Programme (PEPP) will push the ECB’s total asset purchases for the remainder of the year to EUR1.1 tn, equating to more than EUR110bn in monthly asset purchases. Putting this in historical context, monthly net purchases peaked at around 85bn in 2016, when the ECB saw a heightened risk of deflation.

“In announcing the programme, the ECB has all but said goodbye to its self-imposed limit of holding only, not more, than a third of a country’s outstanding debt. This doesn’t amount to an official uncapping, but we can expect one in due course along with further unconventional and increasingly creative policy measures, particularly if financial conditions deteriorate further.

“While the EUR750bn life raft has failed to incite much optimism among equity holders, bond markets clearly buy the ECB’s commitment, with 10-year sovereign bond spreads across the eurozone, notably in Italy and Greece, declining by double digits.”

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