

Confidence
must be earned

Amundi
ASSET MANAGEMENT

May 2021

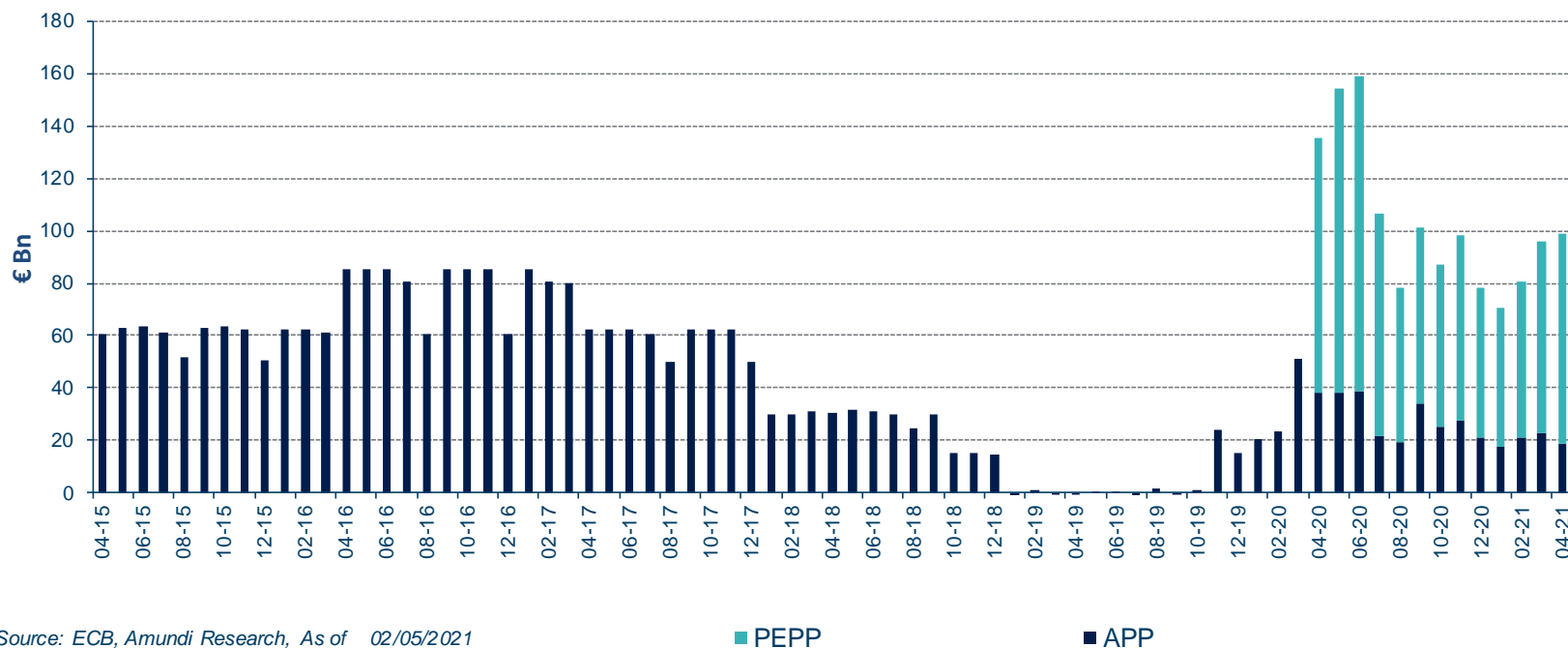
ECB QE Monitor

Mickael Bellaïche, Fixed Income and Credit Research
Strategist

APP and PEPP: breakdown by program in € bn

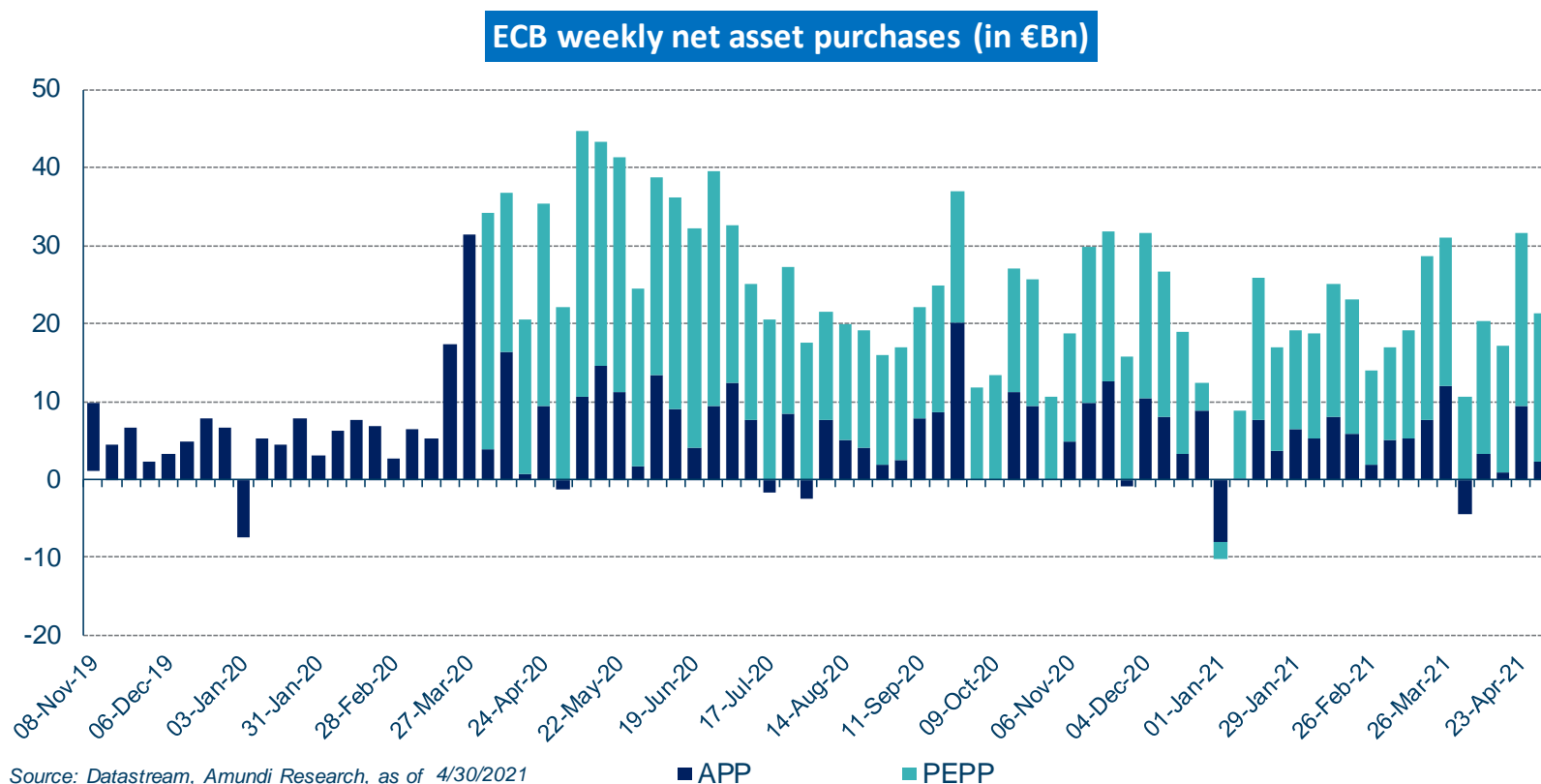
- In April 2021, ECB net asset purchases reached €18.9bn under APP and €80bn under PEPP.
- In April APP by programme: PSPP (€14.2bn; 75% of total), CSPP (€5bn; 26.5%), CBPP3 (€-0.01bn; -0.03%) and ABSPP (€-0.3bn; -1.4%).

ECB monthly net asset purchases (in €bn)



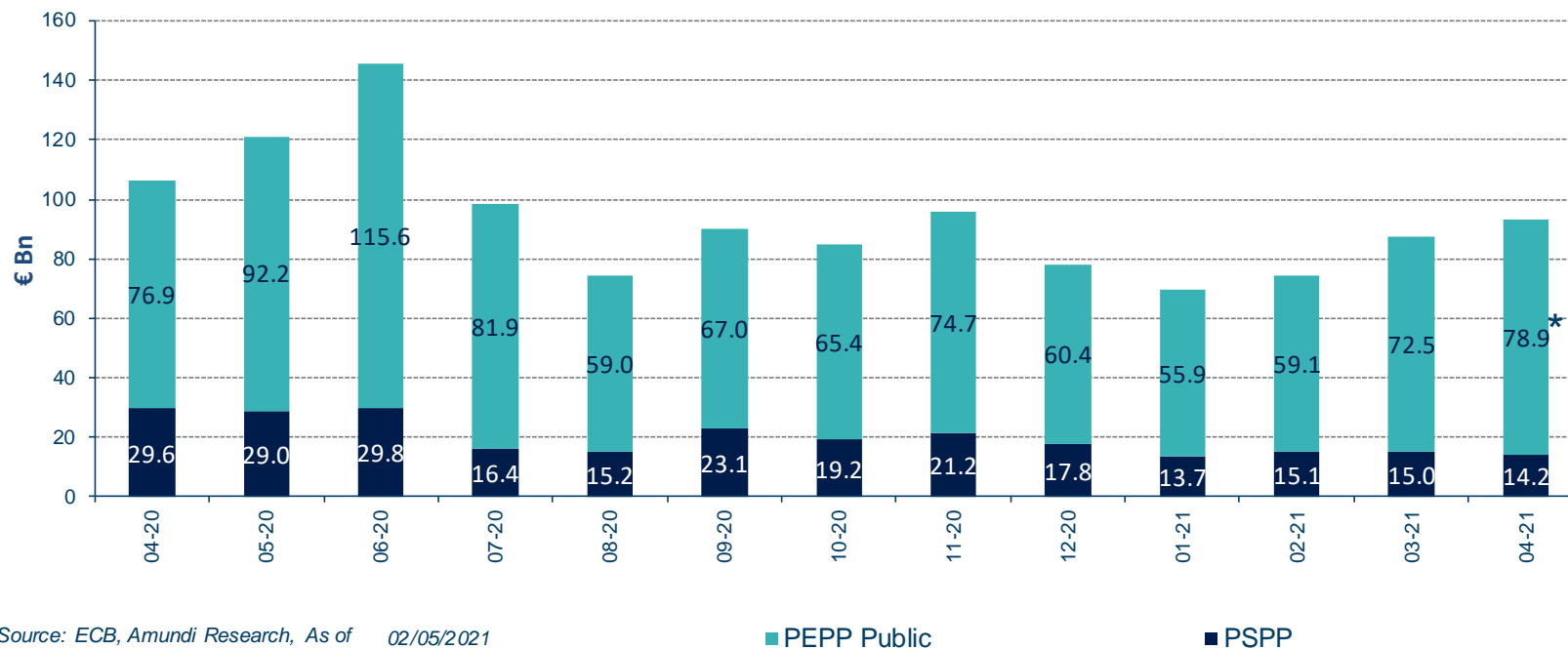
Source: ECB, Amundi Research, As of 02/05/2021

ECB PEPP related purchases accelerated, as expected, with €80bn during April vs. €74bn in March



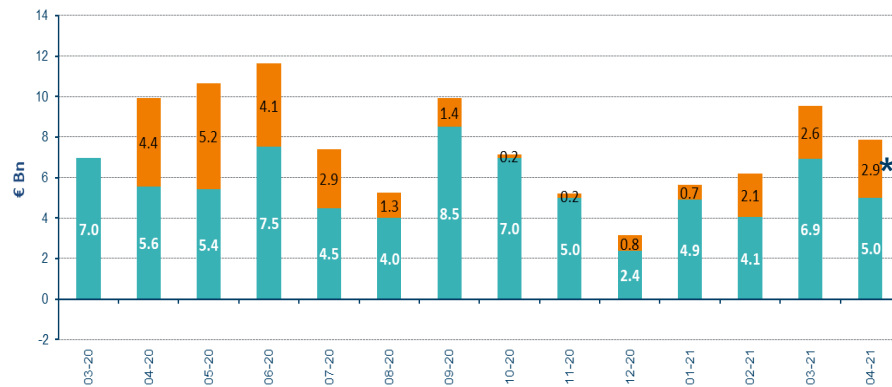
APP and PEPP: Sovereign monthly net purchases

ECB monthly net asset purchases of public debt (in €bn)



APP and PEPP: Private debt monthly net purchases

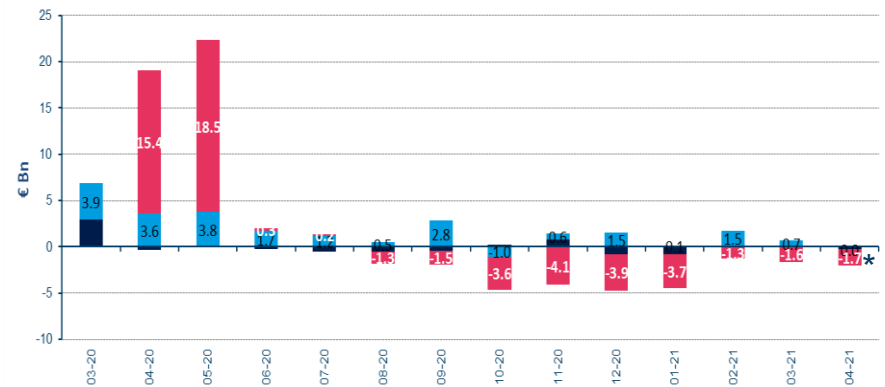
ECB monthly net asset purchases of corporate debt (in €bn)



Source: ECB, Amundi Research, As of 02/05/2021
* Estimate

■ PEPP Corporate Bond ■ CSPP

ECB monthly net asset purchases of other private debt (in €bn)

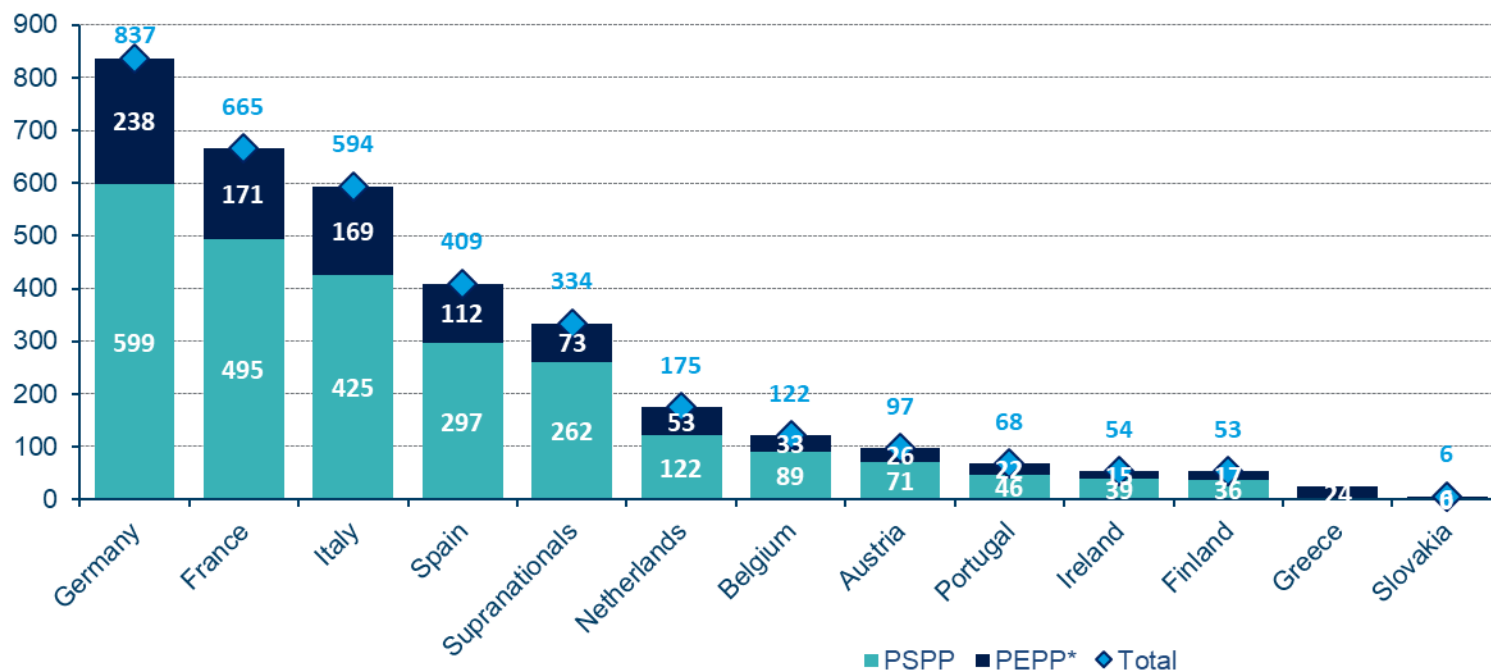


Source: ECB, Amundi Research, As of 02/05/2021
PEPP Other = commercial paper + cover bd
* Estimate

■ PEPP Other ■ CBPP3 ■ ABSPP

Eurosystem's holding: public debt

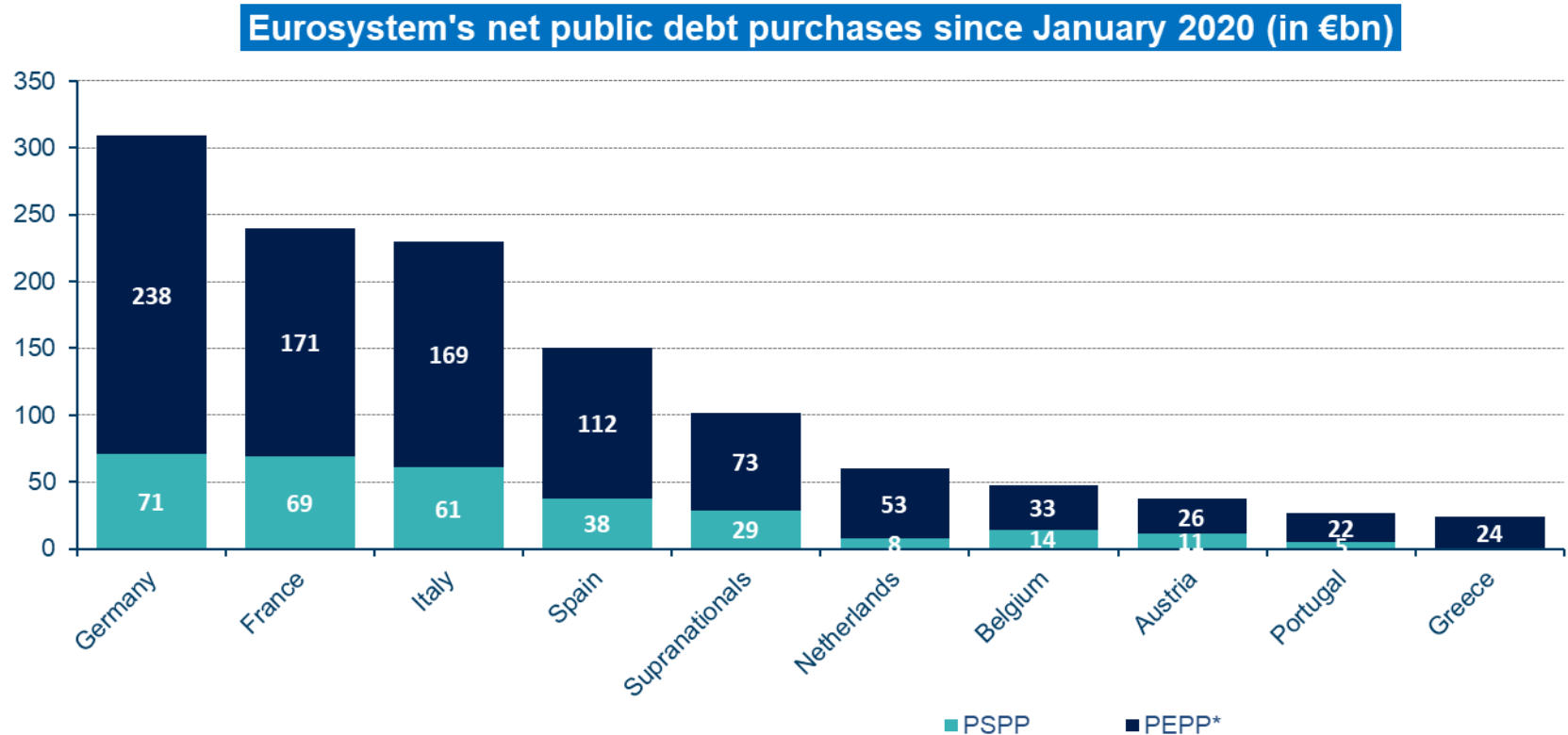
Eurosystem holding by jurisdiction (in €bn)



Source: Datastream, Amundi Research, Data as of 04/30/2021

* Estimate

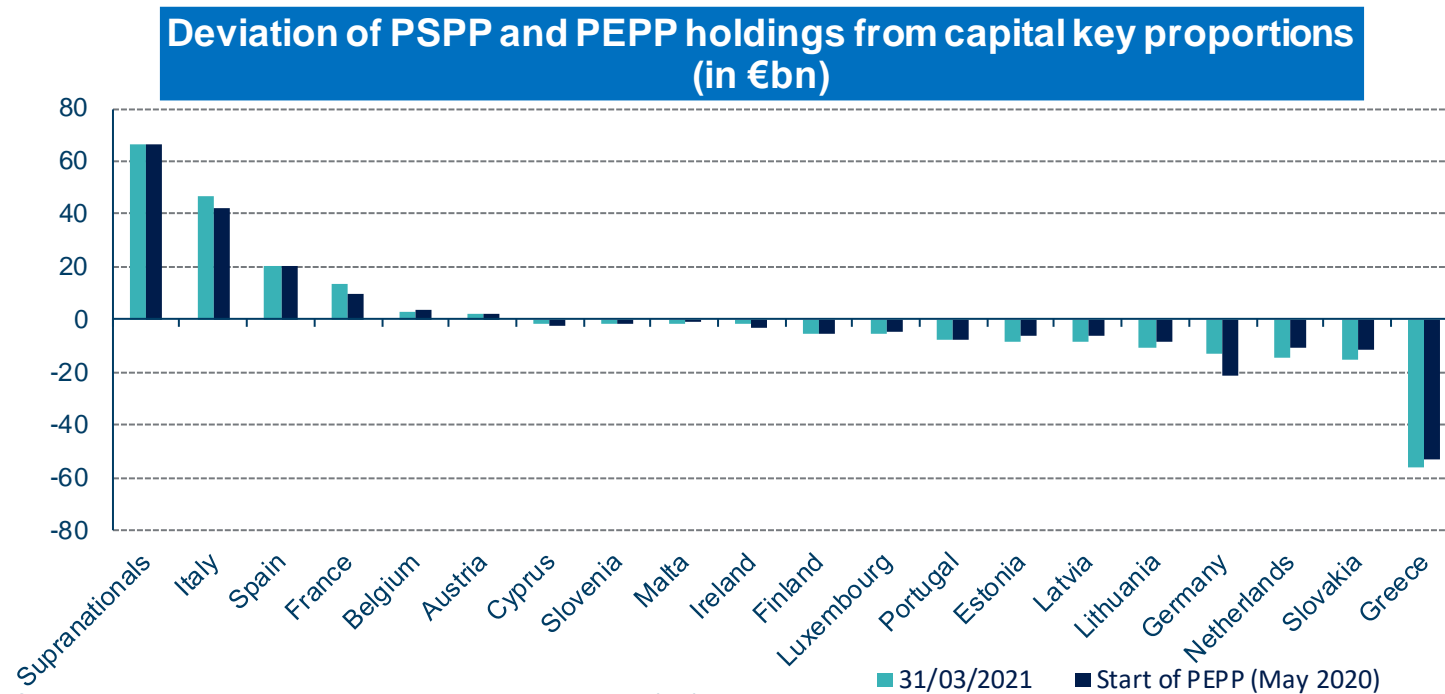
Eurosystem's purchases since January 2020: public debt



Source: Datastream, Amundi Research, Data as of 04/30/2021

* Estimate

PSPP and PEPP holdings: Deviation from capital key proportions

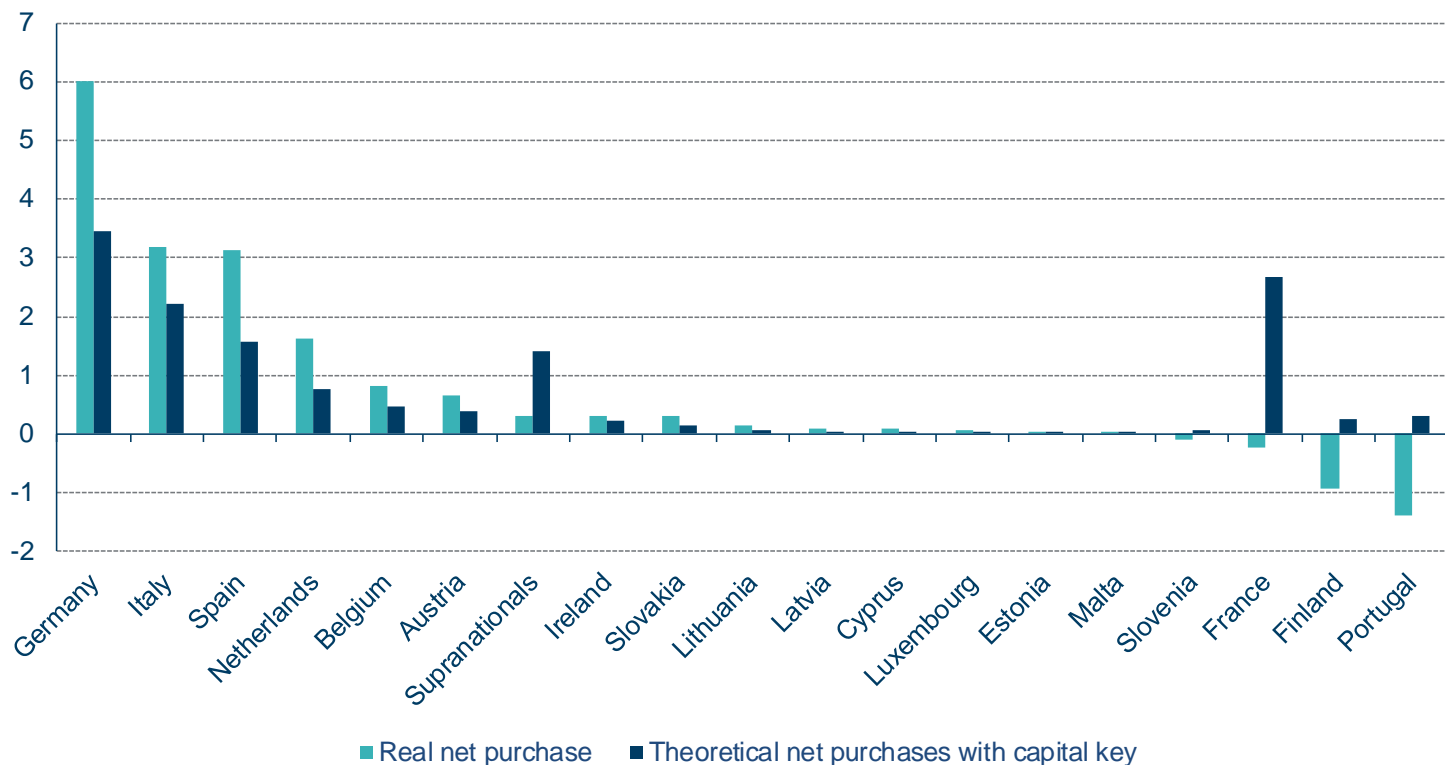


Source: Datastream, Amundi Research, Data as of 03/31/2021



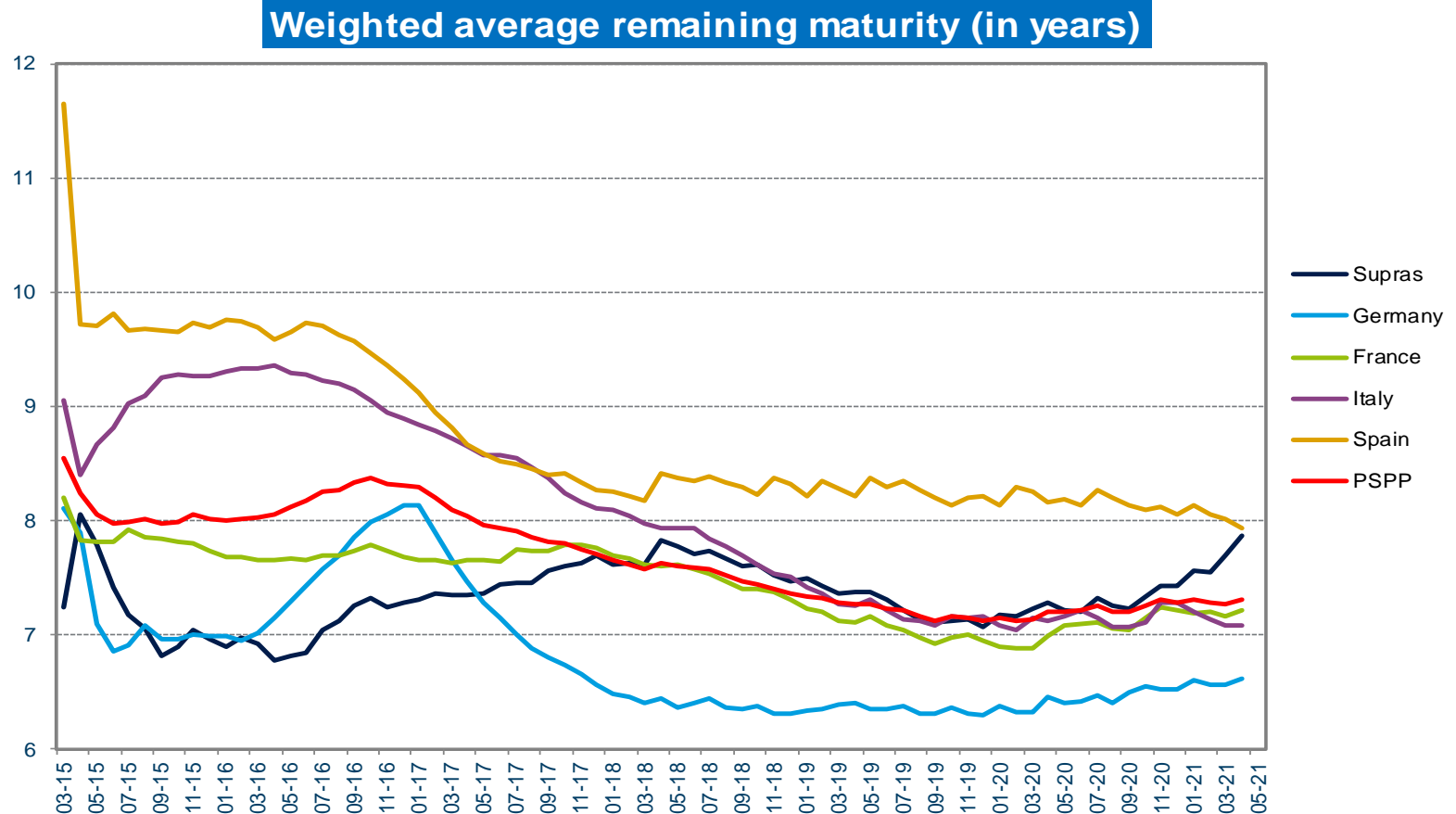
Deviation of monthly PSPP purchases from capital key proportions

PSPP: net purchases in April 2021 (in €bn)



Source: Datastream, Amundi Research, Data as of 04/30/2021

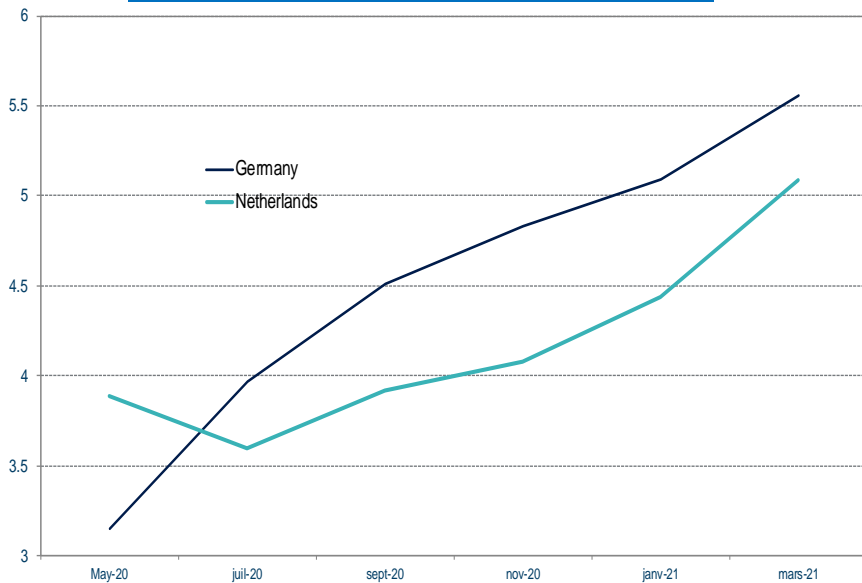
Weighted average maturities by jurisdiction for the PSPP



Source: Datastream, Amundi Research, Data as of 04/30/2020

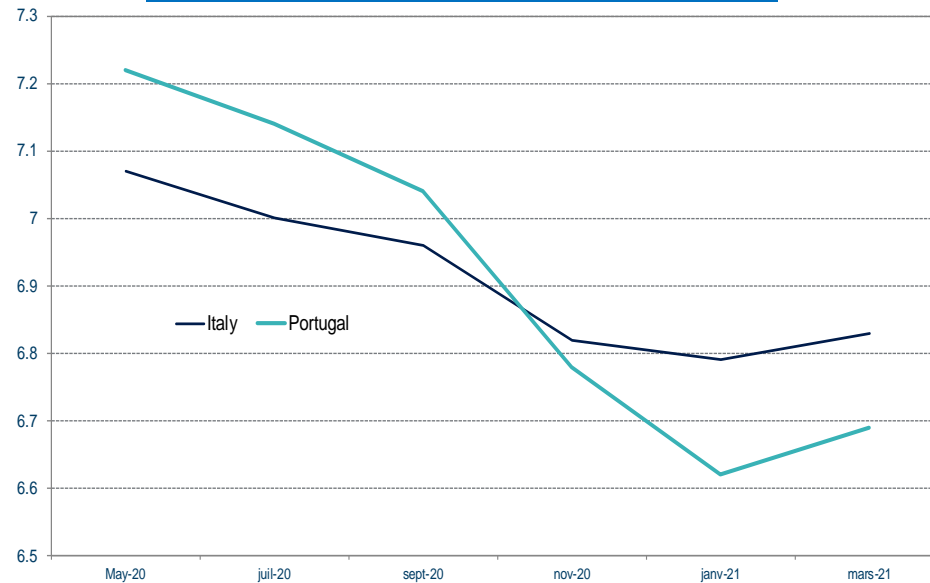
PEPP Holdings weighted average remaining maturity

PEPP Holdings weighted average remaining maturity (in years)



Source: Datastream, Amundi Research, Data as of 03/31/2021

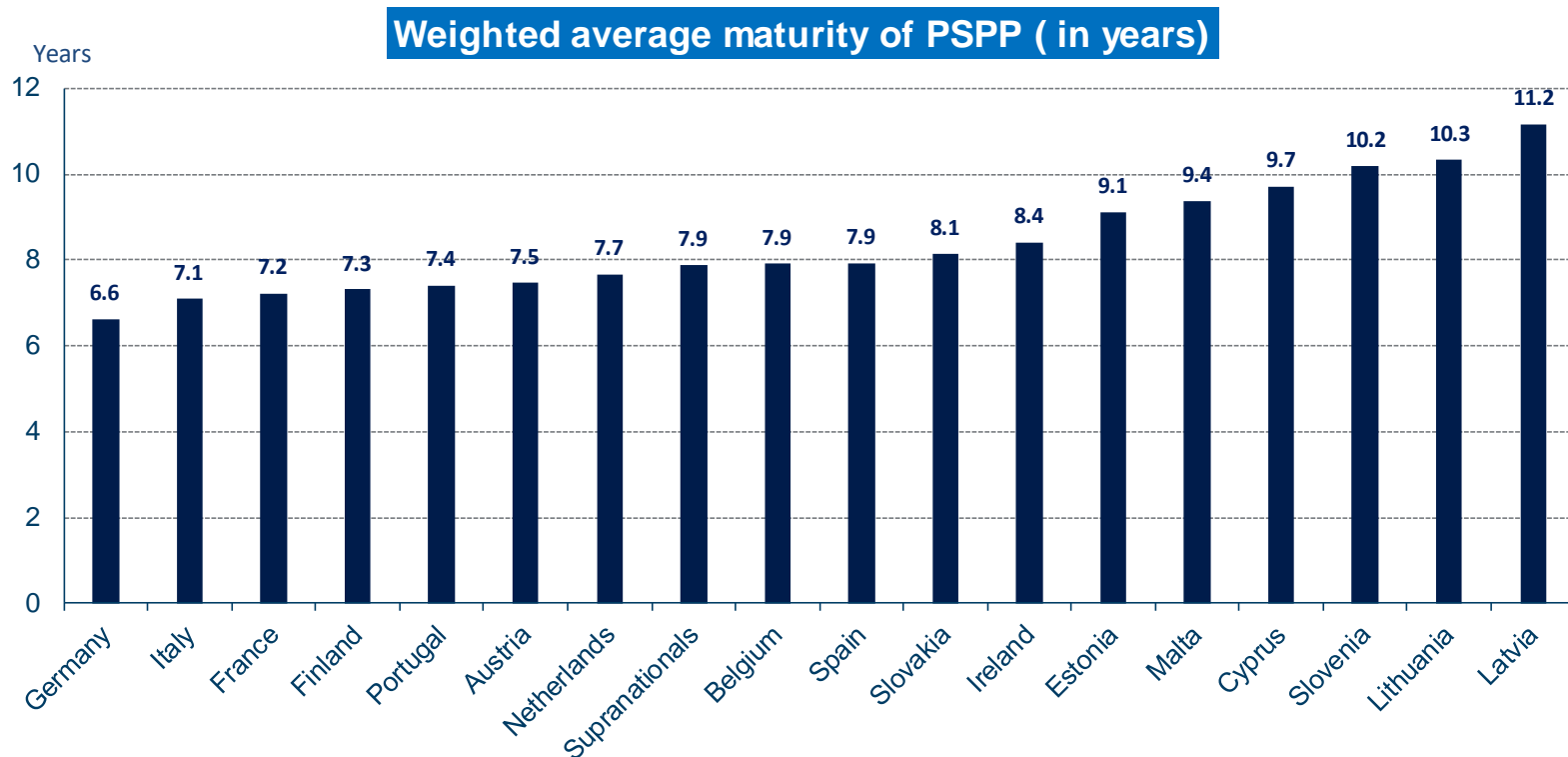
PEPP Holdings weighted average remaining maturity (in years)



Source: Datastream, Amundi Research, Data as of 03/31/2021



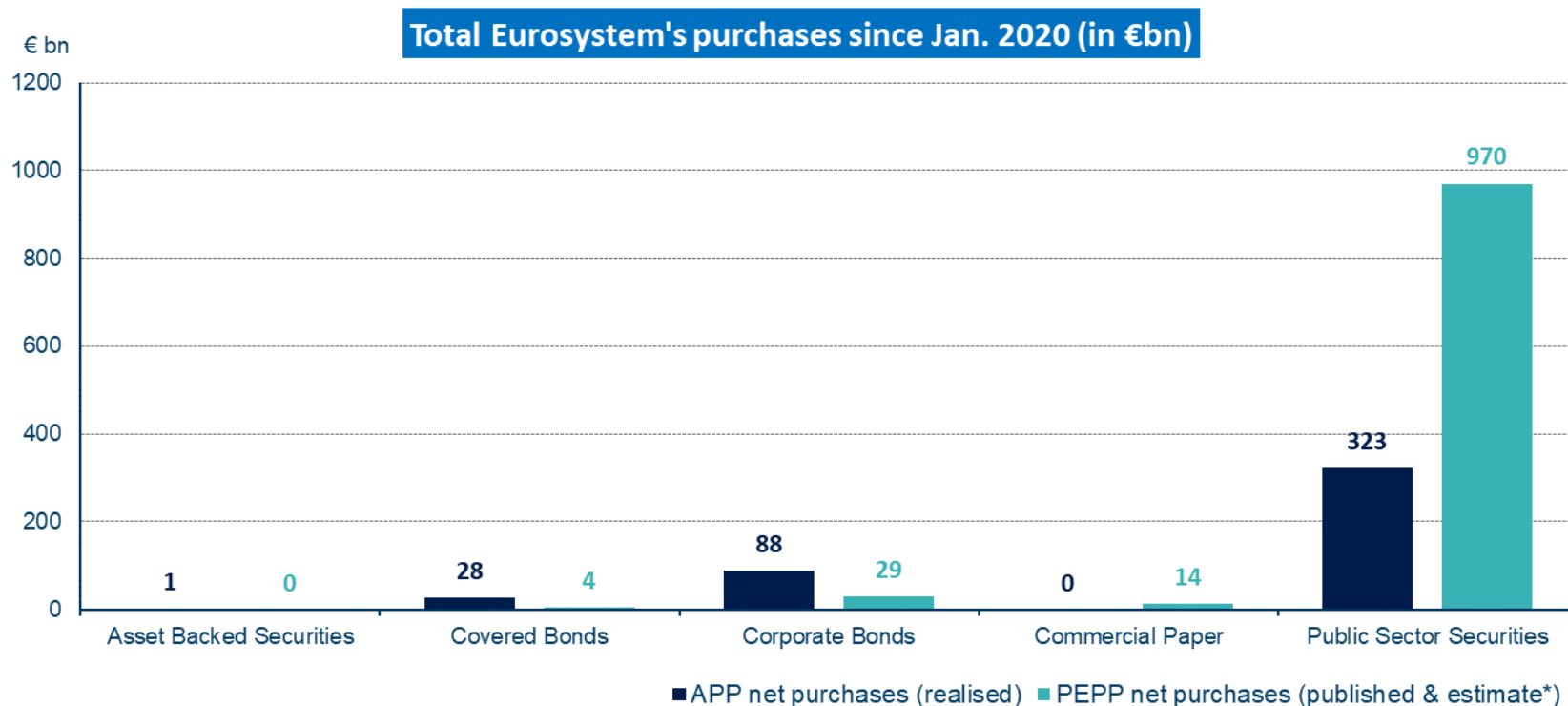
Weighted average maturity of PSPP bonds (as at January 2021)



Source: Datastream, Amundi Research, Data as of 04/30/2021

What's next for end of 2021?

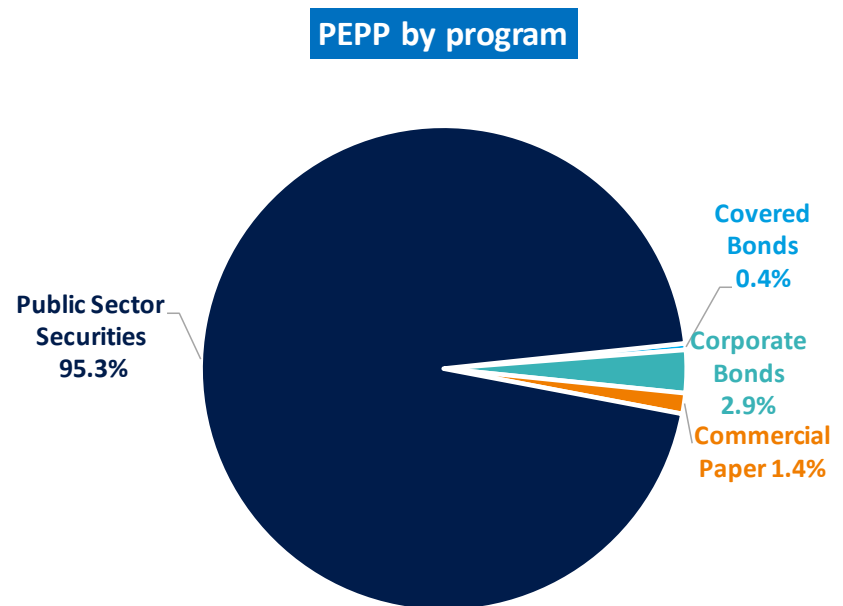
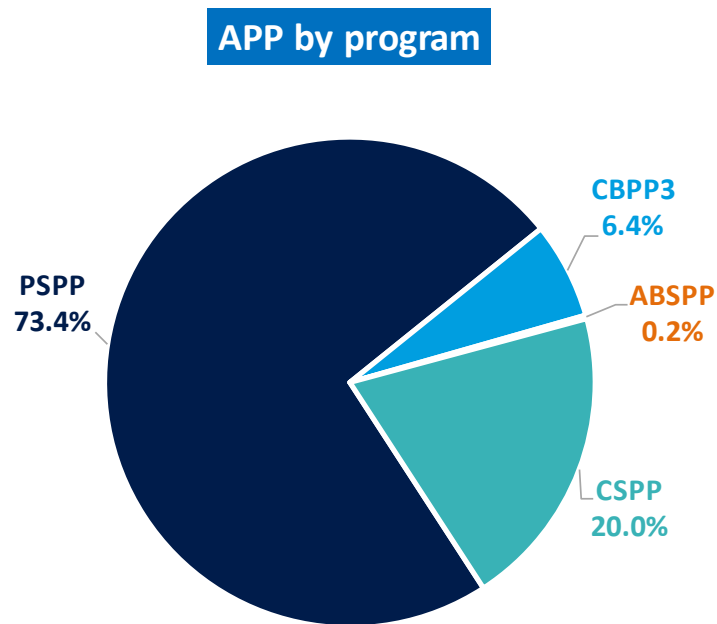
Of its PEPP envelope of €1.85trillion, the ECB has spent only €1 017bn.



Source: Datastream, Amundi Research, as of 04/30/2020

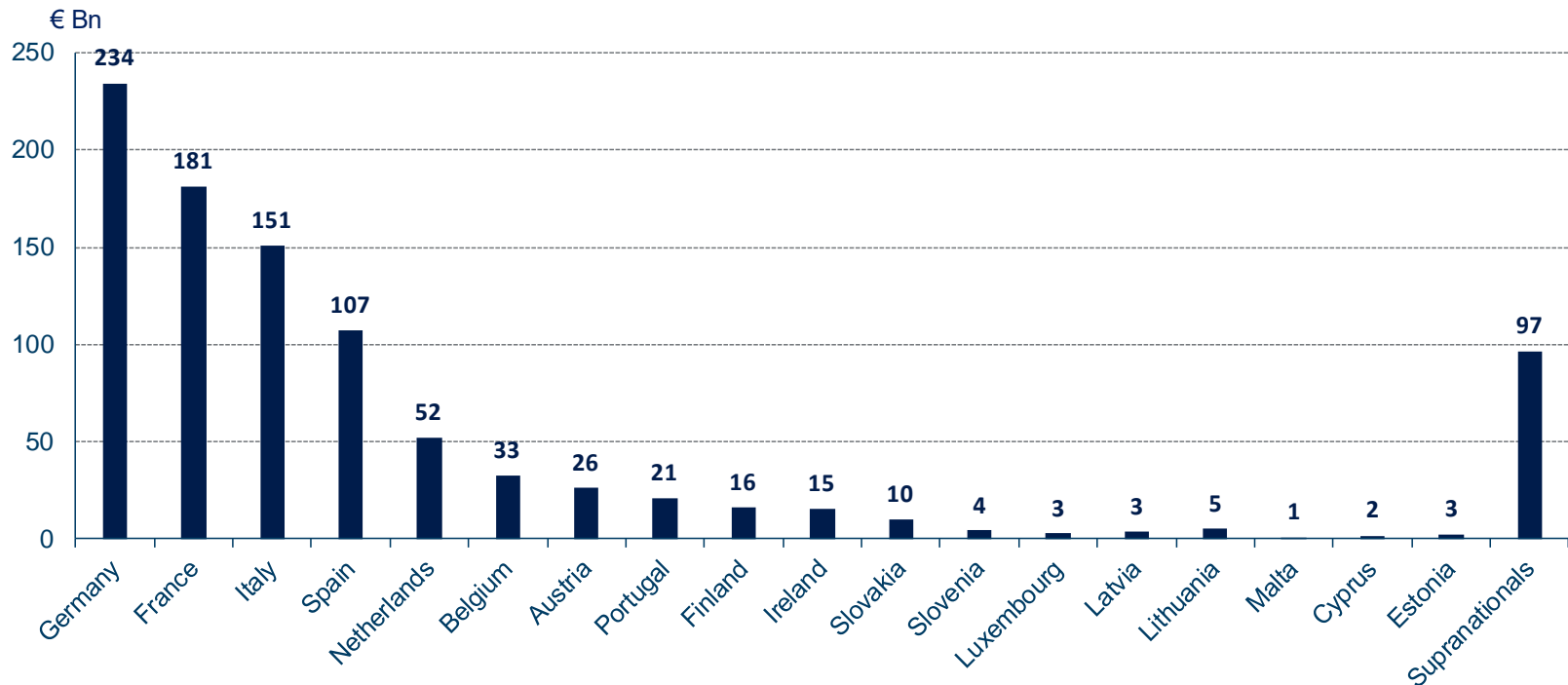
* estimate from the ECB PEPP purchases by asset classes from March 2020 to March 2021

APP and PEPP: breakdown by program in %



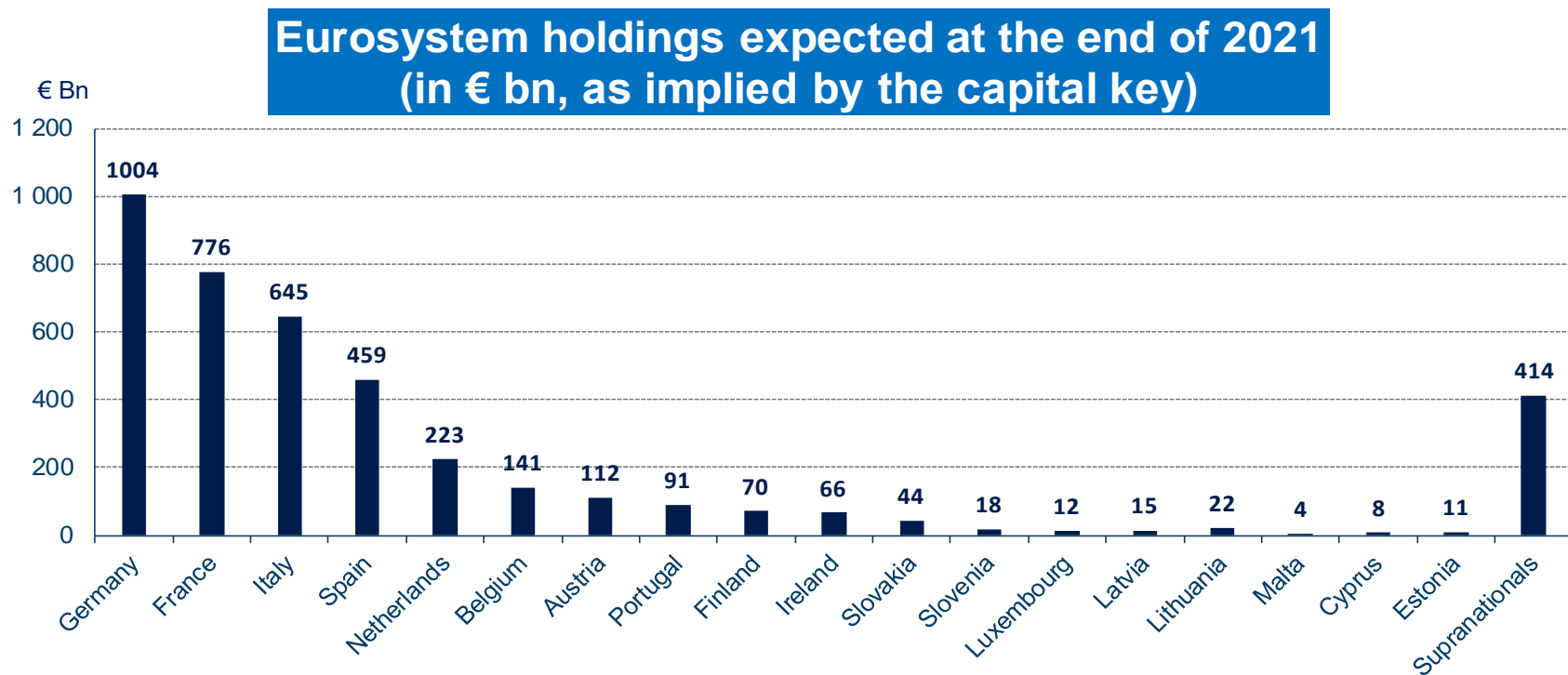
ECB Firepower by jurisdiction for 2021

**Net purchases of public debt expected in 2021
(in € bn, as implied by the capital key)**



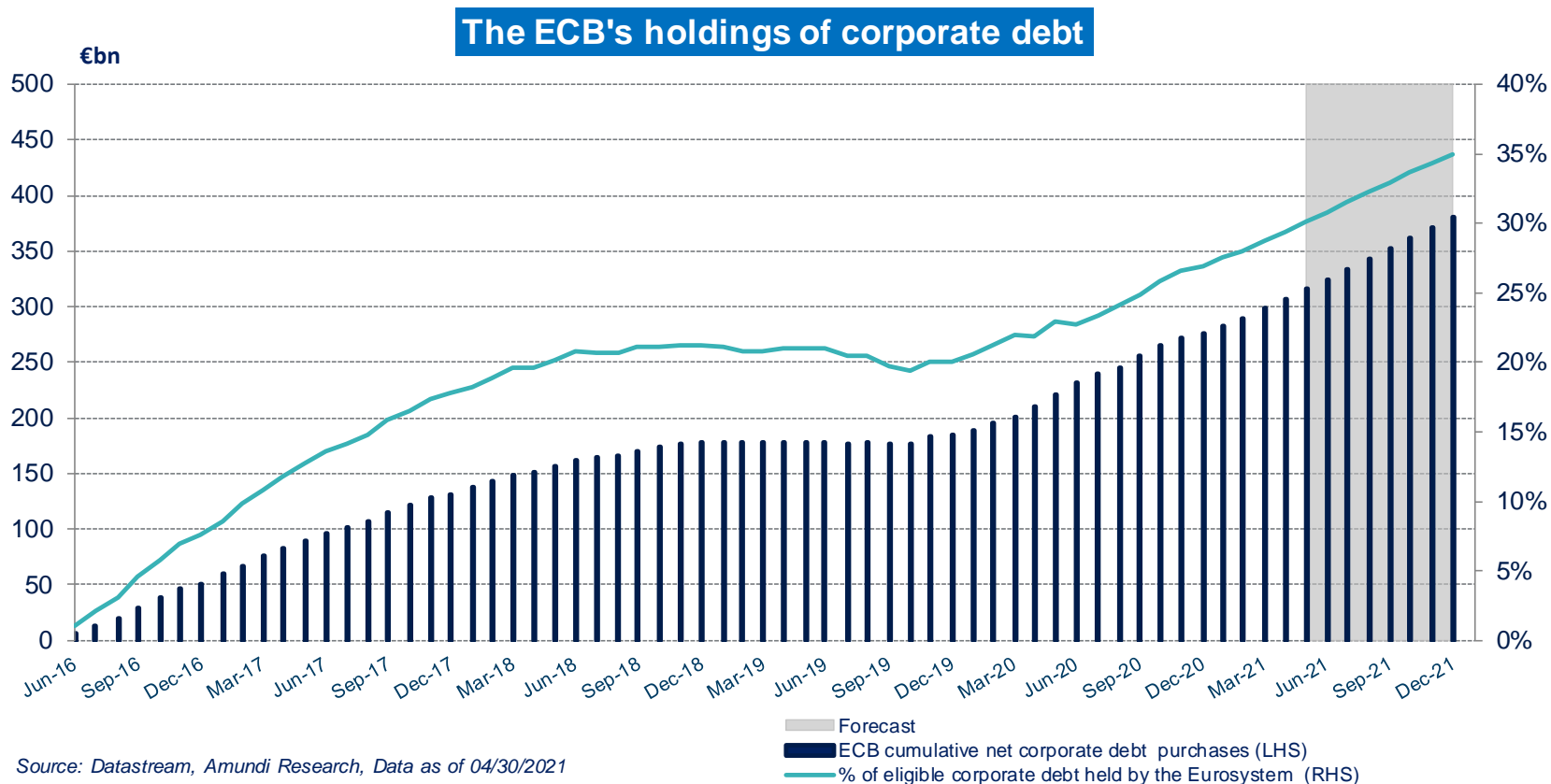
Source: Datastream, Amundi Research, Data as of 04/30/2021

ECB Firepower by jurisdiction for 2021



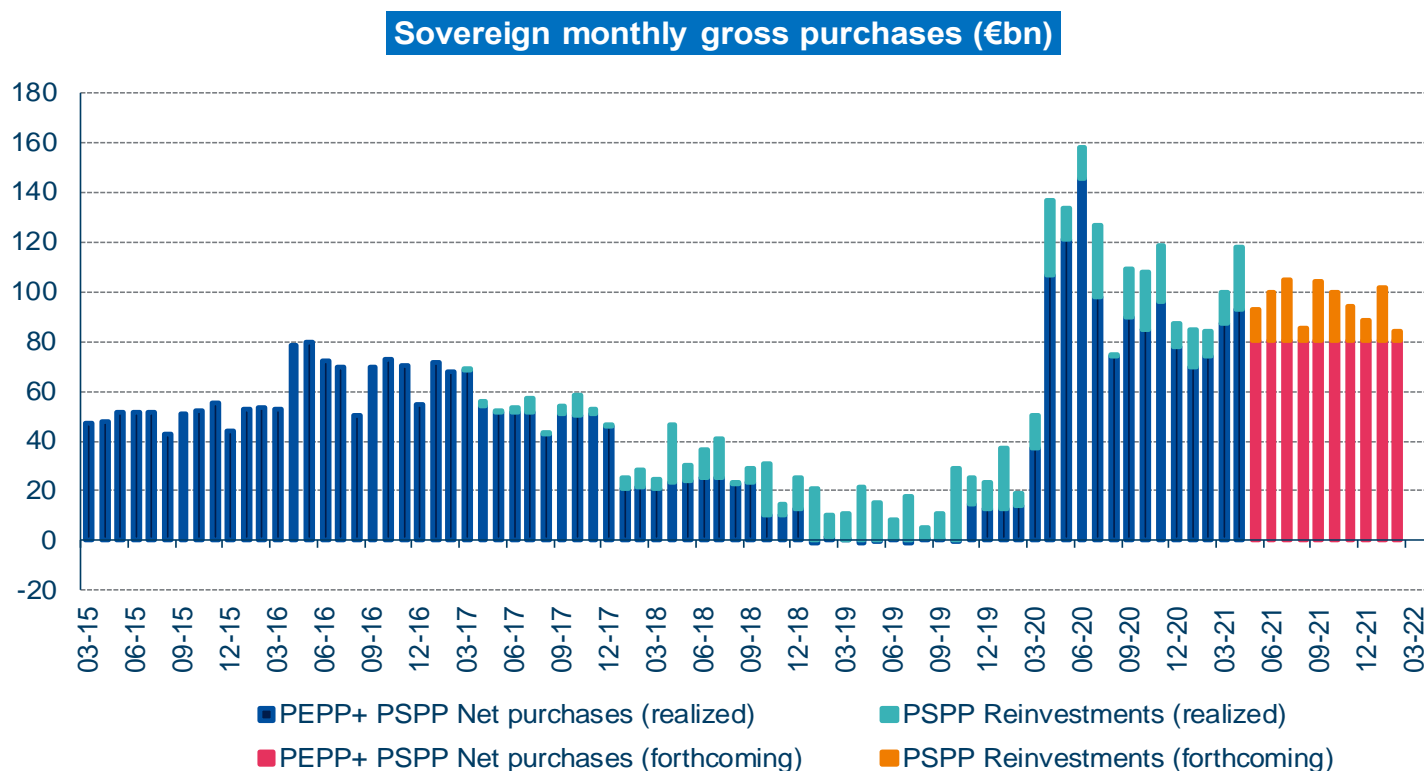
Source: Datastream, Amundi Research, Data as of 04/30/2021

The ECB's holdings of QE eligible corporate debt will likely reach 35-40% by end of 2021



Sovereign monthly gross purchases

- ECB firepower over the next 13 months is huge : €980bn (PEPP) + €20bn/month (APP) or €93bn/month. Hypothesis: 87% of the ECB's purchases will be public debt
- PSPP reinvestment will average €16.8bn/month over the next 12 months, up from €16bn in the past 12 months.

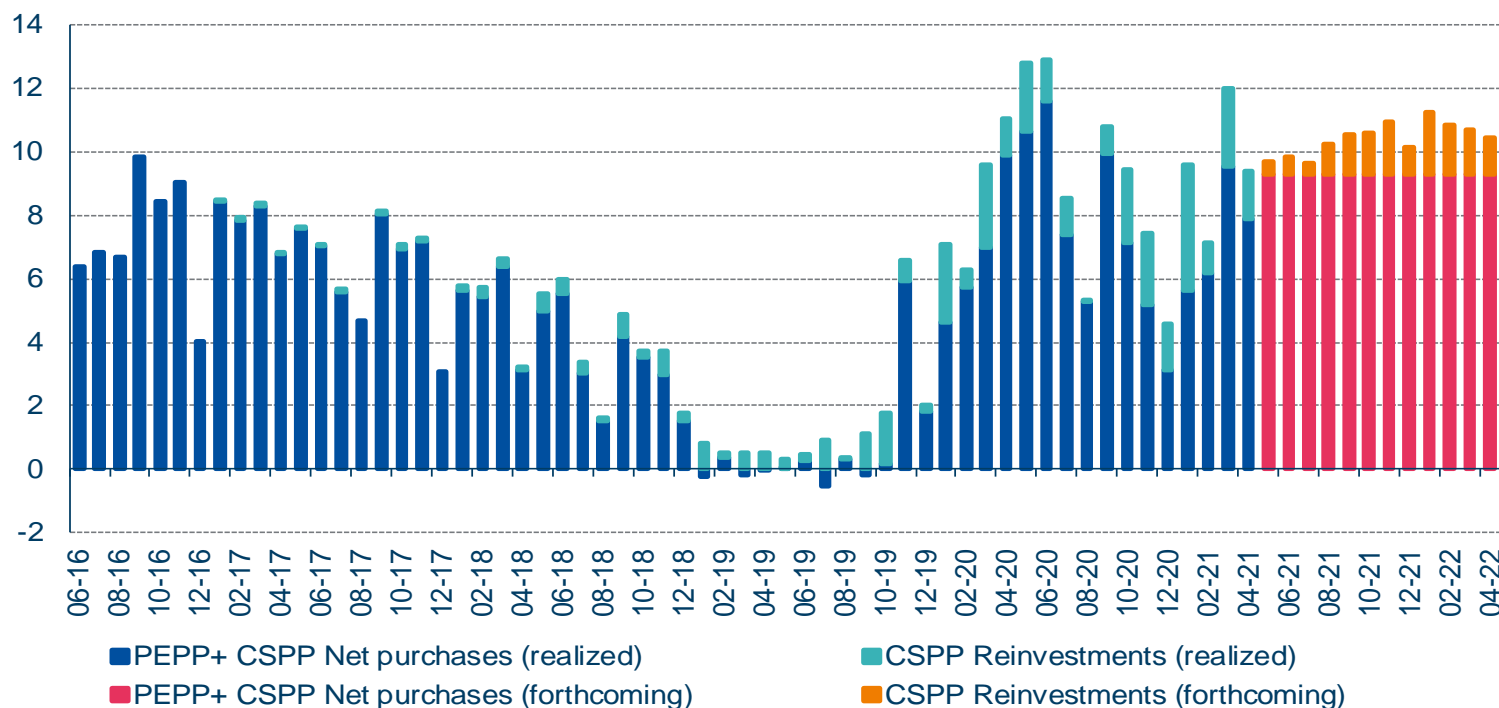


Source: ECB, Amundi Research, Data as of: 04/30/2021

Corporate monthly gross purchases

- ECB firepower over the next 13 months is huge : €980bn (PEPP) + €20bn/month (APP) or €93bn/month. Hypothesis: 10% of the ECB's purchases will be corporate debt
- CSPP reinvestment will average €1.1bn/month over the next 12 months

Corporate monthly gross purchases (€bn)



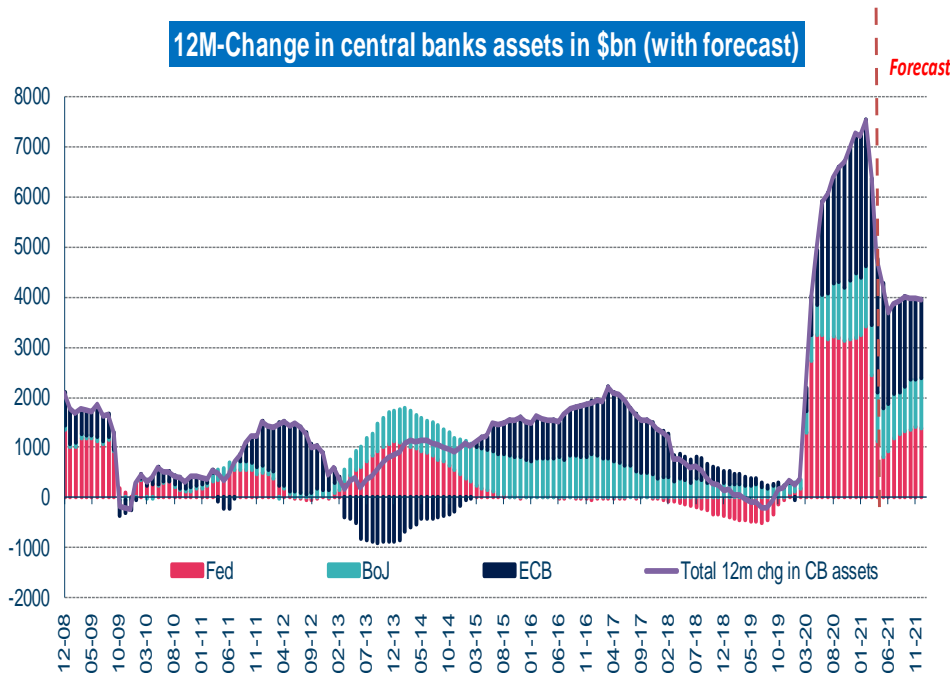
Source: ECB, Amundi Research, Data as of: 04/30/2021

Annex

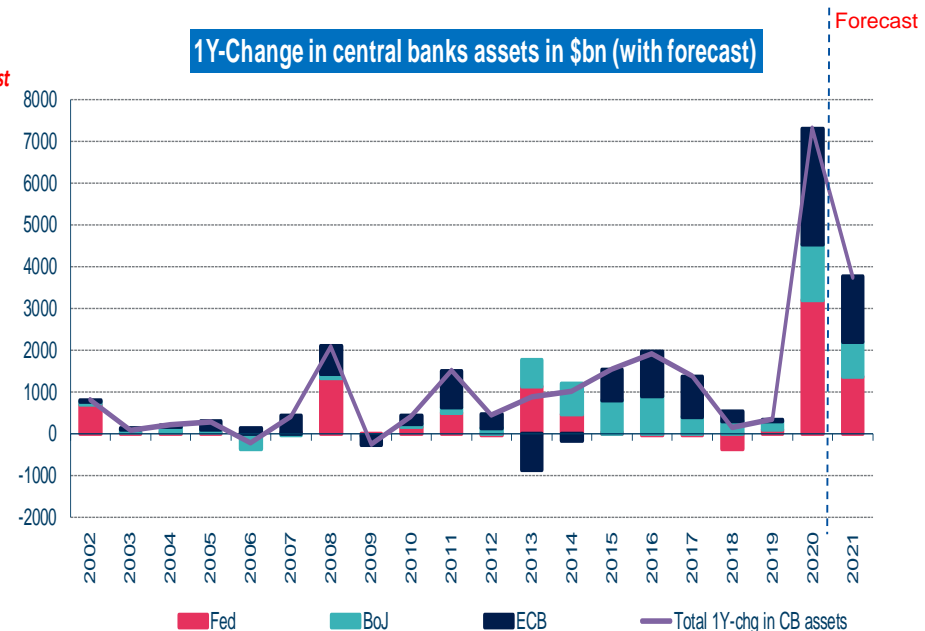
Central Banks: always present to support

- The ECB recalibrated its instruments on Thursday 10 December. It extend the PEPP and the TLTROs' favourable period until March 2022, and to expand the PEPP envelope by EUR500bn.
- The Fed announced an inflection of its long-term objectives by making the 2% inflation threshold not a high limit, but an average objective over time, i.e. it will not harden not its monetary policy in the event of one-off inflation above 2%, for the benefit of greater flexibility in terms of employment support.

12M-Change in central banks assets in \$bn (with forecast)

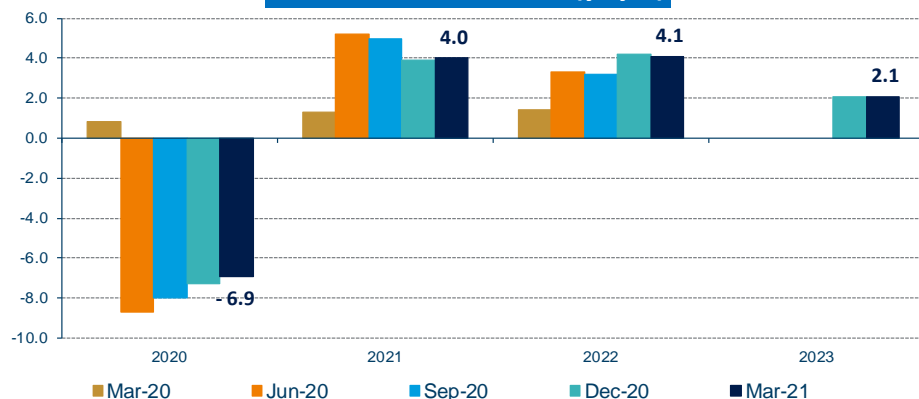


1Y-Change in central banks assets in \$bn (with forecast)



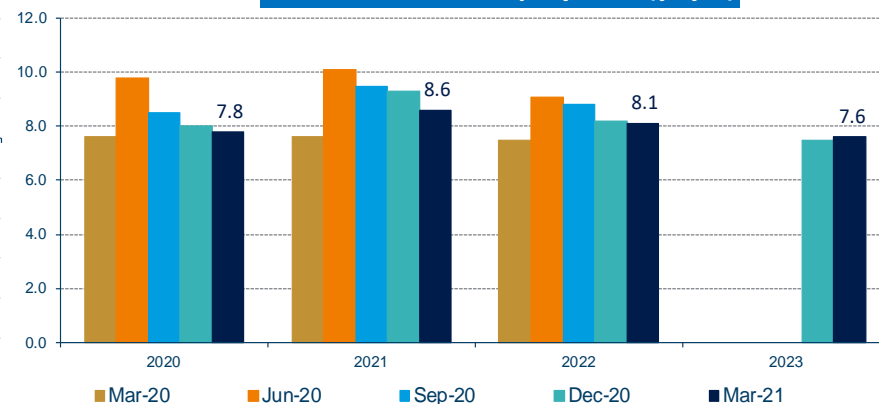
ECB Projections

ECB forecast: real GDP (yoy%)



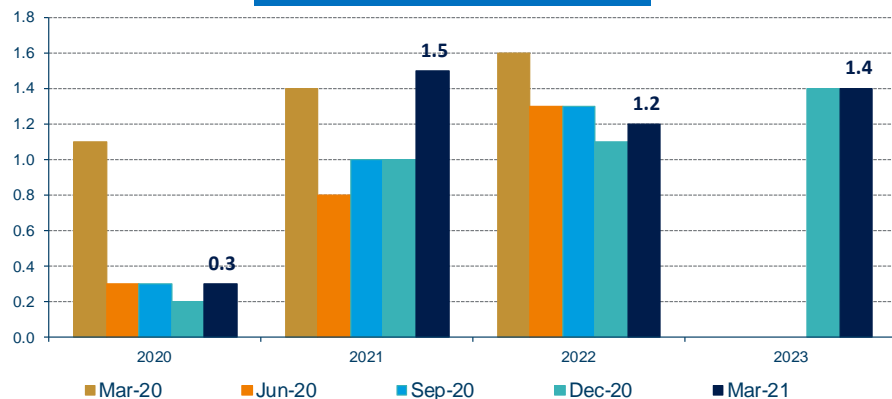
Source: Bloomberg, Amundi Research, Data as of 03/31/2021

ECB forecast: Unemployment (yoy%)



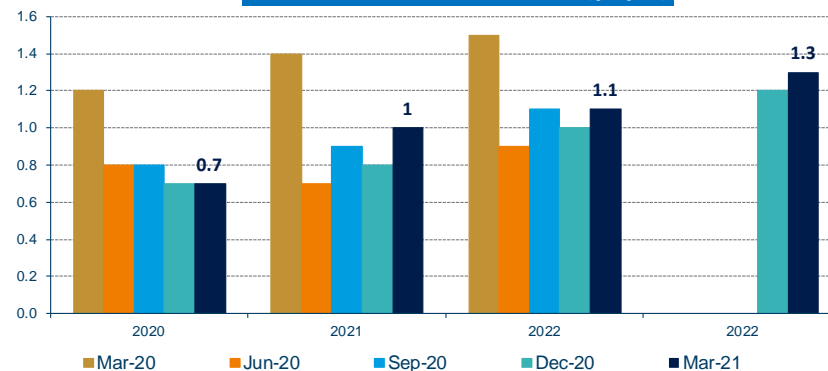
Source: Bloomberg, Amundi Research, Data as of 03/31/2021

ECB forecast: Inflation (yoy%)



Source: Bloomberg, Amundi Research, Data as of 03/31/2021

ECB forecast: Core Inflation (yoy%)

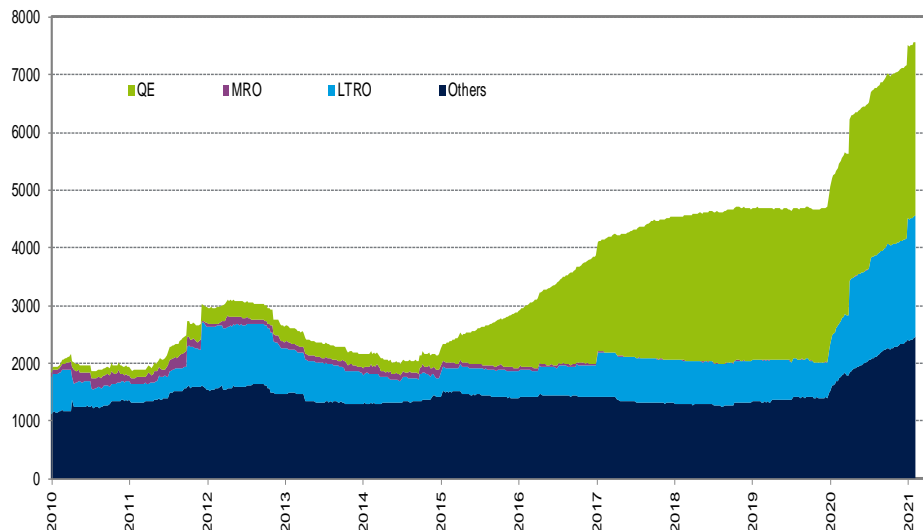


Source: Bloomberg, Amundi Research, Data as of 03/31/2021

ECB Balance Sheet (1/2)

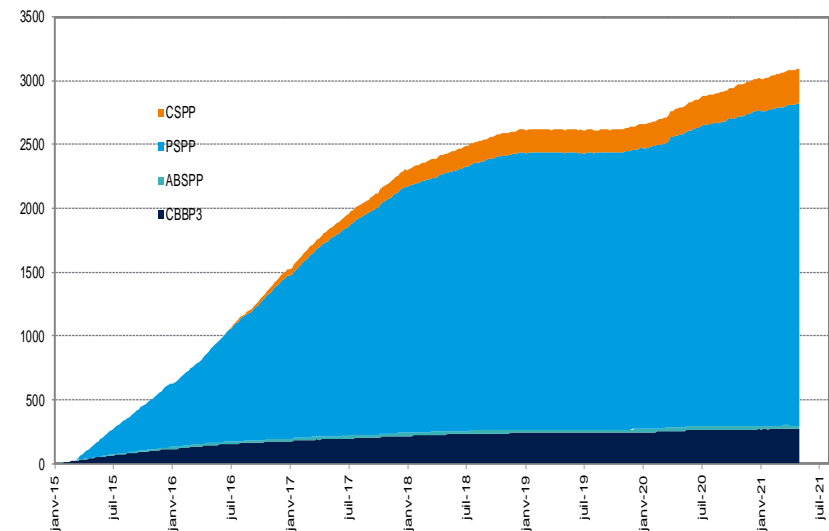
- Having broadly stabilised at about EUR 4.7 trillion prior to the pandemic, the ECB balance sheet expanded aggressively in 2020. Since March 2020, ECB assets expanded by EUR 2.8 trillion to EUR 7.5 trillion. Asset purchases have contributed EUR 1.3 trillion to the increase, TLTRO EUR 1.5 trillion.

ECB balance sheet, total asset (in €bn)



Source: Datastream, Amundi Research, data as of 04/30/2021

Amounts purchased by the Eurosystem under the expanded asset purchase programme (€ bn)

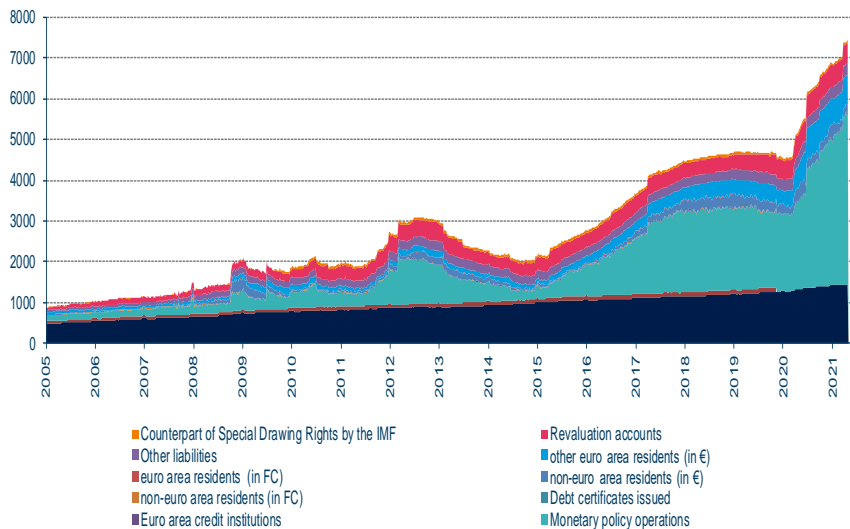


Source: Datastream, Amundi Research

ECB Balance Sheet (2/2)

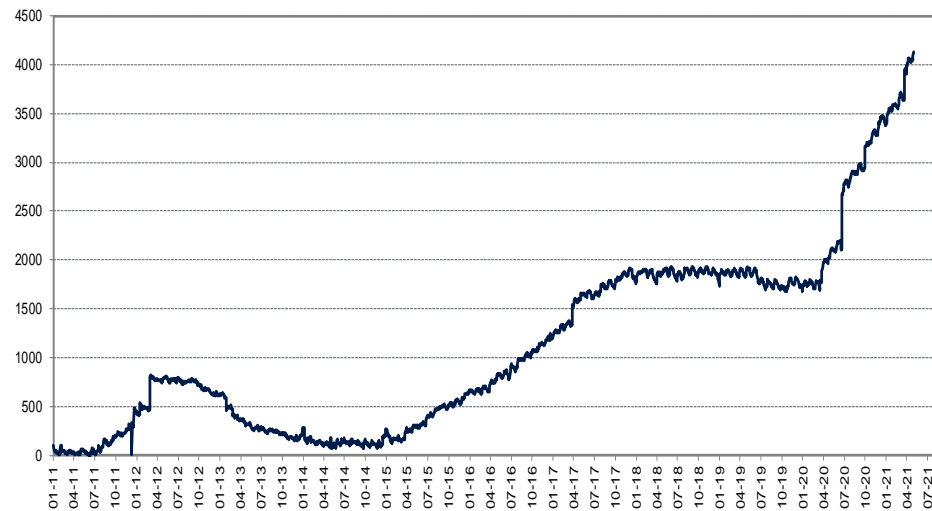
- On the liability side, the expansion of the ECB balance sheet is largely due to reserve liabilities. These account for almost EUR 2.3 trillion of the EUR 2.5 trillion expansion since the start of the pandemic. The other main components are: government deposits (EUR340bn) and banknotes (EUR170bn).
- Relative to 2018-2019, the volume of excess liquidity has more than doubled since the start of the pandemic to EUR 4 trillion. With about EUR 900 billion of unused capacity in the PEPP envelope and the APP expanding at EUR 240 billion per year, a substantial further increase in excess liquidity in 2021 is quite likely.

ECB: Liabilities (in \$bn)



Source: Datastream, Amundi Research

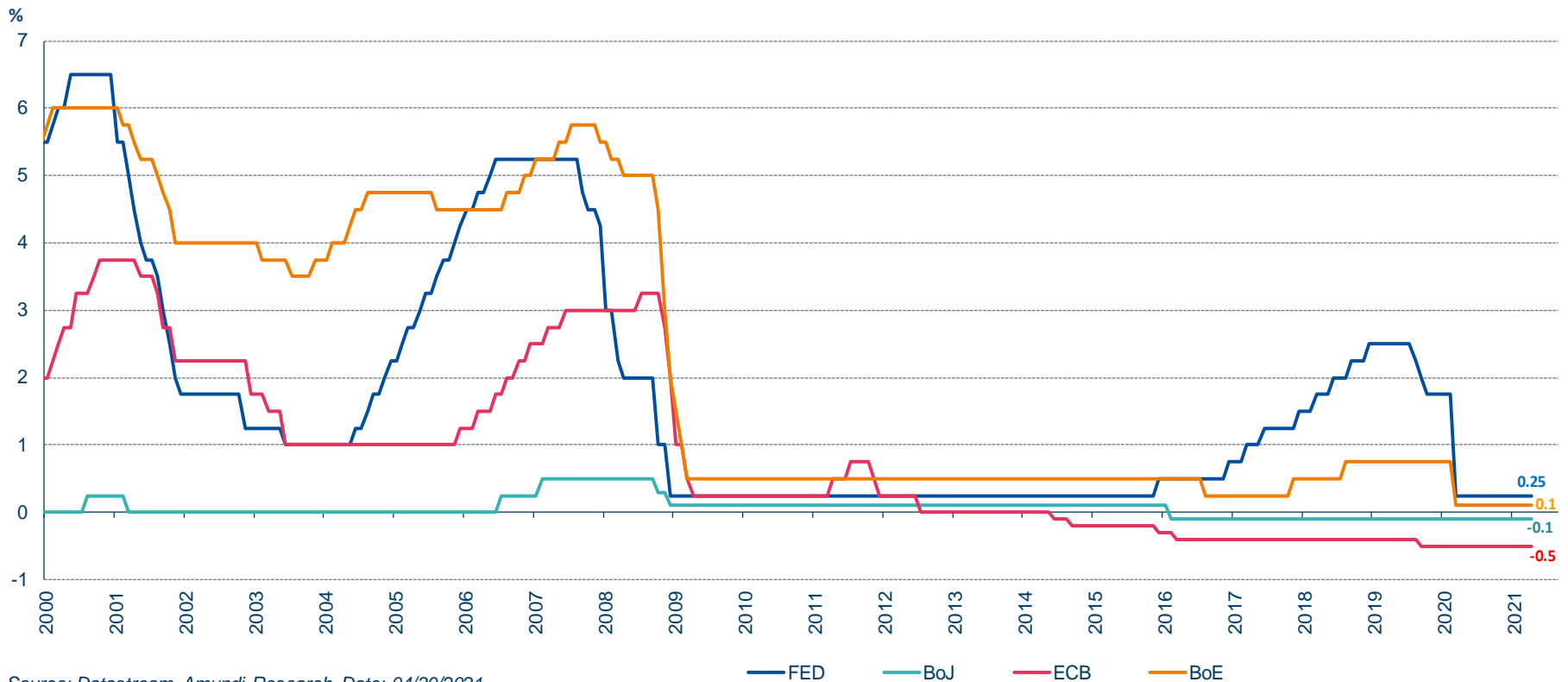
Eurosystem : excess reserves (€bn)



Source: Datastream, Amundi Research, 04/02/2021

Central Banks: interest rates near zero

- The Fed kept its interest rates unchanged.
- The ECB kept its interest rates unchanged.
- No movement on BoJ interest rates since 2016.



Source: Datastream, Amundi Research, Date: 04/30/2021

Appendix

■ Lexicon:

- **PSPP** : Public Sector Purchase Programme;
- **APP** : Asset Purchase Programme;
- **CSPP** : Corporate Sector Purchase Programme;
- **CBPP** : Covered Bond Purchase Programme;
- **SMP** : Security Market Programme;
- **ABSPP** : Asset Back-Backed Securities Purchase Programme.
- **PEPP** : Pandemic Emergency Purchase Programme

DISCLAIMER

Amundi Asset Management

Portfolio management company approved by the French Financial Markets Authority (Autorité des Marchés Financiers) under no.GP 04000036

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