

Confidence  
must be earned

**Amundi**  
ASSET MANAGEMENT

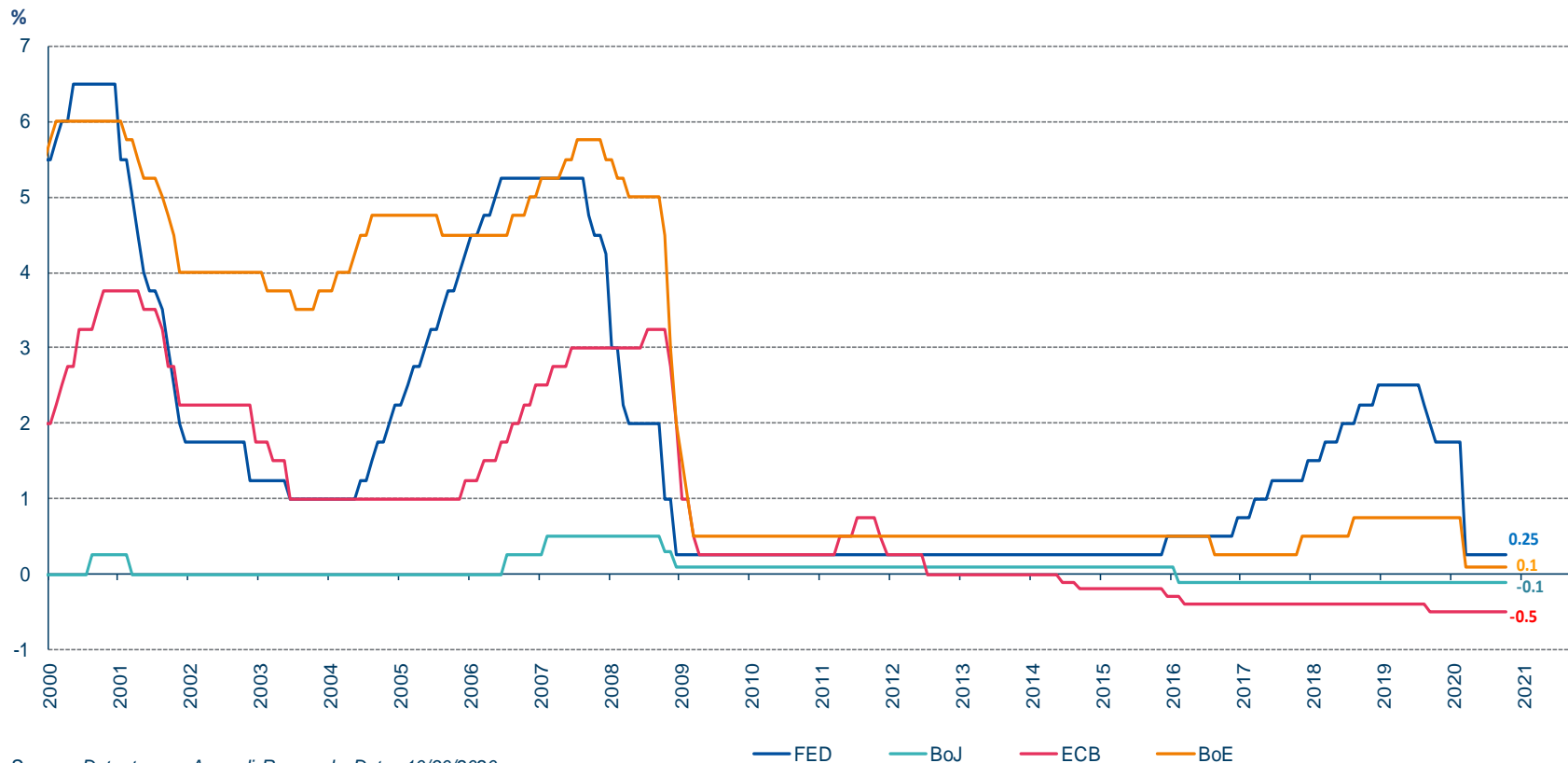
November 2020

## ECB QE Monitor

Mickael Bellaïche, Fixed Income Strategist

# 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.

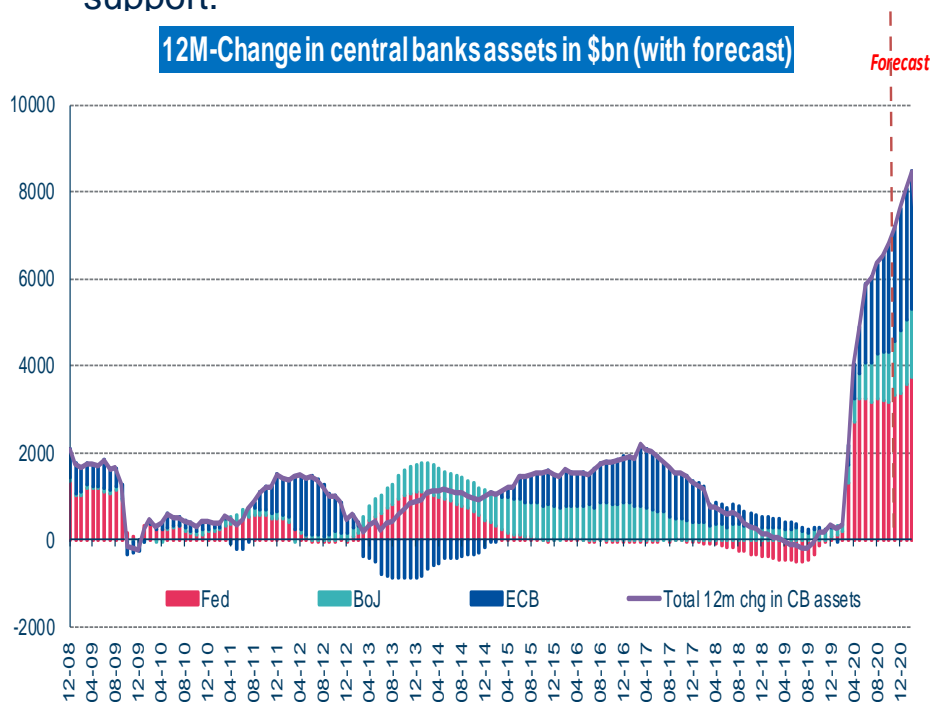


Source: Datastream, Amundi Research, Date: 10/30/2020

# Central Banks: always present to support

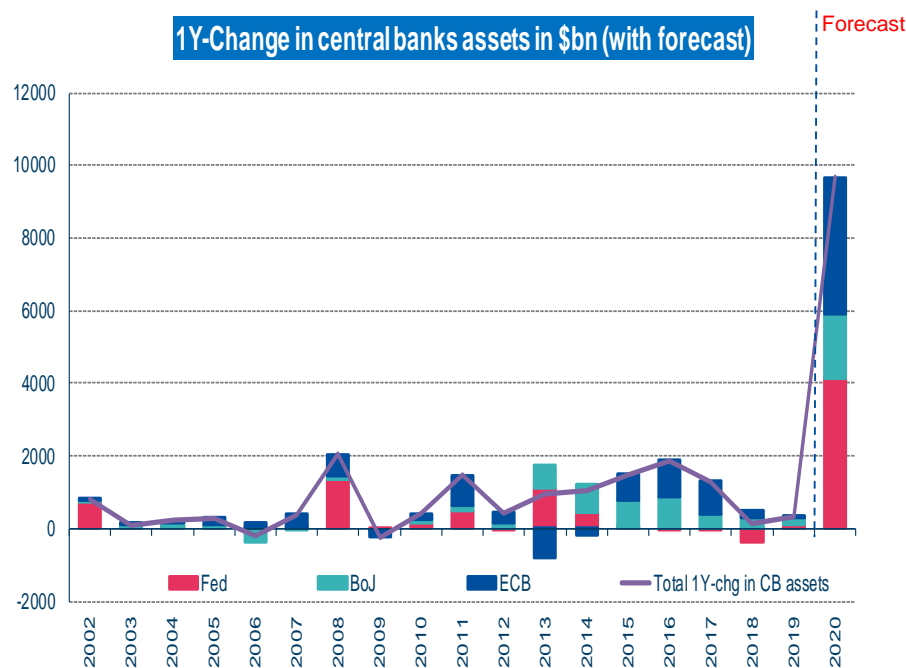
- The ECB left rates unchanged and made no changes to asset-buying program for the moment: During the last Governing Council, Christine Lagarde was very clear by committing to a new set of support measures for the month of December. Investors are now focusing on the nature and size of these measures.
- 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)



Source: Datastream, Amundi Research, as of 10/30/2020

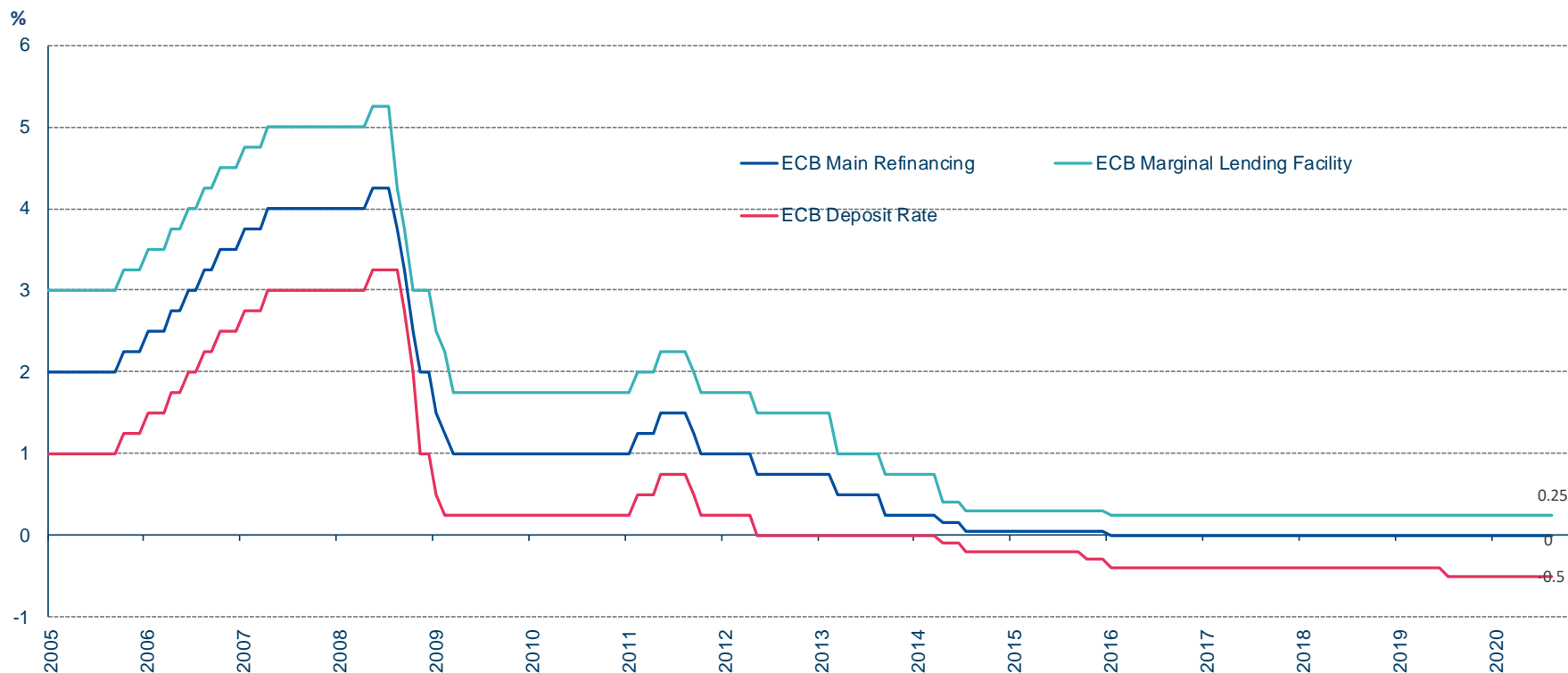
1Y-Change in central banks assets in \$bn (with forecast)



Source: Datastream, Amundi Research, as of 10/30/2020

# ECB Policy Rates

ECB	30/10/2020
ECB Main Refinancing	0
ECB Deposit Rate	-0.5
ECB Marginal Lending Facility	0.25
<b>Next ECB Meeting</b>	<b>10/12/2020</b>

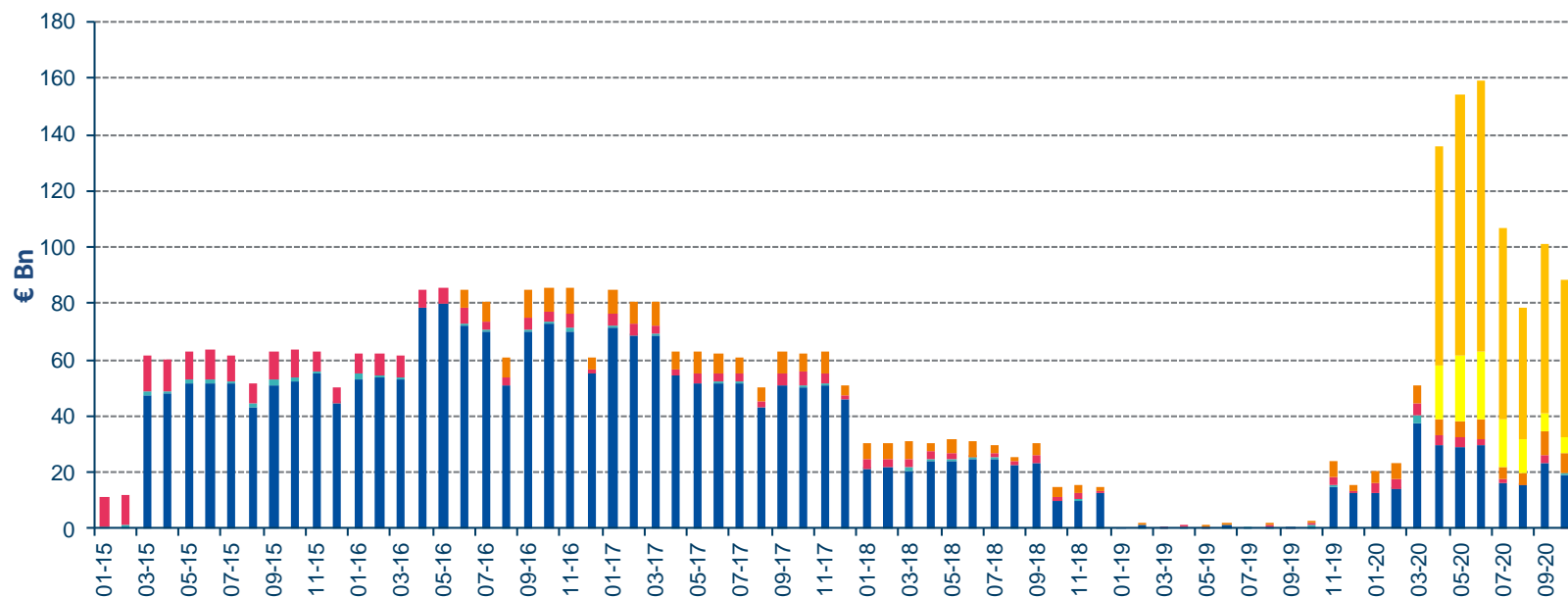


Source: Datastream, Amundi Research

# APP and PEPP: breakdown by program

- In October, ECB net asset purchases reached €25.5bn under APP and €62bn under PEPP.
- In September APP by programme: PSPP (€19.2bn; 75.3% of total), CSPP (€7 bn; 27.4%), CBPP3 (€-1bn; -3.9%) and ABSPP (€0.3bn; 1.1%).

ECB APP + PEPP: monthly net purchases (€bn)



Source: ECB, Amundi Research, As of 01/11/2020

\* PEPP Private = corporate+commercial paper+cover bd

PEPP Public

PEPP Private\*

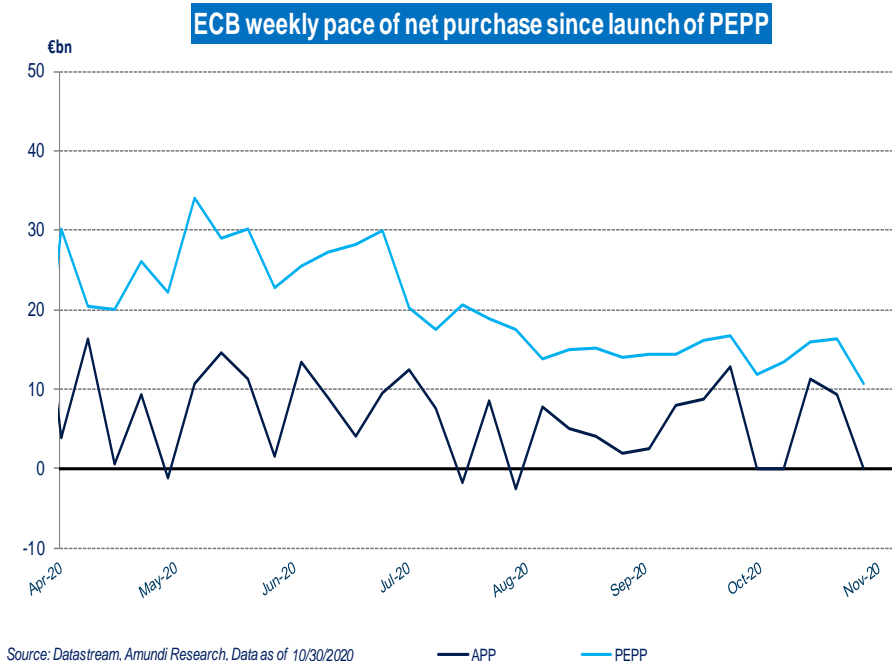
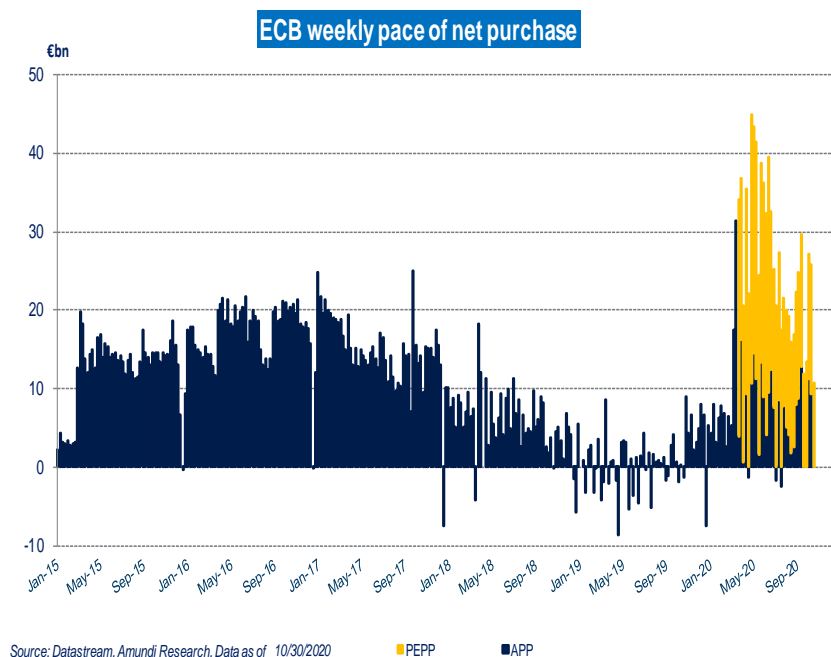
CSPP

CBPP3

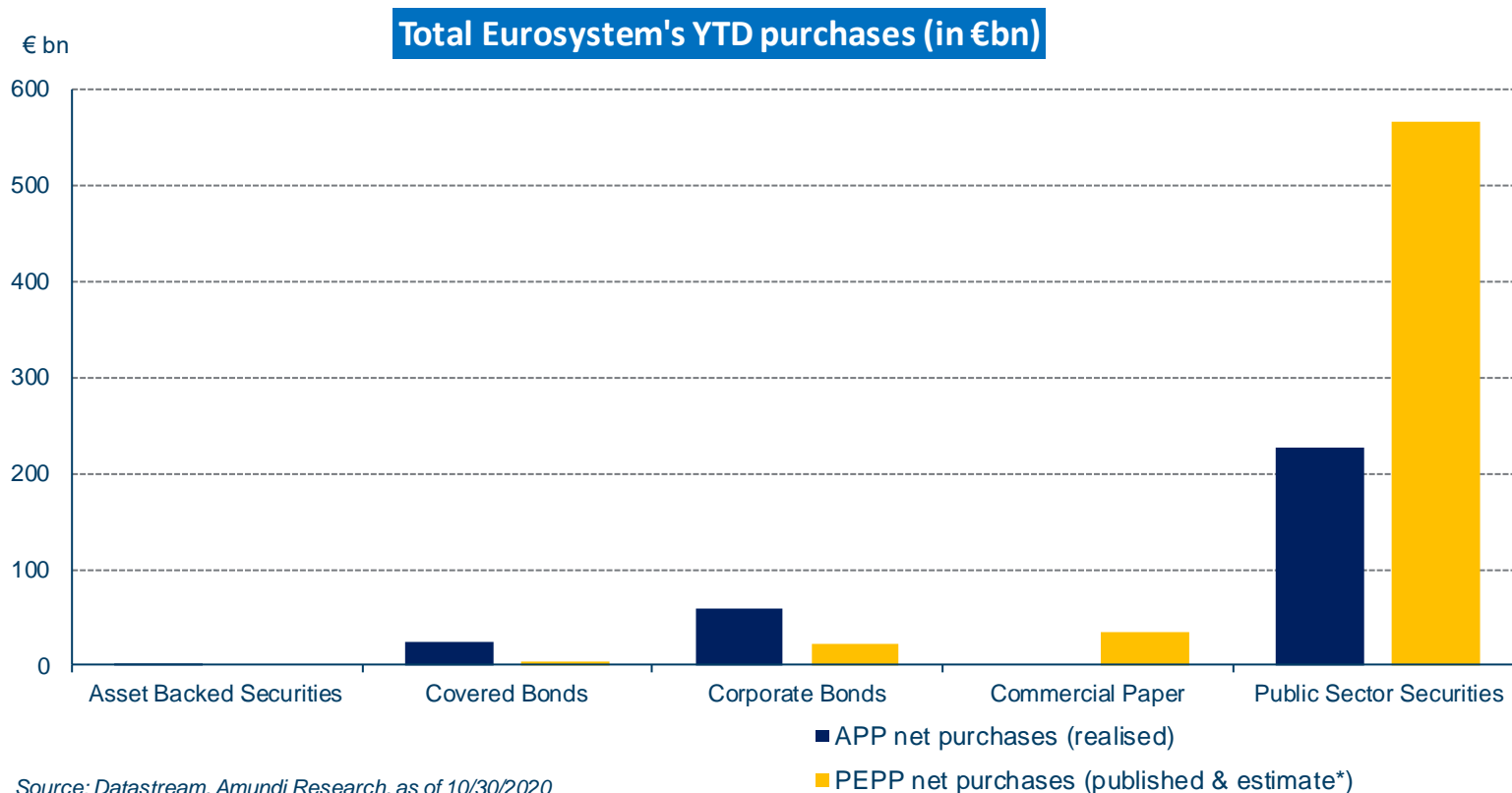
ABSPP

PSPP

# APP and PEPP: slowdown in the pace of net purchases



# Eurosystem's YTD purchases



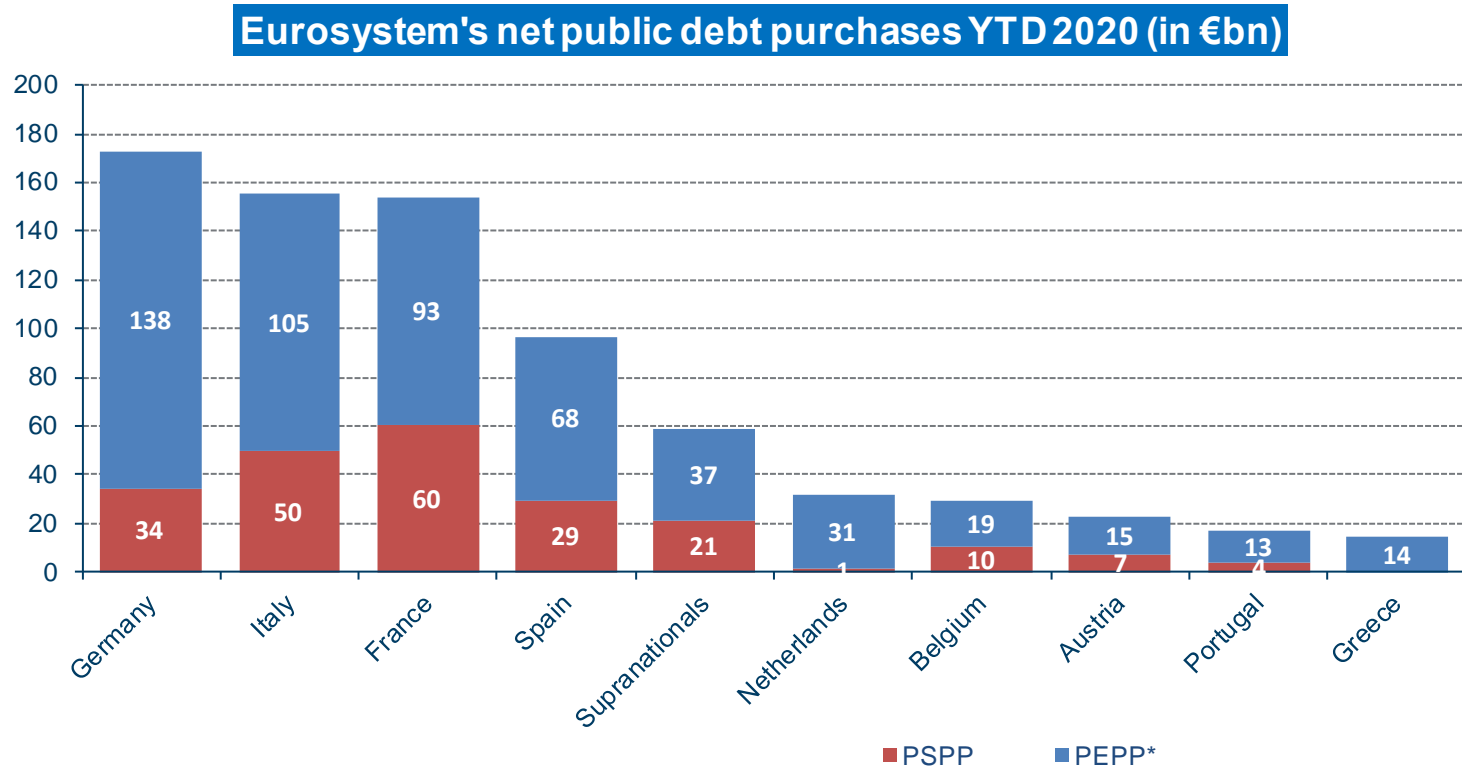
Source: Datastream, Amundi Research, as of 10/30/2020

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



**Publication of PEPP purchases on a bi-monthly basis (next update in December 2020)**

# Eurosystem's YTD purchases: public debt



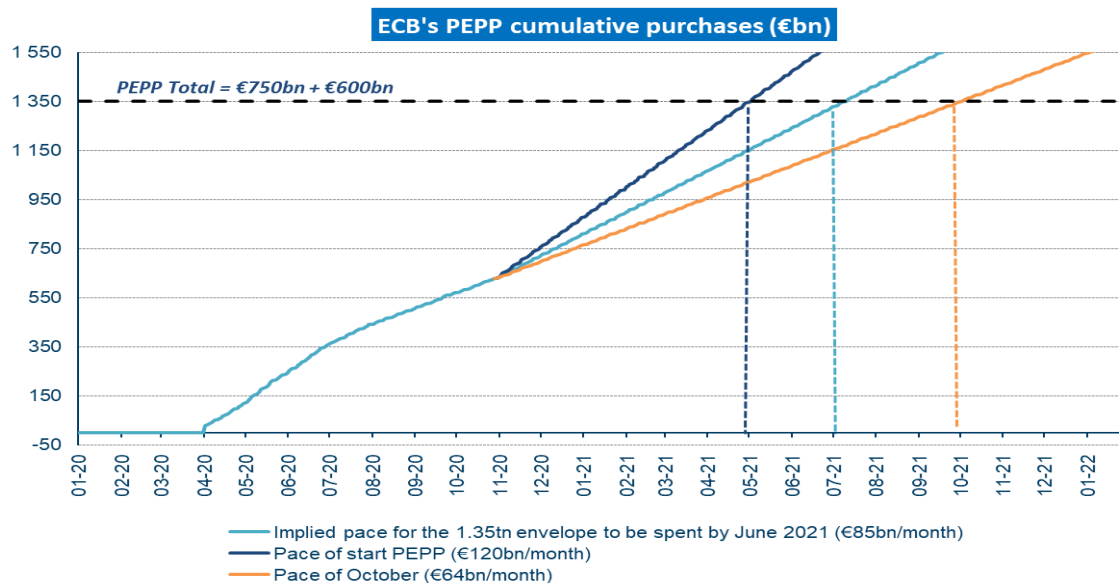
Source: Datastream, Amundi Research, Data as of 10/30/2020

\* estimate from the ECB PEPP net purchases by country from March to September 2020



# PEPP: extension of purchases at least until June 2021

- PEPP cumulative net purchases stood at €629bn at the end of October 2020, which represents 46% of the total envelop of €1.350bn.
- If the ECB buys at the pace of start PEPP (€120bn/month), the ECB will consume the PEPP in 7months.
- The ECB has lowered its purchasing rate to around €65bn/month. If it continues at this pace, the envelope of € 1.35tn will end in October 2021.
- Nevertheless, if it plans to consume the envelope of € 1.35tn before June 2021, it would have to increase its purchasing rate to around € 85bn / month



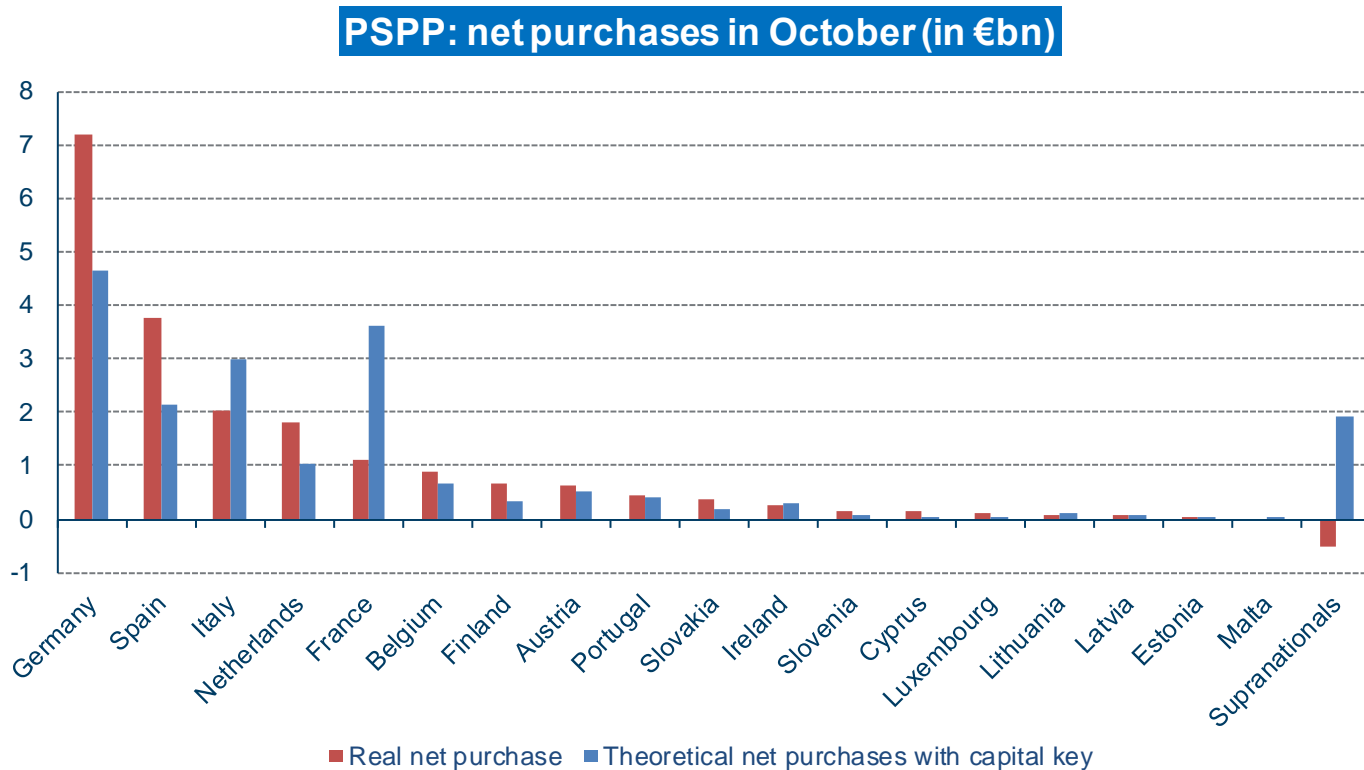
Source: ECB, Amundi Research, Data as of: 10/30/2020

# PSPP: monthly purchases breakdown by country

Country	Net Purchases October 2020		Theoretical net purchases with capital key		Deviation from capital Key (€bn)
	(€bn)	% PSPP	(€bn)	%	
Germany	7.2	37.6%	4.7	24.3%	2.6
France	1.1	5.7%	3.6	18.8%	-2.5
Italy	2.0	10.6%	3.0	15.6%	-1.0
Spain	3.8	19.6%	2.1	11.1%	1.6
Netherlands	1.8	9.4%	1.0	5.4%	0.8
Belgium	0.9	4.7%	0.7	3.4%	0.2
Austria	0.6	3.4%	0.5	2.7%	0.1
Portugal	0.4	2.3%	0.4	2.2%	0.0
Finland	0.7	3.4%	0.3	1.7%	0.3
Ireland	0.3	1.3%	0.3	1.6%	-0.1
Slovakia	0.4	1.9%	0.2	1.1%	0.2
Slovenia	0.2	0.8%	0.1	0.4%	0.1
Luxembourg	0.1	0.7%	0.1	0.3%	0.1
Latvia	0.1	0.3%	0.1	0.4%	0.0
Lithuania	0.1	0.3%	0.1	0.5%	0.0
Malta	0.0	0.0%	0.0	0.1%	0.0
Cyprus	0.1	0.7%	0.0	0.2%	0.1
Estonia	0.0	0.0%	0.0	0.3%	0.0
Supranationals	-0.5	-2.7%	1.9	10.0%	-2.4
Total	19.2	100%	19.2	100%	

- In October 2020, the largest upside deviation relative to the capital key was in Germany and Spain and the largest downside deviation was in France and Supranationals.

# Deviation of monthly PSPP purchases from capital key proportions



Source: Datastream, Amundi Research, Data as of 10/30/2020

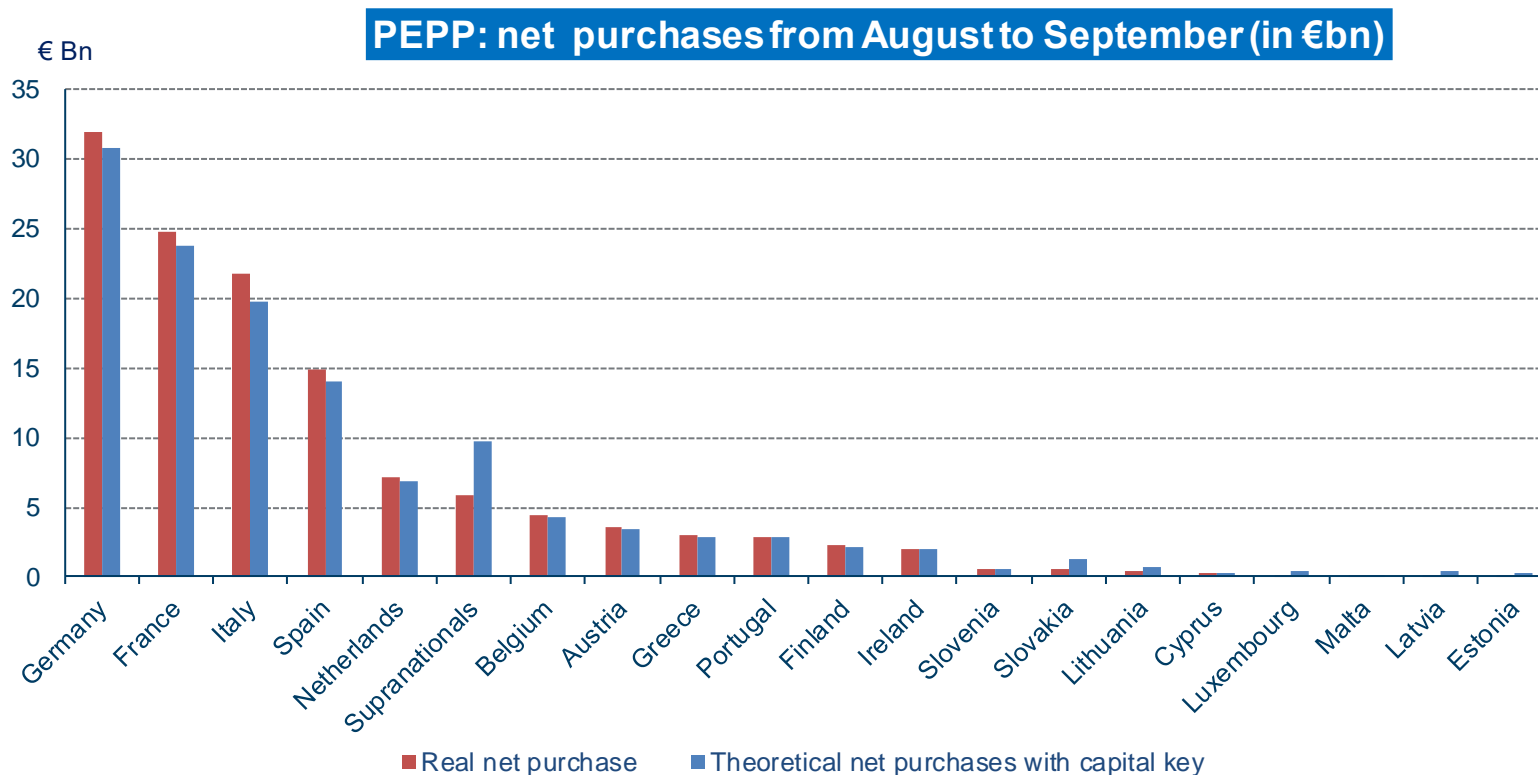
# PEPP: August-September purchases breakdown by country

Country	Net Purchases August to September 2020		Theoretical net purchases with capital key		Deviation from capital Key (€bn)
	(€bn)	% PEPP	(€bn)	%	
Germany	32.0	25.3%	30.8	24.3%	1.2
France	24.8	19.6%	23.8	18.8%	1.0
Italy	21.8	17.2%	19.8	15.6%	2.0
Spain	14.9	11.8%	14.1	11.1%	0.8
Netherlands	7.1	5.6%	6.8	5.4%	0.3
Belgium	4.4	3.5%	4.3	3.4%	0.1
Austria	3.6	2.8%	3.4	2.7%	0.1
Portugal	2.8	2.2%	2.8	2.2%	0.1
Finland	2.2	1.8%	2.2	1.7%	0.1
Ireland	2.1	1.6%	2.0	1.6%	0.0
Slovakia	0.5	0.4%	1.3	1.1%	-0.8
Slovenia	0.6	0.5%	0.6	0.4%	0.0
Luxembourg	0.2	0.1%	0.4	0.3%	-0.2
Latvia	0.1	0.0%	0.5	0.4%	-0.4
Lithuania	0.4	0.3%	0.7	0.5%	-0.3
Malta	0.1	0.1%	0.1	0.1%	0.0
Cyprus	0.3	0.2%	0.3	0.2%	0.0
Estonia	0.0	0.0%	0.3	0.3%	-0.3
Supranationals	5.8	4.6%	9.8	7.7%	-3.9
Greece	3.0	2.4%	2.9	2.3%	0.1
Total	126.8	100%	126.8	100%	

- The deviations from the capital key allocation remain limited if account is taken of purchases made under both the PEPP and APP.



# Deviation of monthly PEPP purchases from capital key proportions



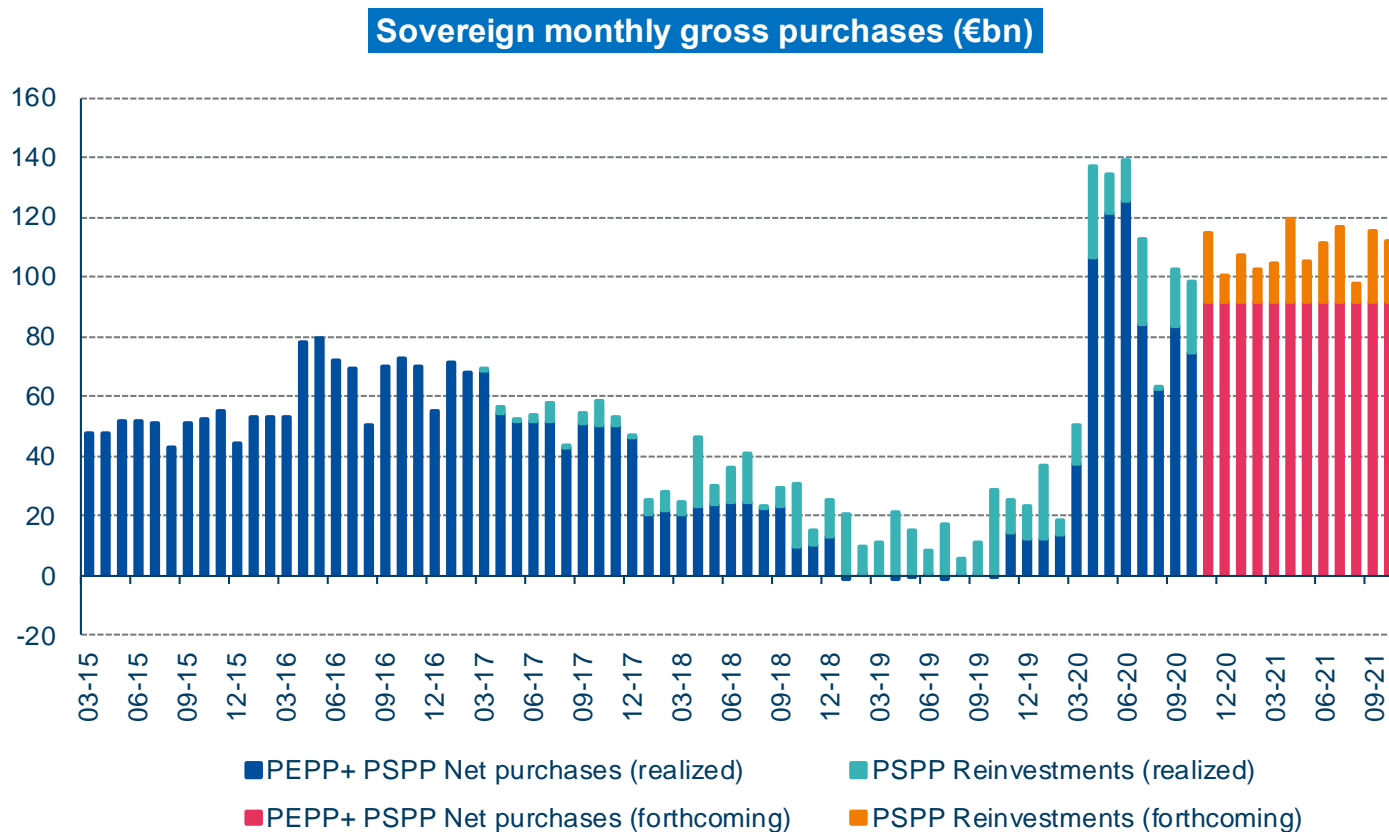
Source: Datastream, Amundi Research, Data as of 09/30/2020



**Publication of PEPP purchases on a bi-monthly basis (next update in December)**

# Sovereign monthly gross purchases

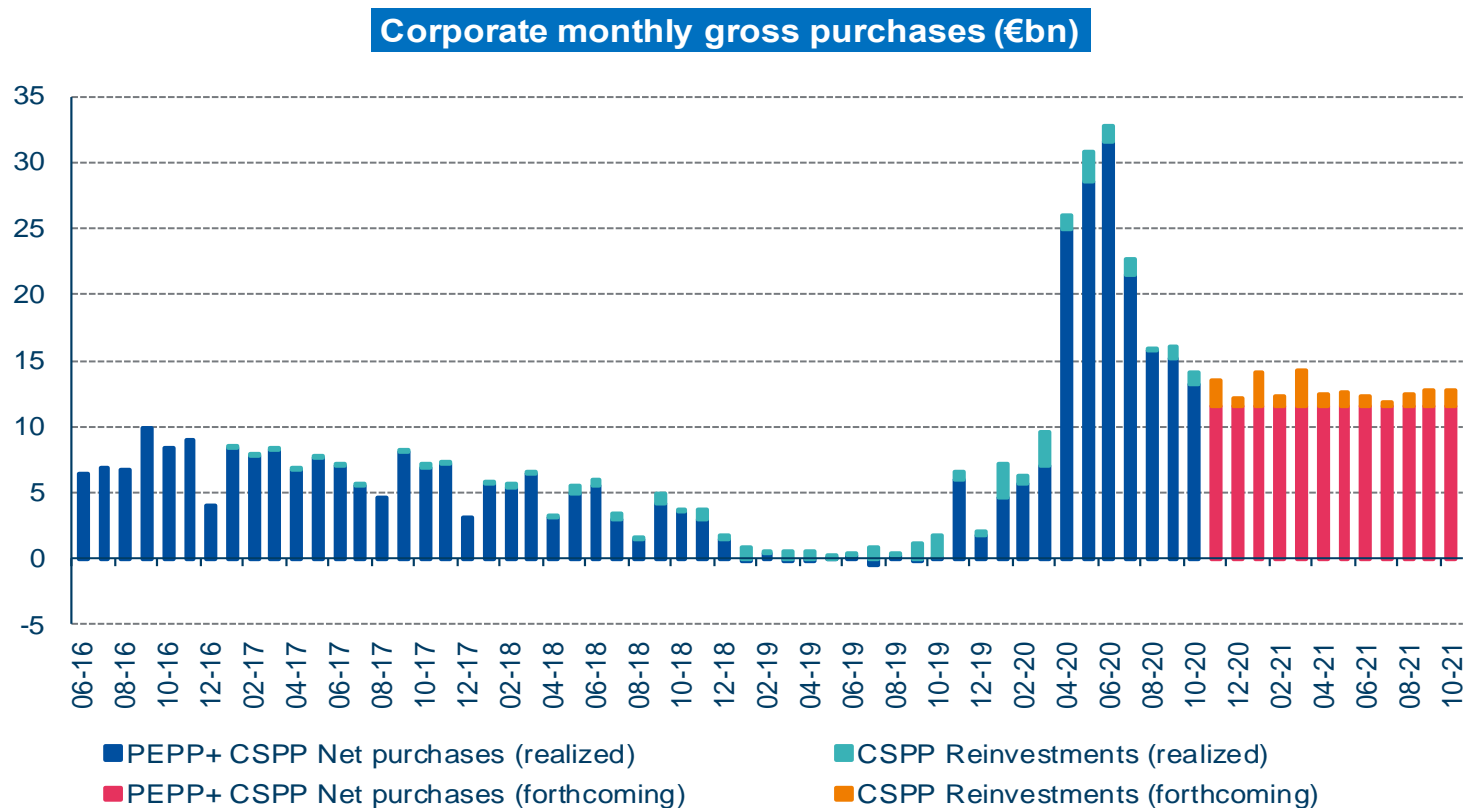
- PSPP reinvestment will average €16.9bn/month over the next 12 months, up from €16bn in the past 12 months.



Source: ECB, Amundi Research, Data as of: 10/30/2020

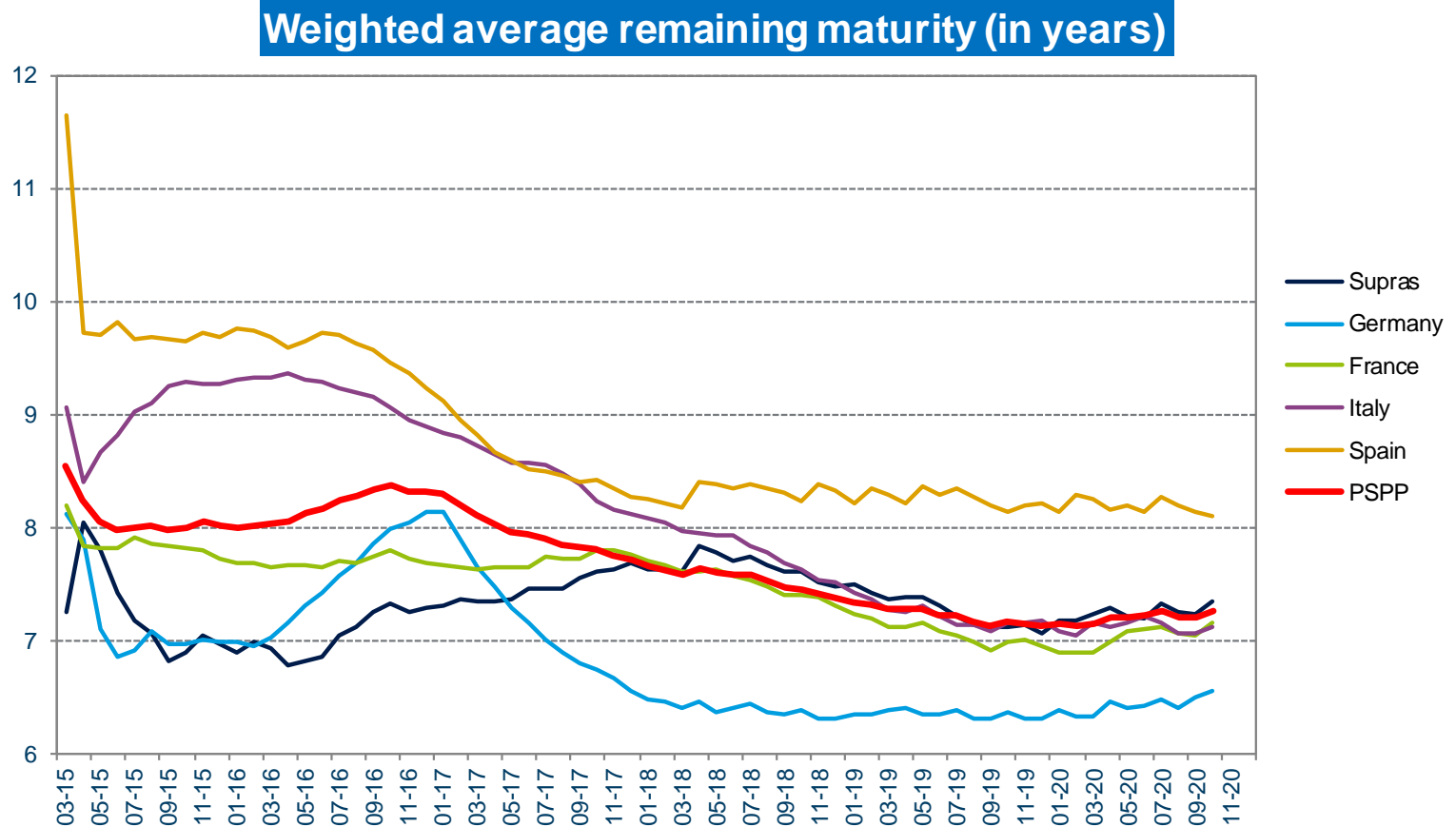
# Corporate monthly gross purchases

- CSPP reinvestment will average €1.3bn/month over the next 12 months



Source: ECB, Amundi Research, Data as of: 10/30/2020

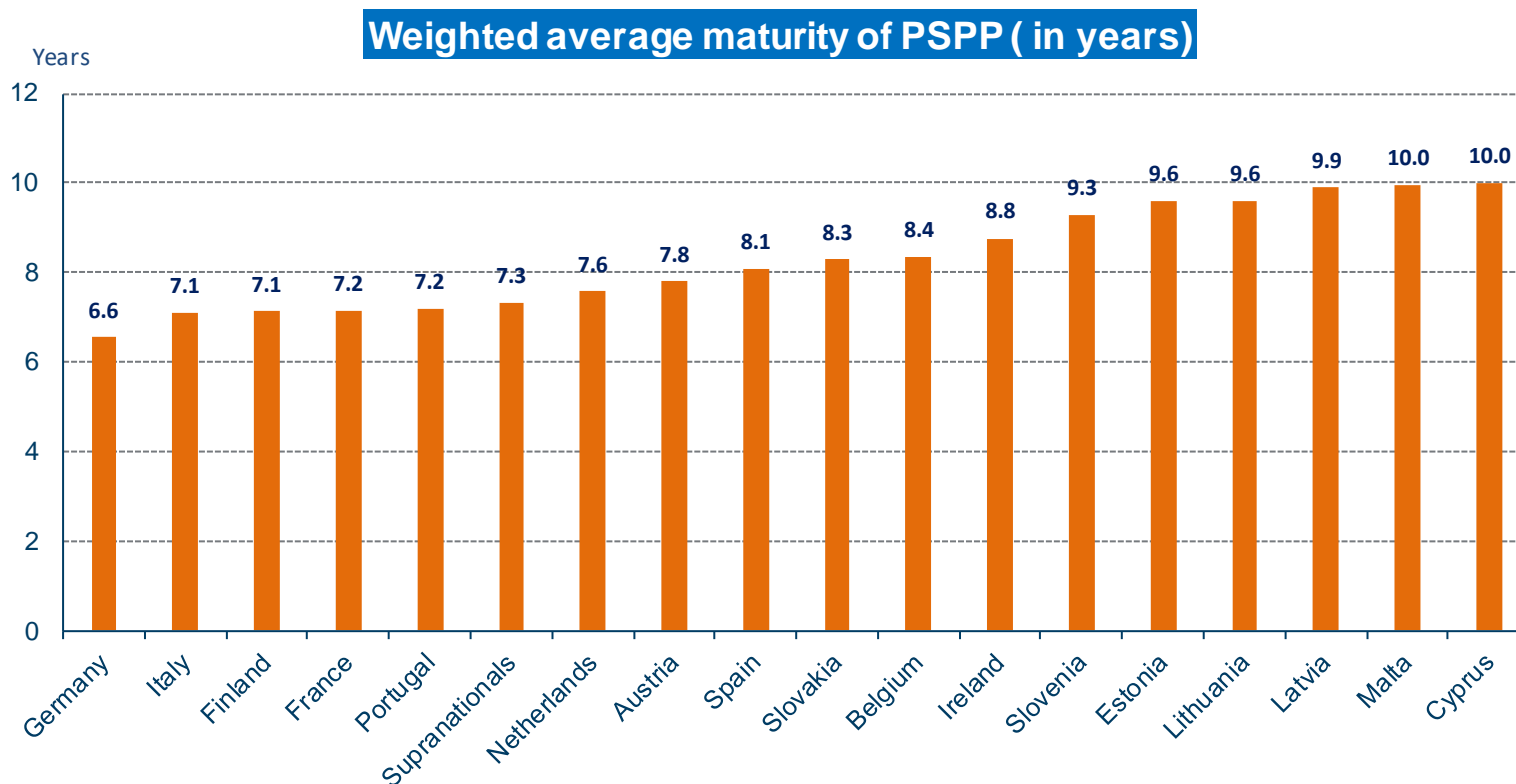
# Weighted average maturities by jurisdiction for the PSPP



Source: Datastream, Amundi Research, Data as of 10/30/2020

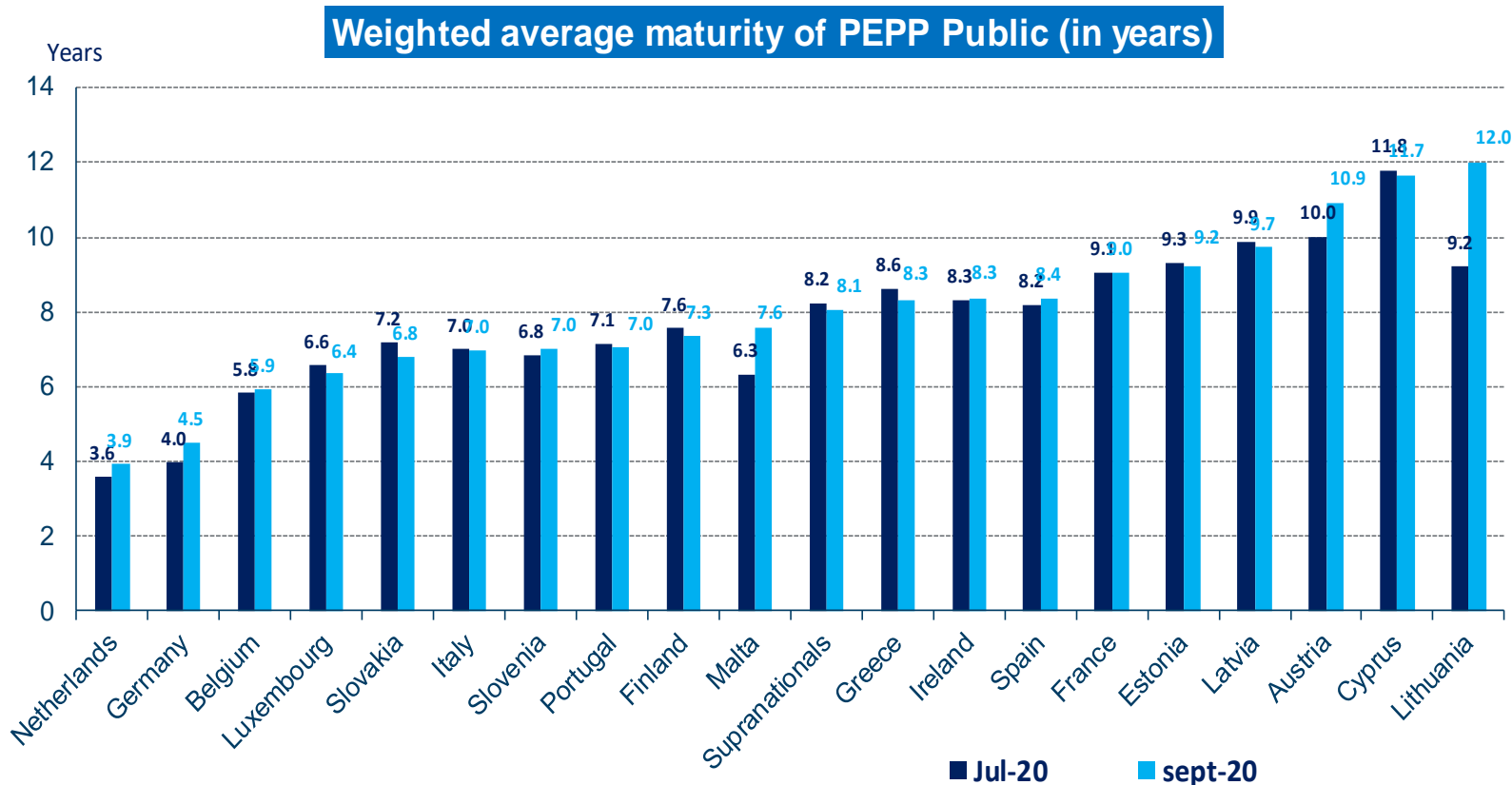


# Weighted average maturity of PSPP bonds (as at end-June 2020)



Source: Datastream, Amundi Research, Data as of 10/30/2020

# Weighted average maturity of PEPP public bonds (as at end-September 2020)



Source: Datastream, Amundi Research, Data as of 09/30/2020



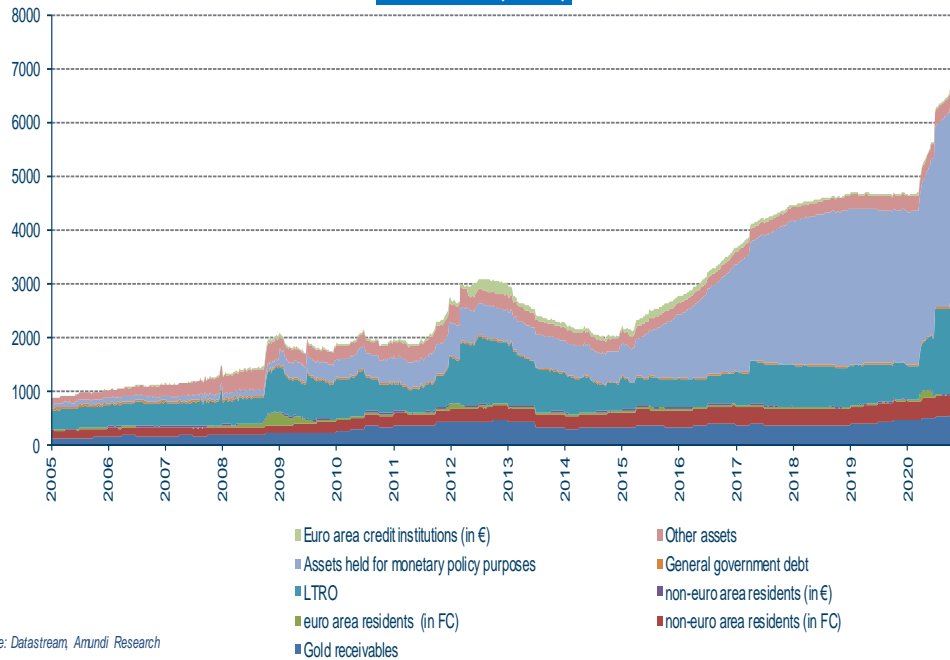
# Stock of the Eurosystem's asset purchase program

- As of 30 October 2020, the Eurosystem's asset holdings reached €2,868bn. Breakdown by program:
  - PSPP: €2,309bn (81% of total holdings)
  - CSPP: €243bn (8%)
  - CBPP3: €286bn (10%)
  - ABSPP: €29bn (1%)
- The share of corporate debt purchases continues to increase since the program's resumption.
- Since November 2019 (Restart ECB QE), the proportion of PSPP purchases relative to the APP is 71% which is significantly lower than the proportion of 80% that the ECB bought until December 2018.

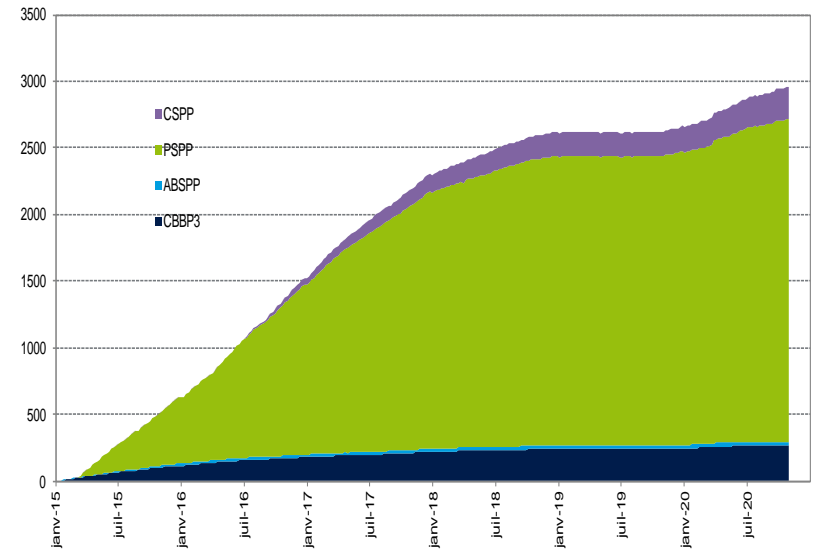
30/10/2020	Asset Purchase Programme (APP)	Public Sector Purchase Programme (PSPP)	Third Covered Bond Purchase Programme (CBPP3)	Asset-Backed Securities Purchase Programme (ABSPP)	Corporate Sector Purchase Programme (CSPP)
<b>Holdings (€bn)</b>	<b>2 868</b>	<b>2 309</b>	<b>286</b>	<b>29</b>	<b>243</b>
<i>Holdings (% APP)</i>	100%	81%	10%	1%	8%
Gross Purchases Mthly (€bn)	49.4	38.1	2.5	1.0	7.8
Redemptions Mthly (€bn)	23.9	18.9	3.4	0.7	0.9
Net Purchases Mthly (€bn)	25.5	19.2	-1.0	0.3	7.0
<b>Net purchases since QE2 (€bn)</b>	<b>321</b>	<b>227</b>	<b>25</b>	<b>2</b>	<b>66</b>
<i>Net purchases since QE2 (% APP)</i>	100%	71%	8%	1%	21%
<b>Net purchases cum. on QE1</b>	<b>2618</b>	<b>2171</b>	<b>241</b>	<b>26</b>	<b>181</b>
<i>Net purchases cum. on QE1 (%APP)</i>	100%	83%	9%	1%	7%

# ECB Balance Sheet (1/2)

ECB: Assets (in \$bn)

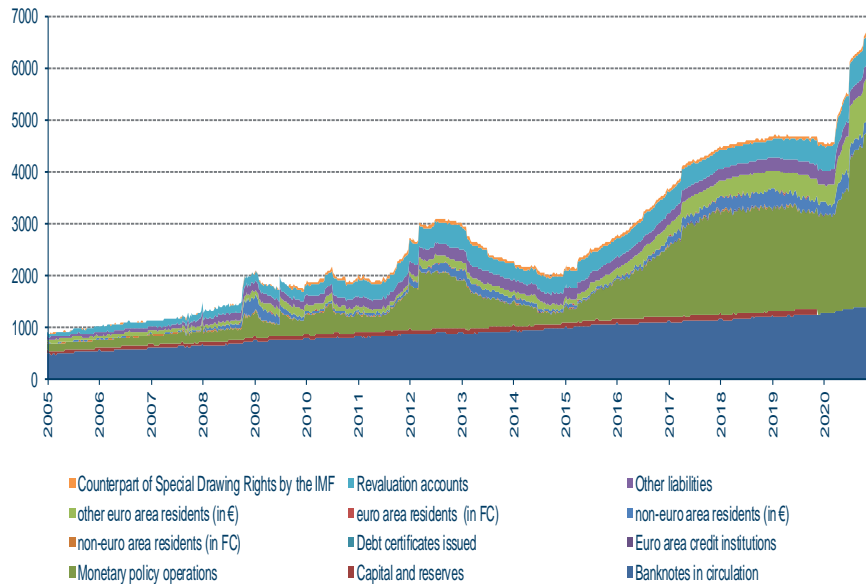


Amounts purchased by the Eurosystem under the expanded asset purchase programme (€ bn)



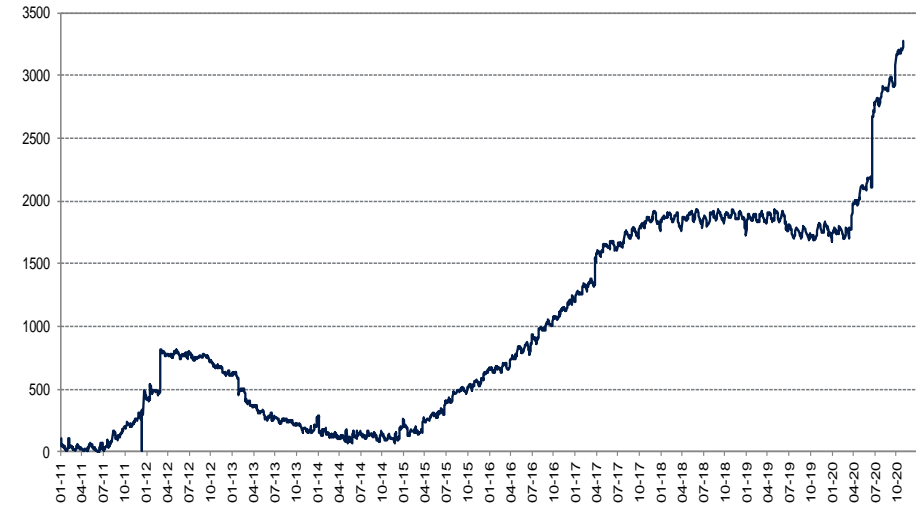
# ECB Balance Sheet (2/2)

ECB: Liabilities (in \$bn)



Source: Datastream, Amundi Research

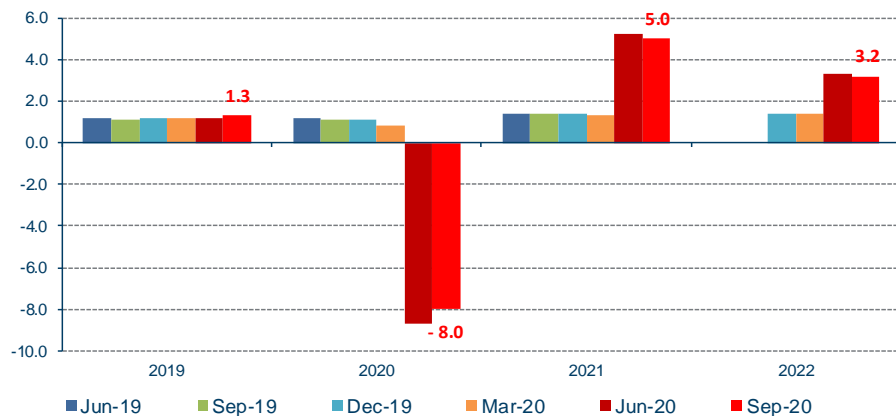
Eurosystem : excess reserves (€bn)



Source: Datastream, Amundi Research, 10/30/2020

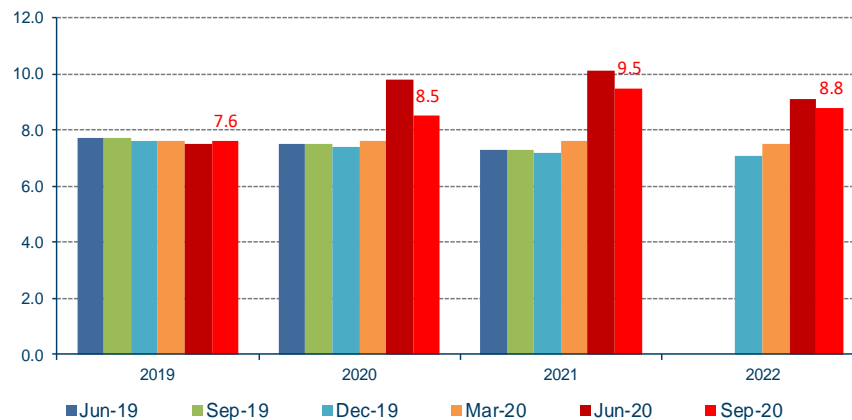
# ECB Projections

ECB forecast: real GDP (yoy%)



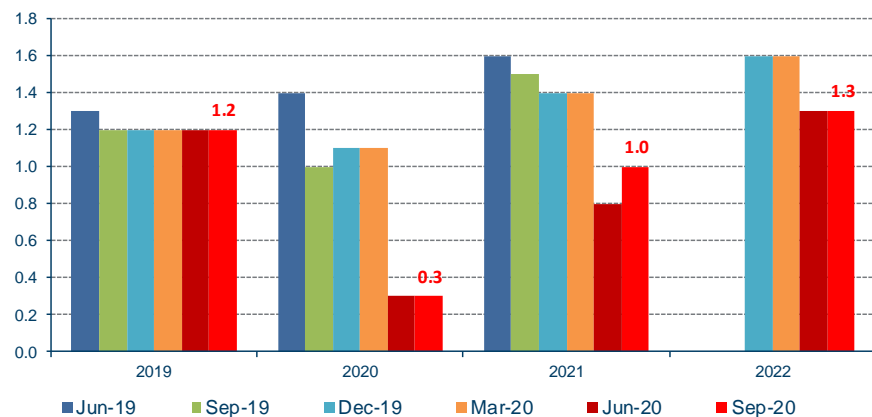
Source: Bloomberg, Amundi Research, Data as of 09/10/2020

ECB forecast: Unemployment (yoy%)



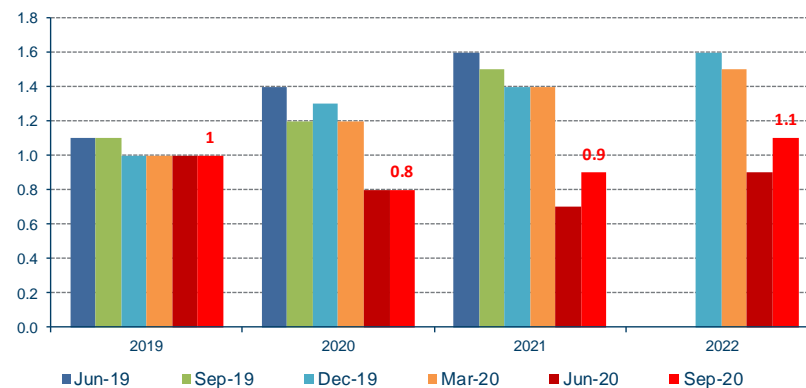
Source: Bloomberg, Amundi Research, Data as of 09/10/2020

ECB forecast: Inflation (yoy%)



Source: Bloomberg, Amundi Research, Data as of 09/10/2020

ECB forecast: Core Inflation (yoy%)



Source: Bloomberg, Amundi Research, Data as of 09/10/2020

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# Appendix

- **The Eurosystem started its QE in March 2015. The seven main episodes were:**
  - March 9 2015 (decision to purchase €60bn of assets per month until Sept. 2016),
  - December 3 2015 (decision to extend the QE until March 2017),
  - March 10 2016 (decision to increase monthly purchases from €60bn to €80bn from April 2016),
  - December 8 2016 (decision to extend the QE until December 2017 at a reduced monthly pace of €60bn),
  - October 26 2017 (decision to extend the QE until September 2018 at a reduced monthly pace of €30bn)
  - June 14 2018 (decision to announce the end of QE in December 2018)
  - October 30 2019 (with the arrival of Christine Lagarde replacing Mario Draghi, decision announced to restart its QE: purchase €20bn of assets per month without end date)
  
- **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.

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## 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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