

Confidence
must be earned

Amundi
ASSET MANAGEMENT

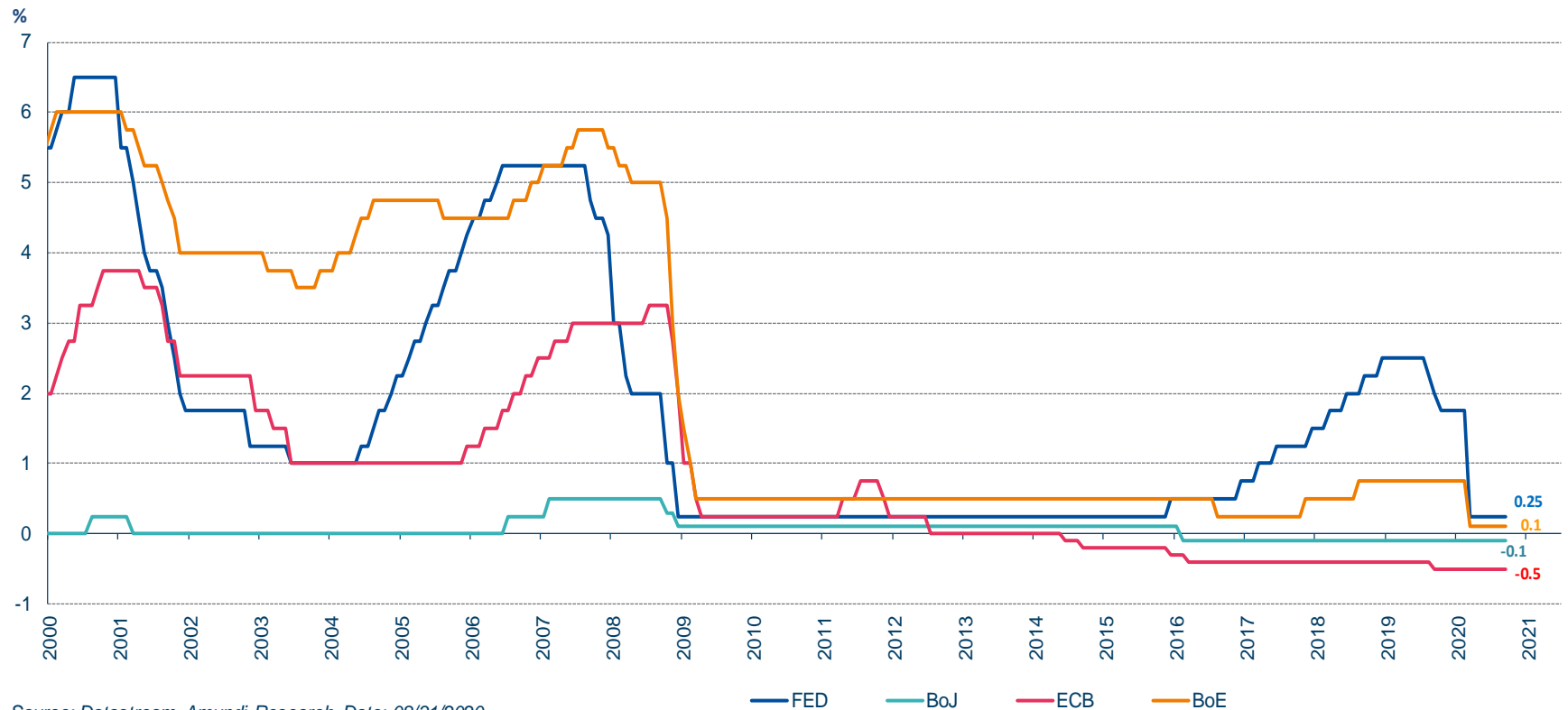
October 2020

ECB QE Monitor

Mickael Bellaïche, Fixed Income Strategist

Central Banks: interest rates near zero

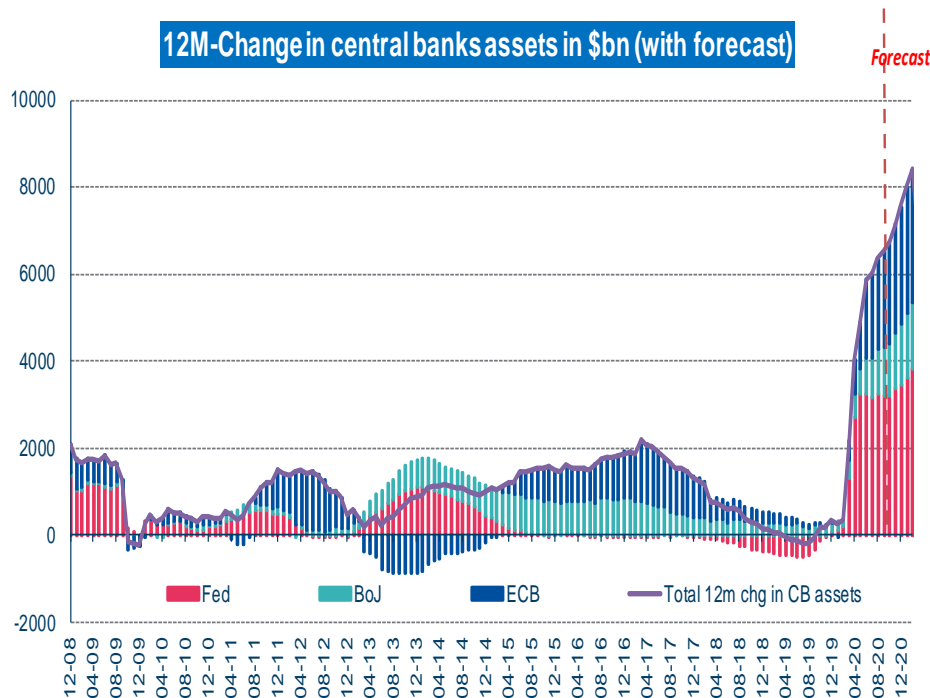
- The Fed kept its interest rates unchanged.
- The ECB kept its interest rates unchanged.
- No movement on BoJ interest rates since 2016.



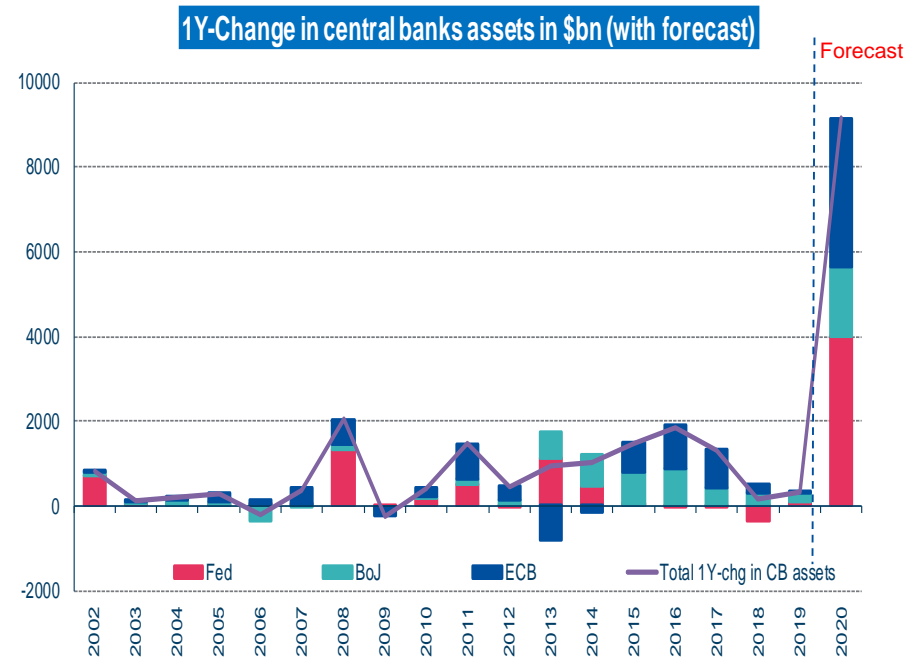
Source: Datastream, Amundi Research, Date: 08/31/2020

Central Banks: always present to support

- The ECB left rates unchanged and made no changes to asset-buying program
- 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.



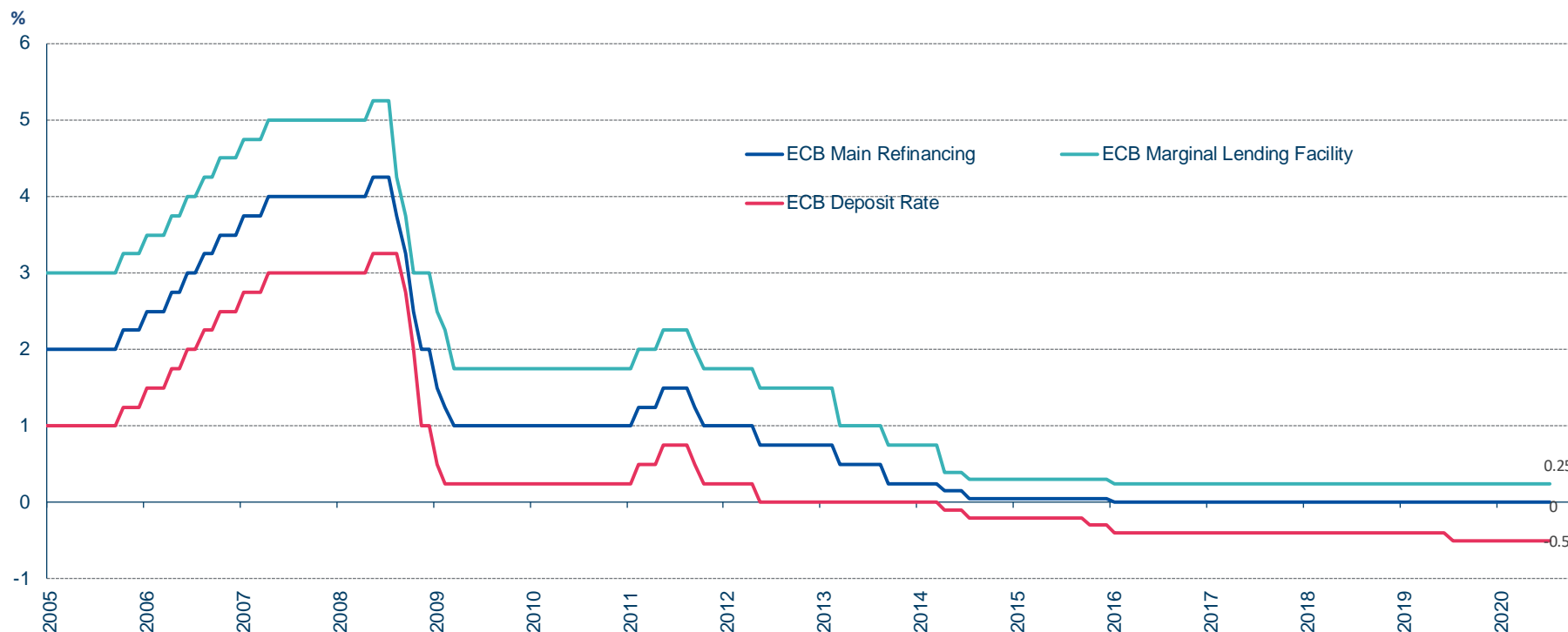
Source: Datastream, Amundi Research, as of 09/30/2020



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

ECB Policy Rates

ECB	30/09/2020
ECB Main Refinancing	0
ECB Deposit Rate	-0.5
ECB Marginal Lending Facility	0.25
Next ECB Meeting	29/10/2020

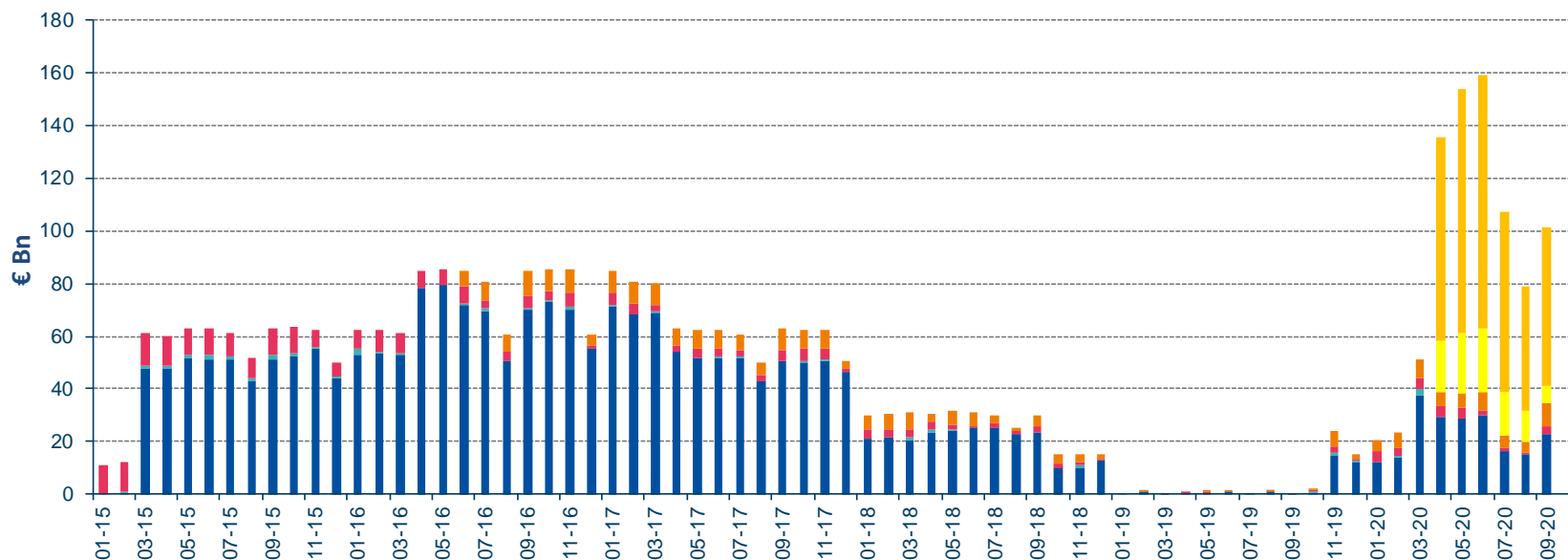


Source: Datastream, Amundi Research

APP and PEPP: breakdown by program

- In September, ECB net asset purchases reached €34bn under APP and €67bn under PEPP.
- In September APP by programme: PSPP (€23.1bn; 67.9% of total), CSPP (€8.5bn; 25%), CBPP3 (€2.8bn; 8.3%) and ABSPP (€-0.4bn; -1.2%).

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



Source: ECB, Amundi Research, As of 01/10/2020

* PEPP Private = corporate+commercial paper+cover bd

■ PEPP Public

■ PEPP Private*

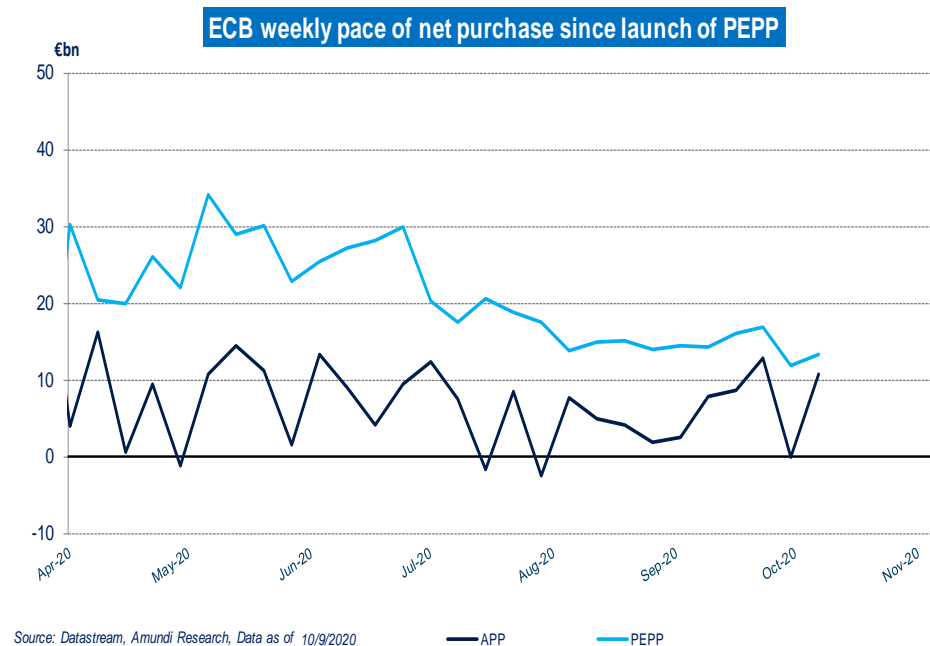
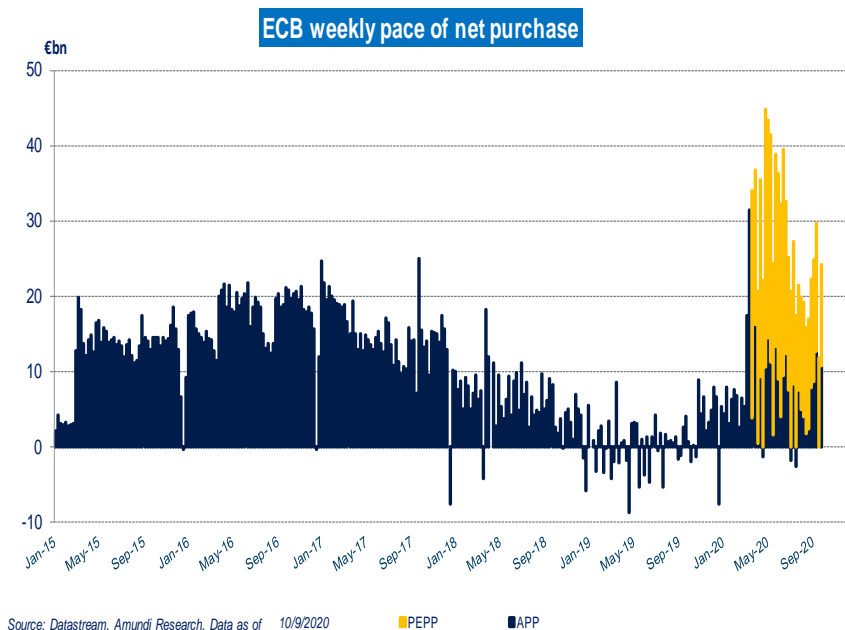
■ CSPP

■ CBPP3

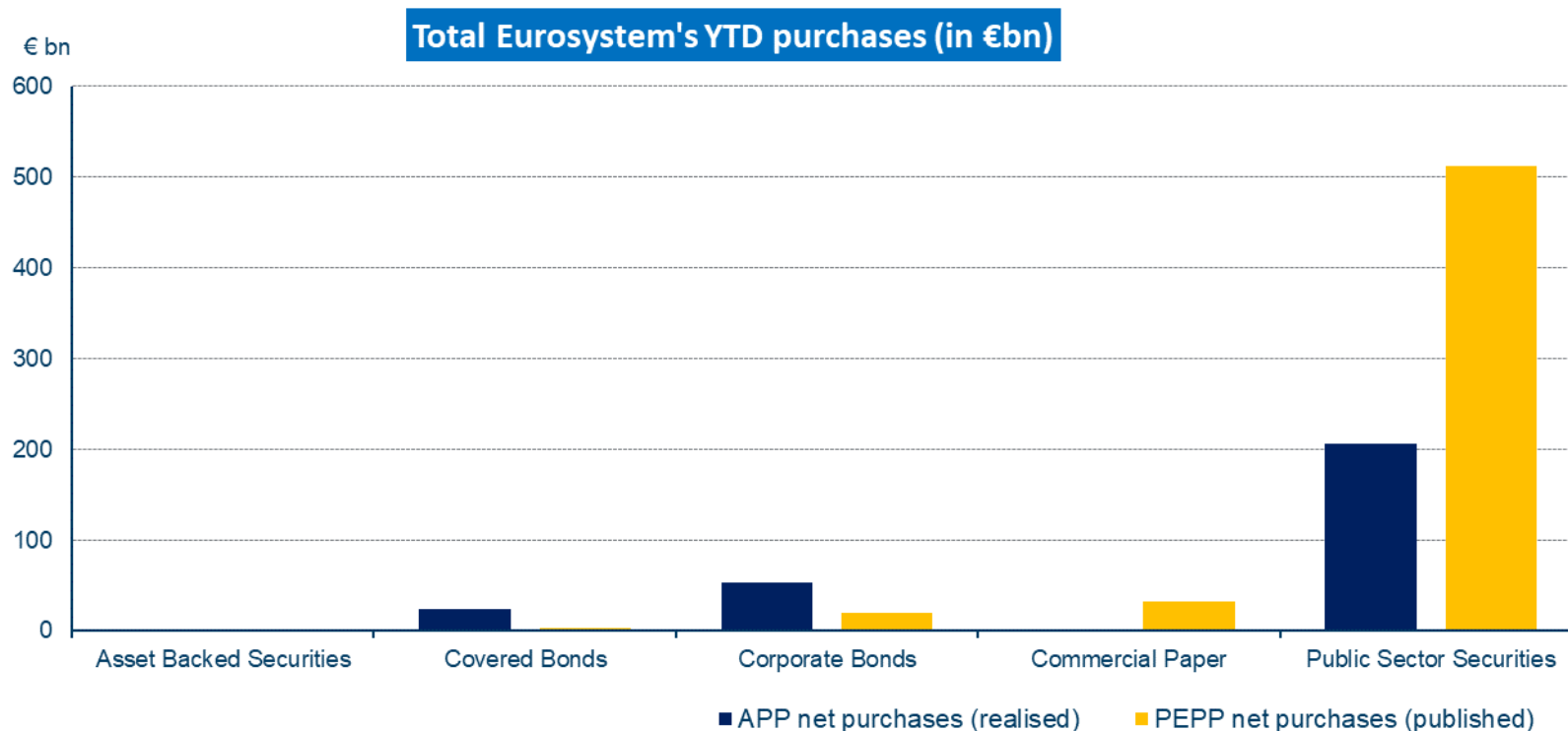
■ ABSPP

■ PSPP

APP and PEPP: slowdown in the pace of purchases

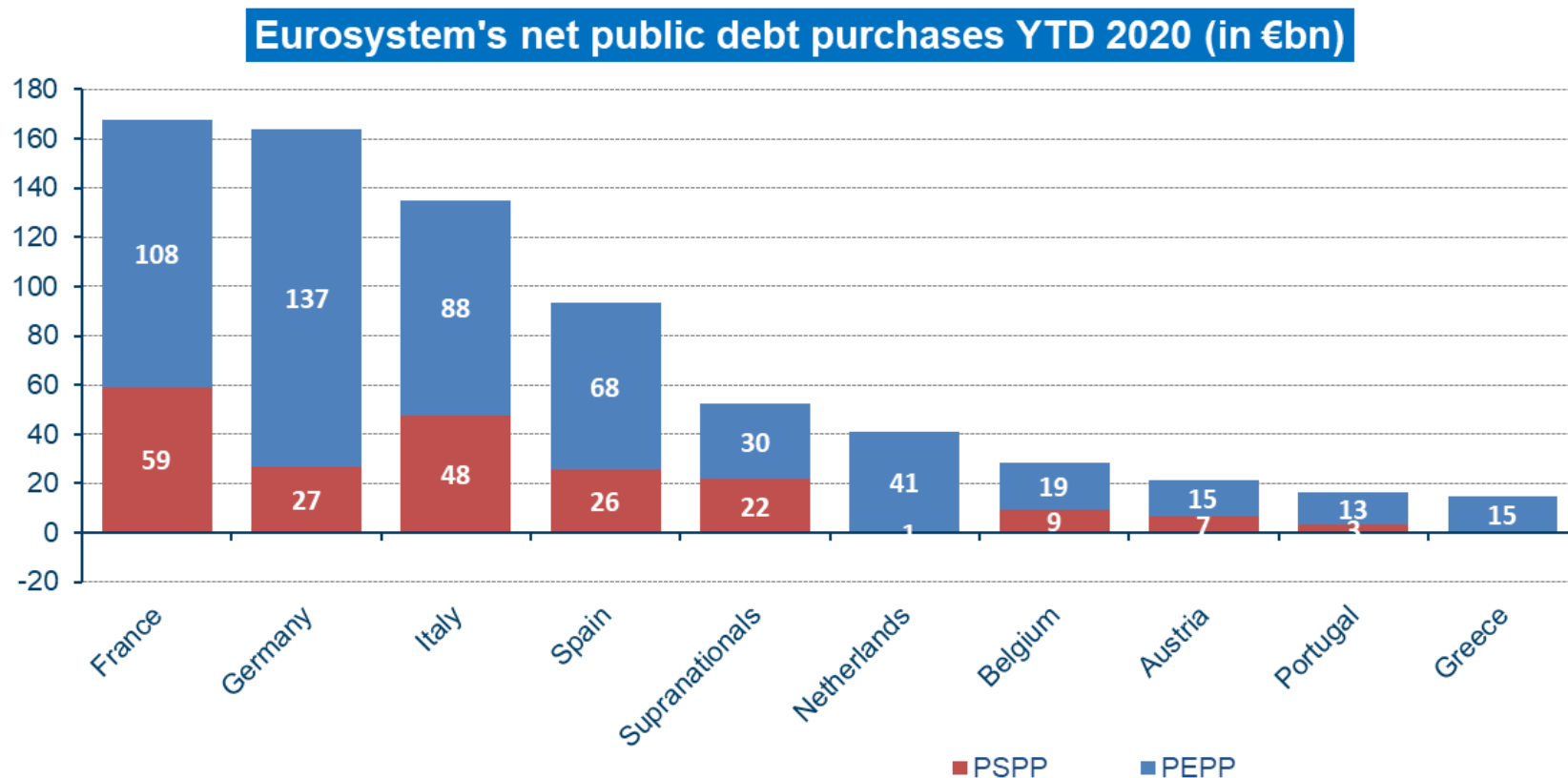


Eurosystem's YTD purchases



Source: Datastream, Amundi Research, as of 10/09/2020

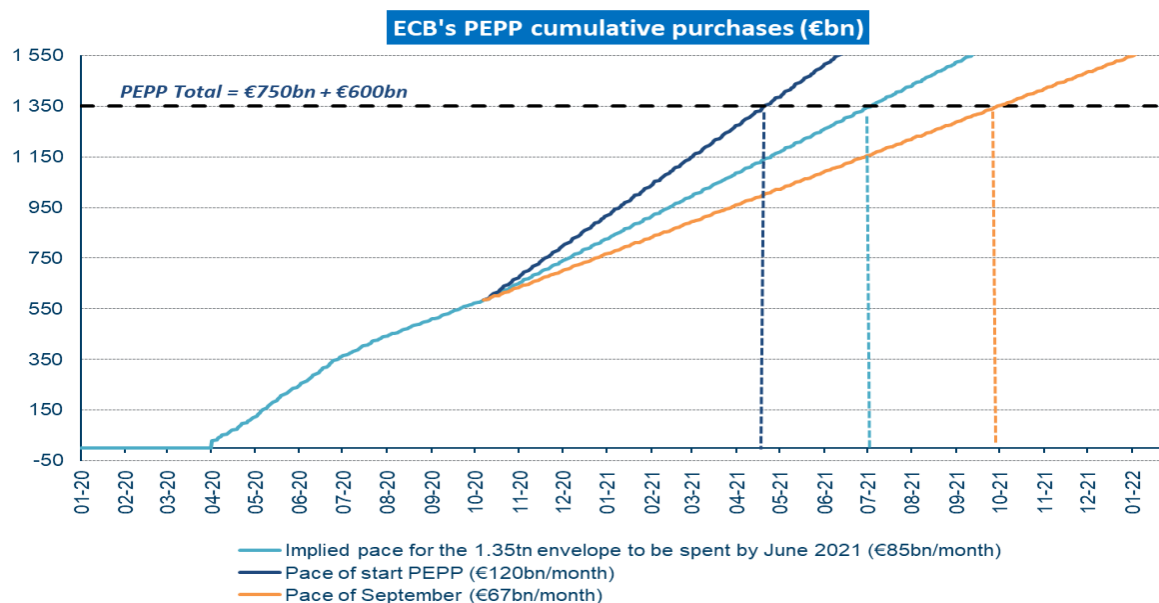
Eurosystem's YTD purchases: public debt



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

PEPP: extension of purchases at least until June 2021

- PEPP cumulative net purchases stood at €566bn at the end of September.
- If the ECB buys at the pace of start PEPP (€120bn/month), the ECB will consume the PEPP in 7.5 months.
- 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



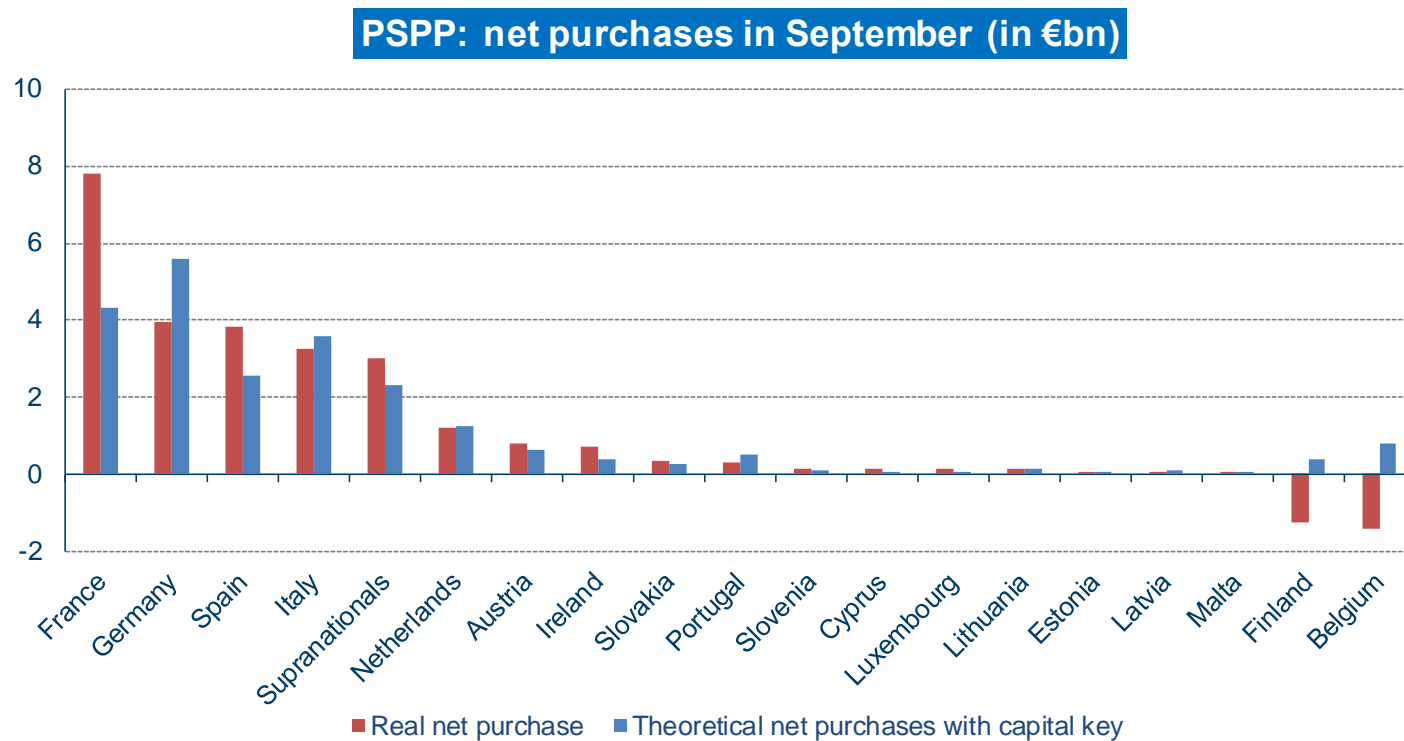
Source: ECB, Amundi Research, Data as of: 10/14/2020

PSPP: monthly purchases breakdown by country

Country	Net Purchases September 2020		Theoretical net purchases with capital key		Deviation from capital Key (€bn)
	(€bn)	% PSPP	(€bn)	%	
Germany	3.9	17.0%	5.6	24.3%	-1.7
France	7.8	33.8%	4.3	18.8%	3.5
Italy	3.2	14.0%	3.6	15.6%	-0.4
Spain	3.8	16.5%	2.6	11.1%	1.2
Netherlands	1.2	5.2%	1.2	5.4%	0.0
Belgium	-1.4	-6.1%	0.8	3.4%	-2.2
Austria	0.8	3.4%	0.6	2.7%	0.2
Portugal	0.3	1.4%	0.5	2.2%	-0.2
Finland	-1.2	-5.4%	0.4	1.7%	-1.6
Ireland	0.7	3.1%	0.4	1.6%	0.3
Slovakia	0.3	1.5%	0.2	1.1%	0.1
Slovenia	0.1	0.6%	0.1	0.4%	0.0
Luxembourg	0.1	0.5%	0.1	0.3%	0.1
Latvia	0.0	0.1%	0.1	0.4%	-0.1
Lithuania	0.1	0.5%	0.1	0.5%	0.0
Malta	0.0	0.1%	0.0	0.1%	0.0
Cyprus	0.1	0.6%	0.0	0.2%	0.1
Estonia	0.0	0.2%	0.1	0.3%	0.0
Supranationals	3.0	13.0%	2.3	10.0%	0.7
Total	23.1	100%	23.1	100%	

- In September, the largest upside deviation relative to the capital key was in France and Spain and the largest downside deviation was in Belgium and Germany.

Deviation of monthly PSPP purchases from capital key proportions



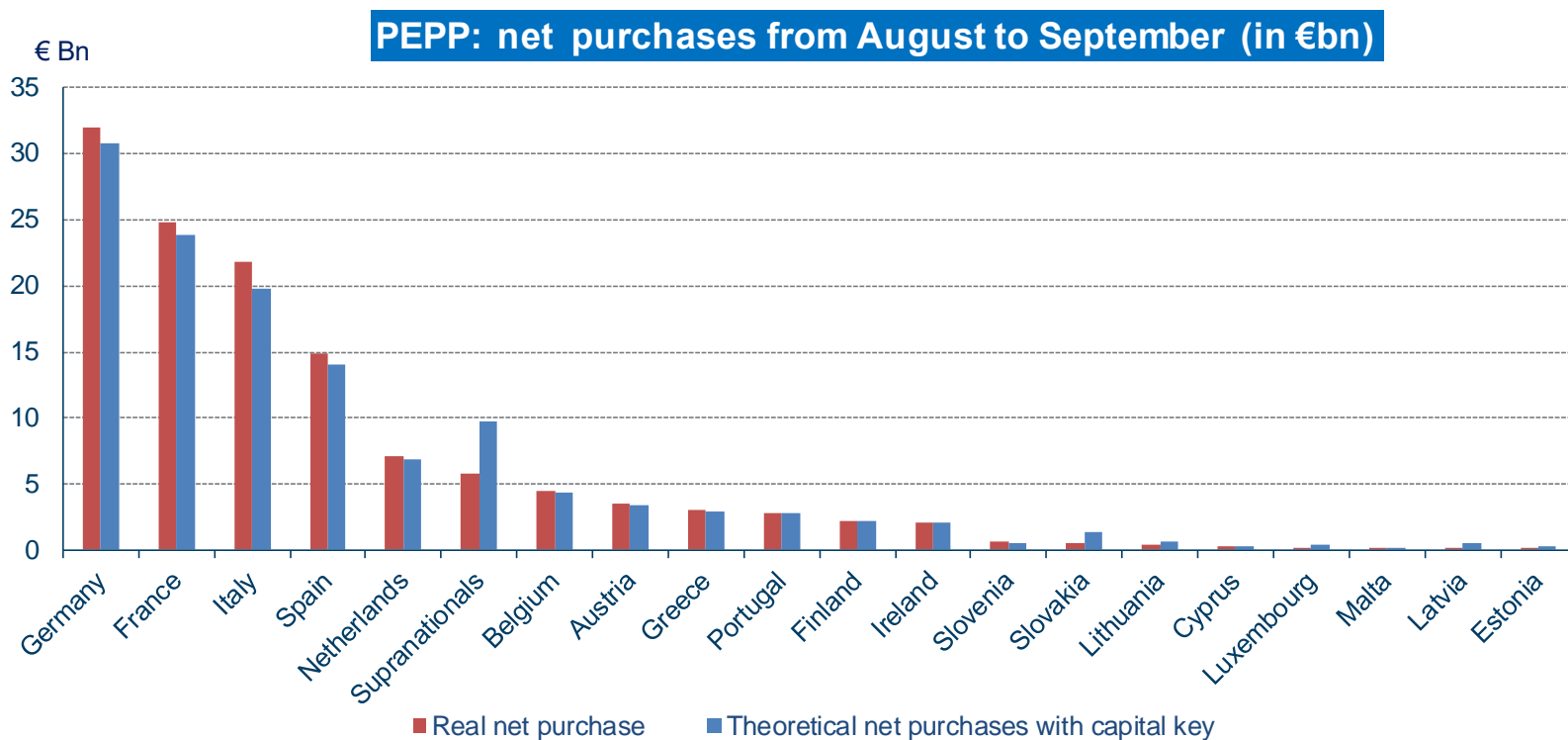
Source: Datastream, Amundi Research, Data as of 09/30/2020

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.

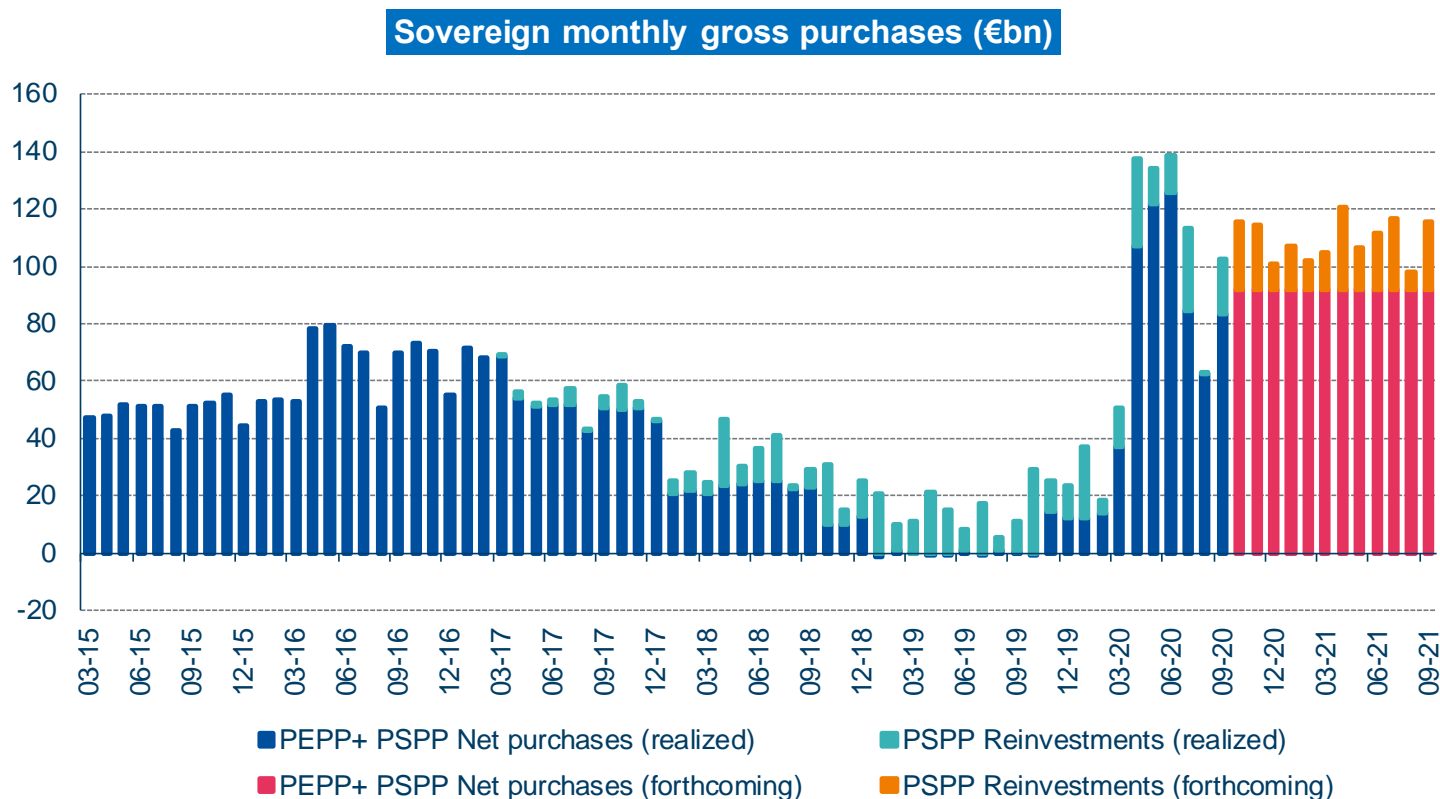
Deviation of monthly PEPP purchases from capital key proportions



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

Sovereign monthly gross purchases

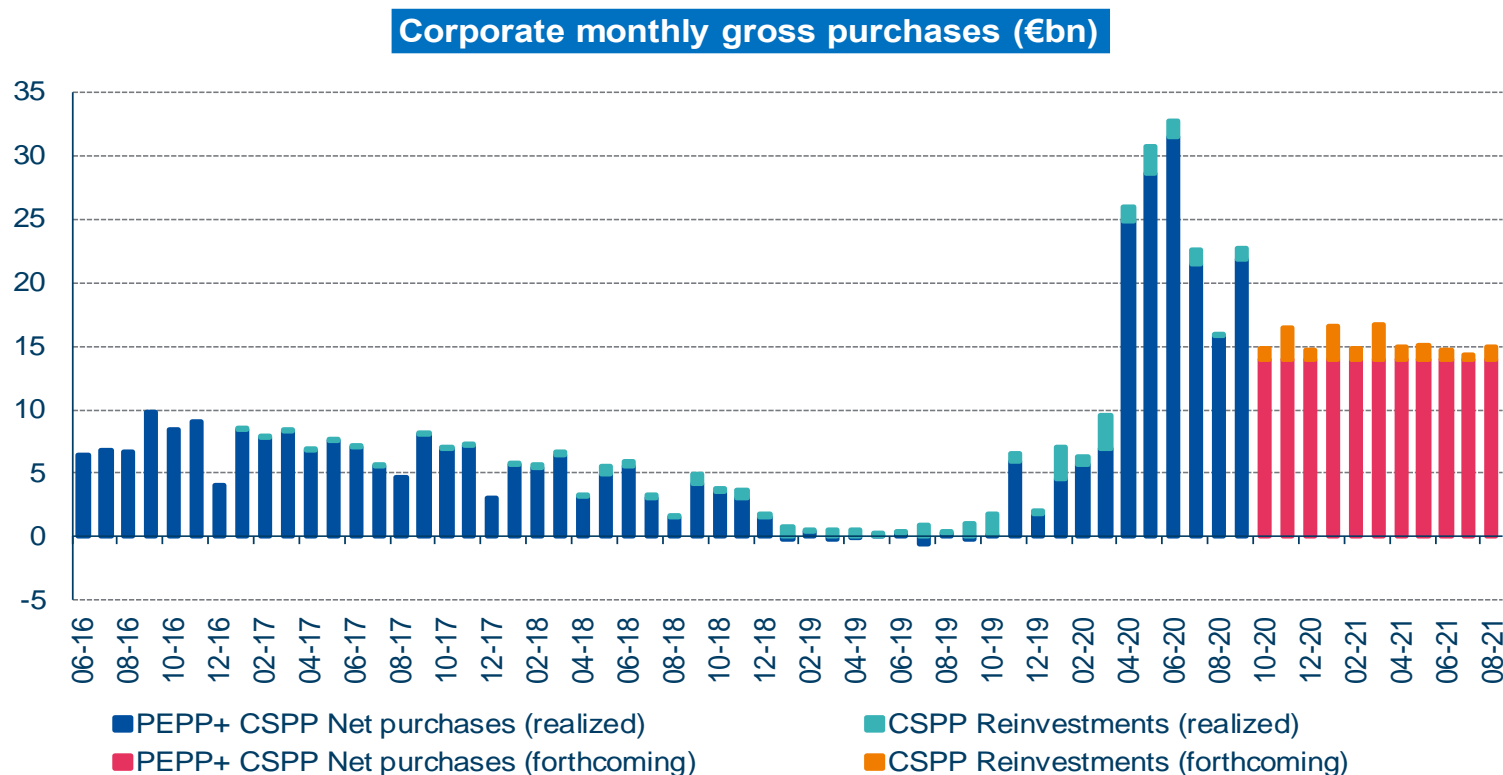
- PSPP reinvestment will average €17.5bn/month over the next 12 months, up from €16.4bn in the past 12 months.



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

Corporate monthly gross purchases

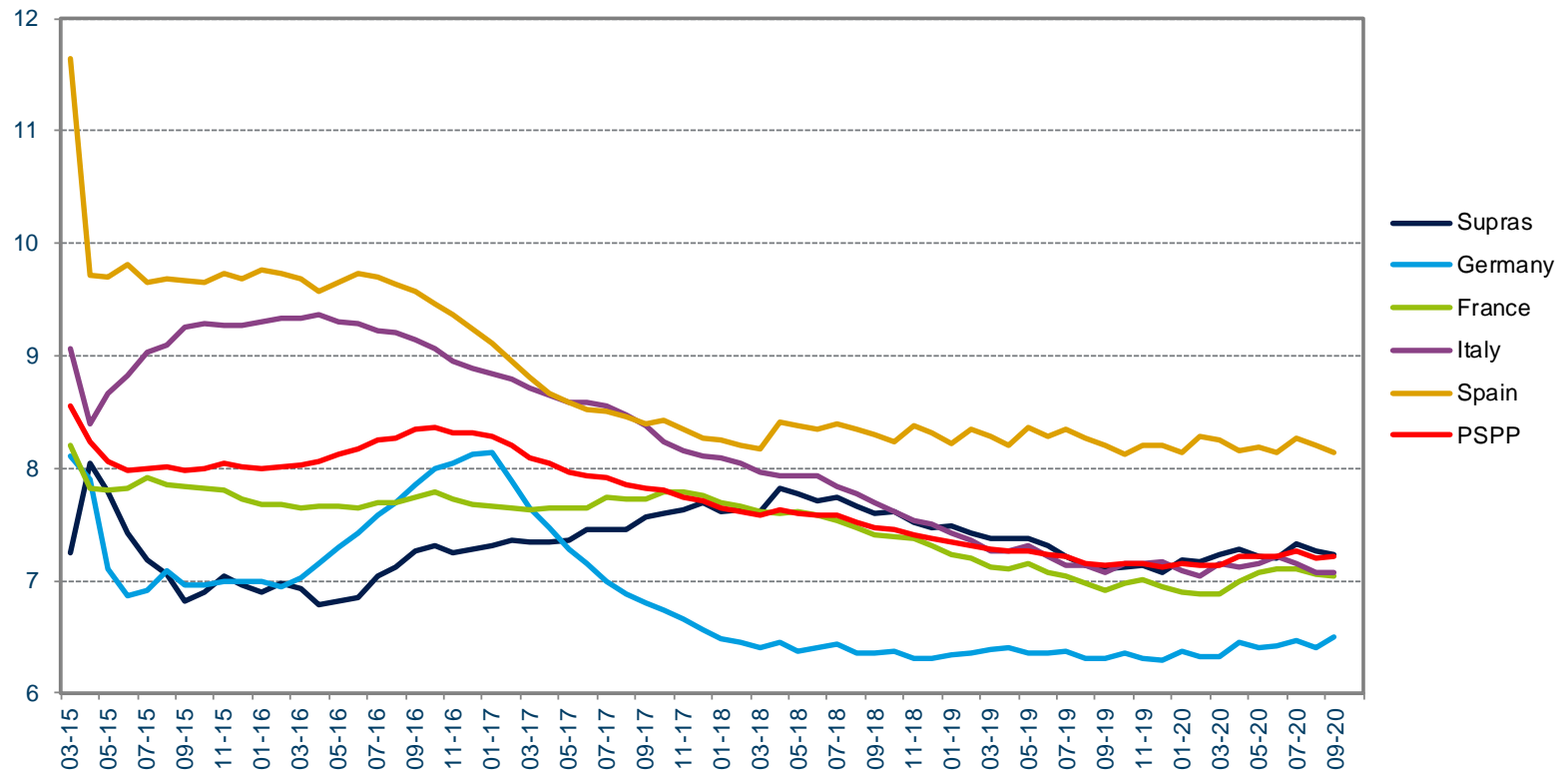
- CSPP reinvestment will average €1.3bn/month over the next 12 months



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

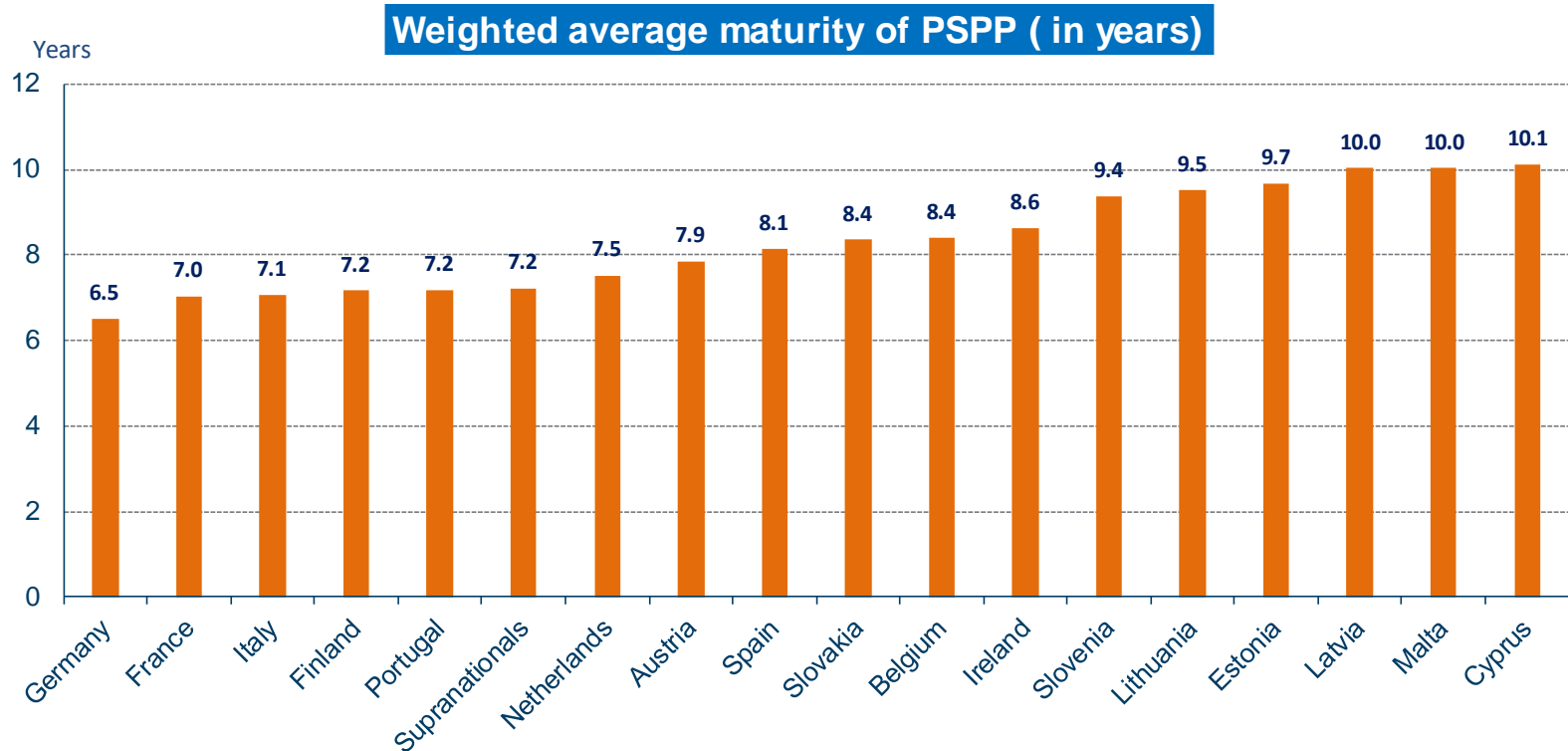
Weighted average maturities by jurisdiction for the PSPP

Weighted average remaining maturity (in years)



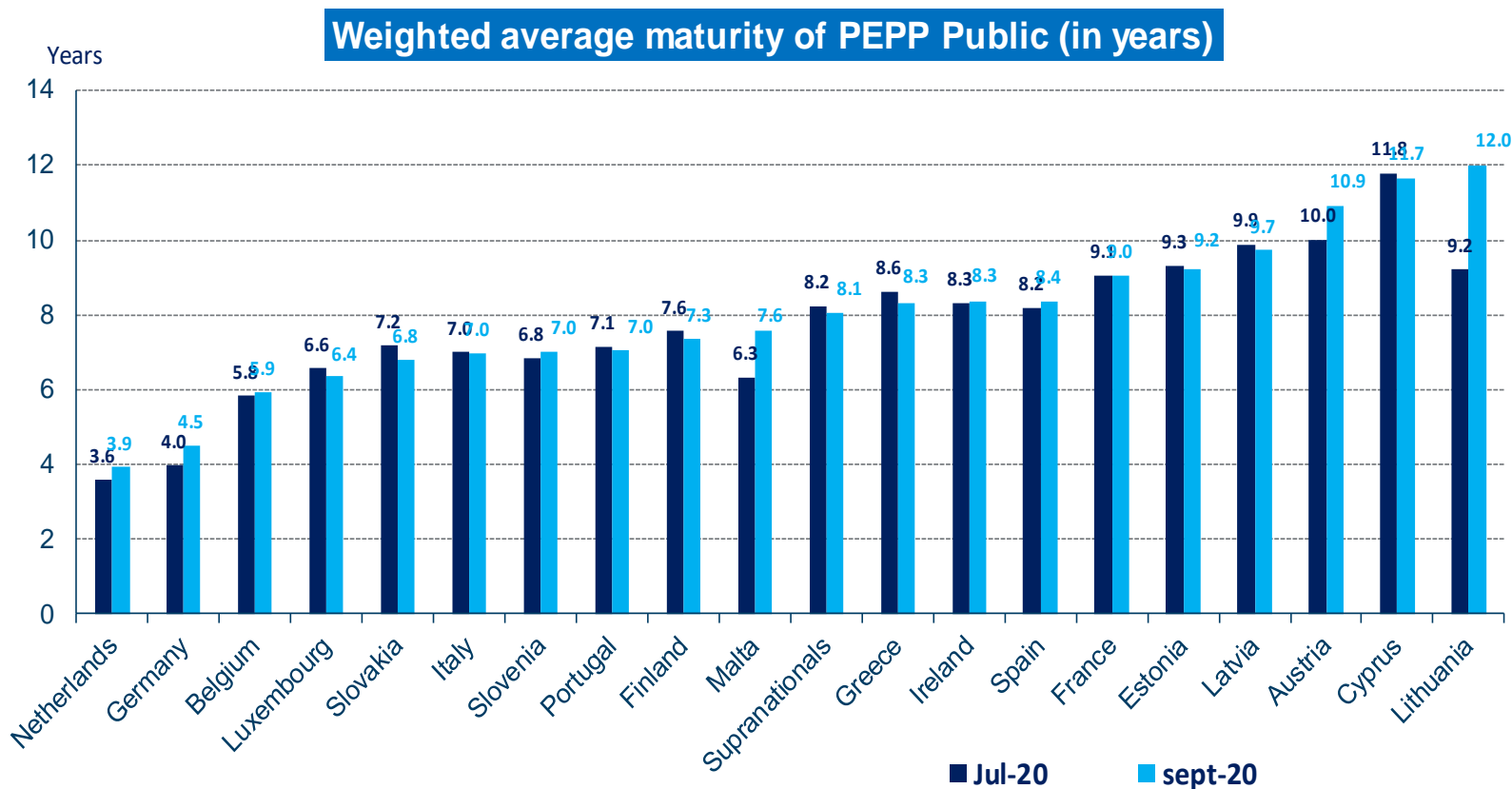
Source: Datastream, Amundi Research, Data as of 09/30/2020

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



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

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



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

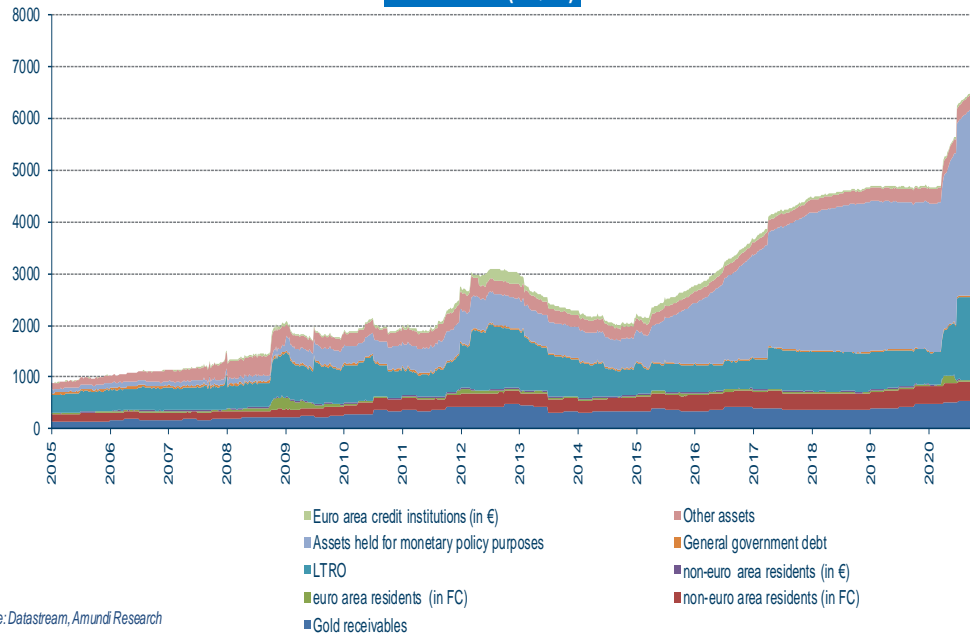
Stock of the Eurosystem's asset purchase program

- As of 30 September 2020, the Eurosystem's asset holdings reached €2,842bn. Breakdown by program:
 - PSPP: €2,290bn (81% of total holdings)
 - CSPP: €236bn (8%)
 - CBPP3: €287bn (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 70% which is significantly lower than the proportion of 80% that the ECB bought until December 2018.

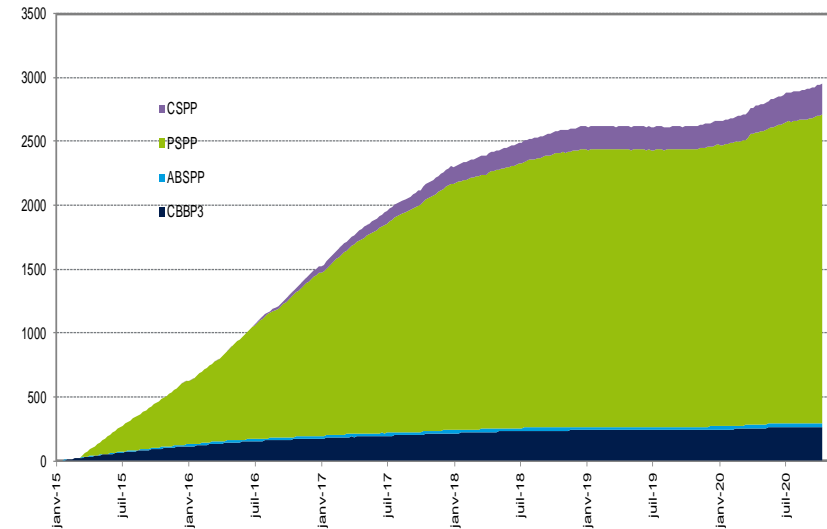
30/09/2020	Asset Purchase Programme (APP)	Public Sector Purchase Programme (PSPP)	Third Covered Bond Purchase Programme (CBPP3)	Asset-Backed Securities Purchase Programme (ABSPP)	Corporate Sector Purchase Programme (CSPP)
Holdings (€bn)	2 842	2 290	287	29	236
<i>Holdings (% APP)</i>	<i>100%</i>	<i>81%</i>	<i>10%</i>	<i>1%</i>	<i>8%</i>
Gross Purchases Mthly (€bn)	36.7	23.5	4.5	0.2	8.6
Redemptions Mthly (€bn)	2.7	0.4	1.6	0.6	0.1
Net Purchases Mthly (€bn)	34.0	23.1	2.8	-0.4	8.5
Net purchases since QE2 (€bn)	296	208	26	2	59
<i>Net purchases since QE2 (% APP)</i>	<i>100%</i>	<i>70%</i>	<i>9%</i>	<i>1%</i>	<i>20%</i>
Net purchases cum. on QE1	2618	2171	241	26	181
<i>Net purchases cum. on QE1 (%APP)</i>	<i>100%</i>	<i>83%</i>	<i>9%</i>	<i>1%</i>	<i>7%</i>

ECB Balance Sheet (1/2)

ECB: Assets (in \$bn)

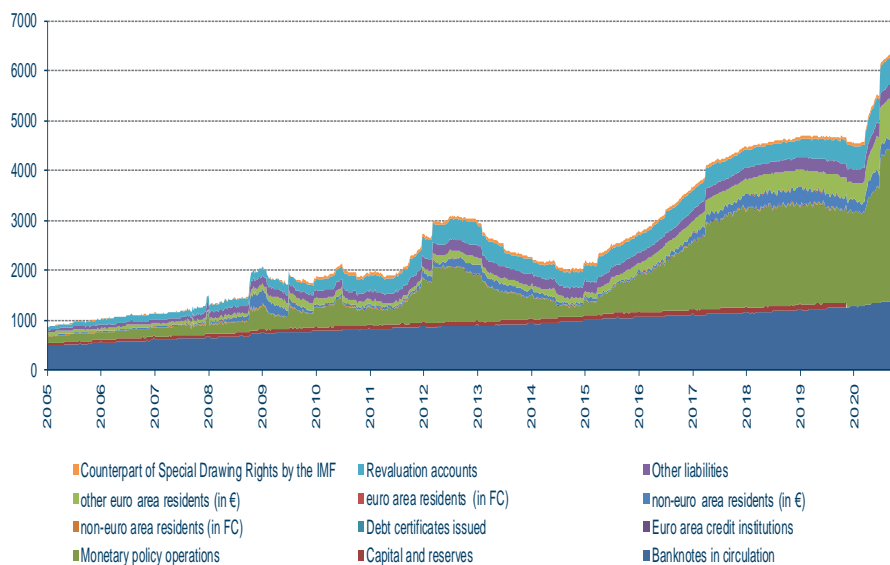


Amounts purchased by the Eurosystem under the expanded asset purchase programme (€ bn)



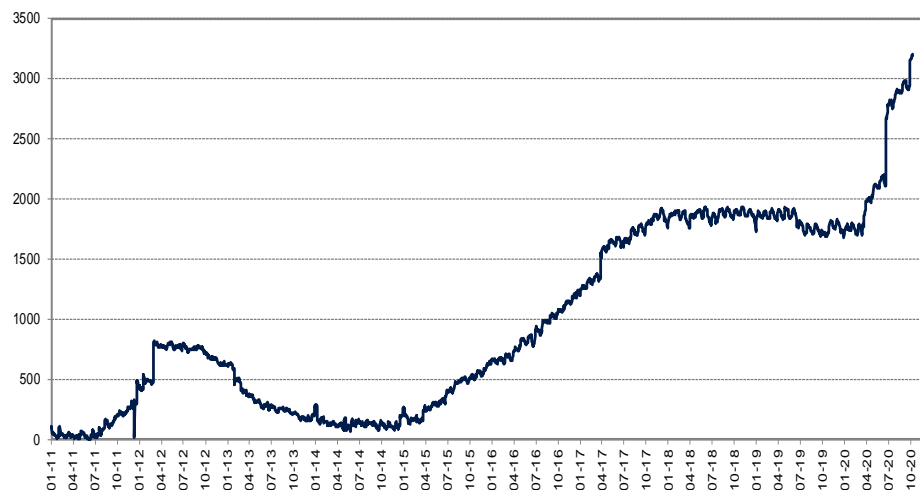
ECB Balance Sheet (2/2)

ECB: Liabilities (in \$bn)



Source: Datastream, Amundi Research

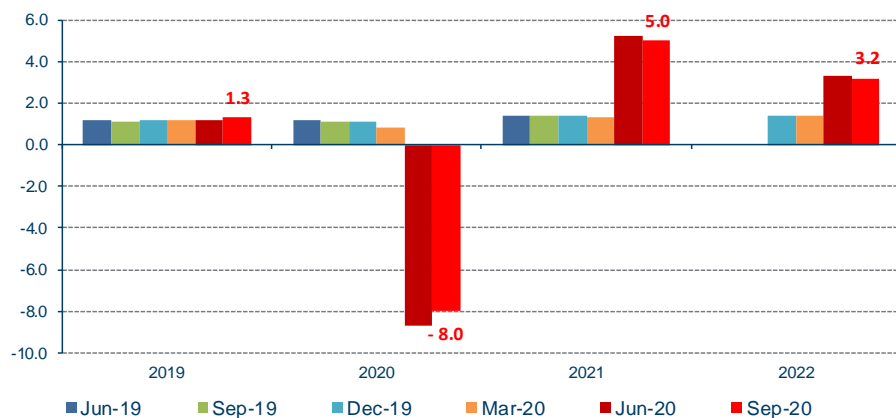
Eurosystem : excess reserves (€bn)



Source: Datastream, Amundi Research, 10/12/2018

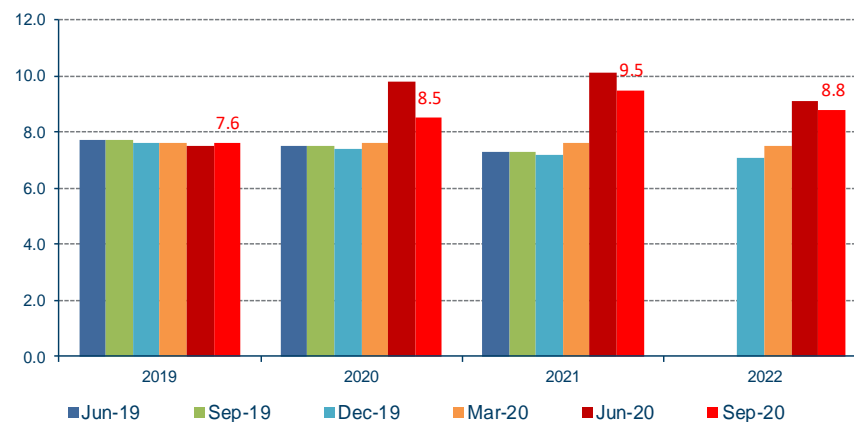
ECB Projections

ECB forecast: real GDP (yoy%)



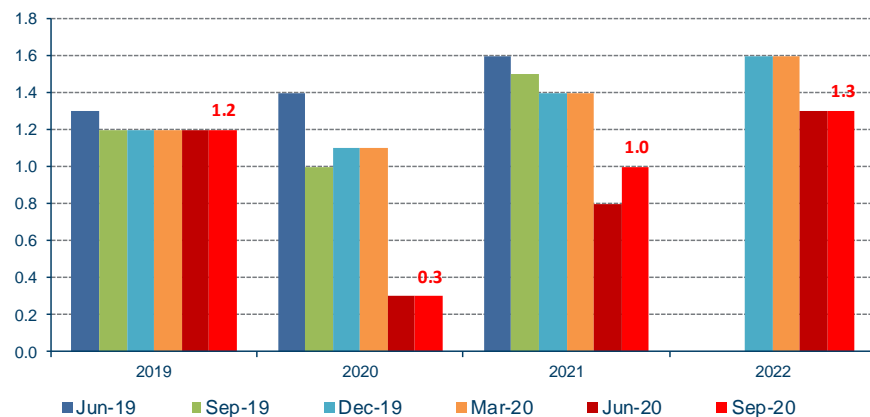
Source: Bloomberg, Amundi Research, Data as of 09/10/2020

ECB forecast: Unemployment (yoy%)



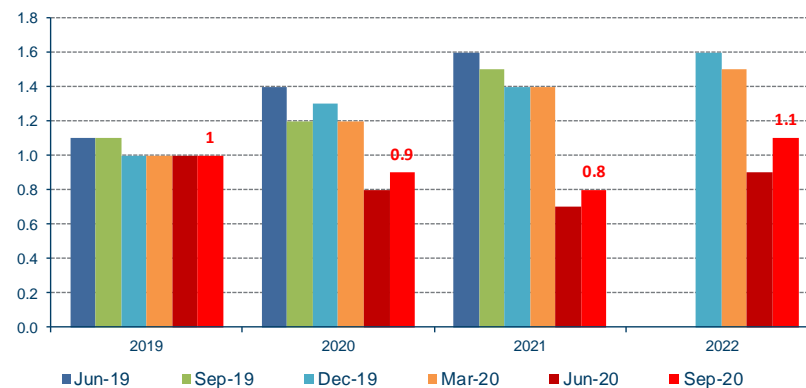
Source: Bloomberg, Amundi Research, Data as of 09/10/2020

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

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.

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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