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The ECB has admitted that deflation risks have still not gone away in a very dovish statement at their press conference today following their decision to keep interest rates at historical lows.

Mario Draghi even went as far as to say that the Eurozone could easily experience some months of deflation in the near future. So, it came as little surprise that both growth and inflation expectations have been lowered but most interestingly the ECB forecasts inflation to be 1.7% in 2017, well below their target of 2.0% before they are due to end QE in a year's time. This means that Eurozone QE is most likely to continue beyond September 2016 and as a result EURUSD has fallen over 100 pips to 1.1110 at the time of writing. In fact the euro softened just as Draghi was sitting down and before he had commenced the statement. The underlying message this gives investors is that certainly for the ECB, the end of monetary stimulus measures are a long way off. On several occasions in the statement and during the Q & A session Draghi referred to the risks from slowing growth in emerging economies and this is something that has been a recurring theme at both Bank of England and Federal Reserve meetings throughout this year. Now that these risks from emerging markets are being realised by the financial markets, we can expect focus on them to feature more prominently going forward. This could very easily cause the Fed to delay a rate hike this month and US Treasury yields reflected this by softening following the ECB decision and during the statement.