

The ECB is set to expand its stimulus programme Source: [ACFX Forex Broker \(Review and Forex Rebates Up to 85%\)](#) Yesterday afternoon, the ECB President, Mr Mario Draghi surprised the markets by the extremely dovish tone of the scheduled press conference that took place in Valetta, Malta. As expected the ECB did not cut its key benchmark interest rate from the current 0.05% level. However, following on from comments made over the summer, that the ECB will do what it takes to get the Euro-Zones economy back on track, the announcement that the European Central Bank will now “re-examine” its Euro 1 trillion quantitative easing stimulus programme at the December meeting sent the Euro crashing against the US Dollar. Draghi said during the press conference that “*The degree of monetary policy accommodation will need to be re-examined at our December meeting.*” It would now appear that almost everything will be considered as a policy tool, that can introduce inflation and sustainable growth back into the Euro-Areas flagging economies. By reading between the lines that ECB Governing Council must have some good insight from the United States Federal Reserve that it will not act on US interest rates before December. If this is the case and with the US Dollar continuing to depreciate in value, the ECB felt had to act now. Yesterday’s comments can be seen as a passing shot across the bows of the market. The threat to expand European QE programme should see the markets now price this event into their forward outlook. The reason why the ECB took this action now is due to the realisation that

the current QE programme is not having the desired effect of boosting the Euro-Area. Although the current trend amongst the Euro-Zone economies is positive, the issue of soft inflation data continues to be a concern to Mario Draghi and his colleagues. Furthermore, the recent economic problems that are facing China and the Emerging Market has only added to the ECB's worries as this could have an impact down the line on European economies. The question many economist and analyst will of course ask is will an aggressive expansion of the ECB's stimulus programme only squander more tax payers money? The problem with QE is that it is not a one shot cure for an economy that is facing issues of chronic low inflation and stagnant growth. One only needs to look at older stimulus programmes that have been adopted by the United States and Japan. The Bank of Japan and the FOMC have continuously stimulated their economies by applying further QE. The effect of adding further QE acts as a booster to the medicine that has already been administered. A failure to boost QE will see the positive effect of such a programme wear-off. In this context and with a degree of hindsight it was fairly obvious that the ECB would have to expand its programme. This brings us to some more questions.

1. Are the major global economies now addicted to a diet of quantitative easing?
2. Furthermore, will we ever see the economies of the United States, Euro-Area and Japan ever move back to a situation which

can be described as normal or is this the new normal?

Only time has the answer to these questions.