

# Ahead of the ECB – Draghi introduces the “action matrix”

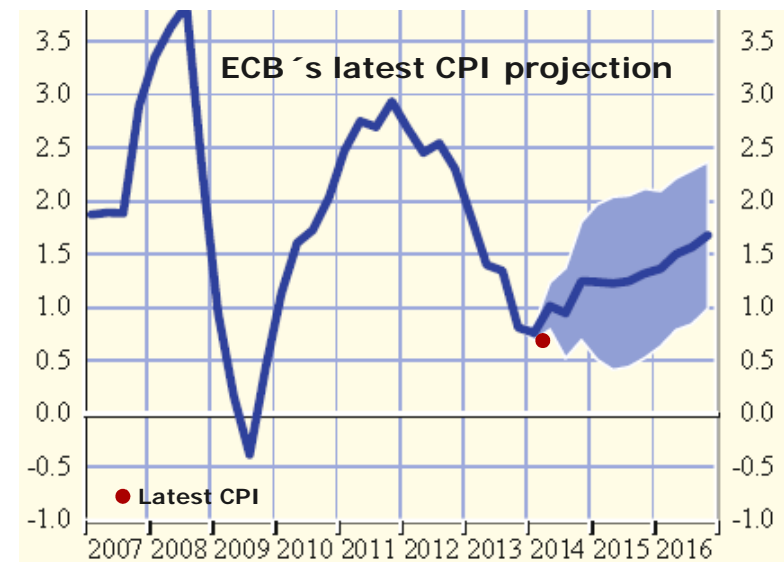
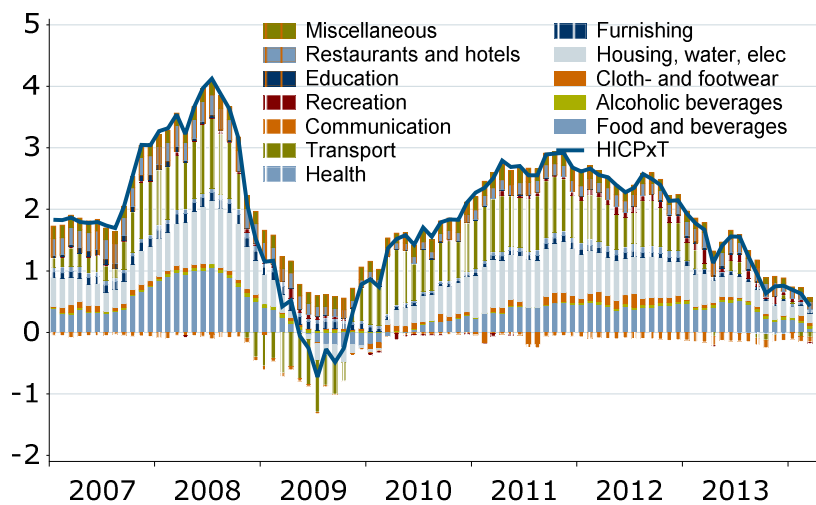
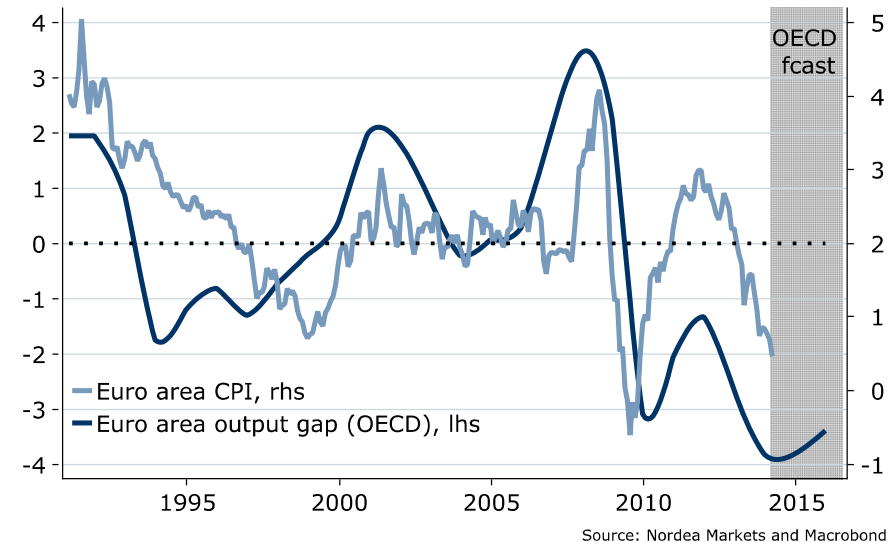
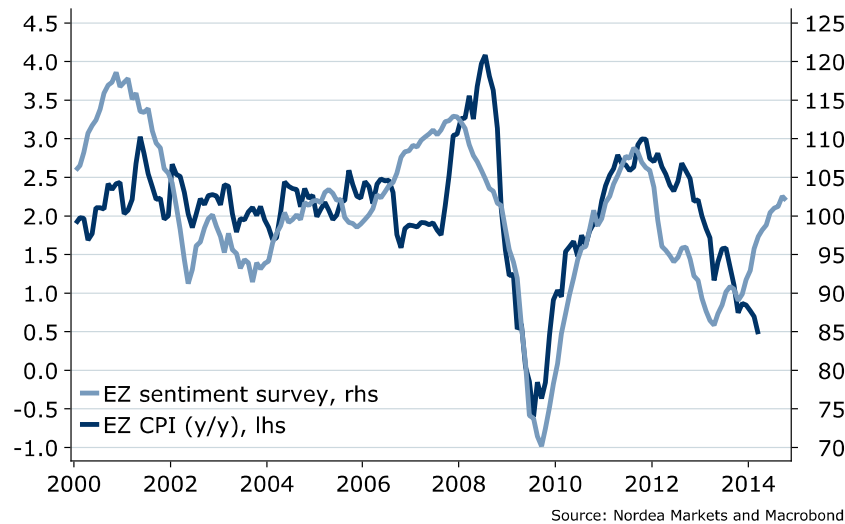
*Draghi has been surprisingly clear recently when outlining the current risks and possible responses. This provides a roadmap for the months ahead...*

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Risk	Possible trigger	Action
<b>Tightening of policy stance</b>	<ul style="list-style-type: none"><li>• Money market stress</li><li>• Rates dragged higher by development in the US</li><li>• EUR FX strengthening</li></ul>	<ul style="list-style-type: none"><li>• Extend fixed-rate full allotment</li><li>• Liquidity injections</li><li>• LTRO</li><li>• Reserve requirement reduction</li><li>• Repo rate cut</li><li>• Depo rate cut</li><li>• SMP sterilization suspension</li></ul>
<b>Deteriorating transmission mechanism</b>	<ul style="list-style-type: none"><li>• Further slowdown in lending growth</li><li>• Worsening conditions for SMEs</li><li>• ABS market deterioration</li></ul>	<ul style="list-style-type: none"><li>• LTRO</li><li>• Funding for lending</li><li>• ABS purchase program</li><li>• Regulatory changes</li><li>• Change in collateral rules</li></ul>
<b>Inflation outlook worsening</b>	<ul style="list-style-type: none"><li>• Spot inflation declines further</li><li>• Inflation expectations declines</li><li>• EUR FX strengthening</li></ul>	<ul style="list-style-type: none"><li>• QE</li></ul>

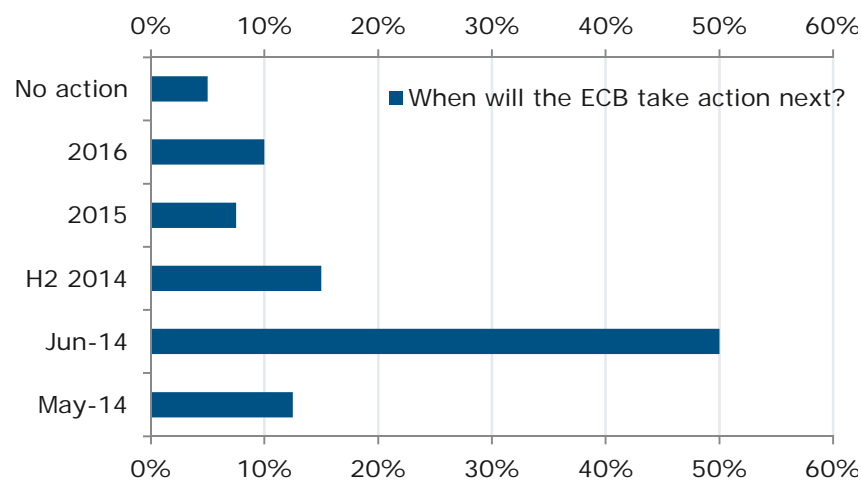
# Ahead of the ECB – inflation key to (large scale) ECB action

*Low headline inflation is the key reason behind recent QE speculation and while survey based indicators paint a bright picture hard data in the form of the output gap doesn't...*

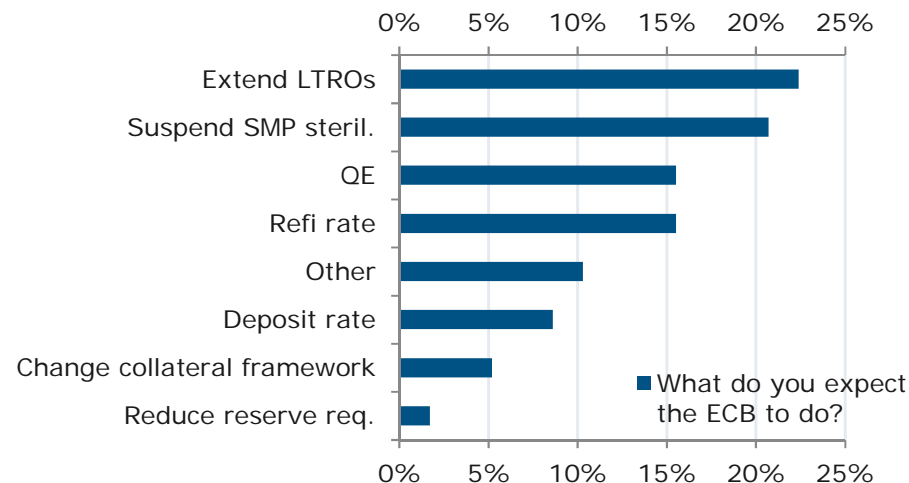


# Ahead of the ECB – expectations have shifted

*ECB-QE was a highly improbable event half a year ago but expectations have shifted rapidly, both among economists and in the market...*



Source: Nordea & Bloomberg



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	1m EONIA fwds	Diff (bps)	Cumulative (bps)
Apr-14	0.19		
May-14	0.17	-2.3	-2.3
Jun-14	0.15	-1.9	-4.2
Jul-14	0.15	-0.4	-4.6
Aug-14	0.14	-0.8	-5.4
Sep-14	0.13	-0.7	-6.1
Oct-14	0.13	-0.3	-6.4
Nov-14	0.14	1.0	-5.4
Dec-14	0.12	-2.0	-7.4
<b>Jan-15</b>	<b>0.11</b>	<b>-0.9</b>	<b>-8.3</b>
Feb-15	0.12	0.5	-7.8

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