

ECB Speak Wrap (Sep 12 – Sep 15)

By Emil Lundh, September 15

Last week's ECB decision saw the bar to another cut pushed a little higher, with the outlook now considered to be "more balanced" and the Governing Council not willing to react to "small deviations" from the updated inflation projections. Focus in the days since the September decision has been on ECBspeak. Broadly speaking, there are three camps that appear to be emerging:

- **Downside Inflation risks dominate, explicit suggestions another cut is possible:** Villeroy noted that "Several of us [the GC], including myself, underlined the downward risks to inflation in the close future". Rehn similarly believes "the risks of inflation remaining below the ECB's target in the longer term should not be underestimated".
- **No commitment either way at this stage:** Kazaks, Simkus and Kocher appear to align most closely with Lagarde's September press conference tone. Kazaks noted that "There cannot be a predetermined path in terms of monetary policy because the uncertainty is still high," while Simkus wants to keep "all doors" open, since "risks to inflation are quite significant".
 - Note that Kazaks pointed to the December decision as "rich". In fitting with the post-decision Reuters sources article, this suggests year-end is the next major focal point amongst the Governing Council to decide whether to cut rates once more.
 - New Austrian National Bank Governor Kocher has been the most vocal member since the September decision. Overall, his comments have been fairly pragmatic, supporting a steady path for rates for now, but keeping the door open to fine tuning if justified by the data.
- **Little appetite to deliver another cut:** Joining Executive board member Schnabel at the start of the month, Muller believes "Interest rates are at a level that supports the economic recovery, especially given that the impact of the previous rate cuts has not yet fully taken effect". Meanwhile, Patsalides thinks that "unless there's any other significant development, there's no need to take action soon" and that he "wouldn't like to exclude a rise in interest rates if the need arises". Similarly, Nagel thinks that further interest rate cuts could jeopardise stable prices.
- ECB-dated OIS price continue to just about lean in favour of a 2% terminal rate, with 11.5bps of easing priced through June 2026. The case for any further cuts will need to be motivated by incoming data.

| Meeting Date | ESTR ECB-Dated OIS (%) | Difference Vs. Current Effective ESTR Rate (bp) |
|--------------|------------------------|---|
| Oct-25 | 1.919 | -0.6 |
| Dec-25 | 1.883 | -4.2 |
| Feb-26 | 1.866 | -5.9 |
| Mar-26 | 1.824 | -10.1 |
| Apr-26 | 1.818 | -10.7 |
| Jun-26 | 1.810 | -11.5 |
| Jul-26 | 1.811 | -11.4 |
| Sep-26 | 1.825 | -10.0 |

Source: MNI/Bloomberg Finance L.P.

For a full summary of ECB speak since the September decision, see the table below:

| Date | Member | Monetary Policy Relevant Comments |
|--------|--------|--|
| 15 Sep | Kocher | * ECB'S KOCHER IN OBEROESTERREICHISCHE NACHRICHTEN NEWSPAPER: I WOULD NOT YET DESCRIBE THE EURO-DOLLAR EXCHANGE RATE AS A RISK, BUT IF THE EURO KEEPS APPRECIATING IT COULD BECOME PROBLEMATIC FOR EXPORT-ORIENTED INDUSTRY AT SOME POINT" RTRS (Interview with OONachrichten) |
| 15 Sep | Kocher | * "ECB'S KOCHER IN DIE PRESSE NEWSPAPER: IT IS IMPORTANT THAT WE NOT SEE DIVERGENCE IN INFLATION RATES IN EUROPE IN THE LONGER TERM" RTRS (Interview with Die Presse) |
| 14 Sep | Kocher | * "For now, this interest rate cycle has come to its end, or very close to it" * It is "important to remain vigilant and not read too much into the current stability"...."if the data shift, if risk assessments changem then a response will be required. This can go in either direction" (Interview with FT) |
| 12 Sep | Nagel | * "The economy is already being boosted by rising defense spending and the large infrastructure investment package in Germany — this has an impact across Europe,"...."Regardless of that, there are numerous uncertainties regarding medium-term price developments – not only due to US tariffs." * "Further interest-rate cuts could jeopardize this [stable prices] * With inflation and rates at 2% "we can closely monitor developments over the coming weeks and months and react if necessary," (Interview with FAZ) |
| 12 Sep | Kocher | * "Nobody talked about how we should continue because it can fundamentally go in either direction, according to how the situation unfolds," (Comments in Vienna) |
| 12 Sep | Nagel | * "“The reasons for keeping interest rates at their current level are convincing,” (Comments in Frankfurt) |

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| 12 Sep | Rehn | <p>* On growth: "Although the uncertainty has now diminished, it has not disappeared, and I don't believe it will disappear completely anytime soon."</p> <p>* "In my opinion, there is no room for complacency, even though inflation is currently at the ECB's target level and medium-term inflation expectations have remained quite well around 2 percent"...."I believe that the risks of inflation remaining below the ECB's target in the longer term should not be underestimated. Despite the recovery, growth remains subdued and downside risks to growth could lead to even lower inflation than forecast. This could also happen if the euro's appreciation this year starts to exert a stronger pressure on import prices, especially consumer goods prices"</p> <p>* "We will continue to make our monetary policy decisions meeting by meeting, always based on fresh data and overall judgment, next time in October. We will be vigilant and, if necessary, act flexibly. We will ensure that inflation stabilizes at our 2% objective over the medium term (Blog post on Bank of Finland website)</p> |
| 12 Sep | Escriva | <p>* "We had to harden our monetary policy in order to trigger this disinflation process and we're already there,".... "Rates at 2% are now adequate financial conditions for Europe and in that way we're satisfied." (Comments to Spanish radio)</p> |
| 12 Sep | Muller | <p>* "Inflation in the euro area, which remains close to 2%, and the economy is recovering moderately, suggest that central bank interest rates are currently in the right place".</p> <p>* "Interest rates are at a level that supports the economic recovery, especially given that the impact of the previous rate cuts has not yet fully taken effect. "</p> <p>* "It is appropriate to assess the need for possible changes in interest rates on the basis of economic indicators in the coming weeks and months" (Blog post on Eesti Pank website)</p> |
| 12 Sep | Kazaks | <p>* "There cannot be a predetermined path in terms of monetary policy because the uncertainty is still high," (Comments to CNBC)</p> |
| 12 Sep | Villeroy | <p>* "Nothing is pre-determined in advance, but it is absolutely possible there is another rate cut at coming meetings,"</p> <p>* "Several of us, including myself, underlined the downward risks to inflation in the close future." (Comments to BFM Business)</p> |

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| 12 Sep | Simkus | <p>* "All doors" should be kept open for future policy meetings.</p> <p>* "The overall situation shows that risks to inflation are quite significant: geopolitical tensions, uncertainties regarding tariffs, trade tensions," "the euro has strengthened significantly against dollar, which will have a negative effect on price growth." (Comments to LRT Radio)</p> |
| 12 Sep | Patsalides | <p>* "the present interest rates are appropriate if inflation develops as projected," "So unless there's any other significant development, there's no need to take action soon".</p> <p>* "Risks are balanced, so this means interest rates could go either way next," "I wouldn't like to exclude a rise in interest rates if the need arises."</p> <p>* "It's fair to say that the risks to inflation are balanced" (Interview with BBG)</p> |
| 11 Sep | Bloomberg Sources | <p>* "European Central Bank policymakers are convinced that no further interest-rate cuts are needed to deliver 2% inflation, despite new economic projections pointing to an undershoot over the next two years, according to people familiar with their thinking."</p> <p>* "Unless the euro zone experiences another major shock, borrowing costs are set to stay where they are for some time, said the people, asking not to be identified speaking about confidential discussions".</p> <p>* "While a reduction at October's meeting can be virtually ruled out, December will be an opportunity to reassess as fresh quarterly forecasts will include 2028, the people said" (Bloomberg: .ECB Inclined to Keep Rates Unchanged Barring Economic Shock)</p> |
| 11 Sep | Reuters Sources | <p>* "European Central Bank policymakers see their December meeting as the most realistic time frame to debate whether an another interest rate cut is needed to buffer the euro zone economy from the impact of U.S. tariffs, three sources told Reuters." (Reuters: ECB governors eye December as next chance for any cut, sources)</p> |

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