

MNI ECB Review: July 2025

Executive Summary

- The ECB left its three key rates unchanged, including the deposit rate at 2.00%, as fully expected.
- The decision statement continued to push data-dependence and a meeting-by-meeting approach.
- The press conference was met with a more hawkish reaction, driven by remarks such as “you could argue that we are on hold”, “the sooner this trade uncertainty is resolved the less uncertainty we will have to deal with” and a more constructive view on Eurozone growth.
- It was seen in light of the previous day’s media reports of nearing a US-EU deal with a 15% tariff, and also followed this morning’s better than expected July flash PMIs.
- Bloomberg and Reuters sources pieces have since added to the notion of a high bar to a cut in September.
- Evolution of September cut odds: 50% before US-EU trade deal reports yesterday, 40% prior to the ECB decision, 28% at the end of the press conference and ~20% after sources pieces.
- A mild easing bias remains but it has been trimmed to a 17bp of cumulative cuts priced to year-end vs 22.5bp pre-decision. Cut expectations are capped at 21bp for March.
- In initial analyst takes, Commerzbank no longer expect a final cut in September and instead see rates on hold at 2% through end-2026. RBC also no longer see a September cut and see risks of a debate about rates hikes developing. We’ll follow with a full analyst summary of views tomorrow.

CONTENTS

[MNI View and Reaction](#) | [Statements](#) | [Q&A](#) | [Post ECB Sources](#) | [Analyst Summary](#)

MNI View: You Could Argue That We Are On Hold

Jul 24, 2025 - By Chris Harrison and Emil Lundh

The ECB held its three key rates unchanged as fully expected and priced, including its deposit rate at 2%. That’s the middle of staff estimates for neutral at 1.75-2.25% after a string of cuts into June and 200bp of cuts for the cycle. It was a unanimous decision. The decision statement saw minor tweaks although Lagarde’s press conference was perceived in a hawkish light following recent press stories about moving closer to a US-EU trade deal with a 15% tariff rather than the 30% threatened by US President Trump recently. That potential new best case rate is higher than the 10% the ECB assumed in its June projections but President Lagarde didn’t appear overly concerned. Lagarde reiterated that policy is in a good place, the main takeaway from last month’s press conference, whilst also adding “you could argue that we are on hold” which helped see September cut pricing trimmed notably. When asked about risk of inflation undershooting, Lagarde said we are not going to be moved away by some minor deviation, whilst there was generally a more constructive view on Eurozone growth. She wrapped the press conference up with “I wish you all a nice wait and see holiday”.

Decision Statement Highlights Best Summarised As Minor Tweaks

- Resilience in economy: “Partly reflecting the Governing Council’s past interest rate cuts, the economy has so far proven resilient overall in a challenging global environment.” This roughly continues a theme from June re “The concerns that increased uncertainty and a volatile market response to the trade tensions in April would have a tightening impact on financing conditions have eased.”
- Continued emphasis on high uncertainty: “At the same time, the environment remains exceptionally uncertain, especially because of trade disputes.”
- Inflation “at” rather than “around” the 2% medium-term target.
- It drops that it’s determined to ensure inflation stabilises “sustainably” in the medium term, although being a medium term concept anyway that doesn’t feel significant.
- Very minor tweaking around data dependence line but the broad message still stands: “In particular, the Governing Council’s interest rate decisions will be based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path.”

Hawkish Adjustments Through ECB Presser Before Modest Further Move On Sources Pieces

Writing shortly after the press conference was wrapped up, there were hawkish adjustments in EUR STIRs through the ECB press conference. OIS priced 22.5bps of easing through March 2026, down from ~26.5bps just before the press conference started. The implied probability of a 25bp cut in September has fallen to ~28% (~7bps priced), down from ~40% prior to the decision and 50% prior to yesterday's EU-US tariff deal reports. We highlight three strands of commentary from Lagarde that drove the market reaction:

- (1) Multiple comments suggesting "the sooner this trade uncertainty is resolved the less uncertainty we will have to deal with, and that would be welcomed by any economic actors, including ourselves."
- (2) Remarks that "you could argue that we are on hold", alongside more suggestions that the ECB is in a "good place" to see how risks develop over the next few months.
- (3) Suggestions that Q1 GDP print was "not just front loading", but also "increased consumption and increased investment, and not only attributable to Ireland" so growth is developing mostly, if not a little better than in line with our expectations". A reminder that Q2 flash GDP is due next week. The ECB June projections pencil in a 0.2% Q/Q rate.
- The belated impact of this morning's July flash PMIs, alongside today's US IJC data, may have also factored in a little.
- Still, hawkish repricing is somewhat limited by the fact there is plenty of data due before the September meeting, which the ECB remains sensitive to. Remember the June projections already incorporate a market curve implying one more 25bp cut this cycle.

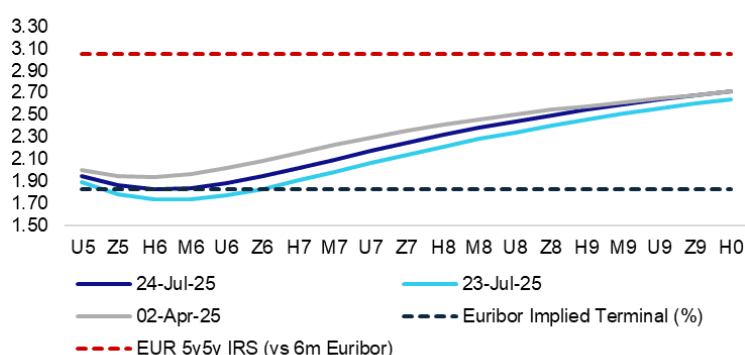
Euribor futures are -6.0 to -11.5 ticks through the blues, with reds/greens leading the selloff. Initial support in ERH6 (which represents the Euribor implied terminal rate) at 98.165 was pierced, but the contract has since moved back to 98.170 at typing.

The below table is updated for a modest hawkish extension of the move that was helped by Bloomberg and Reuters sources pieces that painted a high bar for a September cut rather than offering a more dovish take. It leaves 5bp of cuts priced for September (25% odds).

Meeting Date	ESTR ECB-Dated OIS (%)	Difference Vs. Current Cut-adjusted Effective ESTR Rate (bp)	Pre-press conference			Pre-rate decision		
			ESTR ECB-Dated OIS (%)	Difference Vs. Current Effective ESTR Rate (bp)	Diff	Difference Vs. Current Effective ESTR Rate (bp)	Difference Vs. Current Cut-adjusted Effective ESTR Rate (bp)	Diff
Jul-25	1.926	0.2	1.925	0.1	0.1	1.924	0.0	0.2
Sep-25	1.873	-5.1	1.822	-10.2	5.1	1.829	-9.5	4.4
Oct-25	1.842	-8.2	1.794	-13.0	4.8	1.798	-12.6	4.4
Dec-25	1.754	-17.0	1.700	-22.4	5.4	1.701	-22.3	5.3
Feb-26	1.739	-18.5	1.685	-23.9	5.4	1.685	-23.9	5.5
Mar-26	1.712	-21.2	1.657	-26.7	5.5	1.657	-26.7	5.5
Apr-26	1.715	-21.0	1.660	-26.5	5.5	1.657	-26.7	5.7
Jun-26	1.719	-20.6	1.663	-26.1	5.6	1.661	-26.3	5.8

Source: MNI/Bloomberg Finance L.P.

Euribor Implied Yields(%)



Source: Bloomberg Finance L.P., MNI.

Jul 24 Rate Decision Statement

The Governing Council today decided to keep the three key ECB interest rates unchanged. Inflation is currently at the 2% medium-term target. The incoming information is broadly in line with the Governing Council's previous assessment of the inflation outlook. Domestic price pressures have continued to ease, with wages growing more slowly. Partly reflecting the Governing Council's past interest rate cuts, the economy has so far proven resilient overall in a challenging global environment. At the same time, the environment remains exceptionally uncertain, especially because of trade disputes.

The Governing Council is determined to ensure that inflation stabilises at its 2% target in the medium term. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, the Governing Council's interest rate decisions will be based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path.

Key ECB interest rates

The interest rates on the deposit facility, the main refinancing operations and the marginal lending facility will remain unchanged at 2.00%, 2.15% and 2.40% respectively.

Asset purchase programme (APP) and pandemic emergency purchase programme (PEPP)

The APP and PEPP portfolios are declining at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.

The Governing Council stands ready to adjust all of its instruments within its mandate to ensure that inflation stabilises at its 2% target in the medium term and to preserve the smooth functioning of monetary policy transmission. Moreover, the Transmission Protection Instrument is available to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across all euro area countries, thus allowing the Governing Council to more effectively deliver on its price stability mandate.

The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 14:45 CET today.

Statement side-by-side comparison (with the usual heavy changes owing to differences in projection/non-projection meetings):

The Governing Council today decided to lower keep the three key ECB interest rates by 25 basis points. In particular, the decision to lower the deposit facility rate – the rate through which the Governing Council steers the monetary policy stance – is based on its updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission: unchanged. Inflation is currently at around the Governing Council's 2% medium-term target. In the baseline of the new Eurosystem staff projections, headline inflation is set to average 2.0% in 2025, 1.6% in 2026 and 2.0% in 2027. The downward revisions compared incoming information is broadly in line with the March projections, by 0.3 percentage points for both 2025 and 2026, mainly reflect lower assumptions for energy prices and a stronger euro. Staff expect inflation excluding energy and food to average 2.4% in 2025 and 1.9% in 2026 and 2027, broadly unchanged since March.

Staff see real GDP growth averaging 0.9% in 2025, 1.1% in 2026 and 1.3% in 2027. The unrevised growth projection for 2025 reflects a stronger than expected first quarter combined Governing Council's previous assessment of the inflation outlook. Domestic price pressures have continued to ease, with weaker prospects for the remainder of the year. While the uncertainty surrounding trade policies is expected to weigh on business investment and exports, especially in the short term, rising government investment in defence and infrastructure will increasingly support growth over the medium term. Higher real incomes and a robust labour market will allow households to spend wages growing more. Together with more favourable financing conditions, this should make the economy more resilient to global shocks.

In the context of high uncertainty, staff also assessed some of the mechanisms by which different trade policies could affect growth and inflation under some alternative illustrative scenarios. These scenarios will be published with the staff projections on the ECB's website. Under this scenario analysis, a further escalation of trade tensions over the coming months would result in growth and inflation being below the baseline projections. By contrast, if trade tensions were resolved with a benign outcome, growth and, to a lesser extent, inflation would be higher than in the baseline projections.

Most measures of underlying inflation suggest that inflation will settle at around slowly. Partly reflecting the Governing Council's 2% medium-term target on a sustained basis. Wage growth is still elevated but continues to moderate visibly, and profits are partially buffering its impact on inflation. The concerns that increased uncertainty and a volatile market response to the trade tensions in April would have a tightening impact on financing conditions have eased past interest rate cuts, the economy has so far proven resilient overall in a challenging global environment. At the same time, the environment remains exceptionally uncertain, especially because of trade disputes.

The Governing Council is determined to ensure that inflation stabilises sustainably at its 2% medium-term target: Especially in current conditions of exceptional uncertainty, it the medium term. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. The In particular, the Governing Council's interest rate decisions will be based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path.

Monetary Policy Statement Highlights

Growth risks still tilted to the downside. Still two-sided for inflation amidst more uncertainty than usual.

The wording on trade risks to growth, both downside and upside, is in concept identical if not verbatim to last month's.

"Risks to economic growth remain tilted to the downside. Among the main risks are a further escalation in global trade tensions and associated uncertainties, which could dampen exports and drag down investment and consumption. A deterioration in financial market sentiment could lead to tighter financing conditions and greater risk aversion, and make firms and households less willing to invest and consume. Geopolitical tensions, such as Russia's unjustified war against

Ukraine and the tragic conflict in the Middle East, remain a major source of uncertainty. By contrast, if trade and geopolitical tensions were resolved swiftly, this could lift sentiment and spur activity. Higher defence and infrastructure spending, together with productivity-enhancing reforms, would add to growth. An improvement in business confidence would also stimulate private investment."

"The outlook for inflation is more uncertain than usual, as a result of the volatile global trade policy environment. A stronger euro could bring inflation down further than expected. Moreover, inflation could turn out to be lower if higher tariffs lead to lower demand for euro area exports and induce countries with overcapacity to reroute their exports to the euro area. Trade tensions could lead to greater volatility and risk aversion in financial markets, which would weigh on domestic demand and would thereby also lower inflation. By contrast, inflation could turn out to be higher if a fragmentation of global supply chains pushed up import prices and added to capacity constraints in the domestic economy. A boost in defence and infrastructure spending could also raise inflation over the medium term. Extreme weather events, and the unfolding climate crisis more broadly, could drive up food prices by more than expected."

Press Conference Q&A (from MNI real-time coverage rather than official transcript)

Highlights:

- You could argue that we are on hold
- Guidance tweak part of strategy review. Policy in a good place, it's a good time to wait and see until September
- We are not going to be moved away by some minor deviation (when asked about inflation undershooting)
- The sooner this trade uncertainty is resolved the less uncertainty we will have to deal with, and that would be welcomed by any economic actors, including ourselves
- Question on future consideration of rate hikes avoided
- Lagarde doesn't bite on a question around De Guindos' comment of EUR/USD >1.20 be complicated

The following is from MNI real-time coverage of the ECB press conference Q&A, not an official transcript. For the monetary policy statement on the economic activity, inflation and the risk assessment, see the link [here](#), which should include the official transcript from tomorrow (Jul 25).

Q: On EURUSD, Vice President De Guindos said at Sintra that anything beyond 1.20 for EUR/USD might be complicated. When do deflationary effects start to worry you?

A: We don't target any levels. We monitor it because it matters for our inflation forecast. I'm quoting De Guindos: "We take into account the exchange rate to forecast inflation". We are exactly on the same page in terms of our message regarding the exchange rate.

Q: How do you assess the latest developments on tariff negotiations?

A: I know that there was a newspaper yesterday who sort of hinted that we were at a particular closure. It was a closing in, not a closure, right? And required very careful reading. We are attentive to where the negotiations are heading. We are not in a negotiating position. We are operating on the basis of the work that we do to forecast, to anticipate. We have a baseline on which we are basing our decision of today, which is our June baseline, which holds. That baseline is generally confirmed by all the recent data that we have received, but we take things one day at a time. We decide meeting by meeting, but we take news one day at a time, and for the moment, we are relying on our baseline, relying on the scenario that we have done back in June, which we have published, which you all have had a chance to look at and that's what it is. But one thing I will add to that is that the sooner this trade uncertainty is resolved the less uncertainty we will have to deal with, and that would be welcomed by any economic actors, including ourselves.

Q: You highlight the resilience of the economy so far. Does this resilience reduce the need to deliver another rate cut in the autumn, even if this was part of the baseline scenario in June?

A: Thank you for noticing the addition, you're right. As you know, we concluded our strategy assessment. We had a strategy review that we concluded in 2021 we had committed to review that strategy on the basis of new economic development and certainly in view of the process through which we had gone, namely, facing those incredible shocks and going full cycle in many ways.

- As a result of that strategy assessment, it was determined that we had to amplify, enhance, and probably give a slightly higher focus to risk assessment and obviously scenarios sensitivity analysis are part of that exercise that is conducted on a regular basis. That is published occasionally, but conducted on a regular basis, but it is certainly very opportune that this focus on enhanced risk assessment is agreed at a time when we have a higher level of uncertainty.
- So that's the reason why it is we you have the usual Risk Assessment section in our monetary policy statement, which focuses on growth and inflation, and we thought it was appropriate, given the enhanced focus that we want to give to the assessment of risk to have actually that element.

I'm going to repeat myself, we are in a good place. And we are in a good place because inflation is at 2% but we're not focused on data points. We're looking at all sorts of data, and our target is the medium term inflation, which is at 2% so I'm saying that we are in a good place because our projections point to inflation stabilizing a target in the medium term.

- I have often mentioned the importance of wages. Wages are heading in the right direction, and are showing this downward trend that we were expecting, the unit profit is continuing to buffer in a little bit of that wage increase, which is the natural result of an element of catching up and adjusting to the development of the economy.
- Coming now to the specific point of your question, we have seen growth developing in a relatively favorable way. Of course, if you look at Q1 in particular, we will have Q2 in a week's time. But Q1 was a surprising 0.6%. Now, of course, because we like to look under the hood, 0.6% is partly attributable to Ireland.
- And then if you look at what was actually driving this growth increase, it's partly front loading, because economic operators anticipated the rising of tariffs and decided to front load, but it's not just front loading. It's also increased consumption and increased investment, and not only attributable to Ireland, which is often an outlier for all sorts of intellectual property reasons and what have you. So growth is developing mostly, if not a little better than in line with our expectations.

Q: It seems to me that there is a greater discussion about undershooting in your discussion today. Was there anything about this? Do you think over the last six weeks, the risk of below target inflation has increased?

A: I just want to remind you and colleagues that we are at 2% latest reading, but more importantly, because that's what we have to look at, we are at 2% which is our medium term target.

- So is there a risk of undershooting? There is actually a forecast of undershooting in 26 for all sorts of base effects, reasons and consequences that we are forecasting today.
- But as has been mentioned by some of my colleagues in their various speeches, we are not going to be moved away by some minor deviation. And we are looking at the medium term targets that we have, and we will proceed on the basis of that three elements to determine our monetary policy stance.

Q: The other question is about the scenarios you published six weeks ago, and especially the more severe outcomes, which seem to suggest that even in case of retaliation, the whole package would be disinflationary. Is there consensus in the Governing Council about this, or is there perhaps still a discussion that such a scenario could turn out to be inflationary rather than disinflationary?

A: We have conducted that exercise with our scenario. We have this sort of rosy scenario where everything is at zero, it's perfectly symmetric and reciprocated. We have the baseline, which is at 10% which is the current rate that the economy is taking in. And we have the 20% which is the severe scenario. Some of those scenarios have retaliation measures, not all, and I think that as we observe the interesting negotiations and what leaks out in various form - retaliation is optional. It doesn't seem to be a definite element, but the ultimate net off result in terms of inflationary forces or disinflationary forces cannot be determined at this point in time.

We have some sectoral rates as well that apply to either the automotive industry or the steel and aluminium industry, a big question mark on pharmaceutical and to add to that complexity, you also have the indirect impact on our economy, of tariffs that are decided in relation to other countries that will induce some redirecting or rerouting, which themselves will

have an impact on our economy. For the moment, we assume that this impact will be inflationary [*n.b it's possible Lagarde meant to say disinflationary*], and staff have worked on that. But equally, and this is very difficult to assess for the moment, there will probably be some bottlenecks, issues as a result of the trade disruption. Just as there will be some rerouting and redirecting, there will be some supply chain significant changes and that will have also an impact on inflation, more likely to be inflationary than disinflationary. So it's not just, you know, trade one way retaliation in response, but it's also the rerouting, the redirecting the supply chain, disruption, the bottlenecks that will all come together to impact prices.

You Could Argue That We Are On Hold

Q: 1) Can you explain why the ECB held today? 2) Donald Trump called the signing into law of the genius act on US dollar pegged payment stable coins, a giant step to cement American dominance of global finance. But on monetary policy, there is a concern that the growth of stable coins would have an impact on the short term rates in the US because of how much t-bills are going to be used as a peg to the stable coins. Do you share these concerns?

A: 1) We have left our rates unchanged. And you could argue that we are on hold. We are in this wait and watch situation, and any monetary policy decision will for the future be decided on the basis of data will be decided meeting by meeting is not predetermined by any particular path. I think that the jury is out as to how quickly the uncertainty will be cleared under present circumstances. So a large part of that uncertainty is itself caused by trade and tariffs, as well as non tariff barriers. By the way, it's tariff barriers and non tariff barriers which obviously matter that has an impact. The uncertainty in and of itself, is also playing a role in relation to the level of risk that we see. So it's trade related, caused by tariffs and non tariff fear or expectations, depending on how you look at it, and it's the overall uncertainty about the outcome which obviously induces different behavior on the part of consumers and investors.

2) On the genius act. First point I would make is that having a legal framework helps understanding what the risks, benefit and prospects are for these instruments. Number two, I think that it's a little bit early in the process to really have a clear and good understanding of what the consequences will be. Number three, we have to be focused on what we do here at home in Europe. We have to make sure that we are strong in terms of currency issuance protection. We are the curator of the euro, and we are ultimately focused on that. So of course, we are mindful of what's happening elsewhere, what the dangers could be, but we have to make sure that at home, we take all the necessary measure measures at to protect and preserve our currency, and in that respect. We are very decisively focused on developing the digital euro.

The decision was unanimous, doesn't swell on question about rate hikes

Q: 1) Isabel Schnabel commented a few weeks ago that the bar for further rate cut is very high. Do you share that view, or do you have a different view on that?

2) If the trade tensions are resolved quickly could we relatively soon talk about move being a rate hike? Do you think that's a relevant framework at the moment, or is this not relevant from your point of view?

A: You know each and every executive board members and each and every governor has their preference and their views, and I think it is the beauty of this institution to allow for diversity of viewpoints and for allowing the expression of those viewpoints. Now my job as President of the ECB is to harness all the views of the governing council members and on the basis of our staff work projections proposals, to elicit as large a majority view as is possible. That's my job. So what I can tell you, as far as today is concerned, is that the decision to keep interest rates unchanged was a unanimous decision.

I can also tell you that the risk assessment, which is nicely spelled out in the monetary policy statement, was broadly shared by members of the governing council now as to future path. I think it's also widely shared by members of the governing council that we have to work on the basis of the data as they come in that we have to decide meeting by meeting, and that to predetermine a path or preset the level or the material and significant development that would trigger one thing or the other is prospective and not part of the job that I do okay. I think my response is clear enough.

2) If the trade tensions are resolved quickly could we relatively soon talk about move being a rate hike? Do you think that's a relevant framework at the moment, or is this not relevant from your point of view? Thanks.

Look, if trade tensions are resolved in short order, it will clear some of the uncertainty that we have weighing on the decision making of consumers, of investors, of enterprises, and it will, of course, help us as well anticipate and model what the outcome of those tariffs will be. Could it lead to different movements? Future will tell. Our work will tell. I would not exclude anything for sure.

Still Plenty Of Liquidity In the System

Question from Santi Pinol at MNI: We are now less than a year from the time when Reserve are expected to slip from excess to ample. My question is, are you happy that banks are in a position to deal with the reduced reserve, and is the ECB happy that all the tools are in place for any early signs to stress in the interbank market?

A: Well, first of all, there is still plenty of liquidity in the system. The volume has reduced over the course of time, and it has reduced as a result of the reimbursement of TLTRO, which is now completed.

- It has reduced as a result of the discontinuation of reinvestment under the APP first and under the PEPP second. But despite that, and the fact that our balance sheet reduces on a monthly basis regularly, predictably, the volume of liquidity in the system is still north of 2 trillion euros.
- So to talk about limited liquidity in the system, I think, is not the appropriate characterization. There is still plenty of liquidity added, to which there is probably more liquidity in the system than we had anticipated, because there has been less demand for bank notes, and that has an impact.
- And there are other technical reasons, caused by the fact that governments eventually moved their own reserves away from the central bank to put them to better use somewhere else, which has, as a result, increased the volume of liquidity out there, but liquidity abound.

Q: 1) The EPP lawmaker Fernando Navarrete, the parliament point man for the digital Euro, told politically in an interview this week that the digital euro is a nuclear threat to force banks to act. Do you agree with the statement? 2) On the strategy review, some analysts say that the bar for QE is now higher. Do you agree with this, and do you think it will have any influence on next year's assessment of the operational framework?

A: The latter one I'm not going to address, actually, because you are jumping ahead. We have a review of the operational framework that will come in due course in 2026 so we'll take those matters as they come. The operational framework has been approved a few months ago. We shall see when we reassess in due course and in due time, that is in 2026.

- You know, I have a pretty simple understanding of what the digital euro is - digital expression of cash. Cash is sovereign money. But as technologies evolve over the course of time, and as the preference for payment evolves as a result, we need to respond to the demand of our European compatriots. And I see digital Euro has the digital expression of cash. It's like digital cash. You can argue at the margin that, in terms of absolute privacy, we're not exactly on the same page. You could argue that the cost of cash is higher, but in essence, that's what it is.
- So to argue that digital cash is a nuclear bomb, I think that's a little bit over the top. We're not holding nuclear bombs in our pockets, as far as I know.

Re-iterates It's A Good Time To Wait and See Until September

Q: What do you think of market expectations calling for another cut, independent of when it is especially given that the June projections already incorporate one more cut?

A: What I said earlier is still valid. We are in a good place. We are well positioned to deal with turbulent waters and to deal with the risks that will develop over the course of the next few months. And I'm here referring particularly, but not only to the risk related to tariffs, but you can include geopolitical risks as well. You can include a vast uncertainty which might partly clear as a result of whatever tariff certainty we receive.

- So we are well positioned. We are in a good place. We have essentially closed that disinflationary cycle that we battled over the last months and which has led us to move from 400bps to 200bps, with eight cuts in a matter of nine months.

- So we are in a good place now to hold and to watch how these risks develop over the course of the next few months. We will have a new projection in September and later on. We're assessing at each monetary policy meetings - we do projections and we publish them on a quarterly basis, but we do that on a regular basis, and we will continue to do that in September, in October, in December, and on and on.
- And it's on the basis of that work that the Governing Council will decide what is the appropriate monetary policy, stones, so I cannot tell you much more than that because it's been repeated twice in the monetary policy statement. I've tried to avoid repeating it too much, but our collective determination is number one, keep inflation at 2% medium term target. Number two, operate on a meeting-by-meeting basis. Number three, be data dependent, and there will be plenty of that in the coming months, and not have any kind of pre-determined rate path. Some people would like it. That is not possible under the current circumstances. But as I said, we are well positioned to wait and see.

And with that, I wish you all a nice wait and see holiday and I hope that you take time to rest, enjoy family moments, friend moments, and have a good time in this in this uncertain world. Thank you so much.

Media Post-ECB Sources Pieces:

ECB Officials Say Those Seeking Another Rate Cut Face A Battle - Bloomberg

[Bloomberg](#) reports that "European Central Bank policymakers pushing for another reduction in interest rates face an uphill battle, according to people familiar with the matter".

"A hold looks like the baseline for September after eight cuts since June 2024, the people said, asking not to be identified revealing private discussions. Some suggested that the onus is on those seeking further easing to justify their stance, rather than those opposed to more action having to make their case."

"Given what can still happen with US tariffs before and after an Aug. 1 deadline for talks to conclude, the people highlighted that views can still shift."

ECB Policymakers Set High Bar For September Rate Cut - Reuters

[Reuters](#) reports that "European Central Bank policymakers are setting a high bar for an interest rate cut in September and they would need to see a significant deterioration in growth and inflation before backing further easing, two sources told Reuters".

"The European Central Bank left interest rates unchanged on Thursday after cutting eight times in a year, biding its time while Brussels and Washington try to negotiate a trade deal that could ease persistent uncertainty over tariffs."

"But sources at the meeting said that policymakers would not be spurred into action by the mere announcement of U.S. duties on European Union imports."

"Instead, they would need to see an actual weakening in the inflation and growth data as well as lower projections from ECB staff in September if they are to back a rate cut."

Analyst View Changes:

Commerzbank Remove Call For Additional Rate Cut

In the wake of today's ECB decision Commerzbank note that "Lagarde's statements now make it seem more likely that the ECB will not cut its key interest rates again at the next meeting in September. We are revising our forecast and now expect an unchanged deposit rate of 2.0% for the rest of this year and for 2026".

In terms of specifics, they note that:

- "Lagarde downplayed that inflation will soon fall below the 2% mark. She stated that this is merely due to base effects and had already been forecast by the ECB. The ECB would not be influenced by such "minor deviations", even if "two or three" Council members saw it differently. This was a surprisingly clear rebuff to the doves on the ECB Council".
- "In response to a journalist's question, Lagarde even did not rule out a possible future discussion about higher key interest rates. She could have answered evasively, saying that such a question is not currently relevant."

RBC Drop Final ECB Cut, See Debate About Hikes Developing

- RBC write that the ECB "surprised with a more hawkish press conference than the market was positioned for."
- "Most importantly, Lagarde sounded notably constructive on euro area growth and signaled clearly that the ECB is prepared to look through temporary inflation weakness."
- "We are now changing our ECB call to no further rate cuts with a terminal rate at 2%. The main risk is a major escalation in the EU-US trade war."
- "With still close to a full rate cut priced, we see risks of further reduction in the coming weeks and even a debate about rate hikes developing. We have been running Euribor curve steepeners for some time and reiterate that those appear attractive going into the end of the cutting cycle."

We'll follow up with a full review of analyst rate expectations tomorrow.