FOMC

- Core issue for this meeting: Will the policy emphasis already shift from market functioning to long term stimulus?
- L/t stimulus measures may include a sizeable explicit QE pace, aggressive forward guidance and YCC.
- The analyst consensus expects signals that such shifts are forthcoming at the June meeting.
- In my experience, these sorts of ‘waiting’ views are typically mistaken. However, the Chair has communicated that the current policy stance is appropriate ‘for the next few months’ so this week is likely to be an exception to my rule that CBs don’t wait.
- The press conference should nevertheless be decidedly dovish. The Chair will make clear that the Fed has more tools at its disposal including more QE, forward guidance, the capacity to enhance already announced credit programs and the ability to move at any time. I expect YCC to be described as a future possibility.

Panel expectations for the April meeting	QE		Forward	YCC	IOER(3)
	Pace, month	Language(1)	guidance(2)		
Mike Feroli (JP Morgan)	Flexible	Unchanged	Unchanged	No	Unchanged
David Mericle/David Choic (GS)	Flexible	Unchanged	Unchanged	No	Unchanged
Matt Luzzetti (DB)	Flexible	Unchanged	Unchanged	No	Unchanged
Krishna Guha (ISI)	Flexible	Unchanged	Unchanged	No	n/a
Lewis Alexander (Nomura)	"signal" slower pace	"prepared to expand"	Unchanged	No	Unchanged
Ellen Zentner (MS)	$150bn/month	Unchanged	Unchanged	No	Yes

1) Current language: "The Federal Reserve will continue to purchase Treasury securities and agency mortgage-backed securities in the amounts needed to support smooth market functioning and effective transmission of monetary policy to broader financial conditions."

2) "The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals."

3) All surveyed consider this a close call.

ECB

- Core issue for this meeting: Will ECB expand and modify its tools or wait to June?
- The sharp economic deterioration and increased deflation risks since the March decision calls for greater policy responses (time, size, targets).
- The PEPP program, rather than the APP, is the focal point due to its flexibility; its design allows significant upsizing. It can be upsized and broadened. Reinvestment can and issuer limits can be clarified.
- The depo rate should be left unchanged; it is not the right tool during a lock down.
- The median analyst expects easing measures to be announced in June; more will be known by then and it is politically valuable to wait until the Eurogroup has agreed on the ERF in more detail.
- However, if ECB waits they may lose the expectations game and trigger disappointments in financial markets. To act now show resolute leadership; crucial given the confidence shock. I expect the proactive argument to win out, meaning ECB will provide some tangible further easing already this week. Lagarde’s communication has been emphatically dovish in recent weeks; it is safe to expect that to continue this week.

Panel expectations for the April meeting		QE		Forward	Capital	Tiering	TLTRO
	Refi rate	PEPP	APP				
Greg Fuzesi (JP Morgan)	Unchanged	Unchanged	Unchanged	Unchanged	n/a	n/a	n/a
Mark Wall (DB)	Unchanged	Unchanged	Unchanged	Unchanged	Unchanged	Increase multiplier	May upsize & remove lendig benchmark
Jacob Nell (Morgan Stanley)	Unchanged	Signal future upsize	Unchanged	n/a	n/a	n/a	n/a
Frederik Ducrozet (Pictet)	Unchanged	Signal future upsize	Unchanged	Unchanged	Unchanged	Unchanged	Remove lending bench mark, cut minimum rate
Krishna Guha (ECB)	Unchanged	Upsize 0.5-1.0 trln	Unchanged	Unchanged	Unchanged	n/a	n/a