

Economic Alert iQ



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International

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European Central Bank cuts rates, expands asset-buying program

- The European Central Bank today announced its decision to cut its key lending rate to zero, push its deposit rate further into negative territory and significantly expand the size and scope of its asset-buying program.
- The meeting comes at a time when investors have been questioning the ability of central banks to boost growth and inflation. Headline euro zone inflation fell back into negative territory in February, weighed down in part by a fall in oil prices. Many analysts expect the bank's inflation to fall.
- ECB continues to be challenged in achieving its medium-term target inflation of close to 2%. This may require structural reforms from Eurozone governments, in improving the flexibility of their labor markets, among other measures.
- ECB policy makers cut the bank's key lending rate, known as the refinancing rate, to zero from 0.05% and adjusted the rate on its deposit facility to -0.4% from -0.3%.
- The central bank also announced it would expand the size of its monthly bond purchases to 80 billion euros from its current level of 60 billion euros beginning in April 2016 and would include purchases of investment-grade, euro-denominated, non-bank corporate bonds.
- The ECB also said it would launch a new series of longer-term refinancing operations with maturities of four years.
- At the time of writing, the Stoxx Europe 600 Index was up 2.22% while the Euro fell against the dollar by -0.49%.

Stoxx Europe 600 Index

Over the past five days



Source: WSJ Market Data Group



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