

# Monetary Policy: What if the ECB stopped reinvestment in sync with the Fed?

## US Federal Reserve (Fed)



The US Fed laid out its normalization strategy: start with tapering Quantitative Easing (QE), followed by interest-rate hikes and, most recently, downsizing its balance sheet.



\$ 10bn

Monthly cap rising to 50 bn over one year



\$ 2.25tn

Fed balance sheet end 2021



4 years

Unwinding could last Oct 2017–2021

## European Central Bank (ECB)



We estimate that the ECB's bond-purchasing program will be tapered as of early 2018. But what if the ECB opted to stop reinvesting the principal of maturing bonds? Could it time its "soft tapering" alongside the Fed's shrinking of balance sheet?



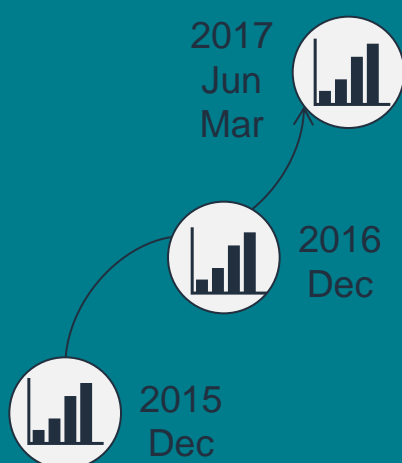
€ 11bn

Average monthly amount of maturing bonds eligible in 2018 for reinvestment for the main four QE-countries

According to our calculations, in 2018 rolling over for Germany, France, Italy and Spain will sum up to around € 135bn, namely more than two months of current QE total bond purchases.

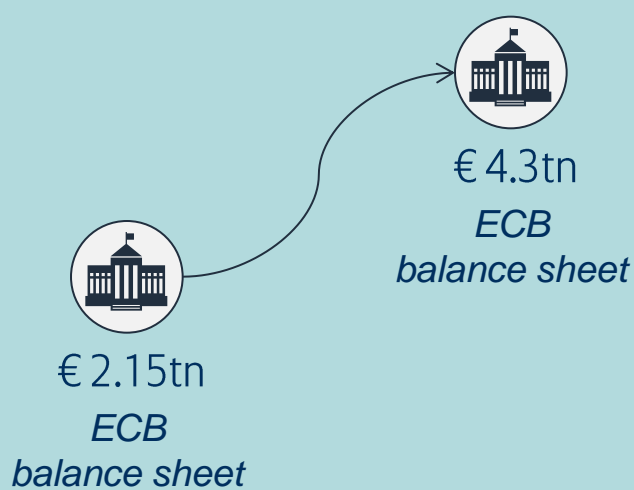
2017 and beyond

## Fed interest-rate hikes



2015 - 2017

## ECB Quantitative Easing



2015 - 2017

## Fed Quantitative Easing



2009 - 2014