
ECB OPENS DOOR FOR MORE QE

Wisdomtree EU
14 Jun 2019

On last week's podcast we had the opportunity to catch up with Professor Jeremy Siegel on his reaction to the employment report and get a take on European economic developments and the European Central Bank (ECB) meeting with Frederik Ducrozet, an economist at the Pictet Group.

Ducrozet pointed out one of most interesting market dynamics to him is the 'term premium' in the bond market and how it reached an all-time low of negative 90 basis points. Ducrozet thinks this unprecedented low term premium is predicting something major from central banks—perhaps another bout of Quantitative Easing (QE) next year.

Ducrozet also suggested it goes both ways and that the market may force central banks to do more QE.

We are not at that stage yet – but if inflation expectations continue to progress downward – it could trigger the ECB to launch another round of QE.

We also discussed the ECB negative rate policy, which Ducrozet does not like. Ducrozet is worried about their impact on the banks but there are recent working papers the ECB released showing negative rates are helping the economy. Yet ECB's president Mario Draghi also hinted in his comments that if the ECB were to lower rates further into negative territory, it is possible there would be more support measures for banks like a tiering of negative rates that Switzerland applies.

We discussed whether this lower rate regime created opportunities in the equity world. Ducrozet does believe many big investors have capitulated.

We see this in broad flows of global investors to Europe. They have been continually negative. At some point the negative sentiment might start to improve with much of the capitulation having come out—creating a good time to buy. This is a trend I will be watching closely as some of the relative out performance of US over European assets extends into extreme territory.

To listen to full conversation, which includes an opening from Professor Siegel on his outlook for the markets and the Federal Reserve, please click on the link below.

Related products

- + [Factor investing as an edge](#)
- + [Talking commodities with Nitesh Shah](#)

View the online version of this article [here](#).

Important Information

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.