



Market SitRep

Buying Spree



Topics

- ECB Buying Spree
- Belgian Equities
- Bad News Is Good News



ECB Buying Spree

Monetary Experiments

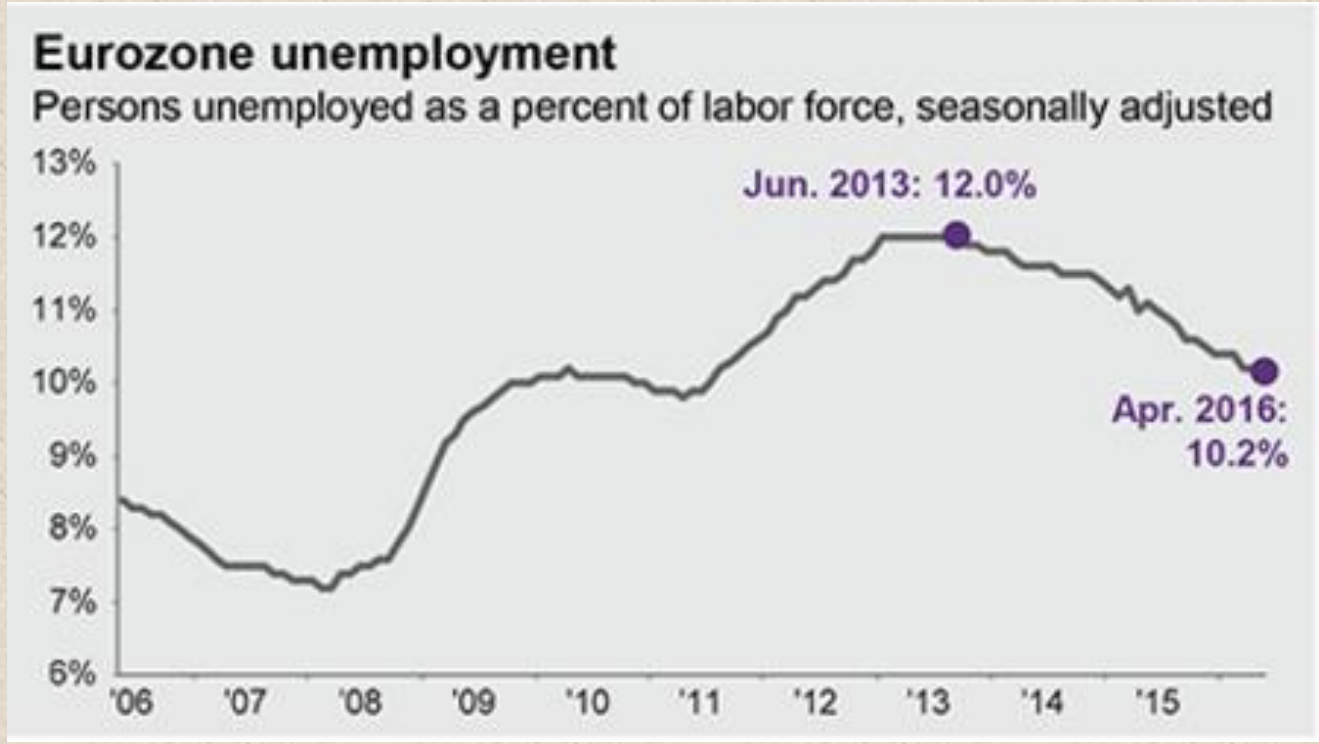


“Our task is not to maximise the chances of price stability, under the constraint of not creating side effects. There are always side effects to monetary policy. And we are not at liberty to choose to fail our mandate.” - Draghi



Why Experiment?

- Cause of this...



Asset Purchases

- In March of this year the ECB decided to increase asset purchases from 60 billion euros a month to 80 billion euros a month
- They also added **corporate bond** buying which started on June 8

Specifics

- The ECB has said that they will buy investment-grade bonds from companies incorporated in the Eurozone excluding banks
- They can buy up to 70% of a corporate issue
- Of the 80 billion euro a month, analysts think 5-10 billion will go to these corporate bonds



Let The Games Begin

Corporate Borrowing Costs Tumble Below 1% as ECB Purchases Begin

Average yield on investment-grade debt in euros is at lowest in more than a year



Source: Bank of America Merrill Lynch Euro Corporate Index

Bloomberg



Let The Games Begin



Starting Big

- On June 8th the ECB bought big
- Anheuser-Busch InBev 2028 bonds rallied the hardest
- Yields opened at 1.4% and fell to 1.339% by the end of trading

The Risks

- Many investors think that because of ECB buying, corporate bond markets will become so illiquid that they are not tradeable
- But as Draghi said, side effects are not a concern of his...



Belgian Equities

EWK



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BATS:EWK, W 18.37 ▼ -0.44 (-2.34%) O:18.79 H:19.00 L:18.33 C:18.37





Under The Hood of EWK

Ticker	Name	Sector	Country	Weight (%)	Notional Value
ABI	ANHEUSER BUSCH INBEV SA	Consumer Staples	Belgium	22.21	62,361,920.96
KBC	KBC GROEP	Financials	Belgium	7.12	19,985,617.38
DELB	DELHAIZE GROUP	Consumer Staples	Belgium	5.41	15,176,345.49
UCB	UCB SA	Health Care	Belgium	4.57	12,836,494.11
SOLB	SOLVAY SA	Materials	Belgium	4.14	11,612,292.70

ABI

- Anheuser-Busch InBev SA/NV is a multinational Belgian-Brazilian beverage and brewing company headquartered in Leuven, Belgium
- It is the world's largest brewer and has a 25 percent global market share

Pushing On A String

- EWK breakout looks weak
- Further efforts from the ECB are not working anymore
- At this point Europe needs structural reform



DB About To Break Down





Bad News Is Good News Still



Reaction Function



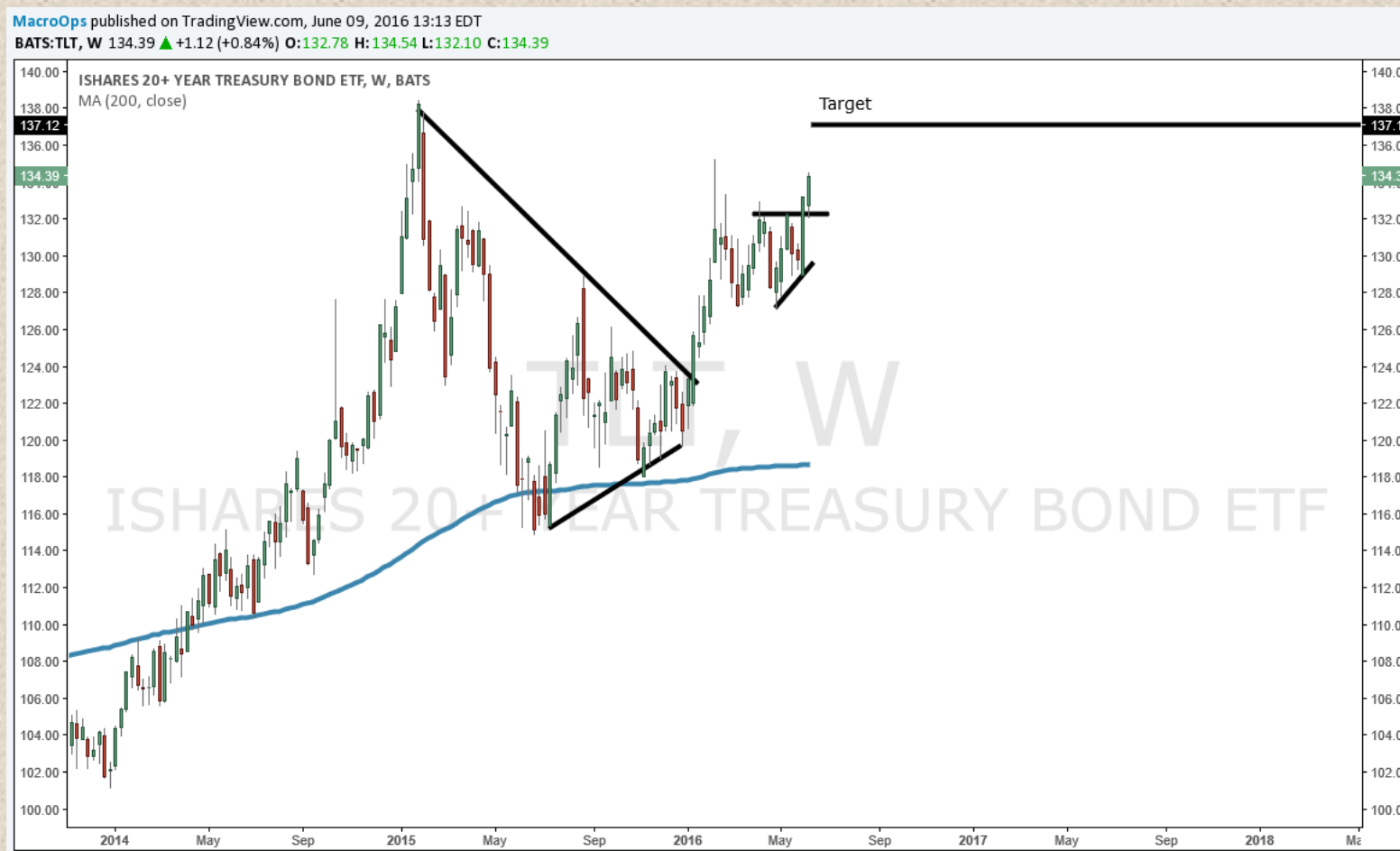


Jobs Number

- Market expected 159,000 added
- Instead it came in at 38,000
- This immediately moved markets

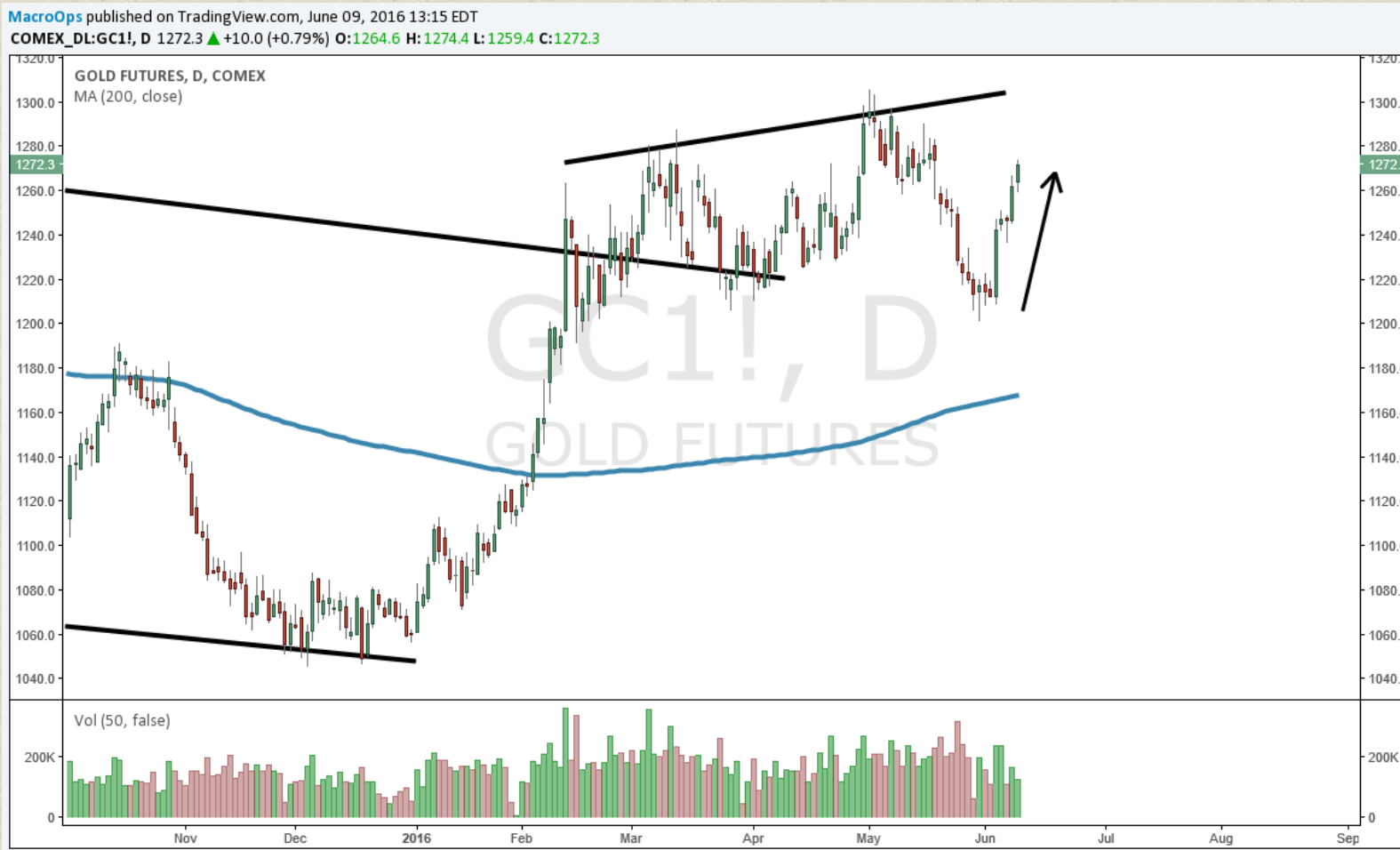


Bonds





Gold

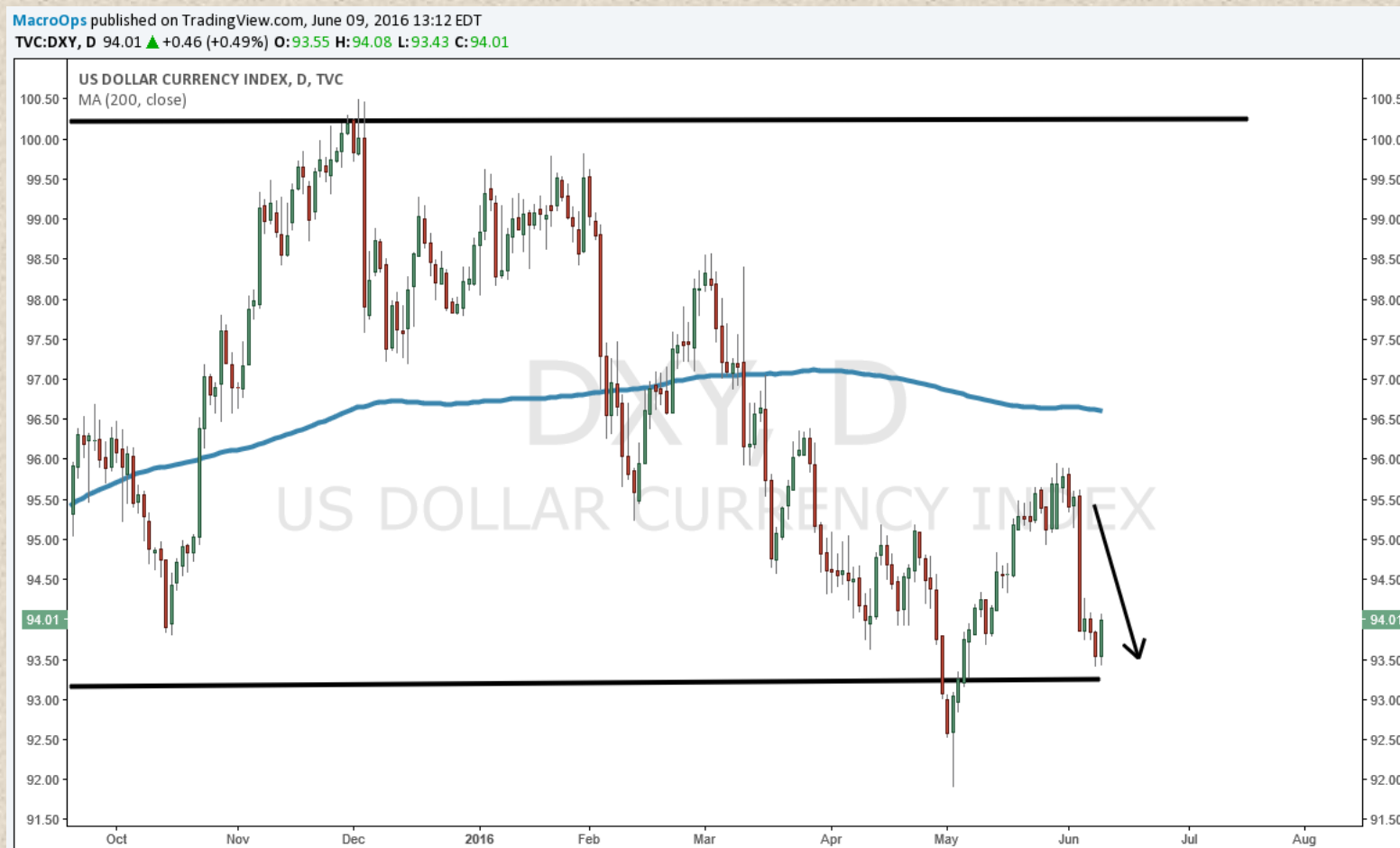


Silver



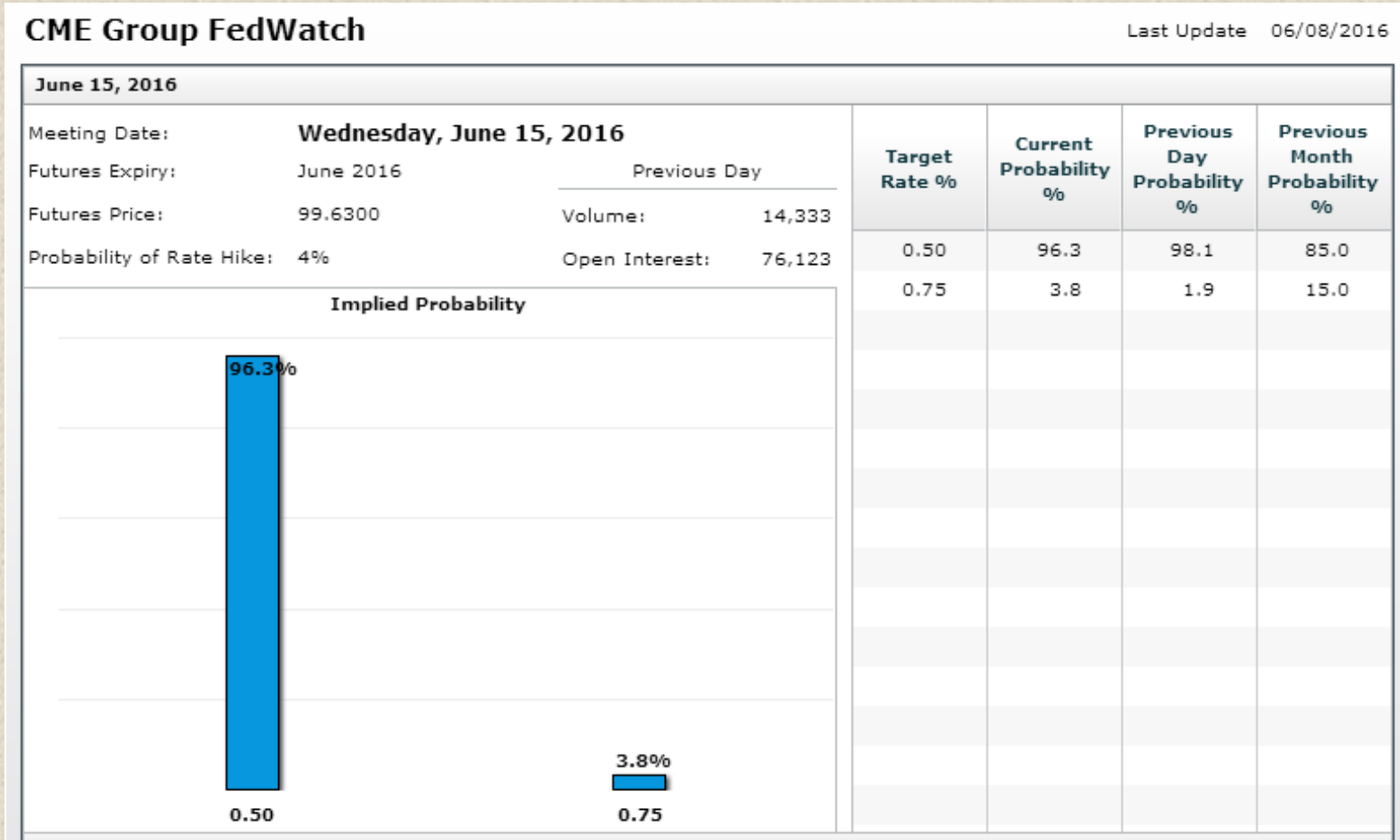


Dollar Index





Hike Off The Table

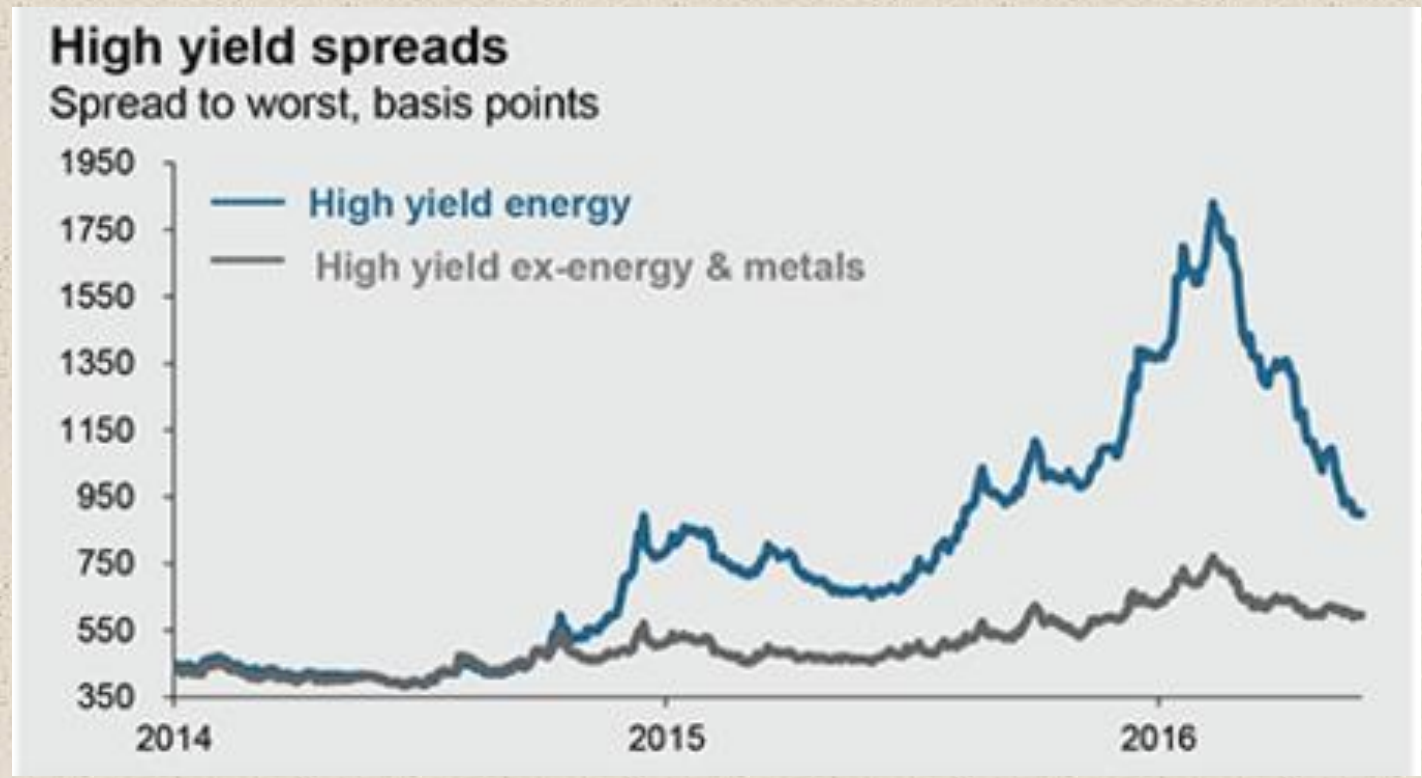


The Narrative

- Until this reaction function and central bank backstop narrative changes assets will continue to stay propped
- For downside to play out in the U.S. we have to see a negative catalyst that changes the narrative



Easier Conditions To Stay?





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