



ECB following the BOJ Lead

We interpret yesterday's ECB policy announcement as an attempt to replicate the Bank of Japan's success in generating positive inflation through a substantial weakening of the currency.

The Bank of Japan balance sheet has increased in size by 80% since November 2012.

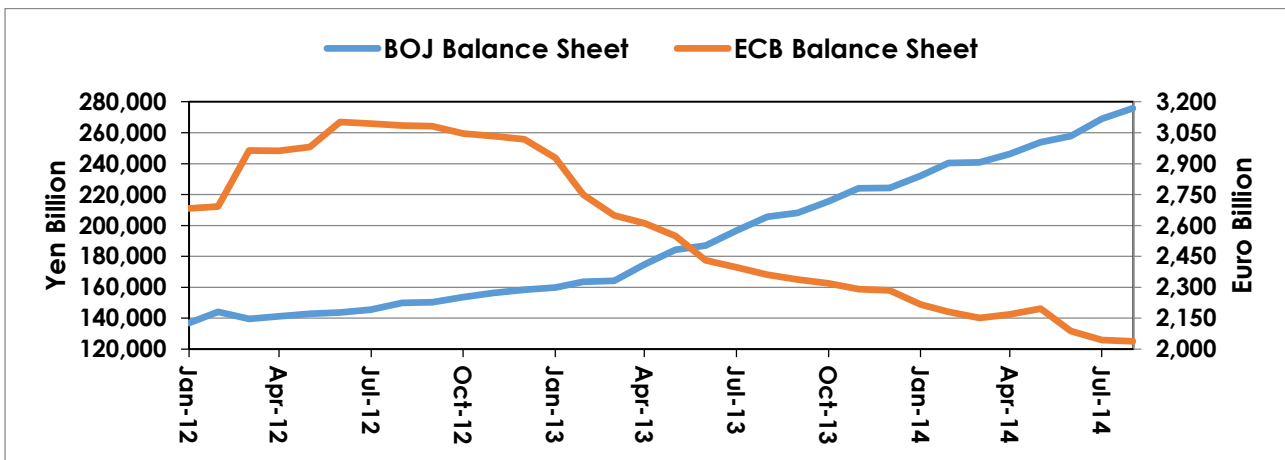
The ECB yesterday indicated a targeted increase in its balance sheet size of 50%.

The scale is smaller but the intent is the same; to weaken the currency.

The trade weighted Yen fell 25% between November 2012 and December 2013.

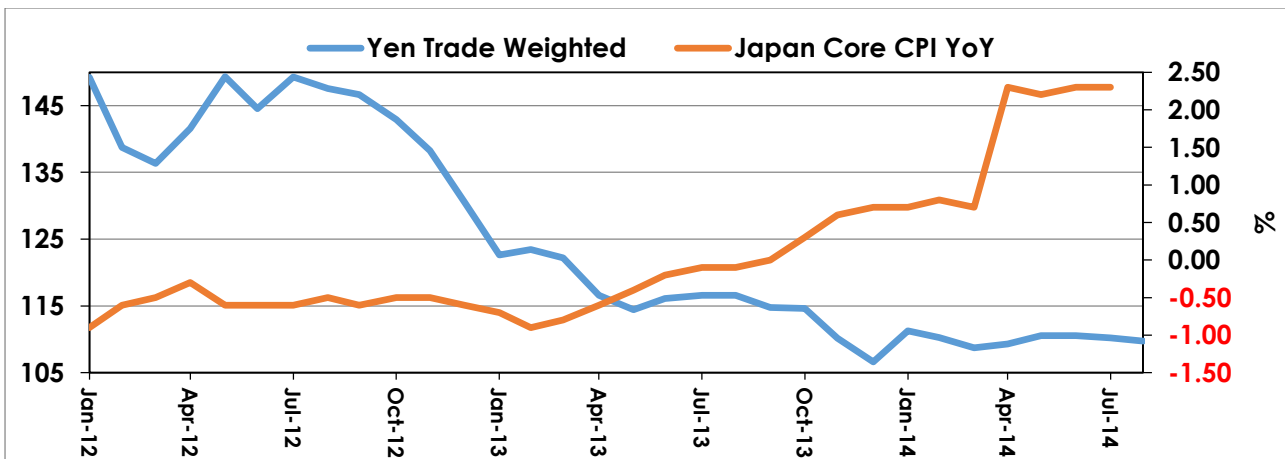
We think the Euro will weaken substantially in coming weeks.

Chart 1: The ECB indicated a targeted balance sheet size of close to early 2012 levels.



Source: Bloomberg

Chart 2: The Bank of Japan have shown the ECB how to generate positive inflation



Source: Bloomberg

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