



(UBS)

# ECB cuts, but cautious on outlook for further easing

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**The European Central Bank (ECB) appeared to signal that an end to the easing cycle could be near, after a widely expected 25-basis-point rate cut at its policy meeting on Thursday.**

Following the ECB's sixth rate cut since June, officials indicated that the monetary policy stance was becoming "meaningfully less restrictive." The seemingly more hawkish tone followed news on Wednesday that Germany's chancellor-in-waiting is planning the largest boost to spending in 80 years, a move which has the potential to lift consumer and business confidence. The cautious tone from the ECB on the pace of further rate reductions may have helped push the euro above 1.08 against the US dollar for the first time since November. The euro has rallied from 1.04 against the US dollar at the start of this week, largely on hopes surrounding the incoming German government's fiscal plans. The ECB meeting came ahead of the week's key data focus for global investors, the US jobs report for February, which could help set the tone for Fed rate expectations in the coming weeks.

*Our view:* While we do not expect the Fed to cut rates in the coming months, we believe the global easing cycle will continue through 2025 in both the US and Europe. The tone from the ECB was less hawkish than it initially appeared, in our view, and our base case is still for a further 50 basis points of easing. President Christine Lagarde pointed to the "phenomenal level of uncertainty" facing the Eurozone economy. On the positive side, Lagarde cited the potential boost to growth and inflation from more expansionary fiscal policy from Germany. On the negative side, she alluded to the risk to growth if trade tensions escalate. The bottom line, in our view, was that the ECB is eager to keep its options open, rather than pointing to a more hawkish stance. So, we continue to expect returns on cash to fall in much of the world, including the Eurozone and US. Against this backdrop, investors should seek more diverse and durable sources of income.

Original report: [Policy uncertainty weighs on stocks, 7 March 2025.](#)

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