Chart Pack for ECB FXCG Meeting
16 March 2021
Everyone’s talking about reflation…

Our scan of FX-related financial media reveals a decline in mentions of Covid (albeit from a very high level) with more attention paid to reflation.

Source: State Street Global Markets, MKT MediaStats
...and buying it
Plenty of room for institutions to add to positions

Consistent flows backing the reflation trade

Positions in riskier assets aren’t that crowded

Source: State Street Global Markets, data as of 8 March 2021
Investor Behaviour in Eurozone Assets and the EUR

Inflows into Eurozone assets look decent but scope for hedging to rise

Sovereign Bond Flows and Holdings

Low BTP Holdings A Very Recent Trend

Equities – not many crowds, inflows into Germany, Spain

EUR – investor positions flipping around

Source: State Street Global Markets, data as of 8 March 2021
Hedge Ratio Estimates – Foreign Holders of EZ Assets

 Desire to hedge EUR risk is low relative to recent history

Source: State Street Global Markets
Hedge Ratio Estimates – Foreign Holders of US Assets

Desire to hedge USD risk is high and rising

Source: State Street Global Markets
Supply chain concerns are largely gone

Our estimate of out-of-stock goods at online retailers show Europe has returned to normal.

All Items Out of Stock - Current Versus Range
Range = (Peak Covid % - Average % Dec 2019-Jan 2020)
Eurozone inflation
Troughing - base effects will help, but sustaining target inflation might be tough

Source: State Street Global Markets, Bloomberg, data as of 7 March 2021