

# The ECB Is Operating QE

The ECB is printing money. It may not yet be directly purchasing sovereign bonds but it is acting as prime broker to the following hedge funds: commercial banks in Italy, Spain, France, Germany, etc etc.

On Dec 14, 2011 it became clear what the ECB's intentions were. Faced with political constraints and bureaucracy regarding its mandate, a desperately practical ECB decided on a course of action to operate debt monetization on a significant scale circumventing the German government's envisaged objections. For the full analysis of the ECB's cunning plan, refer to [The ECB is Ready For QE](#).

To reiterate, the 3 year repo achieves the following:

- Recapitalizes the banks.
- Puts a cap on sovereign yields.
- Supports the coming bond auctions.
- Disengages the cross border holdings of sovereign bonds within the Eurozone.
- Liquefies the money and capital markets.

Is this a good thing? Well, it will create a rally in European equities and bonds. It will cause low quality banks to outperform high quality banks. It will devalue the Euro, which is good for exports, and Europe is a massive link in global trade chains. But it debases the Euro big time. This means that gold and other real assets will rise in Euro terms.

Initially, given the average intelligence of the recreational FX investor, the Euro will rise, so watch out for the volatility.