

Dots & Plots

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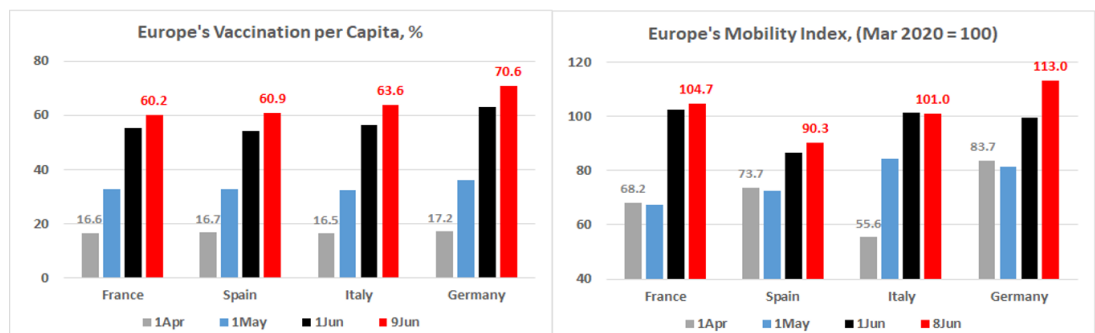
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Jabbed and Ready to Go

Europe's vaccination and mobility rates are on the rise

- The ECB is announcing its monetary policy decision tonight. While there is little expectation that Christine Lagarde and her team would rock the boat by announcing any immediate change to its policies on asset purchases – not to mention its policy rate – the air of anticipation is thicker than before.
- One reason for the excitement is that the Covid-19 situation has gotten under firmer control. Germany, where the ECB is headquartered, is seeing just around 2000 cases, one-tenth of the daily rate when it last met.
- For that, the rapid ramp-up in vaccination over the past few months in most European countries would have played a role. At the start of April, none of the four largest economies there had administered more than 20% of vaccine shots per capita. Since then, however, the rate has shot up to over 60% for them, with Germany leading the gang at 70.6% shots per person.
- Imbued with the confidence that cases have come down, and freshly inoculated with the vaccine shots, Europeans are keen to go out once again. Judging from Apple's data, people in Paris, Madrid, Rome and Berlin are indeed going out in droves – a far cry from just a few months back.
- Hence, the economic outlook for single currency zone has brightened enough for the ECB should be projecting a more sanguine outlook now. Indeed, the odds that Lagarde might whisper about a potential tapering of the PEPP asset purchase program cannot be dismissed altogether, even if the ECB would likely end up dismissing the recent inflation uptick to 2% yoy – compared to its target of “close to, but below 2%” – as being transitory.
- Perhaps the ECB President can politely nudge home the point that the Eurozone's CPI print remains well below that of other developed markets. Indeed, her press conference would start right when the US is likely to report another uptick of its inflation to 4.7% yoy, the highest since 2008.
- For Asia, be it from Europe or the US, the issue of inflation uptick due to a vaccination-driven recovery remains a “rich world's problem.” With Asia's inoculation rates lingering at low levels, the divergence is increasingly hard to bear, especially if the tapering talks heat up further, [as discussed here](#).



Source: OCBC, Bloomberg, Apple. The mobility reading is based on Apple's mobility index for Paris, Madrid, Rome and Berlin.

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