

Yields Move Higher as ECB Signals More Aggressive Unwind

This morning, the European Central Bank (ECB) formally announced it would raise the overnight deposit rate by 25 bps at the July meeting, dragging the key target rate up from -0.50% to -0.25%. The long-delayed and much-anticipated rate increase is expected to be followed by a second hike in September. Although the ECB granted itself latitude on the size of the next increase depending on how inflation evolves, it's almost certain that the days of negative interest rate policy will be ending in Europe. After the September meeting, ECB officials expect *gradual but sustained increases will be appropriate*.

Scott McIntyre

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