

Dear Mustafa,

5th November, 2014

On October 29th the Fed ended its current QE programme. No press conference, no fuss on financial television, no marching band down the valley of Wall Street, just a gentle wave goodbye.

Enter the ECB and the BOJ. The ECB is trying to plot a tricky 'easing course', stuck between Germany's intransigence and the rest of Europe's economic slowdown; the BOJ continues its unique QE exercise.

In order to implement its QE strategy, the ECB cannot take the traditional route of buying sovereign bonds. Instead they shall buy, over 18 months, €1.2 trillion of Asset Backed Securities (ABS), the only current form of Europe-wide bond. To put this plan into perspective the current size of the European ABS market is €400 billion, so in 18 months it will have tripled. This will put pressure on the

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Euro and will lure global financial institutions to create a new raft of ABS to tap into this fresh source of liquidity. Plus ça change, plus c'est la meme chose.

The BOJ is set to issue a total of \$750 billion of QE, its second round, over the same time period in order to offset any slowdown from rising consumption taxes. Nido okiru koto-wa sando okiru (what will happen twice, will happen thrice).

Combined together the ECB and the BOJ have morphed to one; the new EJB is the old Fed.

QE is dead....long live QE.

See you very soon - Chris