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# CHANGING SIDES A BANK TITAN'S CONVERSION

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## From a Draghi rally to a Draghi rout

FRANKFURT

### Investors sell heavily as E.C.B. fails to deliver on chief's rescue promise

BY JACK EWING

Maybe this is why central bankers typically don't like to say much.

In what seemed a rare communications blunder by one of Europe's most politically polished technocrats, the president of the European Central

#### NEWS ANALYSIS

Bank, Mario Draghi, set off a market backlash Thursday by investors who were apparently hoping for a bold euro rescue plan but instead heard a general statement of good intentions.

Mr. Draghi signaled that the E.C.B., in what would actually be a marked departure from current policy, was willing to start buying government bonds to hold down the borrowing costs of troubled euro zone countries like Spain. But the bank put the onus on political leaders to move first, and left open some crucial questions about how quickly and forcefully it would seek to tame unruly financial markets.

Coming almost exactly a week after Mr. Draghi incited a market rally by pledging to "do whatever it takes to preserve the euro zone," his admission Thursday that whatever it takes might actually take weeks or months resulted in a Draghi rout.

Stocks indexes started falling quickly and deeply in Europe almost as soon as Mr. Draghi began speaking at a news conference. And the downdraft carried over to Wall Street after the U.S. markets opened. Borrowing costs for Spain and Italy, as measured by the yields on their bonds, spiked back up almost to the levels they were at before the Draghi rally started a week earlier.

"From a communication point of view, he misguided the markets," said Jörg Krämer, chief economist at Commerzbank in Frankfurt. "He raised expectations which he could not fulfill."

Mr. Krämer and other economists had warned in recent days that market expectations were too high following Mr. Draghi's vow in London last week and his assurance that whatever the E.C.B. might be hatching, "it will be enough." And in many respects the bank's

statement Thursday was its strongest declaration yet that it would not tolerate excessive borrowing costs for euro zone countries. It is just that the giddiest of investors were not ready for a return to technospeak. The E.C.B. is prepared to "undertake outright open-market operations of a size adequate to reach its objective," Mr. Draghi said Thursday. Interest rates demanded by investors "that are related to fears of the revers-

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ALEX DOMANSKI/REUTERS

Mario Draghi on Thursday after the European Central Bank meeting in Frankfurt.

### Dashed expectations

Stocks slumped on Thursday as the European Central Bank presented no clear plan to bolster the beleaguered euro bloc.



Source: Bloomberg

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Bailing out banks hasn't ended the crisis. Let's try giving handouts to individuals, Anatole Kaletsky writes. PAGE 18