

PREVIEWS

PBOC LPR (MON): The PBoC will release its Loan Prime Rates (LPRs) next week in a decision that comes amid efforts to balance economic support and manage currency challenges, as the Chinese economy continues to tackle weak consumer demand, deflation, and a troubled property sector. The PBoC is expected to maintain its benchmark lending rates, with the 1-year and 5-year LPRs steady at 3.1% and 3.6%. As a reminder, last month China left its LPRs unchanged and analysts at the time suggested the Federal Reserve's reduced projections for rate cuts in 2025 will have a limited impact on China's monetary policy, though pressure on the yuan could persist. Speaking at the Asia Financial Forum in Hong Kong earlier this week, PBoC Governor Pan outlined the use of tools such as interest rate adjustments and reserve ratio requirements (RRR) to stimulate growth amid geopolitical uncertainties in the run-up to the Trump administration.

NORGES BANK ANNOUNCEMENT (THU): Widely expected to leave rates unchanged at 4.50% (money markets price in a 92% chance of a hold), after standing pat in the December meeting. At that point, the Bank said "the policy rate will most likely be reduced in March 2025"; this was the base case amongst desks, but the explicit guidance was a little dovish on the margin. However, the slightly hawkish accompanying rate forecasts showed the Q4-25 projection at 3.80% (prev. 3.73%), implying a total of three 25bps cuts in 2025 vs a slim probability of four from the prior MPR. In terms of recent data, December's CPI-ATE fell to 2.7% Y/Y (exp. 2.8%, Norges Bank forecast 3%); this remains above target, but SEB highlights that most of the upside can be explained by food and rents. Overall, SEB believes that the inflation data should not shift the dial too much for a first cut to be delivered in March, but analysts continue to see downside risks to the Norges Bank's forecast in 2025. On FX, the NOK has strengthened a touch with EUR/NOK slipping from 11.7879 (December meeting) to current levels around 11.7050.

CBRT ANNOUNCEMENT (THU): It is widely expected that the CBRT will once again cut its policy rate by 250bps, taking the rate to 45% from the current 47.50%. Consensus sees a 250bps move, aligned with market pricing - which shows a 99% chance of such a cut. All 13 analysts polled by Reuters also expect a cut. Bank of America expects the policy rate to be reduced by 250bps, and the rate to be lowered to 30% by the end of 2025 through cuts over the year in 250bp increments. At the last meeting, the Central Bank signalled it would be taking a meeting-by-meeting basis, with no predetermined cycle. Around this time, Turkey's President, Erdogan, said there would be "more interest rate cuts in 2025". Recent commentary expressed that if inflation data surprises on the upside, the CBRT could reduce its steps or pause cutting at any point. December inflation data was supportive of further easing. The print for December was lower than expected, posting a surprising 1.03%, compared to an expected 1.6%. The downtick was supported by the subsidising of food prices and services inflation.

BOJ ANNOUNCEMENT (FRI): The BoJ will hold a two-day policy meeting next week which is seen as a live meeting where the central bank will decide whether to raise its rates from the current 0.25% level with a recent Reuters poll showing nearly two-thirds of economists surveyed expect the BoJ to hike rates, while money markets are pricing around an 80% chance of a 25bps increase. As a reminder, the BoJ provided no surprises at the last meeting in December as it maintained its rate as expected via an 8-1 vote with Board Member Tamura the dissenter who called for a 25bps hike to 0.50%. Nonetheless, BoJ Governor Ueda's comments at the post-meeting press conference didn't suggest any urgency for an immediate hike as he responded when asked about skipping a hike in December, that they determined that more information was required to gauge wage trends and the decision was mainly based on the assessment of wage trends, uncertainties of overseas economy and the next US administration. He also noted the January decision would be "holistic" with data available at that point and noted they couldn't at that point really predict what wage trends will be in January. Furthermore, he said they need "one more notch" to decide on tightening for the next rate hike and that it was hard to say if the January Outlook Report and various info are sufficient as "one more notch". Ueda also stated that they want to see this year's wage negotiation momentum and need to gauge the situation for quite a while with considerable time needed to see the full picture of wage hikes and Trump policies. Nonetheless, the risk of a hike at the upcoming meeting has since increased with Japanese yields climbing to fresh highs last seen more than a decade ago including the 40-year which rose to its highest since its inception in 2007 after a previous source report that the BoJ is said to be mulling the rate decision for January and considers upgrading core-core inflation forecasts for FY24 and FY25, although the report added that no decision has been made on raising rates and the BoJ intends to wait until the very last moment before deciding on increasing rates. There was also a more recent report that the BoJ is said to see a good chance of a January hike barring any major market rout following the Trump inauguration, while the latest rhetoric from officials also suggests that the upcoming meeting is live. Aside from deciding on whether to hike rates, the BoJ will also release its Outlook Report containing Board Members' median forecasts for Real GDP and Core CPI, with officials said to be mulling upgrading their inflation forecasts although this wouldn't be much of a surprise given the acceleration in the latest Nationwide Core CPI reading which rose to 2.7% vs Exp. 2.6% from 2.3%.

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BOK POLICY REVIEW: BoK maintained its base rate at 3.0% (exp. 25bps cut) with the decision not unanimous as board member Shin dissented and wanted a cut, while it announced it is to expand the cap on the temporary special loan for small to medium businesses to KRW 14tn. BoK said it will determine the timing and pace of any further base rate cuts to mitigate downside risks to economic growth, as well as noted that South Korean consumption weakened, construction investment has been sluggish and economic growth is slow. BoK Governor Rhee's language was dovish as he stated the need for further cuts is higher now that downside risks to economic growth have heightened and that all board members said a rate cut would be necessary but took consideration of dollar-won FX rates fluctuating due to political turmoil. Rhee also stated that six board members said they are open to rate cuts in the three-month ahead window, while he added it would be appropriate to wait until domestic political turmoil stabilises, and some certainty comes from the new US administration before changing policies. Furthermore, Rhee said Thursday's rate decision was not because dollar-won rates are at a certain level, but because political uncertainties have been impacting the FX rates.

