Week Ahead: 4-10th October 2025

Highlights include FOMC Minutes, ECB Minutes, RBNZ, Canada jobs, OPEC+, Japan LDP leadership election

- **SAT**: Japanese LDP Leadership Election
- **SUN**: OPEC+ Meeting
- **MON**: EZ Construction PMI (Sep), Sentix (Oct), US Employment Trends (Sep), New Zealand NZIER (Q3)
- **TUE**: EIA STEO; German Industrial Orders (Aug), US International Trade (Aug), Canadian Trade Balance (Aug), Ivey PMI (Sep), Chinese FX Reserves (Sep)
- **WED**: RBNZ & NBP Policy Announcements, FOMC Minutes (Sep), BoJ's Ueda; Japanese Overtime Pay (Aug), Swedish CPIF Flash (Sep)
- **THU**: ECB Minutes (Sep), Eurogroup Meeting; German Trade Balance (Aug), US Weekly Claims (TBC)
- **FRI**: Norwegian CPI (Aug), Canadian Employment Report (Sep), US Uni. of Michigan Prelim. (Oct),Chinese M2/New Yuan Loans (Sep)

JAPAN LDP LEADERSHIP ELECTION (SAT): The Liberal Democratic Party (LDP) will elect its new president on 4th October, following PM Ishiba's resignation on 7th September. The winner is expected to become Japan's next PM when the Diet votes in mid-October. First-round results are due at around 14:10 JST (06:10 BST / 01:10 ET), with a run-off expected around 15:20 JST (07:20 BST / 02:20 ET) if no candidate secures a majority. Five candidates are standing—Shinjiro Koizumi, Sanae Takaichi, Yoshimasa Hayashi, Toshimitsu Motegi, and Takayuki Kobayashi—though desks broadly expect a Koizumi–Takaichi run-off. Koizumi, presenting himself as a reformist and fiscally prudent, is seen as yen- and JGB-supportive but equity-neutral. Takaichi is running on a conservative, expansionary platform, pledging higher defence spending and a more accommodative stance; this is viewed as equity-positive, particularly for defence, nuclear and tech sectors, but negative for JPY and JGBs due to increased issuance risks. Polling underscores the two-way race: a Kyodo survey (11–12 Sept) put Takaichi at 28.0%, Koizumi at 22.5%, and Hayashi at 11.4%, while a Nikkei poll in August on prime minister suitability showed Takaichi at 23% and Koizumi at 22%.

OPEC+ MEETING (SUN): OPEC+ is set to meet on October 5th, with attention firmly on whether the group accelerates the pace of unwinding its existing production curbs. Reports in recent days suggested Saudi Arabia and its partners are considering fast-tracking the return of the remaining 1.66mln BPD tranche in larger increments, with proposals including three monthly instalments of around 500k BPD each (BBG). Other sources cited by Reuters flagged that the eight core producers could agree to a November hike of between 274–411k BPD, two to three times the October increase, while some suggestions pointed to as much as 500k BPD. However, the OPEC Secretariat has denied these reports, calling them "inaccurate and misleading" and stressing that discussions among ministers have not yet begun. Desks highlight that Saudi Arabia's push to restore market share is central to the debate, with analysts noting that higher-cost US shale producers could be pressured should OPEC+ accelerate supply additions. Separately, compensation remains a key issue, with Russia, Iraq, the UAE, Kuwait, Kazakhstan, and Oman submitting updated schedules to offset prior overproduction. The bulk of the required cuts are to come from Kazakhstan, with ~2.9mln BPD in adjustments due by June 2026, while Iraq's plan covers ~1.24mln BPD. Compliance discussions at the JMMC this week underscored the need for full adherence to output agreements. Market context has also shifted with the resumption of Kurdish crude exports via Turkey after a 2-and-a-half-year hiatus, which analysts suggest further tilts the balance towards oversupply. Meanwhile, geopolitical risks remain in the backdrop, with Ukrainian drone strikes on Russian refineries offsetting some of the bearish pressure from prospective OPEC+ supply hikes and resurgent US output, which hit a record 13.64mln BPD in July. Desks broadly flag that while all options remain on the table, an accelerated unwind of cuts—potentially at a scale of 500k BPD—would add to an already fragile oil market backdrop.

RBNZ POLICY ANNOUNCEMENT (WED): The RBNZ is expected to lower the Official Cash Rate at its 8th October meeting, though the scale of easing remains in debate. A Reuters poll found that 15 of 26 economists expect a 25bp cut to 2.75%, while 11 look for a larger 50bp move. Market pricing currently leans towards a 25bp reduction, though desks highlight risks are skewed to a more aggressive step, with pricing currently placing a 44.5% chance of a 50bps cut and a 55.5% chance of a 25bps reduction. Westpac and Capital Economics both forecast a 50bp cut, taking the OCR to 2.50%, arguing that the MPC should deliver a "circuit-breaking" move to a more stimulatory stance in order to support activity ahead of the Christmas and summer trading period. Westpac notes that the June quarter GDP contraction of -0.9% Q/Q was materially weaker than the RBNZ's August MPS forecast (-0.3%), leaving a larger-than-expected negative output gap. The desk also highlights the shift in MPC composition, with the departure of its most hawkish member (Buckle) potentially tilting the balance toward a bolder easing. By contrast, ANZ, BNZ and Nomura lean towards a 25bp move, citing the risk of overshooting late in the easing cycle. ANZ argues that "you don't normally speed up going into a turn," preferring a dovish 25bp cut now with scope to move further in November.

FOMC MINUTES (WED): At its September meeting, the FOMC cut rates by 25bps to 4.00-4.25%, citing a shift in risk balance. Bowman and Waller joined the consensus, calling for a 25bps reduction; new Governor Miran dissented, preferring a larger 50bps cut. The updated projections showed nine of 19 officials see two additional cuts in 2025, two see one cut, and six see no more reductions. Note, one member sees rates 25bps above the current target, while Miran pencilled in a rate of 2.75-3.00% by year-end, 125bps below current levels. Within the statement, guidance was tweaked to state that "in considering additional adjustments to the target range for the federal funds rate..." from "in considering the extent and timing of additional adjustments to the target range for the federal funds rate...". It also tweaked its labour market view, downgrading language (no longer seen as 'solid', unemployment has edged up but 'remains low' and adds that 'job gains have slowed'). This year's unemployment rate forecast, PCE and core PCE were unchanged; for next year, unemployment was revised lower, PCE and core PCE were raised (the statement notes that inflation has moved up and remains 'elevated'). At his post-meeting press conference, Chair Powell characterised the rate cut as a risk management decision, responding to meaningful downside risks to the labour market, but stressed that he does not feel the need to move quickly on rates. The labour market is cooling, and now policymakers are turning their attention to that side of the mandate. Powell said that moving rates down slightly supports a more neutral policy stance and balances risks to employment and inflation. He said support for the reduction was broad but not unanimous, and almost everyone supported today's cut, showing a high degree of unity on acting cautiously. The Fed Chair emphasised a meeting-by-meeting approach, guided by incoming data, and noted that markets are pricing in a path of cuts, but the Fed is focused on the data rather than market expectations. Future cuts will depend on labour market developments and inflation trajectory. Powell reaffirmed a strong commitment to Fed independence and stressed decisions are data-driven, not political. He welcomed new Committee member Miran and noted that decisions require persuasion based on evidence, not individual preferences. Powell has spoken again after the FOMC meeting and said the Committee will continue balancing high inflation risks against a slowing job market in upcoming rate decisions, maintaining flexibility rather than a preset path. He acknowledged modest job growth and elevated inflation, noting tariffs contribute to prices, while stressing the Fed's role in stabilising the economy amid institutional trust erosion. A wave of decent US economic data before the government shutdown has seen dovish Fed pricing pare back - markets are discounting a 25bps reduction at the October meeting, although are 50/50 on whether it will follow with a third 25bps cut by the end of the year. The government shutdown is seen as complicating the Fed's data-dependent policy approach, with key employment and inflation releases (including weekly jobless claims, September payrolls, and CPI reports) delayed; analysts say this could cloud judgment for the October FOMC meeting, increasing uncertainty over further rate cuts amid the Committee's divided views on inflation, GDP growth, and labour market resilience.

ECB MINUTES (THU): As expected, the ECB opted to stand pat on policy by holding the Deposit rate at 2%. Also in-fitting with consensus, the statement reiterated that policymakers will maintain their meeting-by-meeting and data-dependent approach, whilst not pre-committing to a particular policy path. As such, attention turned to the accompanying macro projections, which saw the 2026 inflation forecast only revised up to 1.7% from 1.6%; consensus looked for a more notable upgrade to 1.9%. This elicited a dovish reaction in markets with the forecast suggesting that the ECB may need to loosen policy further in order to avoid a policy undershoot. However, at the follow-up press conference, Lagarde caused an unwind of some of this initial price action after noting that minimal deviations from target will not necessarily justify movement. Other hawkish elements of the press conference came via the upgrade to the ECB's risk assessment, with risks now seen as more balanced vs. previous guidance of "tilted to the downside". Furthermore, Lagarde stated that the disinflationary process was over and policy is in a "good place". As always, the account of the meeting will likely pass with little in the way of fanfare, given its stale nature. Furthermore, with the ECB on hold for the near-term, the account is unlikely to provide much in the way of directional clues.

CANADIAN LABOUR MARKET REPORT (FRI): The labour market report in Canada will be gauged to see if the recent slowdown is continuing. Following the deterioration of the labour market, with inflation remaining within target (albeit towards the higher end), the BoC cut rates by 25bps in line with expectations, citing a weaker economy and less upside risk to inflation. Macklem also noted that three reasons shifted the balance of risks since July, noting a softer labour market, diminished upward pressure on inflation, and the removal of most retaliatory tariffs from Canada. The BoC removed forward guidance and said it will proceed carefully, and Macklem noted the bank will look over a shorter horizon than usual and be ready to respond to new information. Another weak jobs report would bolster BoC rate cut expectations for October, with money markets currently pricing in 15bps of easing, which implies a 60% probability of a 25bps rate cut.