

Previewing RBNZ, FOMC Minutes, ECB Minutes; Reviewing RBA and RBI

PREVIEWS

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.

REVIEWS

RBA REVIEW: The RBA kept the Cash Rate unchanged at 3.60% at its 30th September meeting, as expected, with the decision unanimous. The statement noted that while inflation has fallen substantially from its 2022 peak, the decline in underlying inflation

has slowed, and recent data suggest Q3 CPI may be higher than anticipated at the time of the August Statement on Monetary Policy. The Bank reiterated its focus on quarterly trimmed mean inflation as the primary guide, though Governor Bullock acknowledged that monthly CPI still provides some information. The Board judged that risks are now "broadly balanced," noting both upside risks from stronger domestic demand and downside risks if households become more cautious in response to external developments. The statement underlined that the Bank remains "alert to the heightened level of uncertainty" and will continue to update its assessment as data evolves. ING suggested that the RBA's tone has turned less dovish, with the August CPI upside surprise diminishing the probability of a near-term cut. The desk argued that the Bank will require clearer evidence of inflation sustainably tracking toward the 2.5% midpoint before considering further easing, with the 29th October Q3 CPI release flagged as pivotal. ING now sees the likelihood of a November cut as having "diminished meaningfully," though it still expects that policy need not remain restrictive for an extended period. As it stands, markets see a c. 40% chance of a 25bps cut at the 4th November meeting.

RBI REVIEW: The Reserve Bank of India maintained the Repo Rate at 5.50% at its October 1st meeting, in line with expectations, with the decision unanimous. The policy stance was kept at "neutral." The RBI revised its CPI forecast for 2026 down to 2.6% (prev. 3.1%), citing a sharper-than-expected moderation in food prices. Governor Malhotra noted that the Indian economy remains resilient, with headline inflation showing "significant moderation" and policy space opening up for future easing if required. The Governor added that rationalisation of GST is expected to have a "sobering" impact on inflation while supporting consumption and growth. However, risks remain: exports face headwinds from tariffs, and the global outlook is still "clouded amidst elevated policy uncertainty." The RBI highlighted that the impact of earlier front-loaded policy actions and recent fiscal measures is still playing out, and judged it "prudent to wait" before delivering further changes. Growth continues to run below aspirations, but the central bank assessed that inflation is likely to soften more than previously anticipated, reducing the need for immediate action. The RBI also reiterated that it is closely monitoring rupee movements and stands ready to intervene if necessary to maintain stability.

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