

Previewing PBoC LPR, BoK, CBRT; Reviewing RBA Minutes

PREVIEWS

PBOC LPR (MON): The PBoC is to announce China's benchmark Loan Prime Rates next week, which are likely to be maintained at their current levels, with the 1-year LPR at 3.00% which is the rate most new loans are based on and with the 5-year LPR at 3.50% which is the reference for mortgages. As a reminder, Chinese banks refrained from any adjustments to the LPRs for a fourth consecutive month in September, which was as expected, while PBoC Governor Pan commented shortly after the announcement that they will use various policy tools based on the economic situation and will be data-driven, and have "appropriately accommodative policy stance". Furthermore, the central bank had previously noted that it is to step up monetary policy adjustment and keep liquidity ample, as well as enhance interest rate guidance and will promote a decline in social financing cost. Despite the language from the central bank, an imminent reduction in the LPRs is unlikely, as the central bank has shown a clear preference for making adjustments through its main policy tool of open market operations to target liquidity. Furthermore, the recent data from China was mixed as trade figures showed faster-than-expected growth in Exports and Imports for the world's second-largest economy, which suggests a lack of urgency to immediately cut benchmark lending rates, although CPI data was softer-than-expected, and both consumer and factory gate prices remained in deflation.

BOK POLICY ANNOUNCEMENT (THU): There are somewhat mixed views on whether the central bank will cut or maintain the Base Rate at the current level of 2.50%. As a reminder, the BoJ refrained from any adjustments to its 7-Day Repo Rate at the last meeting in August, which was as expected, although the decision was not unanimous as board member Shin Sung-hwan dissented and saw a need to cut rates to aid growth. The BoK said after the meeting that it will maintain a rate cut stance to mitigate downside risks to economic growth, and adjust the timing and pace of any further base rate cuts. BoK Governor Rhee also stated that a majority of the seven-member board assessed there was a need to work in tandem with government policies to stabilise local property prices, as well as noted that five board members said the door for an imminent rate cut should be open and one board member said the current policy rate should be maintained for the next three months. Furthermore, Rhee said the easing stance will stay through at least the first half of next year, and it is difficult to comment on the terminal policy rate, but added that faster policy rate easing risks overstimulating the local property market at this stage. Nonetheless, some are anticipating a cut at the approaching meeting after the Fed cut rates in September for the first time this year and with money market pricing pointing towards another reduction later this month, while the BoK had also acknowledged that South Korea's 2025 growth is lower than the potential rate due to previous political turmoil and tariff headwinds. Conversely, some suggested that the central bank could delay its policy easing amid the sustained increases in Seoul housing prices and household loans.

CBRT POLICY ANNOUNCEMENT (THU): There are currently no market forecasts for what the CBRT may opt to do on Thursday. Last month, the Bank cut the policy rate by 250bps to 40.5% (vs exp. 200bps), while it dropped reference to real TRY appreciation, and signalled that it would begin to moderate the pace of easing amid elevated inflation expectations and ongoing external risks. BBVA Research suggested that the CBRT's tone was "more balanced," noting its commitment to tighten policy if inflation deviates significantly from interim targets, though the definition of such a threshold remains unclear. The latest CBRT survey showed end-2025 CPI expectations rising to 31.77% (prev. 29.86%), with the policy rate seen at 28.26% in 12 months.

REVIEWS

RBA MINUTES REVIEW: RBA Minutes from the September meeting were uneventful and provided little in the way of fresh insight as it stated that the Board agreed no need for an immediate reduction in the cash rate, and that future policy decisions are to be cautious and data dependent. RBA Minutes also noted that the market path for the cash rate is within estimates of neutral but too imprecise to guide policy and it is important to see what Q3 data shows on the economy and supply capacity. Furthermore, it noted the importance to see what Q3 data shows on the economy and supply capacity, as well as stated that policy is probably still a little restrictive, but this is difficult to determine and there are still risks on both sides for the economy

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