Central Bank Weekly: 28th November 2025

Previewing potential Fed Chair pick, RBI; Reviewing RBNZ, ECB Minutes, BoK

PREVIEWS

POTENTIAL FED CHAIR PICK: Treasury Secretary Bessent has been interviewing candidates to succeed Fed Chair Powell around Thanksgiving, saying there is a strong chance Trump will name a new Fed Chair before Christmas. Powell's term ends in May 2026, and the shortlist includes NEC Director Hassett, former Fed Governor Warsh, BlackRock CEO Rider, and current Fed Governors Waller and Bowman. Bloomberg reported that Hassett was viewed as the front-runner, though the White House said the claim was speculative. News that Hassett was the favourite prompted notable steepening in the Treasury curve as the front end reacted to the prospect of a more dovish Fed. Hassett is a close ally of US President Trump and shares his dovish stance on rates, though their proximity raises questions about Fed independence. Concerns over independence tend to push long-end yields higher as investors demand more term premium on government debt. An appointment of Waller or Bowman would draw fewer such concerns given both already sit on the Fed Board.

RBI (THU): RBI will hold a three-day policy meeting next week, with the central bank widely expected to cut rates after a Reuters poll showed 62 of 80 economists forecast a 25bps reduction in the Repurchase Rate to 5.25%, while the remaining 18 expect it to stay at 5.50%. The RBI kept the Repo Rate at 5.50% in October, as expected, with a unanimous decision and a neutral stance. Governor Malhotra said then that the Indian economy remained resilient, headline inflation had eased markedly, and GST rationalisation should temper inflation and support consumption and growth. He cautioned, however, that the outlook was clouded by elevated policy uncertainty and that tariffs would weigh on exports, adding it was prudent to wait for policy actions to take effect and that policy space had opened up. Malhotra also said growth remained below target and inflation was expected to soften more than previously thought, while the central bank was monitoring rupee moves and would intervene if needed. The tone pointed to a wait-and-see approach, with no urgency to cut rates, particularly as the central bank has been active in the FX market to support the currency. More recently, Malhotra has turned more dovish, saying macro data strengthened the case for a rate cut at the upcoming meeting, following further easing in inflation as October CPI Y/Y fell to 0.25% versus expectations of 0.48% (previous 1.54%), well below the 2%-6% target band and a record low for the series that began in 2012.

REVIEWS

RBNZ REVIEW: The RBNZ delivered a widely expected 25bps cut to lower the OCR to 2.25% and kept the door open for further adjustments, saying future moves will depend on how the medium-term inflation and economic outlook evolves, although its projections signalled a pause throughout next year. The central bank noted that annual consumer inflation rose to 3% in the September quarter but said spare capacity should pull inflation down to around 2% by mid-2026, with risks to the outlook balanced, while it said economic activity was weak in mid-2025 but is improving. Minutes showed the decision was made by a 5-1 vote and that policymakers considered holding the OCR at 2.50% or cutting to 2.25%, with arguments for a hold citing the substantial easing delivered so far, while those for a cut pointed to significant excess capacity. During the press conference, Governor Hawkesby said risks were balanced and the bank was well placed to manage them, adding that the central projection assumed the Cash Rate would stay on hold through 2026. He said high-frequency indicators were improving and the current cash rate was supportive and stimulatory. Hawkesby added that the bank maintained full optionality with all policy choices open, but said the following day that the bar for further cuts was high and the bank could not keep the door open to easing indefinitely.

ECB MINUTES REVIEW: The October meeting's account added little that wasn't already known. On rates, all members agreed that more information was needed before an adjustment could occur. Pertinently, there has been a lot of focus on the 2028 projections which will feature in the December round. On this, the Minutes note that policy has less influence at that horizon, which suggests placing more weight on the nearer-term outlook. Regarding inflation, some members see upward risk and others downward while growth data was judged to have validated the September baseline. For the EUR, many saw it as broadly stable while some highlighted risks from the USD-side of the equation. Overall, the minutes chime with the narrative that the ECB is likely at a terminal Deposit Rate of 2.0%. However, there is clearly optionality for further adjustment depending on the direction of data in the period ahead.

BOK REVIEW: The Bank of Korea kept the base rate unchanged at 2.50%, as expected, and said it would retain room for potential cuts, with decisions on whether and when to ease to be made in due course. The bank said domestic demand should sustain the recovery, but export growth is set to slow, and the economy faces high uncertainties from the trade environment and the pace of domestic recovery. Governor Rhee said Thursday's decision was not unanimous, with board member Shin Sung-Hwan dissenting and arguing that the recovery in domestic demand was not strong. Rhee said three board members were open to a near-term cut and that, excluding himself, the board was split evenly on whether to cut or hold in the near term. He said growth next year would be close to the economy's potential and that FX volatility remained high, adding that the bank must stay alert to its effects on prices and has policy tools to stabilise the FX market if needed.