

### Previewing BoJ, BoE, ECB, Norges, Riksbank; Reviewing FOMC, RBA, SNB, BoC, CBRT

#### PREVIEWS

**BOJ ANNOUNCEMENT (FRI):** The BoJ will hold a two-day policy meeting next week, where it is widely expected to raise its short-term policy rate by 25 basis points to 0.75% from 0.50%. A recent Reuters poll showed 90% of economists forecast such a move, while money markets are pricing a 76% probability of a 25bps hike and a 24% chance rates are left unchanged. The BoJ has kept policy steady for most of the year after its last hike in January, but expectations for tightening have risen sharply following a series of hawkish source reports, beginning late last month, suggesting the bank was preparing markets for a possible rate increase as early as December, alongside a shift in communication. These signals were reinforced less than a week later by Governor Ueda, who said the BoJ would examine and discuss domestic and overseas economic activity, prices and market developments at the December meeting and consider the pros and cons of raising rates, adding that policy accommodation must be adjusted appropriately, without being too late or too early, to achieve the price stability target. Ueda also said that raising rates under accommodative financial conditions amounts to easing off the accelerator rather than applying the brakes to economic activity, and that he wants to make a decision in December after reviewing wage data and other indicators, warning that delaying a hike too long could fuel sharp inflation and force abrupt policy adjustments. His comments prompted a shift in money market pricing in favour of a December hike, followed by further hawkish source reports saying the BoJ is likely to raise rates this month, a move the government would tolerate, with key members of PM Takaichi's government unlikely to oppose it. Another report said the BoJ is expected to hike this month and keep the door open to further increases, while assessing data and market moves up to the final decision. Beyond the rate decision, investors will scrutinise the policy statement for guidance on the pace of future normalisation, after a recent poll showed 69% of economists expect rates to be lifted further to at least 1.00% by September next year.

**BOE ANNOUNCEMENT (THU):** The BoE is expected to cut rates by 25bps to 3.75%, according to all 64 economists surveyed by Reuters. Money markets currently price a 90% chance of a 25bps cut. On the vote split, BofA projects a 5-4 majority for a cut, with Bailey joining the dovish camp, while UBS expects both Bailey and Lombardelli to back a reduction. At the last meeting, Bailey was the deciding vote that kept the BoE's rate at 4.0% as expected, and December's decision may again hinge on him. He brought to focus inflation developments, noting that the Sept. report was welcomed, but stressed it was only one series. Looking at economic data since the last meeting, the October inflation report was broadly in line with expectations and appeared to confirm the BoE's view that inflation peaked at 3.8%. September's labour-market report was weak, with employment contracting and the jobless rate rising more than forecast. GDP for September fell 0.10% against expectations of flat growth, and the Q3 reading also undershot, bolstering the MPC's doves; the October report was also poor, with the economy unexpectedly shrinking 0.1%. November PMI readings and retail sales also continue to signal a weak growth outlook. MS analysts said they "don't model a near-term improvement in the labour market" and described growth as "lacklustre", supporting their call for cuts in December and again in February. UBS also says the economic backdrop favours easing. Do note that, policymakers will have fresh UK jobs data, flash PMIs, retail sales and, notably, inflation figures in the days leading up to the meeting (see the Newsquawk Week Ahead for previews). Danske Bank opines that there would need to be a "significantly hawkish" surprise to put a cut in jeopardy. Finally, Recent BoE commentary has offered little sign of members shifting their views. At the TSC hearing, Taylor and Dhingra reiterated their dovish stances, while Lombardelli and Mann maintained hawkish positions. On the recent Autumn Budget, growth downgrades and tax increases argue for a cut, though Dhingra said the overall impact is "not large".

**ECB ANNOUNCEMENT (THU):** The ECB is widely expected to keep policy settings unchanged, with the Main Refi rate at 2.15%, the Deposit Facility at 2.00% and the Marginal Lending Facility at 2.40%, a view echoed by numerous Governing Council members. Goldman Sachs notes that euro area data have come in firmer than assumed in the September staff projections, with stronger real GDP growth, resilient labour market conditions and wage growth running above expectations, alongside slightly firmer inflation driven by sticky services prices. As a result, GS expects the December staff projections to show an upgrade to the growth outlook for 2025-26, while inflation forecasts see only limited changes, remaining broadly consistent with the target over the medium term. Against this backdrop, the desk argues the hurdle for further rate cuts has risen materially, reinforcing expectations that the Governing Council will remain on hold and maintain its data-dependent, meeting-by-meeting guidance. President Lagarde is likely to reiterate that policy is in a "good place" and stress flexibility, neither pre-committing to cuts nor ruling out hikes. GS assigns a 70% probability to unchanged rates (vs prev. 60%); "We see a 20% chance that a deterioration of the economic outlook catalyses two rate cuts in 2026 and introduce a new scenario with two rate hikes (with a 10% chance) starting in late 2026, the desk said. Market pricing sees unchanged rates throughout 2026.

**NORGES ANNOUNCEMENT (THU):** Analysts at SEB believe the Bank will keep rates steady at 4.00%, with markets are assigning a 93% probability to such an outcome. On the data front, CPI-ATE came in slightly below expectations and 0.10% under Norges Bank's own forecast, following a hotter-than-expected October report. The latest figures should give policymakers confidence that the disinflation process is back under way. The activity backdrop is weaker, with mainland GDP growth in the third quarter cooling from the previous reading and undershooting expectations. The latest Regional Network report also paints a bleak picture, showing broad-based weakness in employment growth and capacity utilisation. Overall, SEB expects Norges Bank to hold rates steady in December but sees scope for a lower rate path ahead. The current monetary policy report does not signal a cut until Q2 2026, when the policy rate is seen at 3.92%, with the first full rate cut indicated in Q4 2026 at 3.74%. Do note that this meeting is a MPR meeting.

**RIKSBANK ANNOUNCEMENT (THU):** Goldman Sachs expects the Bank to keep rates steady at 1.75% in December. On the data front, the latest inflation report came in slightly below expectations at 2.30%, versus a forecast of 2.50%, while core CPIF M/M was also marginally below the Riksbank's own forecast. Activity data have been firmer, with third-quarter GDP stronger than expected, a view also shared by Governor Theeden. Elsewhere, the labour market remains weak, with the unemployment rate still above 8% in November, although it improved from the prior reading. Looking further ahead, SEB expects the Bank to keep rates unchanged through 2026 but sees scope for one additional cut should inflation fall more than expected and the jobs market weaken further. The December meeting includes the publication of a monetary policy report.

## REVIEWS

**FOMC REVIEW:** Fed cuts rates, and the vote split triggered a dovish market reaction. The FOMC cut rates by 25bps to 3.50–3.75% as expected, with a 9–3 vote split; Miran sought a 50bps cut, while Goolsbee and Schmid preferred no change. It reiterated data dependence, signalling that further adjustments will hinge on the evolving outlook, labour market conditions, inflation dynamics, expectations, and global and financial developments. Policy guidance was tweaked, changing the phrase “in considering additional adjustments” to “in considering the extent and timing of additional adjustments.” In its updated SEP, the Fed Funds projections are essentially unchanged, signalling steady expectations for a gradual return toward the longer-run rate. However, the 2025 dot plot composition shows six members projecting end-2025 rates at 3.75–4.00%, indicating that four non-voters would have voted to keep rates on hold at today's meeting if they had voting rights. The Fed noted slower job gains and a slight rise in unemployment through September, with the December statement updating October's labour-market phrasing by replacing “the unemployment rate has edged up but remained low through August” with “the unemployment rate has edged up through September.” Unemployment forecasts are only marginally firmer in the out-years, suggesting a slightly more resilient labour market. Inflation has increased since earlier in the year and remains somewhat elevated, while core PCE expectations have eased modestly, pointing to a marginally softer inflation path and slightly more confidence in disinflation over the forecast horizon. Economic activity is described as expanding at a moderate pace, with uncertainty around the outlook still high and downside risks to employment having risen recently. The Fed said reserve balances have declined to ample levels and will use shorter-term Treasury purchases when needed to maintain sufficient reserves. October's balance-sheet guidance, “the Committee decided to conclude the reduction of its aggregate securities holdings on December 1,” is removed; instead, December adds: “the Committee judges that reserve balances have declined to ample levels and will initiate purchases of shorter-term Treasury securities as needed to maintain an ample supply of reserves.”

**FED CHAIR POWELL REVIEW:** Overall, it was a net dovish press conference from Powell, particularly compared to the tone of the October press conference. Powell appeared more concerned about the labour market side of the mandate than inflation. Powell stressed several times that there are downside risks to employment, while saying it is a reasonable base case that the tariff effects on inflation will be one-time. He was optimistic on growth too, noting the baseline outlook would be solid growth next year as fiscal policy will be supportive, consumer continues to spend, and AI spending continues. When asked about why they cut today after a hawkish October press conference, he said there has been a gradual cooling in the labour market, and they think there is ~20k payrolls per month, while inflation has come in a touch lower. He also suggested the overcount of payrolls is around 60k per month, while the labour supply has come down sharply. He said it does not feel like a hot economy, and evidence is growing that services inflation has come down, and goods inflation is entirely due to tariffs. Some hawkishness was seen as Powell said they are well-positioned to determine adjustments to the policy rate, noting that rates are now in a plausible range of neutral, later describing policy rates as in the high end of neutral. He was quizzed about the guidance, noting that the “extent and timing” phrase points out that they will carefully evaluate incoming data. He also said the Fed is well-positioned to wait and see how the economy evolves, but they will see a great deal of data before January, so they have not made up their mind yet. He also said that with rates in a plausible range of neutral, the base case is still not for rate hikes.

**RBA REVIEW:** The RBA left the cash rate unchanged at 3.60%, as expected, with the decision unanimous. It acknowledged that recent data suggest risks to inflation have tilted to the upside but said it would take longer to assess the persistence of inflationary pressures, judging that some of the recent rise in underlying inflation reflected temporary factors. The board said it was appropriate to remain cautious and to update its outlook as data evolves, adding it would be attentive to incoming information and its assessment of risks in guiding decisions. The RBA also said various indicators show labour market conditions remain somewhat tight and reiterated its focus on delivering price stability and full employment, pledging to do what it considers necessary to achieve those goals. The statement reinforced the bank's data-dependent stance and did not include explicitly hawkish language that would support market expectations for no further rate cuts. However, a more hawkish tone emerged at the post-meeting press conference, where Governor Michele Bullock said it appeared that further rate cuts were not needed, adding the board neither considered a rate cut nor explicitly debated a rate hike at this meeting, but did discuss the circumstances under which tightening could be required. Bullock said persistent inflation would raise questions for policy, declined to give any timing on future moves and said decisions would be taken meeting by meeting. She added that she does not see rate cuts in the foreseeable future and that the outlook points to an extended pause or potential hikes.

**BOC REVIEW:** The BoC held rates as expected at 2.25%, reiterating that the current rate is about the right level to keep inflation close to 2% as long as the economy and inflation evolve in line with projections. It sees underlying inflation still around 2.5% before moving higher in the near term, likely due to the effects of last year's GST/HST holiday on the prices of some goods and services. Ahead, the central bank expects ongoing economic slack to roughly offset cost pressures associated with the reconfiguration of trade, keeping CPI inflation close to the 2% target. Despite the last three job reports topping expectations, Macklem notes recent job data haven't changed the BoC's economic outlook, but are encouraging. BoC added that the job markets in trade-sensitive sectors remain weak and economy-wide hiring intentions continue to be subdued. Moreover, the recent GDP beat was somewhat downplayed due to trade volatility. Macklem and the BoC anticipate GDP growth likely to be weak in Q4 before picking up in 2026, although uncertainty remains high. On the decision to cut in October, Macklem wrote that they agreed that a policy rate at the lower end of the neutral range was appropriate to provide some support for the economy as it works through this structural transition while keeping inflationary pressures contained. Hawkish 2026 bets were trimmed since the announcement, with ~29bps of hikes priced in by year-end (prev. 34bps), with the first 25bps hike now seen by December rather than October; accordingly, Canadian 2-year government bond yields fell. Rabobank remains sceptical as to how strong the Canadian labour market really is, and maintains the view that this signals an underemployment problem due to the decline in full-time employment being offset by increases in part-time employment. Rabobank expects the overnight policy rate to be at 2.25% throughout 2026.

**SNB REVIEW:** Overall, the SNB delivered an as-expected decision, keeping rates at 0.00% and reiterating its FX language, saying it "remains willing to be active in the foreign exchange market as necessary". On inflation, the Bank said that "inflation in recent months has been slightly lower than expected", while the medium-term outlook is "virtually unchanged". In its projections, the 2025 inflation forecast was left unchanged, while 2026 and 2027 were revised slightly lower, which was unsurprising given recent developments. EUR/CHF showed little immediate reaction to the decision. In post-policy comments, SNB's Schlegel largely echoed the monetary policy statement but prompted modest CHF strength after saying it cannot be concluded that a "lower CPI outlook makes NIRP more likely". Following the remark, EUR/CHF fell to 0.9338 from 0.9348 over around 15 minutes, with the Swiss franc gradually firming as the session progressed. After the decision, ING said the SNB is likely to keep rates at 0.00% in the coming months, but added that "the probability that it will be forced to cut rates again is probably higher than markets currently expect".

**CBRT REVIEW:** A deeper than expected rate reduction in a typical erratic fashion for the CBRT saw rates reduced by 150bps to 38.00%, against the newswire consensus of a 100bps cut to 38.50%. Do note that some analysts highlighted risks to a larger rate reduction. Unclear as to why the bank opted to reduce its repo rate by 50bps more than expected, with the accompanying statement noting inflation expectations and pricing behaviour continue to pose risks to the disinflation process, and it cited stronger than expected GDP growth. Despite these points, the statement noted leading indicators for the last quarter point out that demand conditions continue to support the disinflation process (albeit with risks) - the bank's primary focus. Following the decision, USD/TRY was choppy, but the Lira ultimately weakened with the pair a touch firmer 30 minutes post announcement. Looking ahead, CBRT reiterated it would: maintain a tight monetary stance until price stability is achieved and review step size on a meeting-by-meeting basis while focusing on inflation. Ahead of the meeting, Morgan Stanley expected it to continue to reduce the policy rate down to 27% by end-2026 and then 21% by end-2027. The meeting's minutes will be released on December 18th.

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