

Previewing BoJ, PBoC LPR, ECB Minutes, Norges Bank, and CBRT

PREVIEWS

PBOC LPR (TUE): Seen as a non-event, with both the one-year and five-year Loan Prime Rates (LPRs) expected to be maintained. In the previous release, the PBoC announced no changes to China's benchmark LPRs, keeping them unchanged for a seventh consecutive month. The one-year LPR, the benchmark for most new loans, was held at 3.00%, while the five-year LPR, the reference rate for mortgages, remained at 3.50%.

NORGES BANK (THU): Norges Bank is widely expected to keep rates unchanged at 4.00%, in line with the rate path set out at the December meeting. That meeting saw policymakers hold rates, as expected, and leave the MPR largely unchanged. On the data front, the Bank flagged risks to the inflation target if rates are cut too early, while Governor Bache also said NOK weakness could slightly lift inflation prospects. For this meeting, policymakers will assess a hotter-than-expected CPI report that beat both market consensus and Norges Bank's own forecasts, though much of the upside can be attributed to Christmas-related components such as food and transport. Elsewhere, there has been little activity data since the last meeting, although the latest Business Tendency Survey showed weak manufacturing activity in Q4 while pointing to a rebound in Q1. The NOK has strengthened since the last announcement, with EUR/NOK moving from 11.9688 to 11.7165, which should ease policymakers' concerns that currency weakness could reignite inflation pressures. SEB says the accompanying statement is likely to avoid dovish language to "avoid triggering a weaker NOK", while UBS expects the Bank to reiterate its December message.

ECB MINUTES (THU): In December, the ECB maintained its policy settings as expected. Forward guidance stuck to a meeting-by-meeting and data-dependent approach. On the inflation front, the 2026 projection was revised up while the 2027 view was lowered. Overall, the narrative that the ECB is at a 2.00% Deposit Rate terminal remains the base-case, and was corroborated further by the statement/presser. Corroboration that sparked a modest hawkish reaction. Since, remarks from officials have made clear that the "good place" narrative is widely held, and while there are some differing views around whether the next move is more likely a cut or a hike, the narrative that rates are on hold for the time being is seemingly the base case.

CBRT POLICY ANNOUNCEMENT (THU): The CBRT is expected to deliver a 150 bp rate cut at its Jan. 22 MPC meeting, taking the policy rate to 36.5%, after softer-than-expected December inflation. Headline CPI rose 0.89% M/M, pulling annual inflation down to 30.9%, well below forecasts and strengthening the case for continued easing. That said, CBRT Governor Karahan has warned inflation may remain "noisy" over the next two months, with upside risks from food prices early in 2026, while reiterating that policy will remain tight and data-dependent should the inflation outlook diverge from interim targets. Disinflation has become more broad-based, led by easing services inflation and improved inflation expectations, but sticky core inflation and elevated expectations continue to warrant caution. BBVA said December's inflation outcome creates scope for a 150bp cut, while flagging risks from minimum wage hikes and persistent services inflation.

BOJ POLICY ANNOUNCEMENT (FRI): The Bank of Japan is widely expected to hold rates steady, with a strong consensus that policy normalisation will proceed only gradually after December's hike to 0.75%, the highest level in 30 years. A large majority of economists expect no change through March, with July seen as the most likely timing for the next hike. Around three-quarters forecast rates at 1% or higher by September, while the median terminal rate estimate has risen to 1.5%. Recent reporting suggests the BoJ is likely to upgrade its economic growth outlook, reflecting the impact of the government's fiscal stimulus package, while maintaining its view that underlying inflation will converge sustainably towards target over the medium term. Officials are also said to be placing greater emphasis on the inflationary impact of a weak JPY, particularly as firms increasingly pass through higher import costs, reinforcing a data- and FX-sensitive policy stance. Political considerations may temper the pace of tightening unless yen weakness feeds more clearly into inflation. Alongside the rate decision, the Bank will release its latest quarterly outlook report. A Bloomberg poll of economists shows the BoJ is expected to retain the same inflation outlook as in the previous report. However, a more recent Reuters source report suggested the BoJ is likely to raise its economic growth and inflation forecasts for FY26. The report added that many policymakers see scope to raise the policy rate as early as April due to yen weakness. Markets saw the implied April meeting rate rising to 0.86% from 0.80%, although markets are still not fully pricing in a rate hike until September.

REVIEWS

N/A