Week Ahead 26-30th January 2026

26-30th January 2026: Highlights include FOMC, BoC, Riksbank, EZ GDP, Tokyo CPI.

- **Mon:** Australian Holiday (Australia Day), German Ifo (Jan).
- **Tue:** Chinese Industrial Profits (Dec), US Richmond Fed (Jan), US Consumer Confidence (Jan).
- **Wed:** Fed Policy Announcement, BoC Policy Announcement, BCB Policy Announcement, Australia CPI (Q4), German GfK (Feb), NZ Trade (Dec).
- **Thu:** Riksbank Policy Announcement, CBRT Minutes, EZ Money Supply (Dec).
- **Fri:** German Import Prices (Dec), German Unemployment (Jan), German GDP (Q4, flash), HICP (Jan), EZ GDP (Q4, flash).
- **Sat:** Chinese NBS PMI (Jan).

Chinese Industrial Profits (Tue): The previous release (covering January-November 2025), showed a sharp loss of momentum, with YTD profits at major industrial firms up just 0.1% Y/Y, slowing sharply from 1.9% growth in the first ten months. November profits alone fell 13.1% Y/Y, after a 5.5% drop in October, marking the steepest monthly contraction in more than a year. By sector, resilience was confined to high-tech manufacturing, where profits rose 10%, and equipment manufacturing, up 7.7%, while heavy industry remained a major drag, with coal mining and washing profits down 47.3% and oil and gas extraction down 13.6%. By ownership, state-owned enterprises reported a 1.6% Y/Y decline in profits, while private firms slipped 0.1%. Analysts cited weak domestic demand and persistent factory-gate deflation, warning profits remain vulnerable unless pricing power and demand improve.

Australian CPI (Wed): The ABS is due to publish December and Q4 inflation data, with the focus firmly on the quarterly print. Headline CPI stood at 3.4% Y/Y in November, remaining above the RBA's 2-3% target band, though the central bank in December said that recent firmness in underlying inflation reflected temporary factors, while also flagging increased noise in the monthly CPI series. Attention now turns to Q4 after CPI in Q3 edged up to 3.2% Y/Y. NAB expects a notably firm outcome, forecasting trimmed mean inflation at 0.9% Q/Q and 3.3% Y/Y, above the RBA's own projections of 0.75% Q/Q and 3.2% Y/Y, citing ongoing pressure from housing costs, services inflation – particularly seasonally strong travel prices – and new vehicles. Any upside surprise in Q4 inflation would reinforce the Bank's tightening bias amid a still-tight labour market, even as market pricing implies about a 60% chance of a February cut (up from roughly 30% before the latest employment data).

BoC Policy Announcement (Wed): Canada headline CPI rose to 2.4% Y/Y in December from 2.2%, slightly above expectations, reflecting higher food, alcohol and selected goods prices. The increases were driven in part by unfavourable base effects linked to last year's GST holiday, which more than offset a sharp monthly decline in energy prices. Measures of core inflation were broadly stable: CPI excluding food and energy edged higher, but the BoC's preferred core measures eased, suggesting underlying price pressures remain contained. Oxford Economics argued that the Bank will not be swayed by M/M volatility in headline inflation caused by base effects, instead focusing on the underlying trend, which both it and the BoC see in the mid-2% range. Oxford Economics also highlighted ongoing upside risks from US tariffs and elevated trade policy uncertainty, and continues to expect the BoC to keep rates on hold at 2.25% until early 2027. Meanwhile, the BoC's Business Outlook Survey sends a similar signal. While businesses are more optimistic about sales and point to firmer GDP growth, they still anticipate layoffs and continue to face persistent cost pressures. According to NAB, this combination provides little evidence that inflation risks have fully receded, reinforcing the case for policymakers to remain on hold until there is clearer confirmation that price pressures are durably under control.

Fed Policy Announcement (Wed): The FOMC is widely expected to leave the policy rate unchanged at 3.50-3.75% at next week's meeting. As has been the case for several meetings now, the decision itself matters less than the guidance, particularly around how patient policymakers intend to be before easing eventually comes into view. A Reuters poll showed unanimous expectations for no change at this meeting, while 58% of economists also see rates staying on hold through the quarter. Recent data continue to underline resilient US growth and sticky inflation, which together argue against any urgency to cut rates. The economy expanded strongly in the H2 2025, while inflation remains above target, reinforcing the Fed's preference for patience. Policymakers are therefore likely to repeat their data-dependent messaging and avoid signalling that easing is imminent. Markets will pay close attention to Chair Powell's press conference for any tonal shift, particularly given growing political pressure on the central bank. Public criticism from President Trump and ongoing legal scrutiny related to the Fed's HQ renovation have raised questions around institutional independence, though officials are expected to steer clear of political commentary. Analysts said that, overall, the balance of risks still points to rates remaining on hold through Q1, with cuts more likely later in the year if inflation shows clearer signs of moderation. Further hikes remain very unlikely, but strong growth and expansionary fiscal policy suggest that any easing cycle, when it comes, is likely to be gradual. Few surprises are expected from the meeting, leaving markets focused on Powell's assessment of inflation persistence, labour market tightness and financial conditions.

BCB Policy Announcement (Wed): Policymakers are expected to maintain a cautious tone following December's decision to hold the

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Selic rate at 15.00%. At that meeting, the central bank described the current policy stance as “adequate” to deliver inflation convergence over time, while emphasising that future steps may be adjusted as needed. This wording leaves room for renewed tightening should inflation pressures re-emerge, but also preserves flexibility for eventual easing once confidence in the disinflation path improves. Pantheon Macroeconomics viewed the shift in language from “sufficient” to “adequate”, alongside a return to “as usual” vigilance, as signalling slightly higher confidence without constituting a clear dovish pivot, and continues to characterise the BCB’s stance as hawkish. Pantheon expects the current hold to extend into early 2026 as policymakers seek to re-anchor expectations. Since the December meeting, however, inflation data have surprised to the downside, strengthening the case for eventual easing. Annual inflation for 2025 slowed more than both the central bank and markets had anticipated, ending the year at 4.26% and within the official target range, contrary to earlier guidance that inflation would remain above the 4.5% upper limit until late Q1 2026. Inflation had already returned to target in November, earlier than expected, and cooled further in December, undershooting both market and central bank forecasts. The BCB has attributed the improved near-term outlook to a combination of a more benign inflation trend, better expectations, cheaper fuel, a stronger currency and lower oil prices, all under a restrictive policy stance. Pantheon continues to see a first rate cut as more likely in March rather than January.

Riksbank Policy Announcement (Thu): The Riksbank is widely expected to keep rates steady at 1.75%, in line with the rate path set out at the December meeting, a decision that follows cooler-than-expected inflation for that period. CPIF slowed to 2.1% Y/Y from 2.3%, undershooting the Riksbank’s own forecast. On the activity side, GDP rebounded more than expected in November, while household consumption also beat expectations in the same period. Elsewhere, the labour market remains subdued. Against this backdrop, analysts at SEB expect the bank to hold rates in January and through the rest of the year, though they see some chance of a cut in spring or summer if the inflation continues to deteriorate. As a reminder, at its last meeting, the Riksbank kept rates unchanged at 1.75% and reiterated that the policy rate is likely to remain at this level for some time. The current monetary policy report shows rates on hold for the next three quarters, with only a small chance of a hike in Q4 2025.

Tokyo CPI (Fri): The previous release showed Tokyo core CPI (ex-fresh food), slowing to 2.3% Y/Y from 2.8%, undershooting expectations, while headline inflation eased sharply to 2.0% from 2.7%. Core-core CPI (ex-fresh food/energy), also moderated to 2.6% from 2.8%. The deceleration was driven largely by lower energy and utility costs, alongside a slowdown in processed food price increases. Despite the cooling, all measures remain at or above the Bank of Japan’s 2% target, reinforcing expectations that the BoJ will continue to normalise policy cautiously rather than accelerate tightening. At this week’s BoJ meeting, the central bank’s outlook suggests inflation will remain close to, but not sustainably above, its 2% target. Headline inflation is expected to undershoot 2% in the near term, while underlying inflation is approaching the target but remains some distance away. The BoJ’s forecasts imply inflation eases from 2.7% in 2025 towards 2.0% by 2027, with limited risk of overshooting. Policymakers see growing evidence that wage gains are feeding into prices, raising confidence in eventually achieving 2%, though progress since December has been modest. Policy will remain accommodative for now, but the BoJ intends to raise rates further if its outlook materialises, with decisions guided by developments in underlying inflation, wages, FX-driven import costs and key data such as April prices, rather than waiting mechanically for past tightening to take full effect.

EZ Flash GDP (Fri): Eurozone Q3 printed 0.3% Q/Q, and 0.4% Q/Q for the EU as a whole, picking up from Q2 levels. The main read ahead of the data comes from Germany, where a very early Q4 estimate showed 0.2% Q/Q growth. PMI readings point to growth in the period, though Germany remains an area to watch for Q4 as industry saw a downturn in the quarter, according to HCOB/S&P Global. The ECB has recently highlighted that growth has been more resilient over 2025, which has been a key driver in changes for policy rate expectations. Overall though, the data is unlikely to have any material impact on the ECB’s outlook, with the Deposit Rate on hold in the “good place” of 2% in the near term.

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