

Previewing PBoC LPR, BoK; Reviewing RBNZ, FOMC Minutes, RBA Minutes, reports on the ECB President Job**PREVIEWS**

PBOC LPR (TUE): The PBoC is widely expected to keep the 1-year and 5-year Loan Prime Rates (LPRs) unchanged at 3.00% and 3.50%, respectively. Analysts cite record-low net interest margins at commercial banks as a key constraint, warning that further LPR cuts would likely intensify pressure on profitability. The timing around the Lunar New Year also suggests the central bank will prioritise short-term liquidity operations, such as 7-day reverse repos, over adjustments to benchmark rates. Recent policy communication indicates a preference for targeted easing measures, including sector-specific support or RRR cuts, rather than an immediate broad-based reduction in the LPR.

BOK: The Bank of Korea will hold a policy meeting next week, at which the central bank is expected to remain on hold and keep its Base Rate at 2.50%. At its January meeting, as widely anticipated, the central bank left rates unchanged in a unanimous decision and removed the reference to a "potential rate cut" from its statement. Governor Rhee said policymakers must remain cautious about FX volatility and noted that addressing such volatility requires immediate steps as well as structural reforms. He also said five board members saw a "high chance" of a hold over the next three months, while one member saw scope for a near-term cut. This points to a low likelihood of a policy adjustment at the upcoming meeting, although a surprise cut cannot be fully ruled out after South Korea's advance Q4 GDP data showed an unexpected Q/Q contraction of -0.3% versus expectations of 0.1% and the previous 1.3%, while Y/Y growth also undershot forecasts at 1.5% versus 1.9% expected and 1.8% previously.

REVIEWS

RBNZ ANNOUNCEMENT RBNZ kept the OCR at 2.25%, as expected, for the first pause in four meetings, while it refrained from any hawkish surprises and stated that the committee will continue to assess incoming data carefully and if the economy evolves as expected, monetary policy is likely to remain accommodative for some time. RBNZ said the economy is at an early stage in its recovery, and although residential business investment is increasing, households remain cautious in their spending. It also noted that the committee is confident inflation will fall to the 2% midpoint over the next 12 months, and conditional on the central economic outlook, the OCR is projected to remain around its current level in the near term before increasing from late 2026. Furthermore, it stated that risks to the outlook are balanced and it sees the OCR at 2.26% (prev. 2.20%) by June 2026, at 2.38% (prev. 2.28%) by December 2026, at 2.62% (prev. 2.45%) by June 2027 and sees the OCR at 2.79% by December 2027 (prev. 2.65%). RBNZ Governor Breman said during the press conference of her inaugural meeting that the OCR trajectory is aligned with the anticipated evolution of the economy and that the OCR track indicates there is a possibility of a hike towards the end of the year but noted a Q4 hike is not fully priced into the OCR track. She also stated that they want to keep the OCR on hold while the economy recovers and are not planning to hike until they see a stronger economy and more inflationary pressure.

FOMC MINUTES The FOMC's January meeting minutes showed a broad agreement to hold rates at 3.50-3.75%, with almost all participants backing no change, while a couple preferred a 25bps cut on the grounds that policy remained restrictive and labour market risks persisted (Miran and Waller). Those favouring a steady stance argued that, after 75bps of easing last year, policy was within estimates of neutral, and most expected supportive financial conditions and fiscal settings to underpin growth. However, views diverged on the path ahead: several indicated further cuts would likely be appropriate if disinflation progresses as expected, whereas others judged easing should await clearer evidence that inflation is firmly returning to target. Meanwhile, several favoured two-sided guidance, noting upward adjustments could be appropriate if inflation remains above target. However, all agreed policy was not on a preset course and would be informed by a wide range of incoming data, the evolving economic outlook, and the balance of risks. Inflation was seen as markedly lower than its 2022 peak but still somewhat elevated, with core goods, including tariff effects, cited as key drivers, and risks of persistence viewed as meaningful. Labour market conditions were described as stabilising, with low layoffs but subdued hiring, and downside employment risks judged to have diminished, though not disappeared. On the USD, the minutes noted a marked USD depreciation ahead of the meeting after reports that the Desk had conducted "rate checks" on the USDJPY pair, signalling heightened market sensitivity to potential intervention. However, the Committee confirmed that no foreign currency operations were undertaken for the System's account during the intermeeting period. The manager noted that quotes were requested solely on behalf of the US Treasury in the NY Fed's role as the fiscal agent for the US. Speaking after the release, Goldman Sachs chief economist Jan Hatzius said the minutes were consistent with the bank's view that, absent further labour market weakness, the Fed is unlikely to cut rates soon; Goldman expects the next cut in June, followed by a 25bps reduction in September.

RBA MINUTES: Minutes of the February meeting reiterated that uncertainty around the outlook means there is no high confidence in any specific path for the cash rate. Members judged that without the recent 25bps hike to 3.85%, inflation would likely have remained persistently above target, with data since the prior meeting reinforcing concerns about capacity pressures and wage strength. The strategy remains to return inflation to target over time while preserving employment gains, with incoming data key to assessing risks. Westpac said the minutes downplayed model-based estimates of the neutral rate and were sceptical about the exchange rate's independent disinflationary impact, arguing that most AUD strength reflects rate and commodity expectations. The RBA maintained a balanced view of risks, citing upside inflation risks from demand and capacity pressures as well as downside risks from weaker demand or supply improvements. The broader tone suggests fine-tuning rather than a shift to an inflation-only

focus, with risks seen as two-sided around the market path, Westpac said.

- **ECB PRESIDENT JOB:** The FT this week reported that ECB President Christine Lagarde is expected to leave the central bank before her term ends in October 2027, aiming to allow French President Macron and German Chancellor Merz to help choose her successor before France's April Presidential Elections, which could see a populist come into power. The FT suggested possible candidates for the ECB's top job include former officials Pablo Hernandez de Cos from Spain, Klaas Knot from the Netherlands, current markets chief Isabel Schnabel, and Bundesbank President Joachim Nagel. Later in the week, the WSJ reported that Lagarde said her "baseline" is to serve until the end of her term, adding that consolidating achievements would take until her term concludes, signalling she does not expect to step down before completing her mandate. Analysts at Rabobank say the focus on the next ECB President may be misplaced, as political dynamics and broader Executive Board changes could prove more consequential. Rabo says that ECB Executive Board nominations are primarily a political process and can involve consensus-driven "package deal" negotiations among member states seeking to secure national representation. These Executive Board appointments require a qualified majority in the European Council (support from 55% of EU states representing at least 65% of the population), with nominations typically handled by the Eurogroup. The bank expects Germany and France to retain board representation but sees the presidency as unlikely to go to either country. Instead, a candidate from another member state is viewed as most plausible, with Spain's de Cos currently judged to have the strongest odds among obvious contenders. Even so, Rabobank cautions that the process is highly political and difficult to predict, noting markets should largely ignore speculation for now. Importantly, it stresses that the eventual replacements for current Chief Economist Philip Lane (whose term ends in May 2027) and markets chief Isabel Schnabel (term ends at the end of 2027) may matter more for the ECB's policy trajectory beyond 2027 than Lagarde's successor.

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