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28.07.23

Central Bank Overview: last meeting

CB	Date	Days	Event	Content	Market Reaction	Source
Fed	2023-07-26	2	Rates	**Hike 25 bps as expected to 5.25-5.50%**		
			Statement	The statement was left virtually unchanged: the economy continued to expand at a moderate pace, inflation remains too high, the Committee will continue to assess additional information and its implications for monetary policy In determining the extent of additional policy firming that may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.	Dollar lower, 2s10s bull steepening slightly	x
			Presser	The full effect of monetary policy tightening has yet to be felt, the process of getting inflation back to target still has "a long way to go", inflation has proved repeatedly stronger than we and other forecasters expected, monetary policy is restrictive and moreso after today, expecting to hold policy at restrictive levels for some time, September decision could be another hike or remaining where we are, there's a range of views on the Committee on this meeting and the next, prepared to act if incoming data suggests more hikes are needed, doesn't think there will be rate cuts this year, rate cuts next year will be about our certainty that inflation has come down, could be continuing QT while cutting rates, there is still a strong pace of jobs growth, labour demand still exceeds supply substantially, inter-meeting data was broadly in line with our expectations, CPI was a bit better than expectations but it's just one reading, we want to see core inflation coming down, we're looking for moderate growth.	USD stabilizing somewhat	
ECB	2023-07-27	1	Rates	**25 bps hike to 4.25% as expected**		
			Statement	Inflation continues to decline but is still expected to remain too high for too long; recent data support the expectation that it will continue to fall for the rest of the year Past rate increases continue to be transmitted forcefully, tighter financing conditions are increasingly dampening demand The ECB's rates will be "set at sufficiently restrictive levels for as long as necessary" vs. previously "will be brought to…" Future decisions will continue to be data-dependent APP reinvestments have been discontinued as planned	EUR selling off hard, German 2s10s bull steepening	x
			Presser	Today's decision was unanimous, slight change of a verb was not random or irrelevant (re: change from "rates will be brought to restrictive levels" to "will be set at restrictive levels" in the statement), the near-term economic outlook for the eurozone has deteriorated, we will continue to follow a data-dependent path, declines to repeat that they're not even thinking about stopping hiking, "Do we have more ground to cover? At this point I wouldn't say so", we only know that we won't be cutting rates, we may hike or we may hold, there will be two readings of inflation before the September meeting, we have an opening mind on September and beyond, price pressures from wages and profit margins are becoming an increasing source of inflation, we have not discussed the reduction of our balance sheet.	EUR selling off further, especially on the "I wouldn't say so" comment	x
BoE	2023-06-22	36	Rates	**Hike by 50 bps to 5.00% (vs. 50/50 expectation of 25 bps)**		
			Statement	* Guidance unchanged: If there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required. * Quarterly GDP growth via business surveys expected to be around 0.25% during the middle of the year, household spending has strengthened a little, unemployment is flat and employment has risen, Average Weekly Earnings have increased above expectations but are projected to ease of the rest of the year * CPI has fallen to 0.3% higher than projected in May and is expected to fall significantly further during this year * Services CPI and core goods CPI have also been stronger than projected, services CPI is expected to remain unchanged in the near term and core goods CPI is expected to decline later this year * Second-round effects in prices and wages are likely to take longer to unwind than they did to emerge, recent data suggests more persistence of inflation because of the tightness in the labour market and the resilience of demand * Gilt yields, especially in the short end, and mortgage rates have risen materially since the last meeting, the full effect of the increase in the bank rate will not be felt for some time due to the greater share of fixed-rate mortgages	Brief spike higher in GBP, 2s10s bear flattening	x
			Minutes	* Seven members judged that a 0.5 percentage point increase in Bank Rate, to 5%, was warranted at this meeting * Two members preferred to leave Bank Rate unchanged at 4.5% at this meeting (Dhingra and Tenreyro voted for a hold) * There had been significant upside news in recent data that indicated more persistence in the inflation process * Recent upside surprises in official estimates of wage growth and services CPI inflation suggested a 0.5 percentage point increase in interest rates was required * Goods price inflation should fall sharply, which, with some lag, would reduce associated persistence in domestic wage and price setting * The lags in the effects of monetary policy meant that sizable impacts from past rate increases were still to come through		x
			Presser	We are not signalling what will come next on rates, it was absolutely imperative that the BoE raised rates today, the pattern of persistence and sticky inflation is seen in other countries too, cannot continue to have the current level of wage increases, cannot have companies building profit margins that cause prices to rise at their current rates, not seeking to precipitate a recession.		x
RBA	2023-07-04	24	Rates	**Unchanged at 4.10% (vs. expectations of 50/50 and market pricing of 80/20 for a hold/hike)**		

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			Statement	* Reason for no change: 1) high uncertainty regarding the economic outlook, 2) past rate increases will continue working to bring supply and demand into balance, 3) more time to assess the impact of past hikes * Guidance unchanged: Some further tightening may be required to ensure inflation returns to target in a reasonable timeframe * Inflation has passed its peak but is too high and will remain for some time yet * The Board's priority is to return inflation to target within a reasonable timeframe * Growth has slowed, the labour market has eased but remains very tight, wages have picked up * Wage growth is still consistent with the inflation target if productivity growth picks up * The Board remains alert to the risk of inflation expectations contributing to price and wage increases * Expects the economy to grow even as inflation returns to target (previously: seeking to keep the economy on an even keel), the path to achieving this is narrow	AUD lower, 2s10s bull steepening	x
	2023-07-18	10	**Minutes**	* Members noted that inflation in Australia remained very high, despite a decline in prior months, and was currently not expected to return to the top of the target range until mid-2025. * The housing market had stabilised, with housing prices rising once again. The tightening of monetary policy was still working its way through the economy, including as fixed-rate loans matured. * Members discussed two options for monetary policy at this meeting: increasing the cash rate by a further 25 basis points; or holding the cash rate unchanged. * Case for a 25 bps hike: inflation was forecast to remain above target for an extended period, weak productivity was contributing to strong growth in unit labour costs, tight labour market, policy rate in Australia was still lower than elsewhere, other countries' experiences with upside risks to inflation. * Case for a hold: inverted yield curve, lags in transmission of monetary policy, demand for labour also responds with a lag. * Members agreed that some further tightening may be required to bring inflation back to target within a reasonable timeframe.	AUD mostly sideways, 2s10s bear flattening later in the day	x
RBNZ	**2023-07-12**	**16**	**Rates**	**Unchanged at 5.50% as expected**		**x**
			Statement	The RBNZ left the OCR unchanged as expected: * Guidance unchanged: The OCR will need to remain at a restrictive level for the foreseeable future * Global inflation is coming down, global growth is weakening and has led to lower export prices for the New Zealand's goods * Domestic inflation is expected to continue its decline; core inflation is expected to decline as capacity constraints ease (previously: core inflation pressures will remain until capacity constraints ease) * There are now signs of labour market pressures dissipating (previously: signs of labour shortages easing and vacancies declining) * They removed the sentence that the lack of demand is the main constraint on activity	NZD briefly lower, 2s10s steeper, bull steepening	x
			Minutes	* The Committee noted that monetary policy in New Zealand reached a more restrictive level earlier than in many other economies. * The Committee judged that after recent falls, house prices are now around sustainable levels, the outlook for the housing market has become more balanced. * The lagged effects of previous monetary tightening is still passing through to households as more households move off lower fixed rates.		x
BOC	**2023-07-12**	**16**	**Rates**	**Hike by 25 bps to 5.00% as expected**		**x**
			Statement	The Bank of Canada raised rates by 25 bps to 5.00%: * Reasons for hike: accumulation of evidence of excess demand and more persistent core inflation * Dropped statement from June that rates are not sufficiently restrictive * Global inflation is easing but pressures in services inflation remain * Global growth has been stronger than expected, especially in the US; projection: 2.8% this year, 2.4% next year and 2.7% in 2025 * Domestic growth projections: 1.8% this year, 1.2% next year, 2.4% in 2025 * Domestic inflation projections: around 3% next year, gradual decline to 2% in the middle of 2025; the decline is slower than forecast in January and April * The GC remains concerned that progress towards 2% inflation could stall * Canadian growth and consumption have been stronger than expected, signs of persistent excess demand, the housing market has picked up, the labour market remains tight despite signs of more availability of workers, immigration is boosting demand and helping ease labour shortages * Canadian inflation has dropped largely due to energy prices and base effects, less from underlying inflation; underlying price pressures appear more persistent than anticipated	CAD briefly higher but subsequently weaker, yields mostly unchanged	x
			Presser	Macklem: The GC did discuss possibility of keeping rates unchanged but cost of delaying action was larger than the benefit of waiting, the clear consensus was that monetary policy needed to be more restrictive, further rate decisions will be guided by assessment of incoming data and outlook for inflation, monetary policy is working but underlying inflationary pressures are proving more stubborn, higher interest rates are needed, prepared to raise rates further, trying to balance the risks of under and over tightening, if we don't do enough now we'll likely have to do even more later, in the bank's forecast there's a path to price stability while maintaining growth.		x
	2023-07-26	2	**Minutes**	* Despite the drop in headline inflation, price growth in many goods and services across the CPI basket pointed to persistent underlying price pressures. * Core measures of inflation had not slowed in recent months. As a result, little near-term downward momentum in CPI inflation remains. * While Governing Council members were encouraged by the drop in CPI inflation, the persistence of measures of core inflation suggested the return to the 2% target would take longer than previously forecast. * Discussion about whether it was appropriate to raise the rate in July or wait for more evidence to solidify the case for further tightening. * GC members agreed that future decisions would be approached one at a time and that they were prepared to raise rates further if inflationary pressures did not ease as projected and progress toward the 2% target stalled. But they did not want to do more than they had to.	CAD going sideways.	x

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SNB	**2023-06-22**	**36**	**Rates**	**Hike by 25 bps to 1.75% (vs. a 50/50 expectation of a 50 bps hike)**		
			Statement	* Guidance unchanged: Further hikes cannot be ruled out, the SNB remains willing to be active in the FX market with the focus currently being on selling foreign currency * Reason for the hike: inflationary pressure has increased again over the medium term * Inflation has declined significantly in recent months due to lower oil and gas prices; the new inflation forecast is below that of March for 2023 due to lower energy prices and a stronger CHF, and above the March projection from 2024 due to second-round effects * Average annual inflation is projected at 2.2% for 2023 and 2024, and 2.1% for 2025 * Swiss GDP was solid in Q1 2023, the SNB expects modest growth for the rest of the year at around 1%, unemployment will likely rise slightly * The forecast for Switzerland and the global economy is subject to high uncertainty, the major risk is a more pronounced economic slowdown abroad	CHF lower	x
			Presser	Jordan: We cannot rule out further monetary policy tightening, most likely we will have to tighten policy again but we can also take a more gradual approach, gradual approach is appropriate at present and we can look again in September, tighter monetary policy has strengthened the Swiss Franc but underlying inflation pressure has risen further, Swiss inflation is not a luxury problem, even though we are in a very fortunate position it is still very important to bring inflation down, there is a danger inflation may become entrenched above 2%, inflation caused by higher rents is not a reason to refrain from future rate hikes. Maechler: The SNB has sold foreign currencies in recent quarters, will continue to do that if it is appropriate for monetary policy, remain ready to buy foreign currencies if there is excessive Franc appreciation.	No clear direction in CHF, 2s lower and bull steepening of the 2s10s	x
BOJ	**2023-07-28**	**0**	**Rates**	**Left unchanged at -0.10% as expected**		
			Statement	The BOJ introduced greater flexibility around yield curve control: * The ±0.50% band around the 0% target for the 10y yield remains intact but the upper and lower bounds will no longer be treated as rigid limits * Nakamura was the one dissenter on that point, arguing for greater flexibility * Sustainable price increases have not yet come in sight, the Bank needs to continue with monetary easing * CPI has been higher than projected, wage growth has risen, signs of change have been seen in firms' wage-setting behaviour * There are significant downside risks to the economy and prices	JPY volatile and eventually outperforming, JPY 10y yield rises above 0.50%	x
			Presser	Need to patiently continue monetary easing to support the economy, maintaining strong monetary easing is appropriate, will not hesitate to ease policy further if needed, today's decision is aimed at making YCC more sustainable, long-term rates could move beyond 0.5% cap, the BOJ will step in if rates exceed 1% mark, not expecting long-term yields to rise to 1%, the 1% mark is defined as a "just in case cap", will respond to speed and level of long-term rates if they move beyond 0.50%, we now have added room to deal with upward moves in interest rates, we aim to rely on markets to determine long-term rates but there are limits, there is still a distance to achieving 2% inflation target.		x
			Projections	From the BOJ Outlook Report: * The projection for CPI ex fresh food has been upgraded from April to 2.5% this year (prev. 1.8) but lowered to 1.9% for 2024 (prev. 2.0) * The projection for CPI ex fresh food and energy has been upped from 2.5% to 3.2% this year but remains unchanged at 1.7% next year		