



MONEX

Week Ahead

26th - 30th October 2026

October ends with a busy
roster of events

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The past week once again saw French fiscal risks continuing to worry markets, against the backdrop of a somewhat quieter US data calendar. While the euro suffered, predictably, the dollar was not left unscathed either, as concerns around AI-exposed equities weighed against the buck's usual haven traits, with the yen and the franc left to reap the benefits. Also making gains, somewhat to our surprise, was sterling, despite an upcoming Autumn Budget. But more acute worries elsewhere have distracted attention from the UK's own troubles, while a raft of domestic data largely exceeded expectations, helping to shore up BoE hiking odds.

Looking ahead, the week coming up is set to be a busy one. Monday should see markets digesting the results of Sunday's Presidential election run-off in Brazil, which Flávio Bolsonaro currently looks on track to win. Later on, traders will see an Australian CPI release, accompanied by rate decisions from the RBNZ, BoC, Fed, ECB, BoJ, while the UK budget should be the main event. Plus, with French fiscal concerns yet to be allayed, and conflict in the Middle East still ongoing, the week ahead promises plenty of risk events to watch for, and likely a decent dose of FX volatility to round out the month.

ECONOMIC CALENDAR

All times in GMT

Monday 26/10

Time	Country	Event	Period	Estimate	Prior
9:00	Switzerland	Total Sight Deposits CHF	23-Oct		457.0b
	Germany	IFO Business Climate	Oct	90	89.9
		IFO Current Assessment	Oct	89.9	89.5
		IFO Expectations	Oct	90	90.4

Tuesday 27/10

Time	Country	Event	Period	Estimate	Prior
9:00	Eurozone	ECB Bank Lending Survey			

Wednesday 28/10

Time	Country	Event	Period	Estimate	Prior
0:30	Australia	CPI YoY	Sep	4.20%	4.00%
		CPI Trimmed Mean YoY	Sep	3.60%	3.60%
		CPI Trimmed Mean QoQ	3Q	1.00%	0.80%
		CPI Trimmed Mean YoY	3Q	3.60%	3.60%
		CPI QoQ	3Q	1.20%	0.60%
1:00	New Zealand	RBNZ Monetary Policy Review			
		RBNZ Official Cash Rate	28-Oct	3.00%	2.75%
2:00	New Zealand	RBNZ Governor hosts news conference			
12:30	United Kingdom	UK Chancellor of the Exchequer John Healey Presents Budget			
13:45	Canada	Bank of Canada Rate Decision	28-Oct	2.25%	2.25%
18:00	United States	FOMC Rate Decision (Upper Bound)	28-Oct	4.00%	4.00%
		FOMC Rate Decision (Lower Bound)	28-Oct	3.75%	3.75%

Thursday 29/10

Time	Country	Event	Period	Estimate	Prior
5:00	Japan	Consumer Confidence Index	Oct	35.1	35.4
7:00	Sweden	GDP Indicator SA MoM	Sep		1.10%
		GDP Indicator WDA YoY	Sep		3.50%
		GDP Indicator SA QoQ	3Q	0.40%	1.40%
		GDP Indicator WDA YoY	3Q	2.90%	2.80%
		Wages Non-Manual Workers YoY	Aug		2.90%
12:30	United States	Personal Income	Sep	0.30%	0.20%
		Personal Spending	Sep	0.60%	0.90%
		PCE Price Index MoM	Sep	0.50%	0.30%

Time	Country	Event	Period	Estimate	Prior
		PCE Price Index YoY	Sep	3.60%	3.40%
		Initial Jobless Claims	24-Oct		194k
		Core PCE Price Index MoM	Sep	0.30%	0.20%
		Core PCE Price Index YoY	Sep	3.10%	3.00%
		GDP Annualized QoQ	3Q A	3.00%	2.20%
		Personal Consumption	3Q A	3.40%	3.80%
		Core PCE Price Index QoQ	3Q A	2.40%	3.30%
13:15	Eurozone	ECB Deposit Facility Rate	29-Oct	2.50%	2.50%
13:45	Eurozone	ECB President Christine Lagarde Holds Press Conference			
16:00	Eurozone	ECB's Kocher speaks in Vienna			
17:00	Switzerland	SNB's Tschudin Speaks at Money Market Event in Geneva			
23:30	Japan	Jobless Rate	Sep	2.50%	2.50%
		Job-To-Applclicant Ratio	Sep	1.18	1.18

Friday 30/10

Time	Country	Event	Period	Estimate	Prior
6:15	Switzerland	SNB Publishes 9-Month Results			
6:30	France	GDP QoQ	3Q P	0.10%	0.00%
		GDP YoY	3Q P	0.30%	0.50%
7:00	Norway	Unemployment Rate SA	Oct		2.00%
7:45	France	CPI MoM	Oct P	0.20%	-0.30%
		CPI YoY	Oct P	3.20%	3.10%
		Private Sector Payrolls QoQ	3Q P		-0.10%
8:00	Switzerland	KOF Leading Indicator	Oct	107.5	109.1
8:00	Spain	CPI MoM	Oct P	0.70%	0.30%
		CPI YoY	Oct P	5.00%	4.90%
		CPI Core YoY	Oct P		3.10%
8:30	Poland	CPI MoM	Oct P	-0.10%	0.70%
		CPI YoY	Oct P	3.70%	4.10%
8:55	Germany	Unemployment Change (000's)	Oct	5.0k	12.0k
		Unemployment Claims Rate SA	Oct	6.40%	6.40%
9:00	Eurozone	ECB Survey of Professional Forecasters			
	Italy	ECB's Panetta Speaks in Rome			
	Germany	GDP SA QoQ	3Q P	0.10%	0.30%
		GDP NSA YoY	3Q P	1.20%	1.00%
		GDP WDA YoY	3Q P	1.10%	1.00%
9:30	United Kingdom	DMP 1 Year CPI Expectations	Oct	3.50%	3.30%
		DMP 3M Output Price Expectations	Oct	3.80%	3.70%

Time	Country	Event	Period	Estimate	Prior
10:00	Eurozone	GDP SA QoQ	3Q A	0.20%	0.60%
		GDP SA YoY	3Q A	1.00%	1.20%
		Unemployment Rate	Sep	6.40%	6.40%
	Italy	CPI NIC incl. tobacco YoY	Oct P	4.50%	4.20%
		CPI NIC incl. tobacco MoM	Oct P		0.70%
12:00	Mexico	GDP NSA YoY	3Q P	2.30%	2.10%
		GDP SA QoQ	3Q P	0.40%	1.40%
	Canada	GDP MoM	Aug	0.20%	0.00%
		GDP YoY	Aug		1.40%
12:30	United States	Employment Cost Index	3Q	0.80%	0.90%
13:00	Germany	CPI MoM	Oct P	0.10%	0.60%
		CPI YoY	Oct P	3.00%	3.30%
16:00	United States	Fed's Daly Gives Introductory Remarks			
16:10	Eurozone	ECB's Lane Speaks in San Francisco			
16:30	United States	Fed's Musalem Delivers Keynote Address			
TBC	Japan	BOJ Target Rate	30-Oct	1.25%	1.25%

Brazil election preview: A Bolsonaro win is the baseline

The first round of Brazil's Presidential election, held on October 4th, saw Flávio Bolsonaro take 47.0% of valid votes to the incumbent Lula's 45.2%, delivering something of a surprise after final surveys had the latter ahead by three to five points. Down the ballot, Bolsonaro's Partido Liberal becomes the largest party in both chambers, with 28 of 81 Senate seats and 121 of 513 deputies. This outcome was welcomed by markets given the improved prospects for fiscal consolidation, with the Ibovespa jumping 7.7% to a record close on Monday, October 5th, while USDBRL fell 4.1% to finish just below 5.00. Assuming Bolsonaro wins on Sunday, we anticipate further BRL gains once the fiscal outlook clears.

Admittedly, the race appears to have narrowed since the first-round vote. While Datafolha, PoderData and AtlasIntel all had Bolsonaro at 52-53% of valid votes in the week after the first round, Lula has since narrowed the gap, helped by an intensified campaign and a series of high-visibility measures, including ending the 6x1 work schedule, a proposed constitutional amendment guaranteeing fare-free public transport at weekends ("Tarifa Zero"), extension of the Pé-de-Meia programme to university students, and debt relief for around four million micro-entrepreneurs. As of writing, Bolsonaro still leads across the major polls, but only narrowly: the average across pollsters is now roughly 51-49, a two-point lead inside the margin of error of most surveys.

"Prediction markets have moved the same way, albeit from a more confident starting point: Polymarket and Kalshi both price a Bolsonaro win at around 78-79%, down from roughly 88% shortly following the first-round result."

Looking ahead, the remaining catalysts are limited. A Globo TV debate on Friday evening (21:20 Brasília time, 01:20 BST on Saturday) is the last televised confrontation before the vote. Last Sunday's Band debate was generally viewed as a neutral event without a clear winner and did little to alter the trajectory of the race, so Friday represents one of the last opportunities for either candidate to move undecided voters, with final Datafolha and Quaest surveys due on Saturday. Polls close at 17:00 Brasília time on Sunday (20:00 in London, after the clocks go back), and Brazil's electronic count typically delivers a result within around three hours, so the outcome should be clear well before Monday's open.

From an FX perspective, confirmation of a Bolsonaro victory should see USDBRL retest 5.00 on Monday and probably the post-first-round lows just below it. Beyond that, further upside for the real requires unwinding fiscal risk premia that remains embedded in USDBRL, and the detail here is still thin. Bolsonaro has committed to a R\$200bn fiscal adjustment, equivalent to roughly 1.5% of GDP, to be delivered by eliminating ministries, tackling mismanagement at state-controlled companies and monetising federal real estate, while explicitly ruling out changes to minimum-wage indexation, automatic benefit adjustments or mandatory social spending, and promising not to reverse the end of the 6x1 schedule. That sits uneasily with the diagnosis of Marcelo Kayath, the former Credit Suisse banker touted as finance minister, who has argued that with more than 90% of primary spending mandatory, discretionary cuts alone cannot deliver a structural adjustment.

Still, if such a plan can be delivered, we think 4.70 is consistent with fully unwinding the fiscal risk premium embedded in USDBRL, though it may take several months to convince markets. Until then, we expect the pair to hold around 4.90-5.00, with a disappointing economic team the main risk of a drift back towards 5.10. The primary tail risk to our call remains a Lula comeback, now closer to a one-in-five chance than the one-in-eight implied two weeks ago, an outcome that would likely push USDBRL back above 5.20 before month-end, unwinding the entire post-first-round rally.

Australian CPI preview: Hauser has already set the bar

Wednesday's inflation data (00:30 GMT) is the last major release before the RBA's November 3rd decision, and could settle what now looks likely to be a genuinely live meeting. In our October forecasts, we expected the cash rate to stay at 4.60% for the time being, a call that looked safe after September's jobs report showed employment falling 39k and unemployment at a cycle high of 4.7%, pushing November hike odds below 20%. Hauser's warning that the inflation outlook is "materially worse" than projected in August has since reversed that move.

"Swaps now assign better-than-even odds to a hike to 4.85%, a further move is fully priced by February, and the aussie has recovered to around 0.70, among the G10's best performers over the past week."

Consensus looks for headline CPI to accelerate to 4.2% YoY in September from 4.0%, with trimmed mean inflation steady at 3.6% for a fourth month. On the quarterly measures, headline inflation is projected to increase 1.2% QoQ, double Q2's pace, with trimmed mean CPI up 1.0%. As seen elsewhere, fuel is the primary culprit, with pump prices expected to have risen almost 10% in September after August's 14.8% jump as excise relief expired. Nor is that pressure fading. Brent settled above \$113 on Thursday, a five-month high, after Iran claimed strikes on seven tankers near Hormuz and Houthi drones hit Saudi oil facilities. Crude now sits roughly a third above the RBA's August assumption.

If the data matches expectations, as we think it will on this occasion, that should leave the November decision near a coin toss, with a hike before year-end all but certain. A beat would tilt odds towards an earlier move, though even then, we see labour market weakness as warranting caution. In any case, for the aussie, the setup is asymmetric. An upside surprise should see AUDUSD test 0.71, though with the FOMC also due on Wednesday and Middle East risks unresolved, we continue to think dollar dips stay shallow, capping gains. A miss would unwind this week's repricing quickly and send the pair back towards its post-jobs lows. Most likely, however, the data does little to settle the November debate for the RBA, leaving the aussie in limbo through to month-end.

RBNZ preview: Forced to act

The RBNZ delivers its October Monetary Policy Review at 01:00 GMT on Wednesday, hours before the Fed. Swaps price in a roughly 85% chance of a 25bp hike to 3.00%, and we lean the same way. Admittedly, September's Statement, which delivered a second consecutive hike to 2.75%, projected a Q4 average OCR of 2.81%, consistent with an October pause and a December move. Oil and the currency have since moved against it. Governor Breman acknowledged on September 22nd that persistently higher oil prices imply firmer near-term inflation than assumed, and Chief Economist Conway called the decision "completely open" on October 15th, while repeating that the OCR is more likely to rise.

"This week's Q3 CPI did little to change that. Granted, headline inflation eased to 3.7% from 4.1%, below the 3.8% consensus and the RBNZ's 3.9% projection, with prices up 0.7% on the quarter."

But the softness was all tradables, up just 0.2% as petrol fell 6.5% after its Q2 surge. Non-tradables accelerated to 1.0% from 0.6%, more than 85% of the basket rose in price, and Stats NZ estimates inflation would still have been

3.2% had petrol been flat over the year. With pump prices now some 17% above their Q3 average, we still see headline inflation back above 4% in Q4 absent de-escalation in the Gulf. That looks unlikely in the near term. New Zealand, largely reliant on imported refined fuel, is unusually exposed, and a trade-weighted kiwi at levels last seen in the aftermath of the financial crisis compounds imported price pressure.

Still, for the kiwi, this meeting should have little impact. A rate rise would only match market expectations, and we expect little additional guidance on the path ahead at this meeting, despite our scepticism that the Bank will deliver the three to four further rate rises currently priced by markets. Admittedly, a hike with a clear December lean could see 0.57 tested. But with an election early in November, we are not ready to turn overly constructive on the kiwi just yet.

UK Budget preview: A nothing-burger budget

With the UK Budget, due on October 28th, now less than a week away, we are taking the opportunity to update our house view, incorporating some of the news and rumours that have emerged since we published our initial preview earlier in the month. We now expect the Chancellor to leave less headroom than previously anticipated, implying a reduction in revenue-raising measures, and the deferral of major spending decisions into 2027. Such a "non-event" budget could well be viewed unfavourably by markets, with significant additional spending commitments still to be funded in the coming year. But against an increasingly challenging fiscal backdrop for other developed economies, most notably France, where concerns are acute, we see greater scope for markets to overlook UK spending pressures, with sterling downside risks pushed out into 2027.

"As context, our initial look ahead to the Autumn Budget, published as part of our forecasts earlier this month, anticipated a £10-12bn erosion of the government's pre-measures headroom, which previously stood at around £24bn, stemming from higher interest rates and inflation."

We further assumed that the Chancellor would maintain most of this headroom through tax rises, pencilling in a £20bn buffer post-event. But given recent speculation, we now look for the Chancellor to reduce headroom to roughly £15bn, arguing that recent events in the Middle East are exceptional, and the purpose of any headroom is to absorb such temporary pressures. That aligns with recent surveys by both Bloomberg and the FT, suggesting a degree of market tolerance for a smaller buffer.

In terms of measures, we expect spending commitments to remain limited, with retail offerings such as the removal of VAT on electricity bills already well trialled in the media. Accompanied by a small rise in defence spending to meet near-term pressures, we assume that additional spending commitments reduce the available headroom by a further £2bn. Assuming, for now, no other OBR forecast changes, that would imply roughly £5bn in tax rises provided the fiscal rules remain untouched. Changes to capital gains tax have been ruled out, while increases to income tax, VAT and NI also remain off the table. A bank levy has been strongly hinted at, which would fill much of the funding gap, with minor revenue-raising measures set to make up the difference. Based on recent reporting, we think such a nothing-burger budget is now the most likely scenario. This holds several key implications.

First, such an outcome implies deferring key fiscal decisions until the Spending Review in 2027. These include an increase in defence spending to hit the government's 3% of GDP target, which would reduce headroom by around £10bn. Publication of the Milburn Review into youth unemployment, and the Timms Review into disability support, are now also due following the Budget. We expect both to recommend additional spending in this parliament. Finally, the Chancellor faces a sharp fiscal consolidation pencilled in by his predecessor for the coming years, which PM Andy Burnham has hinted at softening. In total, we think this could mean an additional £30-£50bn in annual spending commitments, though at least some of this will be pushed out into the next parliament, thus falling outside the current fiscal rules.

“Second, with few major changes likely in the Budget itself, markets are instead likely to focus on the credibility of the overall fiscal package.”

In that sense, the Chancellor's immediate proposals should compare favourably to those put forward in a number of other advanced economies, most notably France at present. As such, if traders are happy to ignore longer-term spending pressures, this should leave Gilts and sterling relatively unperturbed on Wednesday. That said, such a plan is not without risk either. While the Spending Review is likely six months away, leaving time for conditions to improve, hope is not a credible fiscal strategy, and any market scepticism in this vein is likely to prove sterling negative.

Finally, we continue to see downside risks to the OBR headroom projections relative to the baseline set out above. Granted, some commentators, most notably the IFS, have suggested that the government could benefit from higher inflation in the later years of the forecast, due to an increasingly labour-rich income mix. But as we noted in our initial preview, changes to immigration projections or to housebuilding forecasts would weigh in the

opposite direction. In the round, we still think the obvious risks favour less headroom than currently expected by markets, skewing sterling outcomes asymmetrically negative.

Putting all that together, we now see a credible scenario that leaves sterling relatively unmoved on the day, with cable likely to remain trading around a 1.33-1.34 range. More likely, some limited concerns over the long-run credibility weigh on the pound at the margin. That, we think, would leave GBPUSD on track to end the month trading near 1.32, our new baseline, albeit with a wide margin of error attached to that projection. Admittedly, this is above our prior month-end target for the pair of 1.30, though such levels are still achievable if the Chancellor fails to convince markets that his plans are reasonably plausible. In any case, none of these likely Budget scenarios address the large bill coming due in 2027. This reality, we think, should continue to haunt sterling, skewing medium-term risks lower, even if the pound escapes immediate fallout on October 28th.

BoC preview: Not convinced that hiking is needed

Next Wednesday's Bank of Canada decision, due at 13:45 GMT alongside the October Monetary Policy Report, has become the most contentious of the year. The policy rate has sat at 2.25% since last October's cut, with seven straight holds since. Yet in a single week, swap-implied odds of a 25bp hike to 2.50%, which would be the first increase since July 2023, have swung from roughly one-in-three to around 80% after Governor Macklem used the IMF meetings in Bangkok to signal a significant upward revision to the Bank's inflation forecast. Several domestic forecasters have since flipped from hold to hike. We have not. As argued in recent morning notes, we expect rates to be left unchanged, with the hold paired with a higher inflation profile in the MPR and hawkish guidance rather than action.

As we see it, the hawkish case rests almost entirely on energy costs. Middle East hostilities escalated again over the past week, with Iranian strikes on tankers in the Gulf and Houthi attacks on Saudi energy infrastructure pushing Brent to a five-month closing high above \$113 on Thursday. That adds additional upside pressure on headline CPI, which rose to 3.1% in September with gasoline prices up almost 28% on the year, while Monday's consumer survey showed five-year inflation expectations jumping to 3.9%.

“Macklem has long said the Bank can look through an oil shock only while it stays contained.”

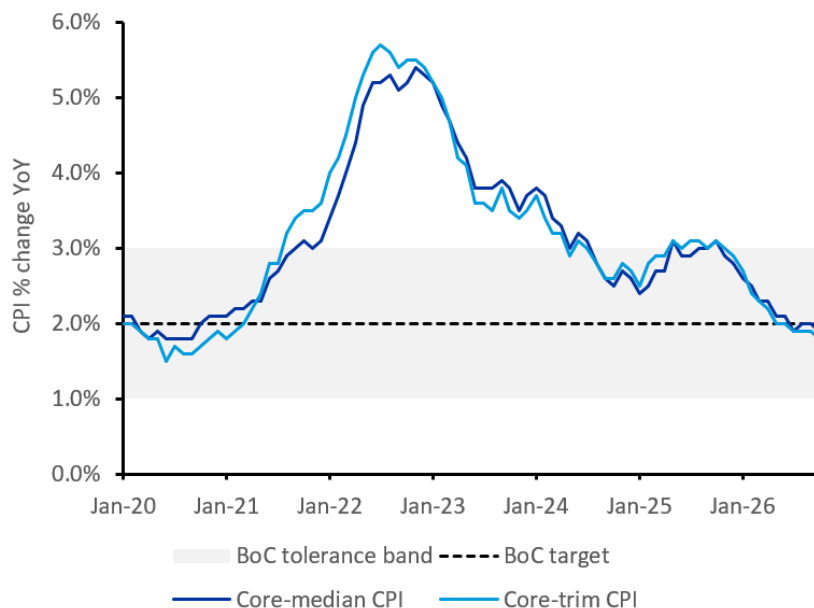
But evidence that higher energy costs are translating into broader upside price pressures is still thin. Despite rising, September's headline CPI print undershot the 3.2% consensus, inflation excluding energy slowed to 2.2%, and the Bank's preferred core measures fell to an average of 1.85%, a

fresh low for the year. Meanwhile, the labour market is deteriorating, with employment falling by 68k in September after a 42k drop in August, while unemployment now stands at 6.5%. And after US trade talks collapsed in late August, triggering tit-for-tat tariffs, Macklem himself warned that fourth-quarter growth could be roughly halved to below 1%. The Bank's own business survey shows sentiment souring in responses gathered after the breakdown. Indeed, the Governor conceded earlier in the year that without an energy shock to contend with, the discussion would be about cuts. In our view, tightening into such a backdrop, hours before a Fed expected to hold at 3.75-4.00%, would be an unnecessary gamble on second-round effects that have yet to materialise.

"For the loonie, given current swap implied expectations, risks appear skewed firmly to the downside."

If we are right, a hold would force a sharp front-end repricing, likely driving USDCAD back toward 1.42, though gains could be moderated with hawkish accompanying guidance. Should the Bank move after all, loonie upside should prove modest given how much is already discounted, leaving the Governor's steer on December to matter at least as much as the decision itself.

Underlying inflation continues to ease in Canada, giving no indication that higher energy costs are feeding through to broader price pressures



Source: Bloomberg, Monex Europe

FOMC preview: Patient in October, with December live

We expect the FOMC to leave the federal funds target range unchanged at 3.75-4.00% on Wednesday, before delivering a further 25bp hike at the December meeting. With UK clocks going back this weekend, the decision lands at 18:00 GMT, with Chair Warsh's press conference half an hour later. Having initially looked for a back-to-back move this month after a unanimous September hike, dovish pushback from the FOMC has shifted our view, leaving October hike odds in the single digits, down from above 70% in late September.

Indeed, the near unanimity of recent Fed speak has been notable. Waller said hikes "do not need to come at consecutive meetings", noting that higher Treasury yields had done part of the Fed's work, while Musalem argued more firming is needed but kept an open mind on timing. Williams still sees one more hike this year but none in 2027, Jefferson signalled a willingness to wait, and Bowman said she felt no urgency for further action. Warsh himself offered nothing on October in Bangkok beyond observing that the world had "broadly conformed to our expectations" since September. Granted, hawkish dissent remains a possibility on Wednesday, but the Committee looks more unified now after a fractious start to Chair Warsh's tenure.

With a hold fully priced, the FX reaction hinges on tone. Our base case is a hawkish hold that keeps December firmly in play without formal guidance, in keeping with Warsh's approach. The risk is a dovish surprise were Warsh to suggest that higher yields have done enough, in which case December pricing would unwind, and the dollar should give back more of its October gains. We see that as unlikely with headline inflation at 3.7%, however, and would fade any such move, though we continue to think 2027 swap pricing is too hawkish, a debate for December rather than this week.

ECB preview: French bond turmoil strengthens the case for a pause

French bond markets are doing part of the ECB's tightening work. While headline inflation at 3.8% would normally strengthen the case for higher interest rates, surging sovereign borrowing costs are giving policymakers good reason to pause. The spread between French and German 10-year government bonds has widened to its highest level since 2011, reflecting mounting concerns over France's fiscal outlook and political instability.

"Against this backdrop, we expect the Governing Council to leave its deposit rate unchanged at 2.50% on October 29th."

Indeed, the ECB faces an increasingly uncomfortable balancing act. September's rate increase reflected renewed inflationary pressures following the Middle East energy shock, with headline inflation subsequently reaching 3.8%. Meanwhile, sharply rising sovereign borrowing costs are tightening

financial conditions without further intervention from Frankfurt. France's fiscal difficulties have pushed its borrowing costs substantially higher than Germany's, raising concerns about how monetary policy is transmitted across the euro area. Higher yields feed through to corporate financing, mortgage rates and investment decisions, weighing on economic activity. In effect, bond markets are delivering some of the monetary restraint that would otherwise require further ECB action.

December therefore remains the real decision point. Updated ECB staff projections will provide a clearer assessment of the inflation outlook. Another increase to 2.75% remains plausible, particularly if underlying inflation accelerates. However, persistent pressure on sovereign bond markets, combined with relatively contained core inflation, would weaken the justification for further tightening. We expect President Lagarde to maintain a data-dependent, meeting-by-meeting approach, preserving the option to raise rates without explicitly endorsing December's aggressive market pricing.

For the euro, an unchanged October decision is already largely discounted, leaving the immediate reaction dependent on Lagarde's assessment of inflation risks and the outlook for December. A hawkish message could provide some near-term support, but persistent French fiscal uncertainty complicates the picture. Higher European yields are not necessarily positive for the single currency when they reflect deteriorating sovereign credit confidence rather than stronger economic fundamentals. Moreover, any reassessment of December rate expectations could reduce interest rate support for the single currency. While another hike before year-end remains possible, we believe markets are placing too much confidence in that outcome, leaving the euro vulnerable should expectations shift towards a more prolonged ECB pause.

BoJ preview: October pause unlikely to offer yen support

The Bank of Japan is widely expected to leave its policy rate unchanged at 1.25% on Friday, October 30th, following September's 25bp increase. With a hold almost fully priced in, attention will instead turn to the quarterly Outlook Report and Governor Ueda's press conference for clues on the timing of the next move. We expect policymakers to maintain a hawkish tone, reinforcing expectations of another hike in December. Nevertheless, with much of that tightening already reflected in market pricing, we see limited scope for sustained yen appreciation.

The case for further tightening remains intact. Inflationary pressures have broadened beyond imported energy costs, while stronger wage growth suggests that domestic price pressures are becoming more persistent. Recent comments from BoJ officials have also highlighted the risks of keeping monetary policy too accommodative for too long. Even so, having raised rates in September, policymakers have little reason to rush into another increase just six weeks later. A pause would allow the Bank to assess the impact of earlier tightening without undermining its commitment to further normalisation.

The more interesting question is whether Governor Ueda can sound sufficiently hawkish to surprise markets. With around three-quarters of a December hike already priced in, simply keeping that meeting live is unlikely to provide much additional support for the yen. A stronger signal that tightening could continue into 2027 would be more significant, although policymakers will likely remain cautious given uncertainty surrounding growth and the impact of higher energy prices.

"For USDJPY, we therefore retain our expectation of further near-term upside, with the pair moving towards 159 over the coming month and 160 over three months"

Despite the prospect of additional BoJ tightening, the interest-rate differential with the US remains substantial. That backdrop should continue to favour the dollar provided AI-fears cool in the coming week, though intervention risk should increasingly constrain upside as USDJPY approaches 160.

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