Our major central bank calls this November

Despite recent comments from Fed Chair Powell, we still expect a US rate cut in December and two more cuts in 2026. That's in contrast to the ECB, where we continue to think rates are likely to remain on hold for the foreseeable future

Federal Reserve

In October, the Fed cut the policy rate for a second consecutive meeting, by 25bp to 3.75-4%, but warned that a third cut at the December meeting is "not a forgone conclusion… far from it". There are a group of officials who remain worried about tariffs lifting inflation further above the target amid scant evidence of a slowdown in the economy. However, there are others who are concerned that inflation fears are overdone and the focus should instead be on a rapid cooling of the jobs market, which could push inflation below target over the medium term.

A case can be made for the Fed not needing to cut rates further if looser financial conditions (lower Fed funds and Treasury yields and a weaker dollar), alongside trade clarity, stabilise confidence and gradually prompt a revival in hiring. Alternatively, if tariffs start to squeeze household spending power and corporate profits, then a turnaround in the jobs market will look less likely. Throw in an asset price correction and significant interest rate cuts would be required.

Our view is that the inflation backdrop is looking less threatening than it did in early summer, with

the slow tariff pass-through allowing disinflationary pressures from lower energy costs, slowing housing rents and cooling wage growth to mitigate the effect. At the same time, the jobs outlook is more concerning. We expect a December rate cut, and while we retain a moderately upbeat outlook, we think it will take at least two more rate cuts next year and further dollar weakness to achieve the required platform for growth.

James Knightley

European Central Bank

The ECB has now kept interest rates unchanged for three consecutive meetings and the bar to restarting rate cuts is high. In fact, the Bank currently feels very comfortable in its 'good place'. With the ECB's own growth forecasts indicating that the eurozone economy will grow by slightly more than 1% each year and inflation will settle down to 2% over the next few years, there is indeed very little reason to change its monetary policy stance.

At the same time, there are still valid dovish arguments that could force the central bank to cut again at the December meeting. Just think of the delayed adverse impact of US tariffs, the stronger euro exchange rate, French politics or a delay in Germany's fiscal stimulus. If any of these downside risks materialise, we can expect the ECB to engage in one or two more rate cuts.

In any case, even if the ECB seems to rest more comfortably on its laurels than before, the December staff projections will be crucial and could still disrupt its good place. If the 2028 inflation forecasts come in sub-1.7%, the likelihood of yet another rate cut would increase.

Carsten Brzeski

Bank of England

Better news on UK inflation means a December rate cut is more likely than not. It's early days, but it appears that food inflation has peaked lower than the Bank had previously feared. Service sector inflation, though volatile, is also showing more promising signs.

By December, we'll also have had the Budget. That is expected to deliver a material fiscal tightening, which in sharp contrast to the Budget 12 months ago, should add to the case for looser monetary policy.

There is also a growing recognition at the Treasury that the Budget needs to avoid measures which add to inflation in 2026, after certain policies – including a near-7% hike in the National Living Wage and payroll tax increases – have appeared to add to consumer price pressures in recent months. There's little the Treasury can do to actively bring inflation down,
but avoiding measures that compound the Bank's caution on interest rates is likely to be avoided.

We expect a 25bp rate cut in December, taking the Bank Rate from 4% to 3.75%, followed by two cuts in 2026.

James Smith

Bank of Japan

The Bank of Japan held interest rates at 0.5% at its October meeting, recording a 2-7 split for the

second consecutive meeting, showing there are varying perspectives among BoJ members regarding potential adjustments to the policy rate. The majority of board members expressed caution about uncertainties related to US trade policy and its impact on the Japanese economy. Additionally, the BoJ continued to deny that it is behind the curve, as underlying inflation has not yet reached its sustainable target.

However, global trade tensions have recently eased quite meaningfully, and economic indicators suggest a recovery in the current quarter. Also, inflation is likely to stay above 2% for a while due to wage growth and changing business pricing strategies. The weak JPY may add more inflationary pressure. Robust corporate earnings may indicate the possibility of continued wage growth in 2026.

The new government has also given its policy priority to tackle inflation; it is unlikely to challenge the BoJ's rate hike publicly, supporting the BoJ's independence. In our view, the Bank of Japan will likely deliver a 25bp hike in December, followed by an extended pause until October next year.

Min Joo Kang

Author

James Knightley
Chief International Economist, US
james.knightley@ing.com

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Min Joo Kang
Senior Economist, South Korea and Japan
min.joo.kang@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("**ING**") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.