By Global Markets | 16 November 2026

Interest Rates Focus

Central banks outlook

- *A 25bp hike at the December FOMC meeting remains the base case, likely followed by an extended hold through 2027.*
- *One more 25bp BoE hike is now expected in 1Q27. The ECB is still seen hiking by 25bps each in Dec-2026 and 1Q27.*
- *We continue to expect the BoJ to deliver one 25bp hike each in Dec-2026, 1Q27 and 2Q27.*
- *RBA is expected to be on hold after the latest hike with the next move likely to be a cut. RBNZ is expected to hike the OCR by 25bps each in Dec-2026 and 1Q2027*

Selena Ling
Chief Economist and Head of OCBC Group Research

Frances Cheung, CFA
Head of FX and Rates Strategy

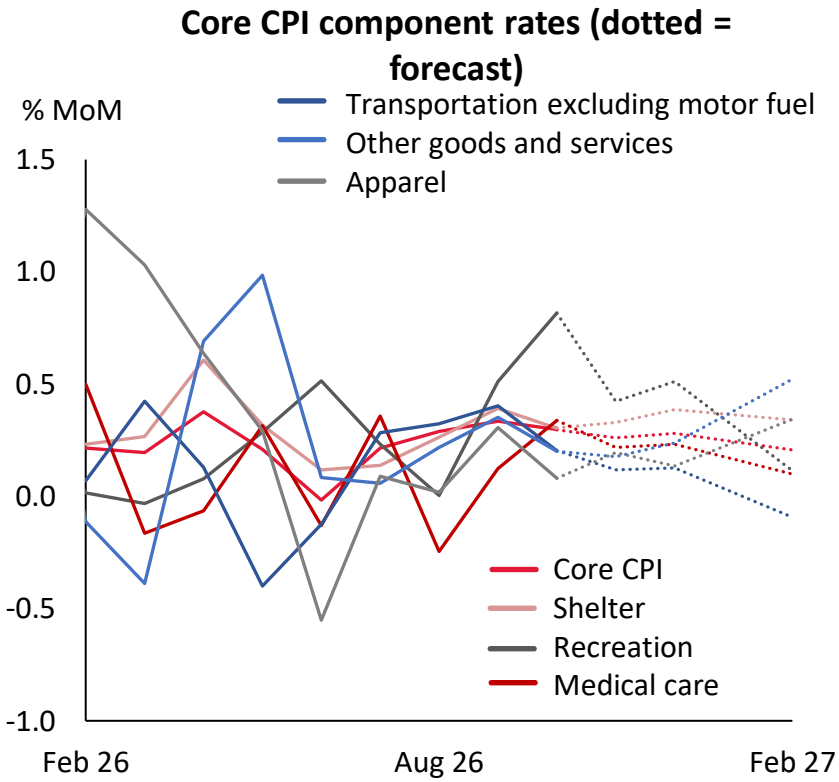
Chester Liaw
G7 Economist

Noah Siaw
Macro Research Analyst

Fed

FOMC kept the target range of the Fed funds rate unchanged at 3.75-4.00% by a 10-2 vote at October meeting, with two members preferring a 25bp hike. While Warsh reiterated the commitment to bring inflation back to target, he saw tighter credit and strong productivity as reasons to give policy time to work. Market pared back rate hike expectations after October FOMC meeting, before adding back to rate hike pricings upon the October CPI prints.

October CPI came in hotter than expected and validates our call for a December hike as headline rose 0.4% MoM and core 0.3% MoM, with the latter having printed around 0.3% MoM for a third straight month. Even though we hold on to our call of a 25bp hike for now as oil prices are easing, we are cognizant there are more hawkish voices in the market. Earlier, Fed Governor Waller said he would support at least a 25bp hike in December even if October CPI improved. He said a core print of around 0.3% or higher could justify a 50bp hike. He also flagged how broad the price increases are and said "more robust action by the FOMC may be called for" if inflation comes in well above his forecast, to protect the Fed's credibility. His remarks point to a broader hawkish shift at the Fed, with members previously seen as dovish or neutral, Waller among them, moving into the hawkish camp.



Source: BLS, OCBC Group Research.

We are also pushing back our first expected rate cut to 2028. Even if the December hike marks the end of the tightening cycle, the persistence and breadth of inflation suggest the Fed will need to keep policy restrictive for longer to ensure inflation is firmly returning towards target. With core inflation still running at around 0.3% MoM and the Fed increasingly focused on preventing another loss of inflation credibility, we think the bar for easing in 2027 will be high.

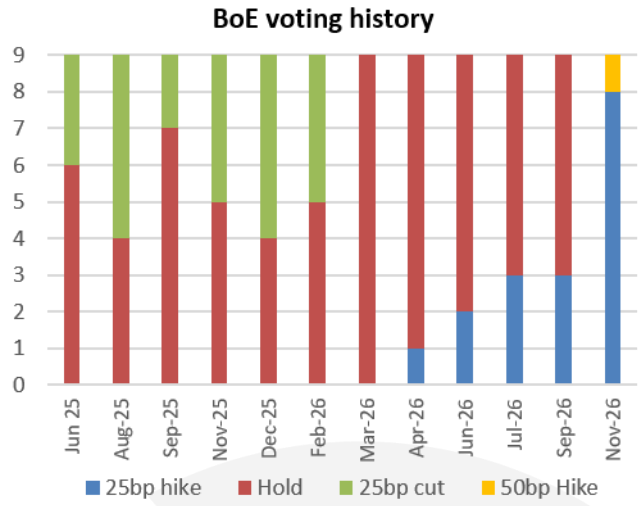
BoE

The MPC voted by a majority of 8-1 to raise the Bank Rate by 25bps to 4% at November meeting. One member voted for a 50bp hike. BoE now expect CPI inflation to rise to around 5% by the middle of next year. The central bank has continued to judge that "there remains limited evidence of knock-on effects on other prices and wages", but "the degree of inflationary pressure in the pipeline is now sufficient to warrant an increase in the Bank Rate". While the 25bp rate hike had been anticipated, the vote split, the economic forecasts and the rhetoric were all more hawkish than expected.

We are adding one more hike to our forecast profile, now expecting a 25bp hike in 1Q2027, which will then bring the Bank Rate to 4.25%.

Debate may continue as to where peak rate will be. Inflation pass-through onto wages has been limited thus far, but the risk of second-round effects materializing has increased. Economic activities have remained resilient despite higher energy prices, which may withstand a mildly higher interest rate environment. This allows room for the Bank of England to tighten further to guard against inflation risk ahead.

We are also pushing back our first expected rate cut to 2028. The higher inflation profile and increased risk of second-round effects argue for keeping policy restrictive for longer. With CPI inflation expected to rise further next year, the MPC is likely to require clearer evidence that inflation is falling sustainably and that higher energy costs are not feeding into wages and broader prices before considering easing. We therefore expect Bank Rate to remain at 4.25% through the remainder of 2027, with cuts beginning only in 2028.



Source: Bank of England, OCBC Group Research

ECB

We keep our forecast for two more hikes. We see a 25bp increase in the deposit rate to 2.75% at the December meeting, and another 25bp increase to 3.00% in 1Q2027. The ECB held key policy rates unchanged on October 29, but Lagarde said the Governing Council debated a hike and that "the direction of travel is quite clear". Euro area headline inflation rose to 4.0% YoY in October from 3.8% in September, the highest since 2023, with energy inflation at 20.8%. Core inflation stayed at 2.5%, but services inflation edged up to 3.3% from 3.2%, and Chief Economist Lane has said a December hike would be prudent if the data don't shift.

On France, we do not expect the ECB to activate the Transmission Protection Instrument (TPI). The 10-year OAT-Bund yield spread has narrowed to about 148bps from about 174bps at one point in October.

The spillover onto other EGBs has been contained, with the earlier widening in BTP-Bund spreads being milder while BTP-OAT yield spreads narrowed. Lagarde stressed that the TPI is for "unwarranted and disorderly" market moves, while Lane said the ECB should not use its crisis tool because the problem "needs to be fixed in Paris".

We now expect the first ECB rate cut only in 2028. Our view is that the end of the hiking cycle will not quickly translate into easing. Even if the deposit rate peaks at 3.00% in 1Q2027, elevated headline inflation and sticky services prices should keep the ECB cautious. Unless underlying inflation moderates more convincingly, policymakers are likely to prefer holding rates restrictive through 2027 rather than risk easing prematurely and having to tighten again later.

BoJ

The Bank of Japan left its policy rate unchanged at 1.25% in an 8–1 vote, as widely expected, while Takata favoured a hike to 1.50%. The rhetoric turned a tad more hawkish, with BoJ expecting, in the first half of the projection period of FY2026, core inflation to “accelerate to a level clearly above 2 percent”. This paves the way for continued policy normalization. We continue to expect one 25bp hike each in December 2026, 1Q2027 and 2Q2027, which will bring the BoJ target rate to 2.00%.

BoJ raised its FY2027 CPI forecast excluding fresh food to 2.6% YoY from 2.4% in July, partly reflecting higher oil prices, while its forecast excluding fresh food and energy was nudged up to 2.7% from 2.6%. The central bank expects stronger wages and the earlier weakening of the yen to continue feeding through to prices, reinforcing the case for further policy normalisation. We expect the headline inflation path to be largely anchored at 2%, peaking at 2.5% in 1H before coming back down to 2% at the end of next year.

RBA

The RBA raised the cash rate target by 25bps to 4.85% at its November meeting, marking its fifth hike this year and a cumulative total of 125bps of tightening since the start of the year. The decision was not unanimous, with six members of the Board voting to hike and three voting to leave the cash rate unchanged. The Board judged that inflation remained too high and broadly based, having revised its forecasts materially higher to reflect elevated fuel and commodity prices and tighter-than-expected domestic capacity pressures. They concluded a further tightening in financial conditions was warranted to support inflation’s return to target. On policy guidance, the RBA adopted a less hawkish tone, removing any explicit reference to further hikes. Although Governor Bullock did not confirm a pause, she said it

was time to "take stock for a minute and see what comes in, in terms of the data".

Looking ahead, we remain comfortable with our view that the RBA will stay on hold for the remainder of this year and through most of 2027, with one 25bp cut pencilled in for 4Q27. As the cumulative impact of previous hikes continues to weigh on activity, capacity pressures and domestic inflation should gradually ease, opening the door to a rate cut in 4Q27. However, a prolonged Middle East conflict could keep energy prices elevated and delay policy easing.

RBNZ

The RBNZ unexpectedly held the Official Cash Rate at 2.75% at its October meeting, against widespread expectations of a 25bp hike. The decision was narrowly split, with four members voting to hold and three favouring an immediate increase. The majority preferred to assess the effects of the July and September hikes amid softer-than-expected inflation, weak household demand and limited evidence of broader fuel-price pass-through. Members also placed greater weight on downside risks to global and domestic activity. The decision represented a hawkish pause rather than the end of the tightening cycle. Governor Breman said further OCR increases were "likely", although the RBNZ stressed that any tightening remained conditional on the economic outlook.

We continue to expect one 25bp hike each in December 2026 and 1Q27, taking the OCR from 2.75% to 3.25%, followed by a prolonged pause as the cumulative tightening works through the economy. However, persistently elevated fuel prices remain an upside risk to this outlook.

Interest rates forecasts	Current	4Q26	1Q27	2Q27	3Q27	4Q27
Fed Funds Rate (upper)	4.00	4.25	4.25	4.25	4.25	4.25
BoE Bank Rate	4.00	4.00	4.25	4.25	4.25	4.25
ECB Depo Rate	2.50	2.75	3.00	3.00	3.00	3.00
BoJ Policy Rate	1.25	1.50	1.75	2.00	2.00	2.00
RBA Cash Rate	4.85	4.85	4.85	4.85	4.85	4.60
RBNZ OCR	2.75	3.00	3.25	3.25	3.25	3.25

Source: OCBC Group Research

Disclaimers

This report is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this report is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this report may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This report may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, it should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Securities Private Limited ("OSPL") and their respective related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future, interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial or securities related services to such issuers as well as other parties generally. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, BOS, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.: 193200032W

Additional disclosures and disclaimers applicable only to clients of Bank of Singapore Limited

This material is being made available to you through an arrangement between Bank of Singapore Limited (Co Reg. No.: 197700866R) ("BOS") and Oversea-Chinese Banking Corporation Limited ("OCBC Bank") (Co Reg. No.: 193200032W). BOS and OCBC Bank shall not be responsible or liable for any loss (whether direct, indirect or consequential) that may arise from, or in connection with, any use of or reliance on any information contained in or derived from this material, or any omission from this material, other than where such loss is caused solely by BOS' or OCBC Bank's wilful default or gross negligence.

The DIFC Branch of BOS has not conducted or produced any research contained in this material and is acting solely as a conduit in forwarding it to you.

For BOS clients in the United Kingdom:
This research has been prepared by OCBC Bank and made available to BOS. It is intended solely for informational purposes and does not constitute investment advice, a personal recommendation, or an offer or solicitation to buy or sell any financial instruments. Any payments or non-monetary benefits received or paid will be fully disclosed in accordance with applicable regulations, promptly and transparently, and will not influence the advice or services offered to you. If you would like more information about any inducements received, please contact your Relationship Manager.

Cross Border Disclaimer and Disclosures
Please refer to https://www.bankofsingapore.com/Disclaimers_and_Disclosures.html for cross-border marketing disclaimers and disclosures.