

The Central Bank Watch

October 2020

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A snapshot of UOB's projections and updates on key central banks rate decisions and policy outlook for the month.

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Central Bank	Date of Meeting	Current Rate	UOB's Projection		UOB's View
			Oct-2020	End-2020	
BSP 	1 Oct	2.25	Hold	2.25	BSP is likely to continue evaluating the transmission of its existing policy actions to the economy and the fiscal measures to address the pandemic. This alongside ample liquidity in the market justifies steady monetary policy ahead.
RBA 	6 Oct	0.25	Hold	0.25	RBA Governor Philip Lowe remains unenthusiastic about negative interest rates. A move into negative territory is also not our base case, but we suspect the RBA will continue to give it due consideration.
BI 	13 Oct	4.00	Cut	3.75	Lower than expected growth turnouts in H2, alongside low inflationary pressure, and should FX stability remain more entrenched, we expect a 25bps rate cut in 4Q, bringing the benchmark rate to 3.75%. BI could also opt for liquidity-supporting measures and macro-prudential policies.
BOK 	14 Oct	0.50	Hold	0.50	After 75bps cut to the benchmark rate this year, we believe the BOK is done with cutting rates. The central bank reiterated in August that they have other non-rate tools at their disposal if needed.
PBOC 	20 Oct	1Y LPR: 3.85	Hold	1Y LPR: 3.85	With the acceleration of economic recovery, the pressure to ease monetary policy further has been greatly reduced which will now allow the PBOC to pay attention to financial risks mitigation ahead. The rise in the Shibor rates also poses a challenge for banks to lower the LPR further. As such, we expect the PBOC to continue to hold rates into 2021.

	29 Oct	0.00	Hold	0.00	The ECB remains the main propagator of "whatever it takes". Thus, with the latest inflation readings well short of the ECB's 2% price stability target, the prospect of further loosening of monetary conditions before year-end remains high.
	29 Oct	-0.10	Hold	-0.10	Policy continuity under new PM Yoshihide Suga will also imply monetary policy continuity under BOE Governor Haruhiko Kuroda. We still expect the BOJ to enhance its monetary easing further, via more JGB purchases, expanding its lending facilities to corporates & SMEs, enhancing the ETF and corporate bond buying programs.
	TBA		Hold		Singapore's response to the COVID-19 fallout will be underpinned by fiscal policy measures. As such, further monetary easing may be off the table for now, especially if the containment efforts prove to be effective. We expect MAS to keep monetary policy unchanged in October.

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