

Macro Monthly

Economics
Global

A hawkish tilt

- ◆ Labour market softness in the US and a disinflationary budget in the UK should ensure near-term rate cuts...
- ◆ ...but with inflation and domestic demand surprising on the upside in parts of G10, not every central bank is cutting...
- ◆ ...and a few are turning a little more hawkish

Fears of an AI bubble spooked the market in November, but with earnings and global growth holding up (including some notable upside Q3 surprises in Asia) and some easing of trade uncertainty, global equities are just below their late-Oct record highs.

US government re-opened

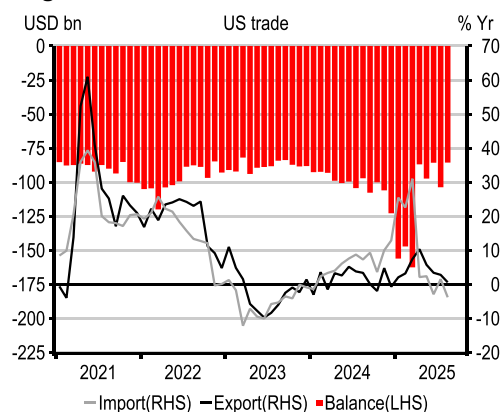
The US government's record-long 43-day shutdown finally ended on 13 November, after President Trump signed a bill which extends government funding through to the end of January. It also guaranteed back-pay to all federal workers, which **could lift Q1 GDP**. Data releases are still delayed though, with the next set of key BLS and BEA releases – like payrolls and CPI – not scheduled until after the Federal Reserve (Fed)'s 10 December meeting.

US GDP growth could tick higher in Q1

Some lagging US data have already been released, including August trade data, which **showed a smaller US trade deficit**. This was likely reflecting some payback following earlier frontloading trends. Tariff uncertainty prevails though, as sector tariffs could change, and we await a Supreme Court ruling on the International Emergency Economics Powers Act (IEEPA) tariffs. Yet some tariffs are falling too, given the recent détente between the US and China, and, following signs that tariffs are raising consumer prices, several agricultural products have been excluded from scope.

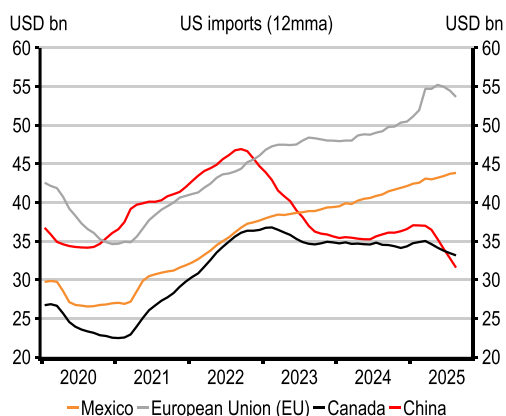
The US trade deficit narrowed in August

1. The US trade deficit narrowed in August...



Source: Macrobond

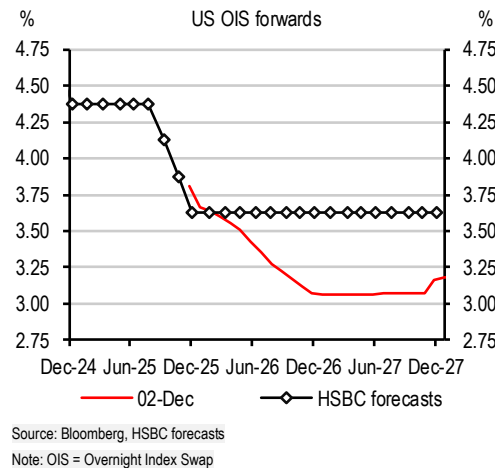
2. ... with a drop in imports from China, Canada, and the EU ...



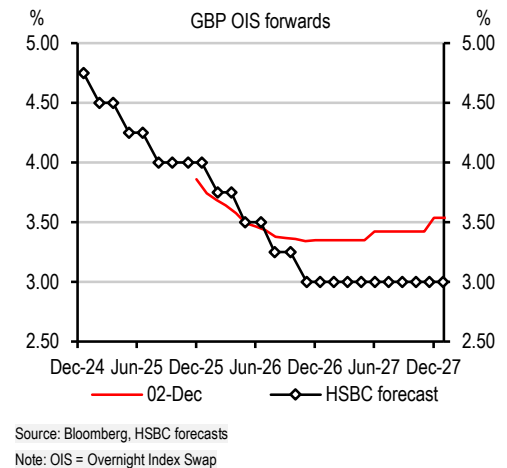
Source: Macrobond

September labour market data were mixed, with an **upside surprise from payrolls (119,000)**, but the **unemployment rate ticking up to 4.4%**. Other data, for October, showed falling job openings, higher layoffs, and lower confidence, seemingly locking in the prospect of a December rate cut, even amid dissent on the FOMC.

3. We see fewer cuts than the market for the Fed...



4. ...and more cuts for the BoE



The BoE has room for rate cuts with falling inflation

Disinflationary UK budget

The UK's much-anticipated Budget leaves many structural issues unresolved, but it stuck to the fiscal rules and more than doubled the fiscal headroom. Railway fare and energy price freezes should keep CPI trending lower, **supporting further Bank of England (BoE) rate cuts**. Meanwhile, Japan's cabinet approved a 3.2% of GDP economic stimulus, supporting our case for a Bank of Japan 25bp rate hike in December.

Many central banks are at the end of their easing cycles

Easing cycles nearing an end

Elsewhere, it has become clearer that other central banks are at **the end of their easing cycle**. The European Central Bank (ECB) and ASEAN countries look set to be on hold in the coming year, so first out of the blocks on rate rises is likely to be the Reserve Bank of New Zealand. With an upswing now evolving, we now expect a rate rise in Q3 2026. With firming demand and core inflation above the Reserve Bank of Australia (RBA)'s 2-3% target band, the RBA will also likely raise its policy rate by Q3 2026.

India Q3 GDP growth strong, while October China activity data disappoints

Strong India growth

Despite very strong Q3 growth of 8.2% y-o-y in India, **lower inflation provides scope for further easing**. Fiscal and monetary stimulus also loom for China where the October data disappointed. Investment, consumption, and industrial production slowed, as external and domestic demand remained subdued. The property sector is also showing renewed weakness, with a steeper fall in primary home sales and real estate investments.

Key recent releases

Date	Market	Release	Period	Actual	Consensus expectation	Prior	Actual vs. Consensus
13 Nov	UK	GDP (% y-o-y)	Q3, flash	1.3	1.4	1.4	↓
14 Nov	Mainland China	Industrial Production (% y-o-y)	Oct	4.9	5.5	6.5	↓
14 Nov	Mainland China	Retail Sales (% y-o-y)	Oct	2.9	2.8	3.0	↑
19 Nov	UK	CPI (% y-o-y)	Oct	3.6	3.5	3.8	↑
20 Nov	US	Nonfarm payrolls, monthly change (000s)	Sep	119	53	-4.0	↑
25 Nov	US	Retail sales advance (% m-o-m)	Sep	0.2	0.4	0.6	↓
30 Nov	Mainland China	NBS Manufacturing PMI (index)	Nov	49.2	49.2	49.0	→
2 Dec	Eurozone	HICP (% y-o-y)	Nov, flash	2.2	2.1	2.1	↑

Source: Bloomberg, HSBC

↑ Positive surprise – actual is higher than consensus, ↓ Negative surprise – actual is lower than consensus, → Actual is in line with consensus

Key upcoming events

Date	Market	Release	Period
10 Dec	Mainland China	PPI / CPI	Nov
10 Dec	US	Federal Reserve interest rate announcement	-
12 Dec	UK	GDP	Oct
15 Dec	Mainland China	Retail sales	Nov
16 Dec	US	Non-farm Payrolls*	Oct/Nov
17 Dec	UK	CPI	Nov
18 Dec	UK	Bank of England interest rate announcement	-
18 Dec	Eurozone	European Central Bank interest rate announcement	-
18 Dec	US	CPI	Nov
19 Dec	Japan	Bank of Japan interest rate announcement	-
19 Dec	UK	Retail Sales	Nov
22 Dec	Mainland China	People's Bank of China interest rate announcement	-

Source: LSEG Eikon, HSBC *October data in this release will not include unemployment rate

Disclosure appendix

Important disclosures

Additional disclosures

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