

## The Week Ahead: US Fed likely to lean towards another cut; CBRT to ease rates

### ► **US: Dot plot and votes to show wide divergences within FOMC**

We see the Fed lowering rates by 25 bps this week, taking the FFTR (upper-bound) to 3.75% on a weakening labour market outlook. However, we expect the meeting to be a close call, with voting patterns and dot plots showing deep divergence within FOMC, as indicated by Fed speeches in the past month. We see a split decision, with Kansas Fed President Jeffrey Schmid dissenting for no cuts, and Stephen Miran likely opting for a larger 50 bps cut. The dot plot will likely show even wider dispersion, with median member pointing to 25 bps cut next year – lower than the current market pricing. Changes in the Summary of Economic Projections should also help justify a December cut, with unemployment for 2026 likely revised up to 4.5% (from 4.4%) as data continues to show headwinds to labour demand. The Fed's November Beige Book showed some decline in employment, while alternative sources also reflect weakening labour demand including Automatic Data Processing and Challenger reports. Moreover, core PCE for 2025 will likely be downgraded 0.1 ppts to 3.0% on so far lower-than-expected tariff passthrough (page 2).

At the press conference, markets will focus on how Fed Chair Jerome Powell characterises the current monetary stance, and the extent of internal dissent. We expect Powell to stress data-dependency on outlook for future cuts at the post-meeting press conference. We will watch for any hawkish shifts in either the statement or Powell's remarks, though recent data prints does not justify such a shift, and Powell will unlikely be able to deliver a credibly hawkish presser. We continue to see two 25 bps cuts in 2026. Fed will also likely announce reserve management purchases, increasing the size of the balance sheet. This comes against a backdrop of intermittent spikes in short-term borrowing costs (wider FRA-OIS spreads), indicating tighter USD liquidity.

### ► **Turkey: CBRT likely to ease rates again by 100 bps**

We and consensus expect CBRT to ease rates by 100 bps this week, in line with the magnitude seen last month. Our view is supported by some moderation in inflation in November (page 4), tight financing conditions weighing on loan growth and FX reserves hitting a record high in October. External conditions, including a softer USD on the Fed rate cut outlook, also give CBRT room for easing. Looking ahead, we expect CBRT to remain cautious in delivering cuts and require evidence of sustained further underlying disinflation to do so.

### ► **EM: China CPI to show benign pressures; uptick in Egypt CPI**

Consensus expects China headline CPI to rise to 0.7% y-o-y in November (Oct: 0.2%), primarily on a rise in volatile food prices. Core CPI will likely reflect soft demand conditions and remain flat at 1.2%. In Egypt, headline CPI should accelerate 13.5% y-o-y in November (Oct: 12.5%) on mid-October fuel hikes and new tobacco duties. Price increases in regulated items and changes in rental laws have driven headline CPI in the past few months. However, weak real wage growth has contained underlying CPI. Positive rates likely provide the CBE scope for easing, with a 600 bps cut likely in 2026 (2025: 625 bps).

#### Economics Team

##### Sri Virinchi Kadiyala

Senior Economist

+971 (0)2 697 3582

[Srivirinchi.Kadiyala@adcb.com](mailto:Srivirinchi.Kadiyala@adcb.com)

##### Om Joshi

Economist

+971 (0)2 694 3603

[Om.Joshi@adcb.com](mailto:Om.Joshi@adcb.com)

##### Monica Malik, Ph.D.

Chief Economist

+971 (0)2 696 8458

[Monica.Malik@adcb.com](mailto:Monica.Malik@adcb.com)

#### Contents

|     |                                 |   |
|-----|---------------------------------|---|
| I.  | Recent Events and Data Releases | 2 |
| II. | Economic Calendar               | 5 |

# I. Recent Events and Data Releases

## A. Advanced Economies

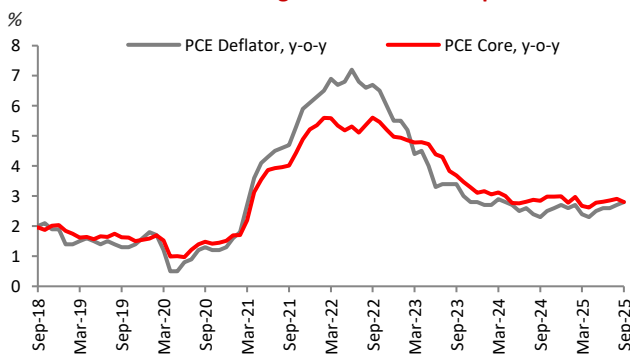
### US: September core PCE in line with expectations, clearing path for cut

The delayed September PCE showed limited inflation pressures and slowing in the core measure despite the tariff backdrop. The September PCE is outdated, though it is the latest inflation print prior to the Fed’s December meeting, and indicated tariff passthroughs still remain below levels analysts had expected earlier this year. Headline PCE inched up 0.27% m-o-m in September on higher energy prices, taking the annual measure 0.1 ppts higher to 2.8% y-o-y. However, core PCE decelerated for the third consecutive month in September, cooling 0.22% m-o-m (annual: 2.8%) with modest softening in underlying trends as 3MMA moved lower to 0.23% (1H average: 0.24%). This was led by disinflation trends across several service components, including housing rents and financial services costs, more than offsetting the rise in goods prices. However, the recent US-China trade breakthrough will likely help contain goods inflation, as it reduced US tariffs to 31% from 41% via suspension of reciprocal tariffs, halved fentanyl tariffs to 10%, and prolonged the tariff truce for another year. Supercore services (services ex housing) also cooled substantially by 0.22% m-o-m in September (August: 0.32%), reflecting ongoing moderation in labour demand and softening prices in labour-intensive sectors, including accommodation and restaurants.

*US-China trade truce and lower effective tariff rate likely to keep core goods PCE contained*

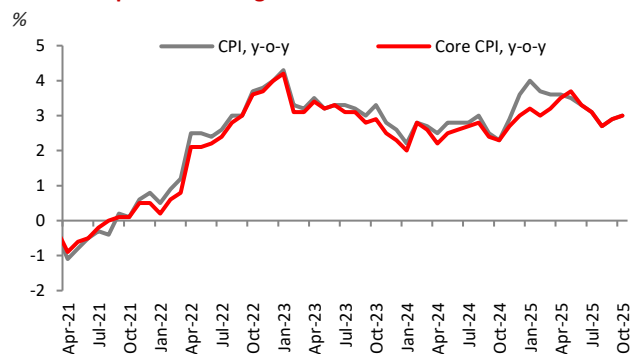
Real spending growth flattened in September from a downwardly revised August print, indicating a softening in consumption momentum following summer spending, and likely weighing on 3Q2025 GDP growth print. However, we seek more months of data to gauge if this is one-off, or reflects spillover of labour market cooling to household consumption.

**Fig. 1. US: Core PCE cooled in both annual and sequential terms on softening in various services prices**



Source: Bureau of Economic Analysis, ADCB Economic Research

**Fig. 2. Japan: Gradual rise in CPI coupled with hawkish BoJ speeches strengthens outlook for December hike**



Source: Ministry of Internal Affairs and Communication, ADCB Economic Research

### Japan: Ueda’s speech raises market expectations of a December cut

We now bring forward our expectation for a 25 bps hike to December 2025 (from January 2026). Communications from several BoJ members, including Governor Kazuo Ueda, has signalled rising support for a December hike, given sustained inflationary pressures and growing evidence of large pay hikes. Ueda explicitly stated last week that a December rate hike is on the table and highlighted solid wage-growth prospects – citing aggressive

*Recent speeches show BoJ members leaning towards a December hike*

union demands and labour shortages. Ueda's speech was more explicit relative to other BoJ members earlier this month, who also expressed a greater willingness to raise rates, though they avoided giving any timing signal. Ueda stressed that downside risks from US tariffs have eased and noted that a rate hike "will not put a brake on the economy". The bond market is now pricing in a c. 81.0% probability of a 25 bps hike in December, significantly higher than the c. 50.0% recorded at end-November. Meanwhile, inflation has continued to accelerate, with core-core CPI rising to 3.1% y-o-y in October – the second consecutive rise, led by broad-based strengthening in goods and services.

The outlook for major wage increases is also rising, supported by strong corporate earnings and union demands. Large labour unions, including Rengo, have already signalled pay hike requests of around 5.0%, higher than 1.0-2.0% seen since 2014, while both SMEs and large corporates have upgraded revenue forecasts. This would support the pay hike demands. It also increases the likelihood of the BoJ having sufficient information to confirm wage growth momentum and hike rates in December.

*Solid corporate profits will likely accommodate labour union demands*

## Eurozone: Sticky core CPI to keep ECB on track to remain on pause

The November CPI provided no major surprises or new information on disinflation progress with core CPI remaining sticky and above 2.0% target. The November CPI and some resilience in economic activity reinforces our view of the ECB keeping rates steady in absence of significant disinflation or GDP growth shocks. Core inflation remained unchanged at 2.4% y-o-y in November for the third consecutive month, continuing to print above the ECB's 4Q2025 average projection of 2.2%. This was driven by services inflation ticking up to 3.5% y-o-y on volatile tourism prices, offsetting some cooling in goods prices. The stubbornness in services inflation is driven by still-high labour demand and wage growth. However, services CPI will likely decelerate modestly in the coming months, with several forward-looking indicators showing slowing wage growth in 2026. Headline inflation rose modestly above consensus expectations to 2.2% y-o-y (consensus: 2.1%) on softer energy deflation, though this came as no surprise following the national CPI releases from France, Germany, Italy and Spain.

*Core CPI unchanged for the third consecutive month in November*

## B. Emerging Economies

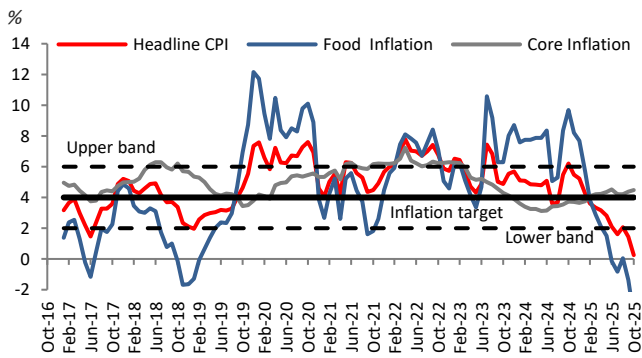
### India: RBI cut rates and announced liquidity boosting measures

The RBI cut rates by 25 bps last week in a unanimous decision, taking the repo rate to 5.25%. The official policy stance was kept unchanged at "neutral", though one external member voted to change the stance to "accommodative". The tone and overall communication leaned dovish, in our view. The RBI announced a slew of measures aimed at boosting domestic liquidity and supporting economic activity, including meaningful open market bond purchases (c. USD11.1 billion) this month and 3-year USD-INR buy-sell FX swaps (USD5.0 billion). Moreover, the inflation forecast for 3Q2026 was revised down, below the 4.0% target to 2.0% (earlier 2.7%). Governor Sanjay Malhotra also stressed that underlying inflation will likely be softer than the headline number, as the sharp price rise in precious metals (gold and silver) alone accounted for 50 bps of current core inflation (October: 4.3% y-o-y). Governor Malhotra noted that the recent benign inflation trends provide policy space to support growth and added that the RBI will "continue to meet the productive requirements of the economy in a proactive manner". The GDP growth forecast was mechanically raised to 7.3% in FY2026 (Apr-Mar) (earlier: 6.8%), though Malhotra stressed headwinds to the export sector and noted that "growth may

*Further cuts contingent on US-India trade deal and GDP growth weakness*

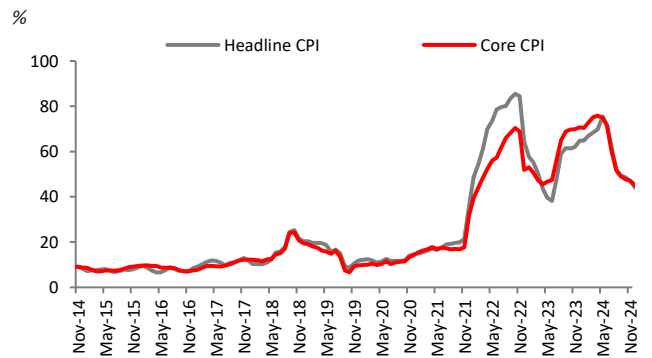
slow somewhat". We believe any future rate cut will be contingent on a greater-than-anticipated slowdown in GDP growth, particularly on prolonged 50% US tariffs, or further downside surprises in inflation.

**Fig. 3. India: Benign inflation and some headwinds to GDP growth supported the RBI's dovish cut**



Source: RBI, ADCB Economic Research

**Fig. 4. Turkey: Headline inflation cooled on softening food prices, providing room for CBRT to ease rates**



Source: TurkStat, ADCB Economic Research

**Turkey: Headline cooled primarily due to decline in food prices**

Headline CPI surprised importantly to the downside in November, cooling 0.9% m-o-m (consensus: 1.4%) and indicating a marked improvement relative to the above 2.0% levels seen in both September and October. This pulled the annual headline measure to 31.1% y-o-y in November, though underlying trends point to more limited disinflation. The downside surprise was led by food prices, which cooled sharply and showed a notable reversal from the strong trends seen in the August-October period. Food prices will likely remain contained for the remainder of 4Q2025, given the gradual restoration of crop yields following frost and drought earlier in the year. Core CPI decelerated by 0.3ppts to 32.2% y-o-y, though driven mainly by goods disinflation, while services remained elevated at 44.2% y-o-y. Moreover, underlying prices remain stubborn, with the 3MMA indicator only inching down to 2.0% and remaining within the trend range seen since April. High services CPI reflects strong household confidence in expectation of rate cuts and healthy labour demand, which is boosting consumption. However, we see scope for gradual disinflation, with tight fiscal policy and some stability in TRY vs the USD.

*Underlying inflation trends point to more limited disinflation*

## II. Economic Calendar

Fig. 5. The week ahead

| Time*                         | Country      | Event  | Period | Prior   | Consensus |
|-------------------------------|--------------|--|--------|---------|-----------|
| <b>Expected this week</b>     |              |  |        |         |           |
|                               | UAE          | Dubai CPI, y-o-y                                     | Nov    | 3.4%    |           |
|                               | Qatar        | CPI, y-o-y   | Nov    | 1.1%    |           |
|                               | Qatar        | QCB Int'l Reserves & Foreign Currency Liquidity, QAR | Nov    | 261.4B  |           |
|                               | Kuwait       | CPI, y-o-y   | Oct    |         |           |
|                               | Saudi Arabia | Saudi Official Reserve Assets, SAR                   | Nov    | 1659.2B |           |
| <b>Monday, 8 December</b>     |              |  |        |         |           |
| 11:00                         | Germany      | Industrial Production SA, m-o-m                      | Oct    | 1.3%    | 0.3%      |
| 11:00                         | Germany      | Industrial Production WDA, y-o-y                     | Oct    | -1.0%   | -0.4%     |
| 13:30                         | Eurozone     | Sentix Investor Confidence                           | Dec    | -7.4    | -6.3      |
| 19:00                         | Eurozone     | ECB's Cipollone Speaks in Frankfurt                  |        |         |           |
| 20:00                         | US           | NY Fed 1-Yr Inflation Expectations                   | Nov    | 3.24%   |           |
| 21:00                         | Eurozone     | ECB's Villeroy Speaks in Paris                       |        |         |           |
| 21:00                         | UK           | BOE's Taylor Speaks                                  |        |         |           |
| 22:30                         | UK           | BOE's Lombardelli Speaks                             |        |         |           |
| <b>Tuesday, 9 December</b>    |              |  |        |         |           |
| 3:50                          | Japan        | Money Stock M2, y-o-y                                | Nov    | 1.6%    |           |
| 3:50                          | Japan        | Money Stock M3, y-o-y                                | Nov    | 1.0%    |           |
| 4:01                          | UK           | BRC Sales Like-For-Like, y-o-y                       | Nov    | 1.5%    | 2.5%      |
| 11:00                         | Germany      | Trade Balance SA                                     | Oct    | 15.2B   | 15.2B     |
| 11:00                         | Germany      | Exports SA, m-o-m                                    | Oct    | 1.4%    | 0.4%      |
| 11:00                         | Germany      | Imports SA, m-o-m                                    | Oct    | 3.1%    | -0.2%     |
| 12:00                         | Eurozone     | ECB's Nagel Speaks in Frankfurt                      | Nov    |         |           |
| 19:00                         | US           | JOLTS Job Openings                                   | Oct    |         | 7150K     |
| 19:00                         | US           | JOLTS Quits Level                                    | Oct    |         |           |
| 19:00                         | US           | JOLTS Quits Rate                                     | Oct    |         |           |
| 19:00                         | US           | JOLTS Layoffs Level                                  | Oct    |         |           |
| <b>Wednesday, 10 December</b> |              |  |        |         |           |
| 3:50                          | Japan        | PPI, y-o-y   | Nov    | 2.7%    | 2.7%      |
| 3:50                          | Japan        | PPI, m-o-m   | Nov    | 0.4%    | 0.3%      |
| 5:30                          | China        | PPI, y-o-y   | Nov    | -2.1%   | -2.0%     |
| 5:30                          | China        | CPI, y-o-y   | Nov    | 0.2%    | 0.7%      |
| 23:00                         | US           | FOMC Rate Decision (Upper Bound)                     | 10-Dec | 4.00%   | 3.75%     |
| 23:00                         | US           | FOMC Rate Decision (Lower Bound)                     | 10-Dec | 3.75%   | 3.50%     |
| 23:00                         | US           | FOMC Median Rate Forecast: Next Yr                   | 10-Dec | 3.38%   | 3.38%     |
| 23:00                         | US           | FOMC Median Rate Forecast: +2 Yrs                    | 10-Dec | 3.13%   | 3.13%     |
| <b>Thursday, 11 December</b>  |              |  |        |         |           |
| 3:50                          | Japan        | Japan Buying Foreign Bonds, JPY                      | 5-Dec  | -771.3B |           |
| 3:50                          | Japan        | Japan Buying Foreign Stocks, JPY                     | 5-Dec  | 96.6B   |           |
| 3:50                          | Japan        | Foreign Buying Japan Bonds, JPY                      | 5-Dec  | 1063.7B |           |
| 3:50                          | Japan        | Foreign Buying Japan Stocks, JPY                     | 5-Dec  | 655.6B  |           |
| 17:30                         | Japan        | Initial Jobless Claims                               | 6-Dec  | 191K    |           |
| 17:30                         | Japan        | Initial Claims 4-Wk Moving Avg                       | 6-Dec  | 214.75K |           |
| 17:30                         | Japan        | Continuing Claims                                    | 29-Nov | 1939K   |           |
| <b>Friday, 12 December</b>    |              |  |        |         |           |
| 11:00                         | UK           | Monthly GDP, m-o-m                                   | Oct    | -0.1%   | 0.1%      |
| 11:00                         | UK           | Monthly GDP, 3M/3M                                   | Oct    | 0.1%    | 0.0%      |
| 14:30                         | India        | CPI, y-o-y   | Nov    | 0.3%    | 0.7%      |
| 17:00                         | US           | Fed's Paulson Speaks on Economic Outlook             |        |         |           |

\*UAE time

Source: Bloomberg, ADCB Economic Research

Fig. 6. Last week's data

| Time*                        | Country  | Event                                       | Period | Prior  | Consensus | Actual |
|------------------------------|----------|---|--------|--------|-----------|--------|
| <b>GCC Economies</b>         |          |   |        |        |           |        |
|                              | Qatar    | S&P Global Qatar Whole Economy PMI          | Nov    | 50.6   |           | 51.8   |
| <b>Monday, 1 December</b>    |          |   |        |        |           |        |
| 8:00                         | Eurozone | ECB's Nagel Speaks in Seoul                 |        |        |           |        |
| 9:00                         | India    | HSBC India PMI Mfg                          | Nov F  | 57.4   |           | 56.6   |
| 12:55                        | Germany  | HCOB Germany Manufacturing PMI              | Nov F  | 48.4   | 48.4      | 48.2   |
| 13:00                        | Eurozone | HCOB Eurozone Manufacturing PMI             | Nov F  | 49.7   | 49.7      | 49.6   |
| 13:30                        | UK       | Net Consumer Credit                         | Oct    | 1.4B   | 1.3B      | 1.1B   |
| 14:30                        | India    | Industrial Production, y-o-y                | Oct    | 4.6%   | 2.5%      | 0.4%   |
| 15:58                        | India    | BoP Current Account Balance                 | 3Q     | -2.7B  | -15.4B    | -12.3B |
| 18:45                        | US       | ISM Manufacturing                           | Nov    | 48.7   | 49.0      | 48.2   |
| 19:00                        | US       | ISM Prices Paid                             | Nov    | 58.0   | 57.5      | 58.5   |
| 19:00                        | US       | ISM New Orders                              | Nov    | 49.4   |           | 47.4   |
| 19:00                        | US       | ISM Employment                              | Nov    | 46.0   |           | 44.0   |
| <b>Tuesday, 2 December</b>   |          |   |        |        |           |        |
| 5:00                         | US       | Fed's Powell Speaks at Memorial Event       |        |        |           |        |
| 9:00                         | Japan    | Consumer Confidence Index                   | Nov    | 35.8   | 36.2      | 37.5   |
| 11:00                        | UK       | BOE Releases Financial Stability Report     |        |        |           |        |
| 14:00                        | Eurozone | Unemployment Rate                           | Oct    | 6.4%   | 6.3%      | 6.4%   |
| 14:00                        | Eurozone | CPI Estimate YoY                            | Nov P  | 2.1%   | 2.1%      | 2.2%   |
| 14:00                        | Eurozone | CPI MoM                                     | Nov P  | 0.2%   | -0.3%     | -0.3%  |
| 14:00                        | Eurozone | CPI Core YoY                                | Nov P  | 2.4%   | 2.4%      | 2.4%   |
| <b>Wednesday, 3 December</b> |          |   |        |        |           |        |
| 4:30                         | Japan    | S&P Global Japan PMI Composite              | Nov F  | 52.0   |           | 52.0   |
| 4:30                         | Japan    | S&P Global Japan PMI Services               | Nov F  | 53.1   |           | 53.2   |
| 5:45                         | China    | RatingDog China PMI Composite               | Nov    | 51.8   |           | 51.2   |
| 5:45                         | China    | RatingDog China PMI Services                | Nov    | 52.6   | 52.1      | 52.1   |
| 13:00                        | Eurozone | HCOB Eurozone Services PMI                  | Nov F  | 53.1   | 53.1      | 53.6   |
| 13:30                        | Eurozone | HCOB Eurozone Composite PMI                 | Nov F  | 52.4   | 52.4      | 52.8   |
| 13:30                        | Eurozone | PPI, m-o-m                                  | Oct    | -0.1%  | 0.1%      | 0.1%   |
| 13:30                        | Eurozone | PPI, y-o-y                                  | Oct    | -0.2%  | -0.5%     | -0.5%  |
| 17:15                        | US       | ADP Employment Change                       | Nov    | 47K    | 10K       | -32K   |
| 19:30                        | Eurozone | ECB's Lagarde Speaks in European Parliament |        |        |           |        |
| 21:00                        | UK       | BOE's Mann Speaks                           |        |        |           |        |
| <b>Thursday, 4 December</b>  |          |   |        |        |           |        |
| 14:00                        | Eurozone | Retail Sales, m-o-m                         | Oct    | 0.1%   | 0.0%      | 0.0%   |
| 14:00                        | Eurozone | Retail Sales, y-o-y                         | Oct    | 1.2%   | 1.3%      | 1.5%   |
| 19:00                        | US       | Challenger Job Cuts, y-o-y                  | Nov    | 175.3% | 48.0%     | 23.5%  |
| 19:00                        | US       | Challenger Job Cuts Total                   | Nov    | 153074 |           | 71321  |
| <b>Friday, 5 December</b>    |          |   |        |        |           |        |
| 8:30                         | India    | RBI Repurchase Rate                         | 5-Dec  | 5.50%  | 5.25%     | 5.25%  |
| 19:00                        | US       | Personal Income                             | Sep    | 0.4%   | 0.3%      | 0.4%   |
| 19:00                        | US       | Personal Spending                           | Sep    | 0.5%   | 0.3%      | 0.3%   |
| 19:00                        | US       | PCE Price Index, m-o-m                      | Sep    | 0.3%   | 0.3%      | 0.3%   |
| 19:00                        | US       | PCE Price Index, y-o-y                      | Sep    | 2.7%   | 2.8%      | 2.8%   |
| 19:00                        | US       | Core PCE Price Index, m-o-m                 | Sep    | 0.2%   | 0.2%      | 0.2%   |
| 19:00                        | US       | Core PCE Price Index, y-o-y                 | Sep    | 2.9%   | 2.8%      | 2.8%   |

\*UAE time

Source: Bloomberg, ADCB Economic Research

This report is intended for general information purposes only. It should not be construed as an offer, recommendation or solicitation to purchase or dispose of any securities or to enter in any transaction or adopt any hedging, trading or investment strategy. Neither this report nor anything contained herein shall form the basis of any contract or commitment whatsoever. Distribution of this report does not oblige Abu Dhabi Commercial Bank PJSC ("ADCB") to enter into any transaction.

The content of this report should not be considered legal, regulatory, credit, tax or accounting advice. Anyone proposing to rely on or use the information contained in the report should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in this report.

Information contained herein is based on various sources, including but not limited to public information, annual reports and statistical data that ADCB considers accurate and reliable. However, ADCB makes no representation or warranty as to the accuracy or completeness of any statement made in or in connection with this report and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this report.

Charts, graphs and related data or information provided in this report are intended to serve for illustrative purposes only. The information contained in this report is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. All statements as to future matters are not guaranteed to be accurate. ADCB expressly disclaims any obligation to update or revise any forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

This report is being furnished to you solely for your information and neither it nor any part of it may be used, forwarded, disclosed, distributed or delivered to anyone else. You may not copy, reproduce, display, modify or create derivative works from any data or information contained in this report.

.