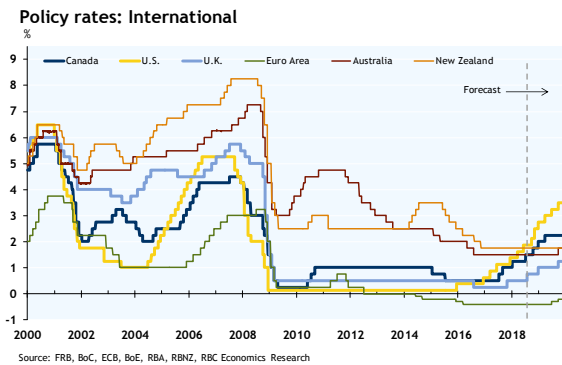


CENTRAL BANK WATCH

November 2018

Short-term bias



The Bank of Canada dropped “gradual” from their forward guidance, but we think the change was more about maintaining flexibility rather than speeding up the pace of tightening. We see low odds of a December rate hike, but think a move in January is likely.



The Fed is showing little inclination to deviate from the once-a-quarter rate hikes we’ve seen throughout their tightening cycle. We expect a move in December and four rate increases in 2019.



The Bank of England remains Brexit dependent. Until that issue is clarified, we don’t see them acting on their guidance that gradual and limited rate hikes will be needed to keep inflation on target.



The European Central Bank doesn’t sound too alarmed about a recent softening in euro area growth. They remain on track to end net asset purchases at the turn of the year, but rate hikes will be a story for H2/19.



The Reserve Bank of Australia upped their growth forecasts in November, but firmer activity alone won’t move the central bank from the sidelines. We expect a steady cash rate until late next year.

Central Bank Policy Rates

		Current	Last	
United States	Fed funds	2.00-2.25	1.75-2.00	September 26, 2018
Canada	Overnight rate	1.75	1.50	October 24, 2018
United Kingdom	Bank rate	0.75	0.50	August 1, 2018
Eurozone	Deposit rate	-0.40	-0.30	March 10, 2016
Australia	Cash rate	1.50	1.75	August 3, 2016

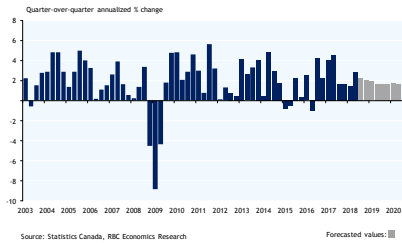
**Josh Nye**  
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## Bank of Canada

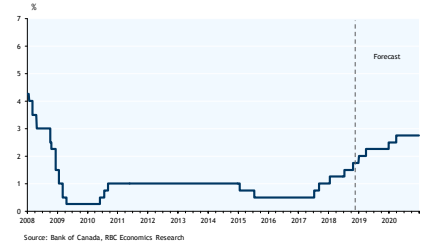
Canada's economy has posted gains for seven consecutive months and we expect GDP growth continued at a 2% pace over the second half of the year.

The BoC sounds pleased with more broadly-based growth, including less reliance on the household sector. We expect they'll continue to raise rates over the first half of next year but don't see the overnight rate reaching 'neutral' until 2020.

Canadian real GDP growth



Canadian overnight rate

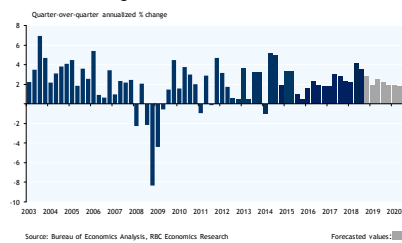


## Federal Reserve

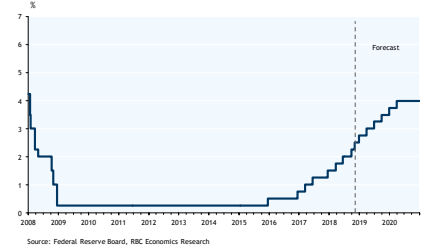
The US economy has a full head of steam, posting its best back-to-back growth since 2014. We expect above-trend gains will continue into next year.

The Fed's once-a-quarter rate increases appear to be entrenched and we look for a hike in December. Monetary policy likely needs to become somewhat restrictive to counter fiscal stimulus—we expect four more hikes in 2019 and two in 2020.

U.S. real GDP growth



U.S. target rate

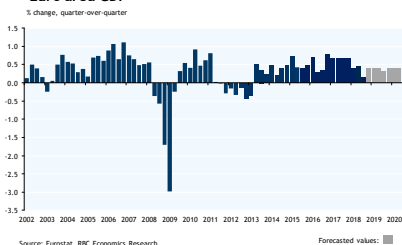


## European Central Bank

An expected slowdown in Italy and pickup in France materialized, but temporary weakness in German activity resulted in the slowest euro area growth in four years.

The ECB remains on track to end asset purchases after December and raise rates later next year. But Draghi indicated monetary policy isn't on a pre-set course and can respond if the outlook deteriorates.

Euro area GDP



ECB Deposit rate

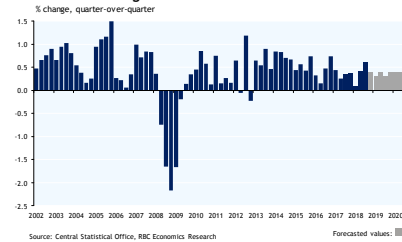


## Bank of England

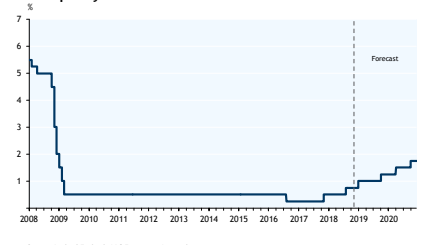
The UK economy posted its best growth in almost two years in Q3 but we don't think the pickup extended into the current quarter.

Low unemployment and rising wages point to less need for monetary policy accommodation. But the BoE won't make a move until there is more clarity on Brexit. That should come before the end of the year, so a February hike remains on the table.

U.K. real GDP growth



U.K. policy rate

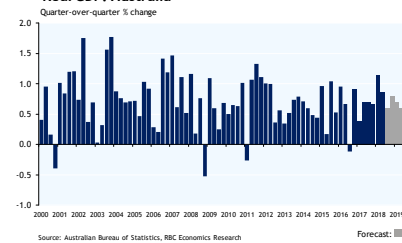


## Reserve Bank of Australia

Australia will get less support from consumers, but rising business investment, exports and government spending should keep the economy expanding at a solid pace.

The RBA continues to sound positive on the economic backdrop, but with wages and inflation set to rise only gradually we doubt their tone will translate into a rate hike anytime soon.

Real GDP: Australia



Australia policy rates



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