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Global Markets Brace for Inflation Data as Central Banks Maintain Cautious Stance

July 27, 2025

— Categories: *Economics*



Central banks worldwide adopted a wait-and-see approach this week, with the Reserve Bank of Australia (RBA) emphasizing caution ahead of key inflation data. Minutes from its July meeting revealed concerns about policy restrictiveness, while the European Central Bank (ECB) held rates steady at 2%. Markets now turn to crucial quarterly inflation figures that could determine the RBA's next move, with economists forecasting a

potential 25 basis point (bp) cut in August if price pressures ease as expected.

The RBA's hesitation stems from mixed economic signals, stronger-than-expected private demand and a tight labor market contrast with moderating inflation. Governor Michelle Bullock noted the unemployment rate rise aligns with May projections, suggesting no urgent need for intervention. Meanwhile, U.S. trade negotiations dominated headlines, with President Trump securing agreements with Japan and the Philippines ahead of an August 1 tariff deadline. These deals, featuring 15–19% import levies, underscore growing protectionist trends that could complicate global growth.



Internationally, central banks maintained status quo policies. The U.S. Federal Open Market Committee (FOMC) is expected to hold rates steady, prioritizing data assessment amid tariff uncertainties. Similarly, the Bank of Canada (BoC) and Bank of Japan (BoJ) will likely delay cuts due to sticky core inflation and domestic economic challenges. Notably, New Zealand's softer Q2 inflation (2.7% year-on-year) hints at diverging regional trends, with analysts still anticipating a Reserve Bank of New Zealand (RBNZ) rate cut in August.

As markets await pivotal CPI releases, the focus remains on whether inflation moderation will justify further easing. With the RBA's trimmed mean CPI expected at 2.8% annually barely within its target band the August decision hangs in the balance. Investors should prepare for volatility, as central banks weigh domestic pressures against a backdrop of escalating trade barriers and uneven global demand. The coming week's data will reveal whether patience or action will define the next phase of monetary policy.

