



MAKING SENSE OF *THIS* WORLD

27 April 2026



R&R Weekly Column
By Brunello Rosa



G4 Central Banks In Wait-And-See Mode at their Policy Meetings in April

The four major global central banks convene in the closing days of April amid an unusually crowded constellation of shocks: a still-unresolved US-Iran conflict, persistent volatility in the Strait of Hormuz, an oil price that refuses to settle, and a Spring Meetings communiqué from Washington conceding that the global outlook has materially darkened since January. Each of the Fed, the ECB, the BoE and the BoJ will therefore meet under conditions no central banker enjoys; namely, simultaneous upside risks to inflation and downside risks to growth. The market consensus is that all four will hold; what differs is the direction in which each is leaning, and the conviction with which.




Federal Reserve (28-29 April). The FOMC enters its meeting with the federal funds target range at 3.50%-3.75%, where it has sat since the cutting cycle paused at the start of the year. Markets price near-certainty that this configuration persists. Inflation has reaccelerated, with March CPI at 3.3% year-on-year — its highest since May 2024 — fuelled by oil-driven pressures, while nonfarm payrolls added 178,000 jobs; both sides of the dual mandate are pulling the Committee in opposite directions, neither with sufficient force to compel action. The dissent picture is instructive: Miran preferred a cut in March, and both Miran and Waller dissented in January, though Waller has since warned the energy shock may prove more persistent than anticipated. This is also likely to be Powell's last meeting as Chair, the DoJ having dropped its investigation into the Fed's reconstruction works, paving the way for Warsh's confirmation; the entire FOMC dynamic will shift thereafter, potentially spiced by Powell's continued presence as Governor through 2028.

European Central Bank (29-30 April). The ECB arrives in a markedly more delicate position than the Fed, the inflationary impulse from Hormuz falling on a Eurozone economy already growing tepidly. March staff projections placed headline inflation at 2.6% in 2026, 2.0% in 2027 and 2.1% in 2028 — revised up — while growth was revised down, with GDP averaging 0.9% in 2026. What makes April unusual is the asymmetry of expectations: traders expect the key rate to reach at least 2.5% by year-end, a hike of 50 basis points or more. Lagarde has not closed the door, telling the "ECB and Its Watchers" conference that a large, not-too-persistent overshoot could warrant some measured adjustment; Nagel called Hormuz "the heel of the world economic system"; while many watchers anticipate an "insurance rate hike" to be made likely in June. The base case is a hold skewed more hawkishly than at any point since the post-pandemic tightening cycle ended.

Bank of England (30 April). Bank Rate stands at 3.75%, unanimously held in March. The wrinkle is that the MPC was actively easing as recently as December — cutting from 4.00% on a 5-4 vote — but has since paused, partly because CPI could rise to 3½% in Q3 2026 once energy effects feed through. As recently as January, April looked the most likely occasion for a cut, with a near 47% probability; oil has eroded that conviction. The base case is a hold at 3.75% with the vote tilting back towards split. Watch Taylor and Dhingra, whose framing of the shock as transitory could pre-position the MPC for a June cut should energy prices stabilise.

Bank of Japan (27-28 April). The BoJ presents a mirror image: a central bank tightening, not easing, for which the Iran shock complicates a hike rather than postpones a cut. The policy rate, at 0.75% — the highest since September 1995 — was held in March on an 8-1 vote, Takata dissenting in favour of 1%. IMF-week communication confirms the BoJ has solidified its plan to forgo a hike, deferring to June. Ueda has framed the Middle East as posing "both upside risks to prices and downside risks to the economy". The base case is a hold with an upward revision to the FY2026 inflation projection — the dovish hold dressed in hawkish forecasts.

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Looking Ahead

The Week Ahead: QoQ GDP To Advance In US And EZ; Headline Inflation To Rise In EZ; G4 Central Banks To Remain On Hold

In the US, in Q1, according to the advanced estimate, the economy is seen advancing by 2.1% q-o-q (p : 0.5%). In April, CB Consumer Confidence is expected to fall to 89.5 (p : 91.8).

In the EZ, in Q1, according to the flash estimates, GDP growth rate is seen advancing by 0.2% q-o-q (p : 0.2%) and 0.8% y-o-y (p : 1.2%). In April, according to flash estimates, headline inflation is likely to increase to 2.9% y-o-y (p : 2.6%), while core inflation is expected to ease off to 2.1% y-o-y (p : 2.3%). In March, unemployment rate is seen remaining at 6.2%. In April Economic Sentiment is expected to decline to 95.5 (p : 96.6), while Consumer Confidence is likely to deteriorate further to -20.6 (p : -16.3). Among the largest EZ economies, in April, headline inflation rate is seen: rising to 3.0% y-o-y (p : 2.7%) in Germany. Among the largest EZ economies, in Q1, according to the preliminary estimates, the GDP growth rate is expected to: *i*) advance by 0.2% q-o-q (p : 0.2%) in France; *ii*) advance marginally by 0.1% q-o-q (p : 0.3%) in Italy; *iii*) rising by 0.2% q-o-q (p : 0.3%) in Germany.

CBs To Remain On Hold. In the US, the Fed is expected to maintain its target Fed funds range at 3.50% - 3.75%. In the UK, the BoE is likely to hold Bank Rate by 25 bps (BR) at 3.75%. The ECB and BoJ are also seen keeping their policy stance unchanged in April.

The Quarter Ahead: Trump Scraps Iran Talks; DOJ Drops Powell Probe

US-Iran peace hopes dimmed after Trump canceled talks, leaving negotiations stalled. Tehran insists Washington lift its port blockade before engaging, while both sides remain unwilling to compromise, prolonging the deadlock and sustaining pressure on oil prices and global inflation. Pezeshkian rejects negotiations with the US under pressure, threats, or blockade conditions.

The DOJ has dropped its investigation into Powell, after a judge found no evidence of wrongdoing, removing a key obstacle to Kevin Warsh's confirmation. The probe into Fed renovation costs will instead be reviewed by the central bank's internal watchdog.

Last Week's Review

Real Economy: US Consumer Sentiment Fell; UK Headline Inflation Increased, While Core Cooled Off

In the US, in April, Michigan Consumer Sentiment fell to 49.8 (c : 47.6; p : 53.3). In March, retail sales rose by 4.0% y-o-y (p : 4.0%).

In the EZ, in April, ZEW Economic Sentiment Index shrank to -20.4 (c : -3.6; p : -8.5).

In the UK, in March, headline inflation rate increased to 3.3% y-o-y (c : 3.3%; p : 3.0%), while core inflation rate cooled off to 3.1% (c : 3.2%; p : 3.2%). In February, unemployment rate edged down to 4.9% (c : 5.2%; p : 5.2%). In March, retail price index increased by 4.1% y-o-y (c : 3.9%; p : 3.6%).

Financial Markets: Stocks Were Mixed; Yields Edged Up; US Dollar And Oil Prices Increased; Gold Prices Were Down

Market Drivers: US equities ended the week higher, supported by solid data, strong AI stocks, and upbeat earnings, which offset ongoing US-Iran uncertainty. In contrast, Europe's stocks fell, amid continued Hormuz disruptions and stalled US-Iran talks. UST yields rose pre-open on inflation fears as Hormuz tensions lifted oil prices.

Global Equities: increased *w-o-w* (MSCI ACWI, +3.9%, to 1,072.2). The US S&P 500 index increased (+0.5% *w-o-w*, to 7,165.08). In the EZ, share prices declined (Eurostoxx 50, -0.2% *w-o-w*, to 5,883.48) In EMs, equity increased (MSCI EMs, +0.8%, to 1,610.00) Volatility is rose slightly to 20.86 (VIX S&P 500, 52w avg.: 19.4; 10y avg.: 19.9).

Fixed Income: *w-o-w*, the 10-year US Treasury yields were up (+7 bps to 4.31%). The 2-year US Treasury yields rose (+8 bps to 3.78%). The German 10-year bund yields increased (+5bp to 3.01%).

FX: *w-o-w*, the US Dollar Index increased (DXY, +0.4%, to 98.53; EUR/USD -0.4%, to 1.17). In EMs, currencies fell (MSCI EM Currency Index, -0.3% *w-o-w*, to 1,868.28).

Commodities: *w-o-w*, oil prices increased (Brent, +16.5% to 105.33 USD/b). Gold rose declined *w-o-w* (-2.8% to 4,740.90 USD/Oz).



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Abbreviations, Acronyms and Definitions

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	M5S	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DIEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year

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