Amundi
Investment Solutions
Trust must be earned

Liquidity letter

n° 214 I 29 October 2026

Liquidity Solutions

Christine Lagarde announces her early departure

Fed and ECB: status quo for the moment

The BoC, for its part, is raising rates in the face of inflation.

- **The Fed** kept its key rates unchanged by 10 votes to 2, while highlighting the strength of activity and the persistence of still high inflation.
- **Kevin Warsh** defended the status quo, without a clear signal on the next meeting, while pointing to tighter financial conditions.
- **The ECB** also kept rates unchanged, highlighting that energy-related risks remain tilted to the upside for inflation and downward for growth.
- **Christine Lagarde** will step down as President of the ECB on 7 February 2027 and announces that the succession process is already underway.
- **The Bank of Canada** raised its key interest rate to 2.5% in the face of still high inflation in September, while suggesting that further hikes remain possible

The Fed maintains its rates, but inflation remains at the heart of the debate



The Fed left its key interest rate unchanged in a range of 3.75% to 4.00% on Wednesday, following a 10-2 vote, following the 25 bps hike in September. The Fed signaled that economic activity remains on a solid pace, with resilient domestic demand, stable unemployment and persistently high inflation. The central bank said that the accumulation of new data will help determine the appropriate direction to ensure a rapid return of inflation to the 2% target. However, the backdrop remains tense: inflation reached 3.7% in September and remains persistently above the Fed's target, while the CPI, the consumer price index, rose at the fastest pace in five months. The PCE, the Fed's preferred measure of personal consumption expenditures, is also expected to come out above 3%. Markets therefore continue to anticipate a further rate hike in December.

Figure of the week

2,50%

The ECB maintained its key interest rate at 2.50%

Kevin Warsh

During his press conference, Kevin Warsh defended the status quo decision while indicating that the Fed remained ready to act if circumstances required it. He insisted that monetary policymakers were waiting for even more data before adjusting policy again. Kevin Warsh avoided giving a clear signal about the next meeting. He acknowledged that financial conditions had tightened, while refusing to describe them as really tight. According to him, the Fed is seeking to bring inflation down without slowing growth or business investment. In the end, his message remains that of a vigilant Fed, dependent on data and still focused on the return of inflation to around 2%.

He also said that in 2027, a FOMC meeting would be devoted solely to monetary strategy, without a vote on rates or a monetary policy statement.

The ECB keeps its rates unchanged, the markets are still betting on December.

The ECB left its three main interest rates unchanged on Thursday, as expected by markets. In its statement, the ECB stressed that rising energy prices continued to pose upside risks to inflation and downside risks to growth, while noting that core inflation had remained broadly stable for the time being and that wages were not yet showing a significant reaction. The ECB warned, however, that the size and duration of the energy shock, as well as its indirect and second-round effects, could prolong inflationary pressures.

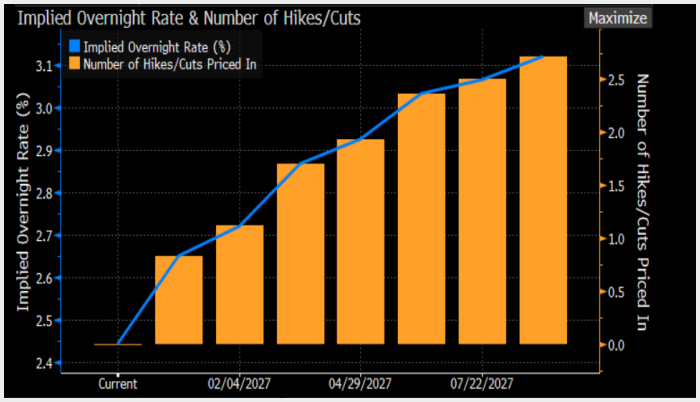
The Governing Council also noted that financing conditions had tightened since its last meeting, which is expected to weigh on both inflation and activity. Faced with a still uncertain environment, the ECB reaffirmed that it would remain data-dependent and move forward meeting by meeting, without committing in advance to a particular rate path.

Markets remain convinced that a new hike could come as early as December, while Frankfurt says it wants to move forward meeting by meeting in the face of an energy shock that is still being transmitted.

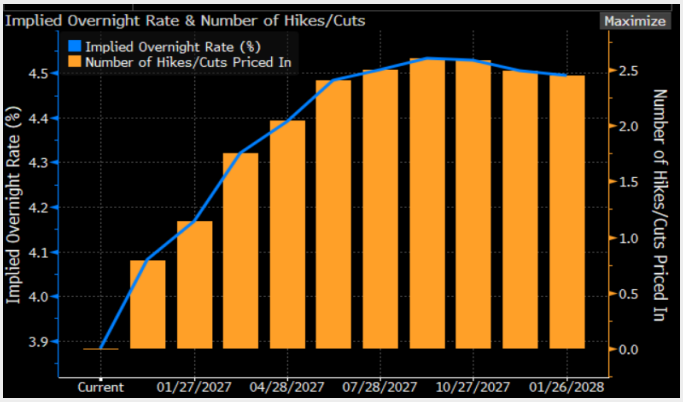
"The institution (the ECB) is solid, strong, like a rock, and it will continue."

Christine Lagarde, on her departure, 29/10/2026

ECB



FED



Source: Bloomberg 29/10/2026

After the ECB's status quo, markets are still pricing in a 25 bps hike as early as the December 17, 2026 meeting, with a probability of around 83%. The curve then anticipates slightly more than one cumulative hike by February 2027, close to 1.7 hikes by March, then around 2.5 hikes by June and 2.7 hikes by September 2027. In other words, the market is still pricing in close to three more hikes before September 2027.

In the US, the Fed has also maintained rates and markets are also pricing in a 25 bps hike in December with a probability of around 79%. The curve then anticipates a little more than one cumulative hike by January 2027, close to 1.8 by March, then around 2.4 by July and 2.5 by the end of 2027 / early 2028. The market is therefore pricing in a little more than two more hikes.



Christine Lagarde will leave the ECB on 7 February 2027.

The European Central Bank announced on Thursday that its president, Christine Lagarde, will step down on 7 February 2027, about nine months before the normal expiry of her eight-year term. At her press conference, she explained that she wanted to regain freedom of speech, freedom of expression and the possibility of engaging on issues that do not fall within the scope of monetary policy, as her role at the head of the ECB requires her to be strictly neutral. Lagarde's early departure paves the way for the immediate launch of the succession process, said António Costa, President of the European Council. The stakes are high for European leaders, who will have to fill one of the most influential positions in the euro zone in a sensitive political context, in the run-up to the French presidential election in 2027. Christine Lagarde also wanted to reassure about the continuity of the institution, saying that the ECB is solid and that the succession is already underway.

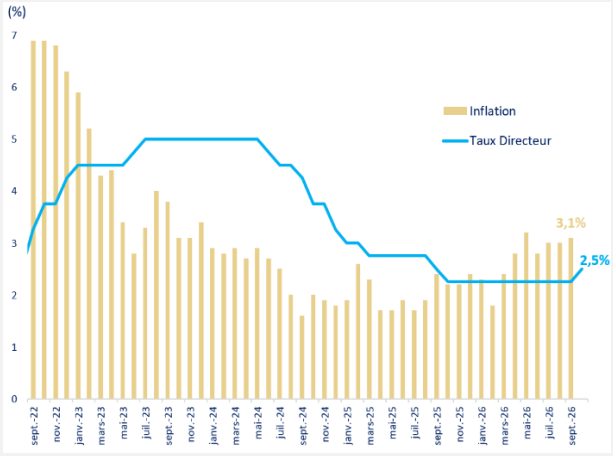
The Bank of Canada is raising rates and leaving the door open for further hikes.

The Bank of Canada raised its key interest rate by 25 basis points to 2.5% on Wednesday, its first hike in more than three years. This decision, widely expected by the markets, comes in a context of inflation at 3.1% in September, fuelled by the persistent rise in energy prices. The BoC now believes that inflation will remain high and will not return to 2% until mid-2028.

In its statement, the BoC said a further hike may be needed if high energy prices spread more widely to all goods and services, but said it would move forward on a meeting-by-meeting basis. Governor Tiff Macklem stressed that with the economy deemed resilient, action was needed to limit the risk of longer-lasting inflation, while acknowledging that uncertainty remained high.

Markets are already pricing in another rate hike as early as the January 2027 meeting.

BoC policy rate hike and inflation



News

Australia | Inflation accelerated in September to 4.3% against 4% in August, above expectations.

France | The Confidence Indicator of fell to 80 in October.

Agenda

30 October | Decision of the Bank of Japan on its interest rates.

4 November I Inflation Releases October flash of the Eurozone.

Authors



Daniele CURCI
Head of Investment Specialists and Business Development
Liquidity Solutions and French Networks



Amélie VALTEAU
Investment Specialist
Liquidity Solutions

Disclaimer

This publication is intended for institutional clients only and may not be reproduced, in whole or in part, or communicated to third parties without our permission. Published by Amundi Asset Management Société par Actions Simplifiée SAS with a capital of €1,143,615,555 - 437 574 452 RCS Paris. Asset Management Company approved by the AMF Autorité des Marchés Financiers) n°GP 04000036. Registered office: 91 93, boulevard Pasteur 75015 Paris France. The information contained in this publication is not intended for dissemination to, or use by, any person or entity in any country or jurisdiction where such dissemination would be contrary to law or regulation, or which would subject Amundi or its subsidiaries to registration requirements in such countries. Not all products or services are necessarily registered or authorised in all countries or available to all clients. The data and information contained in this publication is provided for informational purposes only. Nothing contained in this publication constitutes an offer or solicitation by any member of the Amundi group to provide investment advice or services or to buy or sell financial instruments. The information contained in this publication is based on sources that we believe to be reliable, but we do not guarantee that it is accurate, complete, valid or up-to-date and should not be relied upon as such for any purpose.

Follow us



Amundi Investment Solutions
Trust must be earned