

Dollar gains as Fed cut bets recede; yen on guard

By Rae Wee, Reuters, October 29, 2025

The dollar nudged higher on Thursday as traders scaled back bets of a U.S. rate cut in December following push back from Federal Reserve Chair Jerome Powell, pinning the yen near an eight-month low ahead of the Bank of Japan's (BOJ) rate decision. The day was shaping up to be another busy one for markets with the BOJ's policy announcement due and a highly anticipated meeting between U.S. President Donald Trump and China's leader Xi Jinping, where the two will seek to de-escalate their trade war. Investors were still reeling from the aftermath of the Fed decision in the early Asian session, after the U.S. central bank lowered rates by 25 basis points as expected and said it will end its balance sheet drawdown on December 1.

But Powell took the punch bowl away by saying a policy divide within the central bank and a lack of federal government data may put another rate cut out of reach this year. That sent the dollar rising broadly, with sterling last trading at \$1.3195 after falling to a 5-1/2-month low in the previous session. The euro was nursing losses and rose 0.03% to \$1.1604, after weakening 0.43% overnight. "Clearly, the FOMC is divided on the policy outlook from here and with the government in shutdown still, I think Powell wants to approach policy more cautiously," said Carol Kong, a currency strategist at Commonwealth Bank of Australia (CBA). "We still expect a cut in December, but obviously with Powell's cautious comments, the risk is that a rate cut is delayed to 2026." The market odds of the Fed delivering another quarter-point cut in December have eased to around 68%, having been nearly fully priced before Wednesday's decision.

The focus on Thursday turned to a policy decision from the BOJ. The central bank is seen keeping rates steady but is likely to reiterate its resolve to continue pushing up still-low borrowing costs. Ahead of the outcome, the yen was languishing near an eight-month low against a resurgent dollar and last stood at 152.59. It similarly held near an all-time low against the euro at 177.12. "I think the most interesting thing to look out for is the vote. At the last meeting, two out of nine board members were in favour of a 25-basis-point rate hike. So it will be interesting to see how many officials are calling for a hike at this meeting," said CBA's Kong. "We know that the BOJ tends to be more politically sensitive. So given the Takaichi administration has just been elected, and they are now compiling another economic package, I think the BOJ will stay cautious in the very near term."

Some investors are betting that the election of Sanae Takaichi as Japan's new prime minister could complicate the BOJ rate outlook, given she is an advocate of loose monetary policy. Elsewhere, the Australian dollar was little changed at \$0.6575, while the New Zealand dollar eased slightly to \$0.5763. Apart from the BOJ, investors will also have their eyes on an expected meeting between Trump and Xi, as fragile trade ties between the two nations continue to keep markets on edge. "Given the positive remarks from both parties at the conclusion of the preliminary talks in Malaysia over the weekend, markets already expect that the ceiling for tariffs is in place as China likely backs down from its latest rare-earth controls announcement," said Garrett Melson, a portfolio strategist at Natixis Investment Managers.

'Deeply disturbing portrait of America': Nicolle Wallace rips GOP over looming SNAP cutoff

"It is awful when anyone in America goes hungry, and it is a choice — it's Donald Trump's choice," she said.

By Allison Detzel, MSNBC, Oct. 28, 2025

Come Saturday, the 42 million Americans who depend on the Supplemental Nutrition Assistance Program, or SNAP, will be forced to go without benefits due to the ongoing government shutdown. On Monday's "Deadline: White House," Nicolle Wallace placed the blame for the looming lapse entirely on the president and the Republican Party. "It is awful when anyone in America goes hungry, and it is a choice," she said, "it's Donald Trump's choice." The MSNBC host noted this isn't the first time the administration has slashed food assistance for some of America's most vulnerable. In March, it cut approximately \$500 million in aid for food banks. "That \$300 million that Donald Trump is spending on making a gold ballroom where the East Wing once stood, and the \$230 million he's trying to get us, the American taxpayers, to reimburse him for being under criminal investigation, they add up to roughly the same amount of money he has cut from America's food banks," Wallace said.

The MSNBC host called the split-screen of Trump's White House renovations and the impending cuts "a deeply disturbing portrait of America," adding, "the images of Donald Trump destroying —with an actual wrecking ball — the actual East Wing of the White House, while Americans are about to go without food stamps, is a snapshot of America that will live forever." Wallace also called out the president for pushing "policies that will hurt the parts of the coalition he used to publicly speak out for." "Food insecurity in America is a lot more common than anybody can imagine, and it knows no party affiliation," she explained. "It does not care who you voted for, and the fact that Trump and all the Republicans in Congress are opting into this tragedy, this sort of shameful thing in America in 2025, should be front-page news all over the place."

On Nov. 1, pain of government shutdown will deepen for many Americans

By James Pindell The Boston Globe, October 28, 2025

The day after Halloween brings more than just leftover candy comas. It may mark a genuinely terrifying turning point for many Americans. On Nov. 1, the impact of the federal government shutdown marks the deepest pain point yet. By Saturday morning, the federal budget impasse won't just be about politics. It will begin to land in grocery store checkout lines, in paystubs for federal workers, and in inboxes from health insurance companies. The first bad sign: the Supplemental Nutrition Assistance Program (SNAP) benefits that low-income households rely on risk being interrupted because states cannot receive the reimbursement without a continuing budget. Nationally, the warning is clear, but here in Massachusetts, it means the roughly 1.11 million people – about 16 percent of the state population – who received SNAP benefits in fiscal year 2024 won't get them.

Early-childhood programs are next. The Head Start Program, crucial for low-income preschoolers and their families, is fully impacted. Grant cycles begin throughout the year, and if the shutdown persists into November, programs in over 40 states will not receive their operational funding. That means classrooms may close, teachers may be laid off, and the kids most dependent on these services will lose access, and somehow, child care will need to be immediately found (or some parents may drop out of the workforce entirely). Meanwhile, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), serving pregnant and postpartum women, infants, and young children, is expected to run out of federal support. That means some mothers and infants risk losing food-benefit cards, nutrition education, and breastfeeding support, just as colder weather and holiday-season pressures mount.

Want more? Then consider the spike in health insurance premiums coming for everyone. It's the issue where Democrats have tried to take a stand by refusing to vote for the House Republican-passed measure to fund the government. Nov. 1 also kicks off open enrollment for marketplace plans under the Affordable Care Act and most employer-based insurance plans. For many this year, the premium letters arrive with major cost shocks. Nationally, insurers in ACA marketplaces are seeking median premium increases around 18 percent for 2026, with many carriers citing the potential expiration of enhanced premium tax credits as a key driver. In Massachusetts, state officials warn that if the enhanced tax credits expire as scheduled, average premium increases could amount to \$1,300 or more per year for typical enrollees. To be clear, this is all separate from the federal shutdown. It is because a pandemic-era law that issued these subsidies will expire by the end of the year unless further action occurs.

But there is a more obvious impact of the government shutdown on the federal workers and contractors. Because the House has been out of session for weeks and no full-year appropriations were passed by the Oct. 1 deadline, thousands of additional federal employees face the prospect of missing their first whole paycheck in November. For the region, that means local businesses will find their customer base tightening. Notably, the largest union of federal workers came out in favor of ending the shutdown on Monday morning. "It's time for our leaders to start focusing on how to solve problems for the American people, rather than on who is going to get the blame for a shutdown that Americans dislike," said American Federation of Government Employees president Everett Kelley. Remember, this includes staff of the Transportation Security Administration (TSA) and air traffic controllers who are working without pay as travelers gear up for the busy Thanksgiving rush. While they are considered "essential," the backlog of unpaid wages and agency strain may ripple into delays, morale drops, and increased risk.

There is a serious question about how the military will get paid if this funding impasse drags on. While service members continue to report for duty, the fact that Congress may not act raises the disturbing possibility of missed paychecks for troops. Trump found a way to pay them through October, but that money is running out. How did we arrive at this date of reckoning? The funding deadline was Oct. 1, and Congress did not pass a funding bill. Since the House is now recessed, there's no immediate path forward before Saturday. Officials in the Commonwealth have warned that without federal action, the safety net will begin to fray. For example, state leadership joined calls urging Congress to extend the enhanced premium tax credits precisely because the impacts are concentrated here. Hunger advocacy groups estimate that one in three Massachusetts households faces some degree of food insecurity. It would be tempting to treat the shutdown as mere political theater up to this point, but for many households, it is the real crisis point.

Bank of Canada signals likely end to rate cuts, but keeps options open

By Promit Mukherjee and David Ljunggren, Reuters, October 29, 2025

The Bank of Canada signaled on Wednesday an end to its cutting cycle after trimming its key overnight interest rate to 2.25%, but Governor Tiff Macklem said he would be ready to respond if Canada's economic outlook changed materially.

The 25-basis-point cut, the second in a row, brings the rate down to the lowest since July 2022. Macklem said the easing was designed to help the economy deal with the disruption from U.S. tariffs while keeping inflation close to the bank's 2% target. In January, the bank had forecast the economy would grow by 1.8% in both 2025 and 2026. But, citing U.S. trade policy, it now says growth in 2025 will be just 1.2%, dropping to 1.1% in 2026, before recovering to 1.6% in 2027. "If inflation and

economic activity evolve broadly in line with the October projection, Governing Council sees the current policy rate at about the right level to keep inflation close to 2% while helping the economy through this period of structural adjustment," the bank said in its rate announcement.

Economists said while rate cuts have paused for now, there could be more easing in the next year. "Though it's still unclear how the balance of risks between inflation and growth plays out, the policy rate needs to be lower as excess capacity in the economy remains wide," said Andrew DiCapua, principal economist at the Canadian Chamber of Commerce. Macklem, however, said the bank would need to see evidence of a materially altered economic outlook to respond further. "We recognize there's a lot of uncertainty out there, and if the outlook changes we're prepared to respond," he said. Macklem said while the trade war was depressing demand, it had also added costs for many businesses. The bank expected these forces to offset each other, he told reporters. Canada's economy contracted in the second quarter by 1.6% and early indicators suggest it might barely avoid another contraction in the third quarter. "The weakness we're seeing in the Canadian economy is more than a cyclical downturn. It is also a structural transition," Macklem said, adding this limited the ability of monetary policy to boost demand while keeping inflation at 2%. The bank sees annualized growth of 0.5% in the third quarter and 1% in Q4. It returned on Wednesday to the practice of issuing detailed quarterly economic forecasts after suspending them in March due to economic uncertainty. The BoC aims to keep the rate of annual inflation anchored at 2%, the mid-point of its 1% to 3% target range. In its forecasts, the bank estimated inflation would average 2% over the year. Consumer prices are expected to average around 2.1% in 2026, the bank said. The Canadian dollar firmed after the monetary policy decision and was trading up 0.22% to 1.3915 to the U.S. dollar, or 71.86 U.S. cents. Money markets are not pricing in any probability of rate cuts until March next year.

If you think Trump's China deal is the end of the story, you haven't been paying attention

Elisabeth Buchwald, CNN, Oct. 27, 2025

Financial markets kicked off the week by gleefully cheering the weekend's headlines that trade talks between the United States and China went smoothly. Just weeks earlier, Trump had threatened to impose a 100% tariff on Chinese exports and said he might call off a meeting with Chinese President Xi Jinping. Now, that meeting looks set to take place this week. If all that seems like a rerun of a movie we've seen before but no one quite remembers how it ends, that's because it never really did. The latest escalation between Trump and Xi arose after Beijing announced plans to restrict exports of rare-earth minerals, critical materials needed to power a wide range of electronics. But that's hardly anything new — China, which controls the majority of the world's supply of rare earth minerals, began putting measures in place to limit foreign access to them over 30 years ago. And as demand for China's rare earths has increased since, so have the safeguards for allowing other countries to purchase them. After meeting with Chinese trade negotiators in Malaysia over the weekend, US Treasury Secretary Scott Bessent said he anticipates the high-stakes meeting between Trump and Xi could result in "some kind of deferral" on rare-earth export controls.

US Trade Representative Jamieson Greer, who has led Chinese trade talks with Bessent, said the Treasury secretary told Chinese negotiators at their last meeting, "This is the last time we want to be talking about rare earths." "Unfortunately, that is not the last time they want to be talking about it," Greer told reporters earlier this month. He's right. "Some kind of deferral" simply means Xi is still going to be able to use access to rare earths as leverage over the United States any time he is perturbed with actions Trump takes. And when Beijing inevitably announces new ramped-up export controls of rare earths, Trump will likely respond by threatening higher tariffs. But there's no guarantee Trump or Xi will build off their envoys' groundwork. Trump has a recent history of stirring the pot, undermining the diplomatic victories Bessent and Greer secured with China. For instance, just weeks after they inked a deal resulting in significantly lower tariffs on both countries, Trump slapped export controls on chip design software to China. (Those were later lifted.)

The more optimistic take, though, is there could be some breakthrough deal on rare earths or otherwise that comes out of a meeting between Trump and Xi this week. But it's still hard to take any progress between Trump and Xi too seriously, considering both sides have alleged the other violated prior deals. Just last week, Greer opened an investigation into whether China is adhering to the terms of a trade agreement Trump brokered during his first term. As part of that agreement, China committed to increasing purchases of American products by \$200 billion by the end of 2021. However, it fell far short of that level. As Trump sought to lower the temperature with China, a longtime rival, he raised it with one of America's biggest allies and neighbors, Canada. In response to an ad Ontario commissioned that featured parts of an anti-tariff speech by former President Ronald Reagan in 1987, Trump threatened to increase tariffs on Canada, America's second-largest trading partner, by an additional 10%. Canadian Prime Minister Mark Carney has been hesitant to retaliate against tariffs Trump has enacted on his country, but that doesn't mean he won't. After Trump suspended trade talks over the tariff ad, Carney told reporters Monday: "It doesn't pay to be upset. Emotions don't carry you very far." Either way, if Trump continues to alienate his allies, he risks making America's economy even more dependent on China.