
# Central banks: The balance sheet, the other monetary policy tool

*As markets closely watch the upcoming central bank meetings next week, attention naturally focuses on key interest rates. But behind this classic lever lies another dynamic, quieter yet just as decisive: **balance sheet policies**. These may evolve with potentially contrasting paths between the Federal Reserve (Fed) and the European Central Bank (ECB).*

**Few surprises are expected regarding key interest rates.** In the United States, a 25 basis point cut is widely anticipated, bringing Fed rates down to 3.75–4.00%. This decision would follow a monetary easing path restarted in September, which we believe will continue with another cut by the end of 2025. However, resilient economic activity and persistent inflationary pressures should then prompt the Fed to remain cautious. This stance contrasts with money market expectations, which factor in two additional cuts by mid-2026.

In the eurozone, the ECB is expected to keep rates unchanged at 2.00%, in line with its recent communication. In the short term, disinflation could accelerate due to falling oil prices, a stronger euro, and slowing service inflation. But in the medium term, fiscal stimulus plans, notably in Germany, could revive price pressures. In this context, we anticipate a prolonged status quo, with a possible additional cut if the economic outlook temporarily worsens.

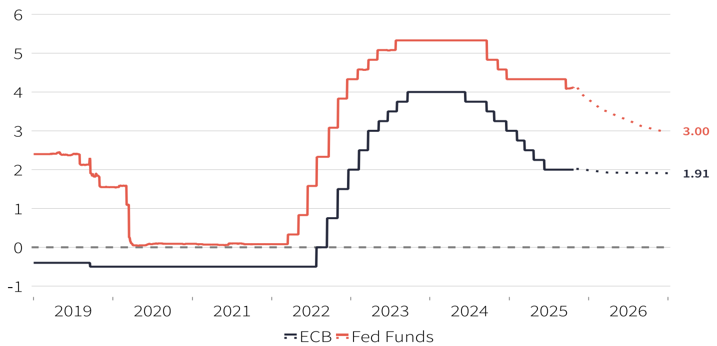
**Balance sheet policies: the Fed may stop before the ECB**. Beyond key rates, balance sheet policies—from quantitative easing (QE) to quantitative tightening (QT)—deserve increased attention. They operate through central banks' purchases or sales of financial assets, directly influencing long-term financing conditions. After massively expanding their asset portfolios during the Covid crisis - the Fed and ECB doubled their balance sheets - both institutions have begun gradual reductions.

While balance sheets remain large in absolute terms, their relative share in public debt holdings has already significantly declined. The Fed now holds less than 15% of U.S. public debt, close to its pre-Covid level. It could therefore slow down or even suspend its QT soon. Conversely, the ECB still holds over 25% of eurozone sovereign debt. Projecting the current pace of reduction, it could maintain QT until the end of 2026.

This divergence could have contrasting effects on long-term rates: in the U.S., the end of QT could moderate them, while in the eurozone, continued balance sheet tightening could instead keep upward pressure.

## INTEREST RATE MARKET EXPECTATIONS

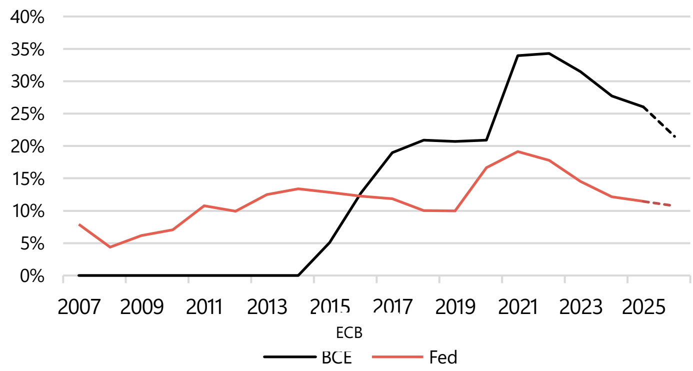
(based on futures)




Sources: Société Générale Investment Solutions, Macrobond, ECB, Eurex Exchange, New York Fed, CME Group, BoE, ICE 15/09/2032

## CENTRAL BANKS: HOLDINGS OF PUBLIC DEBT

(as % of total)




Source: SGPB, Projections based on the current pace

*Past performance is not a guarantee of future performance. All data is from Bloomberg, Macrobond as of 10/24/2025, completion date of this publication. In accordance with the regulations in force, we inform the reader that this document is qualified as a promotional document*

# Events of the week

## EURO AREA

The first activity indicators for the last quarter of 2025 have just been released. The PMI business climate index for the entire eurozone points to a certain acceleration, at 52.2 in October after 51.5. While this development is overall positive, it conceals some disparities between sectors and countries. Indeed, it appears that the services component is mainly driving the improvement, whereas the manufacturing sector continues to stagnate. The most notable contrast appears between countries: Germany shows a clear improvement (at 53.8 after 52.0), while the indicator shows a further deterioration in France (46.8 after 48.1).

More specifically for France, the PMI index is useful for international comparison but is not always the most relevant for forecasting growth trends. The INSEE business climate index, which appears more pertinent, points to a very slight improvement in the situation in October (at 97, after 96).

## UNITED STATES

The ongoing shutdown implied that economic data provided by government agencies has not been published for more than three weeks now. A major exception was made for the inflation report, given the importance of this figure for the indexation of certain benefits. Inflation in September came in at 3%, a very slight increase on the previous month, but below expectations.

The consensus was for a more pronounced increase, due to the delayed effect of higher customs tariffs. This level of inflation should allow the Federal Reserve to lower its key interest rate next week, but could dampen expectations of further rate cuts in 2026.

## EVENTS IN THE COMING MONTHS

- October 24: revision of France's rating by Moody's
- October 29: Fed monetary policy meeting
- October 30: ECB monetary policy meeting
- October 30: BoJ monetary policy meeting
- November 6: BoE monetary policy meeting

*Source: Macrobond, October 24, 2025. The colors in the 'Actual' column correspond to the difference from the forecast*

## KEY EVENTS NEXT WEEK

### Monday

| | |
|---|---|
| **Germany** | Business climate OCTOBER |
| **United States** | Durable goods orders SEPTEMBER |

### Tuesday

| | |
|---|---|
| **Germany** | Consumer confidence NOVEMBER |

### Wednesday

| | |
|---|---|
| **Spain** | GDP growth rate Q3 |
| **United States** | Fed meeting |

### Thursday

| | |
|---|---|
| **Euro area**<br>**France**<br>**Germany**<br>**Italy** | GDP growth rate Q3 |
| **Germany** | Inflation OCTOBER |
| **Euro area** | ECB meeting |
| **Japan** | BoJ meeting |

### Friday

| | |
|---|---|
| **China** | Manufacturing PMI OCTOBER |
| **Euro area**<br>**France**<br>**Italy** | Inflation OCTOBER |
| **United States** | Consumption expenditure deflator OCTOBER |

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# MARKET PERFORMANCES

## Interbank rates

| % | 21/10/2025 | 24/09/2025 | 24/07/2025 | 01/01/2024 | 24/10/2024 |
|---|---|---|---|---|---|
| US SOFR | 4,177 | 4,35 | 4,35 | 5,34 | 4,86 |
| Euro area €ster | 1,928 | 1,93 | 1,92 | 3,88 | 3,17 |
| UK SONIA | 3,969 | 3,97 | 4,22 | 5,19 | 4,95 |
| Switzerland SARON | -0,048 | -0,04 | -0,05 | 1,70 | 0,95 |
| Japan TONAR | 0,477 | 0,48 | 0,48 | -0,04 | 0,23 |

## 10Y Government rates

| % | 23/10/2025 | 24/09/2025 | 24/07/2025 | 01/01/2024 | 24/10/2024 |
|---|---|---|---|---|---|
| US Treasuries | 4,01 | 4,16 | 4,43 | 3,88 | 4,21 |
| France OAT | 3,37 | 3,50 | 3,36 | 2,55 | 2,96 |
| Germany Bund | 2,58 | 2,75 | 2,70 | 2,02 | 2,24 |
| Italy BTP | 3,37 | 3,59 | 3,53 | 3,70 | 3,37 |
| Spain Bonos | 3,11 | 3,30 | 3,23 | 2,98 | 2,93 |
| Switzerland | 0,17 | 0,21 | 0,44 | 0,66 | 0,48 |
| UK Gilts | 4,48 | 4,68 | 4,62 | 3,60 | 4,21 |
| Japan JGB | 1,65 | 1,64 | 1,59 | 0,62 | 0,92 |

## Credit

| % | 23/10/2025 | 24/09/2025 | 24/07/2025 | 01/01/2024 | 24/10/2024 |
|---|---|---|---|---|---|
| United States IG | 4,71 | 4,81 | 5,10 | 5,06 | 5,08 |
| United States HY | 6,77 | 6,62 | 7,02 | 7,59 | 7,31 |
| Europe IG | 3,20 | 3,31 | 3,28 | 3,72 | 3,40 |
| Europe HY | 5,36 | 5,10 | 5,35 | 6,80 | 5,99 |
| Emerging FX | 5,65 | 5,63 | 5,94 | 6,77 | 6,25 |

## Equity indices

| 23/10/2025 vs | -1w | -1m | -3m | 01/01/2024 | -1y |
|---|---|---|---|---|---|
| World | 1,30 | 2,06 | 6,743 | 40,58 | 17,802 |
| United States | 1,19 | 1,54 | 6,340 | 42,95 | 16,641 |
| Euro area | 1,33 | 3,48 | 4,884 | 33,16 | 20,474 |
| France | 0,77 | 4,98 | 4,786 | 16,12 | 12,678 |
| Germany | 1,53 | 1,73 | -1,749 | 38,38 | 20,864 |
| United Kingdom | 2,44 | 3,76 | 5,400 | 30,80 | 18,206 |
| Japan | 2,58 | 3,76 | 10,462 | 43,94 | 25,771 |
| Emerging | 1,53 | 2,47 | 10,309 | 44,06 | 23,392 |
| China USD | 2,90 | -1,85 | 7,428 | 63,89 | 32,845 |
| India USD | 0,86 | 3,25 | 0,349 | 18,65 | -0,052 |
| Latin America USD | 1,72 | -1,29 | 11,869 | 4,52 | 23,292 |

## Foreign exchange rates

| | 23/10/2025 | 24/09/2025 | 24/07/2025 | 01/01/2024 | 24/10/2024 |
|---|---|---|---|---|---|
| EUR/USD | 1,16 | 1,17 | 1,18 | 1,11 | 1,08 |
| GBP/USD | 1,33 | 1,34 | 1,35 | 1,27 | 1,30 |
| EUR/CHF | 0,92 | 0,93 | 0,94 | 0,93 | 0,94 |
| USD/JPY | 152,59 | 148,75 | 146,88 | 141,03 | 151,85 |
| USD/CNY | 7,13 | 7,11 | 7,16 | 7,08 | 7,12 |

## Commodity prices

| | 23/10/2025 | 24/09/2025 | 24/07/2025 | 01/01/2024 | 24/10/2024 |
|---|---|---|---|---|---|
| Brent, USD/BL | 65 | 69 | 69 | 77 | 75 |
| Copper, USD/Metric ton | 10 797 | 9 862 | 9 861 | 8 476 | 9 413 |
| Gold, USD/Troy oz | 4 126 | 3 736 | 3 368 | 2 063 | 2 736 |
| Silver, USD/Troy oz | 49 | 44 | 39 | 24 | 34 |
| Palladium, USD/Troy oz | 1 463 | 1 226 | 1 244 | 1 136 | 1 135 |
| Platinium, USD/Troy oz | 1 649 | 1 480 | 1 402 | 1 000 | 1 035 |

*Source : Bloomberg on 24 October 2025, 1W = 1 week change, 3M = 3 month change, 12M = 12 mont change, YTD = year to date change, Equities; total return in local currency . Government bonds = 10 year returns. Figures are rounded..*

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