US Labour market remains resilient: the stand out event of the week was the US employment report (non-farm payrolls) which rose 261,000 in October, well above the consensus forecast for a 200,000 gain, but was a modest decline from September's upwardly revised 315,000 increase. The unemployment rate ticked up to 3.7% from 3.5% as the labour force participation rate declined 0.1% to 62.2%. The robust rise in payrolls, coupled with firmer-than-expected average hourly earnings (+0.4%), indicated that there is nothing in the report that would undermine the hawkish message delivered by Chair Powell earlier in the week that the labour market remains "out of balance."

Fed diverging from its peers; a couple of weeks ago, markets began to sense that central banks were shifting into a lower gear after frontloading a number of aggressive rate hikes throughout the year. And with one notable exception, that's proven true. However, the exception is a big one — the US Federal Reserve. While the Reserve Bank of Australia, the Bank of Canada and the Bank of England have begun to tighten in smaller increments (or in the case of the BOE, indicate that it likely will), the Fed warned that while rates might rise in smaller chunks after the next meeting or two, the terminal rate will likely be higher than what was assumed in September, when the Fed last published forecasts. Chair Jerome Powell also stressed in his Wednesday press conference that it is "very premature" to talk about a pause in the hiking cycle. Powell emphasized that the risk of not tightening enough (and letting inflation become entrenched) far outweighs the risk of tightening too much. The countries that have already begun to slow the pace of rate hikes share one thing in common — economies that are highly exposed to the housing market, primarily through variable rate mortgages. The economy in the United States, with its heavy adoption of fixed-rate mortgages, is less sensitive to a rise in mortgage rates. Though the housing sector is facing difficult times, the spill over to the broad economy are less pronounced in the US.

Record Eurozone inflation keeps pressure on the ECB; just days after signalling that it would like to slow the pace of rate hikes, the European Central Bank was forced to confront a continued surge in Eurozone inflation. Preliminary October consumer price data, released on Monday, showed inflation jumping a record 10.7% from the year prior, while core prices rose 5%, also a record. Markets have pushed expectations for the ECB terminal rate up to near 3% from the 1.5% level where they stand today. Odds of another 0.75% rate hike in December are now about 50/50. On Thursday, ECB President Christine Lagarde said the ECB still has a way to go on raising interest rates to counter inflation.

The Bank of England meanwhile; raised rates 0.75% on Thursday, the largest hike in 30 years. That brings the policy rate to 3%. In a dove-ish turn however the BOE signalled that borrowing costs may not have to rise as much as markets are forecasting.

Markets-wise; As of close of the session on Friday, global equities were lower on the week as the US Federal Reserve threw cold water on the notion that it is contemplating a dovish pivot that could prematurely loosen financial conditions. The yield on the US 10-year Treasury note rose 25 basis points to 4.24% while the price of a barrel of West Texas Intermediate crude oil climbed to $92.17 from $88.15 a week ago.

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