

Economic QuickView

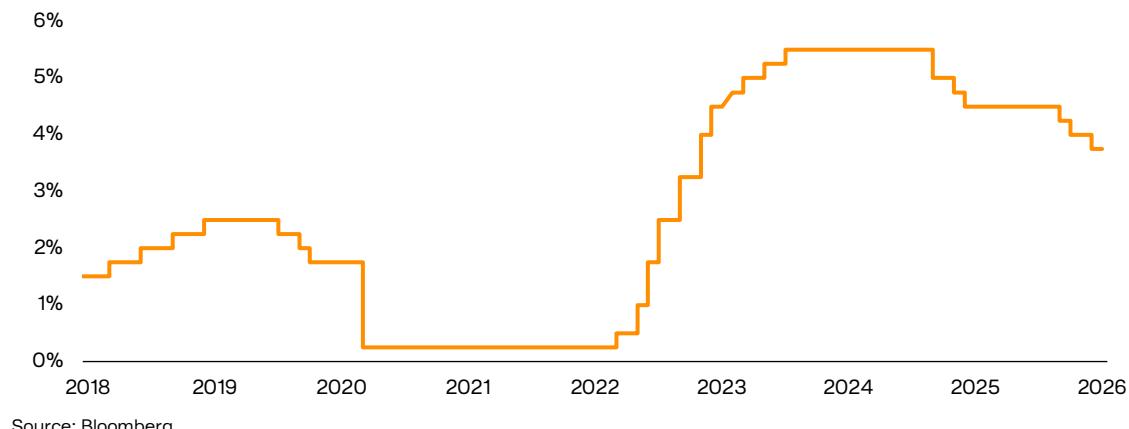


FOMC Meeting: The Fed held rates steady after 3 consecutive rate cuts

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- Powell signalled cautious optimism regarding the US economic outlook.
- Markets will closely monitor the White House's pick to succeed Powell.

The Fed voted 10:2 to hold rates steady after 3 consecutive rate cuts. During its January meeting, the Federal Open Market Committee (FOMC) voted to hold the federal funds rate at a range of 3.50-3.75%. The committee remained divided, with Fed Governors Stephen Miran and Christopher Waller dissenting, both preferring a 25-basis point (bp) rate cut. The decision was widely expected before the meeting. Compared to the December meeting, the post-meeting statement removed references to downside risks to employment and added that "the unemployment rate has shown some signs of stabilization". This upbeat revision could signal reduced urgency to cut rates unless there is further weakening in the labour market. Additionally, the statement upgraded its assessment of economic activity from "expanding at a moderate pace" to "expanding at a solid pace", reflecting a positive assessment of growth amid robust GDP data, despite lower job gains.

Powell signals cautious optimism regarding the US economic outlook. Powell's press conference reinforced the message that interest rates are within a plausible range of neutral estimates, and that monetary policy decisions will be made on a meeting-by-meeting basis. Notably, he described existing monetary policy as "in a good place," noting that the economy continued to grow at a solid pace, with resilient consumer spending and a labour market that has cooled without weakening sharply. Powell also acknowledged that tariff-related price pressures appear to have peaked, which could help inflation drift lower without additional policy moves. On the issue of reserve management, there was no update regarding the Fed's resumption of asset purchases. Lastly, Powell explained his attendance at the Supreme Court hearing on the Lisa Cook case last week, saying he thought it was appropriate given the case's significance as perhaps the most important legal challenge in the Fed's 113-year history.

US Fed Funds Rate (Upper-bound target)


Source: Bloomberg

Markets will closely monitor the White House's pick to succeed Powell. With Jerome Powell's term as Fed Chair ending on 15 May 2026, questions arose about his potential successor and whether he plans to remain as a Fed governor. However, Powell did not provide any details on these matters. Recently, Blackrock's Rick Rieder has emerged as a prominent contender, alongside former Fed governor Kevin Warsh and current Fed governor Christopher Waller. Kevin Hassett, once seen the frontrunner, has seen his prospects fade after Trump indicated a preference to retain him at the National Economic Council. This transition carries significant implications for the Fed's decision making going forward.

Looking ahead, the rate cut cycle is likely to remain intact. With inflation projected to ease further, the Fed will have additional room to implement further rate cuts. After the January meeting, major banks in Hong Kong decided to leave their prime rates unchanged, as they are already at historical lows. Meanwhile, HIBORs have held steady recently, indicating stable liquidity conditions.

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