FED HIKES RATES 25 BP, AND THE MARKET IS ESTIMATING THAT ONE MORE RATE HIKE IS ON THE HORIZON

CUIRS Global Market Team
Kelvin Tong, kelvintongcuhkirs2022@gmail.com
Paul Kao, paulkaocuhkirs2022@gmail.com

Week of 20 Mar – 24 Mar

On March 22, The Federal Reserve raised interest rates by 0.25%, putting the benchmark overnight interest rate in the range of 4.75%-5.00%. This decision is believed to have factored in the recent turmoil conditions in the financial market, with the Fed also indicating that it was likely to pause further increases in borrowing costs in its latest policy statement. Benchmark 10-year note yields fell to 3.5223% after the decision, and the 2-year note yield fell to 4.033%.

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- The liquidity issue faced by the banking industry due to the failures of SVB and Signature Bank put the critical decision-makers into a dilemma

- The projections released alongside the rate decision showed that the peak rate would remain at 5.1%, with most anticipating only one more rate hike in the future

- 10 out of 18 Fed policymakers expect rates to increase by 0.25% by the end of 2023, to meet the inflation target and the same endpoint projected in Dec 2022

- The latest policy statement no longer suggests that ongoing rate increases will be appropriate, aligning with the views of FOMC members as perceived by the markets

- The Fed expected the economy to grow 0.4% in 2023, slightly less than the 0.5% as projected in Dec 2022; the expectation for 2024 is lowered similarly