

Macro Insights
20 March 2026

US Fed keeps interest rates steady amid economic uncertainty, Iran war

Key Highlights:

- The U.S. Federal Reserve (Fed) **maintain rates at 3.5% to 3.75% and flagged ‘uncertainty’ related to the US- Iran conflict.**
- Fed stated that the rates will remain at 3.5% to 3.75%, **with markets factoring in a pause as oil price volatility raises fresh concerns.**
- The Fed had cut rates three consecutive times last year before pausing earlier this year.
- **The FOMC voted 11-1 to hold the benchmark federal funds rate steady**, indicating one quarter- point rate cut in 2026 and one in 2027. Governor Stephen Miran dissented, calling for a quarter-point reduction.

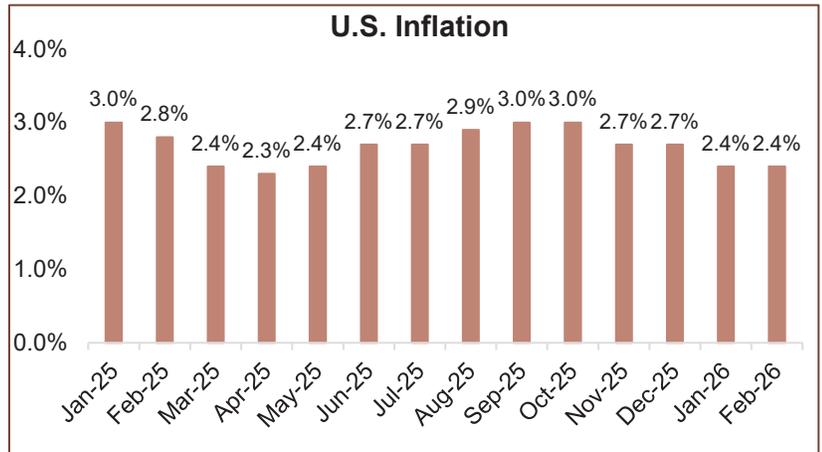


Current Update:

- ❖ Despite pressure from US President Donald Trump to slash borrowing costs, **policymakers have been moving cautiously**, as they face a tricky combination of rising prices and mixed signals from the job market.
- ❖ Fed chairman stated **that future cuts would depend on whether inflation continues to fall, noting that it was "too soon" to say how the Iran war would affect that outlook.**
- ❖ The war in Iran is the latest, triggering a spike in oil prices that has already **driven up gas prices in the US to the highest since 2024.**
- ❖ Powell said he would remain on the board at least until the investigation concludes, even if he has stepped down as chair.

 **U.S. Inflation:**

- ❖ **Policymakers have raised their inflation outlook for 2026 to 2.7% from 2.4%**, citing potential price shocks from the war in Iran.
- ❖ **Core Inflation**, which excludes volatile food and energy prices, was also revised to 2.7% from 2.5%.



Source: Trading Economics

 **The Fed's Policy Shift**

The Fed cut rates by 100 basis points between September and December 2024, followed by three additional 25 basis point cuts — between September and December 2025 — **taking the cumulative rate reduction to 175 basis points** in the calendar year 2025.

FOMC Meeting Date	Rate Change (bps)	Interest Rate
19-Mar-26	No change	3.50% to 3.75%
29-Jan-26		
11-Dec-25	-25	3.50% to 3.75%
30-Oct-25	-25	3.75% to 4.00%
17-Sep-25	-25	4.00% to 4.25%
31-Jul-25	No change	4.25% to 4.50%
19-Jun-25		
07-May-25		
07-Mar-25		
20-Mar-25		
29-Jan-25		
19-Dec-24	-25	4.25% to 4.50%
07-Nov-24	-25	4.50% to 4.75%
19-Sept-24	-50	4.75% to 5.00%

Source: US Federal Reserve Website

To Conclude:

The US central bank has voted to hold interest rates steady again, as a spike in oil prices since the start of the US-Israel war with Iran raises economic uncertainty and threatens to drive up inflation.

The Committee will **continue to monitor the implications of incoming information for the economic outlook**. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. **The Committee's assessments will consider a wide range of information, including readings on labour market conditions, inflation pressures and inflation expectations, and financial and international developments.**

Fed board members now expect inflation to end the year at 2.7%, up from the 2.4% they were predicting in December. Meanwhile, board members on average are forecasting economic growth of 2.4%, up slightly from 2.3% in December, while predicting the unemployment rate will hold steady at 4.4%, as previously predicted.

Powell said the Trump administration's crackdown on immigration, which has slowed population growth and reduced the size of the workforce, meant companies did not need to hire as many people to keep unemployment down.

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