08 May 2025

U.S. Fed holds key rates steady at 4.25%- 4.50% amid concerns on traiffs' economic risks

Key Highlights:

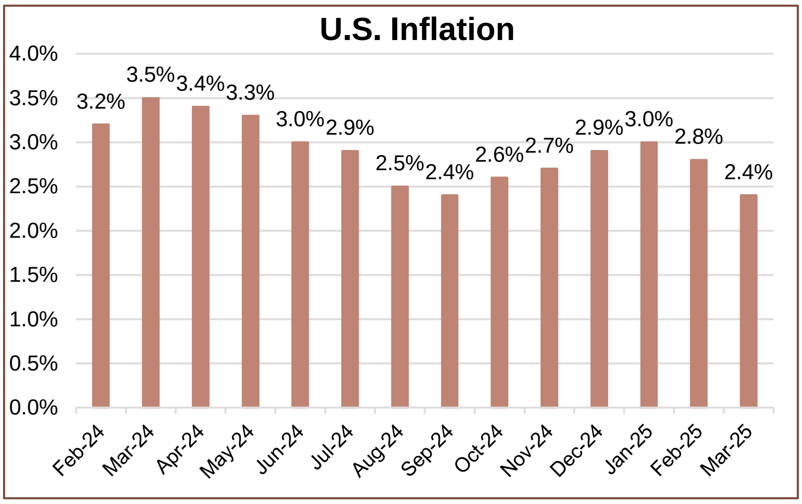
- The U.S. Federal Reserve (Fed) **kept interest rates unchnaged at 4.25%-4.50%, pausing for the third time in 2025 amid global uncertainty caused by raging trade war, a slowing economic growth and unstable inflation trends.**
- The Fed stated that it is in no hurry to cut interest rates due to high level of uncertainty and that the committee is poised to observe and analyse the economic situation ahead of any future rate cuts.
- **The Fed's deliberations come as the White House is locked on negotitations with top U.S. trading partners during a 90- day negotitaing period that began in early May.**

Current Update:

- Fed **kept the policy rates unchanged 4.25- 4.50% amid persistent economic uncertainty from recent traiff escaltions and mixed economic indicators.**
- **The Fed is balancing the need to combat inflation versus concerns about growth, stating that it would be too soon to determine whether to look through the impact US tariffs would have on inflation.**
- The committee will **continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities.**
- The Fed's assessments will consider a wide range of information, including **readings on labour market conditions, inflation pressures and expectations along with financial and international developments.**

U.S. Inflation:

- **In March, inflation fell to 2.4%, lower than 2.8% in February.**
- Core Inflation, which excludes volatile food and energy prices, also eased to 2.8% in March 2025. While the current numbers show a positive trend, it is important to note that inflation rates can fluctuate, and further data will be needed to assess sustainability amid erratic trade strategy.



Source: Trading Economics

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The Fed’s Policy Shift: From Aggressive Tightening to Gradual Easing (2022–2025)

Since March 2022, the U.S. Federal Reserve has led one of the most aggressive rate hike cycles in modern history in an effort to tame surging inflation, which had reached four-decade highs. Over the course of 18 months, the Fed raised interest rates by 525 basis points, taking the federal funds rate from near zero to a peak range of 5.25%–5.50% by July 2023.

The Fed initiated its first rate cut in September 2024. Since then,

- The Fed has cut rates by a cumulative 100 basis points, bringing the current policy rate to 4.25%–4.50% as of Mar 2025
- At the March 2025 FOMC meeting, the Fed kept rates unchanged, reaffirming its data-dependent approach.

<table>
<tr><th>FOMC Meeting Date</th><th>Rate Change (bps)</th><th>Interest Rate</th></tr>
<tr><td>07-Mar-25</td><td>-</td><td>4.25% to 4.50%</td></tr>
<tr><td>20-Mar-25</td><td>-</td><td>4.25% to 4.50%</td></tr>
<tr><td>29-Jan-25</td><td>-</td><td>4.25% to 4.50%</td></tr>
<tr><td>19-Dec-24</td><td>-25</td><td>4.25% to 4.50%</td></tr>
<tr><td>07-Nov-24</td><td>-25</td><td>4.50% to 4.75%</td></tr>
<tr><td>19-Sept-24</td><td>-50</td><td>4.75% to 5.00%</td></tr>
<tr><td>31-July-24</td><td rowspan="8">No change</td><td rowspan="8">5.25% to 5.50%</td></tr>
<tr><td>12-June-24</td></tr>
<tr><td>01-May-24</td></tr>
<tr><td>20-Mar-24</td></tr>
<tr><td>31-Jan-24</td></tr>
<tr><td>13-Dec-23</td></tr>
<tr><td>01-Nov-23</td></tr>
<tr><td>20-Sep-23</td></tr>
</table>

Source: US Federal Reserve Website

To Conclude:

“Powell's comments highlight the Fed's growing concern about the economic impact of President Trump’s tariff policies. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will assess incoming data, the evolving outlook, and the balance of risks. The Fed stated that both the goals of lowering inflation and reducing unemployment are not in conflict, giving it some leeway in coming rate decisions. The committee would be prepared to adjust the stance of the monetary policy as appropriate if risks emerge that could impede the attainment of the committee’s goals.

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