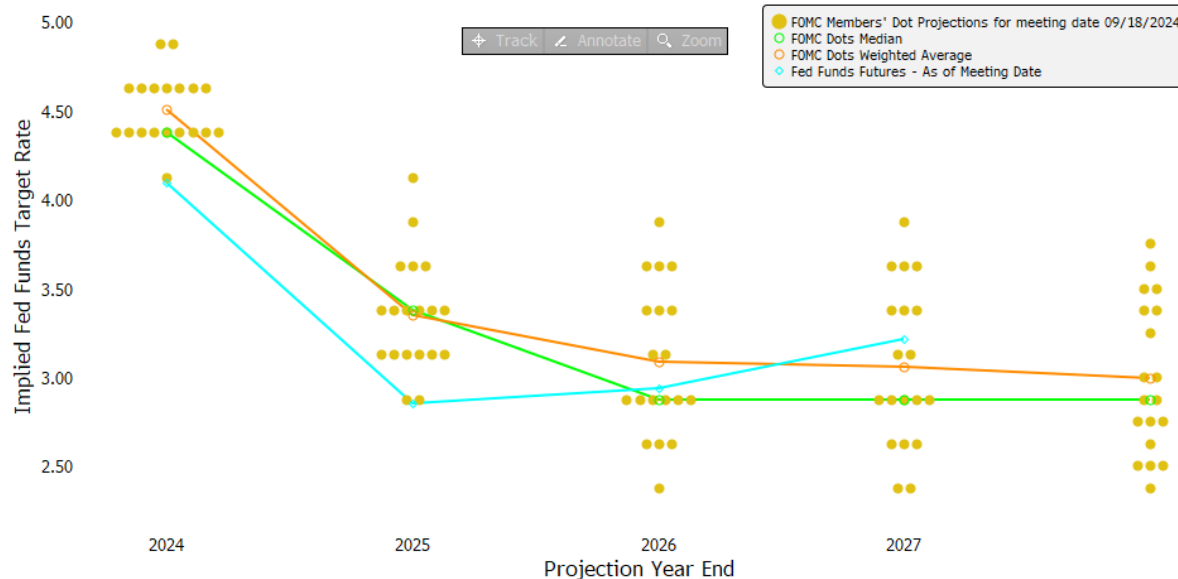


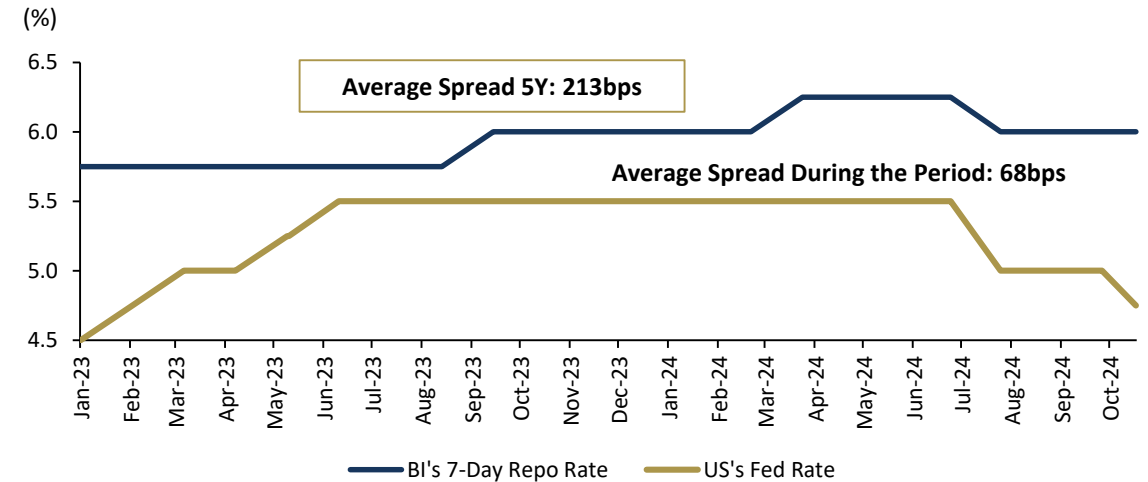
Fed Rate Meeting: 8 November 2024

- The Federal Reserve lowered its federal funds target rate by 25 basis points to a range of 4.5% - 4.75% at the November 2024 meeting, following a substantial 50 basis point cut in September. This decision aligns with market expectations and underscores the Fed's cautious stance in managing U.S. economic conditions amidst ongoing uncertainties. By reiterating its commitment to a data-dependent and risk-balanced approach, the Fed signals its intention to carefully navigate the current economic landscape.
- Fed Chair Jerome Powell emphasized the Fed's flexibility, noting that future rate decisions will be made on a meeting-by-meeting basis. Powell's open-ended approach to the December meeting reflects the Fed's strategy of potentially pausing rate cuts if economic conditions warrant it. This stance allows the Fed to adapt swiftly to changes in key economic indicators without being committed to a rigid course of action.
- Financial markets are likely to respond moderately to this latest adjustment, as it aligns with expectations and reassures investors that the Fed remains committed to supporting economic stability without excessive easing. Fixed-income markets, particularly short- to mid-term bonds, are expected to stabilize with modest gains, as a gradual rate cut trajectory reduces interest rate volatility risks. The rate cut should also provide some support for the IDR, particularly given recent funds outflows from both the bond and equity markets. While the Fed rate cut provides room for the central bank to cut the BI 7-day reverse repo rate by 25 basis points at its next meeting on 20 November, the central bank must rethink the best timing for its rate cut as it may not have the luxury to follow the Fed's easing policy.
- Looking ahead, with Trump winning the US election, although the Federal Reserve has repeatedly stated that it will remain neutral, we anticipate that the inflationary nature of Trump's expansive fiscal plans, along with a potential trade war with China that could raise production costs, will likely lead the Fed to end its rate-cutting cycle for the year. We expect at most two or three rate cuts next year, rather than five.

FOMC Dot Plot



US' Fed Rate and BI's 7-Day Repo Rate



Target Rate Probabilities for Nov & Dec 2024 Fed Meeting

