

US Monetary Policy (June 2025 FOMC Meeting) Fed Holds Policy Rate Steady for Fourth Consecutive Meeting

June 19, 2025

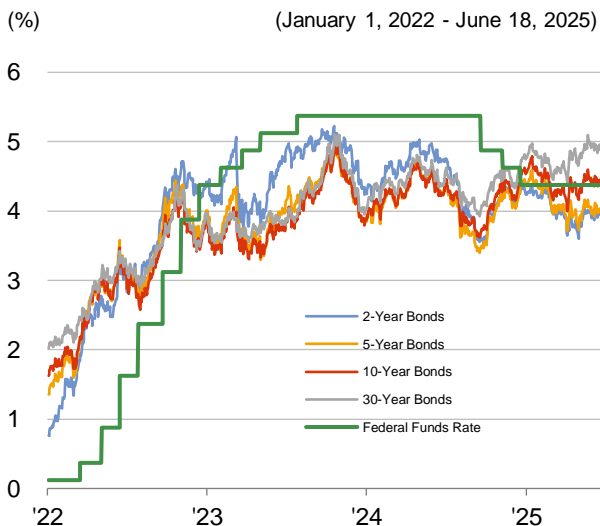
Continues to Refrain from Accelerating Additional Rate Cuts Amid Heightened Uncertainty

The Federal Reserve Board (FRB) held the Federal Open Market Committee (FOMC) meeting on June 17–18 (local time) and decided to maintain the target range for the federal funds rate (FF rate) at 4.25–4.50%. Additionally, it maintained the pace of its balance sheet reduction at \$5 billion per month for government bonds and \$35 billion per month for mortgage-backed securities.

In its statement, the Committee noted that “while uncertainty surrounding the economic outlook has eased somewhat, it remains elevated,” and emphasized its continued vigilance toward risks on both sides of its dual mandate—price stability and maximum employment. Indeed, the economic growth outlook was revised downward, while inflation projections were adjusted upward. The median projection for the federal funds rate at the end of 2025 remained unchanged at 3.875%, consistent with the March Summary of Economic Projections. Federal Reserve Chairman Powell stated, “We are in a position to wait for more information before adjusting our policy stance,” maintaining a wait-and-see approach. However, the number of participants expecting a pause in rate cuts this year has risen to seven from four in the previous meeting, reflecting differing opinions.

The June FOMC meeting did not result in any significant shift in policy stance, and market reactions were generally muted. According to federal funds futures, the next rate cut is likely in September, and expectations for nearly two rate cuts within this year remain priced in. For now, attention is focused on the course of trade negotiations between the Trump administration and various countries, as well as economic trends. The Chairman stated, “No one is strongly confident in the interest rate outlook,” suggesting that the timing of policy adjustments remains flexible.

FF Rates and US Treasury Yields

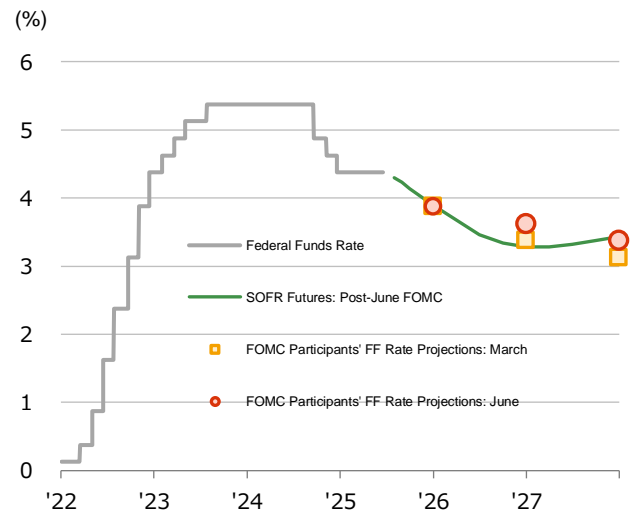


※ FF Rate is the midpoint of the target range based on the decision date

Source: Bloomberg; Compiled by Daiwa Asset Management

FF Rate Performance and Outlook

- FF interest rate: beginning of January 2022 to June 18, 2025
- SOFR interest rate futures: July 2025 - December 2027
- The Federal Open Market Committee (FOMC) participants' outlook for the FF rate: end of 2025-27



※ FF Rate is the midpoint of the target range based on the decision date

※ SOFR stands for Secured Overnight Financing Rate

Source: Bloomberg; Compiled by Daiwa Asset Management

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