

## Federal Reserve

### Current rates

**5.25%**

Target Rate

### Last change

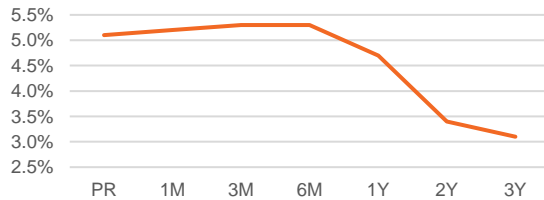
5/3/2023: +0.25%

### Market expectations

#### Tightening

Paused rate hikes in June after raising rates 500bps between March 2022 and May 2023

- 80% chance of an additional hike in Q3
- The market is no longer forecasting rate cuts this year



### Upcoming meetings

7/26/2023

9/20/2023

11/01/2023

### Notable activity

- The Fed decided to pause rate hikes on June 14<sup>th</sup> as was widely expected after ten consecutive hikes
- In his statement after the June meeting, Fed Chair Powell indicated that despite the pause, at least two more hikes would be needed this year with rate cuts not expected for another two years, citing persistent inflation and labor market strength
- Market expectations and Fed guidance continue to diverge, with the OIS curve pricing in an 80% chance of one more 25bps hike this year while the updated June Fed projections indicate two more hikes.
- Investors have grown increasingly skeptical of the Fed cutting rates this year, having removed 85bps of cuts from market pricing since the Fed's meeting in May

## European Central Bank

### Current rates

**3.50%**

Target Rate

### Last change

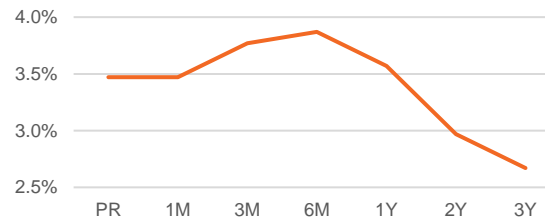
6/15/2023: +0.25%

### Market expectations

#### Tightening

Began tightening in July 2022 and has since raised rates 400bps

- July: +25bps
- September: 80% +25bps, 20% pause



### Upcoming meetings

7/27/2023

9/14/2023

10/26/2023

### Notable activity

- The European Central Bank hiked rates 25bps on June 15<sup>th</sup> to the highest level in over two decades as expected
- What took markets by surprise was the upgrade to their inflation forecasts. ECB President Lagarde stated that the bank was "very likely" to continue hiking rates in July as underlying inflation remains persistent.
- The bank ended its Asset Purchase Program at the June meeting, another to further tighten monetary policy
- This rate hike cycle marked the first time the bank hiked rates in 11 years and has been the fastest in the central bank's history

## Bank of England

### Current rates

**4.50%**

Target Rate

### Last change

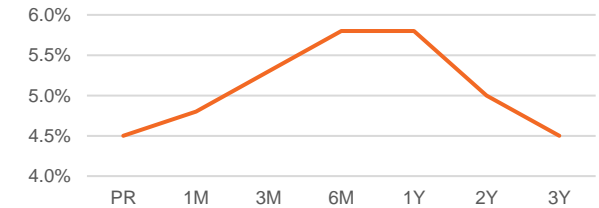
5/11/2023: +0.25%

### Market expectations

#### Tightening

Began hiking rates in December 2021 and has since raised rates 440bps

- June: +25bps
- August: 50% +25bps, 50% +50bps
- Hike to a terminal rate of 5.80% in Q1 '24



### Upcoming meetings

6/22/2023

8/3/2023

9/21/2023

### Notable activity

- The bank hiked rates 25bps on May 11<sup>th</sup>, taking the policy rate to a post-2008 high
- Analysts have ramped up rate hike expectations since the May meeting, now expecting more hikes for longer. The terminal rate has jumped up 100bps to 5.80% which now is expected to be reached in Q1 2024 instead of Q3 2023.
- At the May meeting the bank made significant upward revisions to their growth projections and have since removed expectations for a recession
- Since the May meeting growth momentum has stayed positive, wage growth has outperformed expectations, and inflation surprised to the upside again in April.

## Bank of Canada

### Current rates

**4.75%**

Target Rate

### Last change

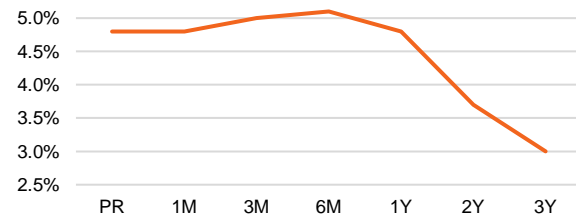
6/07/2023: +0.25%

### Market expectations

#### Tightening

Began hiking rates in April 2022, paused hikes at the March and April meetings, but hiked again in June. Collectively, the bank has hiked rates 450bps this cycle.

- Additional +25bps hike is priced in at either the meeting in July (60%) or September (40%)



### Upcoming meetings

7/12/2023

9/6/2023

10/25/2023

### Notable activity

- Bank of Canada delivered an unexpected 25bps hike on June 7<sup>th</sup> after being among the first banks to formally signal a pause in January, amid strong economic data and persistent elevated inflation
- The June hike took the policy rate to a post-2001 high
- Bank officials did not provide much forward guidance regarding further rate hikes, but the futures market moved to price an additional 25bps hike in Q3 following the June hike

## Bank of Japan

### Current rates

**-0.10%**

Target Rate

### Last change

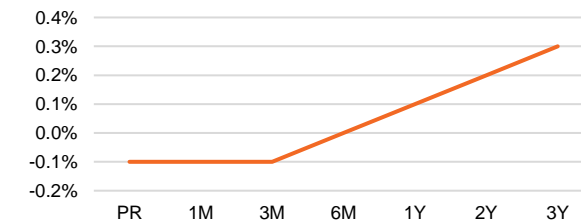
1/28/2016: -0.20%

### Market expectations

#### Easing

The Bank of Japan has held rates steady despite the global tightening effort.

- Markets are not expecting a rate hike this year



### Upcoming meetings

7/28/2023

9/22/2023

10/31/2023

### Notable activity

- The Bank of Japan's new Governor Kazuo Ueda started his term in April and has maintain the ultra-loose monetary policy of his predecessor
- The Bank held its yield curve control policy unchanged in June as widely expected
- The yen has continued to weaken dramatically since April as the Bank continues to leave policy unchanged and the Fed signals more rate hikes ahead. As of June 15<sup>th</sup> the yen has weakened 5.5% against the dollar since April.

## Bank of Korea

### Current rates

**3.50%**

Base rate

### Last change

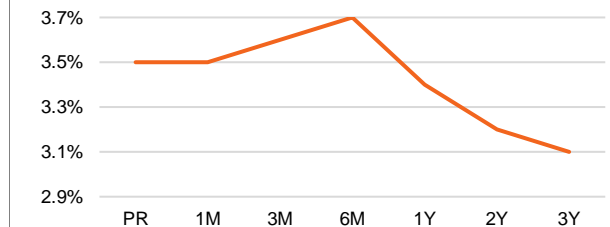
1/12/2023: +0.25%

### Market expectations

#### Steady

The Bank of Korea hiked rates 300bps between August 2021 and January 2023.

- No further rate hikes are expected this year. The market expects the Bank of Korea to cut rates -15bps in Q4 2023.



### Upcoming meetings

7/13/2023

8/24/2023

10/19/2023

### Notable activity

- Bank of Korea decided to maintain rates in May as expected, continuing its pause for a third consecutive meeting.
- The Bank was one of the first central banks to begin hiking rates in mid-2021 and among the first to pause in January 2023.
- Slowing growth combined with cooling inflation have discouraged further tightening

## People's Bank of China (PBoC)

### Current rates

**2.65%**

1-year MLF rate

### Last change to policy rate

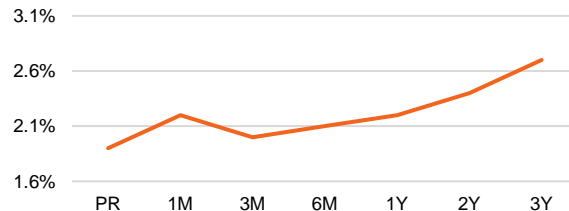
6/14/2023: -0.10%

### Market expectations

#### Easing

- Following rate cuts to two key lending rates in mid-June, analysts expect the bank to cut the loan prime rate toward the end of June.
- Expect further reductions to the reserve requirement ratio in Q3
- Expect another -10bps cut to the one-year MLF rate in Q4

### Reverse Repurchase Notes



### Upcoming meetings

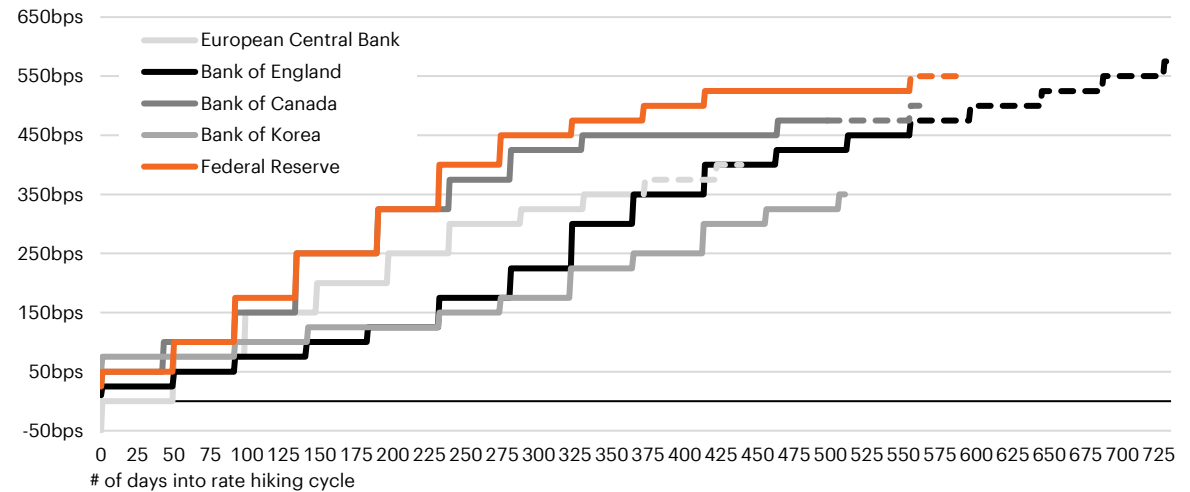
7/19/2023

### Notable activity

- PBoC cut its seven-day reverse repo rate and one-year medium-term lending facility (MLF) rate by -10bps each to 1.9% and 2.65% respectively, marking the first rate cut since August 2022
- The stimulus effort comes amid signs of a weakening property market, a slump in business investment and record joblessness among young people.
- The yuan spent May and the first half of June weakening against the dollar, sinking to its lowest valuation since November of last year.

## Central bank rate hike cycles (forward estimates implied by OIS futures curve)

Basis points of hikes to policy rate



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