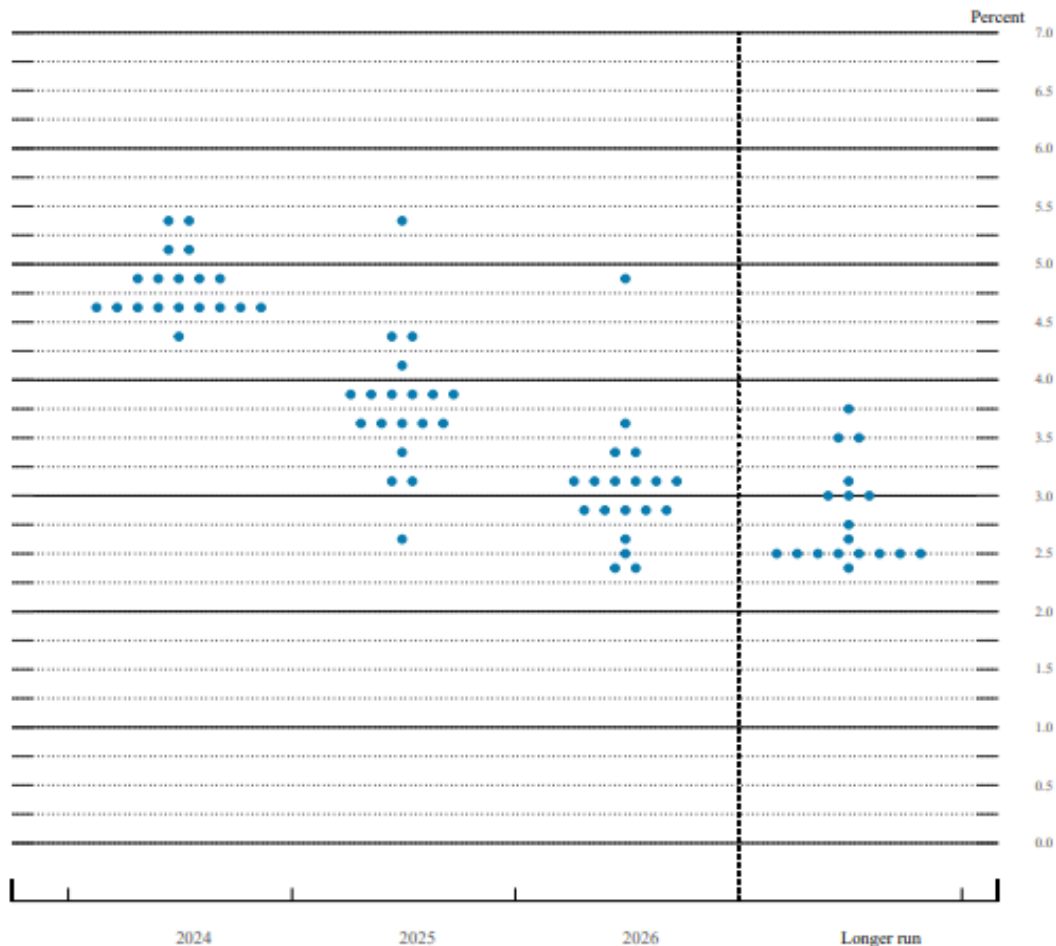


## Central Banks set for most synchronised rate cuts since 2008

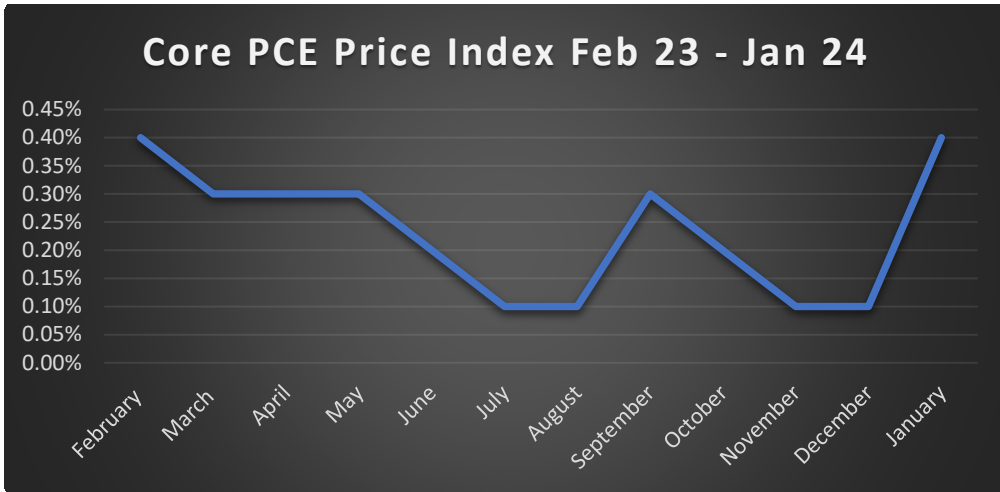
The big news this week was the Federal Reserve's rate decision. The consensus now is that cuts are almost inevitable in 2024, and by looking at the below chart illustrating the participants of the FOMC, it's clear they feel the same way. Currently, only 2 members of the 19 strong committee see rates staying at their current range in 2024. Meanwhile, 15 members see rates dropping to a range of between 4.5% and 5% within 2024. As we look ahead, into 2025 we can see a small divergence in views, with one member's hawkish assessment being rates should remain at current levels in 2025, while another believing rates should fall to a range of 2.5% to 2.75% in 2025. However, overall sentiment now points to rates coming back to a range of 3.5% to 4% in 2025. It is important to note that the Fed has been data driven throughout their hiking cycle, and Jerome Powell has stated in his last three addresses that the Fed continues to use the data provided as a guide to monetary policy.

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate

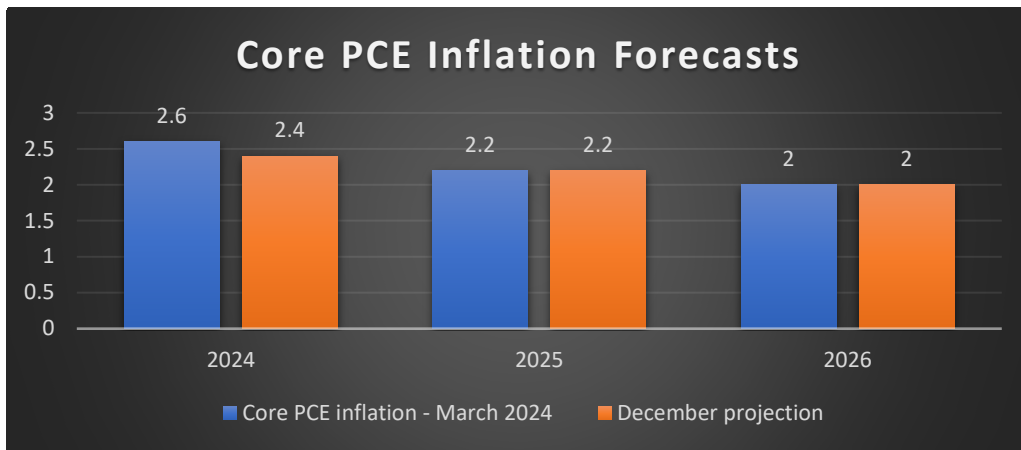


Source: Federal Reserve

Next Friday, core PCE prices data will be released, which is the Fed's preferred method of measuring inflation. This data will go a long way in determining when a rate cut could happen, especially after its rise of 0.4% in January, up from 0.1% in December. The Fed has stated that Core PCE inflation will tick up to 2.6% in 2024, having forecasted an increase of 2.4% in December.

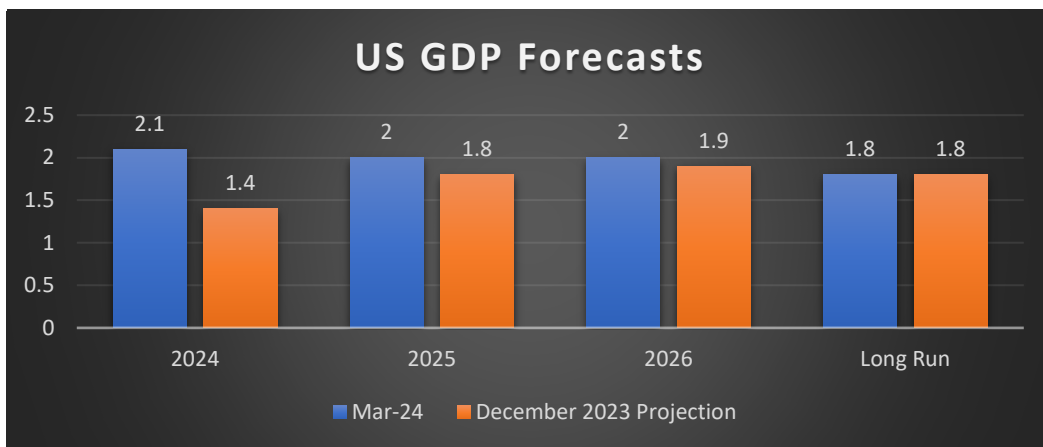


Source: Seaspray Private



Source: Seaspray Private

Another positive point from the Fed's recent release was GDP forecasts. In December 2023 the Fed had forecasted GDP growth for 2024 would come in at 1.4%. However, only three months in to 2024 that rate has risen to 2.1%. The Fed has also risen its forecast for growth for 2025 and 2026, with both now coming in at 2%, compared to 1.8% in 2025 and 1.9% in 2026.



Source: Seaspray Private

Finally, while this data is just focused on the US, it is clear that rate cuts are coming across the world this year. This chart from Bloomberg highlights that nearly 10 other Central Banks may cut rates in 2024, the most synchronized rate cut since 2008.

