

# US FOMC Meeting (17 - 18 March)

Fed holds steady amid inflation and geopolitical risks, keeps easing option alive

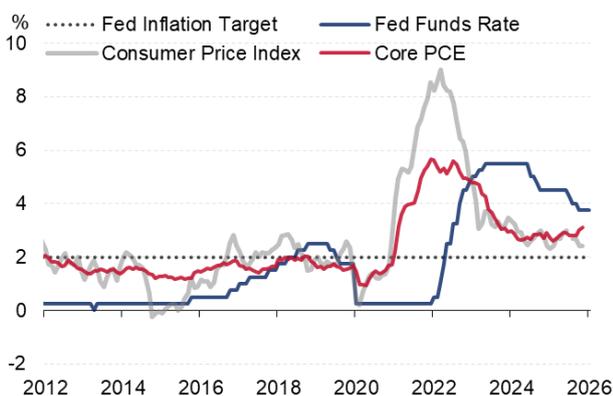
- Rates on hold, easing bias preserved.** In an 11–1 vote, the Fed left the policy rate unchanged at 3.50%–3.75% in line with expectations. Governor Miran dissented in favour of a 25 bps cut. By holding steady rather than tightening, **officials signalled that the next move is still likely downward, though not imminent.**
- Fed speak: uncertainty dominates.** The core message changed little. Policymakers stressed that uncertainty around the economic outlook remains elevated, adding that developments in the Middle East carry unclear implications for the US economy. The statement offers **no guidance on how officials would trade off higher inflation against weaker economic activity**, underscoring wide confidence bands around the outlook.
- Press conference: cautious and measured tone.** Chair Powell emphasised that policy is “well positioned” with no indication that rate cuts are imminent. He emphasised the limited room to ease while inflation risks remain tilted upward. Higher energy prices will lift headline inflation in the near term, but Powell said it is “too soon to know the scope and duration” of the economic impact. He also noted that tariff-related price pressures have yet to fully dissipate. **The result is a policy stance that remains reactive to incoming data, leaving markets to infer the path from oil prices and geopolitics.**
- Dot plot highlights: early signs of inflation concern.** 12 of 19 officials still project at least one cut this year, unchanged from December, though several pencilled in fewer reductions. **Markets, by contrast, price in no cuts this year, while we continue to expect two.** Interestingly, growth projections were revised up, with GDP seen at 2.4% in 2026 (from 2.3%) and 2.3% in 2027 (from 2.0%). Core inflation forecasts edged up but remain contained at 2.7% for 2026 (from 2.5%) and 2.2% for 2027 (from 2.1%). Powell himself downplayed the projections, remarking that “if we were ever going to skip an SEP, this would be a good one.” We agree that the forecasts do not fully capture the ongoing uncertainty. **Underlying weakness could ultimately require more easing in 2026 than officials expect.**
- Fed policy outlook: easing postponed, again.** The meeting reinforces that the Fed faces a classic supply shock dilemma. Energy-driven inflation will rise, but softer household balance sheets limit the scope for sustained price pressure. Meanwhile, labour-market conditions have begun to soften, and geopolitical uncertainty may weigh further on hiring. **As energy shocks take time feed into broader inflation, we now push our baseline for the first cut to 4Q26.** Leadership uncertainty also matters. Powell could remain in place (pro tempore) beyond 15 May if the appointment of Kevin Warsh is delayed.
- USD outlook: gradual weakening bias intact.** Although the USD index has strengthened to above 100.0, we still expect the USD to soften into year-end as markets converge toward our baseline of two Fed cuts in late 2026, from none at present. **A policy path that is restrictive but drifting toward easing should cap further USD upside.**

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
4.10% (+0.25%)	Australia	Cash Rate	Mar-26
1.00% (-0.25%)	Thailand	Repo Rate	Feb-26
4.25% (-0.25%)	Philippines	Target Reverse Repurchase	Feb-26
0.75% (+0.25%)	Japan	Overnight Call Rate	Dec-25
3.75% (-0.25%)	UK	Base Rate	Dec-25
3.50% - 3.75% (-0.25%)	USA	Funds Rate Target	Dec-25
2.25% (-0.25%)	New Zealand	Official Cash Rate	Oct-25
2.25% (-0.25%)	Canada	Overnight Rate	Oct-25
4.75% (-0.25%)	Indonesia	BI Rate	Sep-25
2.75% (-0.25%)	Malaysia	Overnight Policy Rate	Jul-25
2.00% (-0.25%)	Euro Area	Key Deposit Facility Rate	Jun-25
2.50% (-0.25%)	South Korea	Base Rate	May-25
3.00% (-0.10%)	China	Loan Prime Rate (1Y)	May-25

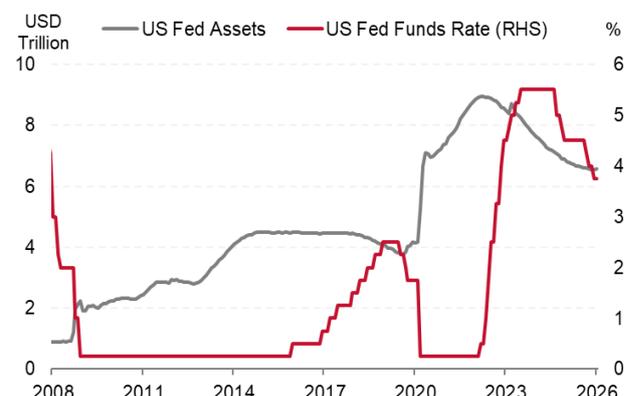
Source: Bloomberg, Kenanga Research

Graph 1: Fed Funds Rate and Inflation Trends



Source: Bloomberg, Kenanga Research

Graph 2: Fed Balance Sheet Vs. Fed Funds Rate



Source: Bloomberg, Kenanga Research

19 March 2026

**Table 3: US FOMC Tentative Meeting Schedule for 2026 / KIBB Outlook**

No.	Date		KIBB Research Outlook	Fed Funds Future**	Fed Decision
1st	27 and 28 Jan	<input checked="" type="checkbox"/>	No change	No change	No Change
2nd	17 and 18 Mar*	<input checked="" type="checkbox"/>	No change	No change	No change
3rd	28 and 29 Apr	<input type="checkbox"/>	No change	No change	
4th	16 and 17 Jun*	<input type="checkbox"/>	No change	No change	
5th	28 and 29 Jul	<input type="checkbox"/>	No change	No change	
6th	15 and 16 Sep*	<input type="checkbox"/>	No change	No change	
7th	27 and 28 Oct	<input type="checkbox"/>	25 bps cut	No change	
8th	8 and 9 Dec*	<input type="checkbox"/>	25 bps cut	No change	

Source: Federal Reserve, Kenanga Research

Note: bps denotes basis points

\*Meeting associated with a Summary of Economic Projections

\*\*CME Fed Rate Monitor: Based on CME Group 30-Day Fed fund futures prices (highest probability)

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