US FOMC Meeting (28 - 29 October)

Another 25 bps cut on labour weakness; signals potential pause in December

- **As widely expected, the Federal Reserve delivered another 25 basis points (bps) cut, bringing the federal funds rate to 3.75%–4.00%.** The voting split highlighted a divided Fed: Stephan Miran favoured a larger 50 bps cut, while Jeffrey Schmid preferred no change.
- **Fed speak: Subtle recalibration.** The shift from "recent" to "available" data to acknowledge the lack of visibility. The key change was the decision to end securities runoff on December 1. **Labour market concerns remained the primary justification for easing, even without materially new data.**
- **Balance sheet operations: Stabilisation mode.** From December 1, the Fed will roll over all maturing Treasuries and reinvest mortgage-backed securities proceeds into Treasury bills. **This plumbing adjustment helps steady short-term funding rates amid falling policy rates, a prudent step to keep money markets orderly.**

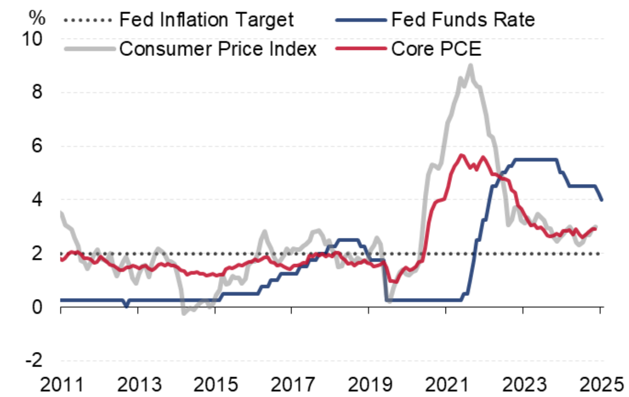
Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
3.75% - 4.00% (-0.25%)	USA	Funds Rate Target	Oct-25
2.25% (-0.25%)	Canada	Overnight Rate	Oct-25
2.50% (-0.50%)	New Zealand	Official Cash Rate	Oct-25
4.75% (-0.25%)	Philippines	Target Reverse Repurchase	Oct-25
4.75% (-0.25%)	Indonesia	BI Rate	Sep-25
1.50% (-0.25%)	Thailand	Repo Rate	Aug-25
4.00% (-0.25%)	UK	Base Rate	Aug-25
3.60% (-0.25%)	Australia	Cash Rate	Aug-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
0.50% (+0.25%)	Japan	Overnight Call Rate	Jan-25

Source: Bloomberg, Kenanga Research

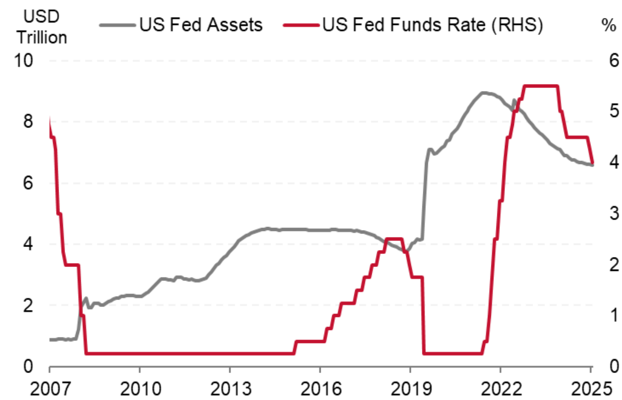
- **Press conference: Reasserting optionality.** Markets had priced in a near-certain December cut (~90.0% probability pre-meeting), but Powell pushed back. He noted "strongly differing views" within the committee and stressed that another cut "is not a foregone conclusion—far from it." With limited incoming data, the Fed will "collect every scrap" before deciding. **The message was clear: avoid being locked into a preset easing path.** Markets trimmed the odds of another cut to about 70.0%.
- **Fed policy outlook: Navigating with limited visibility.** A protracted government shutdown could delay key data releases, while tariff-driven inflation adds upside price risk. Although weaker job and consumption trends support further easing, more Fed officials are now advocating to "at least wait a cycle" before the next move. **We maintain our base case for one additional cut in December, followed by two cuts in 1Q26, before a pause.**
- **US Treasury (UST) outlook: Yields moved higher as expectations adjusted.** The 10-year rose above 4.00% after Powell's remarks dampened confidence in December cut. The shift to reinvesting into Treasury bills will not significantly anchor the long end. **Elevated term premia are likely to keep the 10-year yield above 4.00% in the near term.**

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

Table 2: US FOMC Tentative Meeting Schedule for 2025 / KIBB Outlook

No.	Date		KIBB Research Outlook	Fed Funds Future**	Fed Decision
1st	28 and 29 Jan	☑	No change	No change	No change
2nd	18 and 19 Mar*	☑	No change	No change	No change
3rd	6 and 7 May	☑	No change	No change	No change
4th	17 and 18 Jun*	☑	No change	No change	No change
5th	29 and 30 Jul	☑	No change	No change	No change
6th	16 and 17 Sep*	☑	25 bps cut	25 bps cut	25 bps cut
7th	28 and 29 Oct	☑	25 bps cut	25 bps cut	25 bps cut
8th	9 and 10 Dec*	☐	25 bps cut	25 bps cut	

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	☐	25 bps cut	No change	
2nd	17 and 18 Mar*	☐	25 bps cut	No change	
3rd	28 and 29 Apr	☐	No change	25 bps cut	
4th	16 and 17 Jun*	☐	No change	25 bps cut	
5th	28 and 29 Jul	☐	No change	No change	
6th	15 and 16 Sep*	☐	No change	No change	
7th	27 and 28 Oct	☐	No change	No change	
8th	8 and 9 Dec*	☐	No change	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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