



17th December 2022

Global Market- US Fed, BOE & ECB meeting – Key takeaways

Last week we have discussed how we describe the repeat of August 2007 – January 2008 phase and the first step towards will be acknowledge by US Fed for the need to soften its monetary policy stance. As US Fed meeting on 13 – 14 December 2022, outcome on 14-Dec-22, US Fed chair Jerome Powell refrain for making any commitment on pause or pivot.

This week we will discuss key takeaways from 3 major central banks meeting, US Fed, Bank Of England - BOE and European Central Bank - ECB. Recent rally started after US Fed chair Jerome Powell speech 30-Nov-22 and soft US Economic data which followed after this speech.

US Fed meeting 13 – 14 December 2022 – Key points

- US Fed increase rate by 50-bps to 4.25% - 4.50% - In line with market expectation.
- Core inflation forecast increase to 4.80% from earlier 4.50% in September 2022 meeting
- Median forecast for 2023 raised to 5.1% up 50-bps from September 2022 meeting.
- Fed Chair Powell: Ongoing rate hike appropriate
- Balance sheet downsizing continue at \$95 billion per month.
- After moving so quickly, we believe it is appropriate to slow the pace of the rate hike.
- Getting close to sufficiently restrictive rates level.
- Size of February 2023 rate hike will depend on incoming data.
- No rate cuts until confident inflation moving towards 2%.

US Fed chair Jerome Powell has not signaled pause which was widely expected. By increasing median forecast for 2023 to 5.10% quashes all hopes of rate cut in 2023.

Jerome Powell have inflation as primary objective and we soon expect debate on soft landing or hard landing will be in focus.

BOE – Bank of England meeting outcome on 15-Dec-22

- BOE raised rate by 50-bps to 3.50% - 9th increase this year.
- BOE MPC divides 3 ways on interest rate hike, 6 members for 50-bps, 1 for 75-bps hike & 2 members for unchanged.
- BOE MPC repeats willingness to act forcefully if needed.
- BOE says – U.K. is in recession – sees Q4 GDP declining by 0.1%.
- BOE says inflation may have peaked as rates hit 14-year high.
- The government's cap on energy bills from April will bring headline inflation down by 0.75 of a percentage point in the second quarter, the BOE said.
- QT sales and redemptions have reduced the BOE's stock of bonds by £44 billion this year



ECB – European central Bank meeting outcome on 15-Dec-22

- ECB raised rate by 50-bps to 2.50% - In line with market expectation.
- ECB President Lagarde: “We have more ground to cover, we have longer to go and we are in for a long game.”
- Low change of rate hike returning to 75-bps, more rate hike of 50-bps seen.
- ECB sees core inflation to remain at 3.90% for 2022 same as earlier estimate. Core inflation is ex of food and energy.
- ECB – Quantitative tightening to begin from March 2023 as measure and predictable pace.

Global central banks – obsession to bring long term inflation @ 2%.

US & European countries have seen such high inflation 4-decades ago, since then inflation is at around target rate of 2% and continue to enjoy the benefit of energy supply at lower rate from Russia.

Inflation in US @ 7.1% and in UK & Europe inflation is around 8% to 10%. Where as central banks rate for these regions are much lower. Central banks is obsessed to bring long term inflation at 2% target rate for long term sustainable growth, for this objective central banks are will and ready to take pain in near term.

Equichain Wealth Advisors: Market View & Opinion

We see the change in market sentiment after the outcome of all three central banks, US Fed, BOE & ECB. US & European market has rallied around 15% - 20% from June / July 2022 lows on expectation of inflation problem is behind us, but comments by the central banks guides for higher rates sustaining for longer period of time.

We believe, it is time to get cautious as central banks will remain major force and they are willing and prepared to take pain in near term for larger long-term objective. In last 6 – 8 weeks, we were bullish and optimistic and after this week 's event we would get cautious and likely to see rough time of 30 – 45 days before next meeting around February 2023

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