

WEEKLY MARKET RECAP: May 22 –May 26, 2023

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

The Reserve Bank of New Zealand increased the cash rate by 25 basis point to 5.5% on Wednesday and released guidance that it did not expect to hike again after already having hiked the cash rate 500 basis points.

Governor Orr added that there were indicators consumer spending and aggregate demand were easing and in some places were falling in real terms.

"The committee is confident monetary policy is restrictive and doing its job," he said, but added the central bank never rules out the need to change that view.

Governor Orr said there were risks that the central bank would need to raise rates due to sticky inflation expectations and continued government spending.

He added there were also downside risks including weaker-than-expected gross domestic product and a larger-than-expected impact as households as they roll over on to higher mortgage rates.

On the FOMC meeting on Wednesday, Fed officials were divided over where to go with interest rates, with some members seeing the need for more increases while others expected a slowdown in growth to remove the need to tighten further. Though the decision to increase the Fed's benchmark rate by a quarter percentage point was unanimous, the meeting summary reflected disagreement over what the next move should be, with a tilt toward less aggressive policy.

At the end, the rate-setting Federal Open Market Committee voted to remove a key phrase from its post-meeting statement that had indicated "additional policy firming may be appropriate."

Thanks for reading! Have a great weekend.

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