

## Morgan Stanley expects Fed will not have to raise rates again

Morgan Stanley economists anticipate that the Federal Reserve will maintain the policy rate at 5.375% at the upcoming meeting that concludes on November 01.

The Fed is expected to acknowledge the recent improvements in economic activity but, due to tightening financial conditions, adjust its guidance regarding the need for further tightening. Chair Powell's recent speech has set this tone.

“We see as the peak rate of the tightening cycle. We continue to see it remaining on extended hold into 2024,” the analysts said.

Morgan Stanley's rates strategists do not foresee the FOMC meeting significantly affecting U.S. rates, with rate movements primarily driven by technical factors and unexpected data outcomes.

When it comes to the FX market, Morgan Stanley forecasts that the dollar will strengthen by the end of the year. Yield differentials are moving in a USD-positive direction, and sentiment has declined in the Euro Area while remaining relatively resilient in the U.S.

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