

# MARKET UPDATE

**19/09/2024**

## **Dollar bounces after Fed-inspired losses.**

The U.S. dollar edged higher Thursday, bouncing off its over one-year low after the Federal Reserve announced an outsized interest rate cut, while sterling gained ahead of the Bank of England's latest policy-setting meeting.

At 04:25 ET (08:25 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.1% higher to 100.410, having fallen to a more than 12-month low in the previous session.

The US central bank started its latest rate-cutting cycle on Wednesday, trimming interest rates for the first time since March 2020 by a hefty 50 basis points to a range of 4.75% to 5%.

Fed Chair Jerome Powell said that risks between higher inflation and more labor market weakness were now evenly balanced, and that the central bank was likely to cut rates further amid growing confidence that inflation will fall.

But Powell also said that the bank had no intention of returning to an ultra-low rate regime as seen during the pandemic, and that the Fed's neutral rate will now be much higher than seen in the past.

## **Fed's jumbo rate cut.**

The Federal Reserve goes big, rolling out a jumbo half-point interest rate cut and signalling that more reductions may be coming this year. US stock futures edge higher on Thursday after equities ended the prior session lower following the announcement and a closely-watched news conference with Fed Chair Jerome Powell. The Bank of England is now set to reveal its latest rate decision, followed by the Bank of Japan on Friday.

### **1. Fed announces super-sized rate cut and signals start to new easing cycle**

The Federal Reserve slashed interest rates by 50 basis points on Wednesday and indicated that it would announce further cuts this year, as the central bank kicks off an easing cycle to shore up the economy following a prolonged battle against surging inflation.

The Federal Open Market Committee, the FOMC, cut its benchmark rate to a range of 4.75% to 5.0% after leaving borrowing costs at a more than two-decade high for over a year. The decision wasn't unanimous as Fed Governor Michelle Bowman preferred to lower rates by just 25 basis points.



## European shares advance.

European stocks jumped on Thursday after the U.S. Federal Reserve delivered a 50-basis-point rate cut and flagged that further easing would be measured, raising hopes of a soft landing for the American economy.

The continent-wide STOXX 600 index was up 0.7% at 518.24 points, hitting its highest levels in more than two weeks.

Miners led the gains among sectors, with a 3% jump and were set to log their best day this year, after prices of most base metals rose with the long-awaited Fed rate cut and with bets of more stimulus in top metals consumer China. [MET/L]

Shares of rate-sensitive real estate, technology firms and banks climbed between 0.5% and 1.3%, while telecom and utilities fell 0.7% each.

The U.S. central bank kicked off its monetary-easing cycle on Wednesday with a jumbo reduction that brought the benchmark policy rate to 4.75%-5.00% range.

Fed Chair Jerome Powell said this was meant to show policymakers' commitment to sustaining a low unemployment rate now that inflation has eased.

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