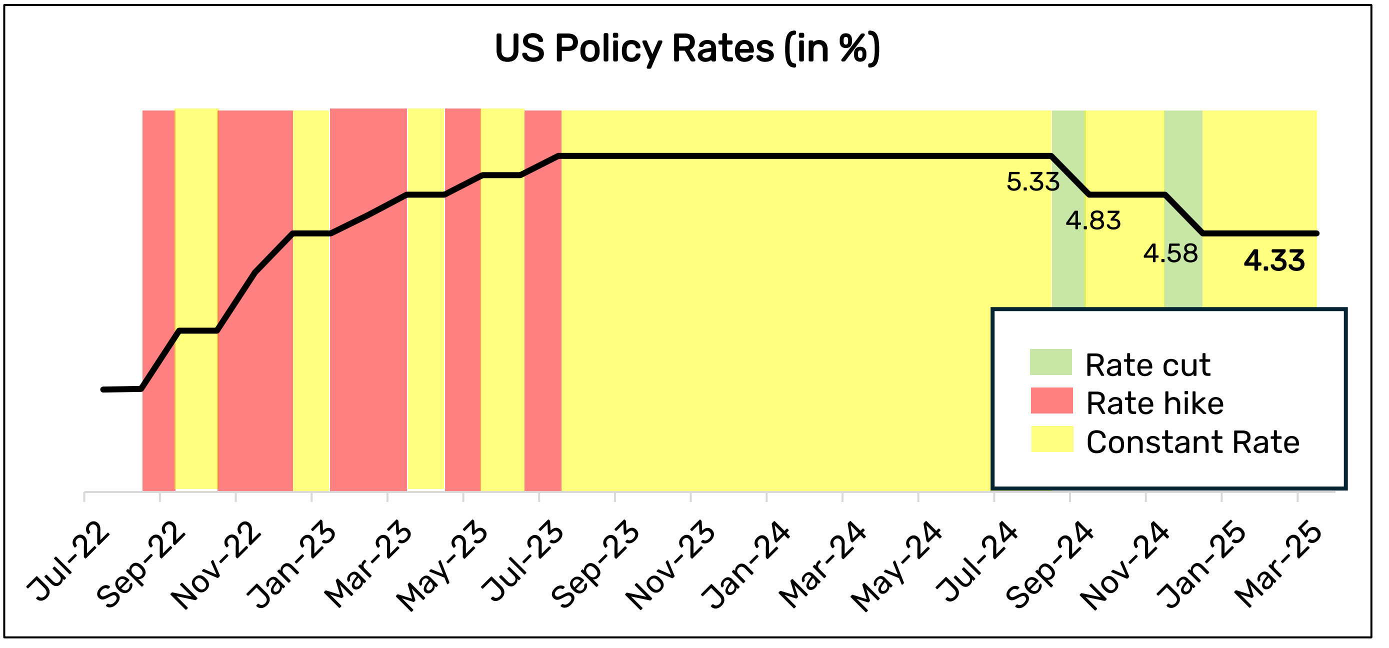
FED HOLDS RATES STEADY SECOND TIME IN A ROW



- The US Federal Reserve maintained the federal funds rate at **4.25-4.50%**, signaling a wait-and-watch approach amid economic uncertainties.
- Revised Economic Outlook for 2025:

	Revised Estimates	December Estimates	Net Change
Real GDP	1.7%	2.1%	↓
Unemployment	4.4%	4.1%	↑
Inflation	2.7%	2.5%	↑

- Despite projecting two rate cuts in 2025, the Fed remains in no rush to act, preferring to wait for clearer economic signals.
- The Fed also announced it was slowing down the pace of its quantitative tightening program, lowering the amount of US Treasury debt it allows to roll off its balance sheet each month from $25bn to $5bn beginning in April, aiming to maintain liquidity, stabilize funding markets, and prevent disruptions.
- US Markets rose today as the Fed maintained its forecast for two cuts this year, easing recession fears.
- Gold hit an all-time high, indicating caution amidst optimism, as investors hedge against inflation and macroeconomic risks.

Source: Federal Reserve Board, Bloomberg

Will RBI cut rates?

- The Reserve Bank of India (RBI) is likely to cut rates in April, aligning with domestic economic conditions rather than the US Federal Reserve's cautious stance.
- While risks like food price volatility and global economic uncertainty still prevail, factors such as **easing core inflation and the need to stimulate domestic demand** weigh in heavily on the case of a rate cut.

Therefore, we continue to maintain our expectation of a 25 bps rate cut in the next month.

How to Capitalize on the Evolving Interest Rate Landscape?

- Investors can take advantage of the current rate environment by extending duration in their portfolios.
- Gilt funds and corporate bond funds with longer-duration exposure present a strong opportunity as rates decline.
- Additionally, funds investing in AAA-rated corporate bonds with 1-5 year maturities and government securities with 5-10 year tenors offer a favorable risk-return balance for medium-term investors.
- For short-term strategies, ultra-short and low-duration funds are well-positioned to benefit from near-term yield curve movements.