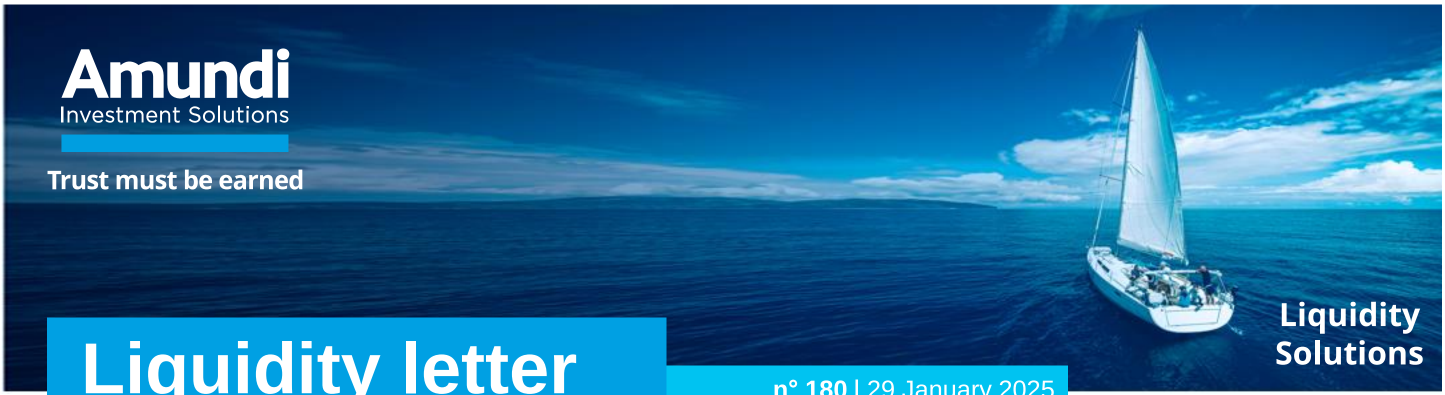



Liquidity letter

n° 180 I 29 January 2025

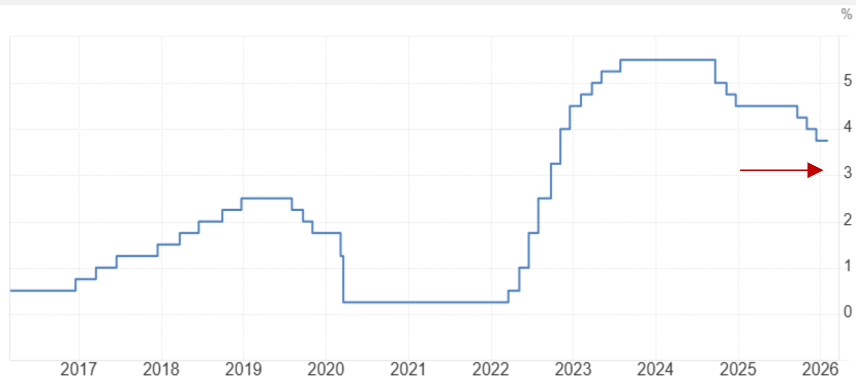
# The Fed keeps rates unchanged

## In the US, robust growth and stabilisation of the labour market.

### Political pressure and fear of the Fed's independence

- **FED** At its January 2026 meeting, the Fed left rates unchanged in the target range of 3.5% to 3.75%, in line with expectations, after three consecutive cuts last year that pushed borrowing costs to their lowest level since 2022.
- **Powell** Fed could ease if inflation slows; rates seem to be less of a drag on growth and the Fed's independence remains intact despite political pressures.
- **Governors** Stephen Miran and Christopher Waller, however, voted against the remain, both advocating a further 25 basis point cut.
- **Bank of Canada** maintains rate at 2.25%; stable outlook but increased uncertainty (US protectionism, revision of CUSMA). Forecast: slight growth and inflation close to 2%.
- **Australia** Inflation rose to 3.6% in Q4 2025 (a six-quarter high) and 3.8% in December, above expectations, reinforcing the view that rate cuts are likely to be limited.

### Interest rate developments in the United States




Source Federal Reserve 29/01/26

FOMC members noted that economic activity was growing at a steady pace, job creation remained weak and the unemployment rate was showing signs of stabilizing, while inflation remained somewhat high.

The central bank also reiterated that it would carefully assess available data, the evolving outlook and the balance of risks before deciding on the next adjustments to the federal funds rate.

Chair Powell said that the U.S. economy is entering 2026 on a solid footing and that current interest rates are appropriate to support the Fed's two goals.

### Figure of the week

**2,25 %**

This is the Bank of Canada's key rate

### Jerome Powell

During his press conference, Jerome Powell indicated that some of his colleagues find it difficult to say that monetary policy remains "significantly restrictive", suggesting that rates are no longer a major obstacle to growth.

Jerome Powell has vigorously defended the Fed's independence as a pillar of advanced democracies, warning of the risks of political interference — amid increased pressure from Donald Trump on appointments and decisions — that could undermine the central bank's ability to act in the interest of the economy, especially during election periods. Powell assured that independence is not lost and that the institution continues to operate to guarantee stability and service to the public.

Finally, he said that the Fed could ease its policy if inflation showed a clear cooling, particularly by monitoring the impact of tariffs, which are supposed to peak and then decrease during the year unless further tariff increases.

## Bank of Canada Maintains Key Interest Rate at 2.25%

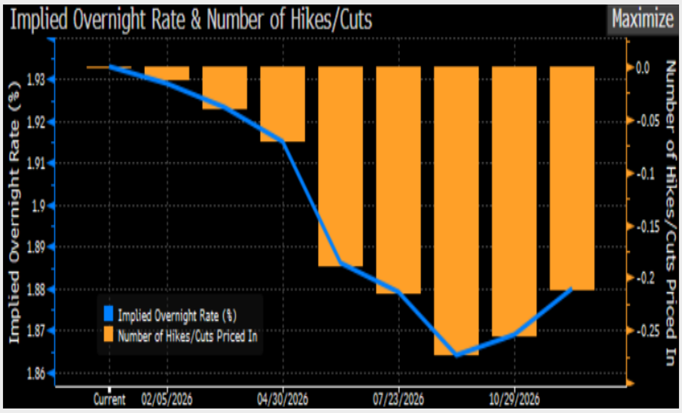
The Bank of Canada kept its key interest rate at 2.25% for the 2nd consecutive meeting, a decision widely anticipated by analysts.
The central bank's economic outlook has not changed "significantly" since its October projections, Governor Tiff Macklem said in his speech.
"However, uncertainty around forecasts has increased and the range of possible outcomes is wider than usual. U.S. trade policy remains unpredictable and geopolitical risks are high."

The upcoming review of the Canada-U.S.-Mexico Free Trade Agreement (CUSMA) is a major source of economic uncertainty and a significant risk to Canada's economic outlook, he added.

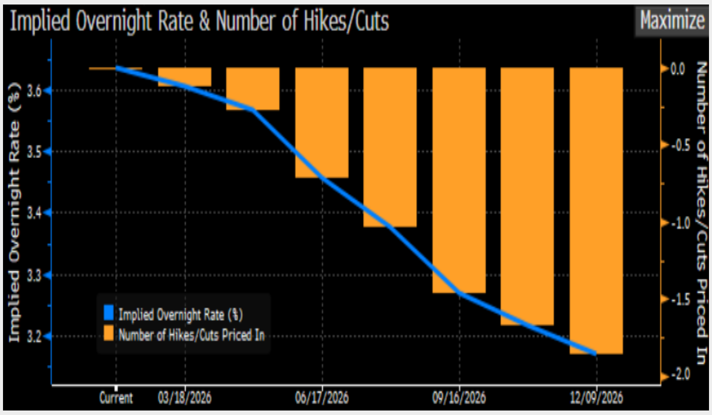
As the Canadian economy continues to adjust to U.S. protectionism and population growth slows, the central bank expects GDP to rise slightly and inflation close to its 2% target.

> *Many of my colleagues find it difficult to say that the current policy is significantly restrictive*
>
> *Jerome Powell, January 28, 2026*

**ECB**




**FED**




Source: Bloomberg 29/01/25

With one week to go before the next meeting of the European Central Bank, the forecasts for the evolution of interest rates in the euro zone have not changed compared to previous weeks.

According to the markets, the prevailing assumption remains that the ECB will complete this round of monetary policy easing and that the probability of a further rate cut by the end of 2026 is limited to 25%. central bank could change this scenario.

So, there is no likelihood of the ECB changing rates at next week's meeting.

As for the United States, the day after the Federal Reserve's first meeting of the year which kept rates stable, there is little change in expectations for the next decisions in 2026.

Two cuts are still expected, although the percentage is now slightly below 100%, the first of which could in any case come at the earliest at the June meeting.

The terminal rate is expected to be slightly above 3%.

### BOJ WARNS OF RISING BOND YIELDS

BoJ Governor Kazuo Ueda warned that Japanese government bond yields were rising "rapidly" and that the bank could step up its bond purchases, expressing concerns after a sharp sell-off this week.
His comments on Friday sparked an hour of high volatility in the currency market, apparently triggered by rumours that the Finance Ministry had carried out a "rate check", a low-key investigation that often precedes an intervention.
The remarks followed the BoJ's decision to keep rates at around 0.75% while pointing to possible further hikes in 2026 as inflation and wages continue to rise.
The turbulence also comes against the backdrop of the early general elections called by Prime Minister Sanae Takaichi.

## Inflation in Australia rises to 3.8%

Inflation in Australia came in at 3.6% in the fourth quarter of 2025, its highest level in six quarters, reinforcing warnings from policymakers that interest rate cuts this year will likely be limited.
The fourth-quarter figure was in line with the forecasts of economists polled by Reuters and up from 3.2% in the third quarter.
In December, inflation in Australia rose **3.8%** year-on-year, exceeding the 3.55% expected by economists.
The Australian Bureau of Statistics said housing was the main factor contributing to the rise in December, with prices up 5.5%. Prices for food and non-alcoholic beverages, as well as recreation and culture, also contributed to the price increase during the month.

The Reserve Bank of Australia aims to keep inflation within a target range of 2% to 3%.

The inflation figure follows recent statements by Reserve Bank of Australia Deputy Governor Andrew Hauser, who said that inflation at its current level was "too high".

Andrew Hauser, Deputy Governor, Reserve Bank of Australia

***"Let's be clear, inflation above 3% is too high. We are on a mission to keep inflation between 2% and 3%, and it is currently above that."***

## News

**Germany** | The Investor Confidence Index Consumers are exceeding expectations at the end of February (-24.1 vs -26.9)

**Spain** | The unemployment rate fell in Spain at the end of February (9.9% vs. 10.4%)

## Agenda

**5 February** l Interest rate decision of the European Central Bank

**February 5** Interest Rate Decision of the Bank of England

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