

Subject: FOMC Has Not Cut Rates Yet

Video highlights:

- The FOMC meeting in June kept the Fed funds rate unchanged at 4.25% to 4.5%. Futures markets indicate two potential rate cuts this year, but rising tariffs and Middle East tensions are complicating inflation forecasts, making the Fed's rate cut schedule uncertain.
- The Fed's forecasts show a revised core PCE from 2.8% in March to 3.1% in June. The GDP forecast for 2025 was lowered from 1.7% to 1.4%, and the unemployment rate revised up from 4.4% to 4.5%, indicating stagflation risks in the U.S.
- Although non-farm payrolls exceeded expectations in May and the unemployment rate remained at 4.2%, the manufacturing sector lost 8,000 jobs, and federal government jobs fell by 22,000. These declines may lead to further job losses in institutions reliant on public funding.
- The dollar faces pressure, but CFTC's report as of June 10 shows an increase in long positions to 17,027 contracts, suggesting some short-term investor optimism despite previous declines.
- Meanwhile, the Bank of Japan kept rates unchanged and will reduce its JGB tapering plan from 400 billion yen to 200 billion yen starting next April. This reflects the bank's concern that a rapid reduction in bond purchases could trigger market volatility, especially given the current global economic uncertainties.
- On the other hand, concerns over tariff disputes with the U.S. are delaying a rate hike by the BoJ. If no rate hikes occur in the short term, the yen may weaken slightly, particularly if the U.S. dollar rebounds. However, if inflationary pressures in Japan persist and expectations for rate hikes increase, the yen could rebound in the medium term, with the market estimating that the BoJ might raise rates by 0.25% as early as July.
- In Australia, the May employment data showed an unexpected decline in jobs, but the unemployment rate held at 4.1%. This report is unlikely to prompt immediate rate cuts by the Reserve Bank of Australia, although cooling labor demand in the second half of the year may allow for future cuts. Short-term support for AUD/USD is at the 50-day moving average of 0.6440, with further support at the 0.6360 level.

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