

## ECONOMICS

# US FED AND BANK OF ENGLAND CUT INTEREST RATES

Dr. Jörn Quitzau, 07 November 2024

- **The Fed has eased monetary policy further and lowered the key interest rate by 25 basis points.**
- **Fed Chairman Jerome Powell was confronted with several questions about the consequences of the presidential election during the press conference, which he largely blocked.**
- **The Bank of England also cut its key interest rate by 25 basis points.**

Two days after the US presidential election, the US Federal Reserve has decided on the future course of monetary policy. Following a major interest rate cut in September, the Fed has now decided on a small rate cut of 25 basis points. This lowers the key interest rate band to 4.50-4.75%.

The US Federal Reserve has a dual mandate and aims to achieve price stability and maximum employment. The Fed considers the risks of achieving these two goals to be balanced. In recent months, however, it has shifted its focus from fighting inflation to securing employment. Although the labor market has cooled somewhat over the course of the year, it remains resilient with an unemployment rate of just 4.1%. In January 2024, the rate was still at 3.7%. At that time, however, the labor market was still considered overheated. The inflation picture has stabilized recently: Overall inflation is falling towards the Fed's target level of 2%, but core inflation remains too high.

The presidential election was only discussed at the press conference during the Q&A session. Fed Chairman Jerome Powell responded to the first question from a journalist by saying that the election would have no short-term impact on monetary policy. Powell understandably blocked further, sometimes provocative questions on the election outcome and policy directly. Among other things, he was asked whether he would resign if asked to do so by President Trump. The answer was a simple "no".

Donald Trump had said several times over the course of the year and during the election campaign that he should have a say in monetary policy decisions as US President. These statements have caused some uncertainty about the future independence of the central bank. We believe the uncertainty is exaggerated, as there are sufficient precautions in place to prevent direct political influence.

A few hours before the US Federal Reserve, the Bank of England had already met and also eased monetary policy. By a vote of 8:1, the Monetary Policy Committee decided to cut interest rates by 25 basis points to 4.75%. The dissenting vote had been in favor of maintaining the key interest rate at 5.0%. The process of disinflation has continued. After the inflation rate fell to 1.7% in September, the Bank of England expects it to rise again to around 2.5% by the end of the year due to base effects coming to an end. The central bank therefore intends to ease monetary policy cautiously and gradually. Due to the recently announced easing of fiscal policy, the Bank of England now expects higher growth in the coming year. This would also keep inflationary pressure somewhat higher.



## Disclaimer

Bergos AG is an independent Swiss Private Bank focusing on private wealth management. Bergos emerged in 2021 with a new shareholder base from its former mother company, the Berenberg Group founded in 1590, and has been serving international private clients and entrepreneurs in the Swiss financial center for over thirty years. Its headquarters are in Zurich with an office in Geneva. The Swiss Private Bank is dedicated to "Human Private Banking" and specializes in wealth management and advisory services. With more than 130 employees, the focus is on providing expert guidance in all known liquid and non-liquid asset classes, as well as alternative investments and private markets. Following a "beyond money" approach, we also offer expertise in art collecting and philanthropy. For entrepreneurial clients, Bergos offers access to M&A and other corporate finance services. Bergos AG offers private clients, entrepreneurs and their families a holistic, cross-generational service that focuses on security, neutrality, internationality and openness to the world.

This publication only serves information and marketing purposes. The information provided here is not legally binding and does not constitute financial analysis, a sales prospectus, asset management, or investment advice, and is not a substitute for legal, tax, or financial advice.

© Copyright Bergos AG.  
All rights reserved