

Central Bank Policies - Key Economies

Monthly Newsletter

Nov 2016

United States

November 02, 2016: The U.S. Federal Reserve left its benchmark target for the federal funds rate steady at 0.25-0.50 percent, as widely expected, and reiterated its guidance that “the case for an increase in the federal funds rate has continued to strengthen but decided, for the time being, to wait for some further evidence of continued progress towards its objectives.”

United Kingdom

November 03, 2016: The U.K. central bank left its benchmark Bank Rate steady at 0.25 percent, along with its asset purchase program and stimulus measures from August, but dropped its guidance that it would cut the rate further due to an improved outlook for economic growth. But while economic activity and business sentiment has recovered from lows seen in the immediate aftermath after the vote on June 23 to leave the European Union (EU), inflation has been accelerating and is expected to top the Bank of England's (BOE) 2.0 percent target for the next three years, something the central bank is willing to accept.

Euro

No relevant news

Japan

November 17, 2016: The Bank of Japan announced its first fixed-rate buying operation since the policy's introduction in September, in a bid to curb surges in interest rates following the victory of Republican Donald Trump in the U.S. presidential race. The BOJ said it would buy an unlimited amount of Japanese government bonds with maturities of one to three years and those with maturities of three to five years.

China

No relevant news

India

No relevant news

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Dec 2016

United States

December 14, 2016: The Federal Reserve, the central bank of the United States, raised its benchmark target for the federal funds rate by 25 basis points to 0.75 percent "in view of realized and expected labour market conditions." The rate increase was the second tightening of monetary policy by the Fed in the last decade (since July 2006) and follows a similar-sized increase 12 months ago in December 2015. The decision was unanimous by the Fed's policy-making body, the Federal Open Market Committee (FOMC), and is in line with expectations in financial markets. At its last meeting in November, two of the 12 FOMC members had voted to raise the rate by 25 basis points.

United Kingdom

December 16, 2016: The Bank of England (BOE) left its key Bank Rate at 0.25 percent, along with its stimulus measures launched in August following the country's decision to leave the European Union (EU), and confirmed its neutral guidance that policy "can respond, in either direction, to changes to the economic outlook as they unfold to ensure a sustainable return of inflation to the 2% target." As in November, all nine members of the BOE's Monetary Policy Committee agreed on today's policy decision and said data since last month's inflation report continued to indicate moderate growth that is underpinned by solid consumption. But forward-looking business surveys suggest that "some slowing in activity in prospect during 2017," with the timing and extent of this dependent on how wages evolve and how resilient households are to the pressure on incomes from higher inflation, BOE said.

Euro

December 08, 2016: The European Central Bank (ECB) left its key interest rates steady but tapered and extended its asset purchases by another nine months "or beyond, if necessary, and in any case until the Governing Council sees a

sustained adjustment in the path of inflation consistent with its inflation aim." The ECB's current asset purchase program of 80 billion euros was set to expire at the end of March 2017 and the ECB will now lower the monthly purchases of bonds to 60 billion euros but continue with these purchases until the end of December 2017.

Japan

December 20, 2016: The Bank of Japan (BOJ) left its monetary policy stance intact, as expected, but was more upbeat about the country's exports due to growth in overseas economies and said industrial production has "picked up" on the back of improved domestic and global demand and inventory changes. But overall the BOJ - which in September adopted a new policy of "yield curve control" to reach its inflationary target - maintained its view that "Japan's economy was continuing its "moderate recovery trend" while in the future the economy would likely "turn to a moderate expansion."

China

No relevant news

India

December 07, 2016: India's central bank left its benchmark repo rate unchanged at 6.25 percent, surprising most analysts who had expected a rate cut, saying "it is prudent to wait and watch" how the withdrawal of large bank notes affect inflation and economic growth which is expected to take a hit from disruption to demand. In an unanimous 6-0 decision by the Reserve Bank of India's (RBI) recently-installed Monetary Policy Committee, said it was retaining its accommodative policy stance, but was also taking note of "heightened uncertainty" in global financial markets, with the imminent tightening of U.S. monetary policy already triggering bouts of volatility that could have

macroeconomic implications for emerging market economies and the exchange rate of their currencies.

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