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## FED SIGNALS INTEREST RATE CUT, BUT NOT YET IN MARCH

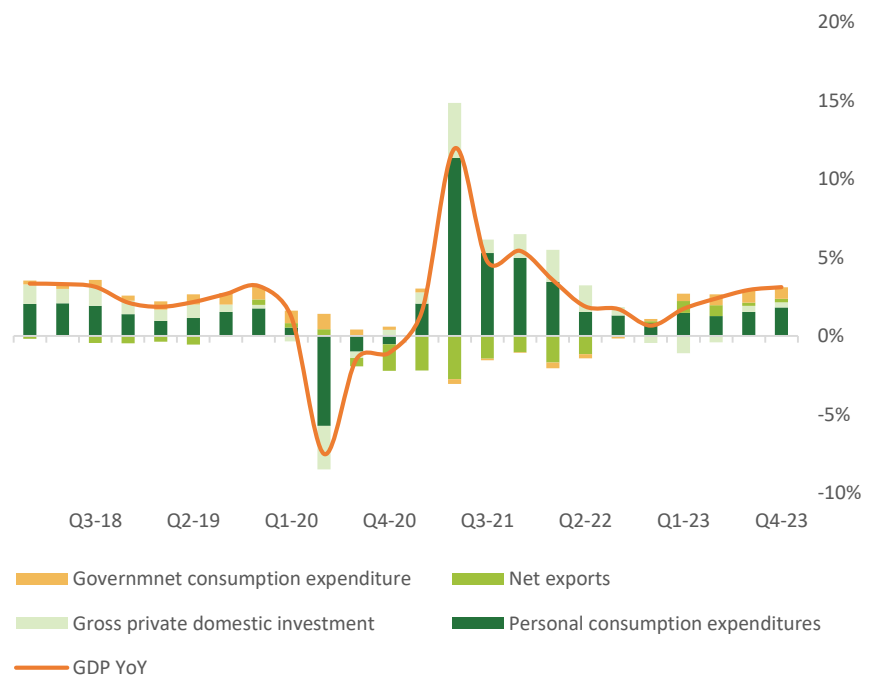
- The Fed kept rates unchanged at 5.25-5.50%. This is the fourth meeting in a row that the Fed has left rates unchanged.
- The Fed's statement has shifted from "additional policy firming" in the September meeting to considering "adjustments" to the target range in this meeting.
- We believe the Fed will still need to be cautious in managing interest rates when the US economy is performing better than expected. Both the economy and the Fed's policy indicate a balanced state.
- PHS maintains the view that the exchange rate will only fluctuate around +/-2% (corresponding to 23,780 - 24,755) compared to the end of 2023.

### The US economy is stronger than all market forecasts.

The US economy continued to surprise in Q4/2023 with a growth rate of 3.3% QoQ, although lower than the 4.9% growth in Q3, it was significantly higher than the market forecast of 2%. Compared to the same period last year, Q4 GDP growth also increased by 3.1% YoY, marking the strongest growth in about 2 years.

A year ago, many forecasts suggested that the US would fall into a recession in 2023, but that did not happen. The strength of the US economy in the latter months of the year continued to be propelled by consumer spending, private investment, government expenditure, and net exports. Robust consumer spending was a key driver of economic growth in US in 2023. Additionally, the growth in government and private sector spending contributed to a recovery in the U.S. economy.

**Figure 1: US GDP growth (%YoY)**



Sources: US BEA, PHS compiled