

Capital Markets & Investments

Session 8: Fixed Income (5) – Fed & Monetary Policy

Spring 2025
Professor Simon Oh

Equities

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Markets decline on US interest rate concerns

Federal Reserve minutes show central bankers' uncertainty over pace and timing of cuts



Stock markets fell after the US Federal Reserve released minutes from

Spring 2025

The falls also came after the US Federal Reserve [released minutes from its January rate-setting meeting](#) in which officials said they wanted to see “further progress on inflation” before making more rate cuts.



fomcminutes20250129.pdf
PDF

This was released just yesterday -- what do you think? Should I freak out about my investments?

Look, the Fed minutes are basically the market's collective Rorschach test. You stare at them long enough, and you'll see whatever you want—rate cuts, rate hikes, economic doom, a soft landing, Jerome Powell winking at you.

The big takeaway here is that inflation is still a little warm, but the Fed thinks they're in a good spot to wait and see. Rate cuts? Not yet. They kept the federal funds rate at 4.25%-4.50%, and the  signaling that they want more proof inflation is really cooling before making any big moves. The market was hoping for a more dovish tone, so this could mean a bit of volatility ahead.

Should you freak out? Probably not. But if you're betting on rate cuts fueling a stock rally, you might need some patience. The Fed is basically saying, "We'll get there... eventually." Markets, on the other hand, tend to throw tantrums when they don't get what they want *right now*. So expect some short-term noise, but unless inflation spikes again, they'll likely cut rates later this year.

Fed Trivia - Spring 2025

Win up to 1,000 points per answer

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Which one of these people was actually a Federal Reserve Chair?

Which one of these people was actually a Federal Reserve Chair?

Harvey Specter

0%

 Paul Volcker

100%

Miranda Priestly

0%

Bruce Wayne

0%

What does "QE" stand for?

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What does "QE" stand for?

Quick Earnings

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Quantitative Easing

100%

Questionable Economics

0%

Quicksand Experiment

0%

What is a "dot plot"?

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What is a "dot plot"?

A scatter plot of how many times Jerome Powell blinks during speeches

0%

The official chart tracking when the next recession will start

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The Fed's way of showing where they think interest rates are going

0%

A secret message hidden in public Fed statements for market insiders

100%

Why is the Fed's inflation target 2%?

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Why is the Fed's inflation target 2%?

1

Alan Greenspan saw it in a dream and declared it "pretty reasonable"

0%

New Zealand picked it first, and the Fed copied it

0%

A secret 1980s government experiment found that at 3% inflation, Americans start rioting

0%

Research study showed that 2% annual inflation achieves highest growth

100%

Which of these cities does NOT have its own Federal Reserve Bank?

Which of these cities does NOT have its own Federal Reserve Bank?

0

San Francisco

0%

St. Louis

0%

Kansas City

0%

Las Vegas

0%

Dallas

0%

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