

## Chief Executive of HKMA's response on US Fed FOMC meeting

The following is issued on behalf of the Hong Kong Monetary Authority:

At the meeting on March 19-20, the United States Federal Reserve Federal Open Market Committee (US Fed FOMC) decided to keep the range of the fed funds target rate unchanged at 2.25 per cent – 2.50 per cent. It also announced the conclusion of balance sheet run-off in September this year.

"In the past few months, the Fed has adopted a more moderate tone in its monetary policy stance. The decision of FOMC meeting last night suggests that the Fed will slow down the pace of hiking interest rates and end balance sheet run-off in September. However, as interest rate differentials between Hong Kong dollar (HKD) and US dollar (USD) remain, there are still incentives for funds to flow from HKD to USD. Repeated triggering of the weak-side Convertibility Undertaking will lead to reduction of our banking system's Aggregate Balance, which is an inevitable process for normalization of HKD interest rates. The Hong Kong Monetary Authority (HKMA) will continue to maintain HKD exchange rate stability in accordance with the Linked Exchange Rate System," said the Chief Executive of the HKMA, Mr Norman Chan.

"Uncertainties still remain in Fed's monetary policy and the global macro-economic and financial environment. The public should stay vigilant to possible risks arising from market volatilities," Mr Chan added.