

HKMA's Response to US Fed's Interest Rate Decision

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

The Federal Open Market Committee of the United States Federal Reserve (the Fed) announced early today (March 20, Hong Kong time) after its two-day meeting that it had decided to keep the target range for the federal funds rate unchanged at 4.25-4.5 per cent.

The policy decision is in line with market expectations. The "dot plot" released following the meeting indicated that the Fed might cut rates by a total of 50 basis points before year end. However, in view of recent changes in various economic indicators, as well as the volatility in market expectations, the pace of future rate cuts remains quite uncertain as it is dependent on US inflation and labour market data developments, as well as the impact of fiscal, economic and trade policies adopted by the US government on economic activity.

In Hong Kong, our financial and monetary markets have continued to operate in a smooth and orderly manner. Market liquidity condition has remained stable, and the Hong Kong dollar exchange rate stays steady. Under the Linked Exchange Rate System, Hong Kong dollar interbank rates generally track the US dollar counterparts, while shorter-tenor interbank rates tend to be also influenced by the supply and demand of Hong Kong dollar funding in the local market such as seasonal effects as well as capital market activities.

Interest rates in Hong Kong might still remain at relatively high levels for some time, and the extent and pace of future US interest rate cuts are subject to considerable uncertainty. The public should carefully assess and continue to manage the interest rate risk when making property purchase, mortgage or other borrowing decisions. The HKMA will continue to closely monitor market developments and maintain monetary and financial stability.