

HKMA's response to US Fed's rate cut

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

The United States Federal Reserve's Federal Open Market Committee (US Fed FOMC) decided last night (March 3, US time) to adjust downward the target range for the US federal funds rate by 50 basis points to 1-1.25 per cent. In light of the Fed's decision, the Hong Kong Monetary Authority (HKMA) adjusted downward the Base Rate by 50 basis points to 1.50 per cent today (March 4) according to a pre-set formula.

The US Fed said in its statement that the fundamentals of the US economy remained strong, and the rate cut was decided in light of evolving risks of the coronavirus posed to US economic activity and in support of achieving the Fed's policy goals.

The Chief Executive of the HKMA, Mr Eddie Yue, said, "The US Fed has decided to cut interest rate by 50 basis points outside its scheduled meetings, and stated that it will use its tools and act as appropriate to support the economy. These actions indicate that the Fed would proactively use its monetary policy to mitigate possible economic risks posed by the coronavirus. However, further developments of the coronavirus are still very uncertain and financial markets will continue to see considerable volatility. Investors should manage their risks prudently.

Apart from US dollar interest rates, Hong Kong dollar interest rates will also be influenced by other factors such as domestic funding demand and supply. The HKMA will continue to closely monitor market situation, and maintain orderly operations of Hong Kong's money and foreign exchange markets. We will also ensure stability of the Hong Kong dollar in accordance with the Linked Exchange Rate System."