

US FOMC Meeting (9 - 10 December)

A third cut from a divided Fed; signalling a pause and only one cut next year

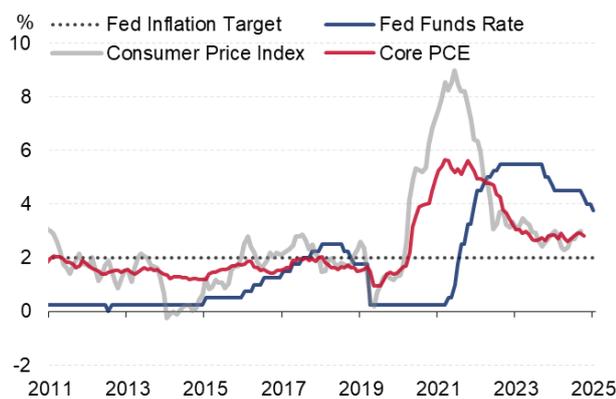
- In a 9-3 vote, the Federal Reserve delivered another 25 basis points (bps) cut as expected, taking the federal funds rate to 3.50%–3.75%. A clear committee divide: Stephan Miran again pushed for a larger 50 bps cut, while Austan Goolsbee joined Jeffrey Schmid in preferring no change.**
- Fed speak: Core message unchanged.** Officials removed the phrase that the unemployment rate had “remained low”, signalling that the latest cut aims to guard against further labour-market softening. The only notable addition was the decision to begin reserve management purchases (RMP) this week.
- Balance sheet operations: This is not a return to QE.** From December 12, the Fed will buy USD40.0b of Treasury bills per month to rebuild reserves that thinned during balance-sheet tightening. The programme may resemble QE, but **RMP is a liquidity-management tool. It is another plumbing adjustment to keep money markets functioning smoothly.**
- Press conference: Powell shifted to a wait-and-see posture.** He effectively declared the recalibration phase complete and said the Fed is now “well positioned to wait and see how the economy evolves”. He argued that job growth may have been slightly negative since April once adjusted for overcounting. Powell stressed that rate hikes are not anyone’s base case. Views now range from “stop here” to “cut more”. **We think neutral-to-hawkish FOMC members will need more data confirming labour-market weakness before joining the doves in calling for additional cuts.**
- Dot plot highlights: A hawkish tilt.** Six of 19 officials projected a year-end rate above the level before this meeting’s cut, implying that some voters supported the move with reservations or that non-voters would have dissented. **Most officials pencilled in at least one cut next year, while markets and our house view expect two.** This suggests limited appetite to accelerate easing. Officials lifted their 2026 GDP growth forecast to 2.3% from 1.8% and trimmed core inflation projections for 2025 and 2026 by 0.1 percentage points. **We still see labour-market risks, and repairing that weakness may require more than one cut in 2026.**
- Fed policy outlook: Incoming data should justify two more cuts.** For now, the Fed sees limited need for further easing, but greater clarity on unemployment in the coming weeks could shift the balance. Inflation looks unlikely to re-accelerate, especially as tariffs are feeding through more slowly and less forcefully than feared. Markets now price in two cuts, one in April and another in September. **We had preferred a January cut, but the Fed now has room to wait and may only move in March when data visibility improves. A second cut may come in June, by which time Powell will be replaced by a new chair.**
- US Treasury (UST) outlook: The rate cut and short-term bond purchases pushed yields lower.** The Fed has responded to the need to re-expand its balance sheet at the pace of nominal economic growth by signalling flexibility to buy T-bills above the level of MBS run-off to maintain ample reserves. This supports the front end of the curve but offers little anchor for the long end. **Elevated term premia will likely keep the 10-year yield above 4.00% in the near term.**

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
3.50% - 3.75% (-0.25%)	USA	Funds Rate Target	Dec-25
2.25% (-0.25%)	New Zealand	Official Cash Rate	Nov-25
2.25% (-0.25%)	Canada	Overnight Rate	Oct-25
4.75% (-0.25%)	Philippines	Target Reverse Repurchase	Oct-25
4.75% (-0.25%)	Indonesia	BI Rate	Sep-25
1.50% (-0.25%)	Thailand	Repo Rate	Aug-25
4.00% (-0.25%)	UK	Base Rate	Aug-25
3.60% (-0.25%)	Australia	Cash Rate	Aug-25
2.75% (-0.25%)	Malaysia	Overnight Policy Rate	Jul-25
2.00% (-0.25%)	Euro Area	Key Deposit Facility Rate	Jun-25
2.50% (-0.25%)	South Korea	Base Rate	May-25
3.00% (-0.10%)	China	Loan Prime Rate (1Y)	May-25
0.50% (+0.25%)	Japan	Overnight Call Rate	Jan-25

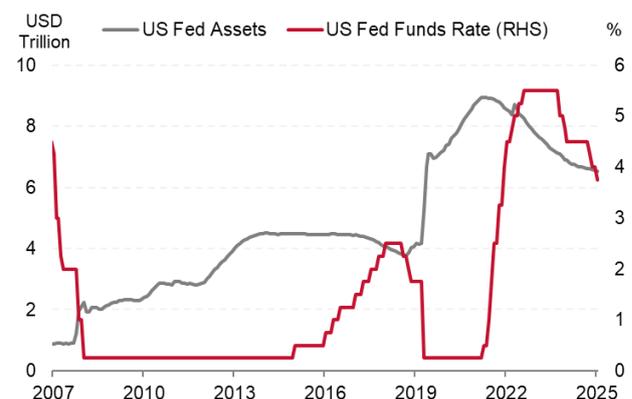
Source: Bloomberg, Kenanga Research

Graph 1: Fed Funds Rate and Inflation Trends



Source: Bloomberg, Kenanga Research

Graph 2: Fed Balance Sheet Vs. Fed Funds Rate



Source: Bloomberg, Kenanga Research

11 December 2025

Table 2: US FOMC Tentative Meeting Schedule for 2025 / KIBB Outlook

No.	Date		KIBB Research Outlook	Fed Funds Future**	Fed Decision
1st	28 and 29 Jan	<input checked="" type="checkbox"/>	No change	No change	No change
2nd	18 and 19 Mar*	<input checked="" type="checkbox"/>	No change	No change	No change
3rd	6 and 7 May	<input checked="" type="checkbox"/>	No change	No change	No change
4th	17 and 18 Jun*	<input checked="" type="checkbox"/>	No change	No change	No change
5th	29 and 30 Jul	<input checked="" type="checkbox"/>	No change	No change	No change
6th	16 and 17 Sep*	<input checked="" type="checkbox"/>	25 bps cut	25 bps cut	25 bps cut
7th	28 and 29 Oct	<input checked="" type="checkbox"/>	25 bps cut	25 bps cut	25 bps cut
8th	9 and 10 Dec*	<input checked="" type="checkbox"/>	25 bps cut	25 bps cut	25 bps cut

Table 3: US FOMC Tentative Meeting Schedule for 2026 / KIBB Outlook

No.	Date		KIBB Research Outlook	Fed Funds Future**	Fed Decision
1st	27 and 28 Jan	<input type="checkbox"/>	No change	No change	
2nd	17 and 18 Mar*	<input type="checkbox"/>	25 bps cut	No change	
3rd	28 and 29 Apr	<input type="checkbox"/>	No change	25 bps cut	
4th	16 and 17 Jun*	<input type="checkbox"/>	25 bps cut	No change	
5th	28 and 29 Jul	<input type="checkbox"/>	No change	No change	
6th	15 and 16 Sep*	<input type="checkbox"/>	No change	25 bps cut	
7th	27 and 28 Oct	<input type="checkbox"/>	No change	No change	
8th	8 and 9 Dec*	<input type="checkbox"/>	No change	No change	

Source: Federal Reserve, Kenanga Research

Note: bps denotes basis points

*Meeting associated with a Summary of Economic Projections

**CME Fed Rate Monitor: Based on CME Group 30-Day Fed fund futures prices (highest probability)

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my