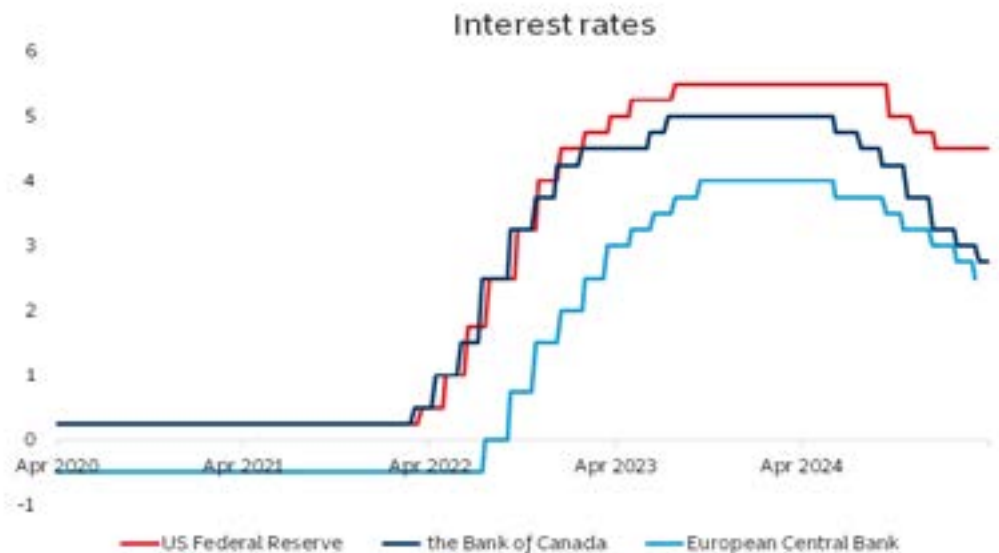


Bond appetite! interest rate cuts on the menu

By Charles Thomson

Chart of the Week



Source: Bloomberg Finance L.P., as at 2 April 2025.

What this chart shows

This chart shows the level of official short-term interest rates set by the US Federal Reserve, the Bank of Canada and the European Central Bank. In 2022 these central banks started to aggressively increase interest rates before reaching a peak in late 2023. Last year monetary policy began to reverse, and interest rates have been falling consistently since then.

Why this is important

The speed and magnitude of the rate increases in 2022 and 2023 were unprecedented in recent history – a necessary policy response to the inflation shock that followed the Covid pandemic and the Russia / Ukraine conflict. Inflation rates declined sharply from the middle of 2022 and have now stabilised at a level close to 2 percent. Policy responses must consider future price stability and economic growth. Recent geopolitical events, specifically US trade tariffs, have caused a fall in asset prices and a downward revision to growth outlooks globally. Further monetary policy easing (rate cuts) now appears necessary given the weaker economic outlook. In the US, the Federal Reserve needs to catch up with Canadian and European authorities and lower the funds rate in the near term. Lower interest rates are generally positive for the fixed income asset class therefore we expect bonds to perform well over the medium term.



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