



(UBS)

The global rate-cutting cycle has further to go

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The UBS Chief Investment Office (CIO) believes optimizing cash holdings and seeking durable income should remain a strategic priority for investors. CIO recommends staying invested in stocks with hedges and maintaining quality fixed income as part of a resilient portfolio.

Last week marked a busy week of interest rate decisions, with central banks navigating a complex economic landscape. The Federal Reserve and Bank of England held their rates steady, while the Swiss National Bank implemented a 25-basis-point rate cut. Meanwhile, the Bank of Japan, which has been bucking the global trend toward easing by tightening policy, also left rates unchanged, reflecting a cautious approach to hiking following data showing faster-than-expected inflation. These decisions underscore the delicate balance central banks are striving to maintain in response to the threat of higher prices due to tariff increases and the potential for slower growth.

Notably, the Fed's latest projections showed slower GDP growth and higher core inflation due to potential tariff impacts. However, Chair Jerome Powell downplayed the potential impact of tariffs on inflation, referring to the effects as "transitory," ultimately providing reassurance to markets. We anticipate the US economy will grow close to its 2% trend this year, though tariffs pose a risk to the outlook, in our view.

Despite both the Fed and Bank of England leaving rates unchanged, the global rate-cutting cycle still has further to go. The Fed's median dot plot, which charts the rate expectations of top officials, still showed a median forecast for 50 basis points of easing by year-end, suggesting that the Fed will look through tariff-related price increases. Additionally, we expect the Bank of England to implement three 25-basis-point cuts over the remainder of this year, reflecting the outlook for moderating inflation pressures and weaker growth. The European Central Bank is also anticipated to ease further,

highlighting a global trend toward accommodating monetary policies due to moderating inflation pressures and weaker growth.

Takeaway: We believe optimizing cash holdings and seeking durable income should remain a strategic priority for investors. We recommend staying invested in stocks with hedges and maintaining quality fixed income as part of a resilient portfolio. Investors can consider diversified fixed income strategies, senior loans, private credit, and equity income strategies to build diverse and durable portfolio income.

For more, see the [Weekly Global: Buying the dip in US stocks](#), published 24 March, 2025.

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