



(UBS)

# Fed in no rush, but rate cuts still likely

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**The Federal Reserve refrained from cutting rates last week, despite survey data pointing to weakening business and consumer confidence.**

Chair Jerome Powell emphasized that the deterioration in sentiment had not yet fed through into lower spending or caused employers to lay off workers, with such data remaining resilient. “We think we’re in the right place to wait and see how things evolve. We don’t feel like we need to be in a hurry. We feel like it’s appropriate to be patient.”

Despite Powell’s cautious stance, we continue to believe the Fed will cut rates later this year. Although employment and spending data has remained solid, we do expect a softening of economic conditions in the coming months, partly reflecting lagged effects of uncertainty over tariffs. Meanwhile, the rolling back of tariffs between the US and China announced at the start of the week could reassure the Fed that the inflationary impact of tariffs is likely to be short-lived, especially if trade talks with major nations progress further. While we do not expect rate cuts over the next few months, our base case remains that the Fed will be able to resume easing in the autumn.

Elsewhere, the global rate-cutting cycle continued, with the Bank of England (BoE) cutting its policy rate by 25bps to 4.25% at its May meeting—its fourth cut in nine months. The decision was split, with two of nine Monetary Policy Committee members voting to keep rates on hold. But the comments from policymakers supported our view that additional easing is still to come.

*Takeaway: We maintain our base case for 100 basis points of Fed cuts starting in September. For the UK, we expect the BoE to proceed cautiously, with further cuts likely but at a slower pace than markets anticipate. Against this backdrop, we*

*continue to advocate seeking durable income: US Treasuries can offer diversification and should perform well if economic growth slows.*

For more, see the [Weekly Global: Risk-on mood builds as US and China roll back tariffs](#), 12 May, 2025.

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