Daily Bulletin

December 11, 2025

For the third consecutive time; Fed cuts rate by 25 bps, projects one cut in 2026

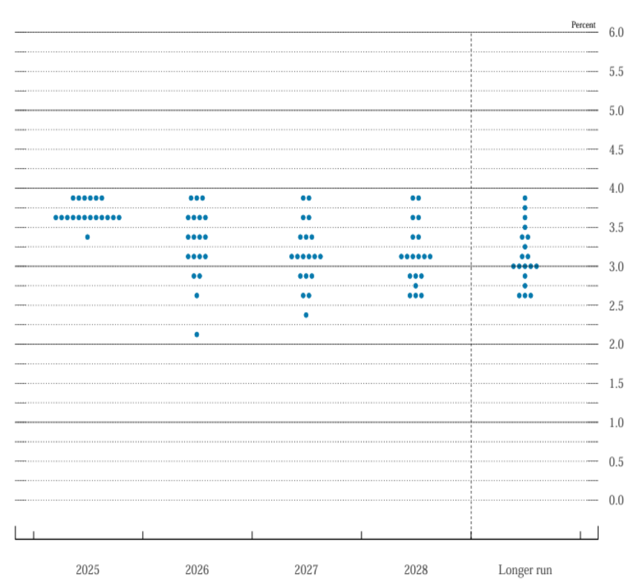
The US Federal Reserve delivered a third consecutive interest rate cut in 2025, lowering the federal funds target range by 25 bps to 3.50%-3.75%. The Federal Open Market Committee (FOMC) voted 9-3 in favor of the decision, reflecting the most dissents since 2019. Of the three members that dissented, two opposed any change, while one favored a larger 50 bps cut. While the committee upheld its forecast of one rate cut in 2026, it subtly altered the wording of its statement to signal greater uncertainty over the timing of future rate cuts.

In his remarks, Chair Jerome Powell noted that the lack of unanimity is "inherent" to the prevailing economic environment. The unemployment rate increased to 4.4% in September from 4.1% in June, while inflation rose to 3.0% during the year through September, remaining notably above the Fed's target of 2.0%. These opposing dynamics within the labor market and inflation outlook have contributed to the conflict in the central bank's dual mandate, thereby explaining the divergence of views within the FOMC.

In their latest economic projections, the median forecast of Fed officials signaled one cut in 2026, and another in 2027. However, the rate outlook remained divided, with 7 officials in favor of keeping rates steady in 2026, while 8 projected at least 2 rate cuts. The median real GDP growth forecast for 2026 was revised upward to 2.3%, compared to the 1.8% projection issued in Sep-25. Moreover, Powell also noted that the economic effects of recently imposed tariffs are expected to diminish over the coming year. FOMC's forecast for Price Index for Personal Consumption Expenditures (PCE) for 2026 was also lowered to 2.4%, down from the previously projected 2.6%. Core PCE inflation projection for 2026 was changed to 2.5%, down from 2.6% projected in Sep-25. The median projection for unemployment for 2026 remained unchanged at 4.4%.

Fed officials approved the initiation of new Treasury purchases effective December 12. Since 2022 and until this month, the central bank had been steadily reducing its Treasury holdings as part of its quantitative tightening program, with the objective of bringing the balance sheet down to the smallest possible size without impairing money market functioning. The resumption of purchases suggests a measure to boost liquidity in overnight funding markets.

Fed funds rate dot plot



Source: US Fed, anbc research

Economic projections

	2025	2026	2027	2028	Long run
Real GDP change					
Current projections	1.7%	2.3%	2.0%	1.9%	1.8%
September projections	1.6%	1.8%	1.9%	1.8%	1.8%
Unemployment rate					
Current projections	4.5%	4.4%	4.2%	4.2%	4.2%
September projections	4.5%	4.4%	4.3%	4.2%	4.2%
PCE inflation					
Current projections	2.9%	2.4%	2.1%	2.0%	2.0%
September projections	3.0%	2.6%	2.1%	2.0%	2.0%
Core PCE inflation					
Current projections	3.0%	2.5%	2.1%	2.0%	-
September projections	3.1%	2.6%	2.1%	2.0%	-
Projected appropriate policy path (Fed funds rate)					
Current projections	3.6%	3.4%	3.1%	3.1%	3.0%
September projections	3.6%	3.4%	3.1%	3.1%	3.0%

Source: US Fed, anbc research

Disclaimer:

This report has been prepared on the basis of information believed to be reliable, but anb capital makes no guarantee, representation or warranty, express or implied, as to the accuracy, correctness or completeness of such information, nor do they accept any responsibility for loss or damage arising in any way (including by negligence) from errors in, or omissions from the information.

This report has been prepared by anb capital for information purposes only and is not and does not form part of nor should be considered advice, recommendation, offer for sale or solicitation of any offer to subscribe for, purchase or sell any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever, and any views or opinions expressed herein are subject to change without notice.

This report and information contained herein, are provided for informational purpose only and does not take into consideration any investment objective, financial situation or particular needs of any recipient and are not designed with the objective of providing information to any particular recipient and only provides general information.