



Federal Reserve Bank Keeps Rates Unchanged and Presents New Projections with the GDP Lowered to 1.7% GDP down 19%.

March 19, 2025

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The US and European stock markets closed mostly higher as investors reacted to the Federal Reserve's latest interest rate decision and updated economic projections, released this afternoon. Fed Holds Interest Rates Steady as anticipated and reaffirms that rate cuts remain on the table for later in the year. Amid ongoing concerns about how tariffs and broader economic headwinds could impact growth, the Federal Open Market Committee (FOMC) maintained its target range for the federal funds rate at 4.25%-4.5%, a level it has held since December. Market expectations had overwhelmingly predicted no rate change at this week's policy meeting.

Alongside the rate decision, Fed officials released updated economic and interest rate projections extending through 2027, providing fresh insight into their outlook. The Fed lowered the US GDP growth to 1.7%, down from 2.1% in December. Also, the unemployment rate forecast rose to 4.4%, up from 4.3% in December, and lastly, the PCE rose to 2.7%, up from 2.2%, and the Core PCE rose to 2.8%, up from 2.2% in December.

Additionally, the central bank adjusted the pace of its balance sheet reduction, signaling a potential shift in its approach to managing liquidity in financial markets.

Investors will continue to analyze these updates to assess how to react and prepare their portfolios for the asset rotations that may occur as the markets respond to this new outlook.

European stocks are reacting to a softer-than-expected inflation report from the eurozone, and Asian equities have delivered mixed performances.

Meanwhile, bond yields fell, with the 10-year US Treasury yield at 4.25%.

Market Volatility and Perspective on Pullbacks

Last Thursday, the S&P 500 closed 10.1% below its mid-February record high, marking the first 10% correction since 2023. While unsettling, market pullbacks are a normal part of long-term investment. Historical data since 1971 shows that, despite occasional downturns, the S&P 500 has recorded 43 years of positive annual returns, including dividends. Even in those positive years, the index has typically experienced an average maximum drawdown of 9.7%.

Economic Data Update:

- **Target Federal Funds Rate Upper Limit:** unchanged at 4.50%, compared to 4.50% yesterday.
- **Overall Net TIC Flows:** fell to 87.14 billion, down from 134.07 billion last month, decreasing - 35.00%.
- **Eurozone Inflation Rate, Excluding Energy, Food, Alcohol, and Tobacco:** is unchanged at 2.70%, compared to 2.70% last month.

- **Japan Short Term Policy Rate:** is at 0.50%, compared to 0.50% yesterday.
- **China Loan Prime Rate:** is unchanged at 3.10%, compared to 3.10% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 555.37, up 1.07 points or 0.19%.
- **FTSE 100:** Closed at 8,706.66, up 1.43 points or 0.016%.
- **DAX Index:** Closed at 23,288.06, down 92.64 points or 0.40%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 41,964.63, up 383.32 points or 0.92%.
- **S&P 500:** closed at 5,675.29, up 60.63 points or 1.08%.
- **Nasdaq Composite:** closed at 17,750.79, up 246.67 points or 1.41%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,625.72, down 4.68 points or 0.13%.
- **Birling Capital US Bank Index:** closed at 6,138.58, up 19.82 points or 0.32%.
- **US Treasury 10-year note:** closed at 4.25%.
- **US Treasury 2-year note:** closed at 3.99%.



Federal Reserve Bank Updated US Economy Projections 3/19/25

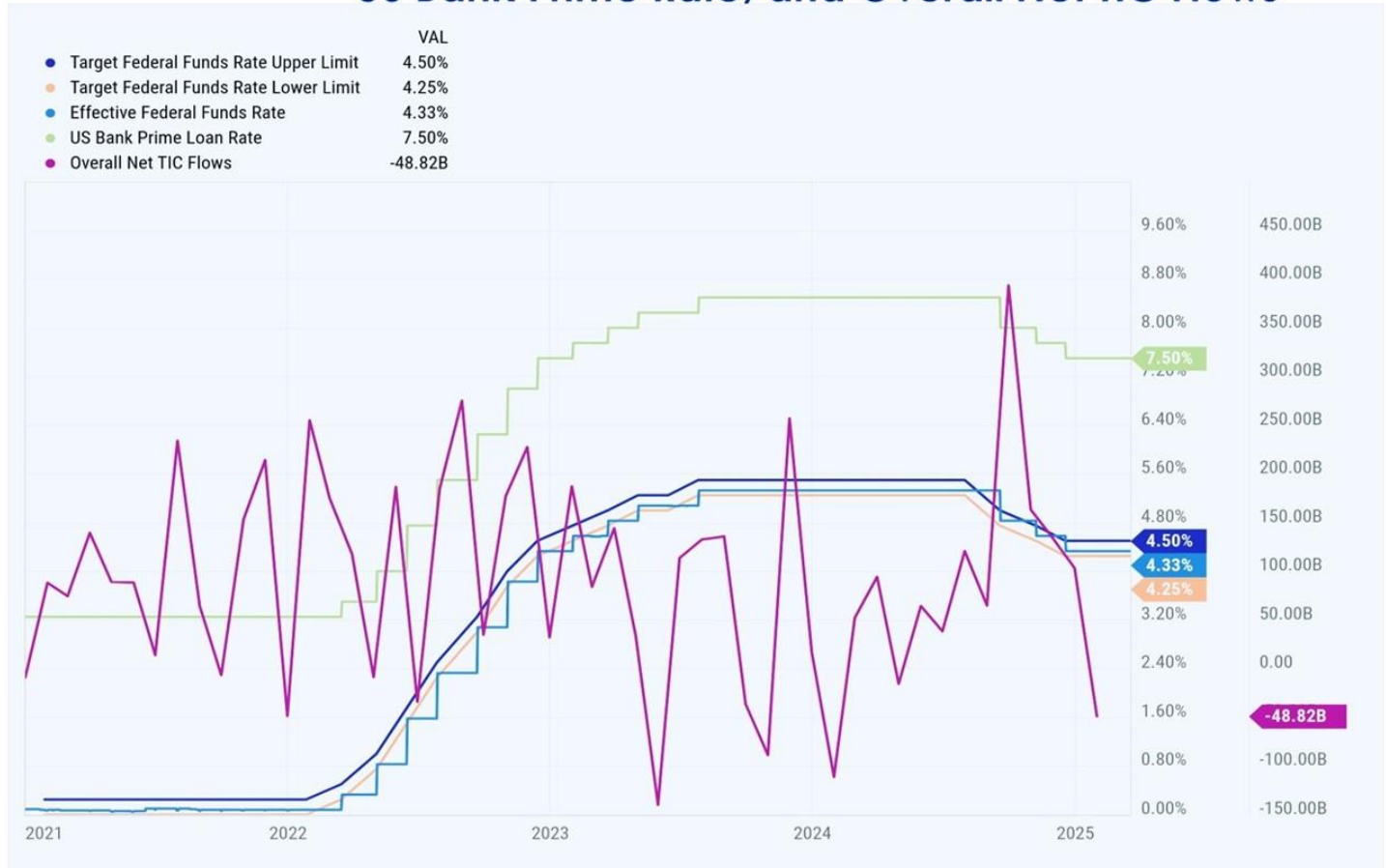
Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, March 2025

Percent

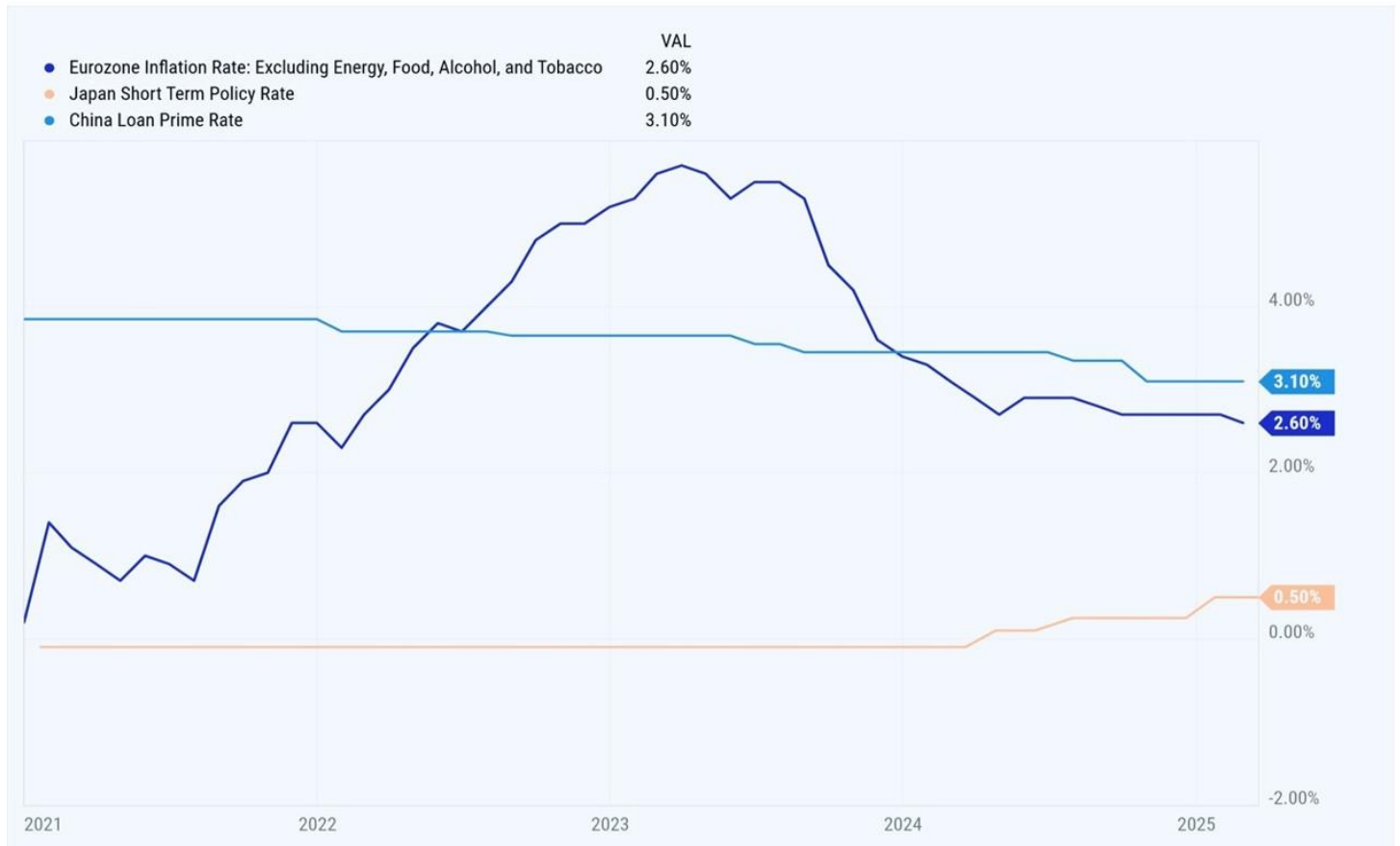
Variable	Median ¹				Central Tendency ²				Range ³			
	2025	2026	2027	Longer run	2025	2026	2027	Longer run	2025	2026	2027	Longer run
Change in real GDP	1.7	1.8	1.8	1.8	1.5-1.9	1.6-1.9	1.6-2.0	1.7-2.0	1.0-2.4	0.6-2.5	0.6-2.5	1.5-2.5
December projection	2.1	2.0	1.9	1.8	1.8-2.2	1.9-2.1	1.8-2.0	1.7-2.0	1.6-2.5	1.4-2.5	1.5-2.5	1.7-2.5
Unemployment rate	4.4	4.3	4.3	4.2	4.3-4.4	4.2-4.5	4.1-4.4	3.9-4.3	4.1-4.6	4.1-4.7	3.9-4.7	3.5-4.5
December projection	4.3	4.3	4.3	4.2	4.2-4.5	4.1-4.4	4.0-4.4	3.9-4.3	4.2-4.5	3.9-4.6	3.8-4.5	3.5-4.5
PCE inflation	2.7	2.2	2.0	2.0	2.6-2.9	2.1-2.3	2.0-2.1	2.0	2.5-3.4	2.0-3.1	1.9-2.8	2.0
December projection	2.5	2.1	2.0	2.0	2.3-2.6	2.0-2.2	2.0	2.0	2.1-2.9	2.0-2.6	2.0-2.4	2.0
Core PCE inflation ⁴	2.8	2.2	2.0		2.7-3.0	2.1-2.4	2.0-2.1		2.5-3.5	2.1-3.2	2.0-2.9	
December projection	2.5	2.2	2.0		2.5-2.7	2.0-2.3	2.0		2.1-3.2	2.0-2.7	2.0-2.6	
Memo: Projected appropriate policy path												
Federal funds rate	3.9	3.4	3.1	3.0	3.9-4.4	3.1-3.9	2.9-3.6	2.6-3.6	3.6-4.4	2.9-4.1	2.6-3.9	2.5-3.9
December projection	3.9	3.4	3.1	3.0	3.6-4.1	3.1-3.6	2.9-3.6	2.8-3.6	3.1-4.4	2.4-3.9	2.4-3.9	2.4-3.9



Target Federal Funds Rate Upper Limit, Target Fed Funds Rate Lower Limit, Effective Fed Funds Rate, US Bank Prime Rate, and Overall Net TIC Flows



Eurozone Inflation Rate, Japan Short Term Rate & China Loan Prime Rate





Wall Street Recap

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