

Federal Reserve System!

How it affects our local currency?

The dollar gained the very next day by 20 cents against the Mauritian rupees. This hike in USD/MUR disappointed our local buyers but keeping in mind that bills had to be settled since it was end of month, the sales desk got some zeal

Impact on the EUR/USD!

The EUR/USD fell back slightly from a two -year high after the excitement of the federal Reserve's wait-and-see approach wore off.

Next FOMC meeting.

Eyes are on the FOMC meeting board this Wednesday 18 Sept 2018. Markets are currently pricing in a 100% chance of a 25 basis points cut again. The fed rate cut is highly possible as the American economy is being weighed down by a global economic slowdown and the US - China trade dispute.



Role of Fed

After a series of financial panics in the 1907, the Fed was created on 23 Dec 1913 in order to alleviate these financial crises and to serve as the Central bank of the United States. The duty of the Fed consists of five general functions among which the Monetary policy used to promote maximum employment, stables prices and moderate long- term interest rates in the US economy. Similarly, just like in Mauritius, the Bank of Mauritius (BOM), the Central Bank is committed to promote and maintain monetary and financial stability.

FED's last update

The Federal Open Market Committee (FOMC) holds eight meetings on a yearly basis with the last one being held on 31 July.

On that date, Fed voted to lower interest by 25 basis points and it was the first rate cut in 11years. The FOMC decided to cut the benchmark rate and cited three principal factors.

1. Slowing economic activity
2. Reduction in business investment and manufacturing
3. Soft inflation.



DID YOU
KNOW?

In establishing the Federal Reserve System, the United States was divided geographically into 12 Districts, each with a separately incorporated Reserve Bank.

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