

POLICY RATE VIEWS

Fed pulls back easing signal

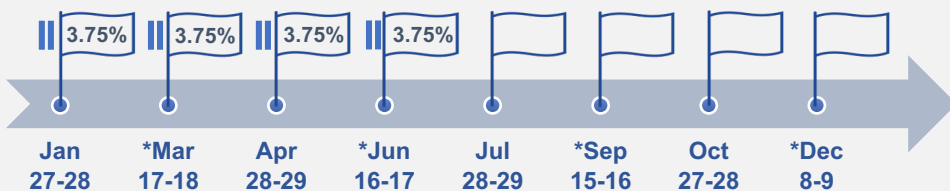
Fed Funds Target Rate (upper bound)
3.75%

Metrobank Year-end 2026 Forecast
3.75%

Current Target RRP Rate – Fed Funds Rate
Differential
75 bps

* as of June 18, 2:00 AM

2026 Federal Open Market Committee Meetings



*Quarterly Summary of Economic Projections

Fed maintains policy rate in June

The US Federal Reserve (Fed) unanimously kept the Federal Funds Target Rate (FFR) unchanged at 3.50%–3.75% during its Federal Open Market Committee (FOMC) meeting in June. The Fed has kept rates steady since its last rate cut in December 2025.

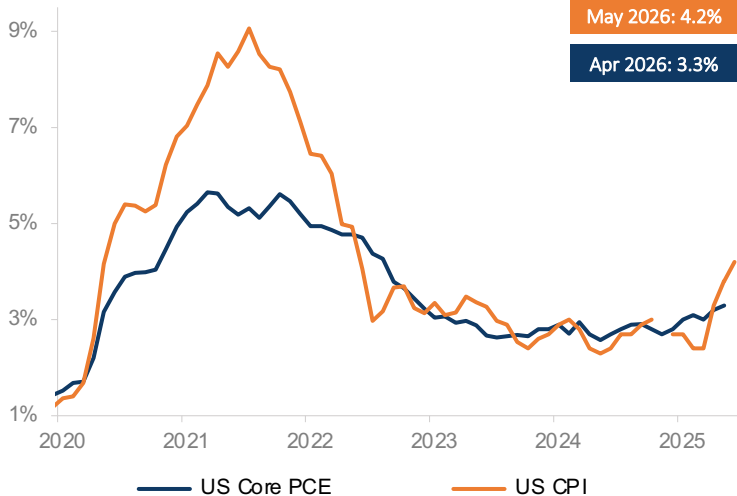
The decision was driven by a need to balance competing economic forces. The FOMC increased its inflation forecast amid supply chain disruptions and massive energy price spikes stemming from the US-Iran conflict, but revised its GDP growth forecast downward due to the burden of high borrowing costs on corporate investment and consumer spending.

The June decision removes the FOMC’s prior easing bias. Nevertheless, policymakers now project a single rate hike in 2026, reinforcing a higher-for-longer stance amid persistent inflationary pressures. Of the 18 officials who submitted forecasts, nine anticipate rates will rise in 2026. However, newly appointed Fed Chair Kevin Warsh confirmed that his projection was not reflected in the dot plot.

Nevertheless, Warsh reaffirmed the Fed’s 2% inflation target and its commitment to restoring price stability over the medium term.

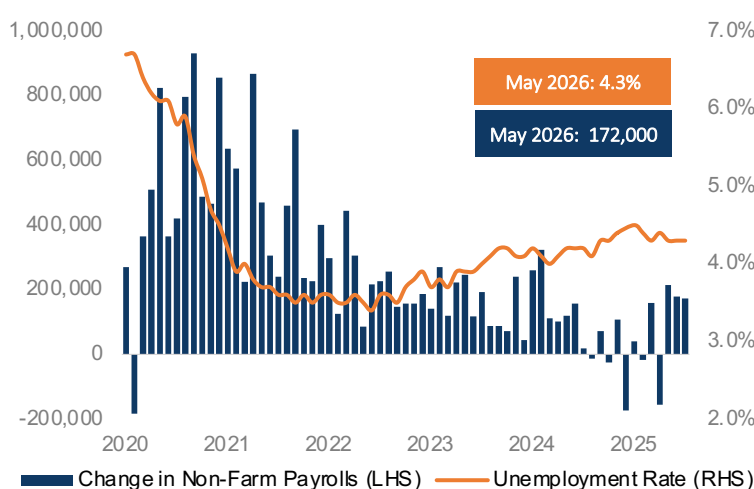
See related article: [Fed Preview: Steady for Now](#)

US Inflation



Source: Bloomberg

US Labor Market



Source: Bloomberg



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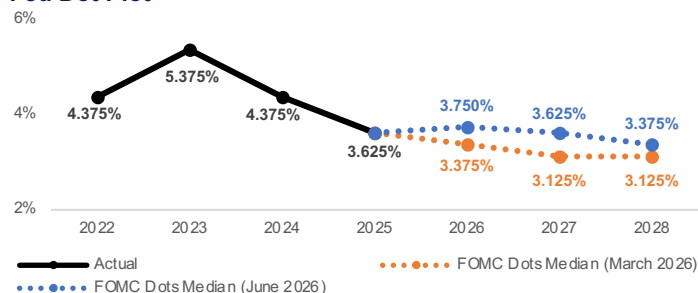
FED'S QUARTERLY SUMMARY OF ECONOMIC PROJECTIONS

Summary of Economic Projections (SEP), June 2026

	As of March 2026				As of June 2026			
	2026	2027	2028	Longer run	2026	2027	2028	Longer run
Real GDP	2.4	2.3	2.1	2.0	2.2	2.3	2.2	2.0
Unemployment Rate	4.4	4.3	4.2	4.2	4.3	4.3	4.2	4.2
PCE Inflation	2.7	2.2	2.0	2.0	3.6	2.3	2.0	2.0
Core PCE Inflation	2.7	2.2	2.0	-	3.3	2.5	2.1	-

Source: US Federal Reserve

Fed Dot Plot



Inflation expectations soar while growth projections retreat

The FOMC revised its Personal Consumption Expenditure (PCE) inflation projection upward, as new price shocks pointed to more persistent and broader price pressures than previously expected. The Fed cited energy price shocks as keeping inflation elevated, linked to the Middle East conflict that has disrupted oil supply. While the unemployment rate forecast was revised downward, the FOMC sees a bleaker growth outlook as inflation erodes real household purchasing power, forcing consumers to cut back on discretionary spending.

Dot plot leaning hawkish

The latest dot plot leaned hawkish, implying a potential rate hike this year, as the balance of risks has shifted toward the need for tighter policy to contain inflation. Meanwhile, it is also revealing a more divided Fed. With Warsh opting not to provide forward guidance, the 18 officials who submitted projections show a split outlook: 9 expect at least one 25-basis-point rate hike, 8 anticipate no change, and only 1 projects a 25-basis-point rate cut.

METROBANK'S TAKE

Still a neutral Fed outlook

With the June Summary of Economic Projections, Metrobank views that the Fed's policy stance remains broadly neutral, especially with new Fed Chair Kevin Warsh's reluctance towards forward guidance.

With the surprisingly resilient labor market in the past few months, expectations for further easing from the Fed retreated. Meanwhile, elevated oil prices stemming from oil disruptions in the Middle East and risk-off sentiment amid US-Iran tension have caused US headline inflation to breach the 4% level.

Inflation expectations continue to be skewed to the upside, while the strength of economic activity and labor market conditions have not been weak enough to warrant an urgent policy response from the Fed. Given the prospects for a more durable US-Iran deal, global oil prices have recently trended downward, suggesting that oil prices have likely already peaked. However, its impact on overall inflation, through second-round effects, is likely to persist throughout the year.

Taking into account the Fed's latest dot plot, the inflation trajectory, and the composition of the Fed voting members this year, Metrobank expects the Fed to keep policy rates steady-for-longer, balancing inflation risks against the need to sustain labor market recovery momentum.

BSP to reverse its course

Later today, the Bangko Sentral ng Pilipinas (BSP) is expected to deliver a 25-basis-point (bp) policy rate hike during its third Monetary Board meeting to address inflationary pressures that have intensified over the past three months.

Despite the expected BSP policy rate action which could widen its interest rate differential (IRD) with the Fed to 100 bps, the peso is expected to remain under pressure as the US dollar stays relatively strong and the peak import season sets in.

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