JUNE 2025

Central bank depository.

Central banks navigate fluctuating U.S. trade policy.

SEI's View

The monetary policies of the major central banks are naturally aligned with the economic conditions of the economies they oversee. The Federal Reserve and the Bank of England have been more reluctant than the Bank of Canada and the European Central Bank to cut their policy rates because inflation, while decelerating, is still elevated. Meanwhile, the Bank of Japan continues to slowly normalize its monetary policy settings, raising its benchmark interest rate while other central banks are lowering theirs. The pace of rate cuts in Canada and the eurozone should slow as those rates move closer to the current inflation rate. Though the U.S. and the U.K. probably have some room to cut, SEI expects both central banks to be cautious. At a time when the outlook is uncertain, all the major central banks probably are more data-dependent than ever. We foresee only one or two rate cuts in the U.S., the U.K., Europe, and Canada through the rest of this year. This assumes that external factors, like a step-up in the tariff war or an oil price shock resulting from the Israeli-Iran war, do not push the global economy toward recession.

U.S. Federal Reserve (Fed)

- As widely anticipated, the Federal Open Market Committee (FOMC) left the federal-funds rate unchanged in a range of 4.25% to 4.50% following its meeting on June 17-18.
- In a statement announcing the rate decision, the FOMC noted that, despite fluctuating U.S. trade policy, the economy appears to be on relatively solid footing. "Although swings in net exports have affected the data, recent indicators suggest that economic activity has continued to expand at a solid pace," the central bank commented.
- The Fed's so-called dot plot of economic projections indicated a median federal-funds rate of 3.9% at the end of 2025, unchanged from its previous estimate issued in March, signaling that the central bank anticipates two federal-funds rate cuts by the end of this year. The Fed estimated that core inflation, as measured by the core personal-consumption expenditures (PCE) price index—measures the prices that consumers pay for goods and services to reveal underlying inflation trends—will rise 3.1% this year-up from the central bank's 2.8% forecast in March. Additionally, the FOMC estimated that U.S. gross domestic product (GDP) will increase 1.4% in 2025-a downward revision from the projected 1.7% annual growth rate in its previous dot plot.

European Central Bank (ECB)

- On June 5, the ECB reduced its benchmark interest rate by 0.25% to 2.00%—its lowest level since November 2022 and the central bank's eighth rate cut over its past nine meetings—citing slowing inflation in the eurozone and the possible impact of U.S. trade policy on the euro area economy.
- In a news release announcing the rate decision this month, the ECB's Governing Council revised its inflation projections downward by 0.3% for both 2025 and 2026, to 2.0% and 1.6%, respectively, as energy prices ease and the euro strengthens. The ECB left its GDP forecast for 2025, 2026, and 2027 unchanged at 0.9%, 1.1%, 1,3%, respectively, due to "a stronger than expected first quarter combined with weaker prospects for the remainder of the year." However, the central bank cautioned that "a further escalation of trade tensions over the coming months would result in growth and inflation being below the baseline projections."
- The ECB also noted, "While the uncertainty surrounding trade policies is expected to weigh on business investment and exports, especially in the short term, rising government investment in defence and infrastructure will increasingly support growth over the medium term."

Bank of England (BOE)

- In a split 6-3 vote at its meeting on June 19, the BOE maintained the Bank Rate at 4.25, but noted that it is monitoring the weakening U.K. labor market and the possible impact of rising energy prices amid the ongoing geopolitical tensons in the Middle East. Three BOE Monetary Policy Committee (MPC) members voted for a 0.25% rate cut.
- In its announcement of the rate decision, the MPC commented, "Underlying UK GDP growth appears to have remained weak, and the labour market has continued to loosen, leading to clearer signs that a margin of slack has opened up over time...Furthermore, global uncertainty remains elevated. Energy prices have risen owing to an escalation of the conflict in the Middle East
- In a video posted to the BOE's LinkedIn page, BOE Governor Andrew Bailey said, "I expect that the path of interest rates will continue to be gradually downwards. Now I'm not giving you a prediction on August by saying that. The world is highly unpredictable. In the UK we are seeing signs of softening in the labour market. We will be looking carefully at the extent to which those signs feed through to consumer price inflation."

Bank of Japan (BOJ)

- In a unanimous vote, the BOJ maintained its benchmark interest rate at 0.50% at its meeting on June 16-17. The central bank last raised the rate by 0.25% in late January of this year.
- In a statement announcing the rate decision, the BOJ cited its ongoing concerns regarding the possible impact of U.S trade policy on the Japanese economy, commenting that "it is extremely uncertain how trade and other policies in each jurisdiction will evolve and how overseas economic activity and prices will react to them."
- Additionally, the BOJ indicated that, in an effort to reverse many years of easy monetary policy, it will reduce purchases of Japanese government bonds by 400 billion yen (US$2.8 billion) each calendar quarter through March 2026, then decrease the purchases by 200 billion yen (US$1.4 billion) from April 2026 to March 2027. During a news conference following the announcement of the rate decision, BOJ Governor Kazuo Ueda said, ""We made our decision to ensure we're not cutting purchases too fast in a way that would cause a negative impact on the economy through abnormal volatility in yields,"

Bank of Canada (BOC)

- At its June 4 meeting, the BOC left its policy rate unchanged at 2.75%—the second time that the central bank has stood pat following rate cuts totaling 2.25% at its previous six meetings.
- In a statement announcing the monetary policy decision, the BOC attributed the recent resilience in the global economy in part to businesses rushing to purchase goods ahead of the Trump administration's import tariffs. The central bank noted that " the outcomes of [U.S.-China] negotiations are highly uncertain, tariff rates are well above their levels at the beginning of 2025, and new trade actions are still being threatened."
- The BOC also commented that it is "proceeding carefully" regarding monetary policy, with a focus on "the risks and uncertainties facing the Canadian economy, citing "the extent to which higher US tariffs reduce demand for Canadian exports; how much this spills over into business investment, employment and household spending; how much and how quickly cost increases are passed on to consumer prices; and how inflation expectations evolve."

Summary Table

Central Bank	Current Rate	Prior Rate	Change	Next Meeting
Fed	4.25%-4.50%	4.25%-4.50%	Unchanged	July 29-30, 2025
ECB	2.00%	2.25%	-0.25%	July 23-24, 2025
BOE	4.25%	4.25%	Unchanged	August 7, 2025
BOJ	0.50%	0.50%	Unchanged	July 30-31, 2025
BOC	2.75%	2.75%	Unchanged	July 30, 2025

Sources: Fed, ECB, BOE, BOJ, BOC. As of June 19, 2025.

Important Information

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results. All information as of the date indicated. There are risks involved with investing, including possible loss of principal. This information should not be relied upon by the reader as research or investment advice, (unless you have otherwise separately entered into a written agreement with SEI for the provision of investment advice) nor should it be construed as a recommendation to purchase or sell a security. The reader should consult with their financial professional for more information.

Statements that are not factual in nature, including opinions, projections, and estimates, assume certain economic conditions and industry developments and constitute only current opinions that are subject to change without notice. Nothing herein is intended to be a forecast of future events, or a guarantee of future results.

Certain economic and market information contained herein has been obtained from published sources prepared by other parties, which in certain cases have not been updated through the date hereof. While such sources are believed to be reliable, neither SEI nor its affiliates assumes any responsibility for the accuracy or completeness of such information and such information has not been independently verified by SEI.

There are risks involved with investing, including loss of principal. The value of an investment and any income from it can go down as well as up. Investors may get back less than the original amount invested. Returns may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results. Investment may not be suitable for everyone.

This material is not directed to any persons where (by reason of that person's nationality, residence or otherwise) the publication or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not rely on this information in any respect whatsoever.

The information contained herein is for general and educational information purposes only and is not intended to constitute legal, tax, accounting, securities, research or investment advice regarding the strategies or any security in particular, nor an opinion regarding the appropriateness of any investment. This information should not be construed as a recommendation to purchase or sell a security, derivative or futures contract. You should not act or rely on the information contained herein without obtaining specific legal, tax, accounting, and investment advice from an investment professional.

Information in the U.S. is provided by SEI Investments Management Corporation (SIMC), a wholly owned subsidiary of SEI Investments Company (SEI).

Information in Canada is provided by SEI Investments Canada Company, a wholly owned subsidiary of SEI Investments Company (SEI), and the Manager of the SEI Funds in Canada.

In the UK and the EEA this information issued in the UK by SEI Investments (Europe) Ltd, 1st Floor, Alphabeta, 14-18 Finsbury Square, London EC2A 1BR which is authorised and regulated by the Financial Conduct Authority.

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document has not been registered as a prospectus with the Monetary Authority of Singapore.

This information is made available in Latin America and the Middle East FOR PROFESSIONAL (non-retail) USE ONLY by SIEL.

Any questions you may have in relation to its contents should solely be directed to your Distributor. If you do not know who your Distributor is, then you cannot rely on any part of this document in any respect whatsoever.

Issued in South Africa by SEI Investments (South Africa) (Pty) Limited FSP No. 13186 which is a financial services provider authorised and regulated by the Financial Sector Conduct Authority (FSCA). Registered office: 3 Melrose Boulevard, 1st Floor, Melrose Arch 2196, Johannesburg, South Africa.