



Central bank depository.

“You got to know when to hold ‘em”.

SEI’s view

As the saying goes, “it’s not easy being a central banker.” With the ongoing war in Iran and a recent spike in oil prices driven by the closure of the Strait of Hormuz, a major shipping channel between the Persian Gulf and the Gulf of Oman, the task facing global monetary policymakers has become even more challenging. Inflation remains the key wildcard alongside the labor market, with headline inflation, as measured by consumer-price indexes (CPI)—particularly the volatile food and energy components—at risk of reaccelerating meaningfully should the conflict in the Middle East persist. Over time, major global central banks may also need to consider the second-order effects of higher commodity input costs flowing through to goods prices, while the outlook for tariffs remains unclear. Conversely, elevated energy prices could lead to reduced demand if higher costs are sustained. Federal Reserve (Fed) Chair Jerome Powell has announced his intention to remain on the Board of Governors until the Department of Justice investigation into the renovation of the central bank’s headquarters in Washington, D.C., is fully resolved with transparency and finality. In addition, Powell will continue to serve as Chair should his nominated successor, Kevin Warsh, not be confirmed before the end of his term on May 15. We expect the Fed to remain on hold in the near term, with the voices of hawks potentially growing louder as Federal Open Market Committee (FOMC) members assess the inflationary implications of higher energy prices. The market has appropriately tempered expectations for interest-rate cuts in 2026, with pricing now reflecting less than a single cut over the course of the year. Outside of the U.S., the specter of stagflation looms larger, as the European Central Bank (ECB), Bank of England (BOE), and Bank of Canada (BOC) continue to contend with soft economic growth and elevated inflation. While each central bank elected to keep interest rates on hold during its respective meeting in March, energy vulnerabilities may ultimately lead the ECB and BOE to tighten monetary policy sooner than other developed market central banks if higher energy prices persist.

Federal Reserve (Fed)



- In a split 11-1 vote, the FOMC maintained the federal funds rate in a range of 3.50%-3.75% following its meeting on March 17-18. FOMC member Stephen Miran favored a 0.25% rate cut.
- In a statement announcing the rate decision, the FOMC stated, “Uncertainty about the economic outlook remains elevated. The implications of developments in the Middle East for the U.S. economy are uncertain. The Committee is attentive to the risks to both sides of its dual mandate [price stability and maximum employment].”
- The Fed’s so-called dot plot of economic projections indicated a median federal funds rate of 3.4% at the end of 2026, unchanged from its forecast in December 2025, signaling that the central bank anticipates one rate cut this year. The Fed projected that core inflation, as measured by the core personal-consumption expenditures (PCE) price index, will rise 2.7% for the current year, up from the central bank’s initial estimate of 2.5% in its December dot plot.

European Central Bank (ECB)



- The ECB left its benchmark interest rate unchanged at 2.00% for its sixth consecutive meeting on March 19, noting the Mideast conflict’s impact on the European economy.
- In a news release, the ECB’s Governing Council commented, “The war in the Middle East has made the outlook significantly more uncertain, creating upside risks for inflation and downside risks for economic growth. It will have a material impact on near-term inflation through higher energy prices.”
- In prepared remarks for a news conference following the rate announcement, ECB President Christine Lagarde and Vice President Luis de Guindos said, “Inflation has been at around our two percent target, longer-term inflation expectations are well anchored, and the economy has shown resilience over recent quarters. The incoming information in the period ahead will help us assess how the war will affect the inflation outlook and the risks surrounding it.”

Bank of England (BOE)



- At its meeting on March 18, the BOE voted unanimously to maintain the Bank Rate at a three-year low of 3.75%, citing the ongoing tumult in the Middle East.
- The Monetary Policy Committee (MPC) noted, “Conflict in the Middle East has caused a significant increase in global energy and other commodity prices, which will affect households’ fuel and utility prices and have indirect effects via businesses’ costs. Prior to this, there had been continued disinflation in domestic prices and wages. CPI [consumer-price index] inflation will be higher in the near term as a result of the new shock to the economy.”
- The central bank’s announcement provided insights into the views of the MPC members. BOE Governor Andrew Bailey said, “Large movements in energy prices have resulted from events in the Middle East and uncertainty over the duration of supply disruptions. Monetary policy cannot reverse this shock to supply. Its resolution depends on action taken at its source to restore the safe passage of shipping through the Strait of Hormuz.” MPC member Swati Dhingra stated, “The economic outlook is at a crossroads following hostilities in the Middle East. The U.K. economy will face higher energy prices, though how much higher and for how long makes all the difference.”

Bank of Japan (BOJ)



- At its meeting on March 18-19 (local time), the BOJ voted by an 8-1 majority to leave its benchmark interest rate unchanged at a 30-year high of 0.75%, but left open the possibility of a rate hike in the near future.
- In a statement announcing the rate decision, the central bank noted the economic uncertainty surrounding the Mideast conflict. “Japan’s economy is likely to continue growing moderately, with overseas economies returning to a growth path,” the central bank commented. “However, in the wake of increased tension over the situation in the Middle East, global financial and capital markets have been volatile and crude oil prices have risen significantly; future developments warrant attention.”
- At a news conference following the meeting, BOJ Governor Kazuo Ueda stated that any negative impact on Japan’s economy resulting from the Mideast conflict most likely would be short-lived. “Even if economic growth were to decline, if that development is temporary and there’s not so much impact on the trajectory of the price trend, then, of course, it will be possible to raise interest rates,” he said.

Bank of Canada (BOC)



- The BOC maintained its policy rate at 2.25% at its March 18 meeting.
- In a statement announcing the monetary policy decision, the BOC noted that the Middle East conflict “has increased volatility in global energy prices and financial markets, and heightened the risks to the global economy. The breadth and duration of the conflict, and hence its economic impacts, are highly uncertain,” the central bank commented. “Since the outbreak of the conflict in the Middle East, global oil and natural gas prices have risen sharply, and this will boost global inflation in the near-term.”
- During a news conference following the rate-cut announcement, BOC Governor Tiff Macklem cited the economic uncertainty surrounding the Mideast conflict and U.S. trade policy. “Now the war in Iran has added a new layer of uncertainty. Its impact on the global and Canadian economies will depend on how long the conflict lasts and the extent to which it spreads across

Summary table

Central Bank	Current Rate	Prior Rate	Change	Next Meeting
Fed	3.50%-3.75%	3.50%-3.75%	Unchanged	April 28-29, 2026
ECB	2.00%	2.00%	Unchanged	April 29-30, 2026
BOE	3.75%	3.75%	Unchanged	April 30, 2026
BOJ	0.75%	0.75%	Unchanged	April 27-28, 2026
BOC	2.25%	2.25%	Unchanged	April 29, 2026

Sources: Fed, ECB, BOE, BOJ, BOC. As of March 19, 2026.

GLOSSARY AND INDEX DEFINITIONS

For financial term and index definitions, please see: <https://www.sei.com/ent/imu-communications-financial-glossary>

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