



Central bank depository.

Some policymakers take a hike.

SEI's view

The Federal Reserve (Fed) held the federal funds rate steady for the fourth consecutive meeting in June, but the discussion was anything but a snooze fest. New Fed Chair Kevin Warsh moved quickly to signal change, announcing the formation of five task forces focused on reviewing different aspects of the Fed's framework and announcing the removal of traditional forward guidance. While the Summary of Economic Projections (dot plot) will remain in place, the Fed chair's individual projections will no longer be included. Despite that shift, the message from the dot plot was still interpreted as hawkish. The 2026 projection now shows nine members expecting the federal funds rate to move higher during the year. Markets reacted with front-end yields increasing. Inflation remains elevated globally, particularly at the headline level, on the back of elevated energy prices. This prompted the European Central Bank (ECB) and the Bank of Japan (BOJ) to raise interest rates, with the latter moving rates to the highest level since 1995. Nonetheless, if the Iran-U.S. peace deal holds, energy prices may further stabilize, which could help bring down near-term inflation readings. At the same time, with growth concerns in the U.K., Europe, and Canada building, SEI believes that future monetary policy is more of a two-sided debate than the market is currently pricing. The resilience of the U.S. economy has been stronger than markets expected, leaving the Fed in a familiar but challenging spot, with above-target inflation alongside solid growth. This backdrop sits somewhat at odds with Warsh's prior inclination toward lower rates. How he balances that view with real-time economic data, while keeping the Federal Open Market Committee (FOMC) aligned and maintaining market credibility, will be important to watch. SEI continues to expect that the Fed will remain on hold in the near term.

Federal Reserve (Fed)



- At Kevin Warsh's first meeting as Federal Reserve (Fed) Chair on April 16-17, the Federal Open Market Committee (FOMC) voted unanimously (12-0) to maintain the federal funds rate in a range of 3.50%-3.75%. Warsh was sworn in as Fed chief on May 22, succeeding Jerome Powell, who still serves as a member of the Fed Board of Governors.
- In its statement announcing the rate decision, the FOMC noted the resiliency of the U.S. economy. "Economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East," the FOMC said. The Fed's so-called dot plot of economic projections indicated a median federal funds rate of 3.8% at the end of 2026, up from its forecast of 3.4% in March, signaling that the central bank anticipates one rate hike this year.
- During a news conference on Wednesday afternoon following the FOMC meeting, Warsh said that the central bank did not consider a rate cut. "There was one proposal on the table, there was no discussion of any other proposals," he commented. Warsh also noted that the Fed provided little forward guidance for policy because it is "not well suited to the current policy juncture."

European Central Bank (ECB)



- The ECB voted unanimously to raise its benchmark interest rate by 25 basis points (0.25%) to 2.25% at its June 10-11 meeting, citing the Mideast conflict's impact on the European economy.
- In a news release, the ECB's Governing Council commented, "The outlook remains uncertain, with upside risks for inflation and downside risks for economic growth. The full implications of the war for medium-term inflation and growth will depend on the intensity and duration of the energy price shock, as well as the scale of its indirect and second-round effects."
- In prepared remarks for a news conference following the rate announcement, ECB President Christine Lagarde and Vice President Boris Vujčić said, "The risks to the growth outlook are to the downside, mainly owing to the war in the Middle East, which has added to the volatile global policy environment. Prolonged disruption of energy supplies could increase energy prices further and for longer than currently expected. These factors would erode real incomes even more and make firms and households more reluctant to invest and spend."

Bank of England (BOE)



- At its meeting on June 17, the BOE voted by a margin of 7-2 to maintain the Bank Rate at 3.75%, citing the impact of the ongoing Mideast war. Monetary Policy Committee (MPC) members Megan Greene and Huw Pill supported a 25-basis-point (0.25%) rate increase.
- The MPC stated, “Global energy prices have fallen since the previous meeting in response to events in the Middle East. But they remain higher than pre-conflict and have continued to be volatile. The impact of the energy shock on the U.K. economy remains uncertain. Monetary policy cannot influence energy prices but is being set to ensure that the economic adjustment to them occurs in a way that achieves the 2% inflation target sustainably.”
- The central bank’s announcement provided insights into the views of the MPC members. BOE Governor Andrew Bailey said, “There has been a marked fall in energy prices in recent days, reflecting progress on talks involving U.S. and Iran. But the situation remains unpredictable, and there is clearly a risk that energy prices remain elevated for an extended duration. Recent inflation outturns give greater confidence that gradual underlying disinflation has continued.”

Bank of Japan (BOJ)



- At its meeting on June 15, the BOJ voted by a 7-1 margin to raise its benchmark interest rate by 25 basis points (0.25%) to a 31-year high of 1.00%. Board member Asada Toichiro favored maintaining the rate at 0.75%. BOJ Governor Kazuo Ueda did not attend the meeting as he was undergoing medical treatment.
- In a statement announcing the rate decision, the central bank commented, “While higher crude oil prices have been exerting downward pressure on economic activity, the economy has generally been supported by factors such as high levels of corporate profits and an improvement in the employment and income situation. Meanwhile, the risk of a significant slowdown in the economy appears to have decreased compared with a while ago.”
- At a news conference following the meeting, BOJ Deputy Governor Shinichi Uchida noted that the BOJ could implement additional rate hikes if inflation pressures do not subside, “With underlying inflation approaching 2%, we need to be mindful of upward price risks. We will guide policy so that we won’t fall behind the curve,” he said.

Bank of Canada (BOC)



- The BOC maintained its policy rate at 2.25% following its June 10 meeting.
- In a statement announcing the monetary policy decision, the central bank noted the economic impact of the ongoing Mideast conflict as well as U.S. trade policy. “The resulting increases in energy prices and disruptions in global supply chains are weighing on global economic growth and pushing up inflation,” the BOC stated. “At the same time, the U.S. administration continues to propose new tariffs, and trade policy uncertainty remains elevated.”
- At a news conference following the interest-rate announcement, BOC Governor Tiff Macklem commented that the BOC is waiting to see if higher energy prices lead to a broader rise in inflation. “Economic weakness combined with rising inflation is a dilemma for monetary policy,” he said. “Raising rates to dampen inflation could further slow the economy. Easing rates to support growth increases the risk that higher inflation becomes persistent. For now, holding the policy rate unchanged balances those risks.”

Summary table

Central Bank	Current Rate	Prior Rate	Change	Next Meeting
Fed	3.50%-3.75%	3.50%-3.75%	Unchanged	July 28-29, 2026
ECB	2.25%	2.00%	+0.25%	July 22-23, 2026
BOE	3.75%	3.75%	Unchanged	July 30, 2026
BOJ	1.00%	0.75%	+0.25%	July 30-31, 2026
BOC	2.25%	2.25%	Unchanged	July 15, 2026

Sources: Fed, ECB, BOE, BOJ, BOC. As of June 18, 2026.

GLOSSARY AND INDEX DEFINITIONS

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

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