

# Arc

## Commodity

October 30, 2025

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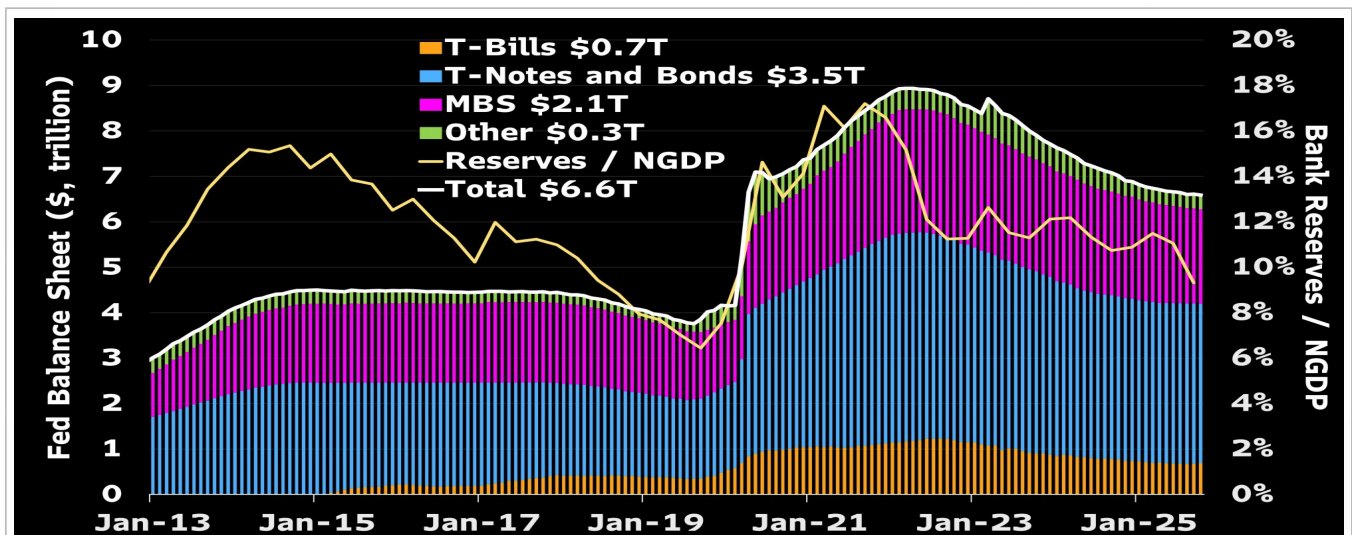
## FOMC decision: US Federal Reserve delivers hawkish rate cut

### Quick Snapshot

- The US Federal Reserve cut the federal funds rate by 25-bps to 3.75%–4.00%, the lowest since 2022, due to employment risks and high inflation. Governor Miran preferred a 50-bps cut; Kansas City Fed's Schmid dissented against the cut. Chair Powell said a December cut isn't certain, but investors expect another 25bps reduction. The Fed will stop reducing securities holdings on December 1.
- The Fed believed that available indicators suggest economic activity has been expanding at a moderate pace as Inflation has moved up since earlier in the year and remains somewhat elevated.
- FOMC statement notes that job gains have slowed, and the unemployment rate has edged up but remained low through August. Downside risks to employment rose in recent months.
- Fed Chair Powell said that a December rate cut is not a foregone conclusion.

### Key points

- The US Federal Reserve cut the overnight Fed Fund rate by 25 bps to 3.75-4% range at its October 30 meet. The Federal Open Market Committee voted 10-2 in favor of the rate cut. Newly-appointed Fed governor Stephen Miran dissented as he called for a 50-bps cut, which was his stance in the September FOMC meeting, too. The other dissenter was Jeffery Schmid, the Kansas Fed President, who became a voting member of the FOMC for the first time this year. His dissent against the rate cut was a hawkish surprise, though for quite some time he has maintained that he still sees signs of strength in the economy, and with inflation above the Fed's target, monetary policy should lean against demand growth.
- In a much-anticipated decision, the Fed said that it will end the asset runoff (reduction of securities holdings) beginning on December 1. It will restart limited purchases of Treasury securities and will reinvest the proceeds of maturing mortgage-backed securities into Treasury bills. Ostensibly, it is in the wake of stress and volatility in the money markets.



Source: Bloomberg

## The Fed Chair's presser

- Fed Chair Powell in his press conference said that available data suggest that economy is expanding moderately as data prior to shutdown suggest a firmer growth trajectory. He cautioned that shutdown will temporarily weigh on economic activity. As per Powell, although data have been delayed due to the ongoing US government partial shutdown, the available public and private sector data suggest that the outlook for employment and inflation has not changed much since the FOMC meeting in September. However, he also told that in absence of job and inflation reports, the policymakers will become more cautious. To gain optionality regarding future monetary policy decision, he said that a December rate cut is not a foregone conclusion. Once again highlighting complexity arising due to uncertainty over tariffs, he stressed that inflation, stripping out the effects of tariffs, is not that far from the Fed's 2% goal.

## Reactions of financial markets

- The probability of a December rate cut has fallen to 65% post-FOMC from around 90% earlier.



Source: Bloomberg

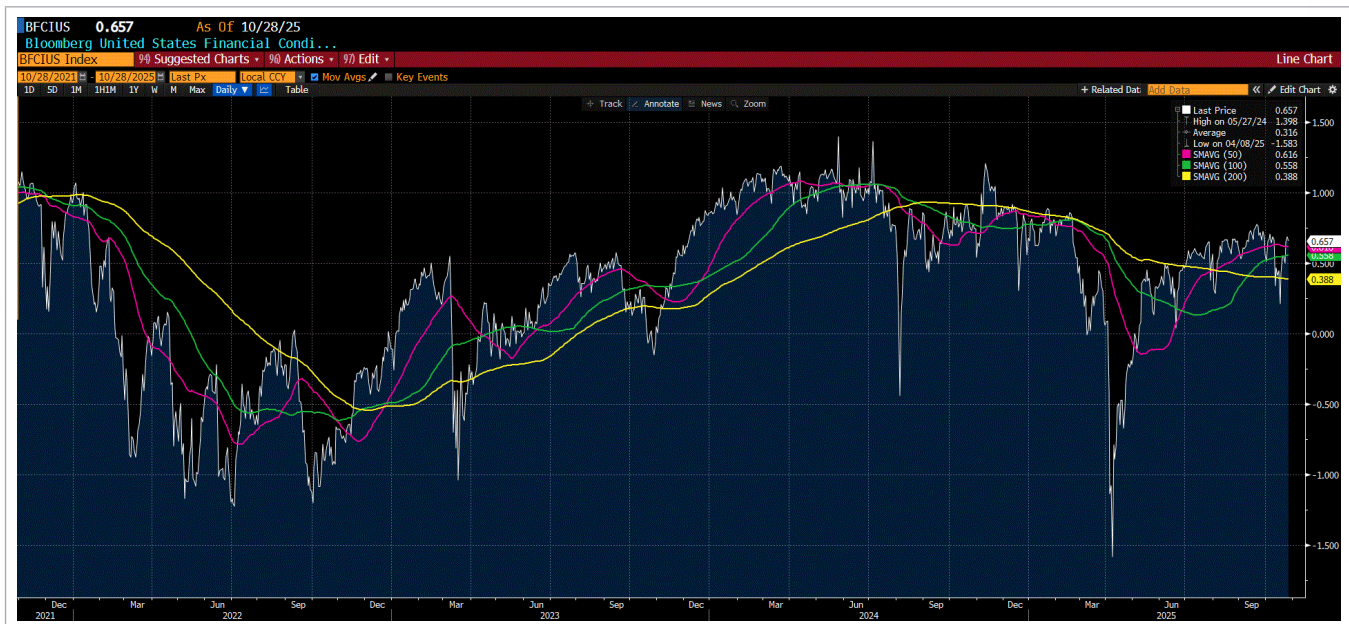
### Market reaction

Asset	Change post-FOMC	Remarks
Gold	Fell nearly 2% to \$3930	As Dollar Index and yields rose
Silver	Slumped 2% to \$47.30	As Dollar Index and yields rose
COMEX Copper	Shed nearly 1.5% to \$3.19/Pound	LME copper surging on supply concerns amid rate cut and trade deal hopes though cash-to-3-month spread is weak
US 10-year yields	Spiked up 2%	Bear flattening of the Yield curve
US 2-year yields	Surged 2.92%	Largest spike since July
Risk assets	Eased on the Fed Chair's comments	Earnings will actually be more important
US Dollar Index	Gained nearly 0.50% on hawkish Fed commentary	Upside seen limited

Source: Bloomberg, Mirae Asset Sharekhan Research

## Our take

- Although opposing dissents are quite rare in the FOMC meetings, as inflation remains quite elevated at twice the Fed's goal of 2% and job market concerns abound, monetary policy decisions are likely to come with dissents. The Fed Chair himself admitted that there are strong differing views among the policymakers on the monetary policy path going forward. Nonetheless, Schmid's dissent against a rate cut will force the investors to adopt a cautious stance on the Fed's monetary policy going forward.
- Commodities, especially precious metals, will take clues from the outcome of Trump-Xi meeting to take place on October 30 on the sidelines of APEC in South Korea as they have reached an agreement on the trade deal framework.
- Focusing on what the Fed is doing rather than on what its officials are saying we concur that the Fed has normalised 3% inflation is running a fiscal dominance policy.
- US financial conditions remain loose.



Source: Bloomberg

- The Fed's monetary policy decision, more than anything else, will hinge primarily on the US job market. So, a December rate is still highly probable.
- While precious metals can decline further due to possible volatility in the Dollar Index and US yields and US-China trade deal developments, overall, the Fed rate cut is going to be positive for gold and silver. Gold support is seen at \$3820, while for silver it is \$44.
- Eventually, industrials will draw their clues mainly from US-China trade deal.
- Overall, the Fed monetary policy decision to end QT and cut rates despite elevated inflation is positive for commodities. We need to monitor the evolving situation in private credit market, too, as cracks develop in this market due to rising defaults and opacity amid aggressive expansion growth drive.



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