

# Global Risk Watch Newsletter

## Worsening Allergies to “Uncertainty” in the Global Financial Markets, etc.

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<<index>>

[1. # Worsening Allergies to “Uncertainty” in the Global Financial Markets \(Tsuyoshi Oyama\)](#)

[2. # What are the Consequences of Regulatory Reforms on the Market Risk? \(Koichi Iwai\)](#)

3. # Significantly Revised US Monetary Policy Outlook (Yasuhiro Sobue)

[4. Seminars & Conference](#)

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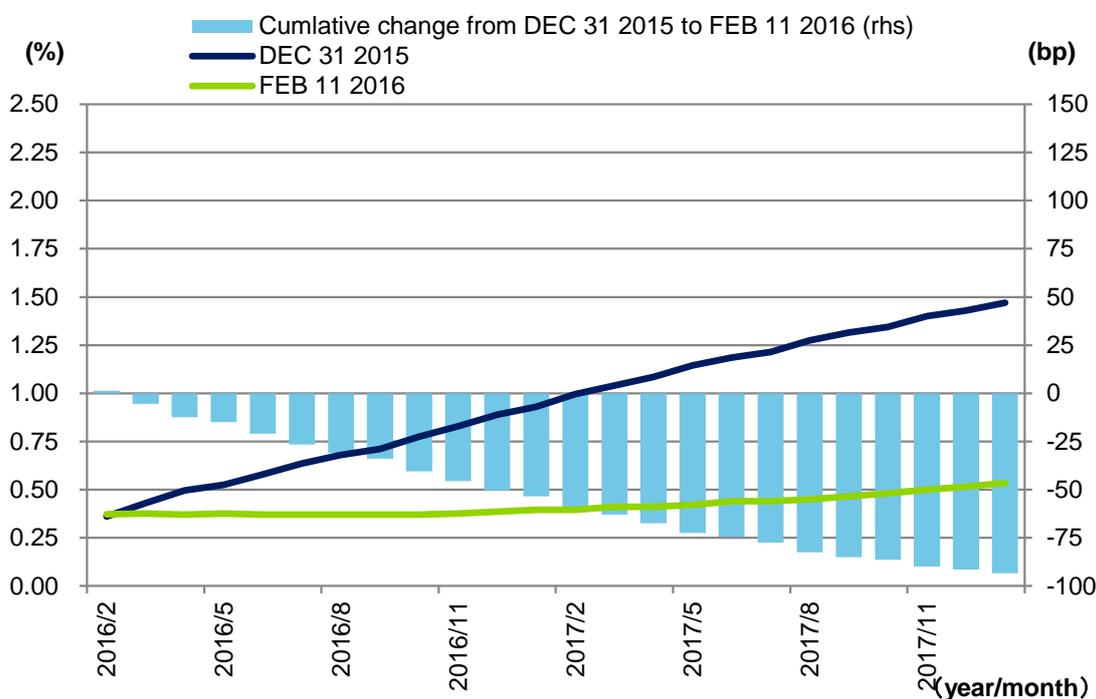
### 3.Highlight of Indicator for this Month

#### # Significantly Revised US Monetary Policy Outlook (Yasuhiro Sobue, Manager, Center for Risk Management Strategy at Deloitte Touche Tohmatsu LLC)

The outlook towards the monetary policy in the US has significantly changed over the past month. In the FOMC (Federal Open Market Committee), it was expected that interest rates would increase four times per year at the time of the recent interest rate hike on December 16th 2015. Immediately after the rate hike decision, a continued interest rate hike was also factored into the 30 Day Federal Funds futures. However, the recent (as of February 11th 2016) outlook of interest rate hikes within one-year has been nearly factored out (shown in the graph below), due to various uncertain factors surfacing since the new year; such as concerns over US and overseas economies and rising volatilities in the financial market. Hence, financial market participants expect that the interest rate hike pace will remain very slow. Meanwhile, this view also seems to be in line with the official outlook as the FOMC (January 26th -27th) also revised down their assessment of the business cycle from their December figures. Relaxation of FRB's monetary tightening stance will underpin the US economy, while also inducing stronger Yen

appreciation pressures for Japan. Suppose if the Yen appreciation were to continue to persist, further deterioration of manufacturing industry and Bank of Japan's additional monetary easing measures (further negative interest rate); can trigger various vigilant risks in the real economy and financial market.

30 Day Federal Funds Futures's 2016 year-to-date changes



Source: Bloomberg

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