

1. **dovish** (adjective) – peaceful, diplomatic, accommodating.
2. **slowdown** (noun) – economic decline, recession, slump/depression.
3. **normalization** (noun) – the method of bringing something to a normal condition.
4. **Federal Reserve (US)** (noun) – the central banking system of the United States (The Reserve Bank of India (RBI) is India's central banking institution).
5. **readiness** (noun) – inclination, promptness, quickness.
6. **look at** (verb) – regard, consider, think of.
7. **uncertainty** (noun) – doubtfulness, apprehension, unpredictability; quandary/dilemma.
8. **hinge on** (verb) – depend on, be dependent, be based.
9. **resort to** (verb) – use, utilize, turn to.
10. **rate cut** (noun) – a decision by a central bank (RBI) to reduce its main interest rate to the banks (like SBI, ICICI & etc in India) when these commercial banks get money from the central bank (like RBI in India). Once this rate goes down, the banks are in a position to give loans at lower interest rates to individuals and the industry.
11. **inflation** (noun) – simply meaning “cost of living”; increase of price level of goods & services and vice versa decrease of currency value.
12. **rhetoric** (noun) – bombast, loftiness, hyperbole/extravagant language.
13. **trade war** (noun) – a condition in which a country increase tariffs on foreign goods and impose quota restrictions to restrict other countries' trade.
14. **yield** (verb) – agree/conform to, accede to, give way to/go along with.
15. **exert** (verb) – exercise, utilize, deploy.
16. **vocal** (adjective) – direct, open, outspoken.
17. **look beyond** (verb) – anticipate, look forward, plan.
18. **unconventional** (adjective) – alternative, different, unusual.
19. **debt** (noun) – indebtedness, financial obligation, liability.
20. **aggressively** (adverb) – In a determined way.

Fed's signals

The dovish turn from major central banks indicates the threat of a global slowdown

The days of monetary policy normalisation in most advanced economies may well be over. The U.S. Federal Reserve, after a two-day policy meeting that ended on Wednesday, held its federal funds rate unchanged in the 2.25% to 2.50% range and simultaneously signalled its readiness to ease policy by dropping a reference to being ‘patient’ on borrowing costs. Fed Chairman Jerome Powell suggested that the central bank may look at cutting interest rates in the near future in order to tackle the various threats to U.S. economic growth. In particular, he noted the uncertainty on the trade front and its potential to impact the U.S. and other economies. With U.S. President Donald Trump and Chinese President Xi Jinping set to meet at the G-20 summit in Japan this month, the Fed's decision at the conclusion of its next meeting on July 31 could well hinge on the outcome of the Trump-Xi talks. The

dovish stance of the Fed comes just a day after Mario Draghi, the President of the European Central Bank, hinted that the ECB may resort to rate cuts and bond purchases if inflation failed to rise. Whether these major central banks will back their rhetoric with action remains to be seen. However, the change in their tone is clear. The Federal Reserve had begun its policy normalisation process in 2015, sending several emerging market currencies into crisis. But just a few years into normalisation, and with real interest rates barely above zero, central banks are already talking about a possible cut in rates if the economy demands it.

This dovish turn indicates the growing threat of a global economic slowdown due to increasing trade tensions between the U.S. and China. It may also be a sign that central banks are yielding to increasing pressure exerted by politicians like Mr. Trump, who has been vocal in his criticism of the Fed. The important question, however, is not whether central banks will cut interest rates but whether the resultant rate cuts would be enough to boost the global economy. This is particularly so at a time when trade wars have led to increasing restrictions on the movement of goods and services. Further, with real interest rates in advanced economies currently not far above zero, central banks may have to look beyond rate cuts and explore other unconventional policy measures to directly inject money into the economy. But even that may not ensure success as the effectiveness of monetary policy has been decreasing with growing debt levels. The shift to an easing cycle internationally will of course make it easier for the Reserve Bank of India to cut rates aggressively without worrying about the effect of such reductions on the rupee. Boosting growth, however, may require a new round of structural reforms.