Reading a central bank decision

Worksheet · InterestRateDecision.com · figures as of 12 November 2026

Name: _____ Date: _____

Part 1. What did the Fed do?

The federal funds rate is set as a range. A basis point (bp) is one hundredth of a percentage point: 25 bp = 0.25%. For each decision, work out the change in basis points and say whether it was a hike, a cut or a hold.

Decision date	Range before	Range after	Change (bp)	Hike, cut or hold?
10 Dec 2025	3.75%–4.00%	3.50%–3.75%		
28 Jan 2026	3.50%–3.75%	3.50%–3.75%		
18 Mar 2026	3.50%–3.75%	3.50%–3.75%		
29 Apr 2026	3.50%–3.75%	3.50%–3.75%		
17 Jun 2026	3.50%–3.75%	3.50%–3.75%		
29 Jul 2026	3.50%–3.75%	3.50%–3.75%		
16 Sept 2026	3.50%–3.75%	3.75%–4.00%		
28 Oct 2026	3.75%–4.00%	3.75%–4.00%		

Part 2. Basis points and percent

1. 10 bp = _____ %
2. 75 bp = _____ %
3. 0.5% = _____ bp
4. 1.25% = _____ bp
5. 150 bp = _____ %

Part 3. Expected against actual

Economists publish what they expect before a decision. When the bank does more than expected, that is called a hawkish surprise; less, a dovish surprise. For each decision, say which it was and by how much.

Decision date	Bank	Expected	Actual	Hawkish, dovish or as expected? By how many bp?
7 Oct 2025	RBNZ	2.75%	2.50%	
7 May 2026	Norges Bank	4.00%	4.25%	
27 Oct 2026	RBNZ	3.00%	2.75%	

Part 4. What it means for a borrower

A variable-rate loan of 200,000 over 25 years is priced 2 percentage points above the top of the Fed's range (6.00% today). Its monthly payment is 1,289. If the Fed cuts by 25 bp and the lender passes on the

whole cut, the rate becomes 5.75%.

(a) Would the monthly payment go up or down? _____ (b) Roughly by how much? _____ (use the calculator at interestratedecision.com/rate-cut-calculator/)

(c) Why might a borrower on a fixed-rate loan see no change?

Part 5. Discuss

1. Why do central banks announce decisions at a fixed time, and why do markets often move before the announcement?
2. What is the difference between what a bank decides and what it says about the future (its projections, or "dots")?
3. Why can a rate cut make a currency rise?

Data: the economic calendar read by InterestRateDecision.com. Decisions can be revised; check the Federal Reserve's own site. For education, not investment advice. Free to copy for classroom use.

Answer key

Worked out from the same data as the worksheet.

Part 1

- 10 Dec 2025: −25 bp, a cut
- 28 Jan 2026: +0 bp, a hold
- 18 Mar 2026: +0 bp, a hold
- 29 Apr 2026: +0 bp, a hold
- 17 Jun 2026: +0 bp, a hold
- 29 Jul 2026: +0 bp, a hold
- 16 Sept 2026: +25 bp, a hike
- 28 Oct 2026: +0 bp, a hold

Part 2

1. 10 bp = 0.10%
2. 75 bp = 0.75%
3. 0.5% = 50 bp
4. 1.25% = 125 bp
5. 150 bp = 1.50%

Part 3

- 7 Oct 2025, RBNZ: 25 bp more dovish than expected.
- 7 May 2026, Norges Bank: 25 bp more hawkish than expected.
- 27 Oct 2026, RBNZ: 25 bp more dovish than expected.

Part 4

(a) Down. (b) From 1,289 to 1,258 a month, about 30 less (365 a year). (c) A fixed rate does not change until the fixed term ends and the loan is renewed, whatever the central bank does in between.

Part 5 (notes for the teacher)

1. Markets price in what they expect, so the surprise, not the decision itself, moves price; decisions come at fixed times so everyone gets the news together.
2. The decision sets today's rate; projections are officials' views of where it might go, not promises.
3. If the cut is smaller than expected, or the bank signals fewer cuts to come, the currency can rise: it is the surprise against expectation that counts.