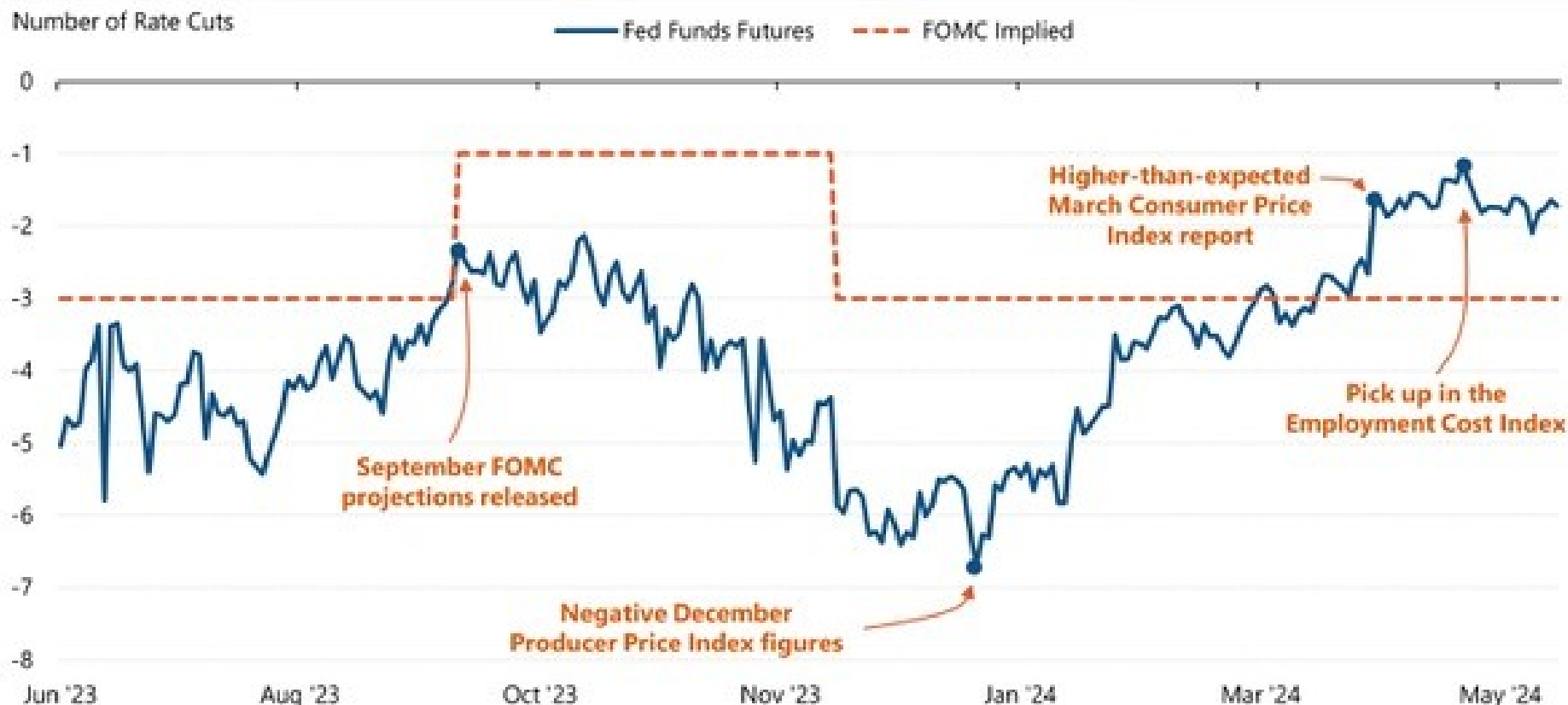


Mood Swings

Futures Market Versus FOMC Implied* Rate Reductions By December 2024

For The Week Ending 05/24/2024



Sources: Federal Reserve, Bloomberg

*Suggested by the Summary of Economic Projections (SEP), the FOMC's quarterly projection on economic outlook

This week, at the Peterson Institute for International Economics, Fed Governor Christopher Waller fired back at critics asserting that the Fed has become "overly data dependent...and allegedly sending confusing messages about the stance of monetary policy." Waller argued that while the Fed's projection for the fed funds rate at year-end 2024 in the Summary of Economic Projections has only fluctuated 50 basis points (or two cuts) in the past year, market participants have seesawed from as many as seven rate cuts to as few as only one! Waller clarified that the Fed needs "several" months of "good" inflation data before feeling confident enough to cut. Investors chewed on the word "several," but we think assuming 3-5 months is safe. And, what constitutes "good?" Per Waller: "When [we] don't have to go out two or three decimal places in the monthly inflation data to find the good news." In other words, 3-5 monthly readings that round to 0.2%. In short, we'll give Waller the final word: "A cut doesn't have to happen in this calendar year."