

Morning Macro Briefing 19/09/2024: The Fed Decides



▲ The Fed expects to cut another 50bps in 2024 and 100bps in 2025, according to the dot plot.

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- Fed cuts interest rates by 0.5% for the first time since 2020.
- Fed expects to cut a further 50bps this year and 100bps in 2025.
- Markets jumped initially but rolled over as traders sold the news.
- **The FOMC votes to cut rates by 50bps...** For the first time since 2020, the Federal Open Market Committee voted to cut its benchmark interest rate range to 4.75-5%. The market had been gunning for a 50-point cut over the last few days, despite Tuesday's better-than-expected economic data and reassurance in the post-meeting press conference that the economy is in a good place. The statement said the committee was confident that inflation was moving to target and that "the risks to achieving its employment and inflation goals are roughly in balance." Governor Bowman dissented in favour of a 25bps cut; the first time a Fed Governor has dissented since 2005.

Markets

	Price	% Ch
S&P 500	5,618.26	▼ 0.29%
NASDAQ	17,573.30	▼ 0.31%
FTSE 100	8,253.68	▼ 0.68%
Stoxx 50	4,835.30	▼ 0.52%
Oil (Brent)	73.07	▼ 0.94%
Gold	2,570.10	▲ 0.23%
Copper	7,117.87	▲ 0.20%

Market close 18/09/2024

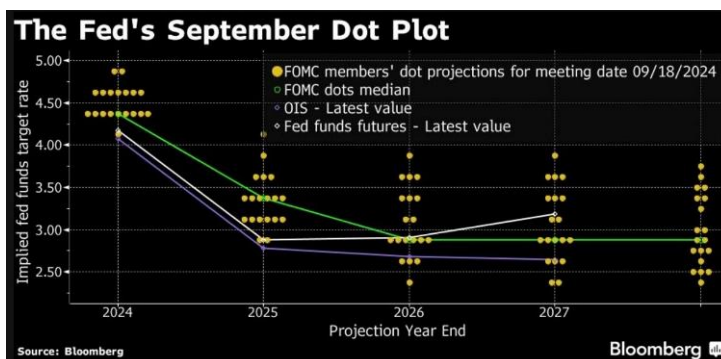
Economic Calendar

Thursday

Bank of England Interest Rate Decision, US Jobs Data (Sep 13), Philly Fed Manufacturing (Sep)

Friday

Japan CPI (Aug), PBoC Interest Rate Decision, Bank of Japan Interest Rate Decision, German PPI (Aug), UK Retail Sales (Aug), EU Consumer Confidence (Sep)



Source: Bloomberg

The dot plot has another 50bps projected for 2024 and 100bps for 2025, bringing the expected interest rate range to 3.25-3.5% by the end of next year.

- **Knee-jerk reaction from markets after announcement...** The S&P 500, Nasdaq and Dow Jones Industrial Average all spiked on the news but later rolled over, finishing down on the day. Prediction markets have begun pricing in more cuts than the Fed has forecast over worries about the economy – why would the Fed cut by 50 if it was not concerned over the state of the labour market or economy? Remember, both times the Fed has started a cutting cycle with a half-point cut, a recession followed soon after.

Elsewhere in the Markets

- **UK Inflation holds steady at 2.2%...** Headline CPI grew by 2.2% y/y in August, unchanged from July and in line with expectations. The Bank of England is widely expected to maintain its current bank rate at today's policy meeting; however, this data leaves the door open for future cuts, with economists expecting a move in November. Inflation has come down from highs of over 10% in 2022, largely due to lower energy prices.

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