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Monthly Commentary

September 2024

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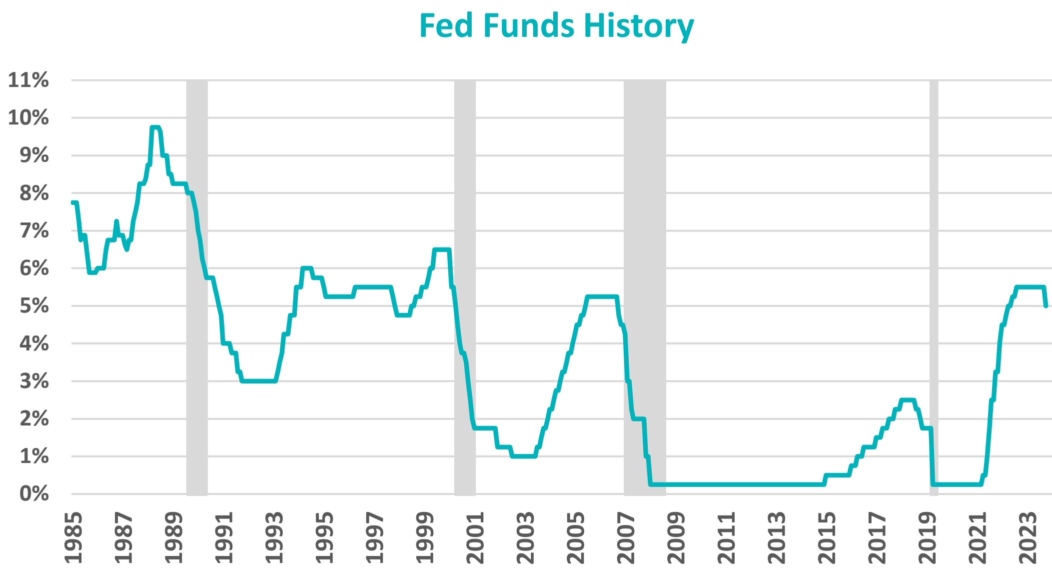
OBSERVATIONS AND EXPECTATIONS

- The Fed started the rate-cutting cycle with a 50-basis point cut September 18th
- Chair Powell said the Fed may slow the pace of upcoming cuts
- Fed's preferred inflation gauge rose slightly during the latest reporting period
- Job growth has been slowing in recent months
- Short-term rates declined more than longer rates during September

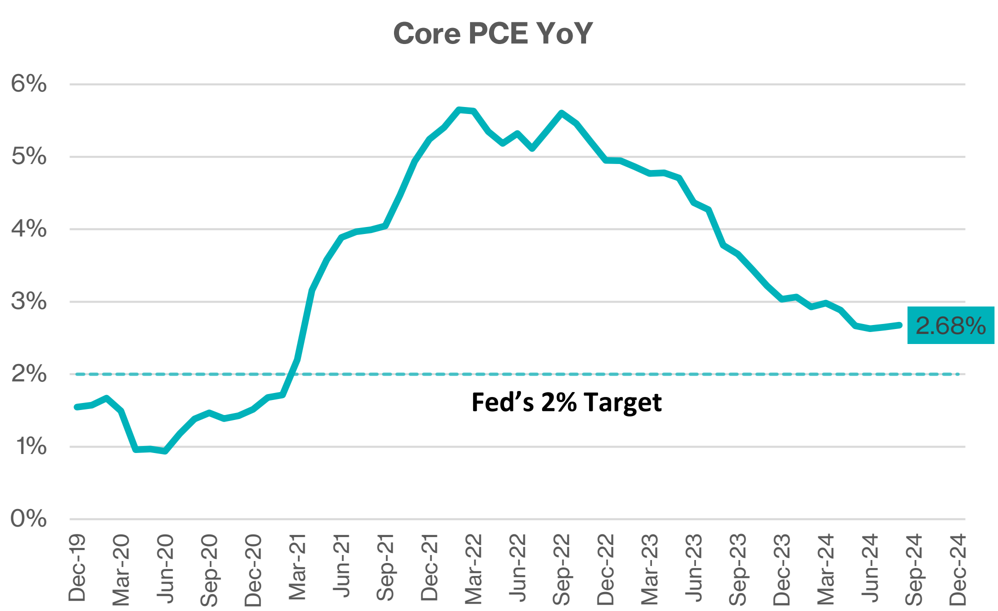
The September Rate Cut...What Will the Future Hold?

- Since the 1980s, the Fed's most used rate hike or cut has been .25% or 25 basis points.
- However, the Fed stated the Fed Funds rate was too restrictive and warranted a 50-basis point cut in September to start this cutting cycle.



SOURCES: FEDERAL RESERVE, BLOOMBERG

Inflation's Rate of Change is Nearing the Fed's Target

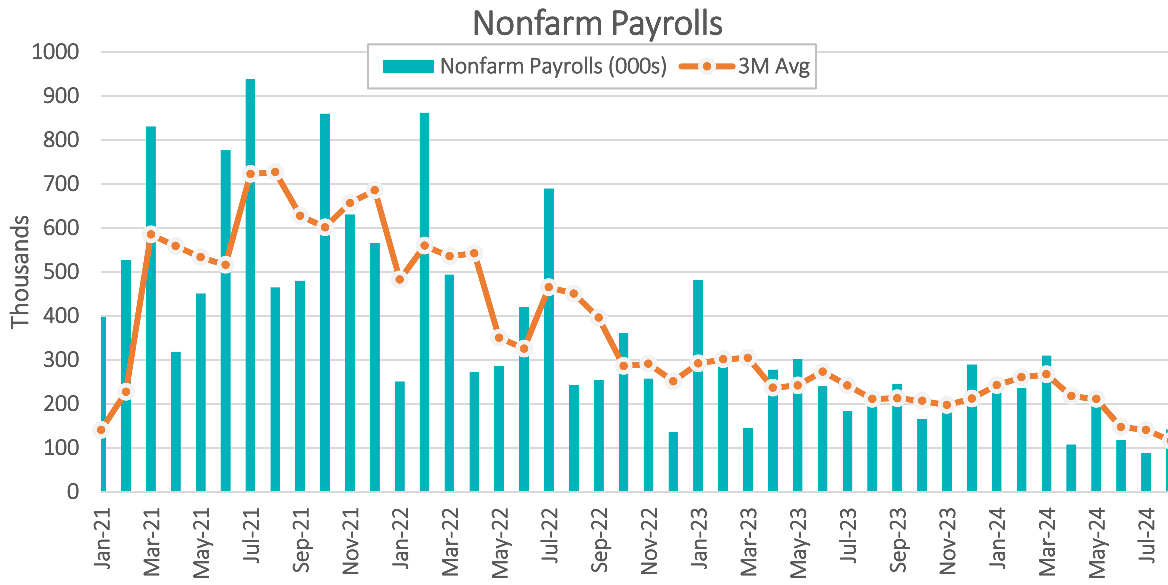


- Core Personal Consumption Expenditure YoY is the Fed's preferred inflation gauge. Core excludes food and energy components.
- Core PCE YoY is currently at 2.7%, not quite at the Fed's 2% target, but far below the 5.6% peak in 2022.
- The Fed expects Core PCE YoY will most likely get much closer to the Fed's 2% in the first half of 2025.

SOURCES: BLOOMBERG, BUREAU OF ECONOMIC ANALYSIS

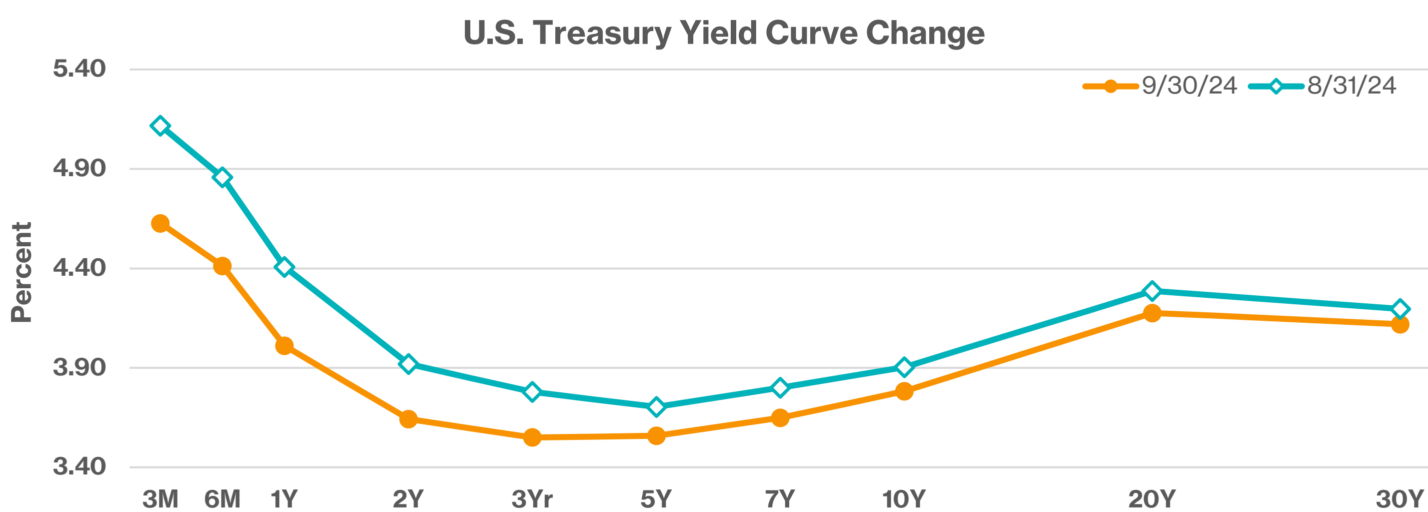
Job Growth Has Slowed in Recent Months

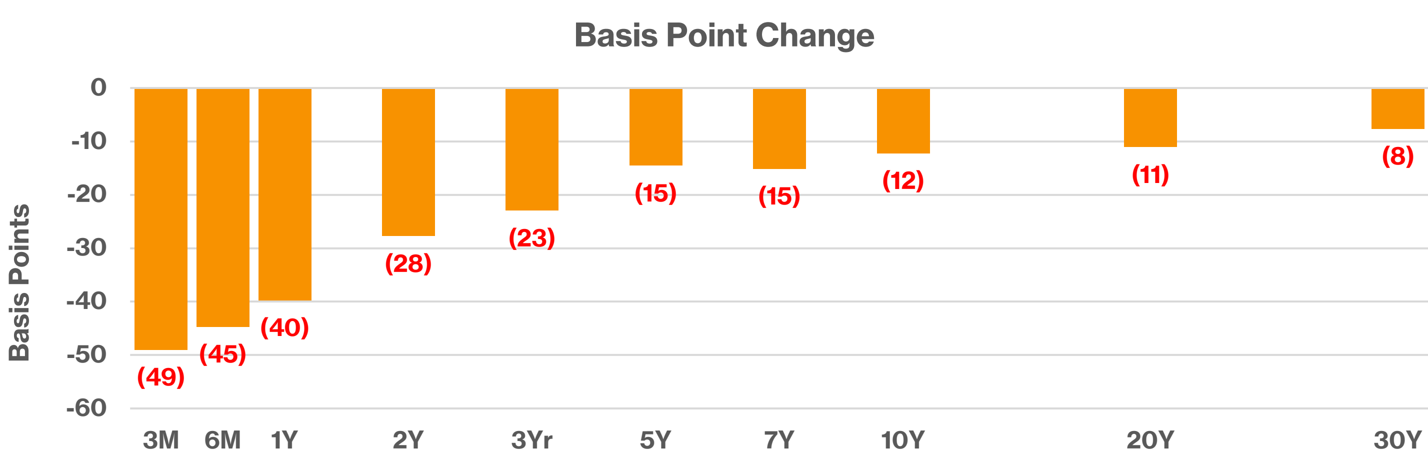
- Chair Powell highlighted at the recent Fed Press that the labor markets remain solid but has slowed.
- With inflation near the Fed's target rate, their primary goal is to now help job growth to stay positive.



SOURCES: BLOOMBERG, BUREAU OF LABOR STATISTICS

The Fed's September Cut Pushed Short-Term Rates Down More Than Longer Rates





SOURCE: BLOOMBERG

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