

ABELIAN VIEW



Highlight of the Week

Federal Funds Rate Remains Unchanged at Wednesday's Meeting

- At Wednesday's meeting, policymakers voted to hold the Federal Funds Rate steady in a range between 5.25% and 5.50%. This decision marks the fifth FOMC meeting in a row where rates remain unchanged as the Federal Reserve continues its pursuit towards 2% inflation.
- The hold decision follows the release of higher-than-expected inflation data – February's CPI rose 3.2% year-over-year, slightly ahead of the 3.1% forecast. However, in response to both the February and January economic data, Chairman Jerome Powell stated "We're not going to overreact... to the two months of data. Nor are we going to ignore them".
- Still, the Committee's forecast for 2024 rate cuts remains unchanged. The year-end FFR projection remains in a range of 4.5% - 4.75%, equivalent to three quarter-point rate cuts. Further, the futures markets continue to predict three rate decreases this year, with the first coming in June.
- Jerome Powell also announced that the Federal Reserve will slow the pace of balance sheet run-off "fairly soon". The Fed's balance sheet has been reduced by over \$1.5 trillion since the Fed began a cycle of quantitative tightening in mid-2022, allowing up to \$60 billion in Treasuries and \$35 billion in mortgage bonds to expire each month without replacement.
- The next rate decision will take place at the May FOMC meeting. Market participants that bet on early rate cuts at this May meeting will likely be disappointed, as policymakers reiterate that no action will be taken until there is greater confidence that inflation is moving towards the 2% target.

Rate Curves

