

INSTANT INSIGHTS

November 8, 2024

FED STAYING THE COURSE

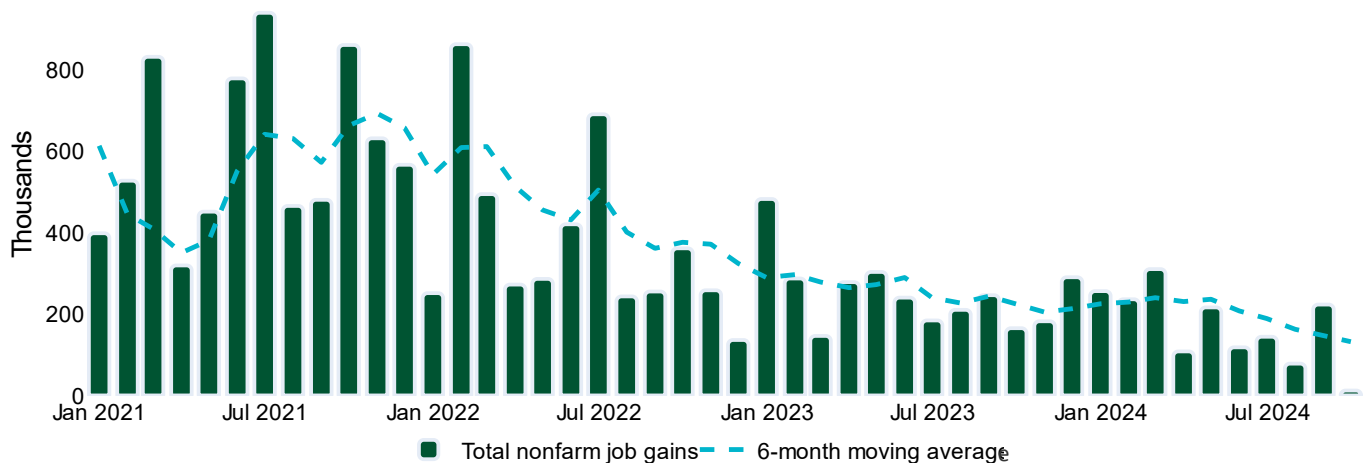
As expected, the Federal Open Market Committee (FOMC) cut the Fed funds rate by 25 basis points (bps), taking it to a range of 4.50% to 4.75%, with no dissenting votes. Chair Powell stated that the Presidential election result will not impact its near-term policy. As such, we expect the Federal Reserve (the "Fed") to continue executing its cutting cycle over the coming months.

LABOR MARKET CONTINUES TO BE FRONT-AND-CENTER

The committee made modest changes to its official statement, noting again that risks to its dual mandate are "roughly in balance." The Fed remained cognizant of declaring victory too quickly on inflation, stating that inflation has "made progress" to its 2% objective, instead of the previous phrasing of "further progress."

We believe the committee remains concerned about cushioning the labor market from potential deterioration. Chair Powell noted last week's particularly weak payrolls release, which saw the economy add only 12,000 jobs, less than the 100,000 the market expected and the lowest since December 2020 (Figure 1). Albeit he acknowledged the impact of hurricanes Helene and Milton as well as industrial strikes impacted the release. Powell stated the central bank's policy moves are designed to keep the labor market "in a good place."

FIGURE 1: MONTHLY PAYROLLS WERE CLOSE TO ZERO IN OCTOBER¹



Charts are provided for illustrative purposes only.

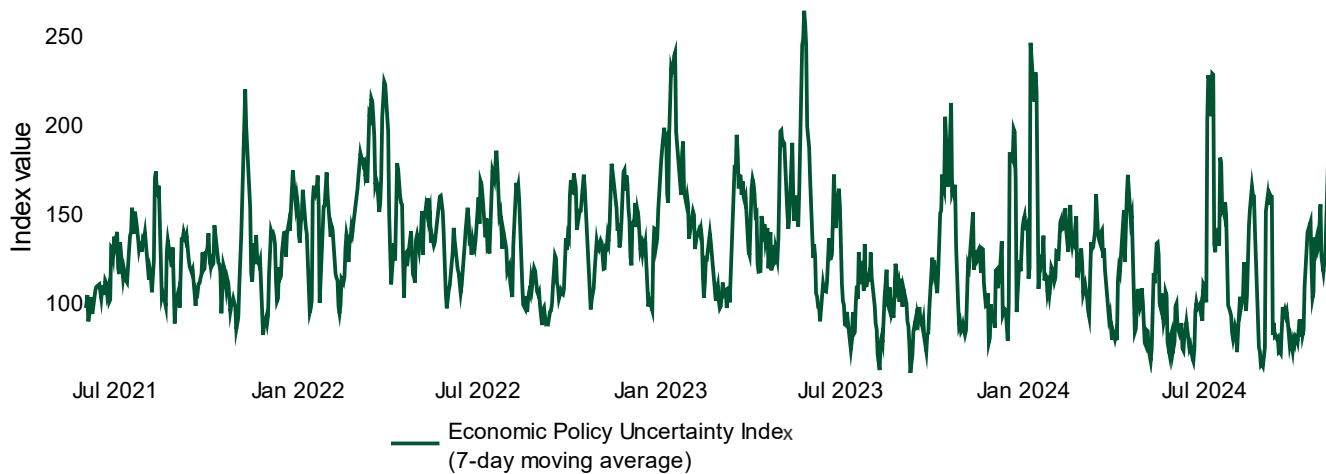
¹ Bureau of Labor Statistics, Macrobond, Insight, November 2024

THE ELECTION MAY NOT CHANGE THE NEAR-TERM OUTLOOK FOR MONETARY POLICY

Chair Powell was immediately asked about how the result of the Presidential election may impact the central bank's monetary easing cycle. He responded, "in the near term, the election will have no effect on our policy decisions" and the "timing and substance" of any policy changes and their "impacts on the economy" are currently unknown and cannot yet factor into the central bank's models.

While we expect policy uncertainty could impact markets over the near term as the new administration's plans around fiscal policy and tariffs crystallize (Figure 2), we expect that changes in the Fed's monetary policy path over the near term will be unlikely.

FIGURE 2: ECONOMIC UNCERTAINTY COULD PLAY A ROLE AS ADMINISTRATION'S ECONOMIC AGENDA COALESCES²



Charts are provided for illustrative purposes only.

WE EXPECT THE EASING CYCLE TO CONTINUE

We believe the Fed will continue to adjust policy broadly to support the labor market over the coming months. At present, a further rate cut in December and additional cuts in 2025 appears to be a sensible base case to us.

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