FOMC Minutes Preview - 9th October 2024

Preview: FOMC Minutes due Wednesday 9th October 2024 at 19:00BST/14:00 EDT

PRIOR MEETING: The FOMC cut rates by 50bps, taking the target for the Federal Funds Rate to 4.75-5.00%, more in fitting with money market pricing before the release rather than the analyst consensus of a 25bps rate cut. There was one dissenter; Governor Bowman opted to vote for a smaller 25bp rate reduction. Within its projections, the 2024 rate forecast was revised down to 4.4% from 5.1%, which implies a further 50bps of easing from current levels. The projections showed that nine of the 19 policymakers see the policy rate above the median forecast for 2024, nine at the median, while one sees it below that. The statement saw some changes: it noted inflation has made further progress but remains somewhat elevated, and it added it has gained greater confidence inflation is moving sustainably towards 2%, and judges risks to achieving its goals are roughly in balance. However, it left its guidance unchanged, noting that "the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks," but it said that it is strongly committed to "supporting maximum employment" and returning inflation to its 2% objective (previously it only referenced inflation). Further out, the FOMC's median projections see the 2025 rate at 3.4% (prev. 4.1%), and the end-2026 dot at 2.9% (prev. 3.1%), where it also sees the neutral rate (2.9% vs prev. 2.8%). Elsewhere in the SEPs, the unemployment rate was revised up throughout the forecast horizon, but the longer run was unchanged at 4.2%; PCE and Core PCE were revised down for 2024 and 2025, while growth saw a revision lower in 2024 but was unchanged throughout the forecast horizon. For the full SEPs, please click here .

WHAT'S HAPPENED SINCE: Since the Fed's 50bps rate cut in September, Fed Chair Powell guided us to a further 50bps of easing this year, meaning 25bps in November and 25bps in December, providing the economy evolves as expected. This saw money markets start to unwind the probability of another 50bps rate cut from the Fed, while a very strong September jobs report saw these bets unwind completely. Given the minutes are an account of the meeting it is only based on information that is available to them at that time, therefore they may be deemed somewhat stale given the Powell guidance and the hot jobs report. Elsewhere, the September Core PCE was a touch softer than expected M/M, although the Y/Y print ticked up to 2.7% from 2.6% (in line with expectations). Some on the FOMC, like Barkin, have warned that the last mile of inflation may still take longer than expected and is worried that price pressures could get stuck next year.

WHAT TO WATCH: The Minutes will be quite backwards looking given the events since the FOMC, but it will be used to see if many of the non-voters were against the 50bps rate cut and would have joined Bowman in opting for a 25bps rate cut. The Minutes will also elaborate on the cases for cutting by 50bps or 25bps, Waller had suggested 50bps was the right call as Core PCE is running below their target, noting if you annualise the last four months, it leaves inflation running at less than 1.8%. However, Bowman said that she voted for 25bps as she feared a 50bps rate cut would give the impression of a premature declaration of victory on inflation. She also highlighted that core inflation remains uncomfortably above the 2% target, with upside risks given ongoing growth in spending and wages. The Minutes will also be eyed to gauge appetite for easing ahead, but Powell has largely guided us to 25bps in November, and another 25bps in December. However, the Summary of Economic Projections saw a very wide range of views. For 2024, two on the Fed pencilled in no more cuts, while seven pencilled in 25bps of more easing, while nine pencilled in 50bps of easing, and one pencilled in 75bps of easing, leaving the median at 50bps of more easing throughout the last two meetings of the year. Given there were several changes to the FOMC statement, discussions around the updated language will also be eyed with risks to the mandate now seen as "roughly balanced".