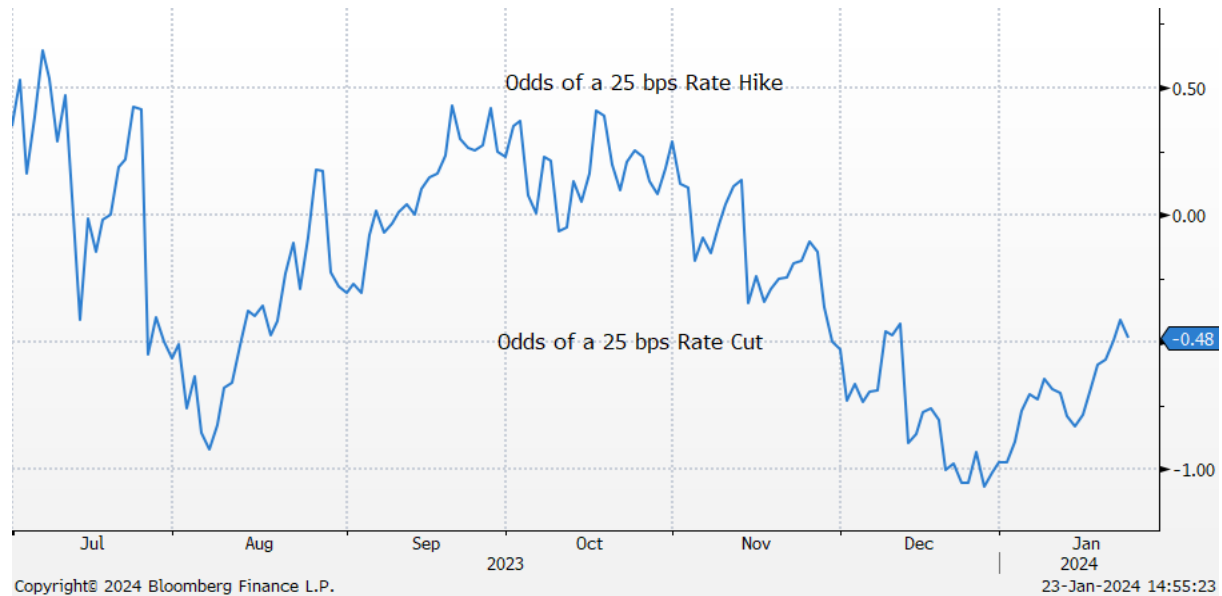


01.23.2024

### Odds of a March Rate Cut



- The chart above looks at the market price for changes in the Federal Reserve policy rate at the March meeting.
- The Y axis shows the market pricing for the probability of a 25 basis point rate hike or cut. A positive number indicates the expectation for a hike while a negative number designates a cut.
- Market pricing in October suggested as high as 40% likelihood of another 25 bps rate *hike* in March.
- Beginning in November, investor's outlook shifted to an expectation of a rate cut at the March meeting. By the end of the year, markets were pricing in a 100% chance for a rate cut.
- However, since the start of the year, the outlook has changed with the odds of a 25 bps rate cut at the March meeting now at 48%.
- The shift in attitude has come as U.S. economic data has remained resilient.
- Although expectations for a rate cut in March have significantly diminished since the start of the year, the market is still pricing in the possibility of 150 bps of rate cuts (six rate cuts of 25 bps each) by the end of the year, which would lower the Fed funds rate to 3.875% by year-end.

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