

## US Rates Alpha

## Exiting Dec-Mar FOMC OIS swap steepener

**Market has reduced Fed cuts pricing**

In [Global Rates Weekly: In data denial 30 June 2023](#), we initiated a Dec 2023-Mar 2024 FOMC OIS swap steepener at a slope of -22bp to express the view that the market was pricing Fed cuts too soon and too deeply in the 1st quarter of 2024. With the market having reduced the pricing of Fed cuts, we exit the trade at -12bp. Our target on this trade was 0bp. We think that the spread will likely continue to increase towards 0bp as a resilient economy allows the Fed to delay cuts until at least the middle of next year. Our US Economics team is expecting a modestly higher-than-consensus payrolls print on Friday (see [Morning Market Tidbits: August employment preview 24 August 2023](#)), but market reactions have been unpredictable, and we take off the trade ahead of this key data point. Longer term, the Jackson Hole speech, in our view, reflects a Fed that will be hesitant to cut rates until the inflation threat definitively subsides and labor market rebalancing shows substantial additional progress.

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