

# Federal Reserve Watch

## No need for another 50

### Did the Fed panic?

The data flow since the Fed's decision to cut by 50bp in September has been remarkably positive, raising the question of whether the super-sized cut was warranted. Today's jobs report was an "A+", even without grade inflation. Job growth surged, prior months were revised up and the unemployment rate declined. In addition to today's gangbusters jobs report, recall that GDP and GDI were revised up substantially last week.

### 25 in November and terminal above 3%

Earlier this week, Chair Powell commented that the Fed will probably cut by 25bp each in November and December if the data evolve as expected. Given the strength in the recent data flow, we shift our November call from a 50bp cut to 25bp. The rest of our Fed path is unchanged: 25bp cuts per meeting until March, and then 25bp per quarter until end-2025. So our terminal rate projection moves up by 25bp to 3.0-3.25%. The risks to this figure are to the upside, given the string of data pointing to stronger productivity growth.

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