**Market Overview**

This past week saw significant movements in USD rates, influenced primarily by the anticipation and outcome of the FOMC meeting. The inflation data showed notable fluctuations throughout the year, with the latest figures indicating a slight uptick. The 5-year breakeven inflation rate, a key indicator of market inflation expectations, continued its steady rise, reflecting growing concerns about future inflationary pressures.

Preceding the FOMC meeting, market participants were keenly focused on the potential for policy shifts. The market pricing data indicated a strong expectation for rate hikes starting early next year, with significant adjustments in the anticipated number of basis points.

**FOMC Meeting Recap**

The main event of the week was the FOMC meeting, where the Federal Reserve provided its latest economic outlook and policy decisions. The FOMC announced that it would maintain the federal funds rate at the current level but signaled a more hawkish stance going forward. The committee highlighted concerns about persistent inflation and the need for potential rate hikes sooner than previously expected.

Market reactions were swift, with USD rates climbing immediately after the announcement. Investors interpreted the FOMC’s statements as a clear signal of tightening monetary policy, which led to adjustments in both short-term and long-term rates.

**Client Trade Overview**

In terms of client trades, i observed distinct patterns among different client groups. "Fast money" clients were predominantly engaged in short-term trades, capitalizing on the immediate post-FOMC volatility. They focused on interest rate swaps (IRS) and short-dated US Treasury futures to manage their exposure to sudden rate changes.

On the other hand, "real money" clients, such as asset managers and pension funds, were more strategic in their approach. They showed a preference for US Treasury bonds (UST) and swap spreads, aiming to hedge against long-term inflation risks and interest rate fluctuations.

**Market View and Trade Recommendations**

Based on the FOMC’s statements and the current inflation data, i believe the committee's concerns about inflation are justified. The rising breakeven inflation rates support the view that inflationary pressures will persist, necessitating a proactive approach from the Fed.

Given this outlook, i recommend the following trades:

1. **Interest Rate Swaps (IRS)**: Enter into interest rate swaps to benefit from anticipated rate hikes. This strategy allows clients to lock in current rates and protect against future increases.
2. **US Treasury Bonds (UST)**: Invest in US Treasury bonds with a focus on intermediate maturities. This offers a balance between yield and interest rate risk, providing a hedge against potential volatility in the short term.

These trades align with our view that the FOMC will need to act sooner rather than later to address inflation, and they offer clients a strategic way to navigate the evolving market landscape.