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Headline: The Fed Will Not Cut Rates in 2024

Article Link: https://apolloacademy.com/the-fed-will-not-cut-rates-in-2024/

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Tweet: Torsten Sløk argues the Fed will not cut rates in 2024 citing stronger growth expectations and rising measures of trend inflation.

Summary: The Fed will not cut rates this year, and rates are going to stay higher for longer. The economy is not slowing down, it is reaccelerating. Growth expectations for 2024 saw a big jump following the Fed pivot in December and the associated easing in financial conditions. Growth expectations for the US continue to be revised higher. Underlying measures of trend inflation are moving higher. Supercore inflation, a measure of inflation preferred by Fed Chair Powell, is trending higher. Following the Fed pivot in December, the labor market remains tight, jobless claims are very low, and wage inflation is sticky between 4% and 5%. Surveys of small businesses show that more small businesses are planning to raise selling prices. Manufacturing surveys show a higher trend in prices paid, another leading indicator of inflation. ISM services prices paid is also trending higher. Surveys of small businesses show that more small businesses are planning to raise worker compensation. Asking rents are rising, and more cities are seeing rising rents, and home prices are rising. Financial conditions continue to ease following the Fed pivot in December with record-high IG issuance, high HY issuance, IPO activity rising, M&A activity rising, and tight credit spreads, and the stock market reaching new all-time highs. Related: Inflation Is Still Hot, But Could Incomes Be Slowing? and How Fast Can the Fed Ease? The Private Sector Response to Easier Conditions Will Be a Key Factor and Macro Outlook 2024: The Hard Part Is Over

Primary Topic: Banking

Topics: Banking, Business Cycle, Financial Markets, GDP, Inflation, Monetary Policy, Op-Ed/Blog Post

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