

Macro Roundup Article

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Summary: The path of policy rates priced into futures markets in major Advanced Economies became more in line with the cautious tone of central banks. The Federal Reserve and the ECB raised policy rates further in July, and emphasized in their communications that future decisions would be data-dependent. Officials also indicated that, while rates might not rise much more, they could stay at their current levels for a prolonged period if inflation remained above target. In accordance with these messages, futures markets in both in the US and the euro area priced in higher rates for 2024 than they had just a few months before. And the expected peak in policy rates was pushed higher and later. That said, investors still seemed to anticipate rate cuts as early as the second quarter of 2024, and much deeper in the US than the euro area. Related: Adrift at Sea and What Have We Learned About the Neutral Rate? and Measuring the Natural Rate of Interest After COVID-19

Primary Topic: Financial Markets

Topics: Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, Government/NGO, Monetary Policy

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