

## Macro Roundup Article

**Headline:** [Is the Market Repeating the Mistake It Made in January?](https://www.apolloacademy.com/is-the-market-repeating-the-mistake-it-made-in-january/)

**Article**

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**Tweet:** Torsten Sløk argues that reflexivity, financial conditions easing in advance of foreshadowed rate cuts, is making it more difficult to cut. "The Fed's insistence on the next move being a cut makes it more difficult to actually cut rates."

**Summary:** The market is making the same mistake it made in January when it priced in six cuts. Looking at the ongoing uptrend in CEO confidence, there is no reason for the Fed to cut interest rates anytime soon. In fact, it is not the incoming data that is the reason to begin cutting interest rates soon. It is the Fed's model, which says that interest rates in the long run should be much lower than the fed funds rate today. In other words, the Fed has moved from being data dependent to being r-star dependent. Not even CPI inflation at 3.0% argues for the Fed to cut interest rates soon, particularly not in a situation where the stock market is reaching new all-time highs every day, and CEOs are becoming increasingly optimistic about the outlook. The Fed's insistence on the next move being a cut makes it more difficult to actually cut rates. That is because signals to the market about coming Fed cuts push stock prices higher and tighten credit spreads, which in turn puts more upward pressure on growth and inflation.

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**Primary Topic:** Inflation

**Topics:** Business Cycle, GDP, Inflation, Monetary Policy, Op-Ed/Blog Post, Weekly

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