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Quantitative Global Macro Strategy

Intraday Analysis – Trading FOMC

CITI'S TAKE

We examine cross-asset price reactions to FOMC days (cut expected by our [US econ team while Fed awaits more data](#)). Risk and interest-sensitive assets generally have positive returns on FOMC days, but the effects have waned in 2025. Intra-day equity up reactions to FOMC statements (which happen in the median case) mostly get unwound post press conference. Down moves have follow-through. In rates, futures returns in the 5min after tend to continue. We illustrate with some simple backtests in the report. Dovish moves on the day (- 1.5σ in 2Y yields) have multi-day follow-through. EURUSD moves post decision moves tend to stick, while a hawkish reaction (+ 1.5σ up in 2Y yields) tends to have multi-day follow-through.

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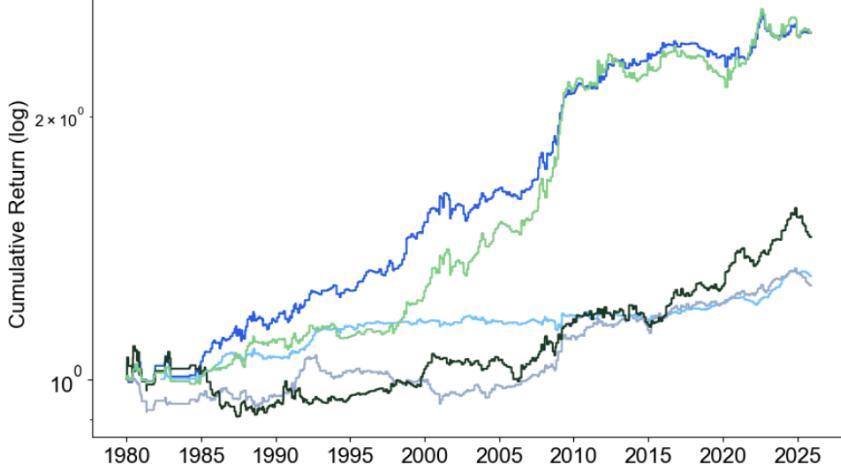
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A Closer Look Intraday

Academic research has posited that there is a risk premium built in prior to new information released on FOMC days ([Wiley Online](#), Lucca and Moench, 6-Aug-14), but research by Kurov, et. al. ([Science Direct](#), 30-Sep-20) suggests the effect has waned in recent years. Using historical daily and intraday data, we find that despite flatter recent returns it is still a good idea to be long risky and interest rate sensitive assets on FOMC day. Figure 1 shows performance to be long these assets on every FOMC day. Both large and small caps perform well; however, large caps tend to have similar return to small caps with a smaller drawdown. Bonds and EUR have had long periods of flat performance but in the last 10 years have tended to appreciate. Gold has also seen better returns in last 10 years, but investors must beware of steep drawdowns on FOMC surprises. The last few months have been disappointing for investors looking to capture the risk premium (see also Figure 2 through Figure 5). Our econ team continue to expect a cut (see [US Economics – FOMC Preview – December cut as Fed awaits more data](#)) but a divided committee makes a strong signal from the Chair for further cuts unlikely in their view. Our rates team expect the [cut to be “hawkish”](#).

Figure 1. It has generally been a good idea to go long interest-rate sensitive assets around FOMC days – although the returns have waned in the last 24 months.

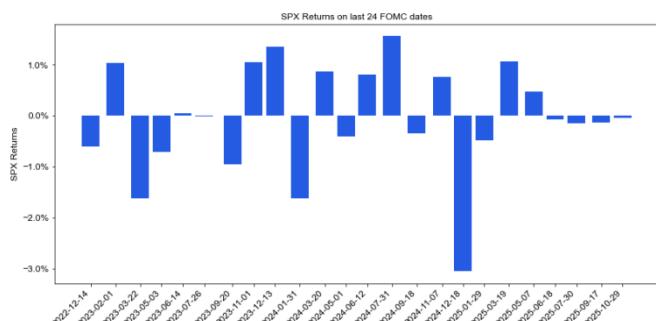
	Long on FOMC (SPX)	Long on FOMC (UST 2y)	Long on FOMC (EURUSD)	Long on FOMC (Gold)	Long on FOMC (RTY)
Return	2.06%	0.64%	0.56%	0.88%	2.08%
Volatility	3.61%	1.48%	2.12%	3.46%	4.10%
Risk/Reward	0.57	0.43	0.26	0.25	0.51
max DD	-7.06%	-3.68%	-12.03%	-17.01%	-10.20%
Active IR	3.1	2.4	1.4	1.4	2.8
% on	3.40%	3.10%	3.36%	3.40%	3.40%



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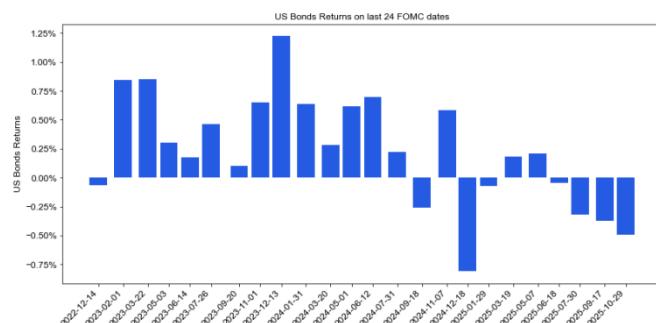
Figure 2. Equities investors must beware of FOMC surprises – the last few meetings have been down small.



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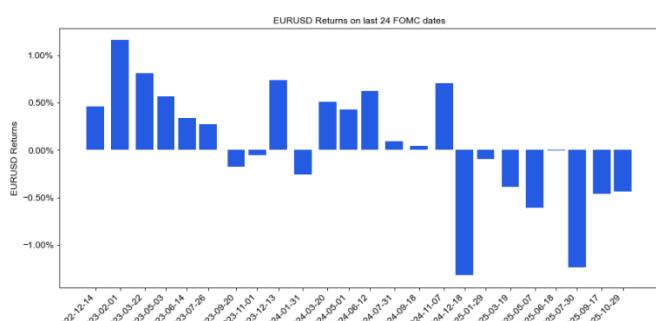
Figure 3. Bond (TY1) returns have been weaker in the last few meetings.



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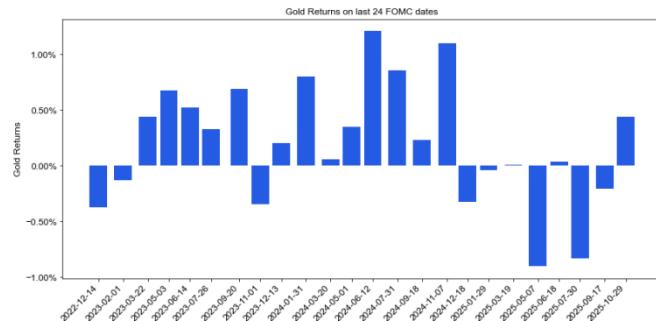
Figure 4. EURUSD patterns match the fixed-income ones.



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Figure 5. Interestingly, gold has also been weaker in the some recent FOMC meetings.

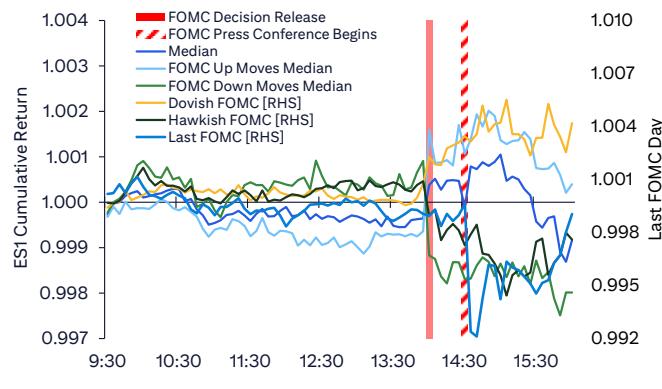


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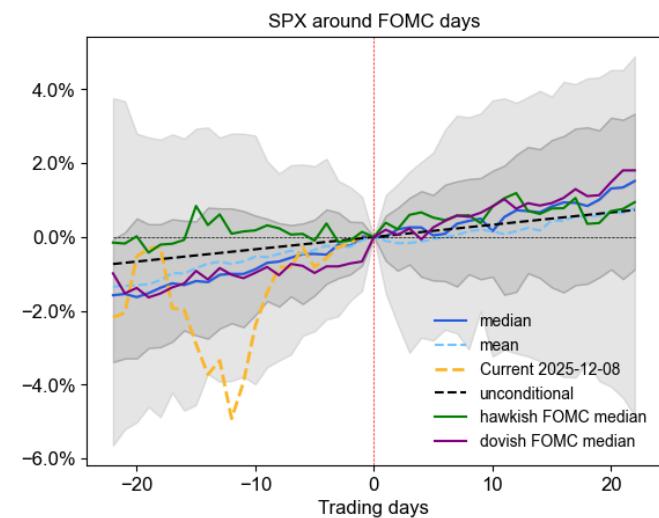
Moving onto intraday performance in SPX futures, up reactions to FOMC statements get mostly unwound post-presser while down reactions have follow-through. Figure 6 shows the movements on the day of the decision. We split into FOMC up moves when the futures price is up 5 minutes after statement release, and down when the market has sold off in that 5-minute period. We see that, in the median case, equities typically rally following the FOMC decision and especially into the FOMC press conference, but the rally is typically unwound by the close. If conditioning on a dovish/hawkish Fed by filtering for FOMC days where the US 2YR yield changes by +/- 1.5 standard deviation over a 1-year rolling window, we see that price action is more volatile on these days but still follows the typical pattern and reverts into the close. Figure 7 shows the multi-day follow-through after dovish/hawkish events. In both cases, we see some mild positive follow-through in the next 10-15 trading sessions.

Figure 6. Intraday S&P futures rise into the decision but reverse post the press conference



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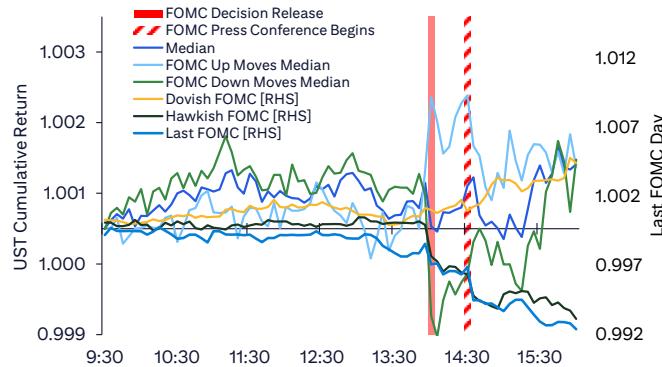
Figure 7. Equities tend to ignore hawkish vs dovish Fed signals post FOMC (day 0)



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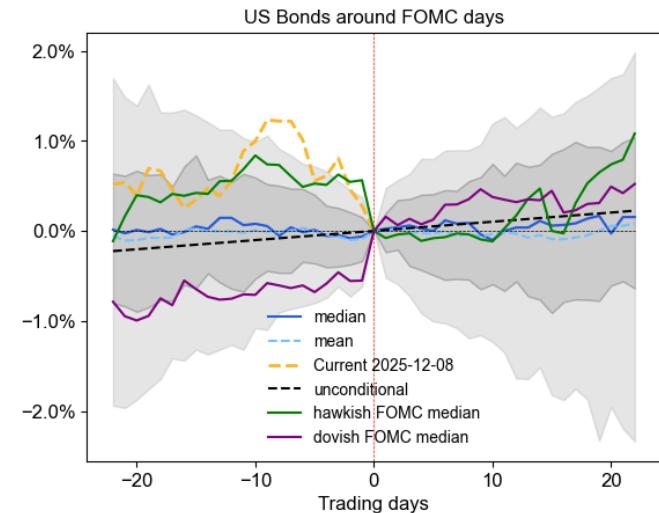
For bonds, dovish on FOMC releases have multi-day follow-through while sell-offs have reversed. For UST futures (Figure 8), the intra-day down moves (measured 5-minutes post decision) have not typically held, while the positive moves have. Hawkish/dovish surprises (as measured by the price action on the day) can see some follow-through but more strongly on the dovish side. Looking further ahead in Figure 9, dovish FOMC days (54 observations since 1990) have some follow through over the next 10 trading days whereas hawkish moves in the 2y, which are rarer, only 27 such days, portend flat returns for the next 10 sessions.

Figure 8. UST intraday; positive [FOMC Up] returns after the decision tend to stick while negative moves can reverse



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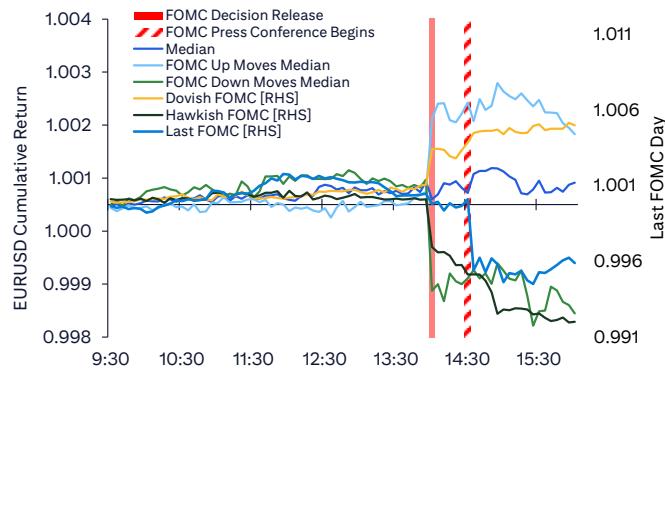
Figure 9. Dovish FOMC days sees some follow through over next 10 trading days



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EURUSD typically ends the day where it was after the release of the FOMC decision, but dovish/hawkish surprises see follow-through intraday. A hawkish move in 2Y yields has follow-through for the next 20 trading days. Figure 10 shows intraday patterns in which up and down moves tend to stick. Figure 11 shows follow-through over the next month; hawkish Fed days tend to have more follow-through for the greenback with the EUR losing more than 1% 20 trading days after FOMC.

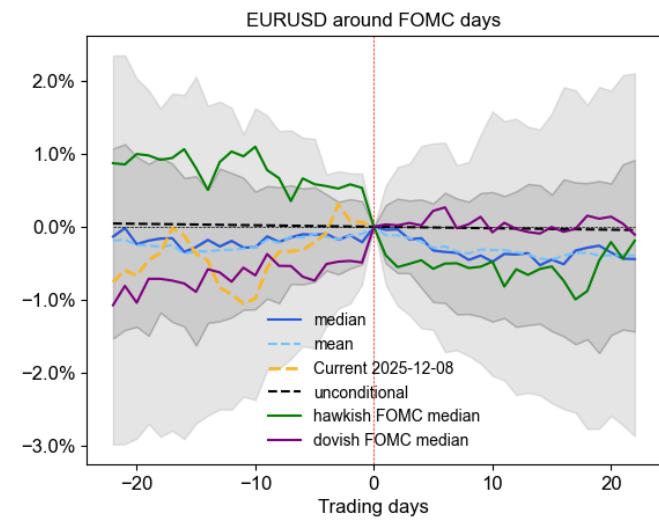
Figure 10. EURUSD intraday most of the action happens right at the FOMC decision



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Figure 11. EUR with some downside follow-through after hawkish FOMC; nothing much after a dovish event



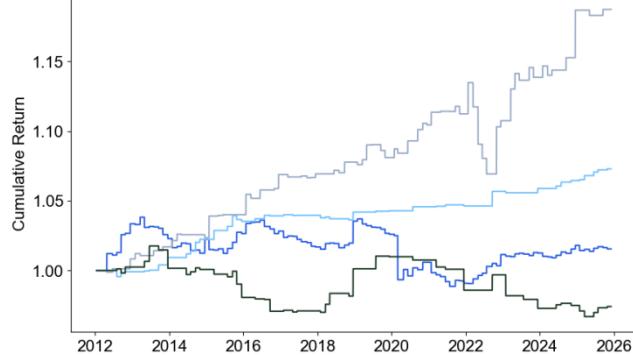
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We also run some tests to see if short-term intraday trends in macro assets are worth exploiting. When equities initially rally or sell off in the first five minutes after FOMC publishes their statement, they tend to continue that trend (Figure 6), although up moves can get unwound by market close. We test strategies that follow this trend and discover they offer positive returns, although drawdowns on shorting equities can be risky. We calculate returns based on the daily returns with the returns and volatility annualized; active IR is calculated only based on the days the trade is "on" i.e. the FOMC meeting days. We assume entry at the close point of the time and do not include transaction costs. Break-even costs, i.e., the average returns, range from 27bps shorting S&P futures into the close on a down move to 3-4bps for the Treasury strategies. In those rates moves, we see more trends and less reversals, especially when bonds initially sell off at FOMC decision release (Figure 8), so a trend strategy can be hit or miss.

Figure 12. ES1 intraday trend strategies have shown profitability, with selloffs into the close.

	Long ES1 9:30-1:55pm on all FOMC	Long ES1 2:05-2:30pm on up move	Short ES1 2:05pm-Close on down move	Short ES1 2:30pm-Close on up move
Return	0.12%	0.51%	1.26%	-0.18%
Volatility	1.36%	0.55%	1.96%	1.19%
Risk/Reward	0.088	0.92	0.64	-0.15
max DD	-4.78%	-0.44%	-5.78%	-4.98%
Active IR	0.6	1.1e+01	5.9	-1.6
% on	2.15%	0.89%	1.26%	0.89%

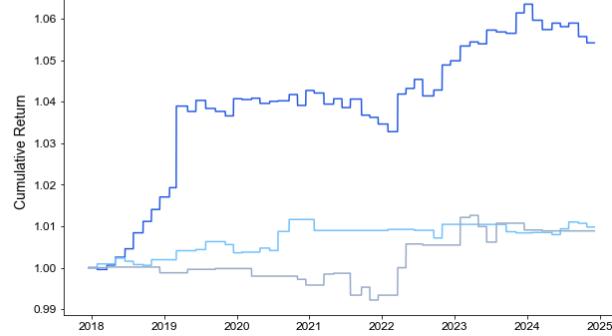


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Figure 13. TY1 futures tend to trend in the direction of the first 5min move.

	Long TY1 9:30-1:55pm on all FOMC	Long TY1 2:05pm-Close on up moves	Short TY1 2:05pm-Close on down moves
Return	0.76%	0.14%	0.13%
Volatility	1.02%	0.34%	0.57%
Risk/Reward	0.75	0.42	0.23
max DD	-0.95%	-0.44%	-0.80%
Active IR	5.2	3.8	2.3
% on	2.16%	1.22%	0.90%



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