

Market Newsflash



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About Face Complete; Fed on Hold

Given that the year-end market fireworks were sparked, at least in part, by the unexpectedly hawkish testimony of Chairman Powell in December, we expected the FOMC would pivot to a more accommodative stance going forward. That process started on the media circuit amid the market selloff following the December meeting, and was driven home by January 30 policy statement.

Despite still describing an economy that is “solid” and a labor market that is “strong,” the Fed laid on the patience mantra pretty thick. It removed previous references about further gradual rate hikes

and roughly balanced economic risks, while stating plainly that the Committee “will be patient” in taking the next rate step, citing “global economic and financial developments and muted inflation pressures.” The FOMC also hinted at flexibility in paring down its balance sheet. The vote to keep rates steady was unanimous, suggesting all voters are very much on board with a lengthy pause. The Fed remains data dependent, so we can’t rule out the possibility of a hike later this year, but it is clear that they are on hold for the immediate future. This suggests that Fed guidance, one of our top three market themes for 2019, is playing out as expected.

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