

Economic Outlook:

Rate Cut Initiated as Federal Reserve Gains Confidence in Disinflation, Fears Labor Market Cooling

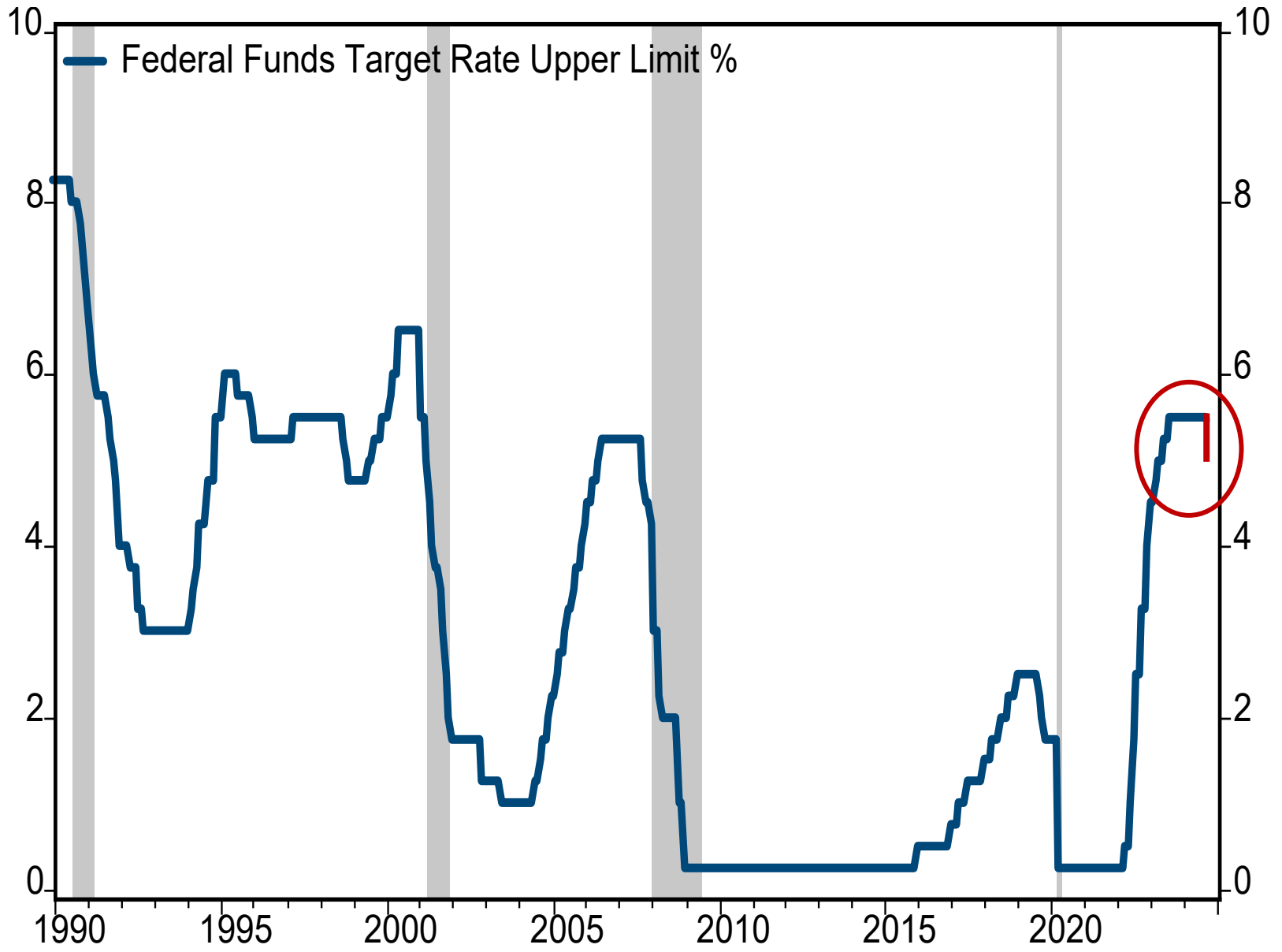
October 2024



STIFEL

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Chief Economist

Federal Reserve Cuts Rates for First Time Since 2020



Source: Federal Reserve Board/Haver Analytics

*“Recent indicators suggest that economic activity has continued to expand at a **solid** pace.”*

*“**Job gains have slowed**, and the unemployment rate has moved up but **remains low**.”*

- September 18 FOMC Statement

*“Inflation has **made further progress** toward the Committee’s 2 percent objective but remains somewhat **elevated.**”*

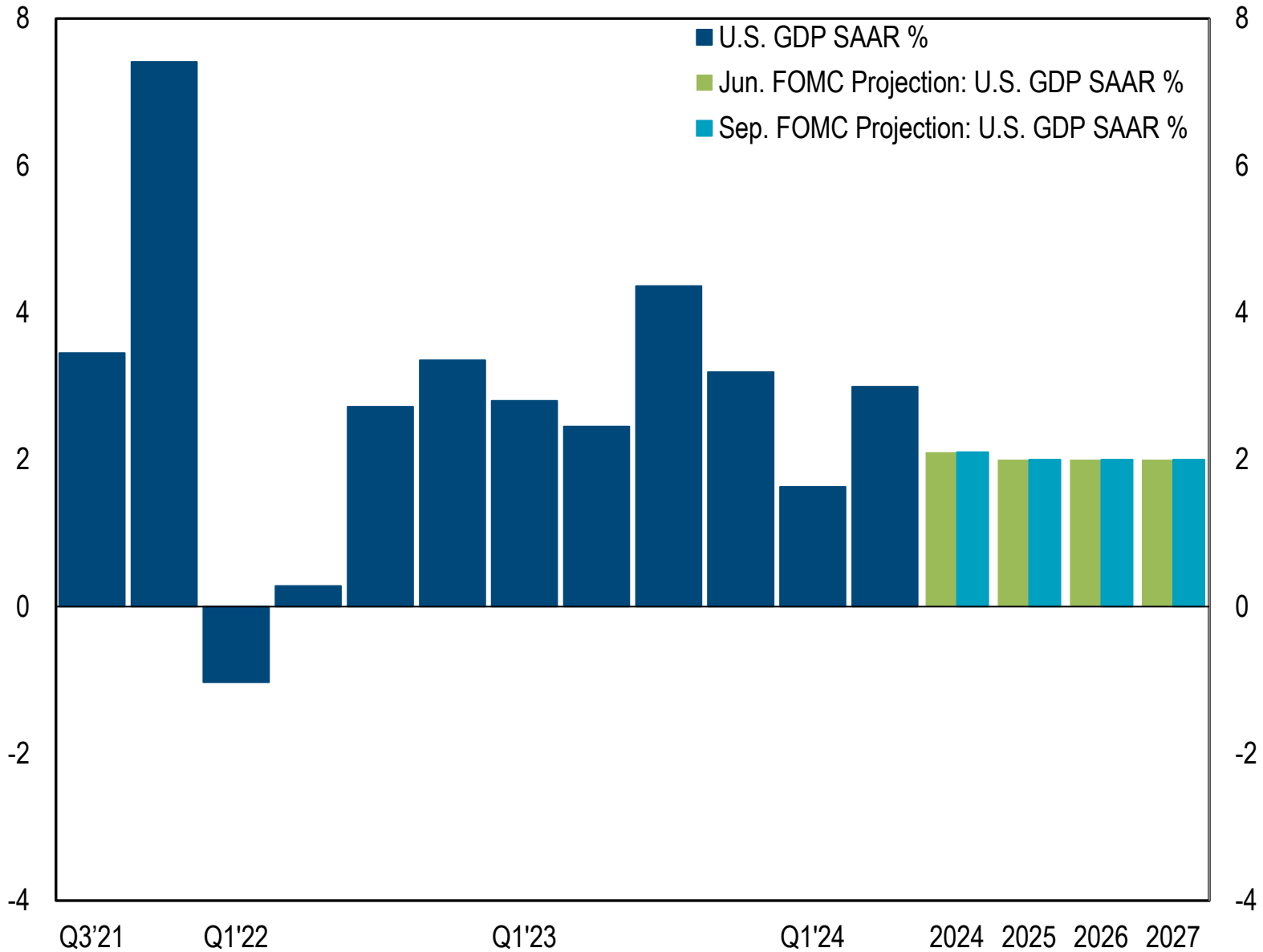
- September 18 FOMC Statement

*“The Committee has gained **greater confidence that inflation is moving sustainably toward 2 percent**, and judges that the risks to achieving its employment and inflation goals are **roughly in balance**. The economic **outlook is uncertain**, and the Committee is **attentive to the risks to both sides of its dual mandate**.”*

*“In considering additional adjustments to the target range for the federal funds rate, the **Committee will carefully assess incoming data, the evolving outlook, and the balance of risks**.”*

- September 18 FOMC Statement

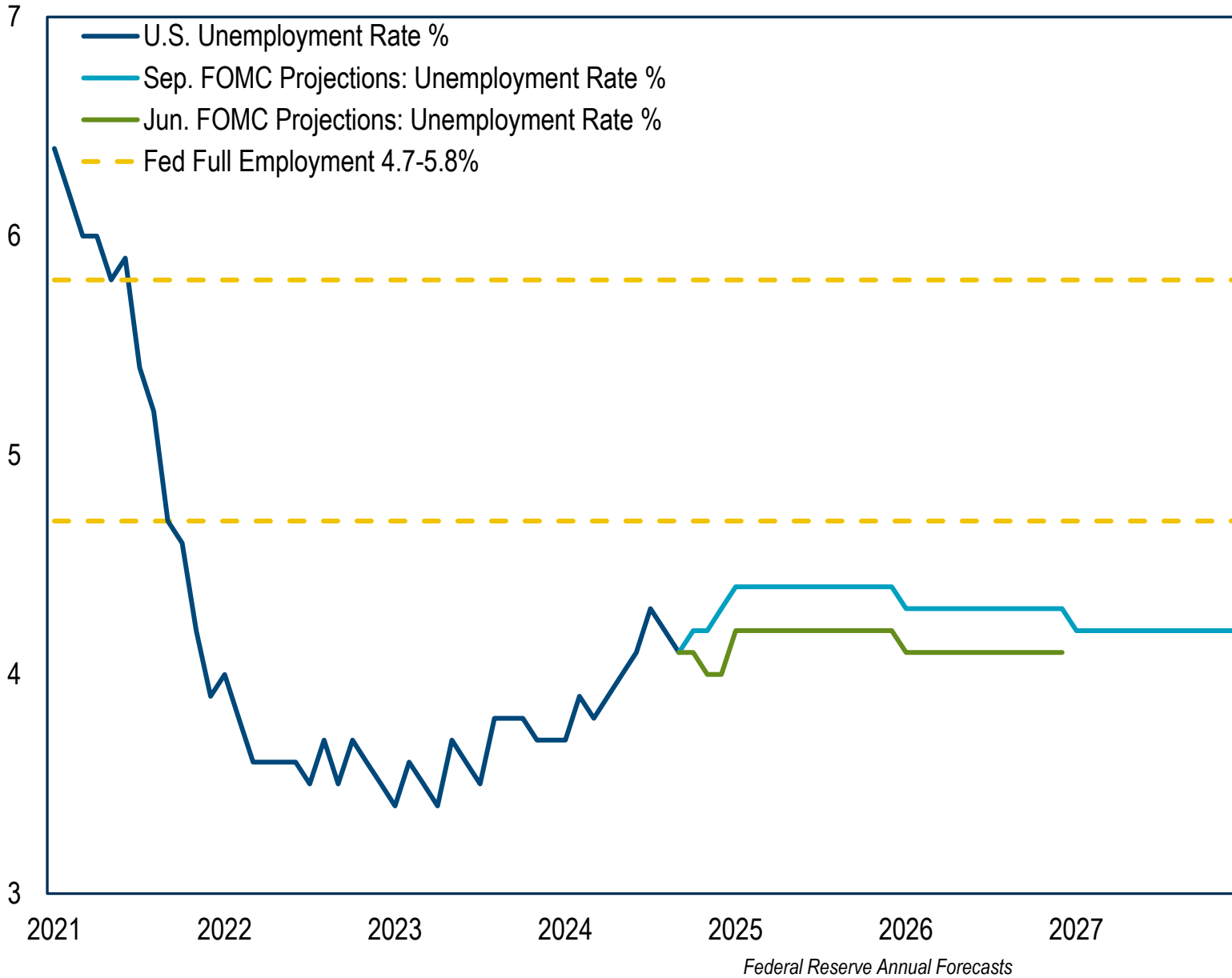
GDP Expected to Remain Positive



Source: Census Bureau/Bloomberg/Stifel

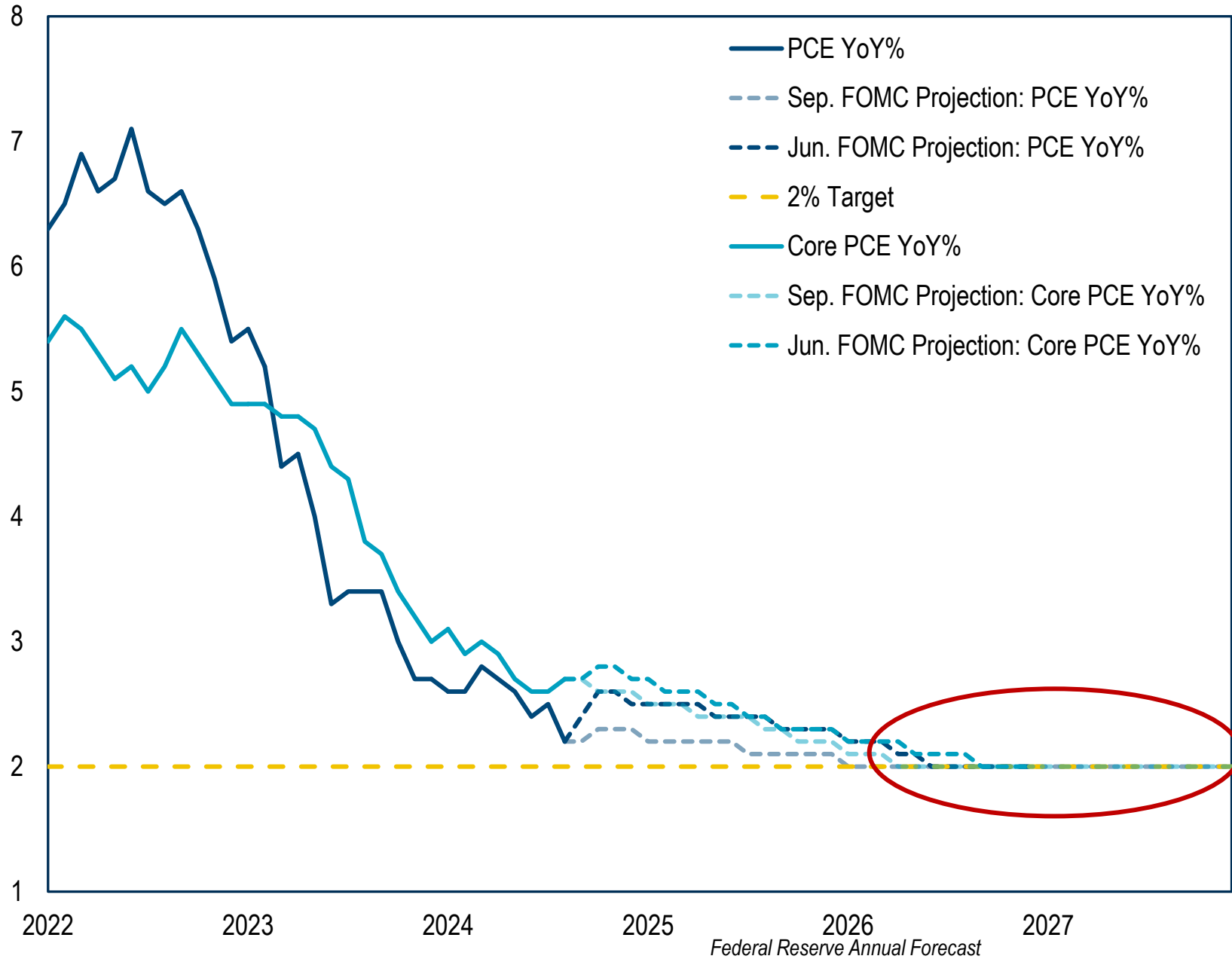
Federal Reserve Annual Forecast

Unemployment Rate Expected to Tick Higher



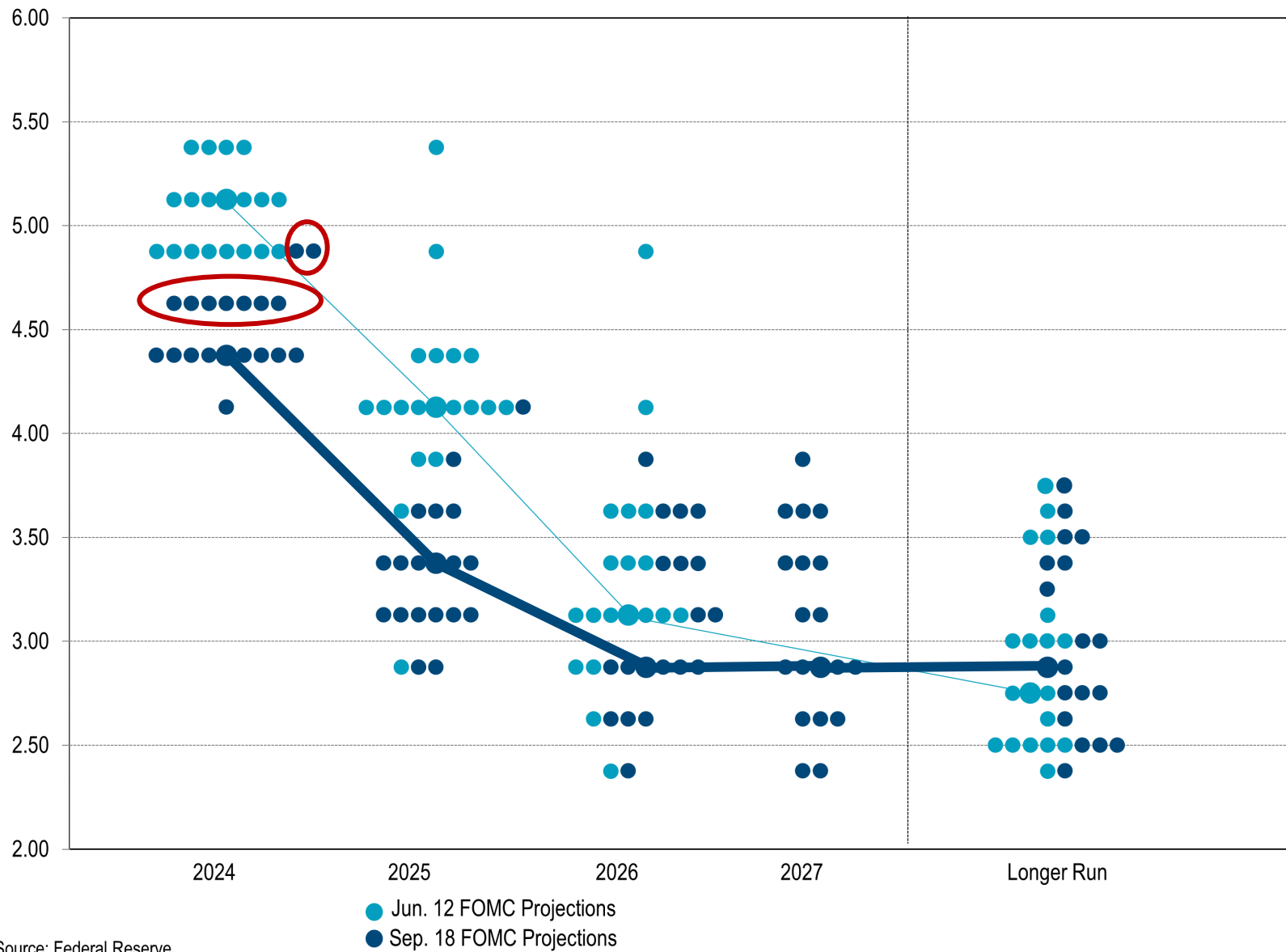
Source: Bureau of Economic Analysis/Federal Reserve

Inflation Expected to Remain Elevated

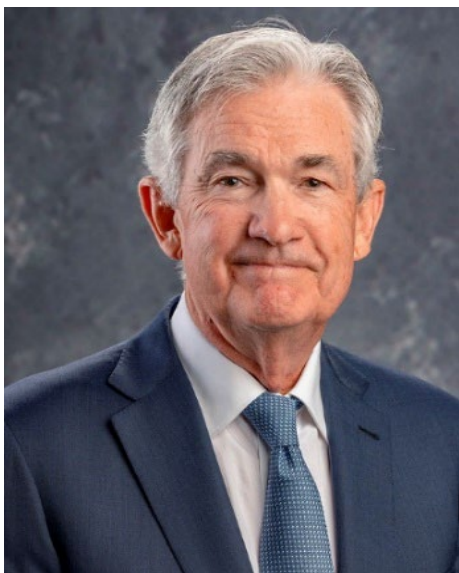


Source: Bureau of Economic Analysis/Federal Reserve/Haver Analytics

September Dot Plot



Source: Federal Reserve



*“We made a good, **strong start** to this and that's really, frankly, a sign of our confidence.”*

*“Our economy is **strong overall** and has **made significant progress toward our goals** over the past two years.”*

*“...if you look back over the sweep of the year, that's a low, that's a **very healthy unemployment rate.**”*

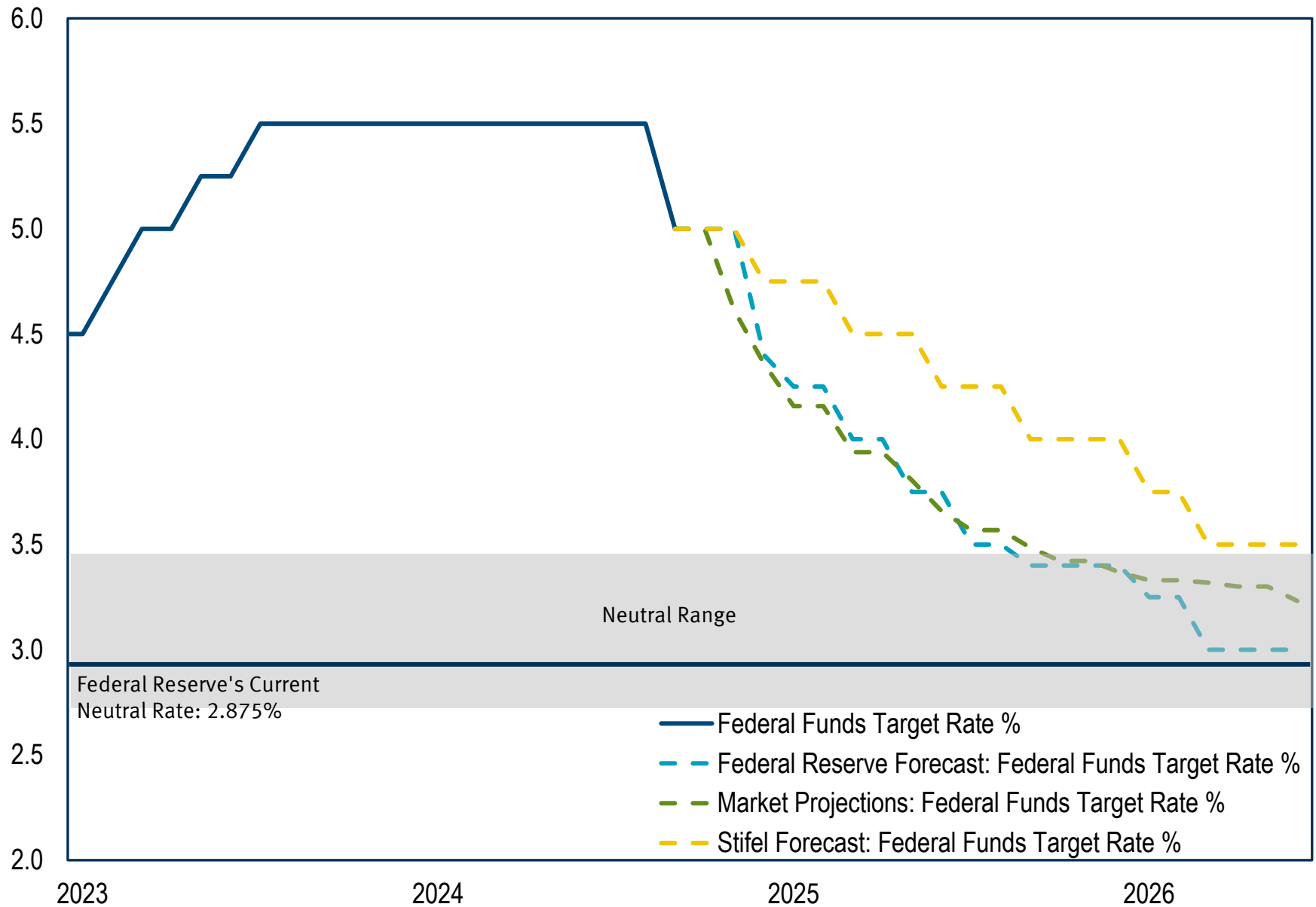
*“...the labor market is actually in **solid** condition”*

*“I **don't see anything** in the economy right now that **suggests that the likelihood of a recession, sorry, of a downturn is elevated.**”*

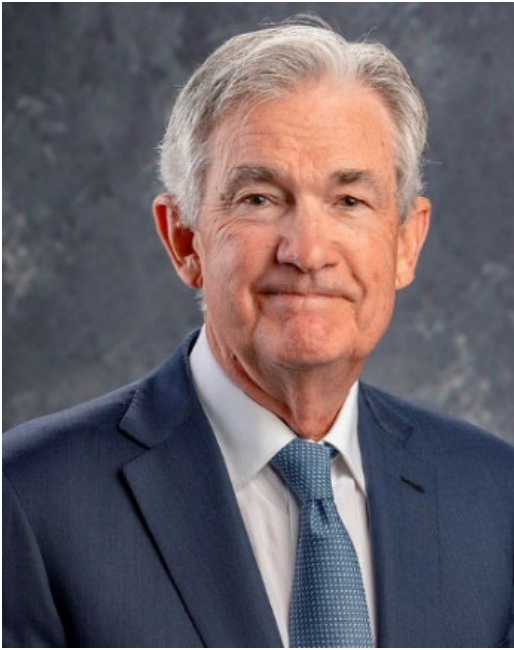
Federal Reserve (Fed) Chairman Jerome Powell Speaking at FOMC Press Conference

September 18, 2024

September FOMC Dot Plot



Source: Bureau of Economic Analysis/Federal Reserve



*“There is **nothing** in the SEP that suggests the committee is **in a rush**.”*

*“I **do not think** that anyone should look at this and say, ‘Oh, **this is the new pace**.’”*

Fed Chairman Jerome Powell Speaking at FOMC Press Conference

September 18, 2024



“My residual concern about inflation might have led me to settle on a relatively small first move last week—say, 25 basis points. But such a move would belie growing uncertainty about the trajectory of the labor market.”

Atlanta Fed President Raphael Bostic Speaking at a European Economics and Financial Centre Virtual Event

September 23, 2024

Federal Reserve Officials Comment on Latest Policy Decision



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September 23, 2024



*“After 50 basis points, we’re still in a net tight position so I was comfortable taking a larger first step. **As we go forward, I expect, on balance, we will probably take smaller steps unless the data changes materially.**”*

Minneapolis Fed President Neel Kashkari Speaking on CNBC

September 23, 2024

Federal Reserve Officials Comment on Latest Policy Decision



*“As we’ve gained confidence that we are on the path back to 2%, **it’s appropriate to increase our focus on the other side of the Fed’s mandate** — to think about risks to employment. **Rates need to come down significantly going forward** if we want the conditions to stay that way.”*

Chicago Fed President Austan Goolsbee Speaking at the National Association of State Treasurers Annual Conference

September 23, 2024

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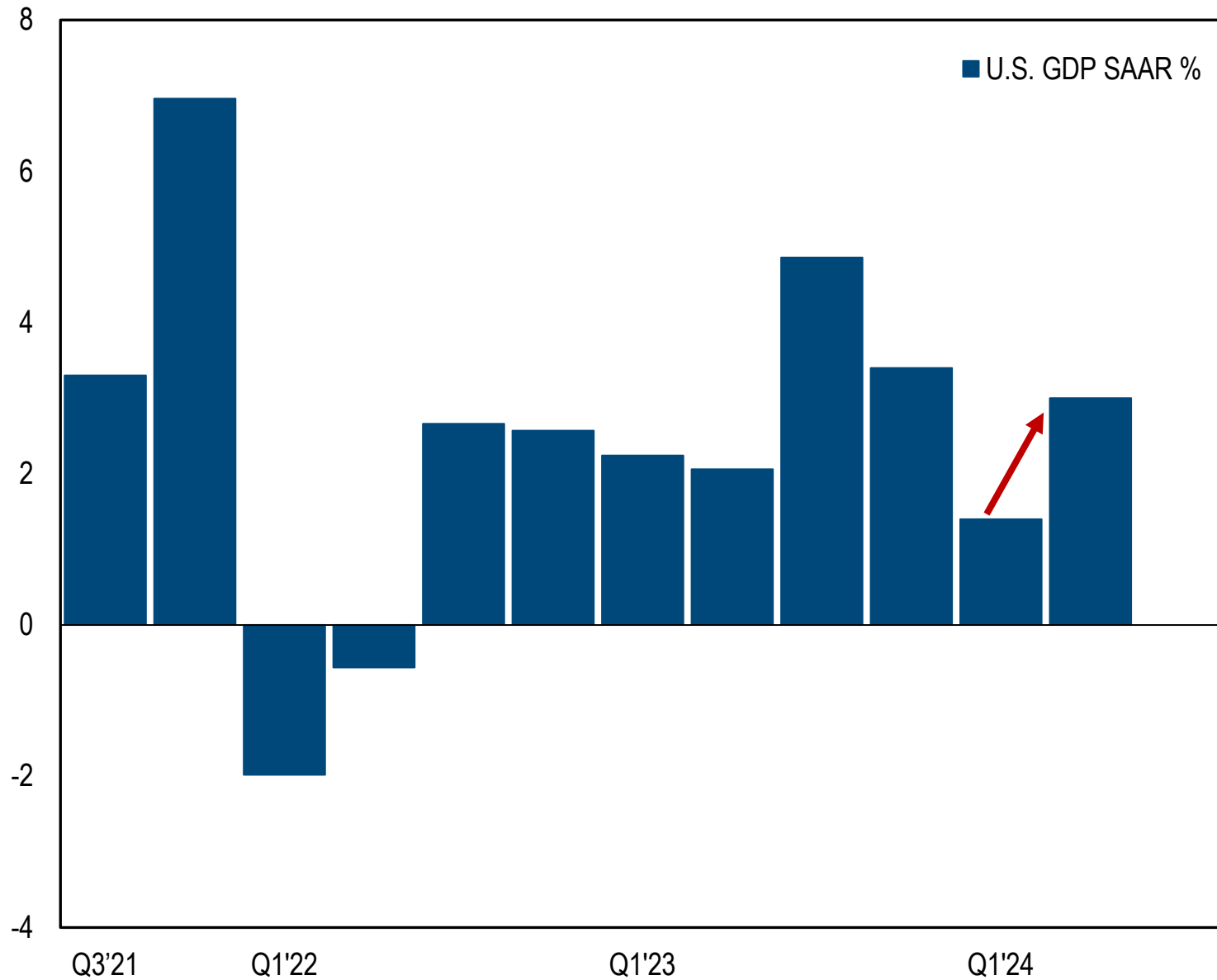


“Turning to the risks to achieving our dual mandate, I continue to see greater risks to price stability, especially while the labor market continues to be near estimates of full employment.”

Fed Governor Michelle Bowman Speaking at a Kentucky Bankers Association Event

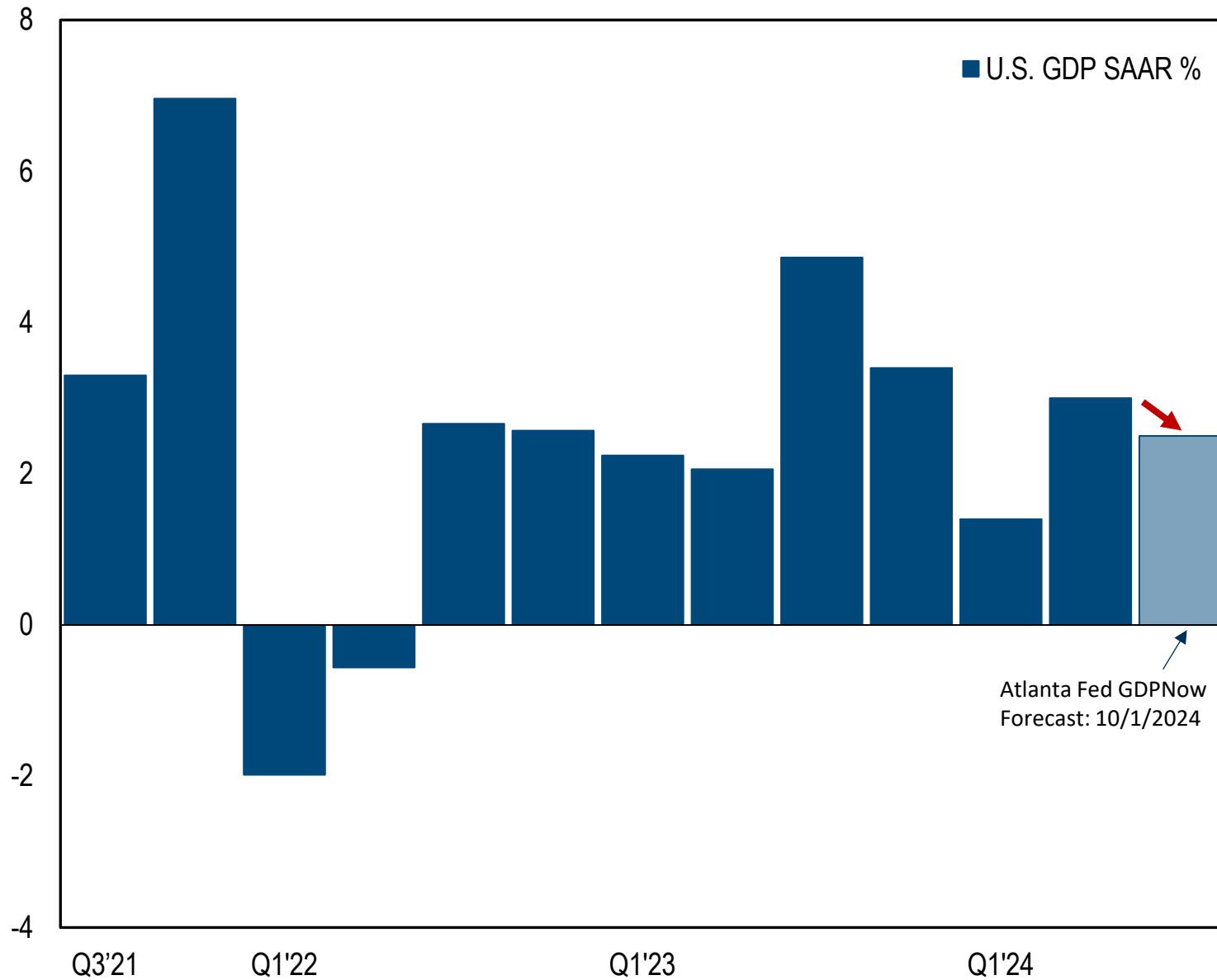
September 24, 2024

GDP Rises 3.0% in Q2



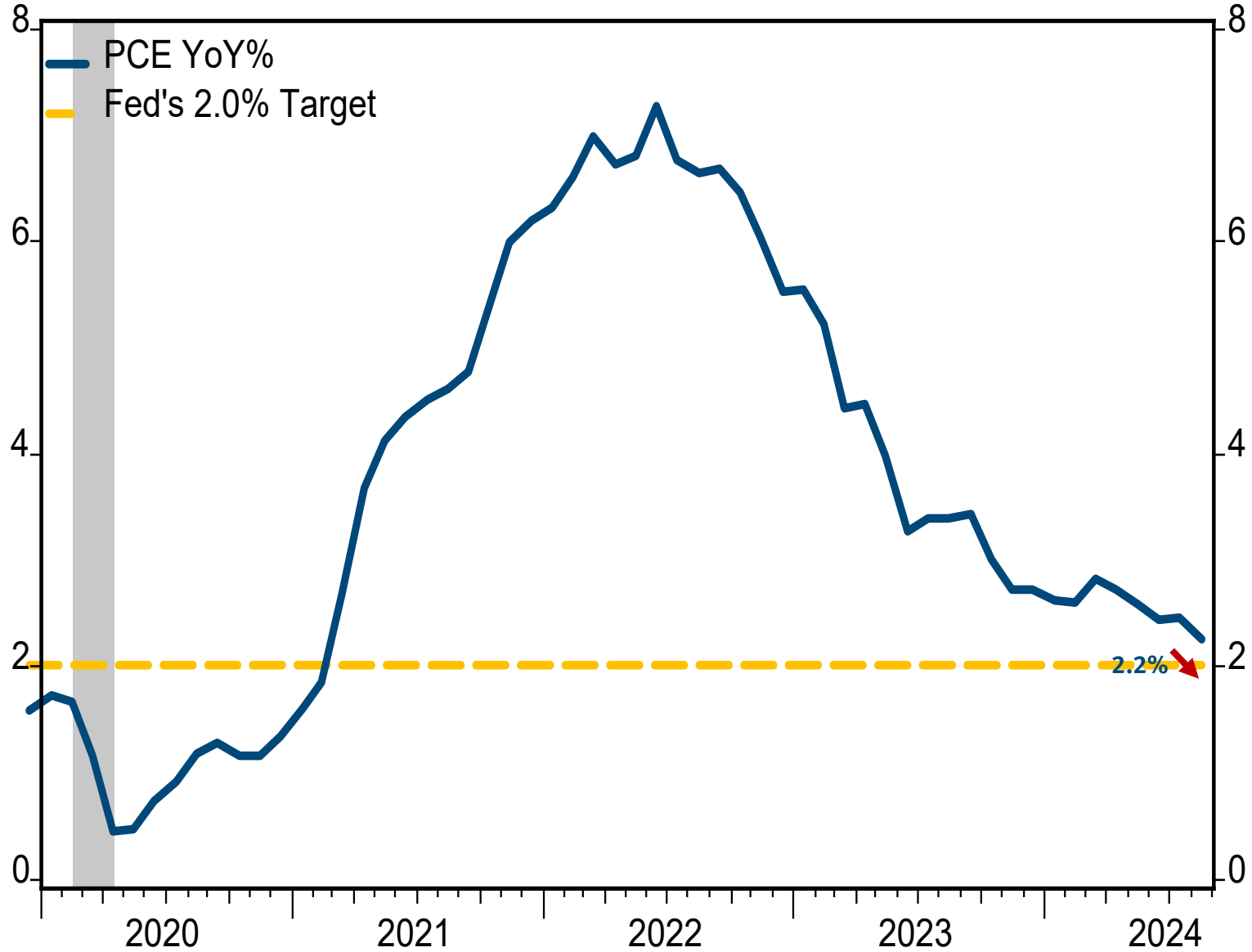
Source: Census Bureau/Bloomberg

GDP Rises 3.0% in Q2; Q3 GDP Expected to Rise 2.5%



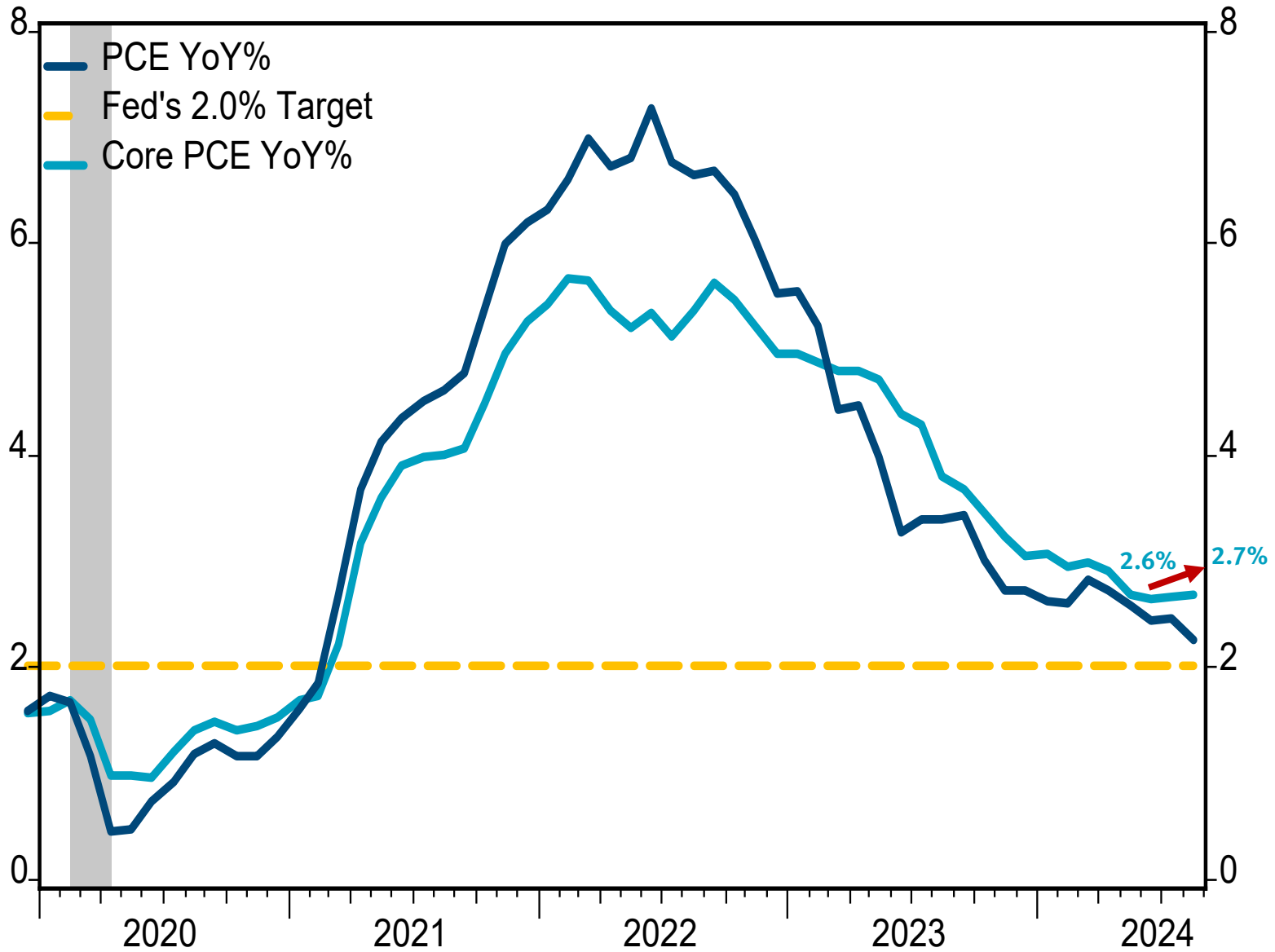
Source: Census Bureau/Bloomberg

Headline PCE Rises 0.1% in August and Rises 2.2% Over the Past 12 Months



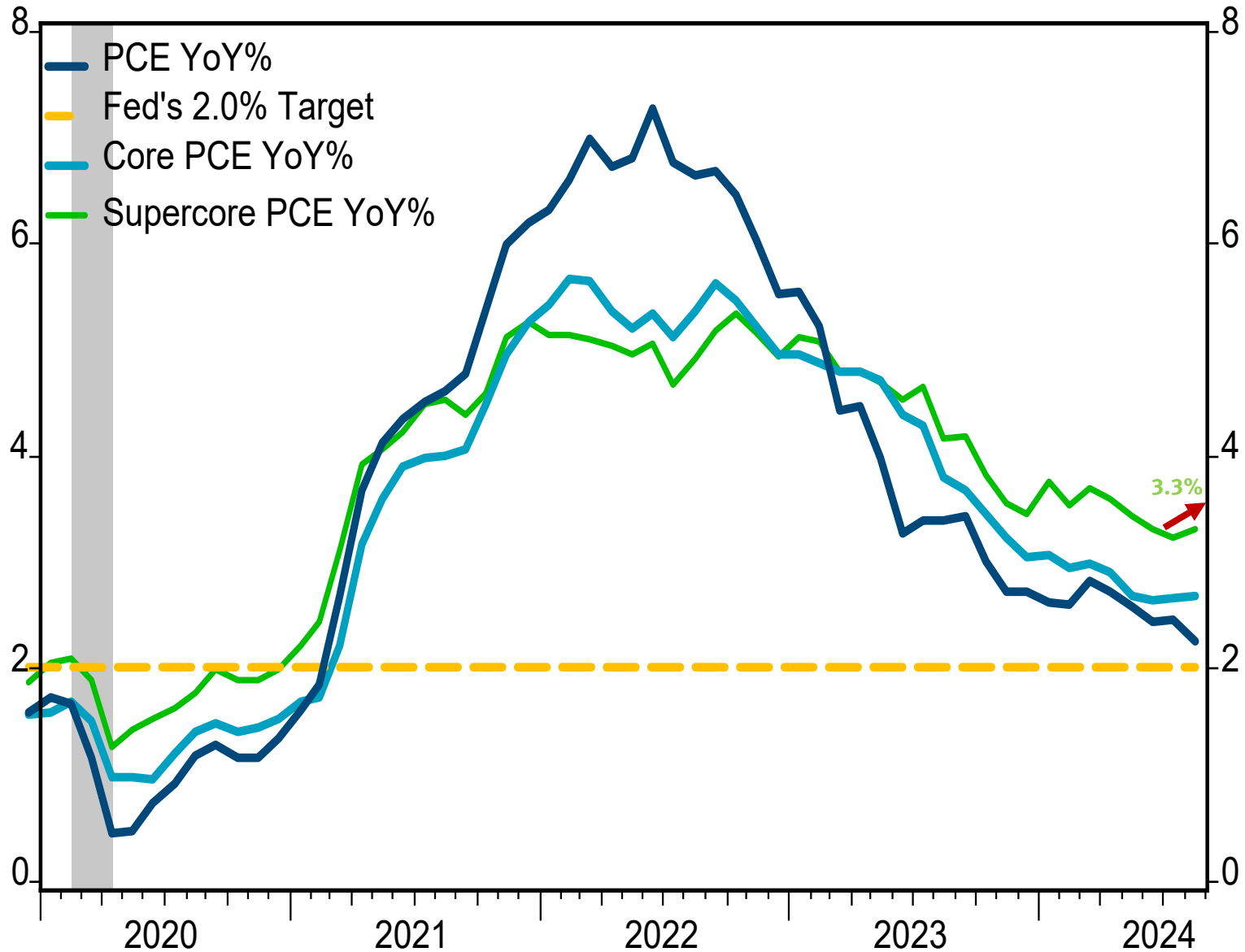
Source: BEA, BLS/Haver Analytics

Core PCE Rises 0.1% in August and 2.7% Over the Past 12 Months



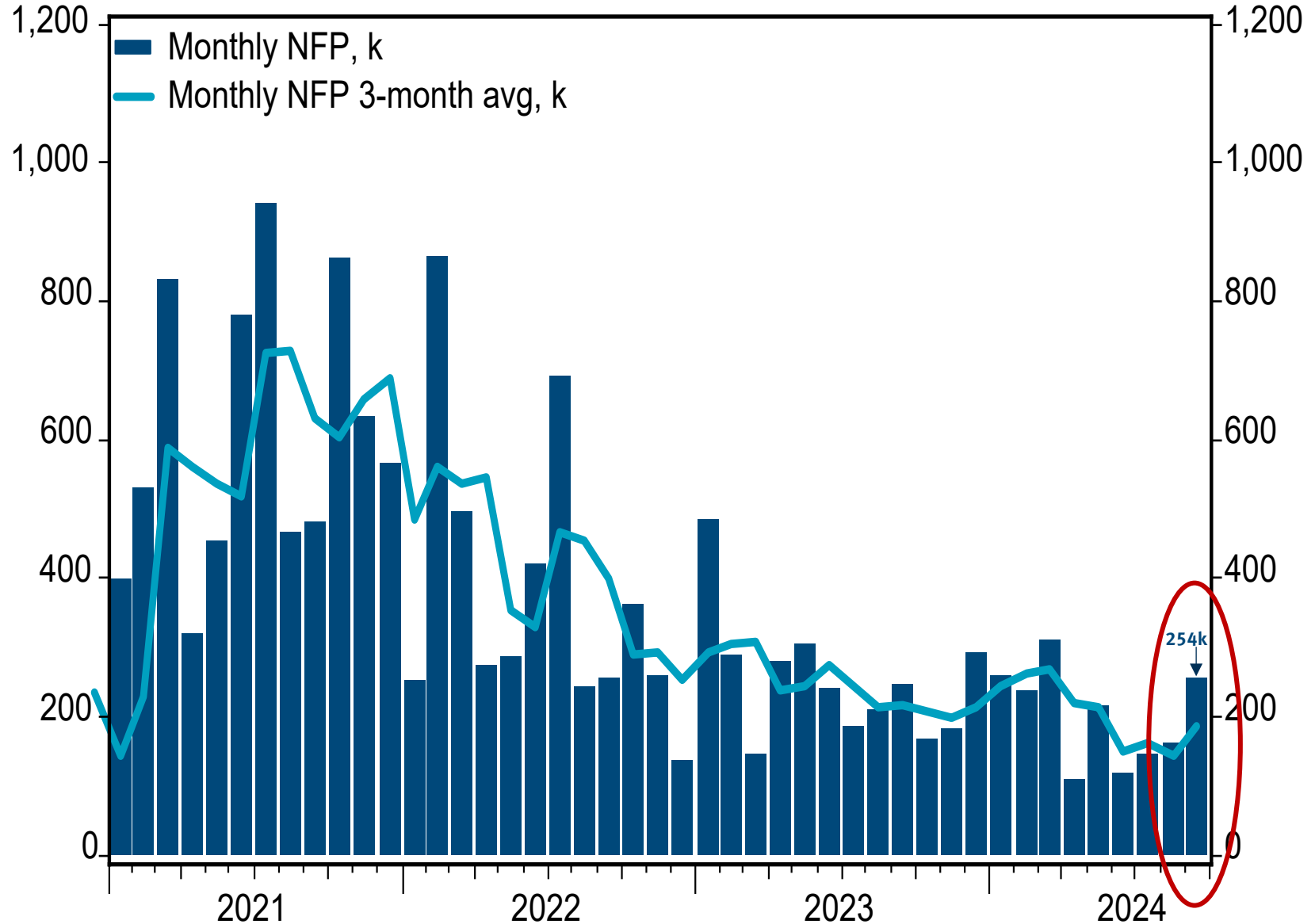
Source: BEA, BLS/Haver Analytics

Supercore Rises 0.2% in August and 3.3% Over the Past 12 Months



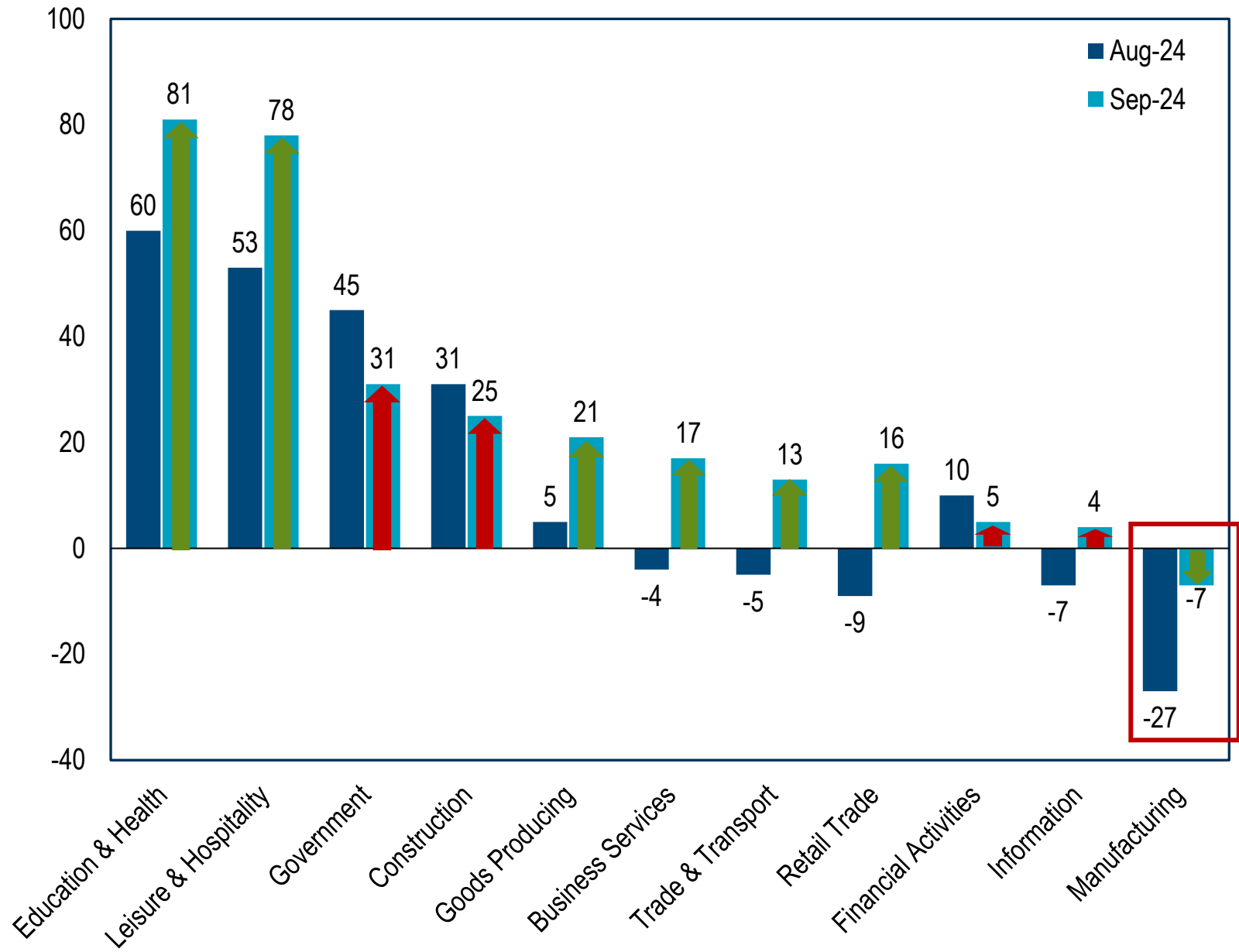
Source: BEA, BLS/Haver Analytics

254,000 Rise in September Nonfarm Payrolls

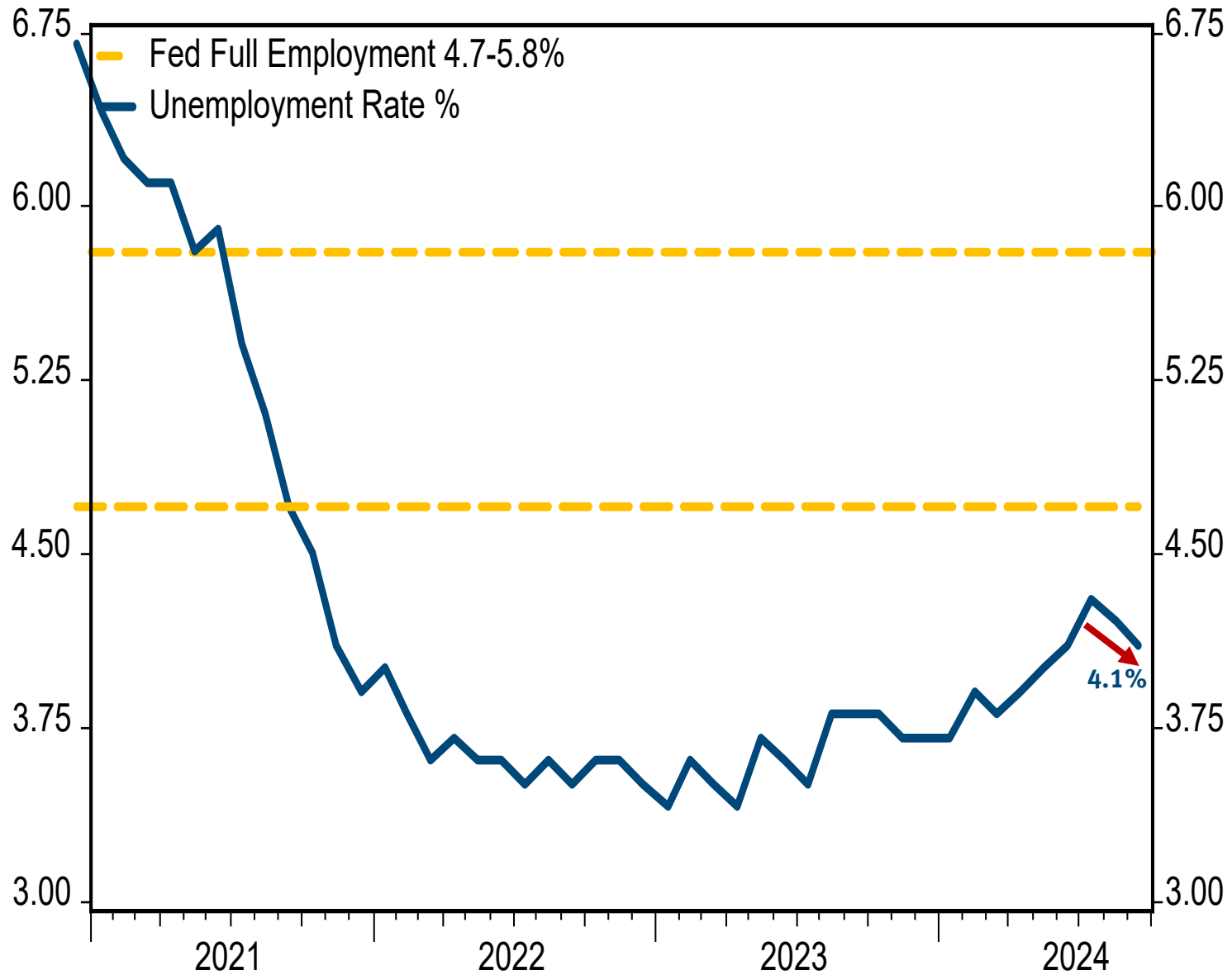


Source: Bureau of Labor Statistics/Haver Analytics

Nonfarm Payrolls: Categories

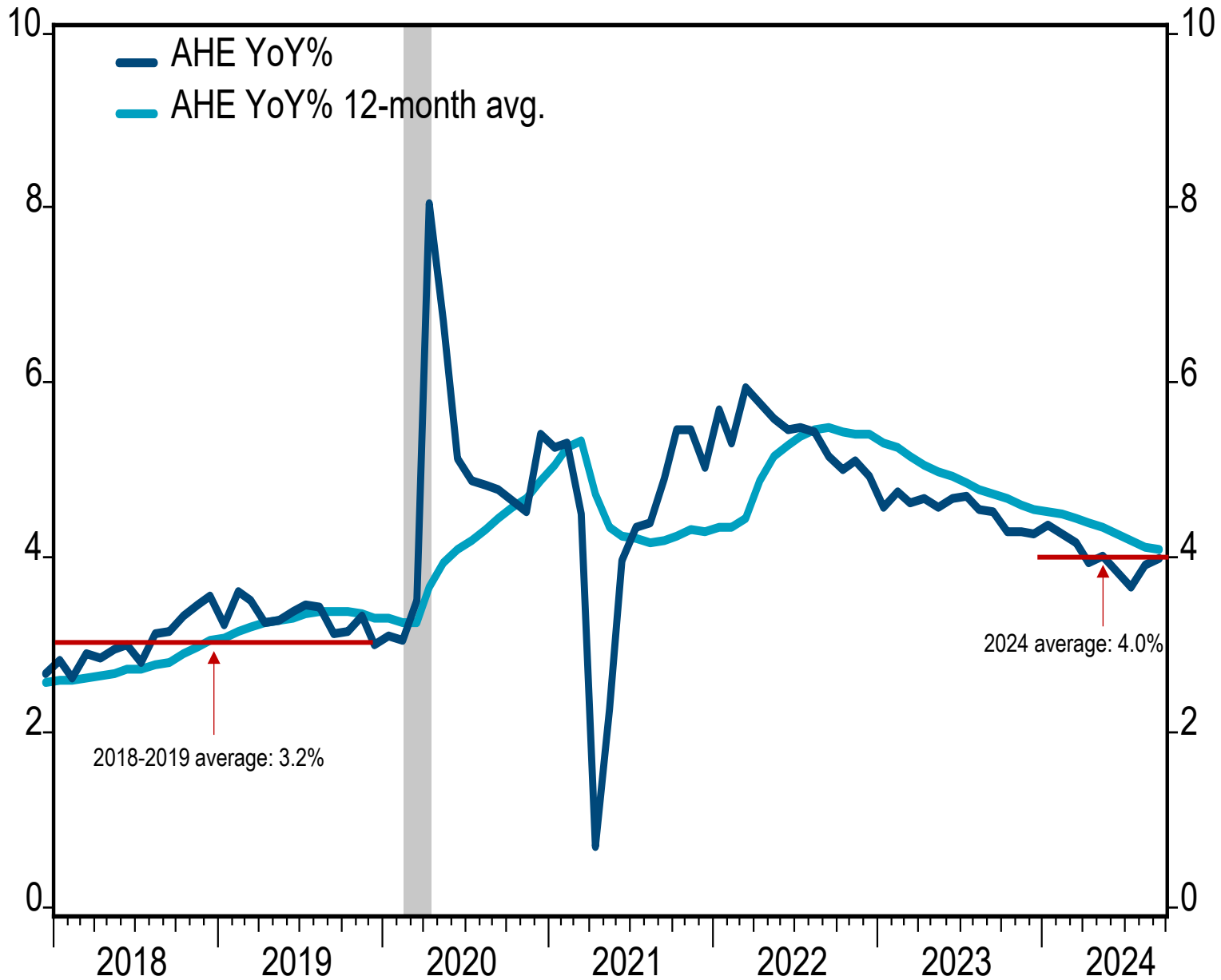


Unemployment Rate Falls to 4.1% in September



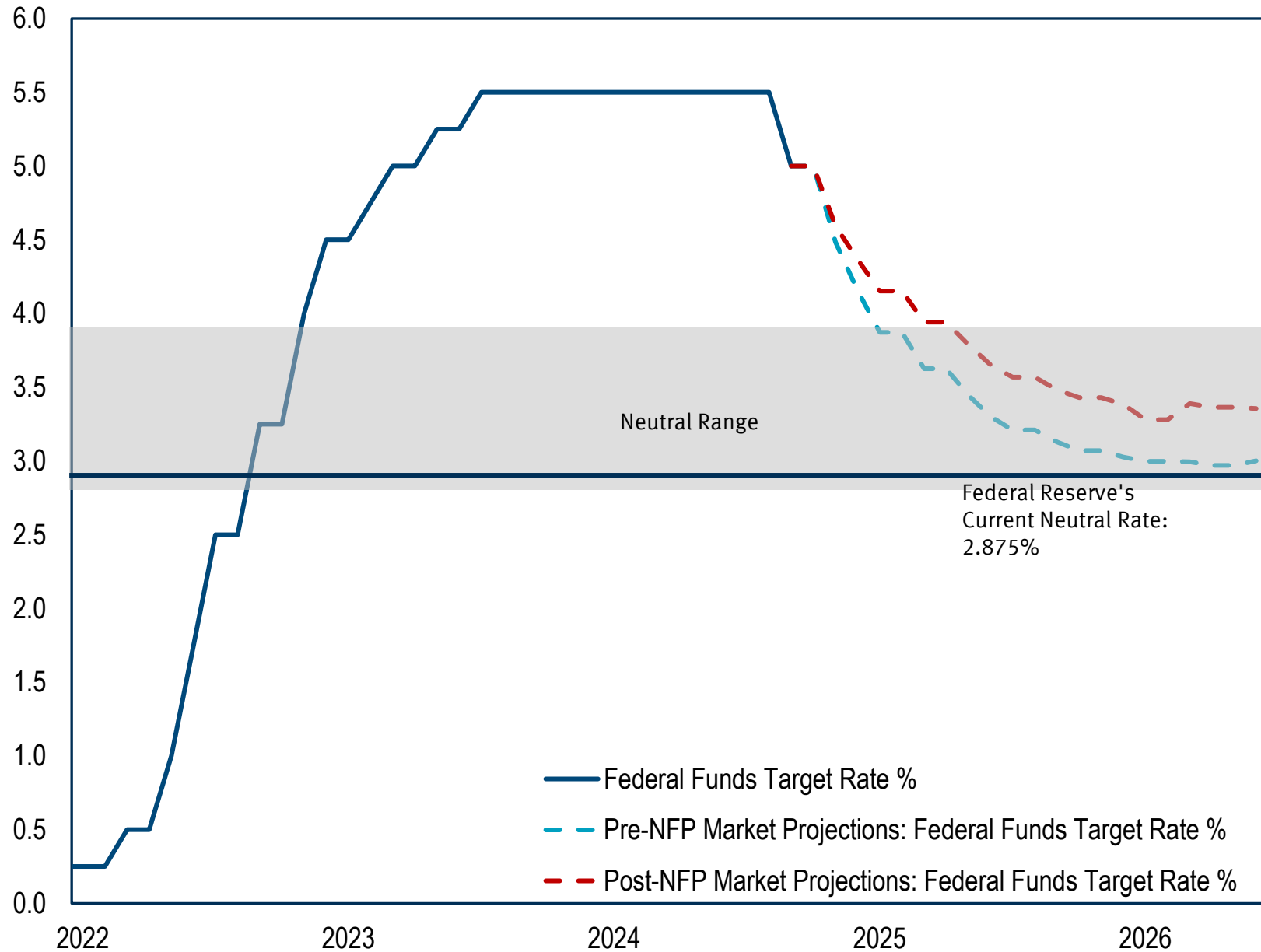
Source: Bureau of Labor Statistics/Haver Analytics

Pace of Earnings Ticks Up in September



Source: Bureau of Labor Statistics/Haver Analytics

More Tempered Pace of Rate Cuts Expected



Source: Bureau of Economic Analysis/Federal Reserve

Key Data Ahead of November 7 FOMC Meeting

Economic Report	Supports 50bp Cut	Supports 25bp Cut	Supports No Action
September NFP (Oct. 4)			X
September CPI (Oct. 10)			X
September PPI (Oct. 11)			
Q3 GDP: First Round (Oct. 30)			
September PCE (Oct. 31)			
October NFP (Nov. 1)			

Q&A



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