

Week ending 3/22/24

### Fed Still Looking for Higher Confidence in Inflation Data

- Central banks around the globe took the spotlight last week. The Bank of Japan ended its negative rate policy, which had been in place since 2016, by implementing its first rate hike in 17 years to a range of 0.0%-0.1%. The Swiss National Bank eased policy by 25 bps, the first developed country to cut rates. The BoE and FOMC both held rates at their respective multi-years high. The S&P finished the week up 2.29%, while the 3Y UST fell 16 bps.
- The FOMC unanimously held rates for the 5<sup>th</sup> consecutive meeting last week. The first “Dot Plot” of 2024 showed 9 Committee members forecasting 3 rate cuts by year-end. However, it would only take one Fed policymaker to shift hawkish to move the median expectation to 2 cuts for 2024. Additionally, 2025 and 2026 rate forecasts each increased 25 bps, as the Fed took out an expected cut. Chair Powell stated at the post-meeting press conference, “we’re looking for data that confirms the kind of low readings that we had last year and give us a higher degree of confidence that what we saw was really inflation moving sustainably down toward 2%.” While Chair Powell acknowledged that the policy rate is restrictive, the Committee still wants to see more data indicating inflation is moving towards 2% before it considers rate cuts.
- Building permits rose to 1,521k in February, the highest since August. Housing starts also rose to 1,518k, making up for the delays in January due to bad weather. With current inventory low, the uptick in business may help ease the built-up demand in the housing market.
- The major data release this week is PCE Deflator, the FOMC’s preferred inflation indicator, on Friday. Other reports include February Durable Goods Orders on Tuesday and Personal Income/Spending on Friday.

	Today	1 Week Ago	1 Month Ago	1 Year Ago	10Y Avg	20Y Avg	All Time Low
SOFR*	5.31%	5.31%	5.31%	4.81%	-	-	0.01%
1M Term SOFR*	5.33%	5.33%	5.33%	4.79%	-	-	0.01%
3M Term SOFR*	5.31%	5.33%	5.34%	4.81%	-	-	0.02%
1M BSBY*	5.34%	5.38%	5.38%	4.88%	-	-	0.04%
2Y UST	4.62%	4.73%	4.72%	4.00%	1.70%	1.83%	0.10%
5Y UST	4.23%	4.34%	4.31%	3.59%	2.01%	2.33%	0.19%
10Y UST	4.24%	4.32%	4.28%	3.53%	2.34%	2.90%	0.51%

\*SOFR, Term SOFR and BSBY were introduced in 2018, 2019 and 2020, respectively. As such, there is no 10- and 20-year average to calculate.

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