

Week ending 4/12/24

Rate Cuts Pushed Out Further Following Hot Inflation Report

- Policymakers have been vocal that they are in no rush to cut rates and need more confidence before easing. Following hotter-than-expected inflation data, rates jumped over 20 bps last week as the market pushed the first rate cut from July to September. The current number of cuts priced in by year end is less than 2, a significant change from January when over 6 cuts were expected. The S&P finished the week down 1.56%, while the 5Y UST rose 16 bps.
- The headline consumer price index (CPI) reported above estimates for the third consecutive month, accelerating 0.4% MoM and 3.5% from a year ago. The core measure (excluding food and energy) also beat expectations, rising 0.4% MoM and holding steady at 3.8% YoY. The road to price stability is proving more challenging than expected, likely eroding Fed confidence and could lead to further rate cut delays if inflation progress continues to stall.
- On the supply side, producer prices (PPI) for final demand rose 0.2% MoM, while the yearly measure jumped to 2.1% from last month's 1.6% figure. The core gauge accelerated 0.2% MoM and increased to 2.4% from a year earlier.
- Minutes of the March FOMC meeting revealed that almost all Fed members support rate cuts "at some point this year." However, participants "generally noted their uncertainty about the persistence of high inflation" and "expressed the view that recent data had not increased confidence."
- FedSpeak suggests growing uncertainty related to timing of cuts and the extent of policy easing. Boston Fed President Collins reiterated "the need for patience" while suggesting the latest data "implies that less easing of policy this year than previously thought may be warranted." Richmond President Barkin stated "we're not yet where we want to be" and believes it's smart for the Fed to take its time.
- This week, market attention shifts to retail sales releasing today (Monday) and several scheduled public addresses from Fed members.

	Today	1 Week Ago	1 Month Ago	1 Year Ago	10Y Avg	20Y Avg	All Time Low
SOFR*	5.31%	5.31%	5.31%	4.80%	-	-	0.01%
1M Term SOFR*	5.32%	5.32%	5.33%	4.92%	-	-	0.01%
3M Term SOFR*	5.32%	5.30%	5.33%	5.03%	-	-	0.02%
1M BSBY*	5.33%	5.34%	5.38%	4.91%	-	-	0.04%
2Y UST	4.97%	4.79%	4.73%	4.19%	1.73%	1.84%	0.10%
5Y UST	4.65%	4.43%	4.33%	3.70%	2.03%	2.34%	0.19%
10Y UST	4.60%	4.42%	4.31%	3.60%	2.35%	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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