

Rate Cuts Near as Fed Dove Count Grows

The next FOMC meeting is a little less than six weeks away. As of yesterday, the bond market had fully priced in a 25 basis point cut, but whether Fed officials reinstate the easing campaign that has been on pause since last December will depend primarily on two catalysts – accelerating labor market weakness and generally contained inflationary pressure.

The last employment report, including both a tepid July payroll gain, and more importantly a huge downward revision to the previous two months, has prompted a sudden rethink of labor market health. The next employment report from the Trump-tarnished Bureau of Labor Statistics (BLS) is scheduled for release on September 5. If August payrolls disappoint less than two weeks before the FOMC meeting, odds of additional cuts should increase. If his previous response is any indication, President Trump will question the validity of the soft jobs report data and once again demand that the Fed cut rates immediately. *The irony here is that labor market weakness is exactly what would prompt the Fed to ease.*

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