

## Cautious Fed Talk Hints at Pause

The 10-day pre-meeting “quiet period” for FOMC members begins Sunday, which means there is no shortage of Fed speakers this week. With a December rate cut likely (but far from certain) investors are once again listening for clues.

Yesterday, Fed Chairman Jay Powell mentioned labor market risks have diminished since September while the economy is in “a very good place.” He also said that inflation was now coming in “a little higher.” The good news, according to Powell, is that the committee “can afford to be a little more cautious” with its rate moves. Powell hasn’t wavered from the middle. He could vote either way at the December meeting.

Earlier this week, Fed Governor Chris Waller was surprisingly clear, saying he would support a rate cut at the December meeting, *although he will watch the incoming data closely.* (This is a consistent theme amongst Fed members.)

San Francisco Fed President Janet Daly said *a December cut is on the table and will be discussed at the meeting*, while St Louis Fed President Alberto Musalem believes *the time may be approaching to consider slowing the pace of reductions or pausing to assess the evolving outlook.*

Most Fed officials expressed some degree of concern over the incoming administration’s proposed tariff policy, although Chicago Fed President Austan Goolsbee noted any tariff-related inflation would likely prove short-lived . . . *unless other countries retaliate.*

Atlanta Fed President Raphael Bostic said he has instructed his forecasters to wait “as long as possible” before updating models on the possible tariff scenarios, while Fed Governor Adriana Kugler will study the specifics of trade policy before making decisions.

As of this morning, the futures market is signaling about a 70% chance of a quarter point cut at the December 18 FOMC meeting. Committee members have expressed caution amid uncertainty, laying the groundwork for a near-term pause . . . although January is the better bet.

### Market Indications as of 10:21 A.M. Central Time

DOW	Down -117 to 44,897 (HIGH: 45,014)
NASDAQ	Up 14 to 19,749 (NEW HIGH)
S&P 500	Down -8 to 6,079 (HIGH: 6,086)
1-Yr T-bill	current yield 4.25%; opening yield 4.21%
2-Yr T-note	current yield 4.17%; opening yield 4.13%
3-Yr T-note	current yield 4.12%; opening yield 4.10%
5-Yr T-note	current yield 4.10%; opening yield 4.08%
10-Yr T-note	current yield 4.20%; opening yield 4.19%
30-Yr T-bond	current yield 4.35%; opening yield 4.35%

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