# Fed Cuts, while Suggesting December Decision is Undetermined

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This afternoon, Fed officials announced a quarter point reduction in the overnight target rate for the second straight meeting. The new funds target (3.75% to 4.00%) reflects 150 bps of easing since last September. The vote was 10-2 with Fed Governor Stephen Miran favoring a larger 50 bp cut while Kansas City Fed President Jeff Schmid opting for *unchanged* policy.

The official statement, released at the conclusion of the meeting, reiterated that "job gains have slowed" while "inflation remains somewhat elevated." The statement also included the news that the Fed would end its balance sheet reduction campaign on December 1. The end of QT was expected, although the timing was uncertain. At this point, the Fed balance sheet has been whittled down by over $2 trillion to $6.6 trillion, the lowest in five years.

In his prepared remarks at the beginning of his post-meeting press conference, Chairman Powell stated that the outlook for inflation and employment has *not changed much* since the last meeting, with *risks to inflation tilted to the upside, and risks to employment tilted to the downside*.

Most of what Powell said initially fell into the familiar paint-by-numbers category, until he volunteered that *further reduction at the December meeting is not a foregone conclusion*, in fact "far from it." This single comment abruptly reversed the day's stock market gains while nudging bond yields higher.

In the Q&A session, Powell pointed to the absence of government economic data and indicated that resulting uncertainty could lead to a more cautious policy approach going forward. Prior to today's announcement, a December cut had been fully priced-in. At the conclusion of the press conference, the futures market reflected a 75% probability.

Earlier today, the Bank of Canada lowered its overnight target by 25 bps to 2.25%, citing a weakening economy resulting from U.S. tariffs and trade uncertainty. Canada's central bank eased rates in September as well after second quarter GDP showed a -1.6% contraction.

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## Market Indications as of 2:30 P.M. Central Time

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|---|---|
| DOW | Down -134 to 47,572 (HIGH: 47,706) |
| NASDAQ | Up 72 to 23,900 (NEW HIGH) |
| S&P 500 | Down -8 to 6,883 (HIGH: 6,891) |
| 1-Yr T-bill | current yield 3.69%; opening yield 3.57% |
| 2-Yr T-note | current yield 3.60%; opening yield 3.49% |
| 3-Yr T-note | current yield 3.60%; opening yield 3.49% |
| 5-Yr T-note | current yield 3.71%; opening yield 3.61% |
| 10-Yr T-note | current yield 4.06%; opening yield 3.98% |
| 30-Yr T-bond | current yield 4.60%; opening yield 4.54% |