FLORIDA PRIME™

Weekly Commentary

SEPTEMBER 23, 2024

Paige Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling

It all comes down to risk management

The Federal Reserve cut its federal funds rate by 0.50% to a range of 4.75-5%, more than the 0.25% many had expected since the last meeting in July. Chair Powell said that the Fed has increased confidence that the rate of inflation is sustainably closer to its 2% target. Even though the Federal Open Market Committee (FOMC) meeting statement said that the Fed sees its employment and inflation goals as roughly in balance, Powell's press conference made it clear that the Fed's focus is more on the cooling labor market, which bears close watching. So recalibrating the Fed's rate policy now can help to ensure the Fed achieves both goals.

The Fed also updated its quarterly Summary of Economic Projections (SEP). Officials forecast GDP growth reaching around 2.0% through 2027 and the unemployment steady at 4.4% in 2024 and 2025 before edging down to 4.2% in 2027. These updates are slightly above the June estimates. The SEP also indicated inflation should grind down to 2.3% in 2024 and then to 2.0% by 2026. These cumulate in the prediction of a federal funds rate of 4.4% at year-end 2024, 3.4% in 2025 and 2.9% starting in 2026.

Powell said that the economy is fine and growing at a solid pace.
This Fed move is timely, made with a commitment not to fall behind, which Powell emphasized. In short, to keep the good times rolling. The Fed will continue to assess incoming economic data and adjust the pace of rate cuts accordingly.

Federated Investment Counseling

G40461-19 (9/24)