

Making Sense

March 2024 Federal Open Market Committee Meeting

Rates Unchanged For Now; Projections Point to Three Cuts in 2024

In Brief:

What just happened?

The Fed held the overnight rate at 5.25%-5.50%.

Economic Projections

The Fed's 2024 median projections for GDP and core inflation increased.

The federal funds rate forecast for 2024 remained unchanged compared to the December projection of 4.6%—indicating the Fed could cut rates 3 times in 2024.

What is the impact?

Timing of the initial rate cut will likely not occur before June.

What to watch:

The Fed's next rate decision is May 1. Ahead of that decision, the Fed will keep a close eye on inflation and wage data.

What now?

Review your financial plan.

Talk with your financial partner.

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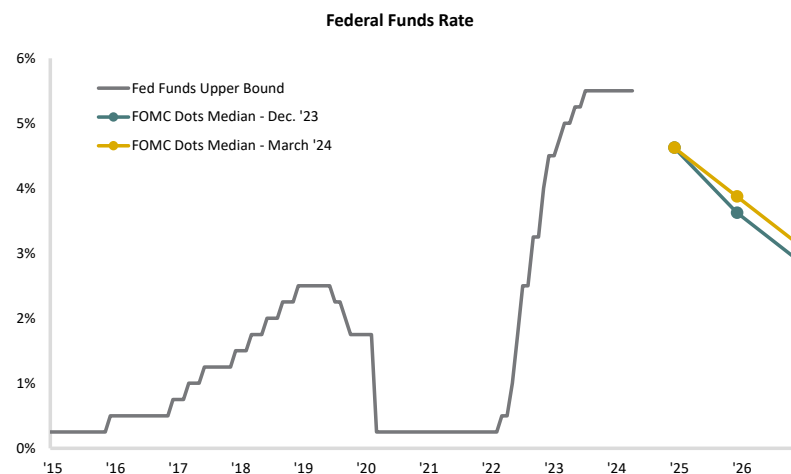
The Federal Reserve chose to leave the overnight rate unchanged today at a range of 5.25% to 5.50%—the fifth FOMC meeting with no rate change since July.

The official statement did not contain significant changes, but the committee released their quarterly Summary of Economic Projections, which included interesting revisions. **The closely watched median federal funds rate forecast was unchanged for 2024, still indicating the potential for three 0.25% interest rate cuts.** Notably, the forecast for year-end 2025 rose to 3.9%, indicating three cuts next year rather than the four cuts previously forecasted.

The median estimate of 2024 GDP growth rose to 2.1% from 1.4%, while this year's unemployment rate forecast improved from 4.1% to 4.0%. On the inflation front, the median estimate of the 2024 personal consumption expenditure deflator was unchanged at 2.4%, and the core deflator, which excludes the impact of food and energy, rose to 2.6% from 2.4%, as underlying inflation has been sticky in recent months.

During today's press conference, Chair Powell left the door open to cutting the overnight rate this year, potentially in the June meeting, yet the committee members' forecasts clearly indicate hesitation to cut the federal funds rate more than three times this year. Only one Fed official forecasts four cuts this year, with the remaining 18 official indicating three or fewer. **As of this writing fed funds futures are indicating a roughly 70% chance the Fed cuts the overnight rate in June. We continue to believe the Fed's will cut the federal funds rate around the middle of this year. For the entirety of 2024, we believe the Fed cuts the overnight rate three times but would not be surprised to see only two cuts if inflation data remains stubbornly elevated.**

Figure 1: Federal Funds Rate



Source: Bloomberg

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