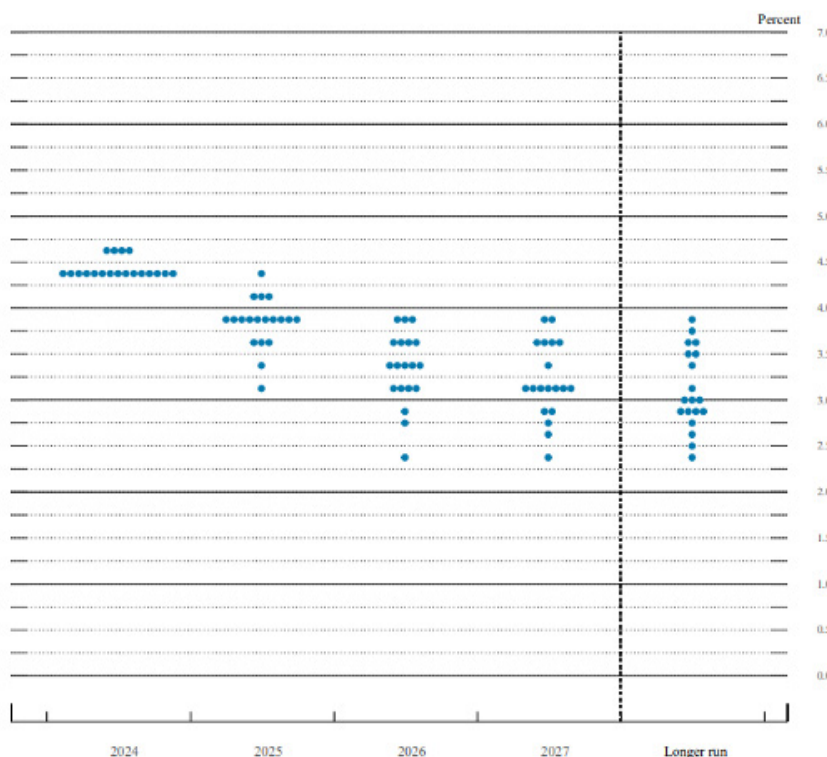


## FEDERAL FUNDS RATE CUT

DECEMBER 18, 2024

The Federal Reserve Open Market Committee released its decision on the federal funds rate earlier today at the December meeting. As expected the Fed Funds rate was cut by 25 bps to a range of 4.25%-4.50%. This brings the total amount of cuts to 100 bps since the beginning of the normalization of the fed funds rate in September 2024. As with the other quarterly meetings, the FOMC released its Summary of Economic Projections (SEP), which provides insight into their expectations going forward. The most recent SEP points to 2 cuts in 2025 and 2026, which was fewer from the prior forecast, and resulted in longer-term rate expectations of around 3.0%. Inflation remains sticky, and the potential remains for the incoming administration to enact policies that may become inflationary. We believe the FOMC will likely take a more guarded approach to further monetary policy action.

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



The commentary in the press release has been very consistent. The FOMC sees an economy that continues to expand at a solid pace as Q3 GDP was 2.8%, a labor market that has remained stable, and an unemployment rate that has ticked up, but is still relatively low.

The FOMC is firmly committed to achieving full employment and price stability, with a target inflation rate of 2% over the long-term. Committee members continue to observe a wide range of economic factors and are prepared to adjust monetary policy if the attainment of the goals is jeopardized.

We will get the FOMC's next rate decision following the upcoming scheduled meeting which is set for January 28 – January 29, 2025.

Source: <https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20241218.pdf>

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