The New Regime: Navigating Uncertainty and Volatility

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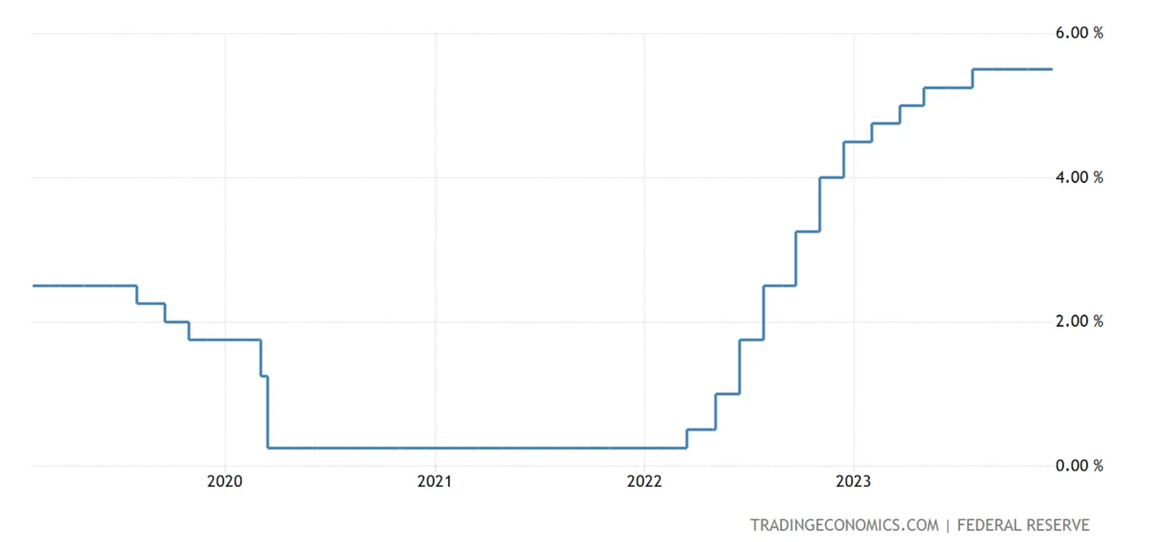
As we enter 2024, high rates and volatility seem to define the new regime.

Yet, with CPI reports cooler than expected, hopes for a soft landing in 2024 loom as the Fed signaled 3 rate cuts in 2024. Last month, the Fed stopped raising interest rates and decided to hold them steady at 5.25 - 5.5%, the highest level in roughly 22 years.



While most officials anticipated rates would be lowered prior to 2024, the written account of the December 12-13 meeting, released January 3rd, highlighted uncertainty over how to navigate the next interval of monetary easing following the most rapid increase in the policy rate over the past 4 decades.

At the meeting's conclusion, Fed Chair Jerome Powell's conference spread confusion amongst consumers and firms. Powell's comments — coupled with projections released after the meeting — suggest that while the Fed will likely lower rates, officials remain attentive to economic risks that require higher interest rates to mitigate.

Ultimately, officials are wary that easing financial conditions will rally markets in a way that could make it hard to keep inflation under control and ensure a soft landing.