

Wall Street keeps asking, “When will the Fed start cutting interest rates?” But perhaps the better question is, “What is the Fed looking for before it would consider cutting interest rates?”

As you may recall, the Fed indicated in December that as many as three rate cuts were possible this year. However, Fed Chair Powell said in February that the Fed was in no hurry to change its interest rate policy. Powell did indicate:

The Fed is not looking for better data, but they are looking for more good data already pointing to continued cooling inflation.

Remember that January’s inflation report was a bit hotter than expected, which complicated the Fed’s interest rate decision. It also puts a spotlight on February’s Consumer Price Index (CPI) update, scheduled for release on March 12, and the Personal Consumption Expenditures Price Index (the inflation index that is favored by the Fed) on March 29. Will they support the Fed’s “more good data” narrative?

Inflation, By the Numbers

The Fed's forecast for February 2024 CPI and PCE, Y-over-Y percent change. Knowing these numbers may help you assess whether the actual reports are better or worse than expected.

PCE is the Fed's preferred inflation report, and it's getting closer to 2%.

Month	CPI	Core CPI	PCE	Core PCE
February 2024	3.11%	3.70%	2.27%	2.60%

ClevelandFed.org, February 22, 2024

The Fed’s next scheduled two-day meeting concludes on March 20. After that, it has six more scheduled meetings for the year. *(Remember, the Fed can hold unscheduled meetings as needed. The last time the Fed held unscheduled meetings was in March 2020 in response to the pandemic.)*

The CMEGroup’s FedWatch Tool shows that almost no market watchers are anticipating a Fed rate cut at the March meeting and that the support for a cut at the May meeting is fading. Speculators are mixed about a cut in June and July as, despite the election looming, the Fed takes its independence very seriously. It’s unlikely that the Fed will consider the election cycle in their determination as to if and when interest rates are lowered.¹

Will the Fed cut rates in 2024? The trend appears to be moving in that direction, but it’s uncertain when the Fed will be comfortable. So, in the meantime, stay focused on current financial goals, and let me know if you want to add new ones to your list.

1. CMEGroup.com, February 22, 2024. "CME FedWatch Tool."



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