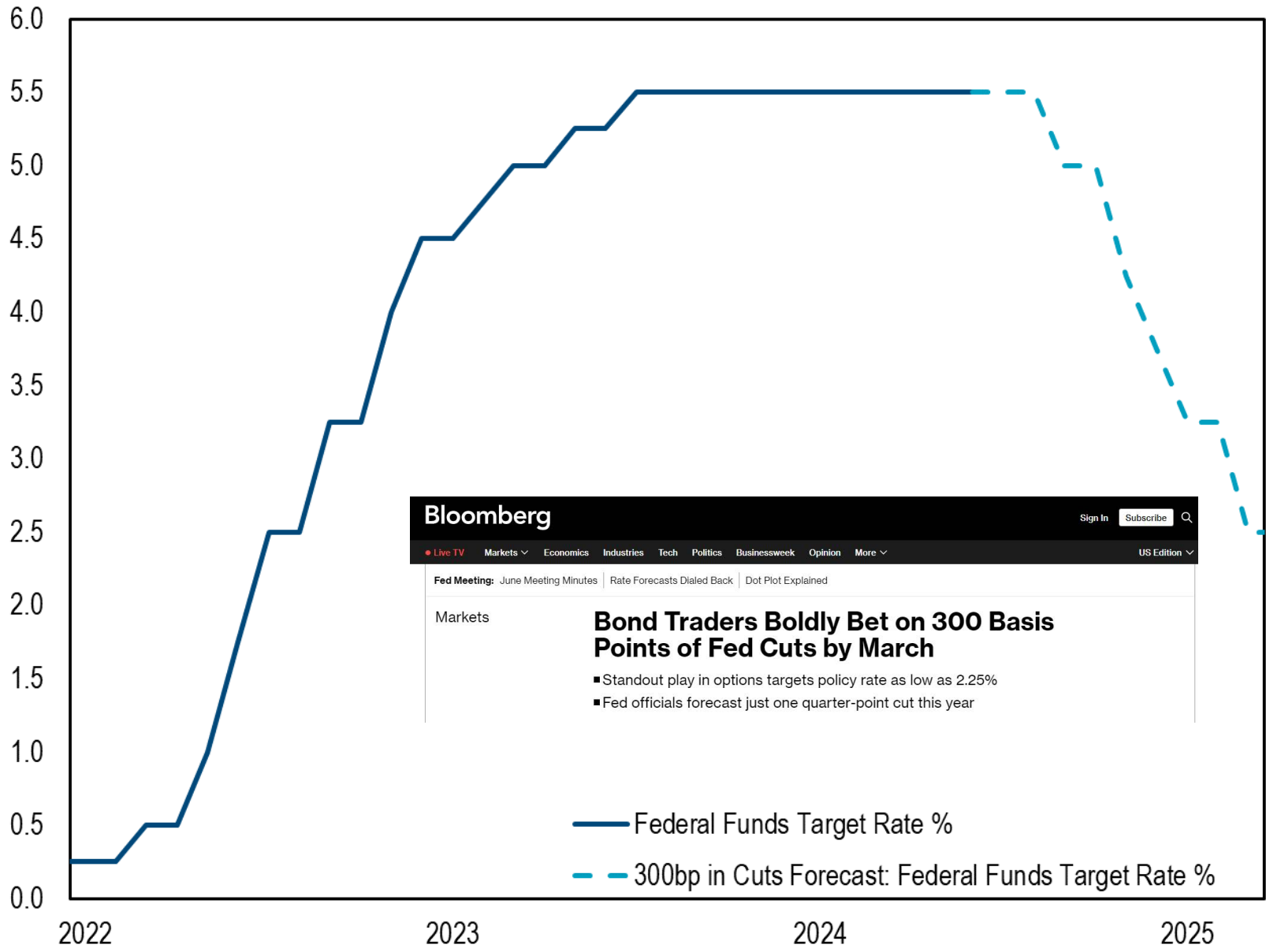


# Scenario of 300 Basis Points (bps) in Rate Cuts



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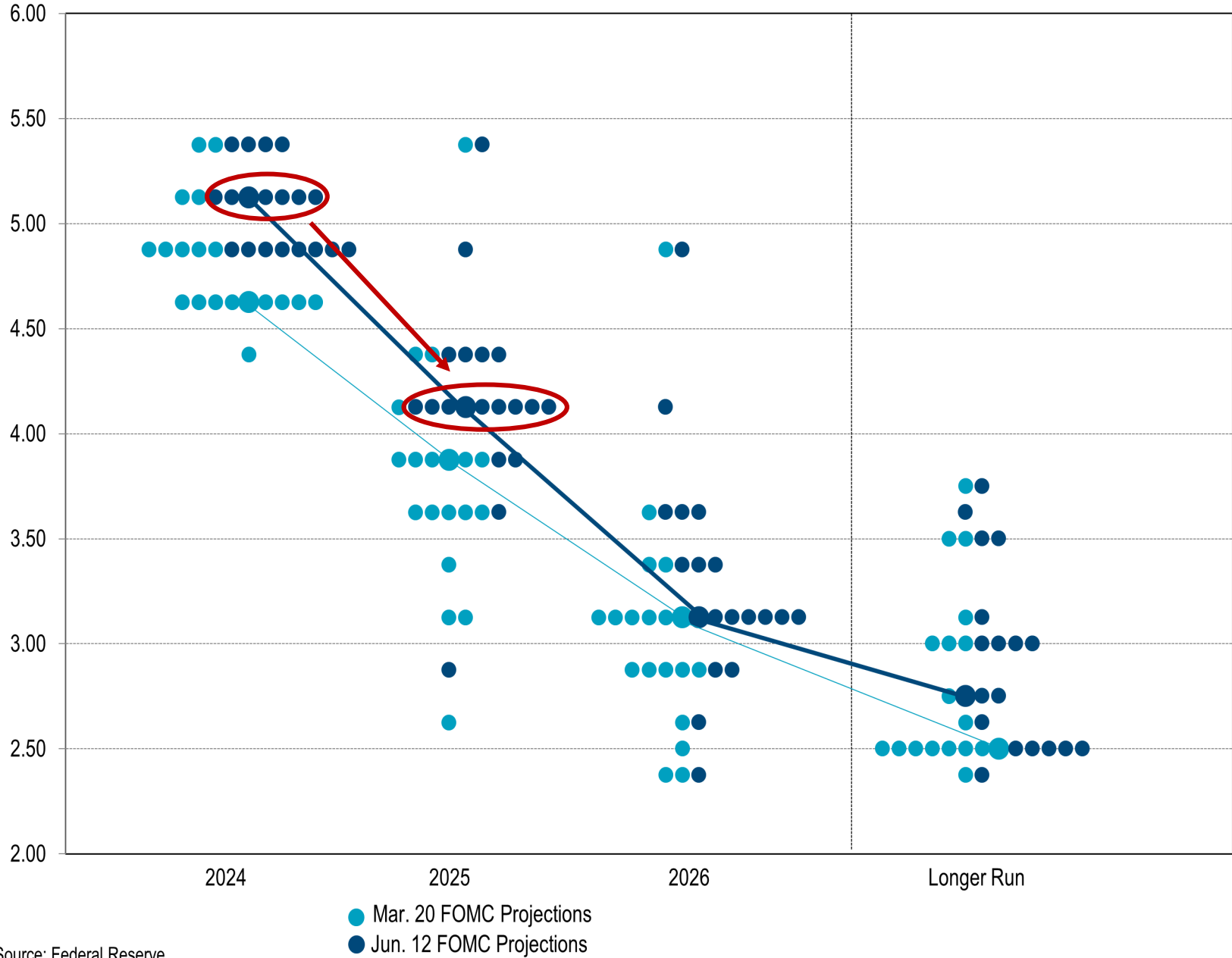
### Bond Traders Boldly Bet on 300 Basis Points of Fed Cuts by March

- Standout play in options targets policy rate as low as 2.25%
- Fed officials forecast just one quarter-point cut this year

Source: Bureau of Economic Analysis/Federal Reserve

1. Inflation is easing, but there is still a long way to go
2. Solid labor market conditions call into question restrictive nature of policy
- 3. The Fed will expectedly remain on hold for longer than expected**

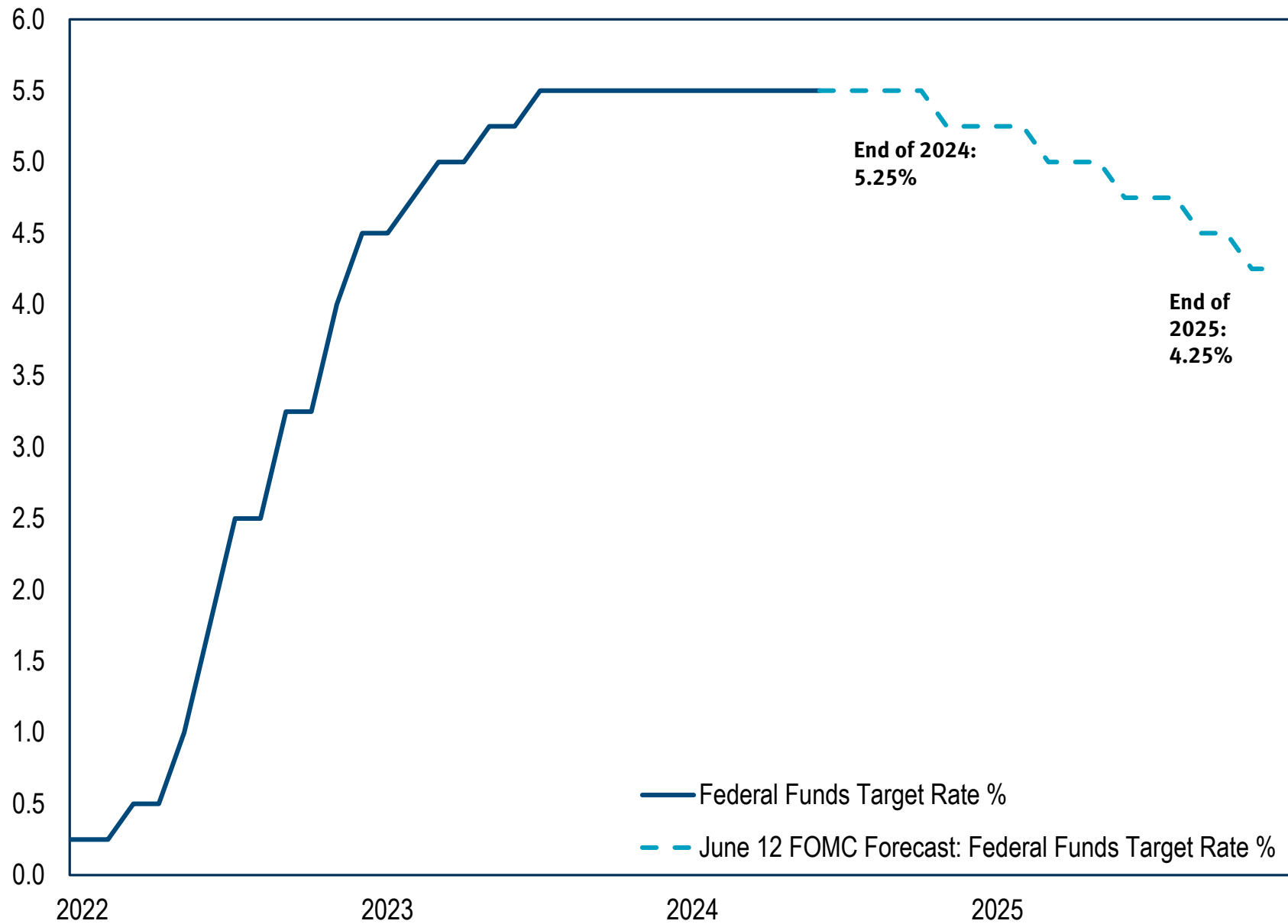
# Dot Plot Signals Less Rate Cuts This Year



Source: Federal Reserve

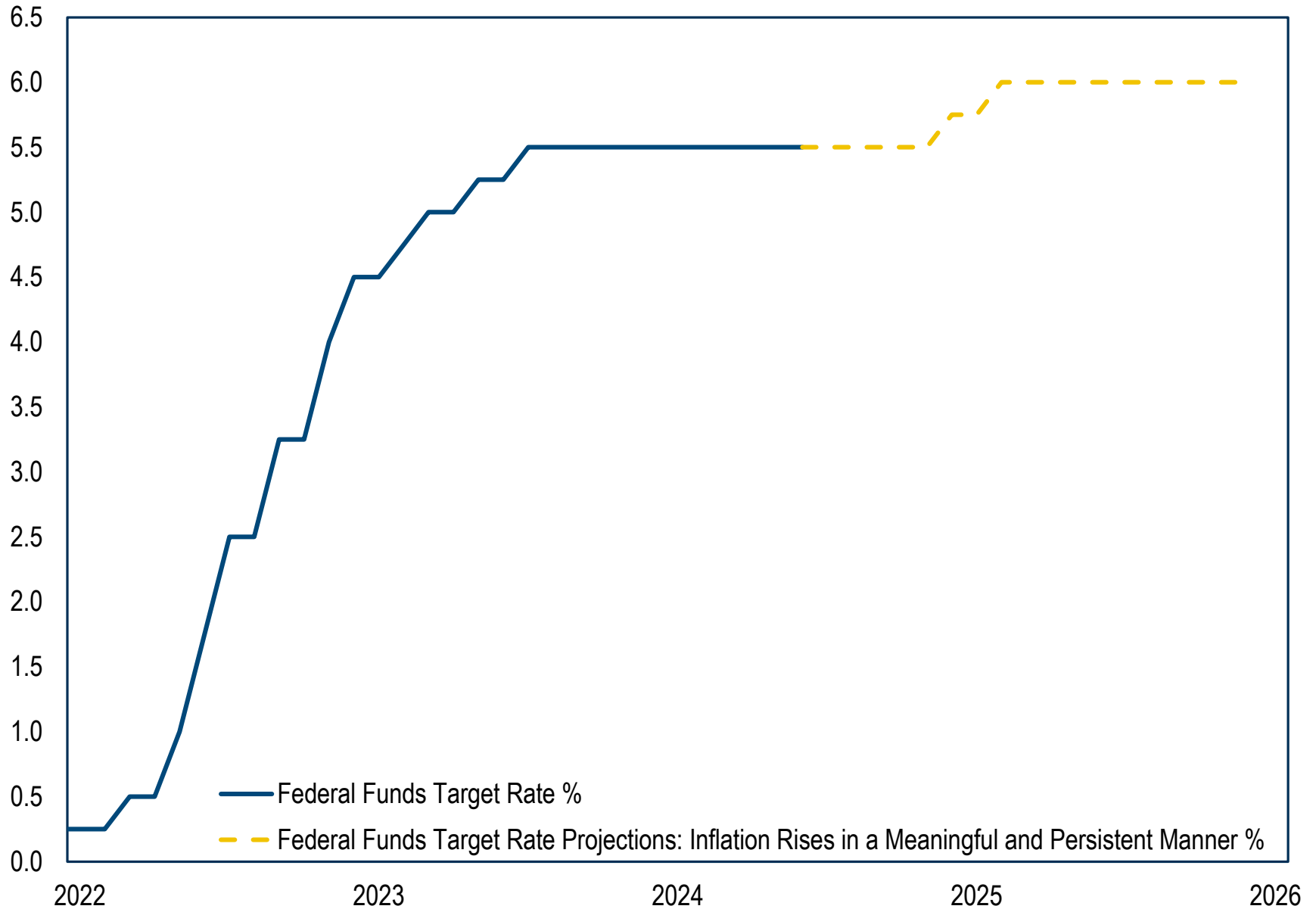
1. Inflation is easing, but there is still a long way to go
2. Solid labor market conditions call into question restrictive nature of policy
3. The Fed will expectedly remain on hold for longer than expected
4. **Interest rates are heading lower, eventually**

## Federal Reserve's Forecast: Federal Funds Target Rate



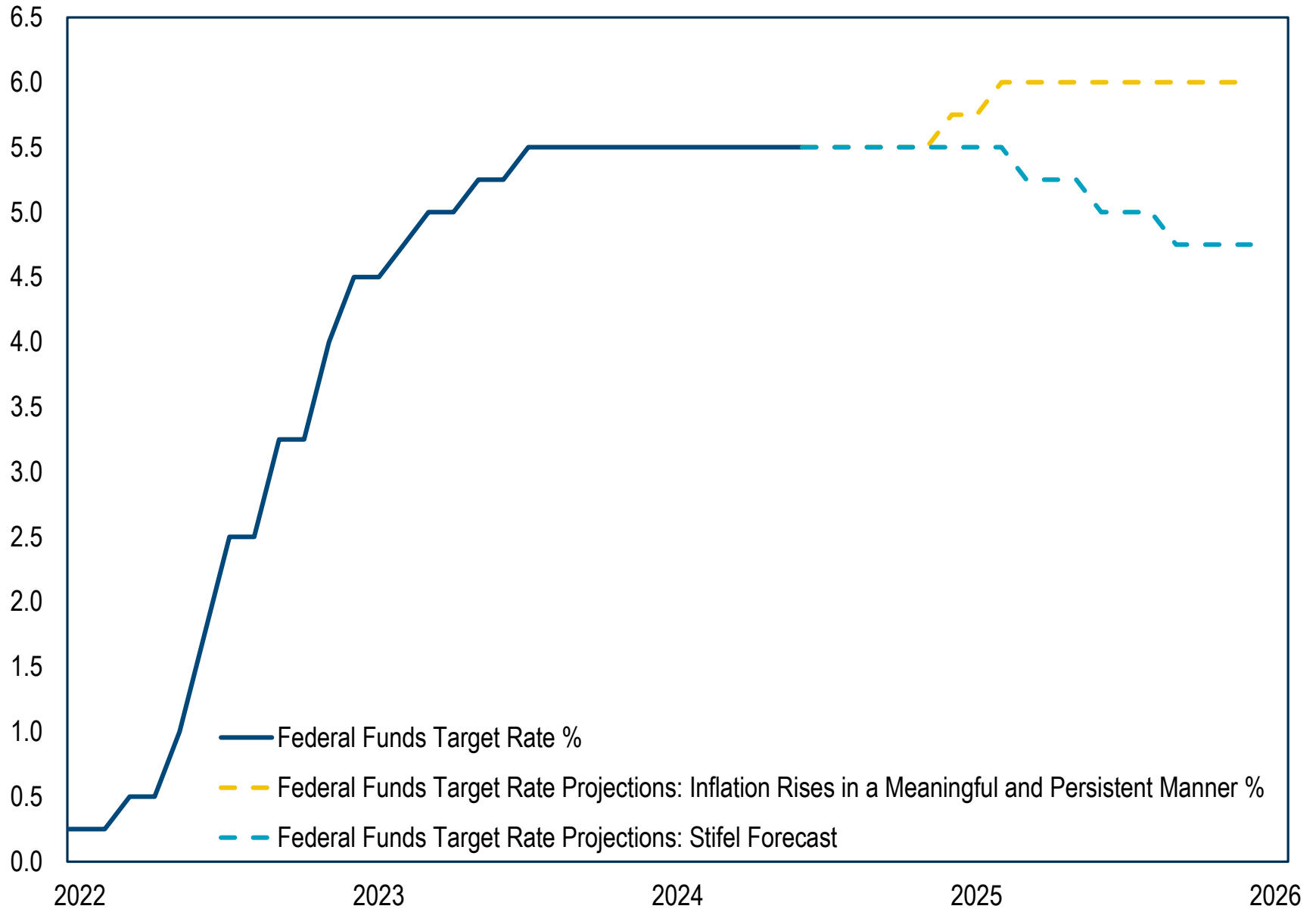
Source: Bureau of Economic Analysis/Federal

## If Inflation Fails to Improve or Pushes Higher, Fed May be Forced to Adjust Policy



Source: Bureau of Economic Analysis/Federal Reserve

## Base Case: “Eventual” Policy Easing Likely a 2025 Event



Source: Bureau of Economic Analysis/Federal Reserve