

The Day Ahead: Hamlet's Advice on Fed Day

There is special providence in a 50bp Fed rate cut. If it be now, 'tis not to come (until the next Fed meeting perhaps). If it be not to come, it will be now: if it be not now, yet it will come.

Hamlet may have known about sparrows, but he wasn't much of a Fed analyst. We'll cut him some slack because sparrows only die once whereas Fed rate cuts are immortal. He did get a few things right though. The most important wisdom is that one outcome has a logical bearing on others. The same ifs and thens are likely in play today. "If it be not 50bps, the dots will show more cuts. If it be 50bps, the dots will show less." While the baseline is for the biggest initial volatility to come in response to the size of the cut itself, it will probably ultimately be the dots that set the tone. Because there is not good running consensus on the dots, it is a guessing game to assign credit for market movement. The readiness is all.



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