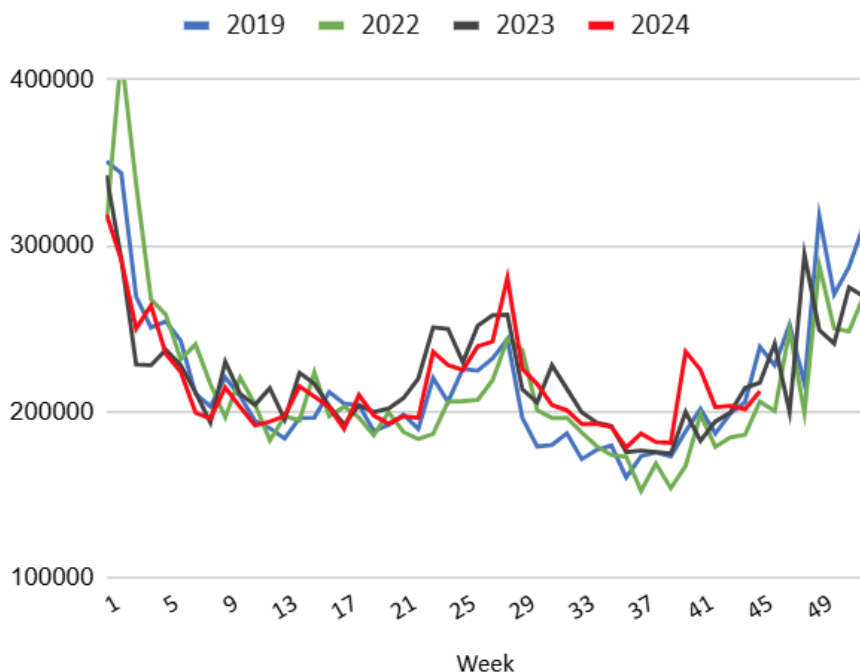


The Day Ahead: Token Resilience After Data. Is The Fed Going to Mention The Election?

This morning's only relevant economic data was weekly jobless claims. The headline was right in line with forecasts and the non-adjusted number keeps 2024 right in line with recent years... no trading motivations there. But the continuing claims number is still rising. Not only was it higher than expected, but it was also the highest since late 2021 (when it was still on the way down from lockdowns). If there's a justification for this morning's modest gains apart from a "sell the rumor, buy the news" approach to the election, with a possible tailwind from the House being close enough to a stalemate to avoid the least bond-friendly implications of a red sweep.

Jobless Claims, Week by Week, Not Seasonally Adjusted

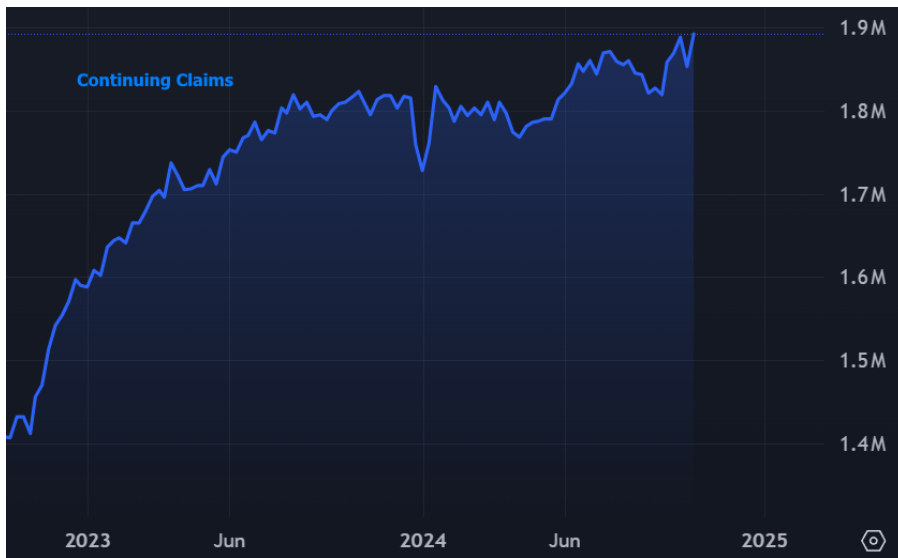


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A reminder or two on this afternoon's Fed announcement...

A 25bp rate cut is a foregone conclusion. This cut comes in response to economic data that's come in over the past year and the desire to bring the Fed Funds Rate closer to a neutral level in an attempt to engineer an even longer-term soft landing than we've already seen. The Fed's best guess is that we have plenty of room to cut without putting upward pressure on inflation. If forthcoming data suggests they're wrong, they'll stop cutting and acknowledge the unexpected shift in data.

There is no dot plot today, so we will not have a detailed idea of how the most recent jobs report changed the rate cut outlook. That said, Powell may carefully comment on such matters in a vague and data-dependent way.

The Fed will not go out of its way to mention anything about the election or the political landscape impacting its decisions. Reporters will no doubt ask, and Powell will take that opportunity to reinforce that politics have no impact on the Fed's decisions except inasmuch as political decisions impact inflation and the labor market--things which actually do have an impact on the Fed's decisions. In other words, the Fed doesn't care about the politics, only the ultimate impact on the economy.

All of the above having been said, individual Fed members may have different feelings about economic projections in light of prospective fiscal policy changes, but that would only be expressed in the form of the quarterly summary of economic projections, if at all. Ultimately, even if a Fed member had a big change of heart due to prospective fiscal changes, they would still have to wait for economic data to confirm their assumptions before it would change the Fed's anticipated course of policy action.