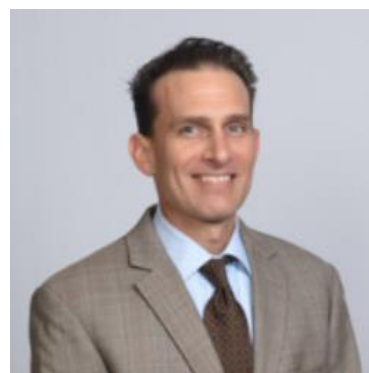


The Day Ahead: What Matters in Today's Fed Announcement

Bonds are a hair weaker this morning with losses showing up in the overnight session and mostly flattening out in domestic trading. Without any big ticket data this morning, this aimless drift is standard operating procedure--especially considering the pre-Fed consolidation was largely assumed to be seen via the modest weakness at the end of last week. That brings us to the Fed this afternoon. Forget the rate cut. That's 100% priced in. Instead, we have two other considerations: Powell's tone at the press conference and the potential inclusion of a change to quantitative tightening in the announcement. Many of our clients have high hopes that an end to QT would be some sort of big victory for bonds, but we'd caution that it's not a game changer. QT is ending soon one way or the other, and the Fed has been clear about that. It's not as if this would constitute QE-levels of bond buying. Bottom line, 2pm or 2:30pm ET could definitely bring some volatility, but nothing that creates big, lasting momentum. For that, we continue to wait for the shutdown to end and for data to return.



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