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The Day Ahead: What to Watch in Today's Dot Plot

Bonds were modestly weaker overnight, but have moved back into positive territory after this morning's Employment Cost Index and NYSE. This means 10yr yields are at the bleeding edge of the 3-month range heading into this afternoon's Fed announcement.



The rate cut is about as close to a foregone conclusion as normal, so the focus remains squarely on the dot plot (and the press conference, to a lesser extent). The last dot plot showed one more cut in 2025 and one additional cut in 2026, but 2026's dots are much more dispersed.

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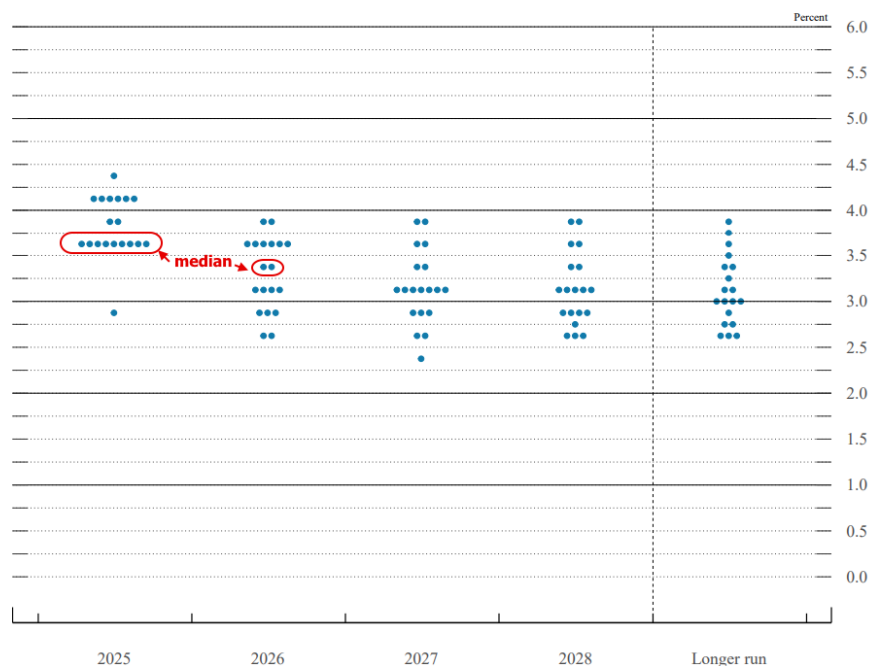
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Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



With some of the more hawkish speeches recently, the risk is that some of the more central dots migrate up from 3.375 to 3.625--effectively suggesting the Fed is done cutting until further notice. We suspect some of the bond market weakness of the past 2 weeks is trading that fear, but there could be more weakness if it's confirmed. On the other hand, if 2026 retains the single rate cut, it should be rate-friendly.