

Federal Open Market Committee Meeting | June 12, 2024

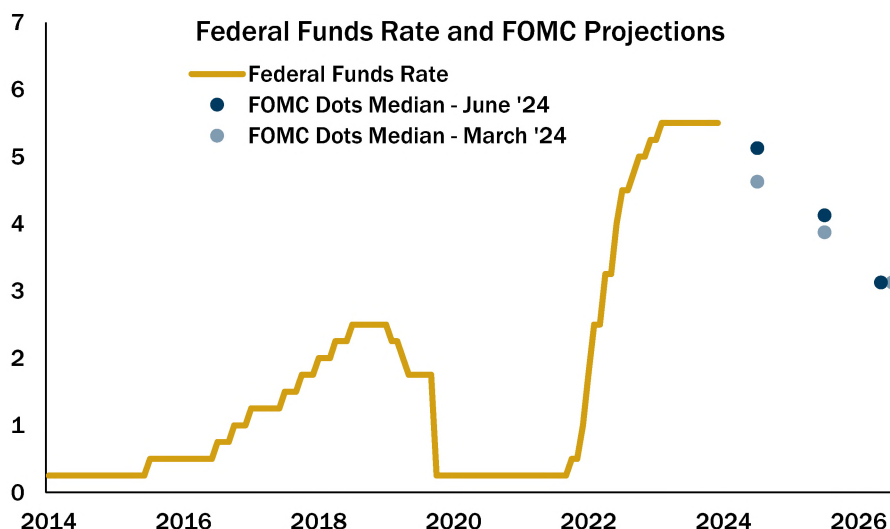
Cooler inflation print encourages markets but policymakers still cautious

The Federal Reserve left the overnight rate unchanged at a range of 5.25 to 5.50%, as widely expected. **Market pricing currently implies a roughly 60% probability the Fed will cut rates by 0.25% in September, but the outlook will continue to evolve reflecting new data.**

The Fed also released its quarterly Summary of Economic Projections (SEP) and its “dot plot” for the path of interest rates. The closely watched median projection for the federal funds rate over the near- and medium-term moved up slightly, but policymakers’ views will continue to evolve in coming months as new inflation and employment data become available.

Today’s Fed meeting comes on the heels of a much softer-than-expected CPI inflation report this morning. After several months of running at an elevated rate, CPI inflation for May surprised substantially to the downside. Treasury yields plunged as investors increased their confidence in the outlook for rate cuts and lessened fears that inflation may reaccelerate. **However, it is important to note that one month does not make a trend. Despite today’s significant market reaction, policymakers have stated they will need to see multiple similar inflation prints this summer before gaining confidence that inflation has cooled enough to begin cutting interest rates.**

During today’s press conference, Chair Powell expressed the need for the Fed to gain further confidence that inflation is heading toward 2% before loosening policy. The Fed has positioned markets to expect rate cuts no earlier than September, and a substantial amount of new inflation and economic data will shape the outlook and narrative this summer. For illustration, before the September Fed meeting, there will be three more rounds of inflation data, three rounds of employment data, another Fed meeting, and the preliminary release of Q2 GDP. **The upshot is that the Fed – and markets – will likely continue to reassess and reprice their expectations for Fed policy repeatedly over the summer.**



Source: Federal Reserve, Bloomberg

CONTACT

Phillip Neuhart | SVP, Director of Market and Economic Research

phillip.neuhart@firstcitizens.com
919-716-2403

Brent Ciliano, CFA | SVP, Chief Investment Officer

brent.ciliano@firstcitizens.com
919-716-2650

Blake Taylor | VP, Market and Economic Research Analyst

blake.taylor@firstcitizens.com

IN BRIEF:

Takeaways

- The FOMC left the overnight rate unchanged and projected one rate cut this year.
- Even though inflation has moderated, it remains well above the Fed’s 2% target.

What does it mean for you?

- The data continue to show the overall economy is strong and is weathering higher interest rates. But how much longer are high rates required to keep inflation at bay?

What is the impact?

- If inflation continues to improve, we believe the Fed may cut rates 1-2 times this year, potentially beginning as early as September.



[Sign up](#) to receive regular market & economic updates straight to your inbox.



[Sign up](#) to receive regular market & economic updates straight to your inbox.

FIRSTCITIZENS.COM/WEALTH

The views expressed are those of the author(s) at the time of writing and are subject to change without notice. First Citizens does not assume any liability for losses that may result from the information in this piece.

This material is for informational purposes only and is not intended to be an offer, specific investment strategy, recommendation, or solicitation to purchase or sell any security or insurance product, and should not be construed as legal, tax or accounting advice. Please consult with your legal or tax advisor regarding the particular facts and circumstances of your situation prior to making any financial decision. While we believe that the information presented is from reliable sources, we do not represent, warrant, or guarantee that it is accurate or complete.

Your investments in securities and insurance products and services are not insured by the FDIC or any other federal government agency and may lose value. They are not deposits or other obligations of, or guaranteed by any bank or bank affiliate and are subject to investment risks, including possible loss of the principal amounts invested.

About the Entities, Brands and Services Offered

First Citizens Wealth™ (FCW) is a marketing brand of First Citizens BancShares, Inc., a bank holding company. The following affiliates of First Citizens BancShares are the entities through which FCW products are offered. Brokerage products and services are offered through First Citizens Investor Services, Inc. ("FCIS"), a registered broker-dealer, Member [FINRA](#) and [SIPC](#). Advisory services are offered through FCIS, First Citizens Asset Management, Inc. and SVB Wealth LLC, all SEC registered investment advisers. Certain brokerage and advisory products and services may not be available from all Investment Professionals, in all jurisdictions, or to all investors. Insurance products and services are offered through FCIS, a licensed insurance agency. Banking, lending, trust products and services, and certain insurance products and services are offered by First-Citizens Bank & Trust Company, Member [FDIC](#), and an Equal Housing Lender and SVB, a division of First-Citizens Bank & Trust Company. 

For more information about FCIS, FCAM or SVBW and its Investment Professionals click here:

<https://www.firstcitizens.com/wealth/disclosures>

<https://www.svb.com/private-bank/disclosures/form-adv/>

©2024 First-Citizens Bank & Trust Company. All rights reserved. Silicon Valley Bank, a division of First-Citizens Bank & Trust Company. Member FDIC., First Citizens Wealth is a trademark of First Citizens BancShares, Inc. .