



Federal Open Market Committee Meeting | September 18, 2024

Fed Kicks Off Rate-Cutting Cycle with Larger 0.50% Move

The Federal Reserve announced a 0.50% cut to the federal funds rate in a long-awaited move and the first policy easing since the 2020 pandemic. The Fed has kept interest rates elevated for two years as it attempted to restore balance to a highly distorted economy and pull price inflation back down to its 2% target rate. Having made considerable progress in achieving these policy goals, **the Fed is now embarking on a tight balancing act: lowering interest rates significantly while keeping both rising unemployment and above-target inflation at bay.**

The market reaction was fairly muted. 2-year and 10-year Treasury yields – as well as the S&P 500 – changed little, demonstrating markets had already priced a reasonable chance of a 0.50% cut ahead of today's meeting.

The federal funds rate – now down to 4.75-5.00% – is priced to fall by eight further 0.25% cuts to about 3% by December 2025. This slightly exceeds the path in the Fed's Summary of Economic Projections, which showed policymakers expect growth and unemployment to stabilize with inflation falling to 2% in short order.

In his post-meeting press conference, Fed Chair Powell reiterated his view that the Fed's interest-rate policy is restrictive. Policymakers do not wish to see any further cooling in the labor market, where job growth has slowed markedly and the unemployment rate has moved up from 3.4% to 4.2%. Chair Powell did not give strong signals on how the FOMC would act at future meetings, but he made clear that more cuts are in the pipeline. As a result, markets will be following the next employment report – released on October 4 – for the next big signal for the path of interest rates.

We continue to believe the economy is in a [mostly normal](#) state and that the Fed's restrictive policy stance looks offside even after today's 0.50% cut. Policymakers face [tougher decisions](#) today as markets, inflation, and the labor market increasingly offer blurred – if not conflicting – signals. We think the path for shorter-term rates is downward, but as always longer-term rates will depend on the growth and inflation outlook. **Many of the fundamental factors underlying markets and the economy remain in place, but we expect greater uncertainty to translate into heightened volatility for the foreseeable future.**

CONTACT

Phillip Neuhart | SVP, Director of Market and Economic Research

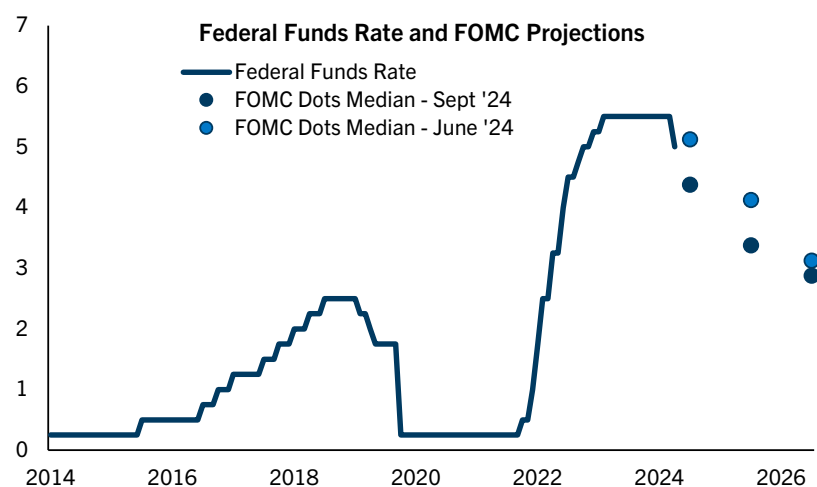
phillip.neuhart@firstcitizens.com
919-716-2403

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
919-716-7964



Source: Federal Reserve, Bloomberg



First Citizens Wealth™

Making Sense



[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. .