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FOMC Update

As summarized by Smith Shellnut Wilson

September 18, 2024

September 18, 2024 – Fed Goes Big With September Rate Cut

In a bold move to support the US labor market, the Federal Open Market Committee (FOMC) voted 11 to 1 to lower the federal funds rate to a range of 4.75% to 5%, after maintaining it at its highest level in two decades for over a year. Governor Michelle Bowman dissented, advocating for a smaller, quarter-point cut, marking the first dissent by a governor since 2005 and the first dissent from any FOMC member since 2022.

Projections released after their two-day meeting revealed that a slim majority, 10 out of 19 officials, expect another half-point of cuts over their remaining two meetings in 2024. The bond market is forecasting three 25 basis point cuts by year-end.

“This decision reflects our growing confidence that with an appropriate recalibration of our policy stance, strength in the labor market can be maintained in a context of moderate growth and inflation moving sustainably down to 2%,” Fed Chair Jerome Powell stated in a press conference following the announcement. Powell also warned against assuming that the half-point reduction would set a precedent for future rate cuts.

According to their median forecast, policymakers anticipate an additional percentage point of cuts in 2025.

Officials updated their quarterly economic forecasts, raising the median unemployment projection for the end of 2024 to 4.4% from the 4% forecast in June, indicating a slight increase from the current 4.2%. Powell mentioned last month that further cooling in the labor market would be “unwelcome.”

The median inflation forecast for the end of 2024 decreased to 2.3%, while the median economic growth projection edged down to 2%. Policymakers do not expect inflation to return to their 2% target until 2026.

The bond market now forecasts three 25-basis point cuts by year-end and eight over the next year (see chart below).

Please click the link for a side-by-side comparison of the U.S. Federal Open Market Committee statements from September 18, 2024 and July 31, 2024.

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES												
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500
9/18/2024										0.0%	0.0%	3.0%	97.0%
11/7/2024					0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	35.8%	63.1%	0.0%
12/18/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	18.6%	49.6%	31.3%	0.0%	0.0%
1/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	6.8%	29.3%	43.2%	20.5%	0.0%	0.0%	0.0%
3/19/2025	0.0%	0.0%	0.0%	0.1%	2.0%	13.1%	33.2%	36.9%	14.7%	0.0%	0.0%	0.0%	0.0%
5/7/2025	0.0%	0.0%	0.0%	1.8%	11.6%	30.6%	36.4%	17.7%	2.0%	0.0%	0.0%	0.0%	0.0%
6/18/2025	0.0%	0.0%	1.2%	8.5%	24.5%	34.5%	23.6%	7.0%	0.6%	0.0%	0.0%	0.0%	0.0%
7/30/2025	0.0%	0.4%	3.8%	14.1%	28.0%	30.7%	17.8%	4.7%	0.4%	0.0%	0.0%	0.0%	0.0%
9/17/2025	0.1%	1.3%	6.4%	17.7%	28.7%	27.4%	14.5%	3.6%	0.3%	0.0%	0.0%	0.0%	0.0%

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