

What happens after the first Fed rate cut?

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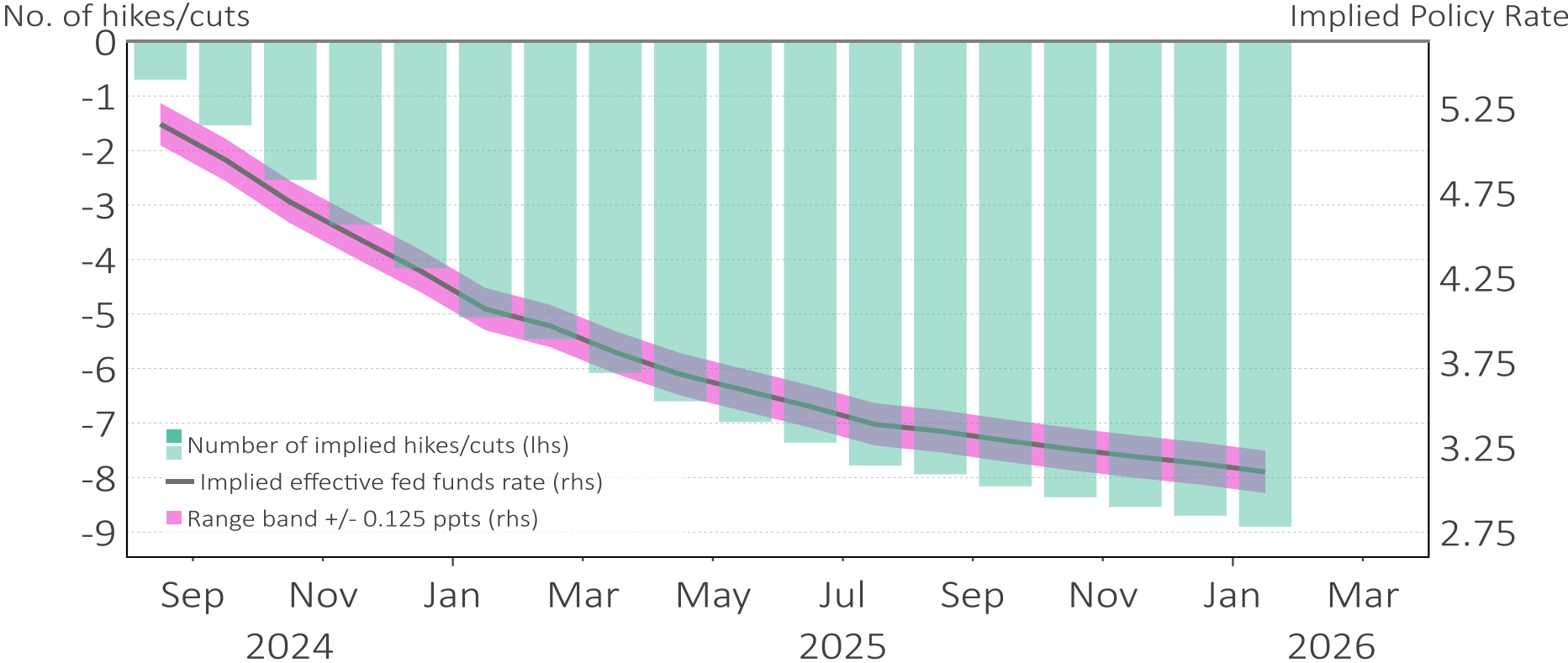
Summary

- The Fed is expected to soon commence its 8th monetary policy easing cycle since 1989.
- Lower interest rates will work their way through the economy and financial markets.
- During the first year of previous easing cycles:
 - GDP growth typically accelerates (major exceptions are cycles associated with an external shock (eg OPEC oil shocks, the “tech wreck” and COVID))
 - unemployment often continues to rise for a while – it’s a lagging indicator;
 - inflation rates in more recent cycles tend to track sideways;
 - house price growth almost always accelerates – the exception was the global financial crisis in 2007-08;
 - more often than not, share prices, the USD and 10-year bond yields *rise*;
 - commodity prices overall show no clear trend but oil prices often fall and gold tends to lift; and
 - there is no clear trend in market volatility – exogenous factors dominate.

US Interest Rate Cuts Are Coming

Implied Number of Fed Hikes/Cuts

(assuming uniform 0.25 ppt moves | as at: 13 August)

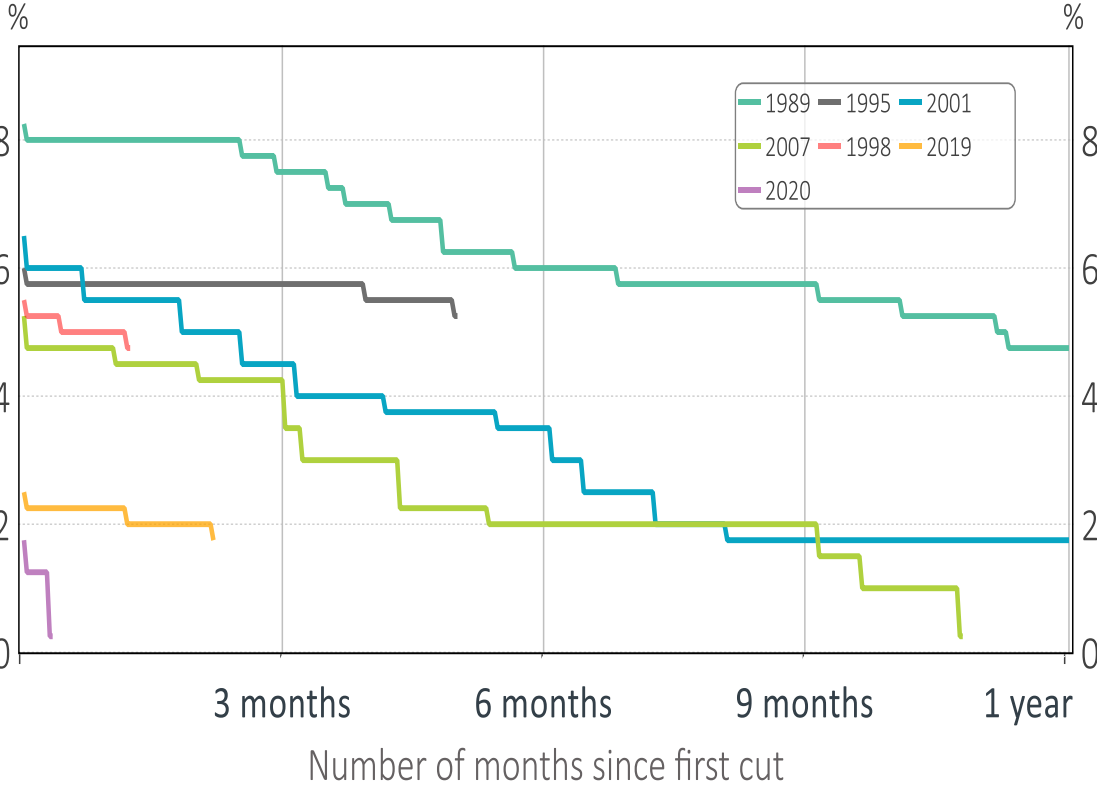


Source: PinPoint Macro, Macrobond, CME Group, New York Fed

Fed Funds Rate Cut Cycles

Fed Rate Cut Cycles Since 1989

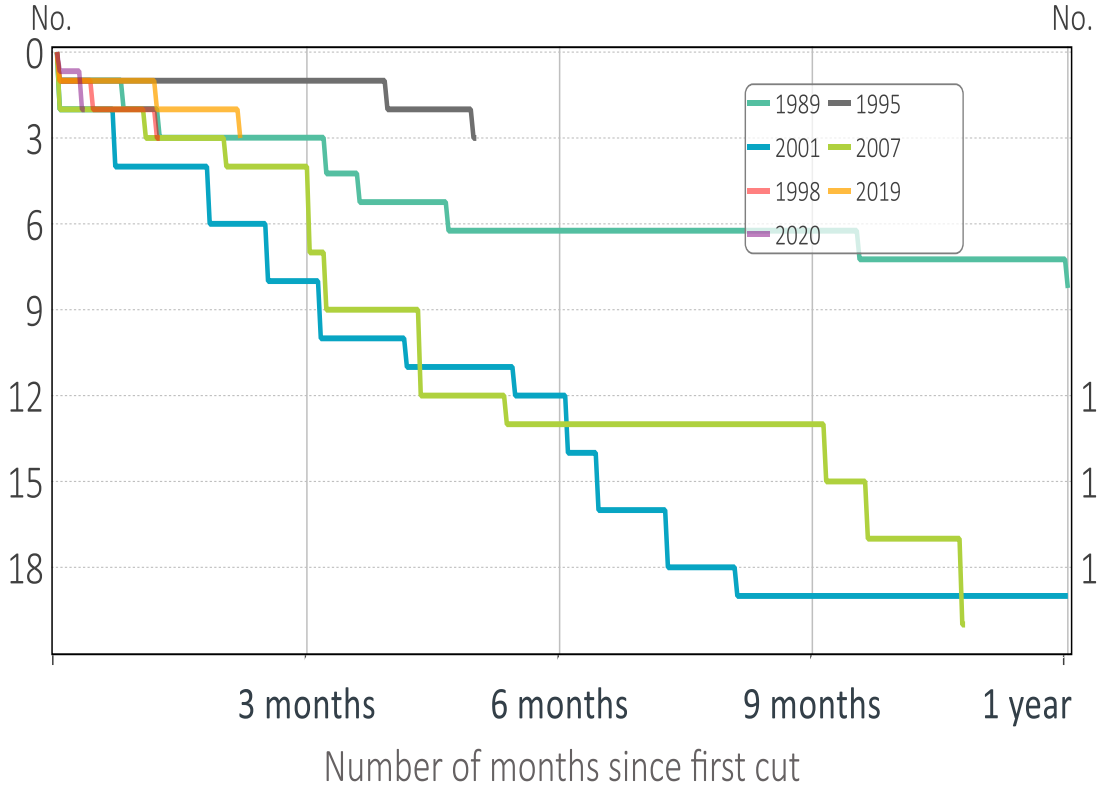
(Fed Funds Rate During Policy Easing Cycles)



Source: PinPoint Macro Analytics, Macrobond, Fed

Fed Rate Cut Cycles Since 1989

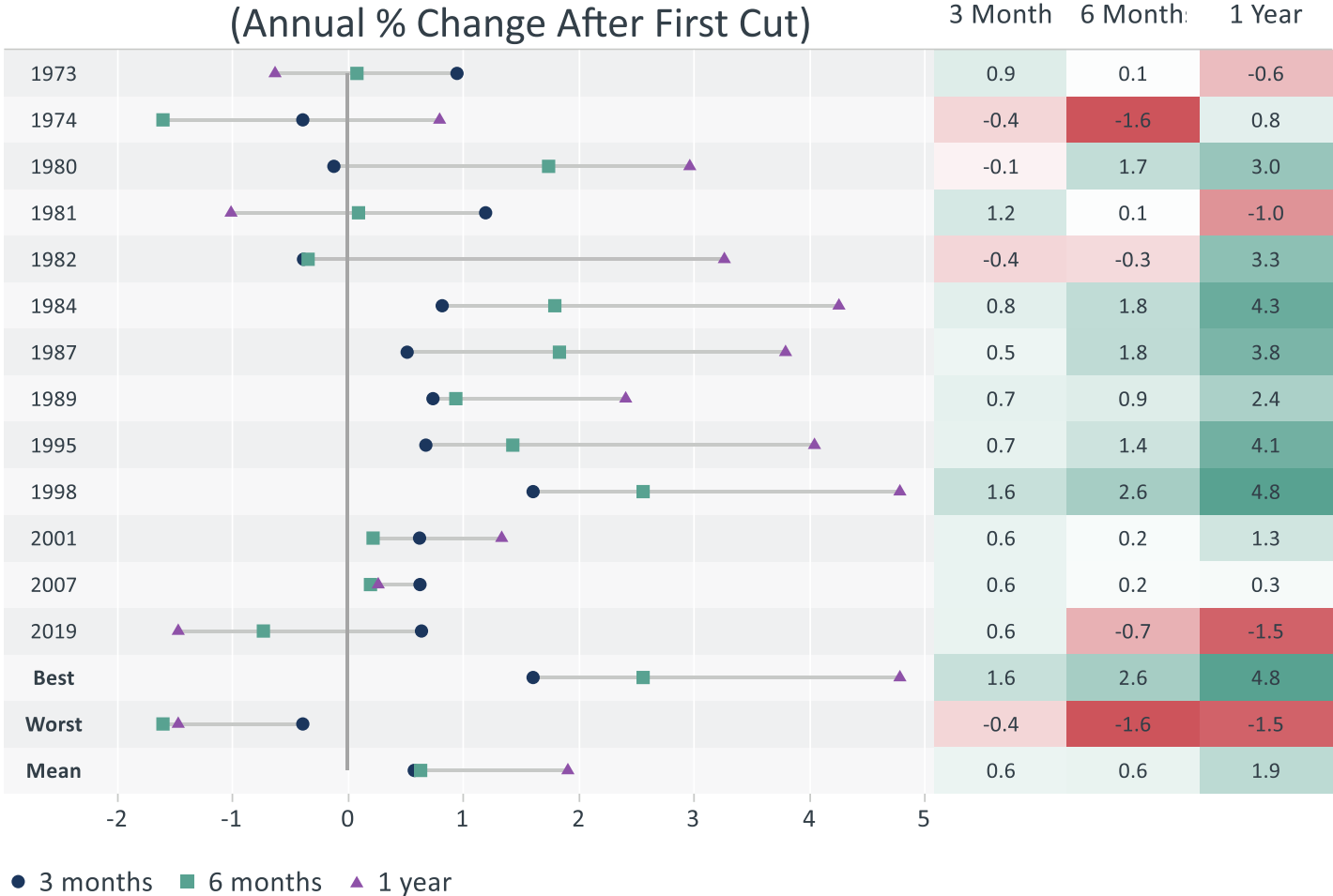
(Number of Cuts)



Source: PinPoint Macro Analytics, Macrobond, Fed

US GDP Growth

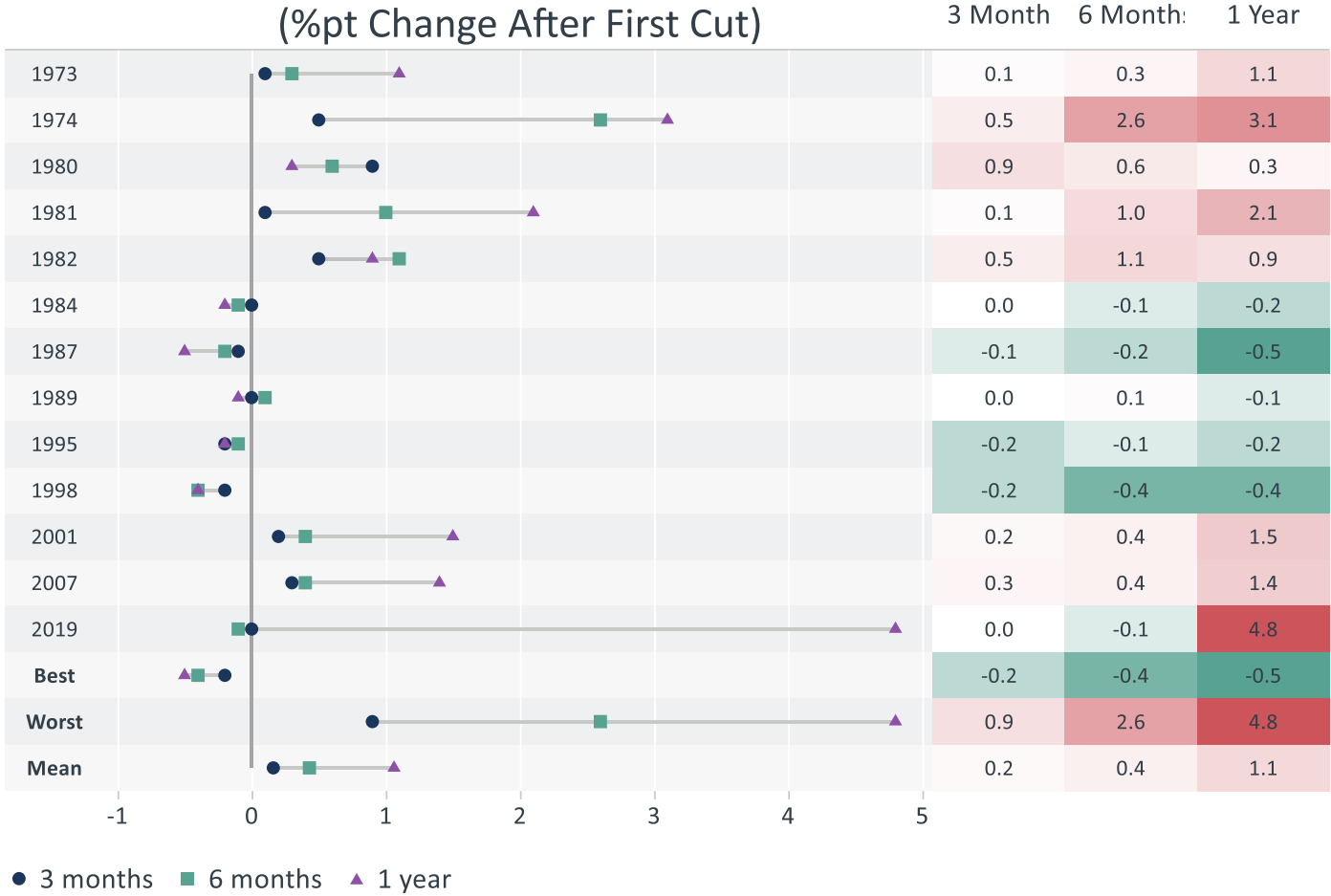
GDP Growth Performance After First Fed Cut



Source: PinPoint Macro, Macrobond, BEA

US Unemployment

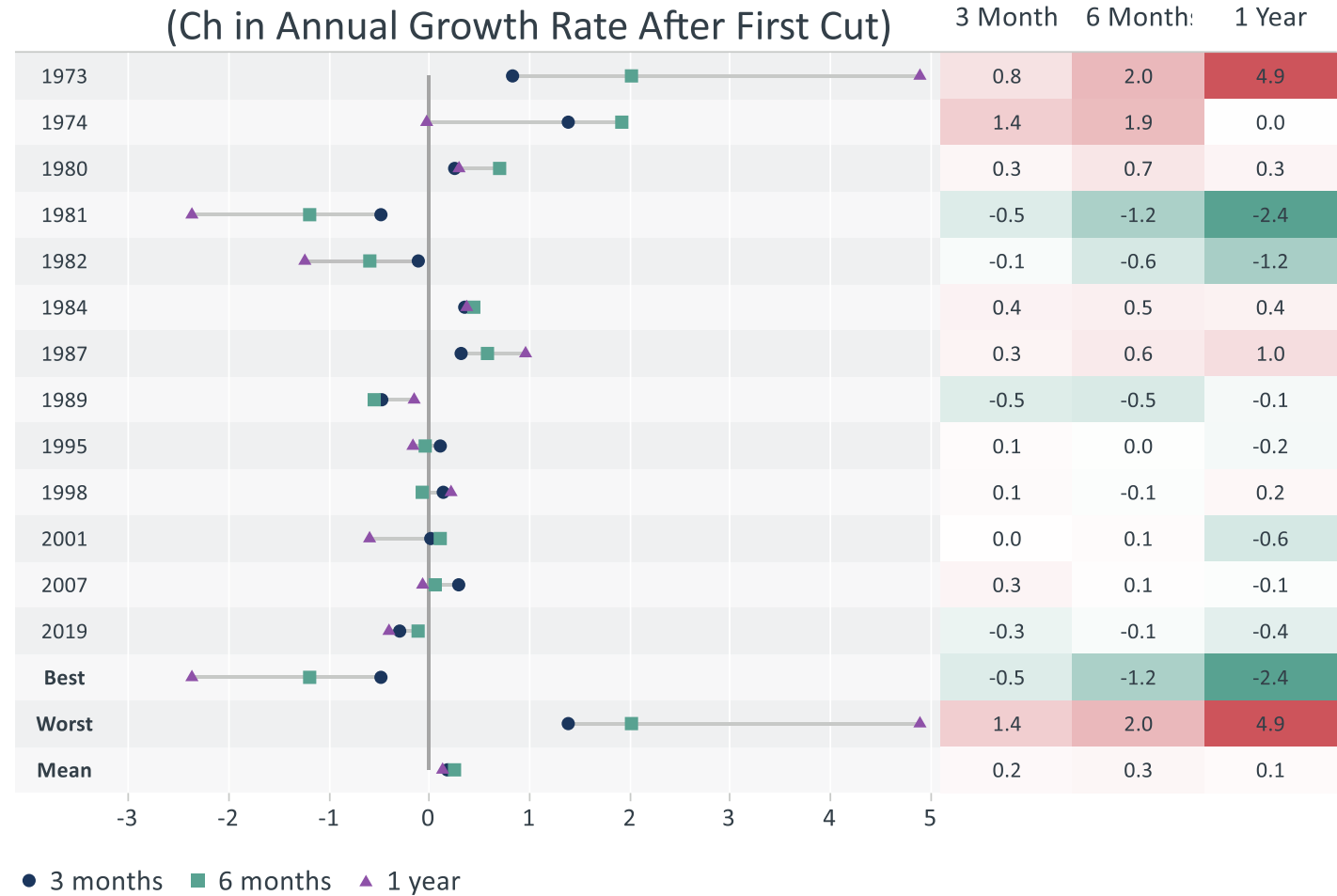
Unemployment Performance After First Fed Cut



Source: PinPoint Macro, Macrobond, BLS

US Core PCE Growth

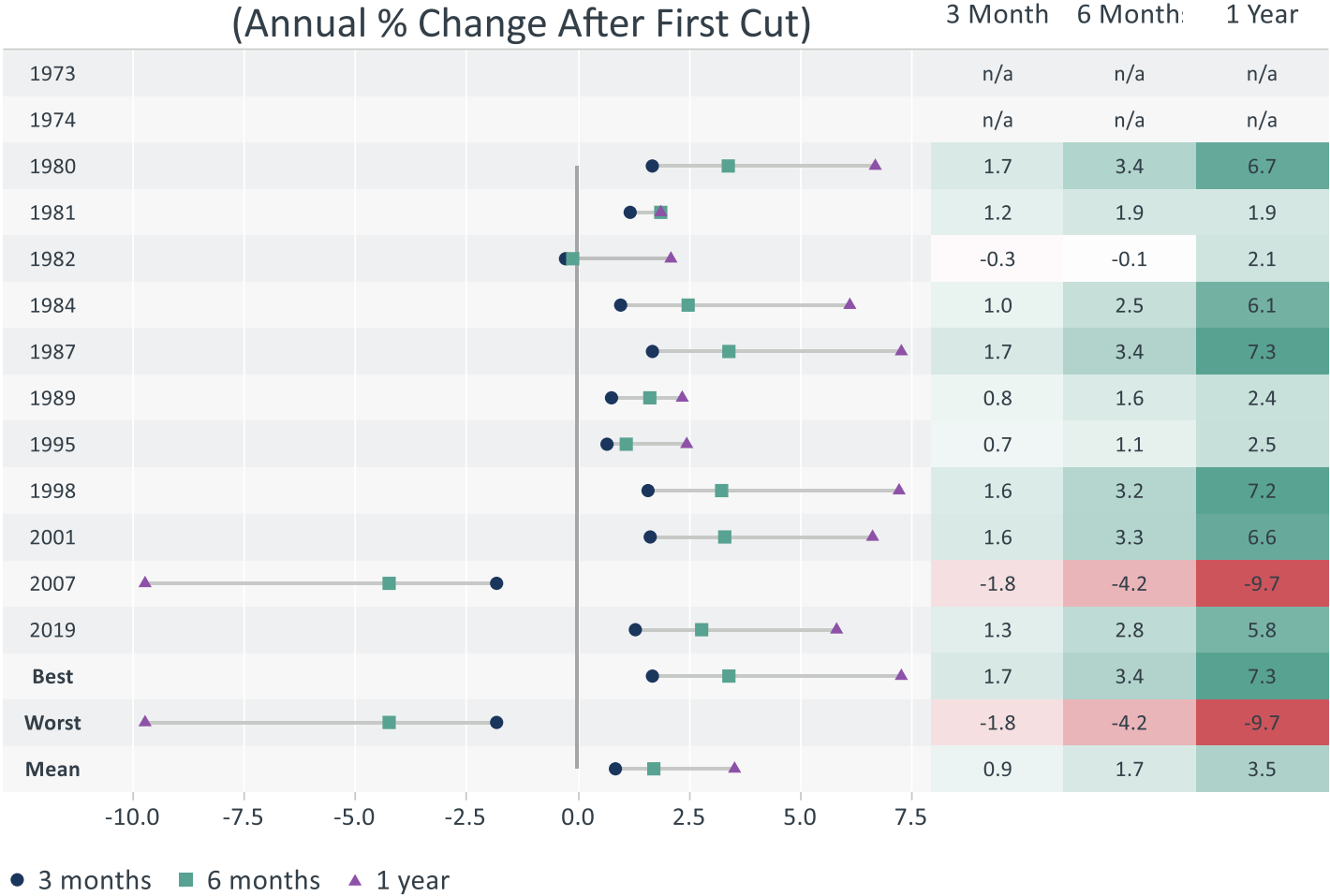
Core PCE Performance After First Fed Cut



Source: PinPoint Macro, Macrobond, BEA

US House Price Growth

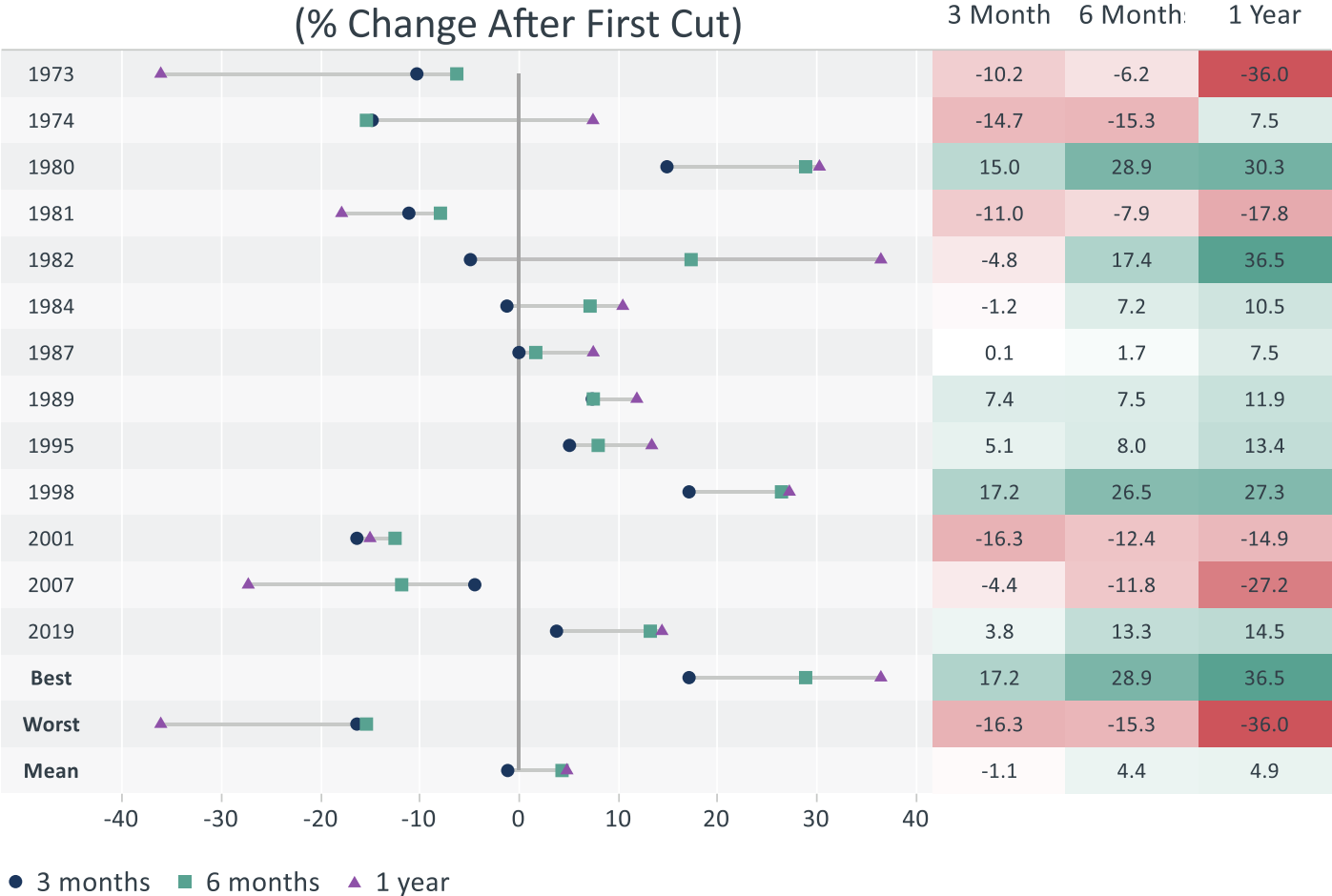
House Price Performance After First Fed Cut



Source: PinPoint Macro, Macrobond, S&P Global

US S&P 500

S&P 500 Performance After First Fed Cut



Source: PinPoint Macro, Macrobond, S&P Global

US Sectoral Alpha

Sectoral Alphas After First Fed Cut

(Average Performance Relative to Broad Equity Market)

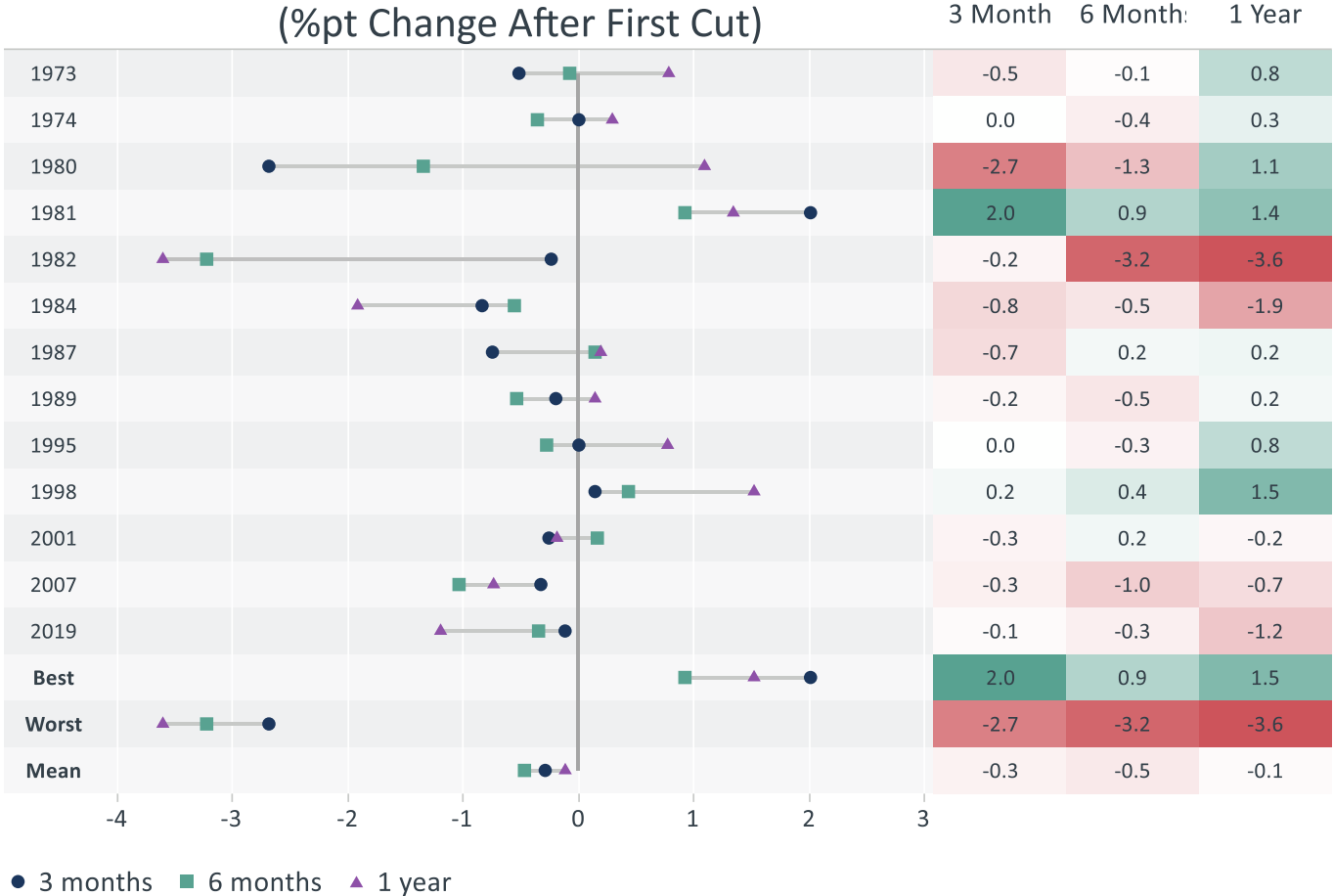
	+1m	+2m	+3m	+6m	+9m	+12m
Consumer Non-Cyclicals	1.2	2.6	3.5	1.4	3.8	7.7
Consumer Cyclicals	-0.8	0.8	1.9	3.3	1.6	7.0
Technology	0.2	-0.8	-3.1	-3.4	-1.6	5.2
Healthcare	-0.2	0.7	1.6	2.7	2.8	4.5
Business Services	-1.2	-0.2	-1.5	-2.0	-3.0	-1.5
Industrials	-0.5	0.2	-0.4	-0.7	-1.7	-1.7
Telecommunications	0.2	-0.5	2.0	0.5	2.8	-1.9
Non-Energy Materials	-0.7	0.3	-2.1	-2.9	0.4	-3.2
Consumer Services	0.3	1.1	0.5	4.3	-2.5	-3.6
Energy	-0.5	-0.7	-1.6	-0.4	0.8	-6.2
Utilities	0.3	1.4	4.1	-0.4	-0.6	-7.6
Finance	-0.7	-0.5	0.2	-1.6	-4.7	-8.2

Red indicates underperforming benchmark | green indicates outperformance

Source: PinPoint Macro Analytics, Macrobond, FactSet

US 10-Year Treasurys

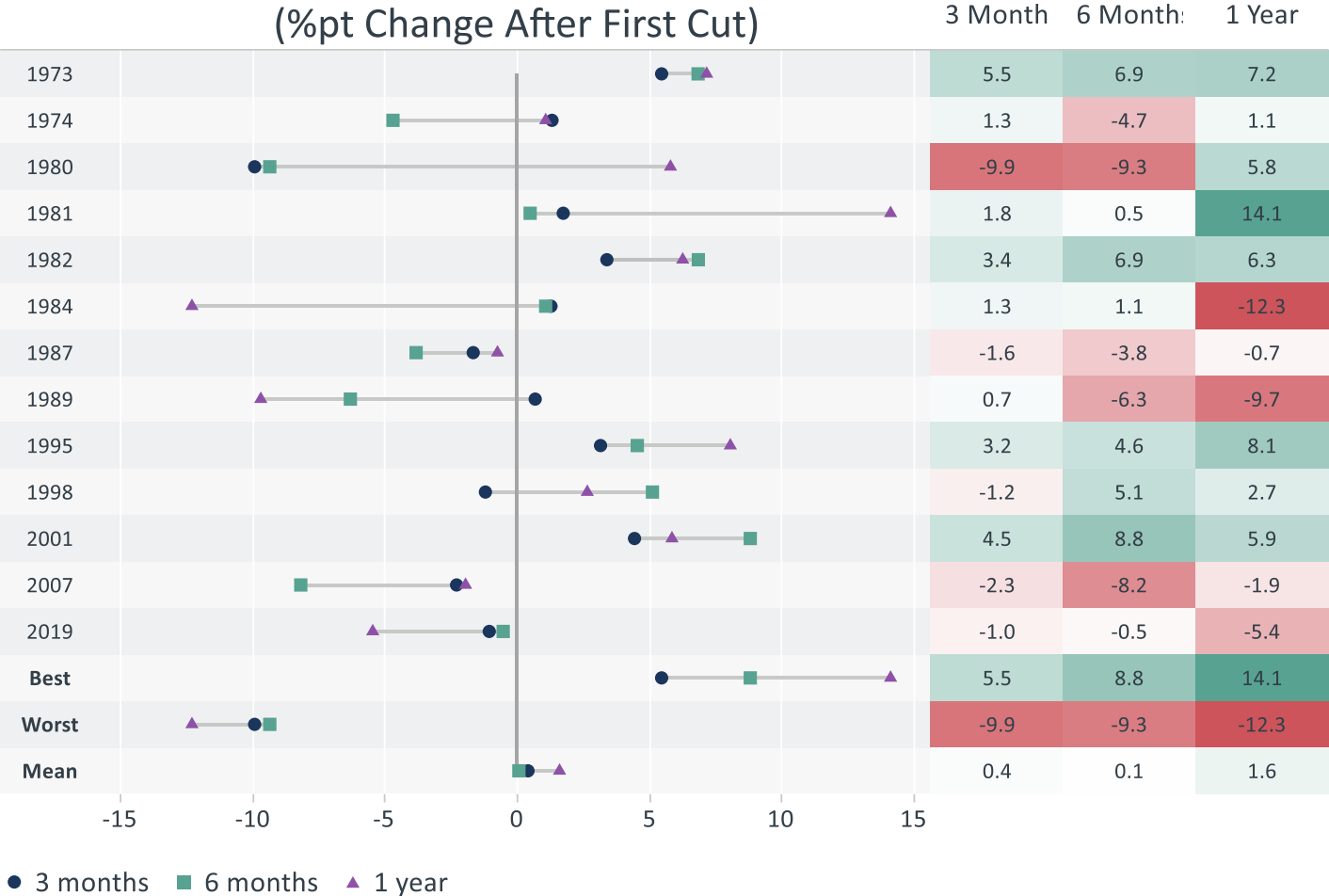
U.S. 10-Yr Bond Performance After First Fed Cut



Source: PinPoint Macro, Macrobond, U.S. Treasury

USD Index

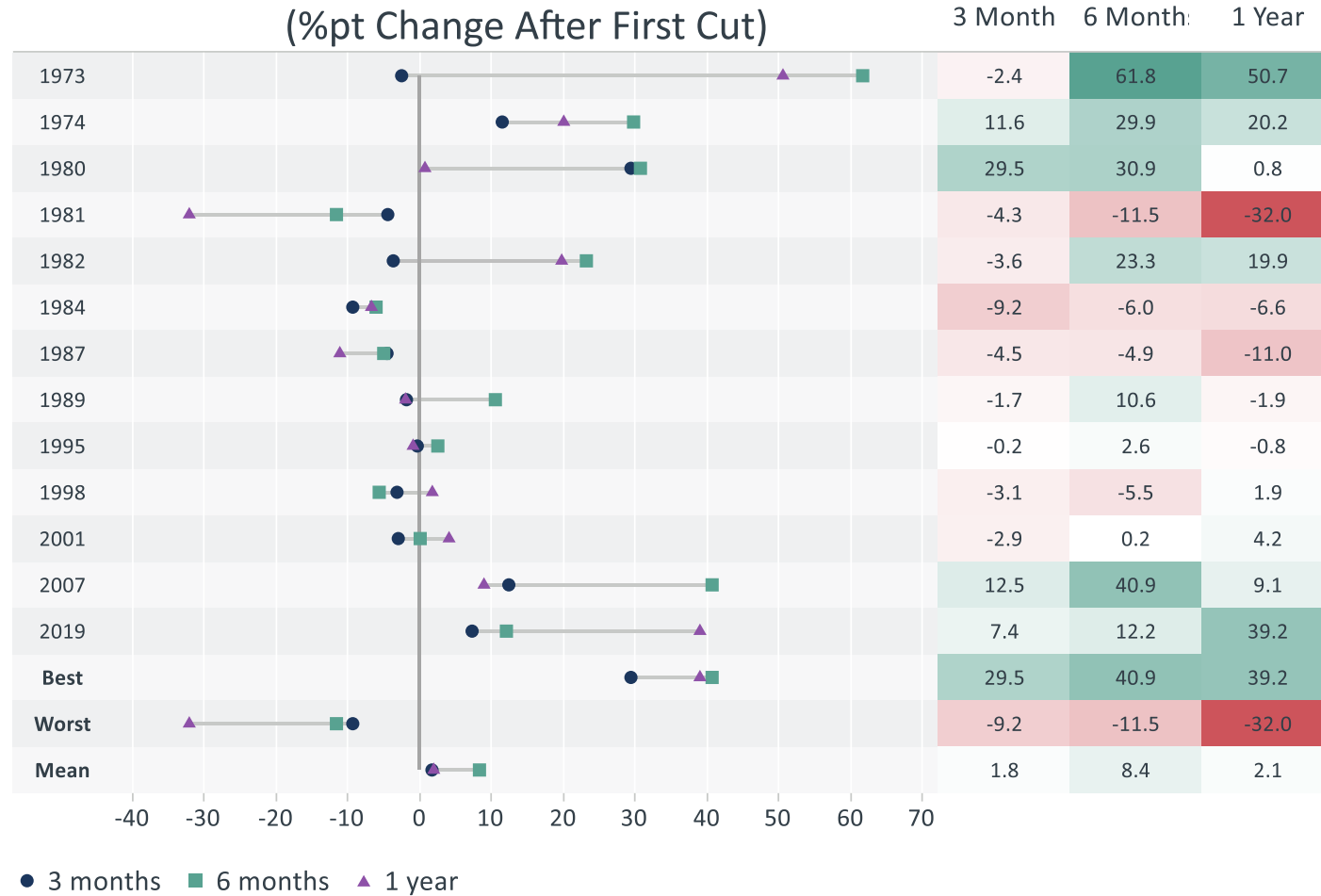
USD Index Performance After First Fed Cut



Source: PinPoint Macro, Macrobond, ICE

Gold

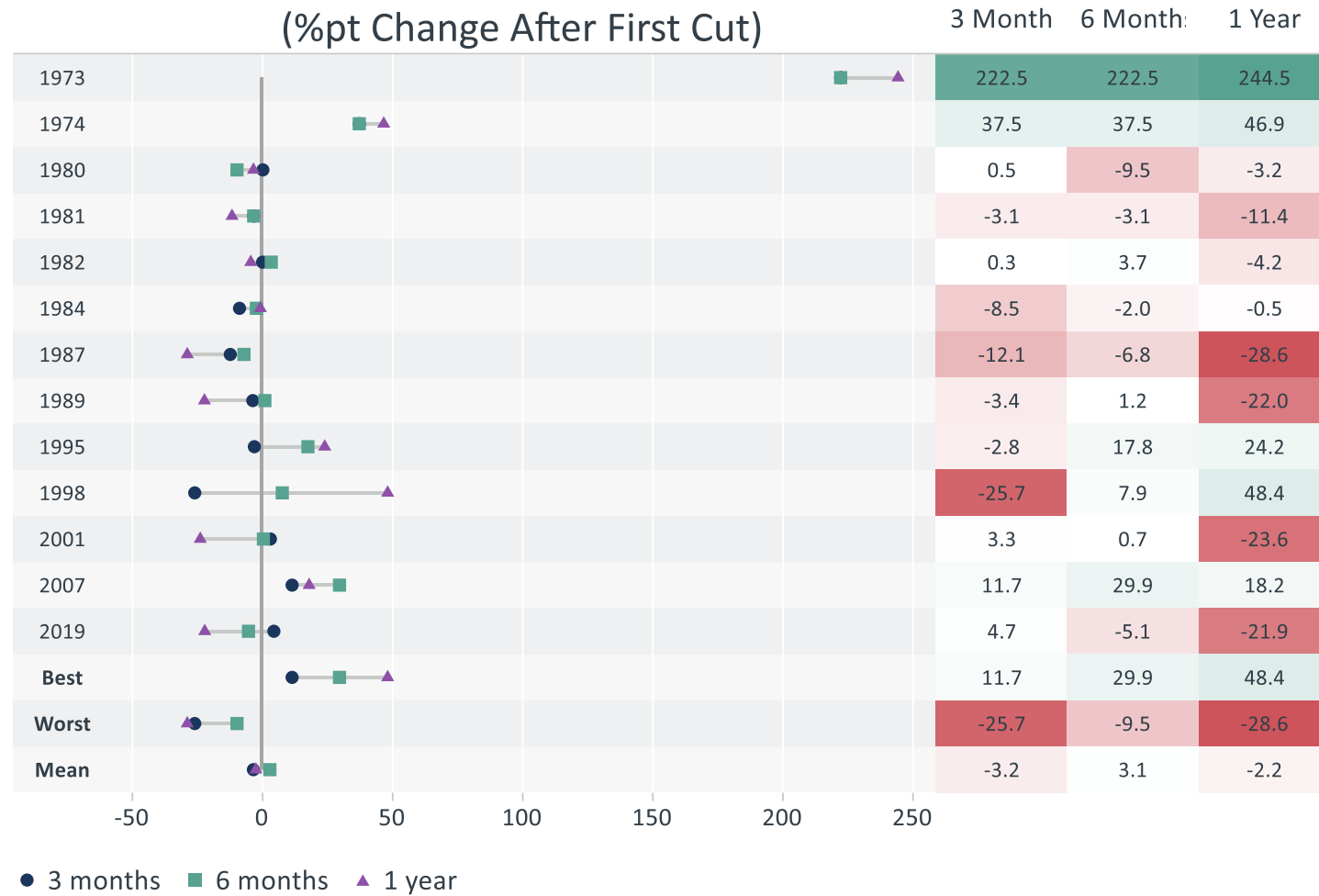
Gold Performance After First Fed Cut



Source: PinPoint Macro, Macrobond, LBMA

Oil

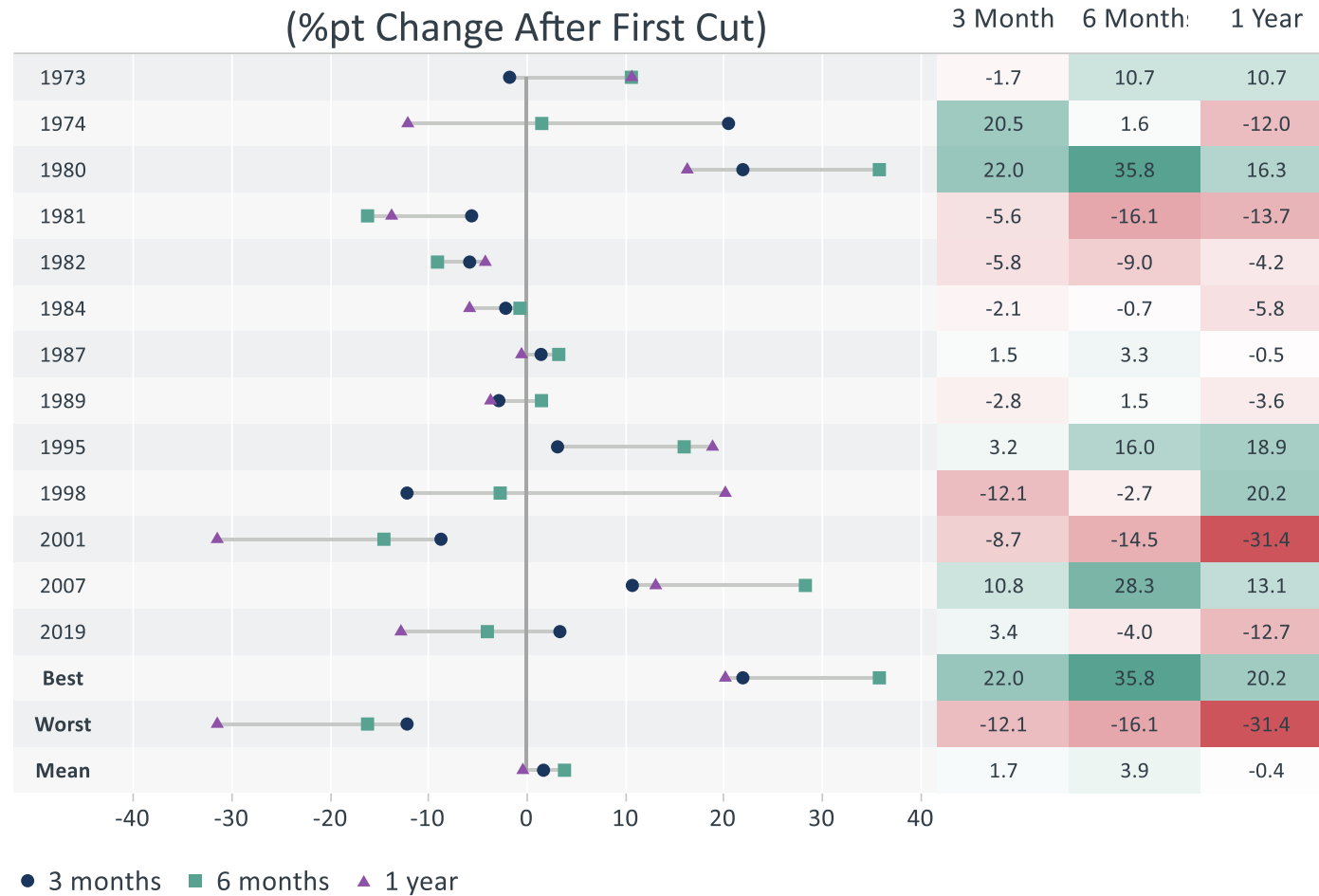
WTI Oil Performance After First Fed Cut



Source: PinPoint Macro, Macrobond,

Commodity Prices

GSCPI Performance After First Fed Cut



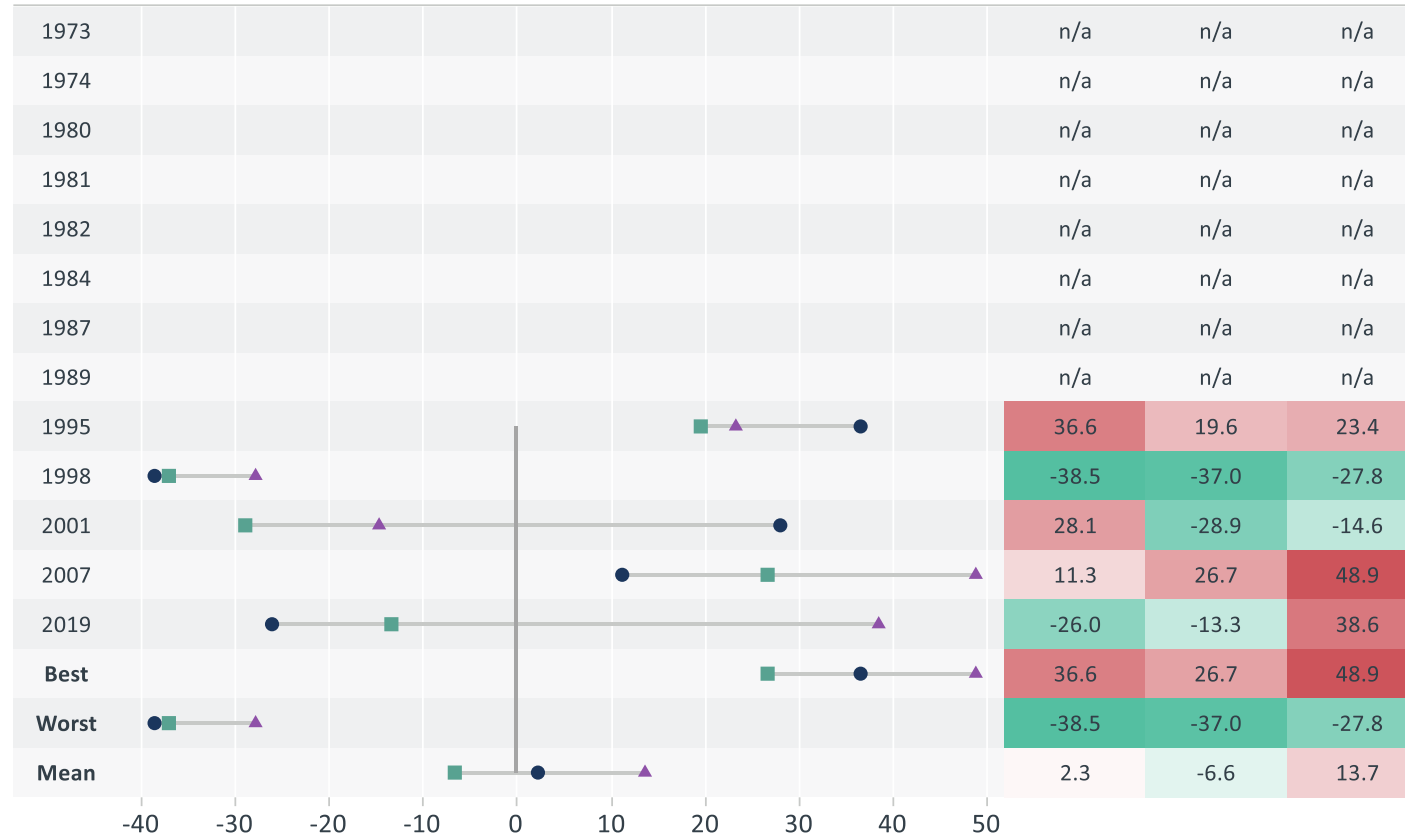
Source: PinPoint Macro, Macrobond, S&P Global

VIX Index

VIX Volatility After First Fed Cut

(% Change After First Cut)

3 Month 6 Month: 1 Year



● 3 months ■ 6 months ▲ 1 year

Source: PinPoint Macro, Macrobond, CBOE



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