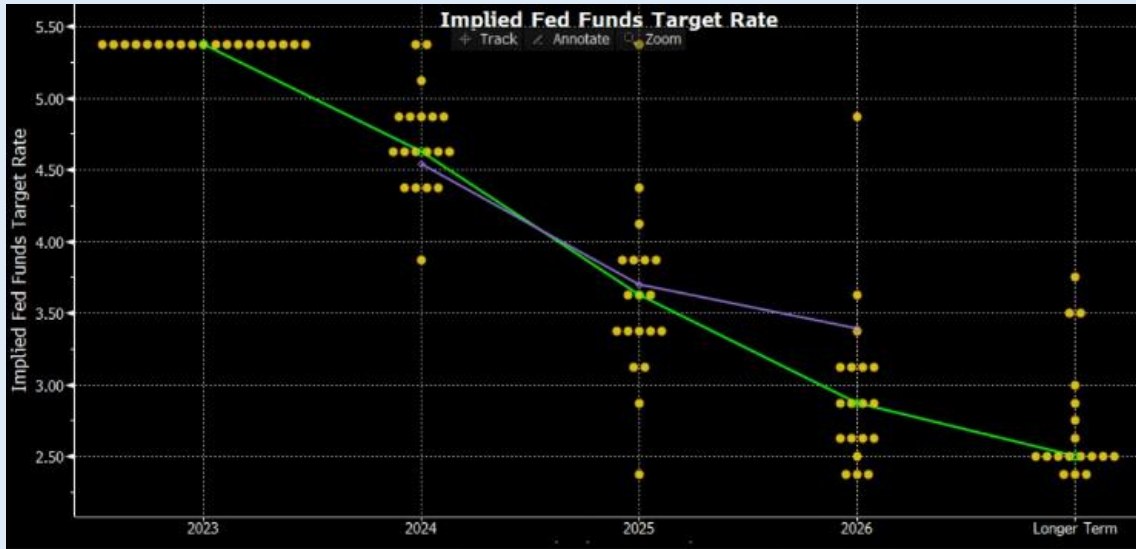


once again be the main event. Will he stand firm on inflation and rule out near term rate cuts, or will he lean dovish in anticipation of tougher economic times ahead? *Stay tuned!*

Existing FOMC “Dot-Plot”



Source: Bloomberg, LLP | Existing FOMC “Dot-Plot”

Chart 2A: Economists See Encouraging Outlook For Core PCE...Does The Fed Agree?

Core PCE, the Fed’s preferred inflation gauge, is currently forecast to be at or below 2.5% by June. The Fed has *strongly* hinted recently that they are prepared to cut rates before inflation reaches 2.00%. The Fed will release revised economic projections tomorrow, including forecasts for PCE. Should the Fed concur with economists, it would likely increase market odds for a 25 bp June rate cut. From my perspective, I still do not think there is a compelling reason for the Fed to cut rates anytime soon. The risk remains that the market is still ahead of the Fed on rate cuts and will need to correct.

Core PCE Forecasts



Source: Bloomberg, LLP | Core PCE Projections – Bloomberg Economists



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