

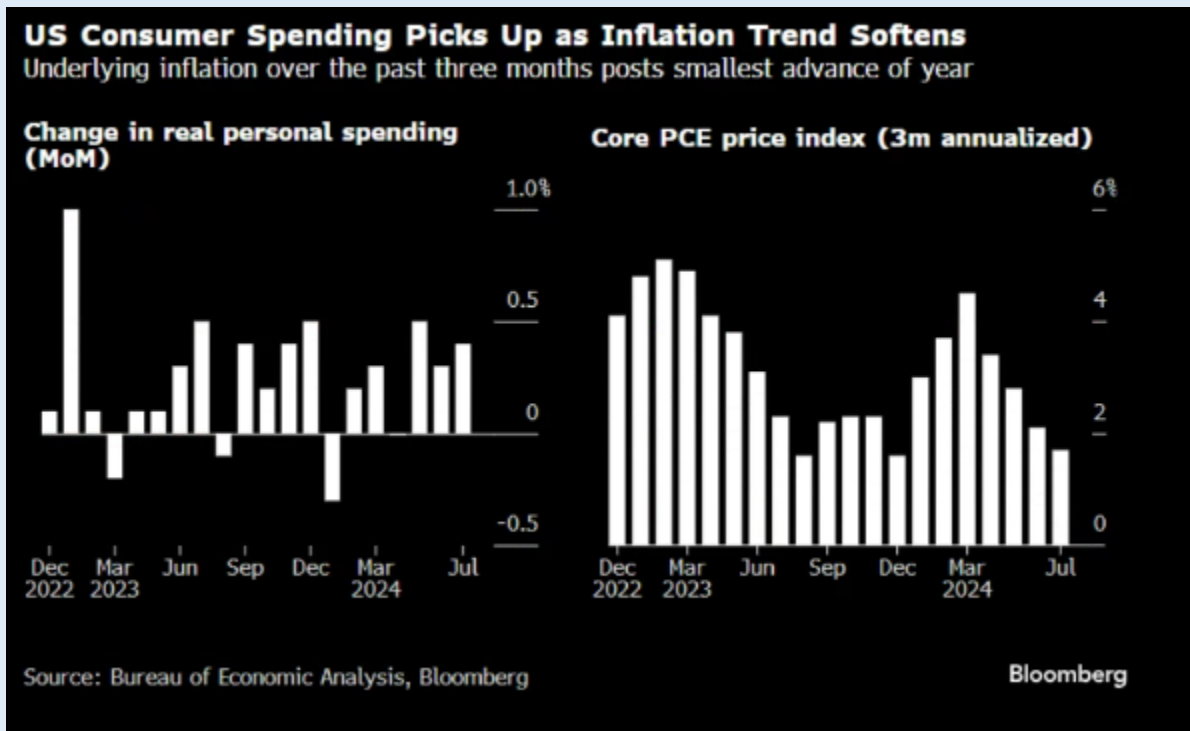
adjusted consumer spending climbed 0.4%, an increase from the prior month’s reading of 0.3%. With inflation trending lower and a resilient US consumer, market participants are leaning toward a 25 basis point rate cut in September.

CHART 2A: PCE Recap – Mild Inflation Data Sets The Stage For A Rate Cut In September

Metric	Actual	Estimate
PCE price index (MoM)	+0.2%	+0.2%
Core PCE price index (MoM)	+0.2%	+0.2%
PCE price index (YoY)	+2.5%	+2.5%
Core PCE price index (YoY)	+2.6%	+2.7%
Real consumer spending (MoM)	+0.4%	+0.3%

Source: Bloomberg, LLP | PCE, Consumer Spending Recap

CHART 2A: Consumer Spending Resilient; Inflation Trends Lower

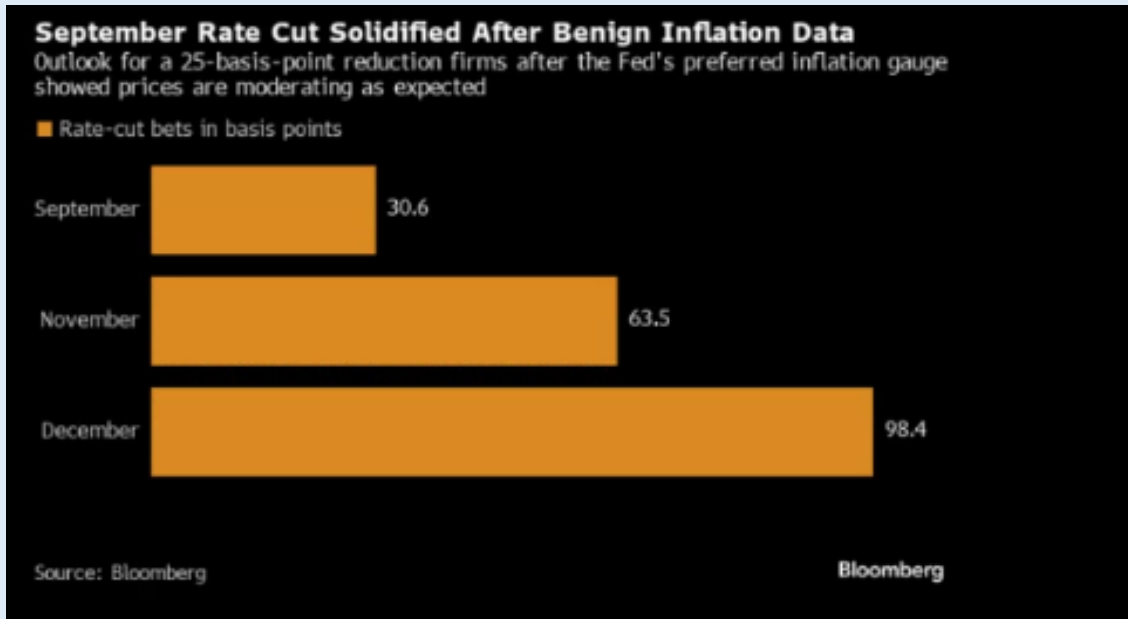


Source: Bloomberg, LLP | CONSUMER SPENDING AND PCE DATA

CHART 3: Market Leaning Towards A 25 bp Rate Cut In September

The below chart shows market rate cut expectations for the remaining Fed meetings this year (September 18, November 7 and December 18). The forward curve is now pricing in ~30 bps of rate cuts for September as expectations for a 50 bp rate cut continue to diminish. Favorable inflation data, stable economic growth and a resilient consumer are increasing the likelihood we will have a “soft-landing”. That has decreased the odds for a 50 bp cut in September significantly. However, you can see the market is still pricing in ~98 bps of rate cuts for 2024, so the market has basically just pushed out the jumbo rate cut they expect until later this year. Market participants will likely get the final piece of the September rate cut “puzzle” next week, when we will see the latest jobs data.

CHART 3: Fed Rate Cut Expectations For 2024



Source: Bloomberg, LLP | FED RATE CUT EXPECTATIONS FOR 2024

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