

▶ On the Mind of Investors

## Will the Federal Reserve (Fed) cut rates at its next meeting?

Published: 08/01/2024

---



**Jordan Jackson**

Global Market Strategist

**Headline PCE inflation fell to 2.5% year-over-year in June, down sharply from a peak of 7.1% two years ago, with higher-frequency data suggesting inflation could resume its decline over the rest of the summer.**

The Federal Open Market Committee (FOMC) voted to leave the Federal funds rate unchanged at a target range of 5.25%-5.50%, but hinted rate cuts are on the horizon. The opening paragraphs in the statement saw a few adjustments; its description of the labor market softened, noting that job gains have moderated, and that the unemployment rate has moved up recently, but remains low. Furthermore, it mentioned that inflation remains “somewhat” (a new addition) elevated and elected to swap “modest” with “some” in describing further progress towards the committee’s 2% goal.

Elsewhere, it noted that risks to achieving its dual mandate continue to move into better balance and, for this first time this cycle, stated the Committee is focused on **both** its maximum employment and price stability mandate, whereas previous statements only noted the explicit, and almost myopic, focus on inflation risks.

On balance, the statement leaned dovish and bolster expectations for a September rate cut. Indeed, during the press conference Chairman Powell acknowledged if the data continues to progress as expected it’d be appropriate to begin cutting rates at the September meeting. As shown, the committee has continued to lean more dovish recently given cooling prices pressures and labor market softness.

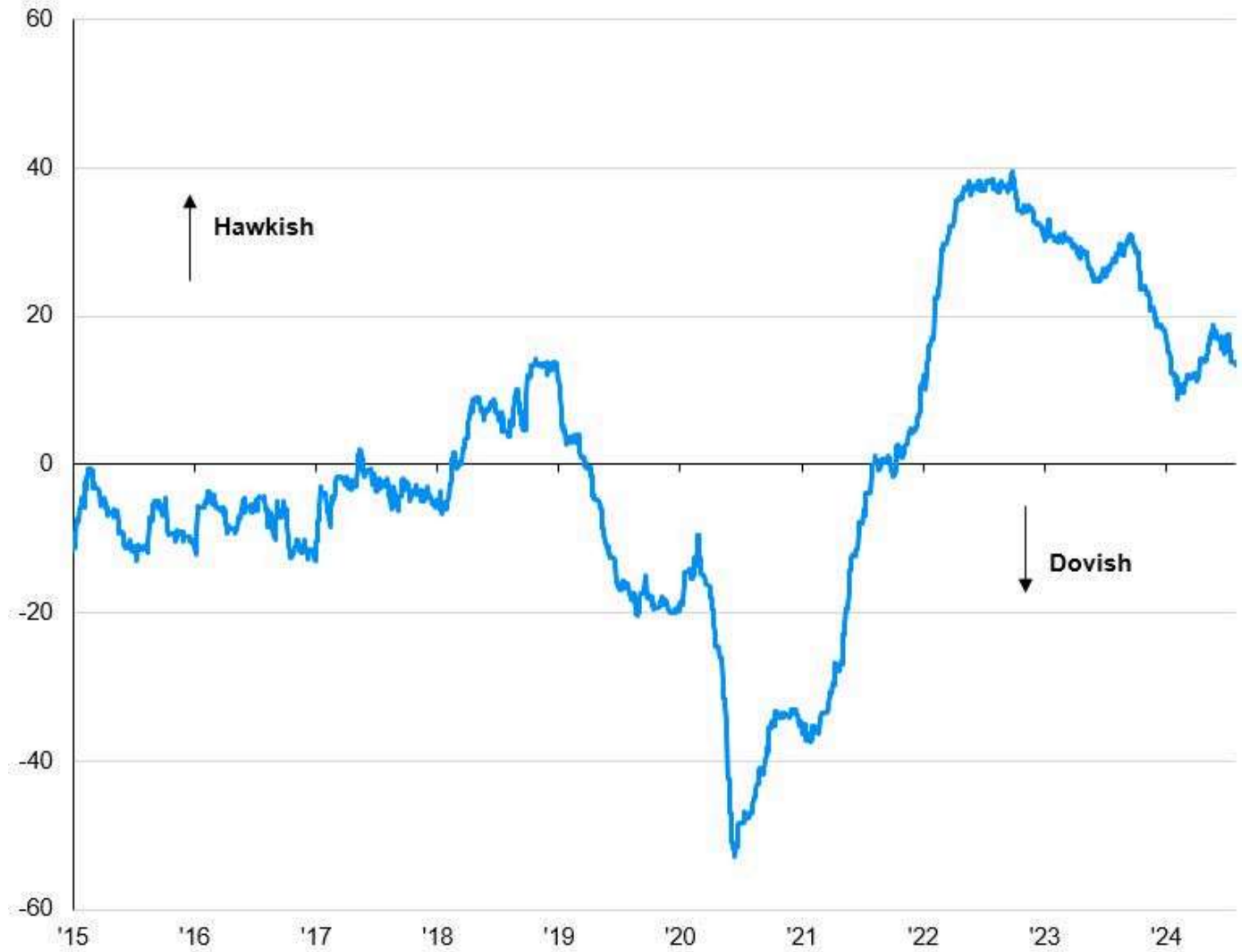
The focus on the balance of risks was apparent, and there are reasons why the committee feels more confident in inflation coming down given the progress shown in the second-quarter data. Headline PCE inflation fell to 2.5% year-over-year in June, down sharply from a peak of 7.1% two years ago, with higher-frequency data suggesting inflation could resume its decline over the rest of the summer. Chairman Powell also highlighted the broadness and *quality* of recent disinflation in sectors like housing and other services which can allow the Fed to be slightly less focused on inflation and more attentive to growth and labor market risks.

Stocks bounced and yields fell on the growing prospects for rate cuts in the near term. We expect the Federal Reserve will cut rates in September and December, followed by four 25 basis point reductions next year.

That said, the Fed will remain patient and the rapid rotation in markets over the past few weeks into styles and sectors that would benefit most from lower interest rates such as small cap equities may be overblown. Importantly, the first few rate cuts should provide less restriction on the economy, not more accommodation. As such, investors should focus on quality within equities and leg into duration as the Fed starts to cut interest rates.

# Fed commentary has continued to drift dovish, signaling rate cuts are near

J.P. Morgan Fed Speech Hawk-Dove Sentiment Score



Source: Bloomberg, J.P. Morgan, J.P. Morgan Asset Management.

The Hawk-Dove Sentiment Score is based on a natural language processing model and therefore does not necessarily reflect the judgement of any individual. The model is trained on data back to 1998.

Data are as of July 31, 2024.

093c240108115426

Article Tags

Insights

Market Insights

Federal Open Market Committee (FOMC)

Federal Reserve

J.P.Morgan

ASSET MANAGEMENT

Capital Gains Distributions

eDelivery

Fund Documents

[Glossary](#)

[Help](#)

[How to invest](#)

[Important Links](#)

[Mutual Fund Fee Calculator](#)

[Accessibility](#)

[Form CRS and Form ADV Brochures](#)

[Investment stewardship](#)

[J.P. Morgan Funds U.S. Consumer Privacy Notice](#)

[J.P. Morgan Online Privacy Policy](#)

[Proxy Information](#)

[Senior Officer Fee Summary](#)

[SIMPLE IRAs](#)

[Site disclaimer](#)

[Terms of use](#)



[J.P. Morgan](#)

[JPMorgan Chase](#)

[Chase](#)

This website is a general communication being provided for informational purposes only. It is educational in nature and not designed to be a recommendation for any specific investment product, strategy, plan feature or other purposes. By receiving this communication you agree with the intended purpose described above. Any examples used in this material are generic, hypothetical and for illustration purposes only. None of J.P. Morgan Asset Management, its affiliates or representatives is suggesting that the recipient or any other person take a specific course of action or any action at all. Communications such as this are not impartial and are provided in connection with the advertising and marketing of products and services. Prior to making any investment or financial decisions, an investor should seek individualized advice from personal financial, legal, tax and other professionals that take into account all of the particular facts and circumstances of an investor's own situation.

Variable annuity guarantees are only as good as the insurance company that gives them. While it is an uncommon occurrence that the insurance companies that back these guarantees are unable to meet their obligations, it may happen. Annuity withdrawals prior to 59½ may be subject to tax penalties, are subject to market risk and may lose value. Riders have additional fees and costs associated with them, and are subject to additional conditions, restrictions, and limitations.

Opinions and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable but should not be assumed to be accurate or complete. The views and strategies described may not be suitable for all investors.

INFORMATION REGARDING MUTUAL FUNDS/ETF: Investors should carefully consider the investment objectives and risks as well as charges and expenses of a mutual fund or ETF before investing. The summary and full prospectuses contain this and other information about the mutual fund or ETF and should be read carefully before investing. To obtain a prospectus for Mutual Funds: Contact JPMorgan Distribution Services, Inc. at 1-800-480-4111 or [download](#) it from this site. Exchange Traded Funds: Call 1-844-4JPM-ETF or [download](#) it from this site.

J.P. Morgan Funds and J.P. Morgan ETFs are distributed by JPMorgan Distribution Services, Inc. JPMorgan Private Markets Fund is distributed by J.P. Morgan Institutional Investments Inc. Both are affiliates of JPMorgan Chase & Co. Affiliates of JPMorgan Chase & Co. receive fees for providing various services to the funds. JPMorgan Distribution Services, Inc. is a member of [FINRA](#) [FINRA's BrokerCheck](#)

INFORMATION REGARDING COMMINGLED FUNDS: For additional information regarding the Commingled Pension Trust Funds of JPMorgan Chase Bank, N.A., please contact your J.P. Morgan Asset Management representative.

The Commingled Pension Trust Funds of JPMorgan Chase Bank N.A. are collective trust funds established and maintained by JPMorgan Chase Bank, N.A. under a declaration of trust. The funds are not required to file a prospectus or registration statement with the SEC, and accordingly, neither is available. The funds are available only to certain qualified retirement plans and governmental plans and is not

offered to the general public. Units of the funds are not bank deposits and are not insured or guaranteed by any bank, government entity, the FDIC or any other type of deposit insurance. You should carefully consider the investment objectives, risk, charges, and expenses of the fund before investing.

INFORMATION FOR ALL SITE USERS: J.P. Morgan Asset Management is the brand name for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

Telephone calls and electronic communications may be monitored and/or recorded.

Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at <https://www.jpmorgan.com/privacy>.

If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.

Copyright © 2024 JPMorgan Chase & Co., All rights reserved