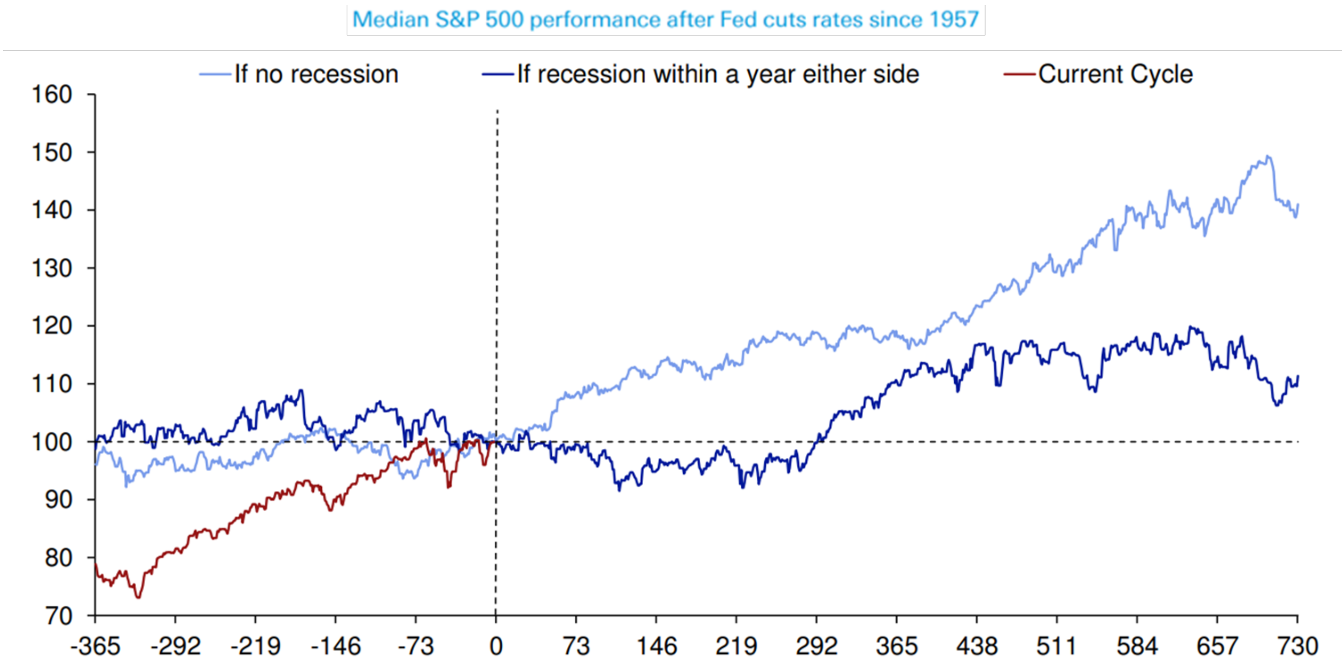
Todd's Chart of Interest

September 18, 2024

Rate Cuts + No Recession = Good Markets



Source: Bloomberg, NBER, Deutsche Bank as of 9/17/24

- We have officially entered into a global easing cycle as most developed market central banks have begun to normalize policy rates. The Fed is expected to join the crowd later today in a widely anticipated move to cut the Fed Funds rate after spending more than a year at 5.50%.

- As the chart above shows ***the stock market does quite well after the Fed begins to cut rates, provided that we don't slip into a recession.***

- We do not think a recession is likely and remain in the soft-landing camp as earnings are recovering and lower market rates should support more capital intensive, interest rate sensitive sectors. The stock and bond markets are sending conflicting signals, with stocks tracking more in line with a non-recession scenario currently. We will stay tuned, but if the soft-landing plays out we would expect to see solid returns and the market continue to broaden out.

The index used in the chart is unmanaged, and not available for direct investment; they include reinvestment of dividends; they do not reflect management fees or transaction costs: **S&P 500 Index** is a widely recognized index of market activity based on the aggregate performance of a selected portfolio of publicly traded common stocks.

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