



Insigneo Weekly Dispatch

# The Only Change Was No Change at All

Our thoughts on the Federal Reserve's meeting earlier this week.

**By Mauricio Viaud**

PM and Senior Investment Strategist  
Insigneo

## The Only Change Was No Change at All

This past Wednesday, March 20th, marked a much awaited “Fed Day”, the infamous March meeting...the ides of March. At the end of last year, the market expected the Federal Reserve to begin its rate cut campaign on this day, with the first of seven expected cuts for the new year. How quickly things changed. Three months later, the expectations going into Wednesday’s meeting had dropped to only three cuts, with a 50% probability of these starting in June. Differing opinions abounded. After two reports of higher-than-expected inflation in January and February, there was speculation by some on the Street that inflation may be starting to climb again, leading to a scenario where the Fed would not need to cut rates at all. There was even talk of the possibility of rates moving higher this year, not lower.

Well, Fed Chairman Jerome Powell appeared to dispel all talk of a rate hike, and meaningfully lowered the possibility of no rate cuts, when he stated this week that “it will likely be appropriate to lower rates at some point this year”. As expected, the Fed left rates unchanged on Wednesday at their current target level between 5.25% - 5.5%, a level that has been in place since last summer. However, the probability of a rate cut in June, as discounted by the markets, increased from 50% to nearly 80%. What was interesting was the fact that, from the Fed’s perspective, nothing appeared to change.

As former New York Fed President Bill Dudley put it: “Powell’s basic message is that the underlying story hasn’t changed.” (William Dudley/Bloomberg). In fact, when addressing a question during the press conference on whether the past two stronger than expected inflation reports changed his views on the direction of inflation, Powell alluded to the idea that inflation continues to gradually move lower toward a long-term level of 2%. “I don’t think the story has changed.” he said, adding “I also don’t think that those readings added to anyone’s confidence that we’re moving closer to that point.”. It appears that cooling inflation at the end of 2023, or rising prices at the beginning of 2024, have done little in the way of adding or diminishing the Fed’s confidence regarding the down trending path of inflation. In other words, the Fed will continue to remain highly dependent on data, and more data is needed to make a decision on rate cuts. In the Chairman’s own words, the Fed is “waiting for greater confidence “on the path of inflation.

An interesting dynamic that was apparent during the last meeting was an undercurrent that could be present within the Fed itself: a tug-of-war between chairman Powell and other members of the Federal Open Market Committee, or FOMC. The tone of this last meeting was undoubtedly dovish. However, it was apparent that Powell’s stance is clearly more dovish than other members. It is hard to argue against the idea that chairman Powell is more inclined to want to cut rates than not. He has been very open about being pleased with the strength of the economy and his belief in the probability of successfully achieving a soft landing. Some might call this a bias to cut rates. However,

other members on the committee do not appear as convinced. The Fed’s Dot Plot showed an upward drift in interest rate expectations over the next few years. The committee expects rates to end 2024 at 4.65%, implying approximately 75 basis points of rate cuts for the year. However, the median fund rates projection for 2025 went up from 3.6% to 3.9% and from 2.9% to 3.1% in 2026. Meanwhile, the macroeconomic projections included in the Summary of Economic Projections, or SEP, showed that the median GDP growth projection for 2024 rose from 1.4% to 2.1%, indicating a stronger economic backdrop. The median 2024 projection for the Fed’s favorite inflation gauge, Core PCE inflation, rose from 2.4% to 2.6%. As a refresher, PCE inflation stands for Personal Consumption Expenditures, and “Core” means that it excludes volatile components like food and energy prices. At the same time, the committee noted that the labor market remains strong, with the unemployment rate expected to end the year at 4%, barely changed from its current level of 3.9%.

So, what does this all mean? In our opinion, it means that the Fed continues to attempt to strike a balance between a strong economy, evidenced by a strong labor market and inflation that is trending lower, and the need to cut rates before policy becomes too restrictive that it chokes off economic growth. In other words, striking the perfect balance needed to achieve a soft landing. Chairman Powell appears more willing to cut, while other members of the committee do not yet appear as convinced. The likely outcome of this scenario is that rates will stay higher for longer. This does not mean that the Fed is not going to

begin cutting this year, just that it might not be as aggressive to lower rates as the market had previously expected. In fact, they basically told us this with the year-end rate projections for 2024-2026 referenced above.

We never believed that the Fed was going to cut rates seven times in 2024, or that it was not going to cut rates at all. We had been of the opinion that the Fed was likely to cut rates three, maybe four times this year, which now appears to be more like three, maybe two times. The “last mile” of inflation reduction tends to be unpredictable, filled with many bumps along the way. One thing we know for certain is that the Fed will continue to remain steadfastly data-dependent in navigating this last mile. We are following the same data to reach our own conclusions and will keep you informed as we

navigate the same environment. For now, it appears that higher for longer continue to be the marching orders of the day.■



*Click or scan this code to access more insights at [insigneo.com/insights](https://insigneo.com/insights)*

## Important Legal Disclaimer

Insigneo Financial Group, LLC comprises a number of operating businesses engaged in the offering of brokerage and advisory products and services in various jurisdictions, principally in Latin America. Brokerage products and services are offered through Insigneo International Financial Services, LLC, headquartered in Puerto Rico, and through Insigneo Securities, LLC, headquartered in Miami. Both are members of the Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC) <https://www.sipc.org/>. Investment advisory products and services are offered through Insigneo Advisory Services, LLC, an investment adviser registered with the Securities and Exchange Commission. In Uruguay, advisory services are offered through Insigneo International Asesores de Inversion Uruguay, SA, Insigneo Asesores de Inversion Latam, SRL, and Insigneo Asesores de Inversion de Uruguay, SRL, in Argentina through Insigneo Argentina, SAU, and in Chile through Insigneo Asesorias Financieras, SPA. Collectively, these eight operating businesses make up the Insigneo Financial Group. To learn more about the Broker Dealers including their conflicts of interest and compensation practices, please go to <https://insigneo.com/disclosures/> or via [www.finra.org](http://www.finra.org). To learn about Insigneo Advisory Services, LLC and any conflicts related to its advisory services, please see its Form ADV and brochure which can be found at Investment Advisor Public Disclosure website <https://adviserinfo.sec.gov/>

### FOR AFFILIATES LOCATED IN CHILE

Insigneo Asesorías Financieras SPA se encuentra inscrito en Chile, en el Registro de Prestadores de Servicios Financieros de la Comisión para el Mercado Financiero. Este informe fue efectuado por área de Research & Strategy de Insigneo Securities LLC, o sus proveedores, en base a la información disponible a la fecha de emisión de este. Para evitar cualquier conflicto de interés, Insigneo Securities LLC dispone que ningún integrante del equipo de Research & Strategy tenga su remuneración asociada directa o indirectamente con una recomendación o reporte específico o con el resultado de una cartera.

Aunque los antecedentes sobre los cuales ha sido elaborado este informe fueron obtenidos de fuentes consideradas confiables, no podemos garantizar la completa exactitud e integridad de estos, no asumiendo responsabilidad alguna al respecto Insigneo Securities LLC, Insigneo Asesorías Financieras SPA ni ninguna de sus empresas relacionadas.

Este material está destinado únicamente a facilitar el debate general y no pretende ser fuente de ninguna recomendación específica para una persona concreta. Por favor, consulte con su ejecutivo de cuentas o con su asesor financiero si alguna de las recomendaciones específicas que se hacen en este documento es adecuada para usted. Este documento no constituye una oferta o solicitud de compra o venta de ningún valor en ninguna jurisdicción en la que dicha oferta o solicitud no esté autorizada o a ninguna persona a la que sea ilegal hacer dicha oferta o solicitud. Las inversiones en cuentas de corretaje y de asesoramiento de inversiones están sujetas al riesgo de mercado, incluida la pérdida de capital.

La información base del presente informe puede sufrir cambios, no teniendo Insigneo Securities LLC ni Insigneo Asesorías Financieras SPA la obligación de actualizar el presente informe ni de comunicar a sus destinatarios sobre la ocurrencia de tales cambios. Cualquier opinión, expresión, estimación y/o recomendación contenida en este informe constituyen el juicio o visión de área de Research & Strategy de Insigneo Securities LLC, o sus proveedores, a la fecha de su publicación y pueden ser modificadas sin previo aviso.

### FOR AFFILIATES LOCATED IN URUGUAY

En Uruguay, los valores están siendo ofrecidos en forma privada de acuerdo al artículo 2 de la ley 18.627 y sus modificaciones. Los valores no han sido ni serán registrados ante el Banco Central del Uruguay para oferta pública.

### FOR AFFILIATES LOCATED IN ARGENTINA

Insigneo Argentina S.A.U. Agente Asesor Global de Inversión se encuentra registrado bajo el N° 1053 de la Comisión Nacional de Valores (CNV) e inscripto ante la Inspección General de Justicia (IGJ) bajo el N° 12.278 del Libro 90, Tomo -, de Sociedades por Acciones. Este informe fue efectuado por área de Research & Strategy de Insigneo Securities LLC, o sus proveedores, en base a la información disponible a la fecha de su emisión. Para evitar cualquier conflicto de interés, Insigneo Securities LLC dispone que ningún integrante del equipo de Research & Strategy tenga su remuneración asociada directa o indirectamente con una recomendación o reporte específico o con el resultado de una cartera. Aunque los antecedentes sobre los cuales ha sido elaborado este informe fueron obtenidos de fuentes consideradas confiables, no podemos garantizar la completa exactitud e integridad de estos, no asumiendo responsabilidad alguna al respecto Insigneo Securities LLC, Insigneo Argentina S.A.U. ni ninguna de sus empresas relacionadas. La información base del presente informe puede sufrir cambios, no teniendo Insigneo Argentina S.A.U. la obligación de actualizar el presente informe ni de comunicar a sus destinatarios sobre la ocurrencia de tales cambios.

Este material está destinado únicamente a facilitar el debate general y no pretende ser fuente de ninguna recomendación específica para una persona concreta. Por favor, consulte con su ejecutivo de cuentas o con su asesor financiero si alguna de las recomendaciones específicas que se hacen en este documento es adecuada para usted. Este documento no constituye una oferta, recomendación o solicitud de compra o venta de ningún valor negociable en ninguna jurisdicción en la que dicha oferta o solicitud no esté autorizada o a ninguna persona a la que sea ilegal hacer dicha oferta o solicitud. Las inversiones en valores negociables están sujetas al riesgo de mercado, incluida la pérdida parcial o total del capital invertido. Cualquier opinión, expresión, estimación y/o recomendación contenida en este informe constituyen el juicio o visión de área de Research & Strategy de Insigneo Securities LLC, o sus proveedores, a la fecha de su publicación y pueden ser modificadas sin previo aviso