

# Verus Market Note

## Expectations for Fed rate cuts have been growing

Since July, investors have begun to expect deeper interest rate cuts from the Federal Open Market Committee (FOMC). On August 1<sup>st</sup>, the Bureau of Labor Statistics announced a historically large downward revision to recent months' job reports, along with a relatively weak July jobs report. This report suggested that job growth in the United States has slowed or perhaps stalled, rather than growing strongly as had been reported up to that point. With this news, investors adjusted their Federal Reserve rate cut expectations substantially downward. In late August, Fed Chairman Jerome Powell indicated during a Jackson Hole speech that the committee was planning a path to lower rates. This speech appears to have cemented the chances of a rate cut at the upcoming September FOMC meeting.

In this week's Market Note, we show the expected 2025 path of interest rates on July 31<sup>st</sup>, on August 1<sup>st</sup>, and on August 26<sup>th</sup>. The August 1<sup>st</sup> jobs report has had the largest impact on rate cut expectations, while Jerome Powell's Jackson Hole speech and discussions about Fed independence had smaller impacts.

### IMPLIED RATE CUT PATH



Source: Verus, Bloomberg – implied future path of the Fed Funds rate is calculated based on Fed Funds futures pricing on each date