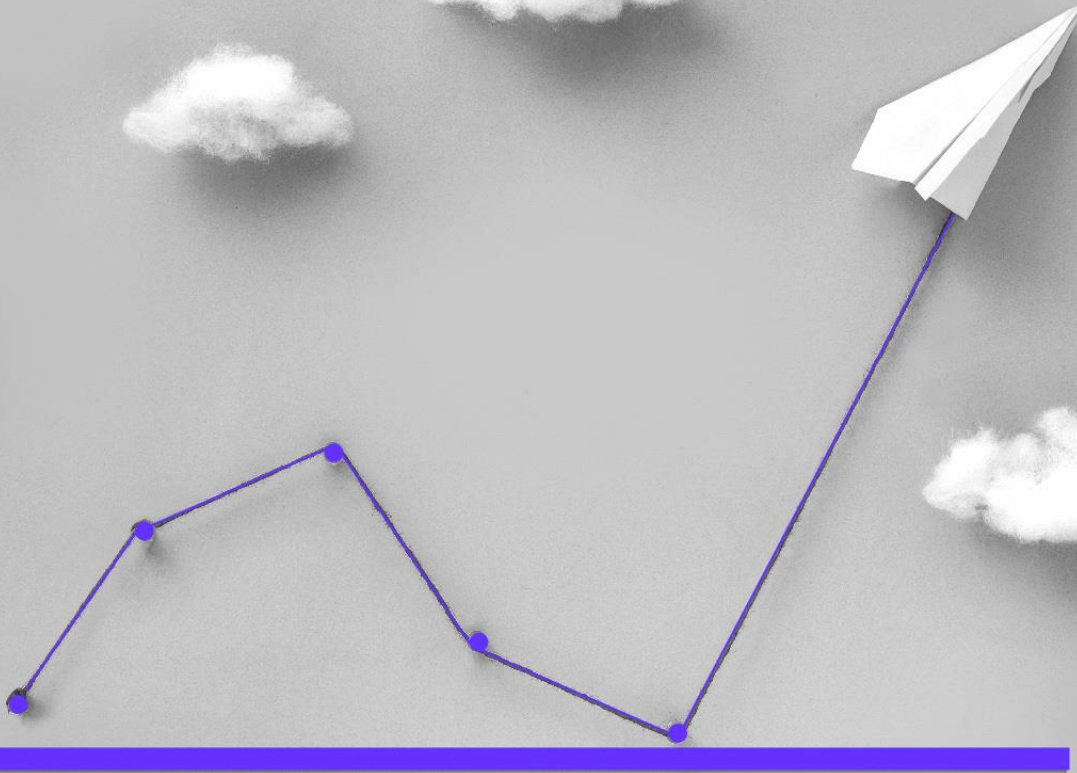


TRENDS & TIDES

**US FOMC cuts the federal
funds rate by another 25 bps**

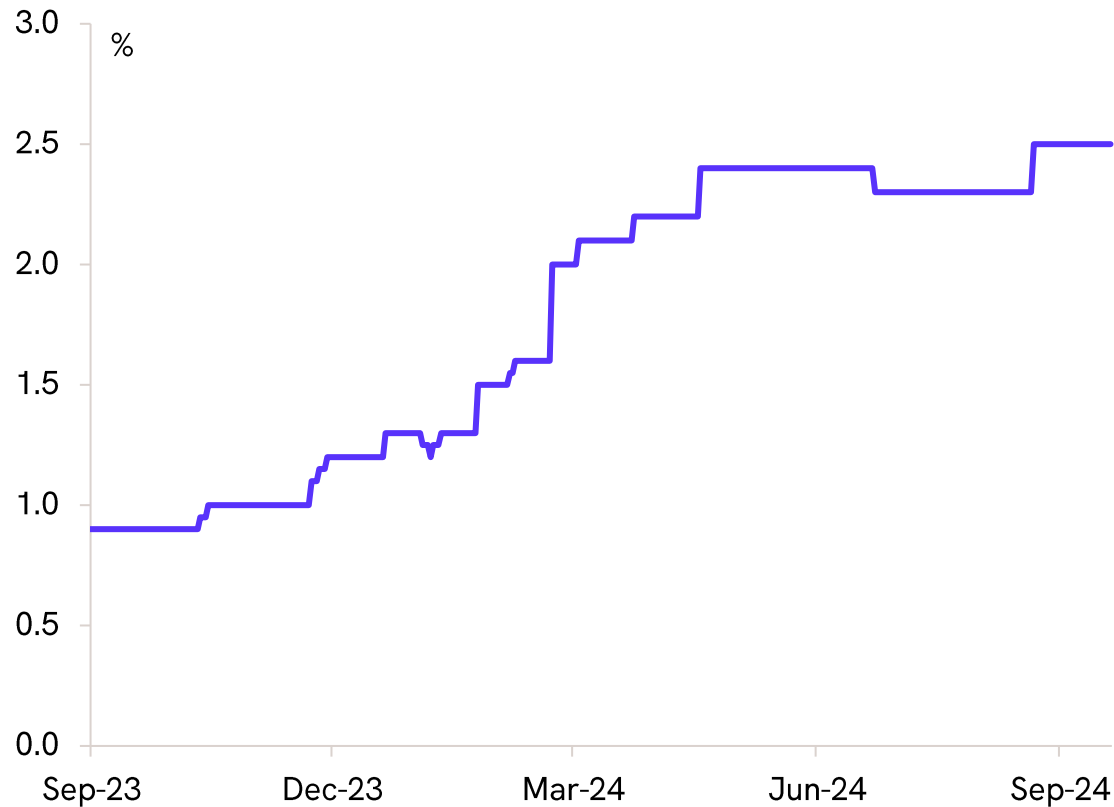


US economic momentum continues to be robust

Recent US economic data has also been printing above market expectations

- The Republican Party is expected to pursue pro-growth economic policies, such as lower tax rates and a greater focus on domestic manufacturing
- These policies may lead to higher US corporate earnings, increased tariffs on imports into the US, and larger fiscal deficits

Bloomberg Analysts' US Real GDP Forecast 2024



Bloomberg Eco US Surprise Index

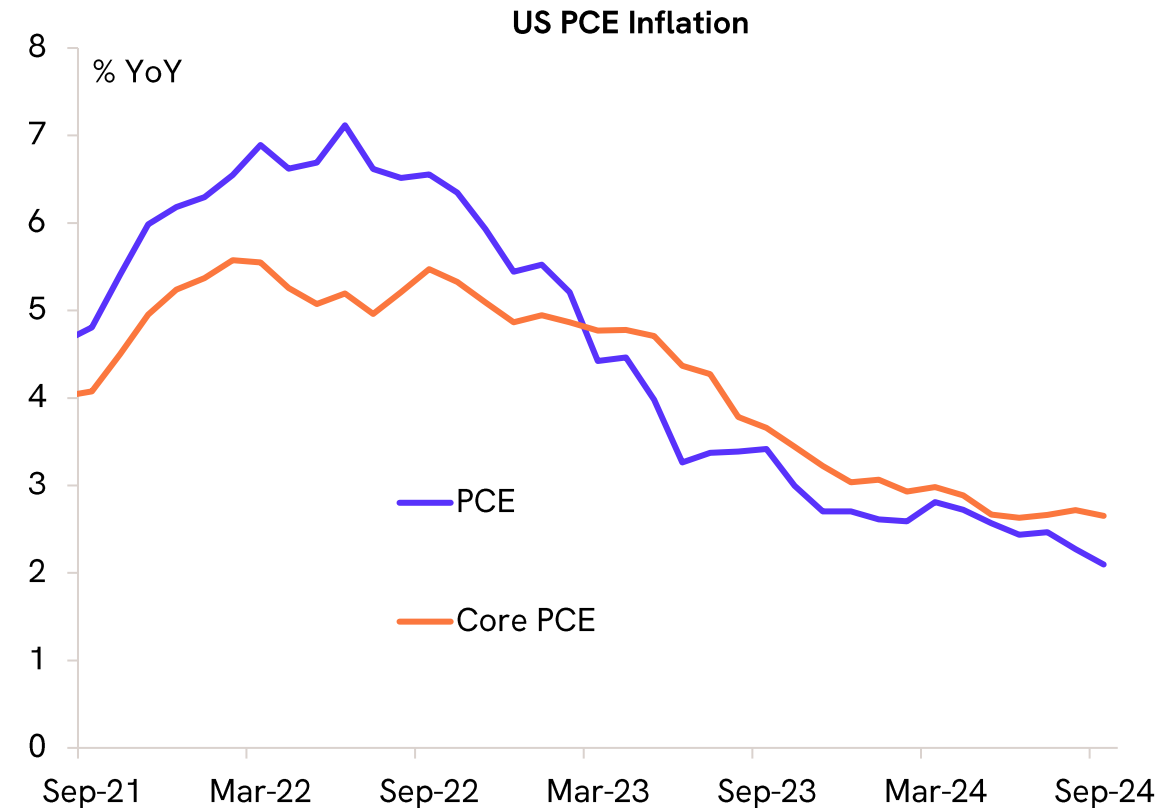
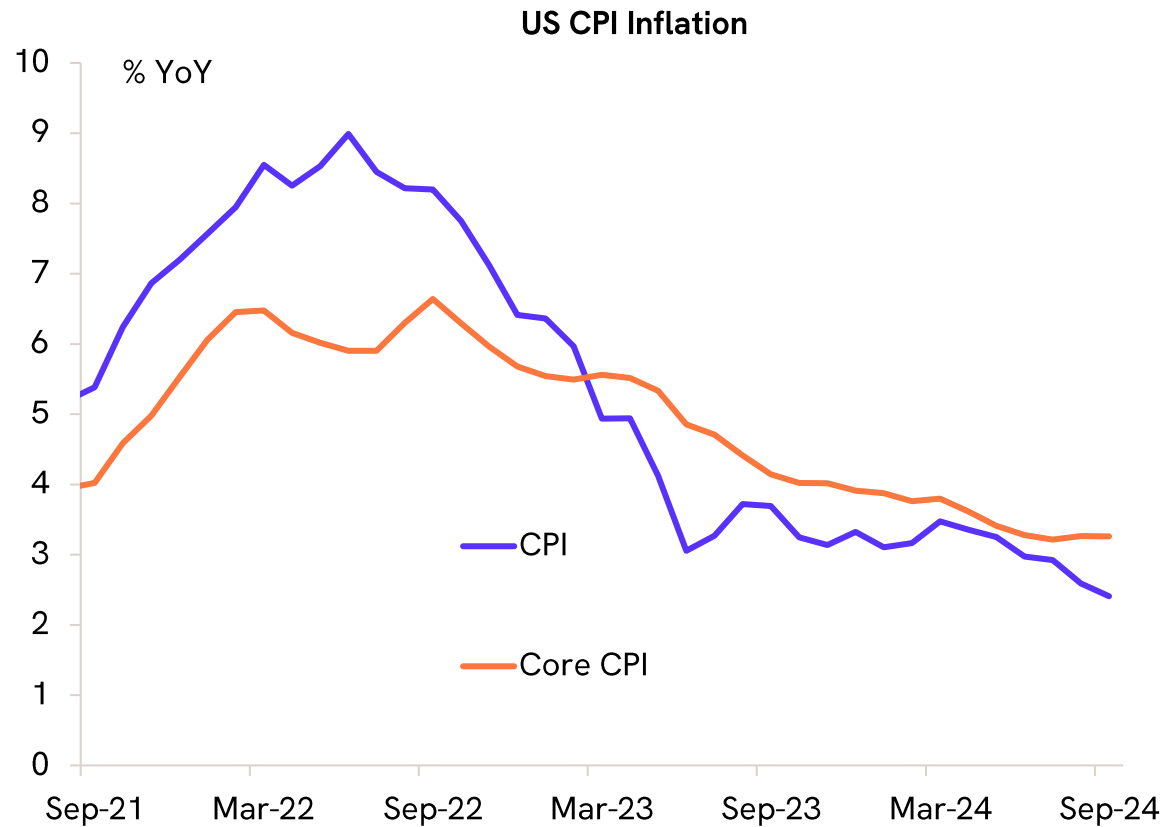


Source: Bloomberg, 360 ONE Asset Research

US inflation continues to slowly descend towards the target

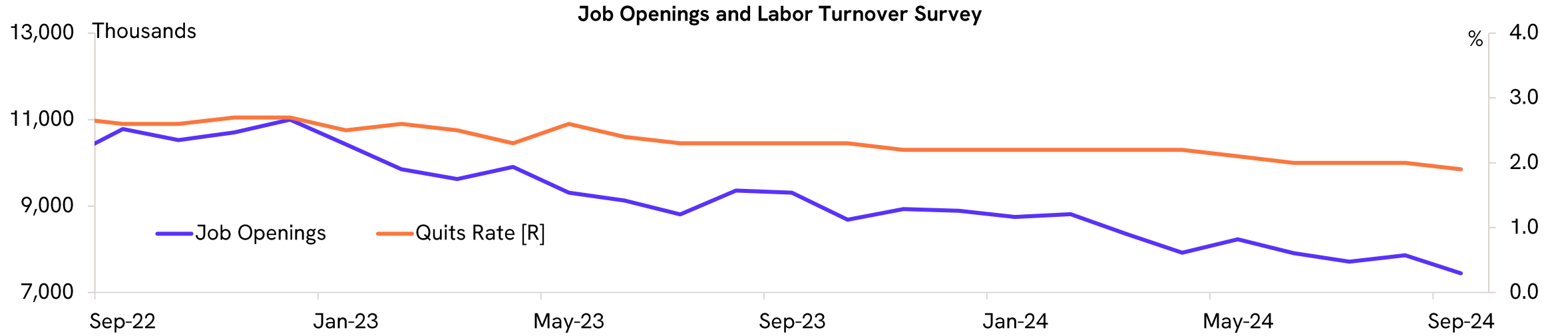
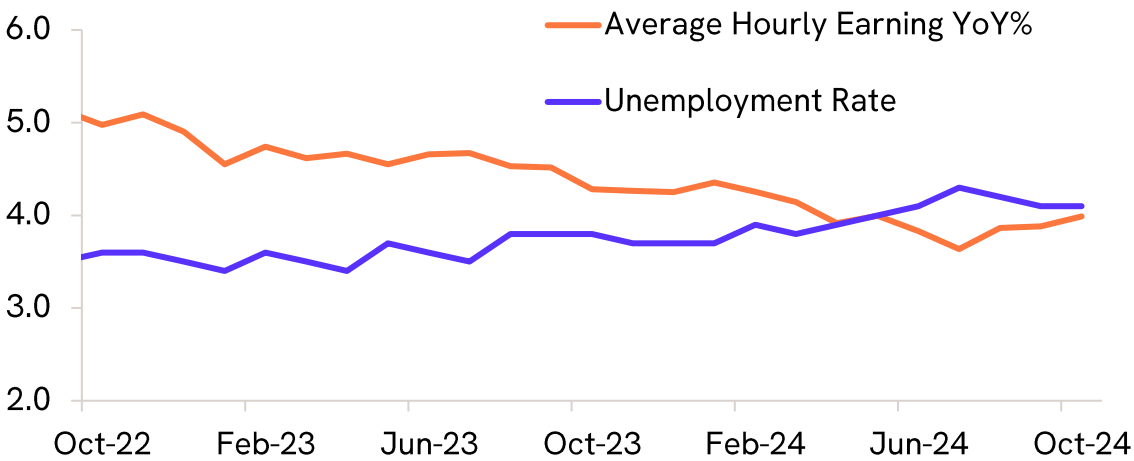
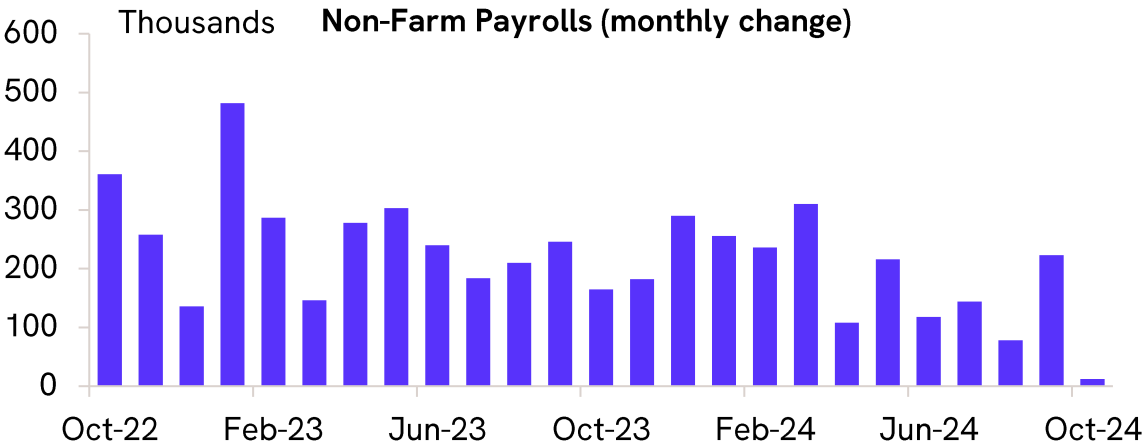
FOMC statement notes that inflation has made progress toward the 2 percent objective but remains somewhat elevated

- The new US administration's policies are expected to be inflationary and could, therefore, slow down the disinflation process in the US



Labour market conditions continue to ease

FOMC statement notes that the unemployment rate has moved up but remains low



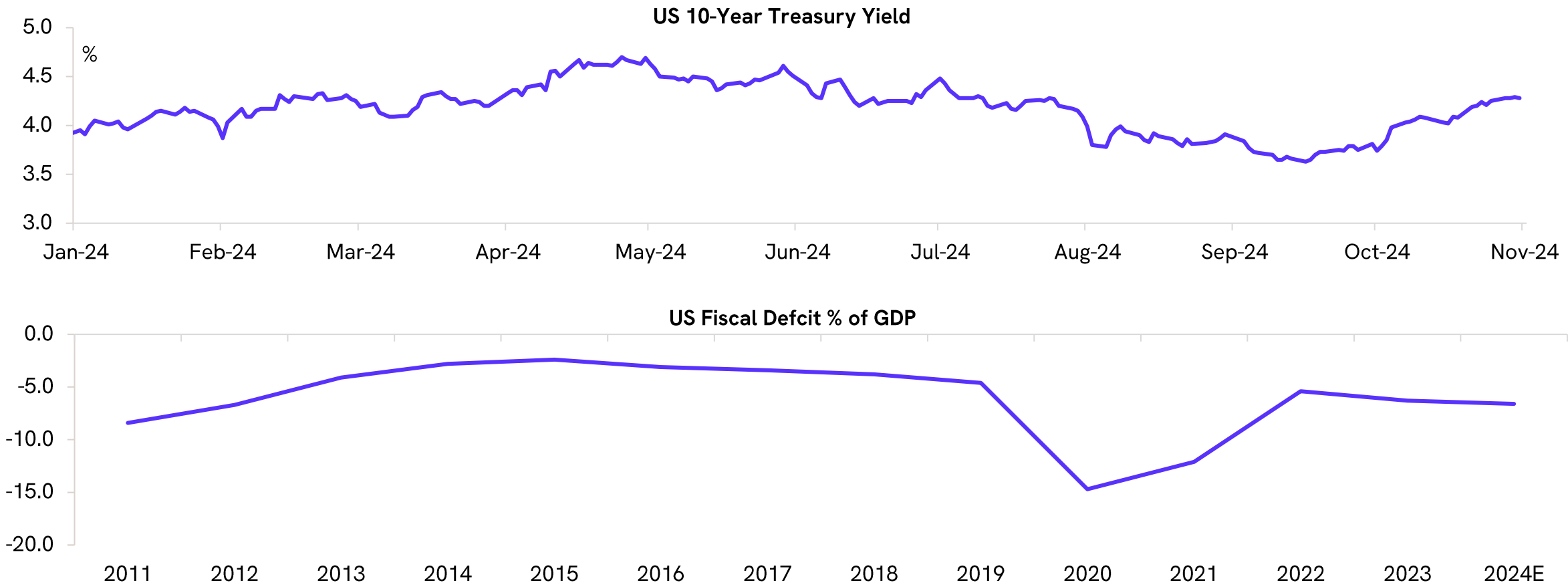
Source: FRED, 360 ONE Asset Research

Yields have risen as markets lower expectations for the pace of easing

Treasury supply is also expected to remain high as the US continues to run a large fiscal deficit

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- Trump’s policies could further increase the US fiscal deficit and lead to higher levels of borrowing
- This could potentially lead to higher bond yields and reduce the impact of Fed rate cuts on the longer end of the yield curve



Markets anticipate another 75-100 bps of rate cuts by end-2025

Powell states that the election won't affect near-term Fed decisions, as the timing and details of policy changes are still uncertain

- Markets have significantly reduced their expectations of policy easing since the previous Fed meeting
- The inflationary policies of the new administration could slow down monetary easing and potentially raise the terminal Fed Funds Rate

| Implied probabilities of upper end of Fed Funds Rate | | | | | | | | | |
|--|---------|---------|---------|---------|---------|--------|--------|--------|---------|
| FOMC Meeting Date | 2.75 | 3.00 | 3.25 | 3.50 | 3.75 | 4.00 | 4.25 | 4.50 | 4.75 |
| | -200bps | -175bps | -150bps | -125bps | -100bps | -75bps | -50bps | -25bps | Current |
| 18-12-2024 | | | | 0.0% | 0.0% | 0.0% | 0.0% | 71.0% | 29.0% |
| 29-01-2025 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 30.4% | 53.0% | 16.6% |
| 19-03-2025 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 20.0% | 45.3% | 29.0% | 5.6% |
| 30-04-2025 | 0.0% | 0.0% | 0.0% | 0.0% | 8.0% | 30.1% | 38.8% | 19.7% | 3.4% |
| 18-06-2025 | 0.0% | 0.0% | 0.0% | 4.0% | 19.1% | 34.5% | 29.2% | 11.5% | 1.7% |
| 30-07-2025 | 0.0% | 0.0% | 1.1% | 8.1% | 23.2% | 33.1% | 24.4% | 8.9% | 1.2% |
| 17-09-2025 | 0.0% | 0.3% | 2.8% | 11.7% | 25.6% | 31.0% | 20.7% | 7.0% | 0.9% |
| 29-10-2025 | 0.0% | 0.7% | 4.2% | 13.9% | 26.5% | 29.3% | 18.5% | 6.1% | 0.8% |
| 10-12-2025 | 0.1% | 1.1% | 5.3% | 15.4% | 26.8% | 28.1% | 17.0% | 5.4% | 0.7% |

Source: CME FedWatch Tool, 360 ONE Asset Research

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