Market Expectations Survey

November 8, 2024

As widely expected, the Federal Open Market Committee cut the federal funds rate, the committee's key short-term policy rate, by 25 basis points, to a range of 4.50% to 4.75%. This followed a 50-basis point cut in the rate at the FOMC's September 18 meeting.

The FOMC cut the fed funds rate aggressively to close to zero in early 2020 as the pandemic hit the U.S. economy. It then increased the fed funds rate steadily from early 2022 to mid-2023, to a range of 5.25% to 5.50%, in an effort to slow inflation that had accelerated to well above the FOMC's 2% objective. It then held the rate steady until the start of the ongoing easing cycle in September.

Today's statement was somewhat more hawkish on inflation than the September 18. Today the FOMC removed a phrase from September 18 stating that "the Committee has gained greater confidence that inflation is moving sustainably toward 2%," although it kept the rest of the sentence, saying that risks between inflation and growth are roughly balanced. Today's statement also removed a reference to "progress on inflation" as supporting a rate cut that was in the September 18 statement, instead replacing it with a broader reference to "support of its goals" as the rationale for a rate cut. There are a couple of possible explanations for these changes, not mutually exclusive. One is that there was a little less progress on core inflation (excluding food and energy) in the intermeeting period. The other explanation is that the FOMC is more concerned about the potential for higher inflation in the upcoming Trump administration. Presumably Chair Powell will get questions on inflation in a second Trump administration in his post-meeting press conference, and presumably he will punt on them.

The language on the labor market changed slightly from September 18. In the prior statement the FOMC noted that "job gains have slowed," while today's statement said more generically that "labor market conditions have generally eased." There are two likely reasons for this change. First, job growth in September was quite strong, at 223,000 jobs added over the month. And second, because of the Boeing strike and Hurricanes Helene and Milton the October jobs report was essentially useless in evaluating the labor market, with job gains of just 12,000.

Yesterday's FOMC policy decision was as expected. PNC's forecast is for an additional 25 basis point cut in the fed funds rate at the last FOMC meeting of the year in mid-December, which would bring the rate down to a range of 4.25% to 4.50%. PNC then expects additional 25 basis point rate cuts in the first half of 2025, with the rate in a steady range of 3.25% to 3.50% in the second half of next year.

But the outlook is much less clear after the election results. Potential Trump administration actions, in particular tariffs on imports, could lead to higher inflation and fewer FOMC rate cuts than expected. In addition, President-elect Trump could try to sway FOMC officials to cut rates more aggressively. PNC will not change its fed funds rate cut forecast until the picture becomes clearer.

Right now, the fed funds futures market is pricing in a 67% probability of a 25-basis point rate cut on December 18, down from 75% a week ago, before the election. The probability of no rate cut on December 18 has gone from 24% to 32%, suggesting that the market thinks that the election results could lead to a more hawkish FOMC. Similarly, market fed funds rate expectations for 2025 are more hawkish now than they were before the election.

There was little market response to the FOMC statement, given that it came in as expected. Stock prices surged following the election. Long-term Treasury yields are up somewhat since the election, although down from where they stood yesterday: the yield on 10-year Treasury note is now around 4.38%. The dollar strengthened following the election but was little changed after today's FOMC announcement.

Gus Faucher
Chief Economist

Jay Hawkins
Senior Economist

Stuart Hoffman
Senior Economic Advisor

Kurt Rankin
Senior Economist

Ershang Liang
Economist

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 12/18/24)	4.38-4.63%	4.38%	4.88%	Fed to lower rates another 25 basis points.
Oct CPI (11/13, Wednesday)	0.1-0.3%	0.2%	0.2% (Sept)	CPI growth unchanged from September at 0.2%.
Oct CPI (ex-food & energy) (11/13, Wednesday)	0.2-0.3%	0.3%	0.3% (Sept)	Core CPI to rise 0.3% in October.
Oct PPI (11/14, Thursday)	0.1-0.4%	0.2%	0.0% (Sept)	PPI growth to accelerate to 0.4% from flat reading in September on higher energy prices.
Oct PPI (ex-food & energy) (11/14, Thursday)	0.2-0.3%	0.3%	0.2% (Sept)	Core PPI growth to remain 0.2% in October.
Initial Claims, Week of 11/9/24 (11/14, Thursday)	215-238K	224K	221K (11/2/24)	Jobless claims to increase to 227K but remain low.
Oct Retail Sales (11/15, Friday)	0.0-0.6%	0.3%	0.4% (Sept)	Retail sales growth to moderate to 0.3% on slower job growth.
Oct Retail Sales (ex-auto) (11/15, Friday)	-0.1 to 0.4%	0.3%	0.5% (Sept)	Retail sales growth ex-autos to moderate to 0.3% on weaker job growth.
Oct Export Price Index (11/15, Friday)	-0.3 to 0.5%	-0.1%	-0.7% (Sept)	Export prices to remain slightly negative at -0.2% in October.
Oct Import Price Index (11/15, Friday)	-0.3 to 0.2%	-0.1%	-0.4% (Sept)	Import price growth to rebound to 0.1% in October.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Oct Industrial Production (11/15, Friday)	-0.7 to 0.2%	-0.3%	-0.3% (Sept)	Industrial production to fall 0.4% due to hurricane disruptions.
Oct Capacity Utilization (11/15, Friday)	76.8-77.4%	77.2%	77.5% (Sept)	Capacity utilization to drop to 77.0% on contracting industrial production.
Sept Business Inventories (11/15, Friday)	0.1-0.4%	0.2%	0.3% (Aug)	Business inventories to grow a more modest 0.2% in October.
Oct Housing Starts (11/19, Tuesday)	1.320-1.364M	1.335M	1.354M (Sept)	Housing starts to dip to 1.320M in October on higher mortgage rates.
Oct Leading Indicators (11/21, Thursday)	-0.3 to -0.3%	-0.3%	-0.5% (Sept)	LEI to fall 0.3% in October.
Oct Existing Home Sales (11/21, Thursday)	3.740-4.000M	3.870M	3.840M (Sept)	Housing starts to remain virtually unchanged at 3.850M in October.
Nov U. Mich. Consumer Sentiment (final) (11/22, Friday)	71.0-76.0	72.0	73.0 (Nov prelim)	Consumer sentiment to rise to 76.0 on a post-election bounce.

Monthly Calendar of Economic Data: November 2024

Nov 13

Consumer Price Index

	Total	Core
Aug	0.2	0.3
Sept	0.2	0.3
Oct		

Nov 14

Producer Price Index

	Total	Core
Aug	0.2	0.3
Sept	0.0	0.2
Oct		

Unemployment Claims (000)

July	Aug	Sept	Oct	Nov
223	234	231	260	221
245	228	222	242	
235	233	219	228	
250	232	225	218	
	228			

Nov 15

Retail Sales

	Total	Ex-Autos
Aug	0.1	0.1
Sept	0.4	0.5
Oct		

	Industrial Prod	Cap Util
Aug	0.8	78.0
Sept	-0.3	77.5
Oct		

Mfg and Trade

	Inv	Sales
July	0.3	1.1
Aug	0.3	-0.2
Sept		

Oct Import Price Index

Nov 19

	Housing (000)	
	Starts	Permits
Aug	1.361	1.470
Sept	1.354	1.425
Oct		

Nov 21

Leading Indicators

Aug	-0.2
Sept	-0.5
Oct	

Existing Home Sales (000)

Aug	3.860
Sept	3.840
Oct	

Nov 22

Nov U. of Mich. Consumer Sentiment (final)

Visit pnc.com/economicreports for more information from PNC Economics.