Chartbook

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In just six months, the Fed went from hiking interest rates to, as of last week, opening the doors for future interest rate cuts. This makes the hike last December look a bit silly given the stock market was in freefall, economic data was deteriorating, and trade tensions were escalating. To make matters worse, President Trump tweeted it is “incredible” that the Fed “is even considering another interest rate hike” before the Fed raised last December. Since then, the Twitter handle @realDonaldTrump has been exceedingly critical with regards to Fed policy and tightening too aggressively. It’s worth noting that almost every other president in history has steered clear of publicly criticizing the Fed, which makes this situation even more precarious and unprecedented.

If we fast forward to the Fed meeting last week, one must wonder if the dissension between the president and the Fed played a role in the outcome. This is because, while the Fed changed its verbiage to essentially foreshadow a future cut, the consensus of the Federal Open Market Committee members still does not project a cut in 2019 (according to the median Fed dot plot). I think it’s fair to say the market has a slightly different view. As of last week, the interest rate futures market now pegs a ¼% or ½% cut for the July meeting at a highly confident100%. What’s fascinating about the chart is looking back to this same metric in September 2018. Back then, the odds for a July cut were 0% and the odds for a hike were 90%. We believe the Fed is behind the curve and should lower interest rates, but as mentioned it remains reluctant to do so. At least part of that reluctance is attributed to admitting it was wide of the mark in December, and the President was dead-on. Let’s just say that it is a tough pill to swallow for the hundreds of PHD’s on the payroll.

Clearly, this was a major policy change that will have significant ramifications for financial markets. In this week’s chartbook version of the Evergreen Virtual Advisor, we will dive into why the Fed is considering (and should) lower borrowing costs, how its affecting financial markets, and the areas we see benefiting in the current environment.

[View the Chartbook as a flipbook here](#)

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