



The Fed Seems to Have Erroneously Implemented Its Significant Rate Cut

Description

The proliferation of robust economic indicators, alongside an economy exhibiting sustained momentum, has prompted scrutiny among experts regarding the Federal Reserve's decision to implement a substantial rate cut.

Having traversed the culmination of the Federal Reserve's unprecedented rate-hiking cycle, the U.S. economy remains buoyant, raising queries about the necessity of [September's aggressive rate reduction](#).

Recent data has invigorated discussions about whether the central bank's significant 50-basis-point cut was warranted:

- September retail sales exhibited a commendable increase of 0.4 percent compared to August.
- Revisions have suggested that consumer expenditure figures were underestimated.
- Notably, weekly applications for [unemployment benefits](#) unexpectedly declined, undeterred by the impact of hurricanes and labor strikes.

Analysts at Yardeni Research articulated their perspective succinctly, asserting, "Today's data fortify our belief that [the Fed's stance was excessively accommodating](#) during the rate cut on September 18."

In light of the Fed's initial rate reduction, the Yardeni team subsequently elevated their equity forecasts and anticipated a rise in bond yields—predictions that have materialized post-announcement.

Stock markets are consistently achieving record highs, with the yield on the 10-year U.S. Treasury reaching approximately 4.10 percent, a half-percentage point increase since the Fed's intervention. Wall Street appears to be pricing in the anticipation of even lower borrowing costs, which has led analysts to project that [stocks will maintain their upward trajectory](#).

CME data corroborates this optimism, indicating a 90 percent probability of a subsequent 25-basis-point cut on November 7, with a roughly 75 percent likelihood of a similar movement in December.

Adding to the complexity of the Fed's recent maneuverings, the Atlanta Fed's GDPNow model has adjusted its third-quarter GDP projection from 3.2 percent to 3.4 percent. Earlier this month, I revisited this topic with Gene Goldman, Chief Investment Officer at Cetera Investment Management, who contended that the Fed's aggressive action was unwarranted:

"The Fed's rapid rate cuts introduce a significant risk to our currently favorable economic landscape; [excessive reductions](#) too quickly may undermine stability," Goldman articulated.



Notably, while economic data appears robust, sentiment among the general populace remains tepid. A recent University of Michigan consumer sentiment survey discovered an unexpected decline, reflecting apprehensions about [escalating prices and sustained inflation](#), which stands in contrast to the encouraging retail sales figures for the same period.

Economist James Knightley from ING observed, “Consumers may harbor doubts regarding the [economic forecast](#), yet they continue to engage in spending. While financial strains are mounting for numerous households, robust consumption patterns among higher-income individuals are mitigating concerns, implying that the Fed will likely proceed with caution regarding future 25-basis-point cuts.”

Vocabulary List:

1. **Proliferation** /prəˌlɪf.ər'eɪ.ʃən/ (noun): The rapid increase or spread of something.
2. **Buoyant** /'bɔɪ.ənt/ (adjective): Able to float; cheerful and optimistic.
3. **Accommodating** /ə'kɒm.ə.deɪ.tɪŋ/ (adjective): Willing to help or take someone's needs into account.
4. **Sentiment** /'sɛn.tɪ.mənt/ (noun): A view of or attitude toward a situation or event; an opinion.
5. **Apprehensions** /,æp.rɪ'hɛn.ʃənz/ (noun): Anxiety or fear that something bad or unpleasant will happen.
6. **Mitigating** /'mɪt.ɪ.geɪ.tɪŋ/ (verb): Making something less severe serious or painful.

Comprehension Questions

Multiple Choice

1. What has prompted scrutiny among experts regarding the Federal Reserve's decision?
Option: Robust economic indicators
Option: Sustained momentum in the economy
Option: Both A and B
Option: September retail sales increase
2. What is the approximate yield on the 10-year U.S. Treasury post the Fed's intervention?
Option: 3.50 percent
Option: 4.10 percent
Option: 4.60 percent
Option: 5.20 percent



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3. What did Yardeni Research believe about the Fed's stance during the rate cut on September 18?
- Option: It was excessively restrictive
 - Option: It was excessively accommodating
 - Option: It was well-balanced
 - Option: It was uncertain
4. What was the unexpected outcome related to unemployment benefits despite hurricanes and labor strikes?
- Option: Increase in applications
 - Option: No change in applications
 - Option: Decline in applications
 - Option: Unpredictable applications
5. What is the probability of a subsequent 25-basis-point cut on November 7, according to CME data?
- Option: 50 percent
 - Option: 75 percent
 - Option: 90 percent
 - Option: 100 percent
6. What adjustment did the Atlanta Fed's GDPNow model make to its third-quarter GDP projection?
- Option: Decrease from 3.4 percent to 2.8 percent
 - Option: Increase from 3.2 percent to 3.4 percent
 - Option: No change in projection
 - Option: Increase from 2.9 percent to 3.2 percent

True-False

7. The U.S. economy is struggling and facing a downturn.
8. Analysts at Yardeni Research disagreed with the Fed's actions on September 18.
9. The University of Michigan consumer sentiment survey reported an unexpected decline in sentiment.
10. Consumer expenditure figures were overestimated according to recent revisions.
11. Stock markets are projected to decline in the near future.
12. Gene Goldman supported the Fed's aggressive action as warranted.



Gap-Fill

13. The Atlanta Fed's GDPNow model adjusted its third-quarter GDP projection from 3.2 percent to _____ percent.
14. The yield on the 10-year U.S. Treasury reached approximately _____ percent post the Fed's intervention.
15. CME data indicates a _____ percent probability of a subsequent 25-basis-point cut on November 7.
16. Consumers may harbor doubts regarding the economic forecast, yet they continue to engage in _____.
17. Yardeni Research believed that the Fed's stance during the rate cut on September 18 was excessively _____.
18. A recent University of Michigan consumer sentiment survey discovered an unexpected decline, reflecting apprehensions about escalating prices and sustained _____.

Answer

Multiple Choice: 1. Both A and B 2. 4.10 percent 3. It was excessively accommodating 4. Decline in applications 5. 90 percent 6. Increase from 3.2 percent to 3.4 percent

True-False: 7. False 8. True 9. True 10. False 11. False 12. False

Gap-Fill: 13. 3.4 14. 4.10 15. 90 16. spending 17. accommodating 18. inflation

Vocabulary quizzes

Multiple Choice (Select the Correct answer for each question.)

1. What term describes the rapid increase or spread of something?



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- Option: Accommodating
Option: Proactive
Option: Proliferation
Option: Exploitation
2. Which term refers to a factory that produces batteries on a massive scale?
Option: Advantages
Option: Proactive
Option: Decarbonization
Option: Gigafactory
3. What term describes the benefits or positive aspects of a particular situation or action?
Option: Decarbonization
Option: Exploitation
Option: Advantages
Option: Buoyant
4. Which term refers to the process of reducing carbon emissions?
Option: Operational
Option: Illicit
Option: Decarbonization
Option: Sustainability
5. What term refers to an attitude thought or judgment prompted by feeling?
Option: Sentiment
Option: Proactive
Option: Mitigating
Option: Exploitation
6. Which term describes the quality of being environmentally friendly or not harmful to the environment?
Option: Eco-friendliness
Option: Advocacy
Option: Disruptions
Option: Financial
7. What term describes the ability to float on or in a liquid or gas?
Option: Buoyant
Option: Illicit
Option: Transformative
Option: Breakthrough
8. Which term refers to the employees of a company organization or country?
Option: Sentiment
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- Option: Operational
- Option: Workforce
- Option: Sustainability

9. What term describes relating to the identification of long-term goals and the means of achieving them?

- Option: Proactive
- Option: Strategic
- Option: Intercalation
- Option: Mitigating

10. Which term describes taking action to reduce the severity seriousness or painfulness of something?

- Option: Utilizing
- Option: Buoyant
- Option: Mitigating
- Option: Intercalation

Gap-Fill (Fill in the blanks with the correct word from the vocabulary list.)

11. The hotel staff were extremely _____ catering to all the guests' needs.

12. The company was accused of engaging in labor _____ taking advantage of vulnerable workers.

13. The new factory will become fully _____ by the end of the year.

14. She dedicated her life to animal rights _____ fighting for the welfare of all creatures.

15. The company had to make some tough _____ decisions in order to stay afloat during the economic downturn.

16. His comments only served to _____ the already tense situation.

17. The company's commitment to environmental _____ has earned it a good reputation.

18. The strike caused major _____ to the transportation system affecting thousands of



commuters.

19. Being _____ in addressing potential issues can help prevent larger problems in the future.

20. The authorities cracked down on the illegal _____ trade in the region.

Matching Sentences (Match each definition to the correct word from the vocabulary list.)

21. Her towards the project was positive as she believed it would make a difference in the community.
22. The government implemented new policies aimed at the effects of climate change.
23. The company is focused on cutting-edge technology to improve its production processes.
24. The invention of the internet had a impact on how information is shared globally.
25. The research team celebrated a major in finding a potential cure for the disease.
26. The process of of ions into the material is crucial for the battery to function properly.
27. The factory is now fully producing goods for distribution.
28. One of the major of the new system is its ability to save time and money.
29. The country set ambitious targets for to combat climate change.
30. The company announced plans to build a new to meet the growing demand for electric vehicles.

Answer

Multiple Choice: 1. Proliferation 2. Gigafactory 3. Advantages 4. Decarbonization 5. Sentiment 6. Eco-friendliness 7. Buoyant 8. Workforce 9. Strategic 10. Mitigating

Gap-Fill: 11. Accommodating 12. Exploitation 13. Operational 14. Advocacy 15. Financial 16. Exacerbate 17. Sustainability 18. Disruptions 19. Proactive 20. Illicit

Matching sentence: 1. Sentiment 2. Mitigating 3. Utilizing 4. Transformative 5. Breakthrough 6. Intercalation 7. Operational 8. Advantages 9. Decarbonization 10. Gigafactory

CATEGORY

1. Business - LEVEL6



Date Created

2024/10/19

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