## **Email Sample from “Do It For Me Program” re: the December Rate Decision**

**Subject Line:** Fed Keeps Rates Steady and Signals Possible Cuts Next Year

As expected, the Federal Reserve held interest rates steady at its final two-day meeting of 2023, marking the third consecutive meeting without a raise in rates. This increases the chances that the Fed has finished its tightening cycle, which took rates from near zero in March 2020 to a 22-year high range of 5.25 percent and 5.5 percent.1

The Fed signaled that inflation is improving more rapidly than they had anticipated. They now expect core prices to rise 3.2 percent this quarter from a year ago, down from the 3.7 percent they projected in September. They also anticipate a core inflation of 2.4 percent at the end of next year, lower than their earlier assumptions.1

While Federal Reserve Chairman Powell left the door open for further rate hikes, inflation data is trending toward the Fed’s 2 percent target, suggesting that we may have seen the last rate hikes in this cycle. Furthermore, Fed officials have opened the door to rate cuts next year and projected they would lower rates by three-quarter points to around 4.6 percent by the end of 2024.1

Are we heading for a “soft landing,” where higher rates do the job of cooling inflation without throwing the economy into recession? Maybe. The labor market has been slowing but remains solid, which is good news.

Powell, at his news conference following the meeting, said, “No one is declaring victory. That would be premature.” But he did acknowledge that slower inflation had officials looking ahead to when they might lower rates. “That begins to come into view, and clearly it’s a topic of discussion,” he said.1

**What’s Next**

The stock and bond markets rallied on the news of a pivot in Fed policy. We’ll have to see how the markets adjust to the prospect of lower interest rates in 2024.

And as we have pointed out before, history suggests that stocks do well when the Fed stops its rate hiking cycles. The median returns of the Standard & Poor’s 500 stock index for the 3-, 12- and 30-months post-pause were +7.7 percent, +19.1 percent, and +62 percent, respectively. Past performance is no guarantee of future results for the S&P 500, which is an unmanaged index that is considered representative of the overall U.S. stock market.2

With the Fed signaling a pivot in policy, it’s a good time to talk about steps we may want to consider taking to prepare for next year’s possible falling rate environment.

We look forward to hearing from you.

1. WSJ.com, December 13, 2023

<https://www.wsj.com/economy/central-banking/fed-holds-rates-steady-and-sees-cuts-next-year-4d554e9f>

2. Investing.com, March 30, 2023

<https://www.investing.com/analysis/dont-stop-believin-stock-market-and-sentiment-results-200636784>

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