



# Phillip Macro Update

## Key Points for May FOMC Meeting

UNITED STATES | MACRO | UPDATE

2 May 2024

### Event

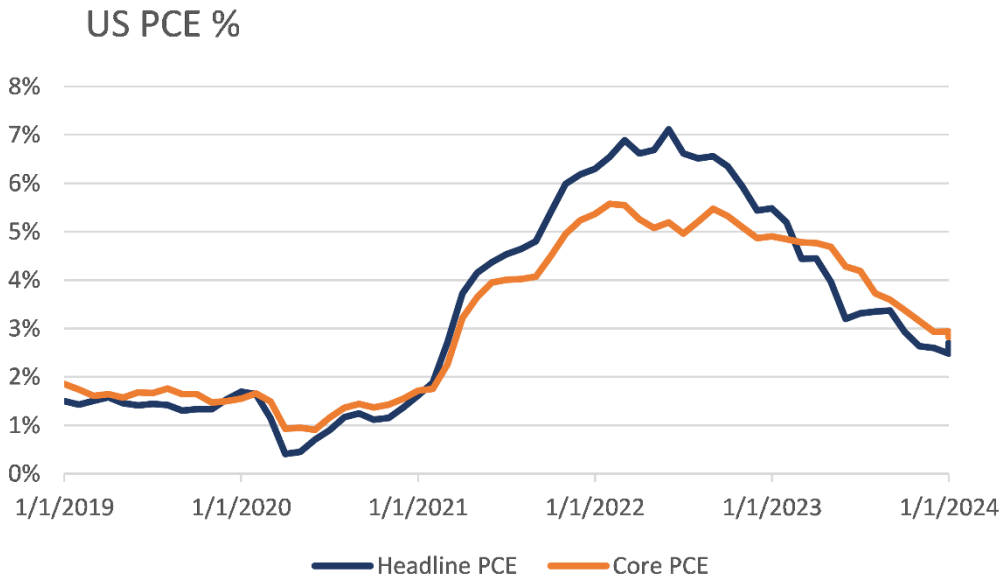
The U.S. Federal Open Market Committee (FOMC) concluded its two-day meeting on the 1<sup>st</sup> of May 2024. The meeting discussed the Fed's monetary policy stance and economic projection.

### Key points to note from this meeting

- Confidence level could not be established at this time** – In this FOMC meeting, the committee mentioned its restrictive stance on monetary policy has been putting downward pressure on economic activity and inflation, and the risks to achieving their employment and inflation goals have moved toward better balance over the past year. However, the lack of further progress towards their 2% target has led the committee to maintain its rates steady at a level of 5.25-5.5% for the 6th consecutive meeting.
- Fight against inflation is proving to be a long haul** – The latest inflationary data releases, figures for Total Personal Consumption Expenditure (PCE) in March came in 20bps higher at 2.7% as compared to February's 2.5% (it is also above market expectation of 2.6%). This was contributed mainly by an increase in spending on services (healthcare) and goods (gasoline), while Core PCE which excludes food and energy came in at 2.8% YoY respectively (also slightly above market expectation of 2.7%). (Figure 1). For March's Consumer Price Index (CPI), total CPI and Core CPI also reflected higher numbers at 3.48% YoY and 3.8% YoY, respectively, compared with February's figures of 3.15% and 3.75%. Although inflation did trend down for the past year it appears that it is proving more persistent than expected.
- Rate cuts are still on the table but hanging in limbo** - Albeit no Summary of Economic Projection (SEP) was provided in this meeting. Chairman Powell mentioned even though inflation appears to be sticky, the probability of rate cuts happening this year has not been taken off the table. Nevertheless, the recent data pointers did not garner the confidence that the committee was looking for. Hence, it would be appropriate to continue monitoring and holding off on the rate cuts while holding the rates steady for the time being. Additionally, the uncertainty of potential rate hikes was also weaned off when it was stated as unlikely during the meeting.
- Mixed feelings within the Market** – Equities moved up higher during the meeting but the gains were later diminished at the end of the day. Dow Jones Industrial Average crept slightly higher at +0.23% to 37,903.129, while the S&P500 (-0.34% to 5,018.39) and NASDAQ ended slightly lower (-0.33% to 15,605.48).
- Capitalize while rates still hover** – For investors who wish to seek fixed-income opportunities, new bond issuances and treasury are currently still offering at an attractive coupon rates. An example would be the newly issued 5.1% SGD bond by Hotel Properties just last week. The order book for this issuance was approx. 2 times oversubscribed on the issuance date and currently, it is trading on the secondary market at an Ask price of 100.35 giving a yield of 5.02%. If interested, at Phillip, we do offer bond trading and it is available on our POEMS platform. For more information please visit <https://www.poems.com.sg/bonds/>.

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**Figure 1: Inflation remains sticky dwindling optimism in the market**



Source: US Bureau of Economic Analysis, PSR

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