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# Instant Thoughts

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## No Cutter's Remorse

- Powell won't "guess", "speculate" and "assume" the imposition of Trumpian tariffs. Said differently, patience is warranted only when approaching the neutral zone. This pushes the bar for a skip in December to a reasonably high level.
- This spineless reaction could lead to a squeeze of fixed-income shorts briefly.
- The elephant is, however, what will the Fed do once Trump levies sweeping tariffs, as he has said he would. The possible hawkish tilt helps establish a floor for the greenback.

And so the Fed cut by 25 bps, unanimously.

Reporters tried to get Chair Powell's confession about the speed to reach the neutral rate. When asked about the likelihood of a back-to-back cut, he dropped a hint that it remains his base case. He characterized inflation as well-behaved. He said flatly that the labor market has cooled a "great deal" and "we don't need further cooling". His tone might feel less urgent than that of Jackson Hole, but his confidence isn't.

To err is human. Powell won't "guess", "speculate" and "assume" the imposition of Trumpian tariffs. One thing we don't need to speculate: Trump will go after him early and often in 2025. Patience is warranted only when approaching the neutral zone. This pushes the bar for a skip in December to a reasonably high level.

Where does that leave the bond market outlook? This spineless reaction could lead to a squeeze of fixed-income shorts briefly. The elephant is, however, what will the Fed do



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once Trump levies sweeping tariffs, as he has said he would. The possible hawkish tilt helps establish a floor for the greenback.



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