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Instant Thoughts

8 May 2025

Better Late Than Wrong

- **Fed Chair Powell refused to get into hypotheticals. His hesitation has effectively taken June off the table.**
- **It becomes self-evident that re-anchoring inflation expectation is much harder than averting recession by delivering rate cuts. We think the Fed will kick things off in September.**
- **The tariff chicken is coming home to roost. The DXY could re-test its previous lows where most dip-buyers emerge.**

For travelling, it's the leisure strolls through its streets and the casual conversations with locals that bring a city's story to life. Likewise, Powell's hawkish undertone is more revealing than the on-hold decision itself.

Powell refused to get into hypotheticals when reporters tried to tease out threshold for further cuts. "There's no real cost to our waiting at this point. Also, the sense of it is, we are not sure what the right thing will be," he replied. Powell's hesitation has effectively taken June off the table. Even the July meeting is in doubt. What could go wrong with staying patient? The Fed needs more than one datapoint following the 90-day tariff truce to make any decision. Further, given the latest payroll data represented the welcome return of Goldilocks, it becomes self-evident that re-anchoring inflation expectations is much harder than averting recession by delivering consecutive rate cuts.



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It's the place where policy mistakes are made. But it's eventually Powell mistake to make. September cut is plausible. The tariff chicken, despite a watered-down one, is coming home to roost. Higher prices will collapse down on the shoulders of the faltering economy. Recall that from the status quo to the delivery of rate cut is often but a meeting. "We don't see things as they are, we see them as we are," as the novelist Anaïs Nin told us. With the need for diversification and FX hedging occupying the thoughts of many, the DXY could re-test its previous lows where most dip-buyers emerge.



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