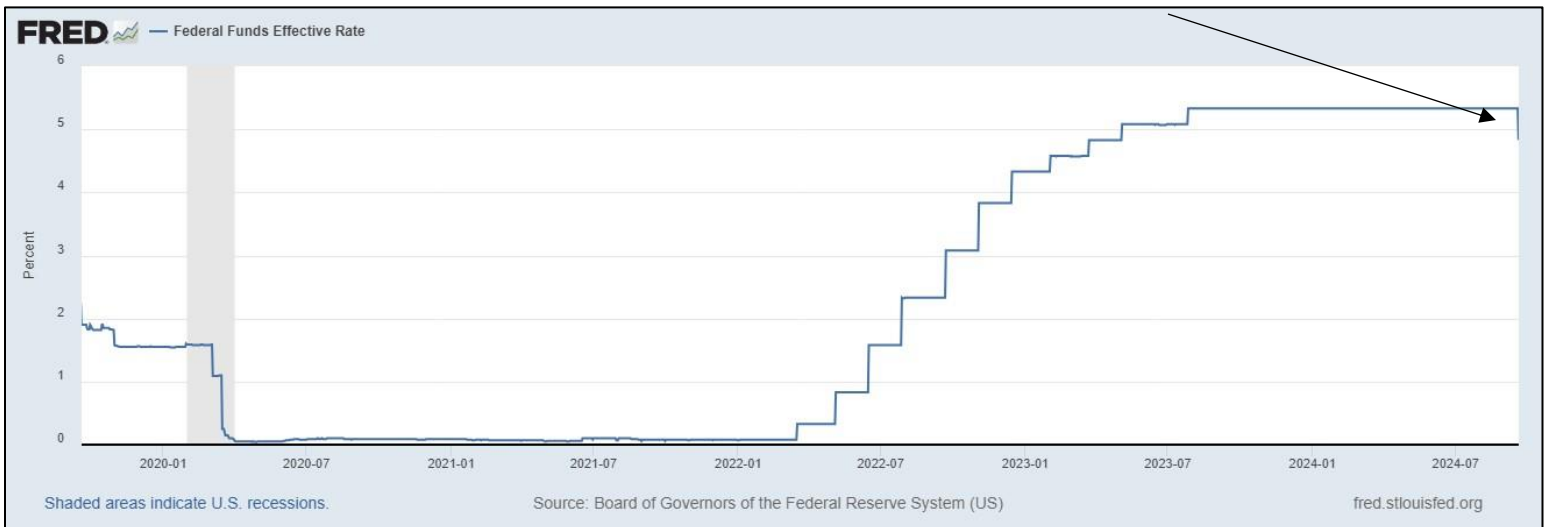


September 23, 2024

Macroeconomic

The Federal Reserve has officially begun its rate cutting cycle. Before we move forward in the market report, let's revisit why we discuss the broader U.S. economy essentially every week. Because in many ways it can sound like a broken record. Inflation, unemployment rate, jobs numbers, and interest rates. While it may certainly seem repetitive, the reason to constant monitor key indicators (like mentioned above), is to understand when tides change. We are at the point in our U.S. economy where the tide is changing. The Fed started a rate hike cycle back in 2022 that continued into 2023. The stated purpose was to bring down inflation. Rates stayed elevated to combat inflation through September of 2024. Last Wednesday's 50-basis point rate cut signaled the beginning of the rate cut cycle. Let's draw our attention back to what Federal Reserve Chairman Jerome Powell said at his August speech in Jackson Hole, Wyoming. [Powell stated](#), "The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks." To reiterate, we are now moving into the rate cut cycle from the previous cycle of hikes. So, what exactly does this mean? Well, there plenty of factors to consider.

To start, think about interest rates for things like homes and cars. Also, think about borrowing money to buy farmland or cover operating expenses. As rates begin to fall, taking a loan out for things becomes less expensive. As rates fall the incentive to borrow becomes more appealing. Now with all that being said, what else might lowering rates signal? Certainly, for market participants, and the FED, the fear is recession. The discussion around recession quieted through mid-2024. Look for increased discussion around a market downturn in the coming months. The question on the top of many investors minds is, can the Fed achieve a soft landing? Only time will tell, but for a take home for all of us should be a recognition that we are entering a new rate phase for the U.S. economy.



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