

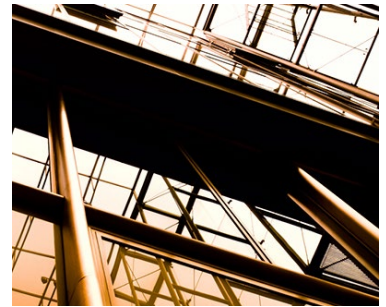


Chart of the Week

Weekly analysis of key themes in markets

July 7, 2026

Evolution of market pricing of Fed rate cuts in 2026



Sources: Bloomberg, as of June 22, 2026. Market pricing of 2026 rate movements as determined by Federal Reserve (Fed) Funds futures. A negative value reflects expected rate cuts and a positive number reflects rate hikes.

Inflation pressure push expectations toward Federal Reserve (Fed) pause

Investor expectations for interest rates have changed meaningfully this year. At the start of 2026, many investors expected the Fed to keep cutting rates. But higher inflation, partly tied to higher energy prices from the Iran conflict, has pushed markets toward expecting the Fed to raise rates.

The chart shows market pricing of the rate movements as determined by the Fed Fund futures. A value below zero indicates expected rate cuts and above zero indicates rate hikes. The market's expectation of rates has risen since the start of Iran conflict amid concerns of inflation, solid economic growth, and continued worries about the federal budget deficit.

What it may mean for investors

In our view, the Fed is likely to hold rates steady rather than raise them, even with inflation still a concern. Several forces have pushed long-term bond yields higher regardless of short-term rates. We have been unfavorable on taxable U.S. long-term bonds since early 2025 because they are more sensitive to rising rates. When yields rise, bond prices fall, and the effect is usually largest for longer-term bonds.

Tony Miano, CFA, CAIA, Global Fixed Income Analyst

Excerpted from Investment Strategy report (June 29)

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Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates.

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