MILL CREEK

February 18, 2025

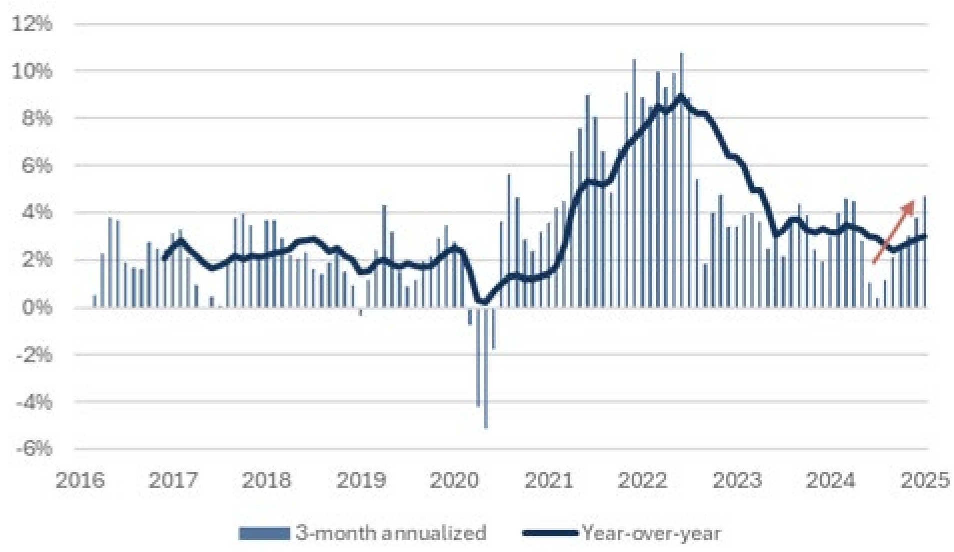
Weekly Market Commentary

Too Hot

By Michael Crook, Chief Investment Officer

Inflation continues to run well above the Fed's 2% target, and last week's Consumer Price Index (CPI) release indicated that price pressures are accelerating rather than subsiding (Fig. 1).

Fig. 1: US Consumer Price Index



Source: Bloomberg, Mill Creek. As of February 12, 2025.

Why it matters

At this point, investor optimism for a sustained rate cutting cycle has been completely erased from the market and even Fed Chair Jerome Powell has said that the Fed doesn't need to rush on rate cuts, which is a big shift in his thinking from just six months ago.

The economy and labor market remain strong, which means we shouldn't expect rate cuts from the Fed until we see sustained labor market weakness. Until then, we expect higher volatility in equity markets and an upward pressure on bond yields.

Disclosures & Important Information