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Market Commentary

Charts of the Week: Further Rate Cuts are Unlikely

By Michael Crook, CAIA, Chief Investment Officer

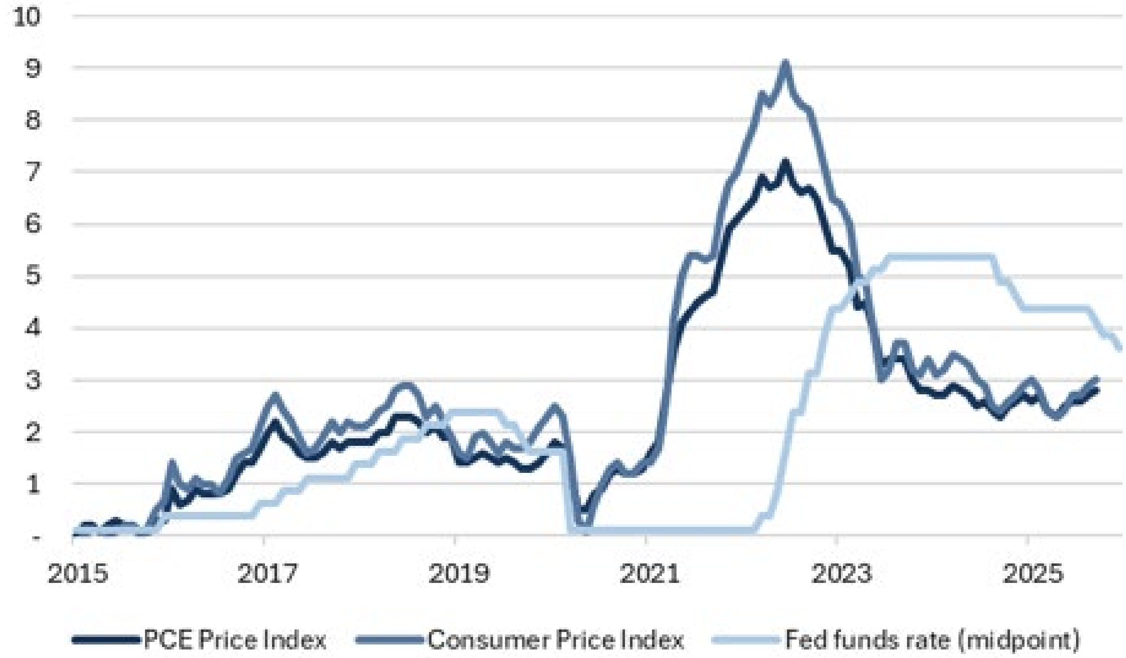
The Federal Reserve cut the Fed funds rate to a range of 3.5-3.75% last week. Three voting members dissented. Chicago Fed President Austan Goolsbee and Kansas City Fed President Jeffrey Schmid both voted against a cut, whereas newly appointed governor Stephen Miran wanted a 0.5% cut.

Economic data is working against cuts in 2026:

1. Inflation remains elevated around 3% (Fig. 1), and
2. Labor markets have not deteriorated (Fig. 2).

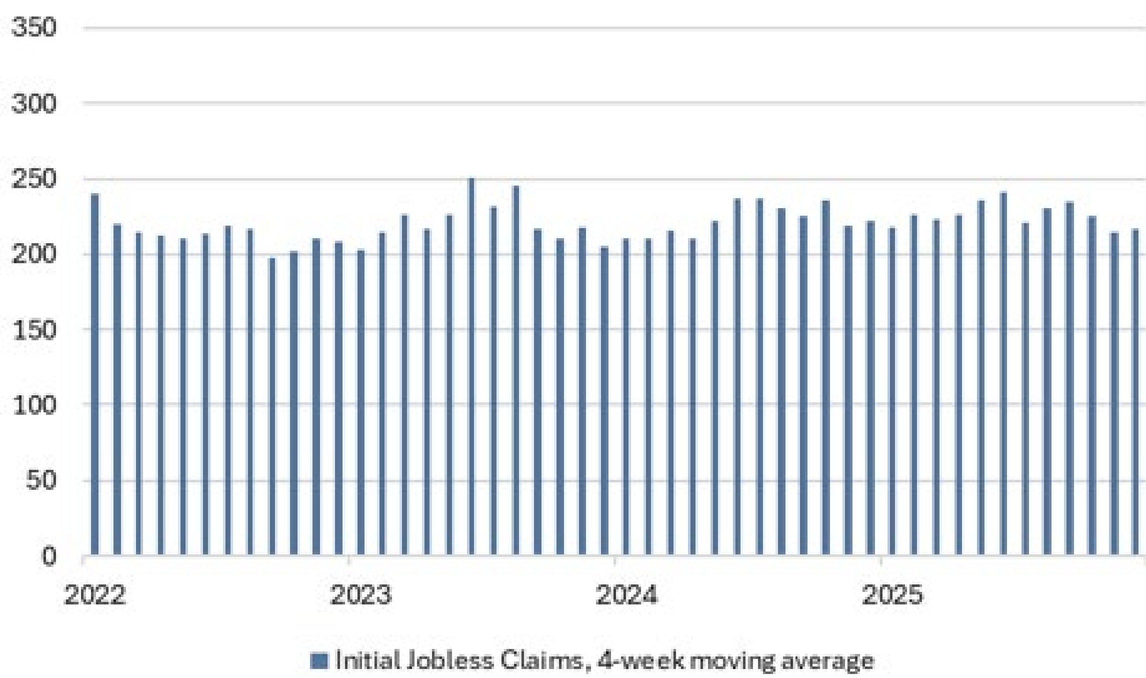
The Fed pinned the recent rate cut cycle on deteriorating payroll growth, but we knew in real-time [The Labor Market is Slowing, September 15, 2025] that the shutting of the southern border was responsible for much or all of the slowdown. In that vein, the Dallas Fed recently published an article that found a break-even payroll growth rate of 30,000 for the US. While the government shutdown muddled the recent releases, payroll growth appear to still be at or above that rate.

Fig. 1: Inflation and the Fed funds target (%)



Source: Bloomberg, Mill Creek. As of 12/11/2025.

Fig. 2: Initial Jobless Claims have not moved upward



Source: Bloomberg, Mill Creek. As of 12/11/2025.

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