Correction: In the previously distributed version of this piece of commentary, we erroneously included a reference to a Fed preparing the market for a rate "hike".

This was an error and should have referred to preparing the market for a rate "cut". The commentary below has been corrected. We apologize for any confusion.

Last week we focused on the collapse in global yield curve slopes, arguing that unless the Fed opens the door to rate cuts in June, the curve inversion would persist.

In just two days, successive comments from Fed speakers - including Chairman Powell today - has put a rate cut on the table for the June 19 FOMC.

Don’t forget, that the Fed goes into media blackout at the end of this week in the buildup to the rate-setting meeting.

That means if it wants to prepare the market for a cut from the dead-neutral stance it has unequivocally maintained through last week, it has to make the effort now – and it seems
to have done so.

While this might provide the markets some relief and help re-steepen yield curves, the real issue that prompted the dovish pivot by the Fed - and other central banks - has been the impending signs of a global demand slowdown and the threat of more policy errors (tariffs, Brexit, et al).

We have been arguing since the end of last year that global demand was characterized by fading momentum, and that prediction is bearing true.

Yen has rallied hard against non-dollar crosses; that's as much about growth and trade concern as it is market volatility.

EM carry is enjoying a nascent rally, however, and the dynamic of the yen and EM carry will tell us more about what exercising the "Powell Put" means for markets and the real economy.

For a deeper dive, click here.

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