Capital Markets Strategy

Essential inCights for the C-Suite

Chart of the Day

Looking at Fed easing cycles since 1980, the Fed has historically begun its next easing cycle approximately 7 months after the its last rate increase. Though subject to "corrections" if the economy dips into recession, markets generally perform well during easing cycles, with the 10 year UST rallying an average of 90 bps and equities up +16% in the 12 months immediately following the last Fed rate hike.

Federal Reserve Easing Cycles Since 1980

				Performance in the 12 months following the end of Fed tightening cycle	
Date of Last Rate Hike	Time between Last Rate Hike & First Rate Cut	Total Rate Cuts in 12 months After Last Rate Hike	Total Rate Cuts Over Entire Easing Cycle	10 Year UST	S&P 500
1981	5 months	200 bps	550 bps	+47 bps	(-16%)
1984	6 months	119 bps	350 bps	(-154 bps)	+10%
1989	3 months	150 bps	675 bps	(-84 bps)	+13%
1995	5 months	75 bps	75 bps	(-206 bps)	+36%
1997	18 months	0 bps	75 bps	(-113 bps)	+40%
2000	8 months	250 bps	550 bps	(-98 bps)	(-12%)
2006	15 months	0 bps	500 bps	(-17 bps)	+18%
2018	7 months	75 bps	225 bps	(-83 bps)	+28%
Median	**7 months**	**97 bps**	**425 bps**	**(-91 bps)**	**+16%**

Source: (1) Bloomberg. Fred Economic Data St. Louis Fed. Note: Discount rate used before 1988. Fed Fund based on upper bound.

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"Macro stability isn't everything, but without it, you have nothing."