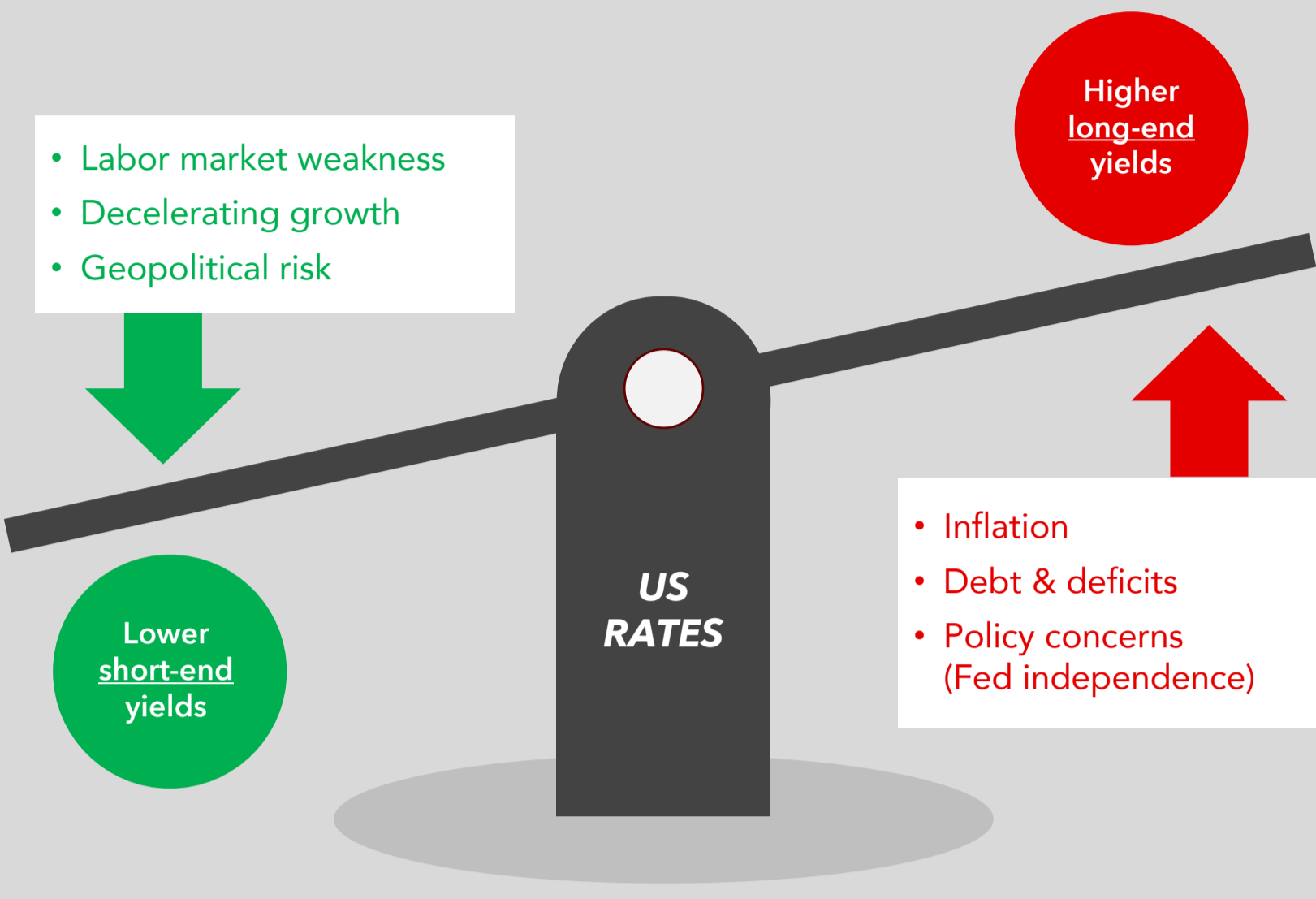


Chart of the Day



Tension in the Yield Curve

In less than 12 months, the UST yield curve has **made a volatile transition from inversion to dis-inversion and rapid steepening**. Elevated uncertainty at the front and long end of the curve has been driven by competing policy objectives across the geopolitical, monetary, fiscal, trade and regulatory arenas.



Three Dissents Are Very Rare in Fed History

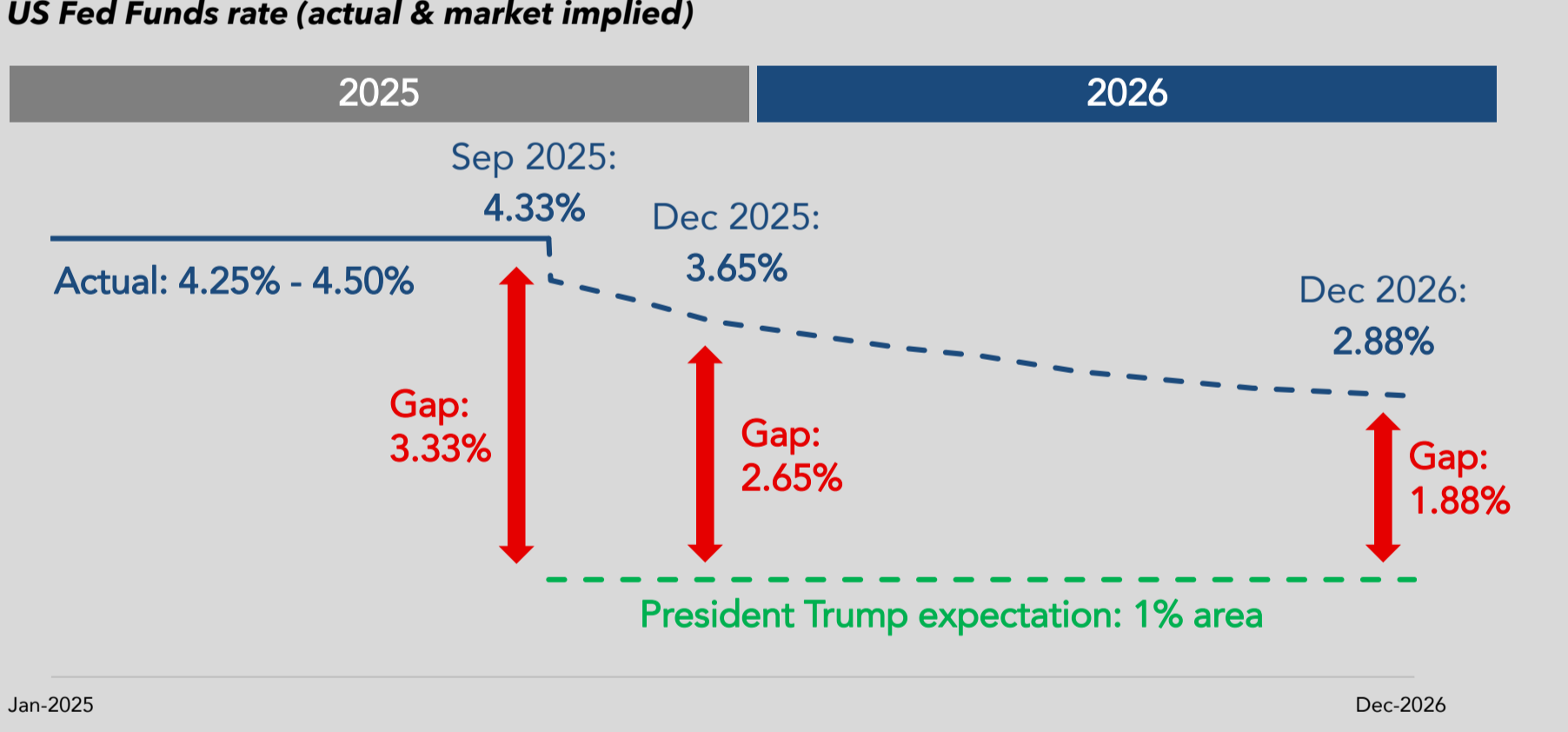
Three dissents at a FOMC meeting are highly unusual and have occurred only very rarely in Federal Reserve history, the last time being 1988. If the Fed only cuts 25 bps at its September meeting, three dissents may follow from recent Trump appointee Stephen Miran, as well as two other Fed Governors with ambitions to replace Powell as Chair, Chris Waller and Michelle Bowman.

FOMC voting members & term expiry

Fed Board of Governors	NY Fed President	Rotating Regional Presidents
<div> Jerome Powell May 2026 (Fed Chair) Jan 2028 (Governor)</div> <div> Philip Jefferson Fed Vice Chair Jan 2036</div> <div> Michelle Bowman Fed Vice Chair for Supervision Jan 2034</div>	<div> John Williams Jun 2028</div>	<div> Susan Collins Feb 2026</div> <div> Jeffery Schmid Feb 2026</div>
<div> Stephen Miran Jan 2026</div> <div> Chris Waller Jan 2030</div> <div> Michael Barr Jan 2032</div> <div> Lisa Cook Jan 2038 (Fired by Trump)</div>		<div> Alberto Musalem Feb 2026</div> <div> Austan Goolsbee Feb 2026</div>

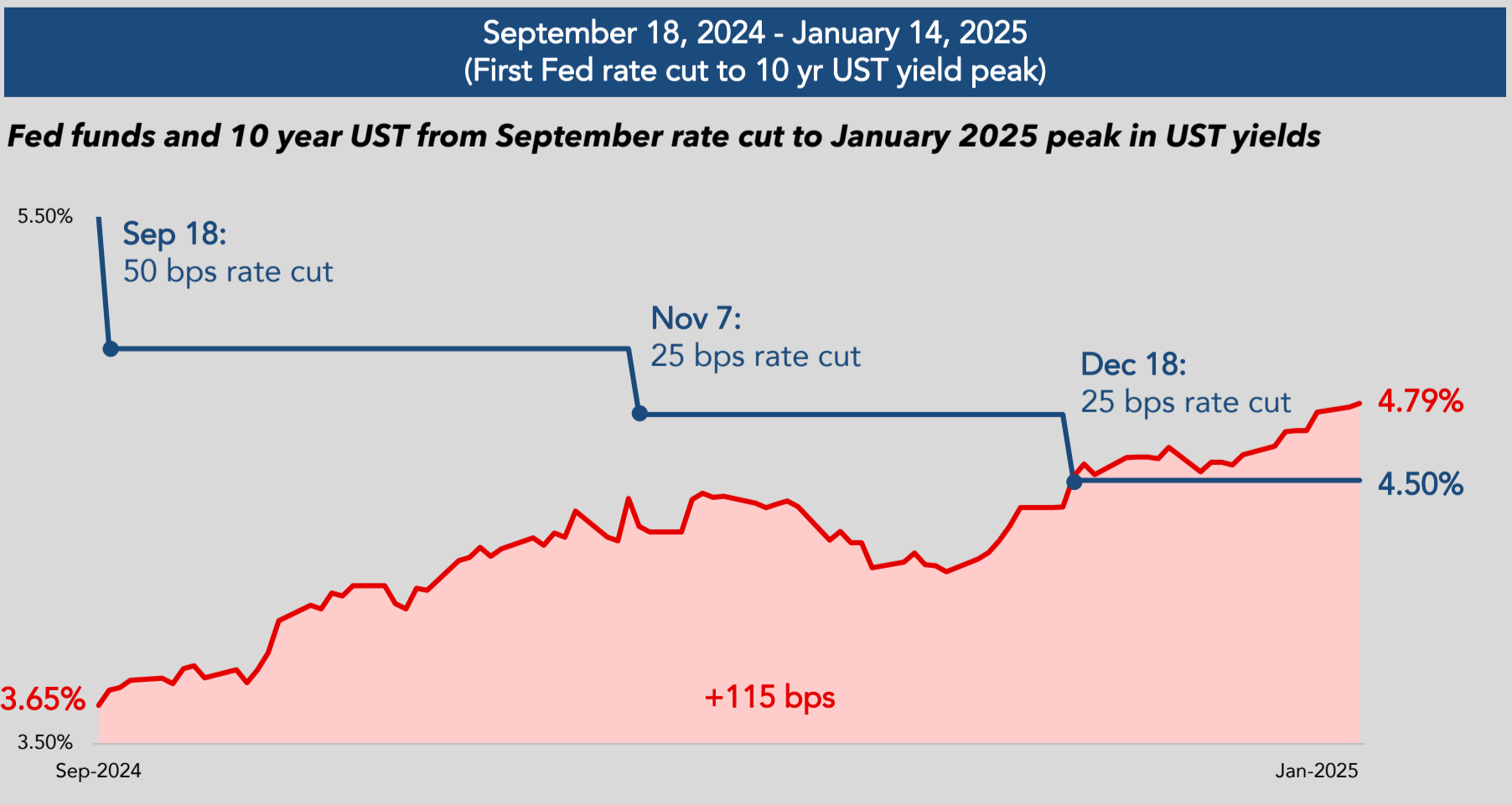
US Rate Policy Expectations

Market view: Following weak US labor data in August, Fed Fund futures repriced for a more significant policy easing path, currently expecting 2-3 Fed rate cuts by year-end 2025, and 5-6 cuts by year-end 2026.
Trump view: President Trump has been very vocal on expectations for immediate and substantial Fed rate cuts down to as low as the 1% area.
Fed view: The Fed continues to emphasize a data dependent approach, balancing inflation risks and growth concerns.



Even If the Fed Cuts, Rates May Rise

Even if the Fed resumes its easing cycle at the September meeting, 10 year UST yields may rise anyway, especially if the rate cut is deemed to be politically driven. Between September and December 2024, the Fed cut policy rates 100 bps and the 10 year UST yield instead rose more than 100 bps over roughly the same period. At the time, bond yields traded less on Fed policy, and more on the public policy expectations of a new President (i.e., pro-growth deregulation, fiscal expansion and hawkish trade policy - all of which are inflationary).



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“Macro stability isn’t everything, but without it, you have nothing.”