

The odds of a 50 basis point rate cut on July 31 topped the 70% mark in the wake of a dive in leading indicators.

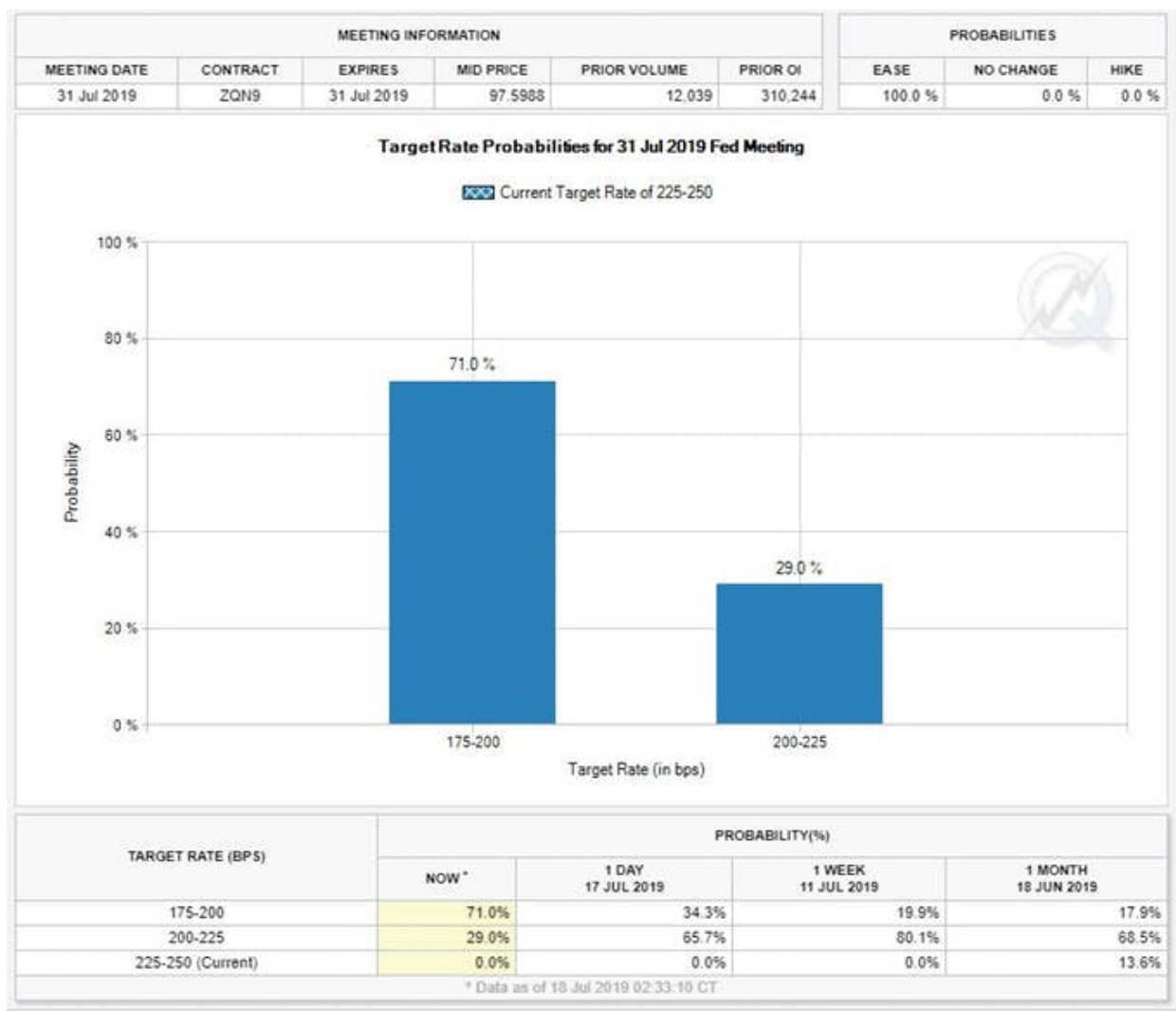
### Half-Point Rate Cut Odds Hit 71%

TARGET RATE (BPS)	PROBABILITY(%)		
	NOW *	1 DAY 17 JUL 2019	1 WEEK 11 JUL 2019
175-200	71.0%	34.3%	19.9%
200-225	29.0%	65.7%	80.1%
225-250 (Current)	0.0%	0.0%	0.0%

\* Data as of 18 Jul 2019 02:33:10 CT

**MishTalk**

CME [Fedwatch](#) notes a huge jump in the odds of a 50 basis point cut by the Fed on July 31.



This is an edited post. In the hour or so that it took me to write this, the odds jumped from 49% to 71%.

### Increasing Odds of 50 BPs Cut

- Today (one hour ago) 49.3%
- Now (2:48 PM central) 71.0%
- Yesterday: 34.3%
- 1 Week ago: 19.9%
- 1 Month Ago: 17.9%

### Why?

1. The odds jumped yesterday from the prior week on news [Housing Slowly Rolling Over: June Permits Down 6.1%, Starts Down 0.9%](#)
2. The odds jumped today from yesterday on news [Leading Economic Indicators \(LEI\) Unexpectedly Dive Into Negative Territory](#)

### What's Really Happening?

- Traders are front-running the Fed.
- History shows the Fed is highly likely to cooperate with what traders want.

That's it in a nutshell.

## Four Easy Predictions

1. ***Powell gets his name in lights***
2. ***Trump will praise the rate cuts while saying they may be too late. And if so, the Fed is to blame. Trump will have his scapegoat: Fed chair Jerome Powell.***
3. ***The market will not like a 25 basis point cut.***
4. ***The market will not like a 50 basis point cut either, although the initial reaction may be positive. Look for a gap and crap, if not immediately, within a couple days, but I expect the same day.***

## What About the Insurance Theory?

A number of Fed governors and economic writers want a big cuts for insurance purposes.

These people are economic illiterates.

## Too Late for Insurance

Rate cuts now as economic insurance is like trying to buy insurance on your car after you wrecked it.

The bubbles have been blown.

Rate cuts cannot unblow economic bubbles any more than they can unblow a horn.

## Rate Cuts Don't Matter

The bottom line at this point is an economic recession is baked in the cake. The global economy is slowing and the US will not be immune.

It's possible the US is in recession already, but consumer spending does not point that way, unless it's revised.

It's all moot.

## Fed Deflation Boogeyman

The Fed has been fighting the deflation boogeyman.

Yet, the BIS did a historical study and found routine deflation was not any problem at all.

*?Deflation may actually boost output. Lower prices increase real incomes and wealth. And they may also make export goods more competitive,? stated the study.*

For a discussion of the BIS study, please see [Historical Perspective on CPI Deflations: How Damaging are They?](#)

## Deflationary Bust Baked in the Cake

In the Fed's foolish attempt to stave off consumer price deflation, the Fed sowed the seeds of a very destructive set of asset bubbles in junk bonds, housing, and the stock market.

The widely discussed "everything bubble" is, in reality, a corporate junk bond bubble on steroids sponsored by the Fed.

For discussion, please see [Junk Bond Bubble in Pictures: Deflation Up Next](#)

A 50 or even 100 basis point cut won't matter now.

It's too late to matter. The debt deflation horn has already sounded.