The long end of the yield curve continued its post-FOMC decline on poor manufacturing reports and new Trump tariffs.

Bond yields were already in steep decline today on ISM news. Trump goosed the market with additional tariffs on China.

Fed Gets Unwanted Reaction

The Fed cut interest rates this week in hopes of steepening the yield curve.

Counting the FF Rate, the yield curve flattened quite a bit but inversions between 3-month and long end widened.

In its policy decision, the Fed was hoping to steepen the long end of the yield curve. The opposite happened as rates at the long end fell.

Interest Rate Spreads After the FOMC Announcement

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Arrows indicate inversions.

In the following chart, I pay particular attention to the inversion between the 10-year note and the 3-month note.

Interest Rate Spreads Prior to FOMC Announcement

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The spread between the 10-year note and the 3-month bill was a mere -1.3 basis points ahead of the announcement. It is now -7.1 basis points.

So much for the notion a rate cut would steepen the curve.

Yield Curve Following Decision

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Following the decision the Rate Cut Odds Shrank Dramatically.

I don't buy it. This is a recessionary reaction.

Expect more cuts than are priced in.

The bond market does not believe Powell's "Mid-Cycle" Adjustment speech following the announcement and neither do I.

Inversions continued to strengthen today on Manufacturing reports: ISM and Markit PMI On Verge of Contraction.

Even before Trump's tariff announcement, I commented that "*I Expect Contraction Next Month*."

A global manufacturing recession has already started. Trump's unwise move increases the odds of an economic recession soon, assuming it has not already started.