
"MARCH"ING OUT LIKE A LAMB

Kevin Flanagan — Head of Fixed Income Strategy

03/20/2019

The transformation of [Federal Reserve \(Fed\)](#) policy continues. What was viewed as a [hawkish Federal Open Market Committee \(FOMC\)](#) outcome at the December meeting has now morphed into a more [dovish](#) outlook. In fact, one could conclude the Fed is leaving March by "going out like a lamb."

So far in 2019, Fed policy decisions have graduated to be less about an actual rate move to the question of what the [blue dots](#) are saying instead. Remember, these blue dots represent the policy makers' own projections for the future Federal Funds Target Rate over a period of time. So, not moving the rate at an official FOMC meeting during the first half of this year is not necessarily of paramount importance, nor expected, for that matter. Instead, it has become all about their policy statement and Fed Funds forecasts.

With that in mind, the results of the March FOMC gathering were being anxiously awaited. Interestingly, fixed income investors had become accustomed throughout 2017 and 2018 to the Fed essentially guiding the markets as to when a potential [rate hike](#) would be coming. While Fed-speak had led to expectations for no action at this latest policy gathering (the actual result on the Fed Funds Rates front), the uncertainty quotient was dialed up because investors were not as certain about the Fed's blue dot path.

Overall, the voting members do envision some slowing in U.S. growth this year, but, to quote Chairman Powell, they still feel the economy is "in a good place." This outlook was essentially confirmed in the March policy statement. In addition, the lack of [inflation](#) places no urgency on the Fed to contemplate a rate hike anytime soon, even though core measures are straddling the 2% threshold.

That brings us back to the 'blue dots' This is where things got a little interesting. At the December FOMC meeting, the Fed's projection was for two rate hikes this year. The overarching expectation was that this forecast would be dialed back, with fed funds futures priced for a revision down to no increases at all for 2019. The policymakers delivered on this front and gave the markets an early Spring present by matching their expectations. For the Fed to move from 'two' increases down to 'none' is a rather large adjustment from a central bank's point of view, and begs the question, does the FOMC foresee a more pronounced economic slowdown looming ahead.

Conclusion

Don't forget the balance sheet. The Fed also gave us an indication that the drawdown will be coming to an end during the second half of this year. The Fed, and the UST market as a result, is in data-dependent mode—but what happens if the data reveals that Q1 was the trough in activity? There's still a lot of 2019 to go, and if the economy does improve going forward, it could be a bumpy ride.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Kara Marciscano, Jianing Wu and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

DEFINITIONS

Federal Reserve : The Federal Reserve System is the central banking system of the United States.

Hawkish : Description used when worries about inflation are the primary concerns in setting monetary policy decisions.

Federal Open Market Committee (FOMC) : The branch of the Federal Reserve Board that determines the direction of monetary policy.

Dovish : Description used when stimulation of economic growth is the primary concern in setting monetary policy decisions.

Blue dots : the midpoint target range/level of the FOMC participants' projections for the future Federal Funds Rate.

Rate Hike : refers to an increase in the policy rate set by a central bank. In the U.S., this generally refers to the Federal Funds Target Rate.

Inflation : Characterized by rising price levels.