



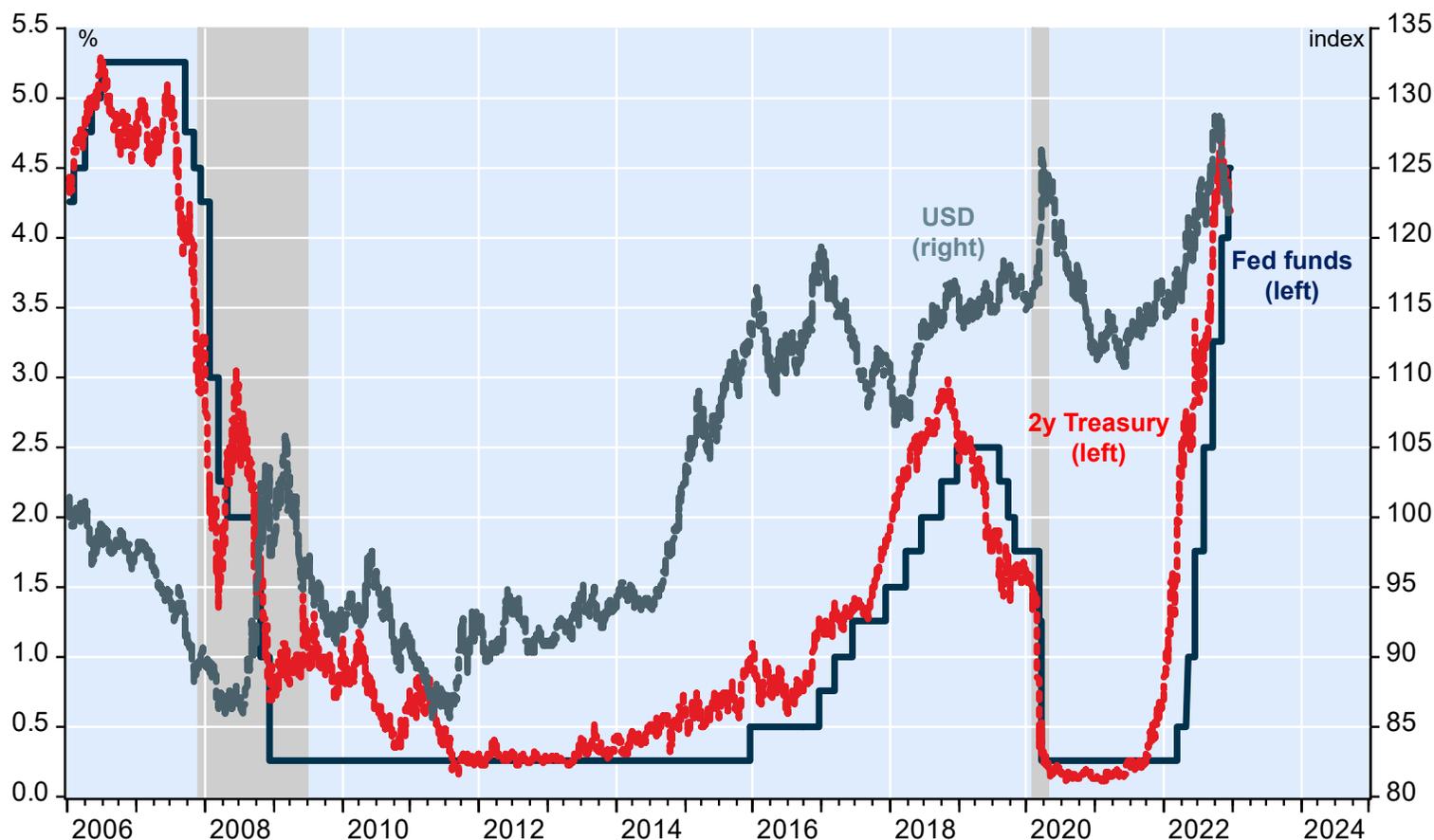
FOREX

By Stéfane Marion

In its last dot plot of 2022, the FOMC was even more hawkish than just three months ago with the committee now seeing more rate hikes in 2023 with no rate cuts before 2024. But the Federal Reserve has yet to convince the markets, or us, that it will walk the talk of its latest guidance. Following Chairman Powell's press conference, the two-year Treasury yield fell below the federal funds rate for the first time in this tightening cycle. As today's Hot Chart shows, such an inversion at this stage of the economic cycle has historically been negative for the greenback - until a recession occurs (which is not our base case at this time).

U.S.: Market not buying the Fed's guidance suggests weaker USD

Fed funds rate, 2-year Treasury yield and broad U.S. dollar index (26 currencies)



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